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INTERNATIONAL NEWS

After Long Haul, USMCA Redefines North American Trade

For more than 25 years, the North American Free Trade Agreement (NAFTA), which built the continent into one of the most efficient and competitive trade blocs in the world, has been the law of the land.

On July 1, rules for trade in North America will change with the United States-Mexico-Canada Agreement entering into force. USMCA hopefully will build on the success of its predecessor and lead to even greater trade between individuals in the region.

First and foremost, USMCA maintains the free-trade area that was established in 1994 with zero tariffs on nearly all goods trade among the U.S., Mexico, and Canada. That's great news for Americans who have enjoyed the freedom to trade with their closest neighbors for more than two decades.

USMCA makes huge strides in the areas of intellectual-property protection and open digital trade. The agreement also bans data localization—a burdensome nontariff barrier that requires data centers to be located in the same country where the data is collected—and protects source code.

One of the primary burdens to American businesses during the renegotiation of NAFTA was the uncertainty that the talks injected into the economy.

After President Donald Trump initially signed off on USMCA, a great deal of uncertainty persisted because Congress took more than a year to approve the agreement—and it made significant changes prior to approval. Trump signed the congressionally approved deal Jan. 29.

With USMCA now set to take effect, individuals and companies that engage in trade can have greater confidence that the rules will not change for the time being.

It's unclear how confident businesses will be because USMCA has a 16-year lifespan and could be revised after six years. It's possible for the agreement to be extended, but that kind of provision is new for a trade agreement, and there remains some concern about the effects it will have on investment.

Similarly, automakers in North America are still working to develop transition plans to conform to new, more restrictive rules of origin while attempting to remain competitive.

Thankfully, the Office of the U.S. Trade Representative granted those companies an additional six months to transition to meet the new rules and save automakers from paying tariffs on imports during that time.

The agreement should also allow for more efficient state-to-state dispute settlement, a function that existed under NAFTA but was rarely utilized.

U.S. concerns regarding biotechnology products are expected to be one of the first imports disputed using this mechanism. U.S. Trade Representative Robert Lighthizer also told congressional committees in mid-June that he expects to utilize USMCA's special labor dispute system "early and often."

While some uncertainty persists regarding the intricacies of USMCA rules and implementation, the pact's debut undoubtedly marks the continuation of the status of the region as one of the freest trade blocs in the world.

Source: thehill.com– Jul 01, 2020

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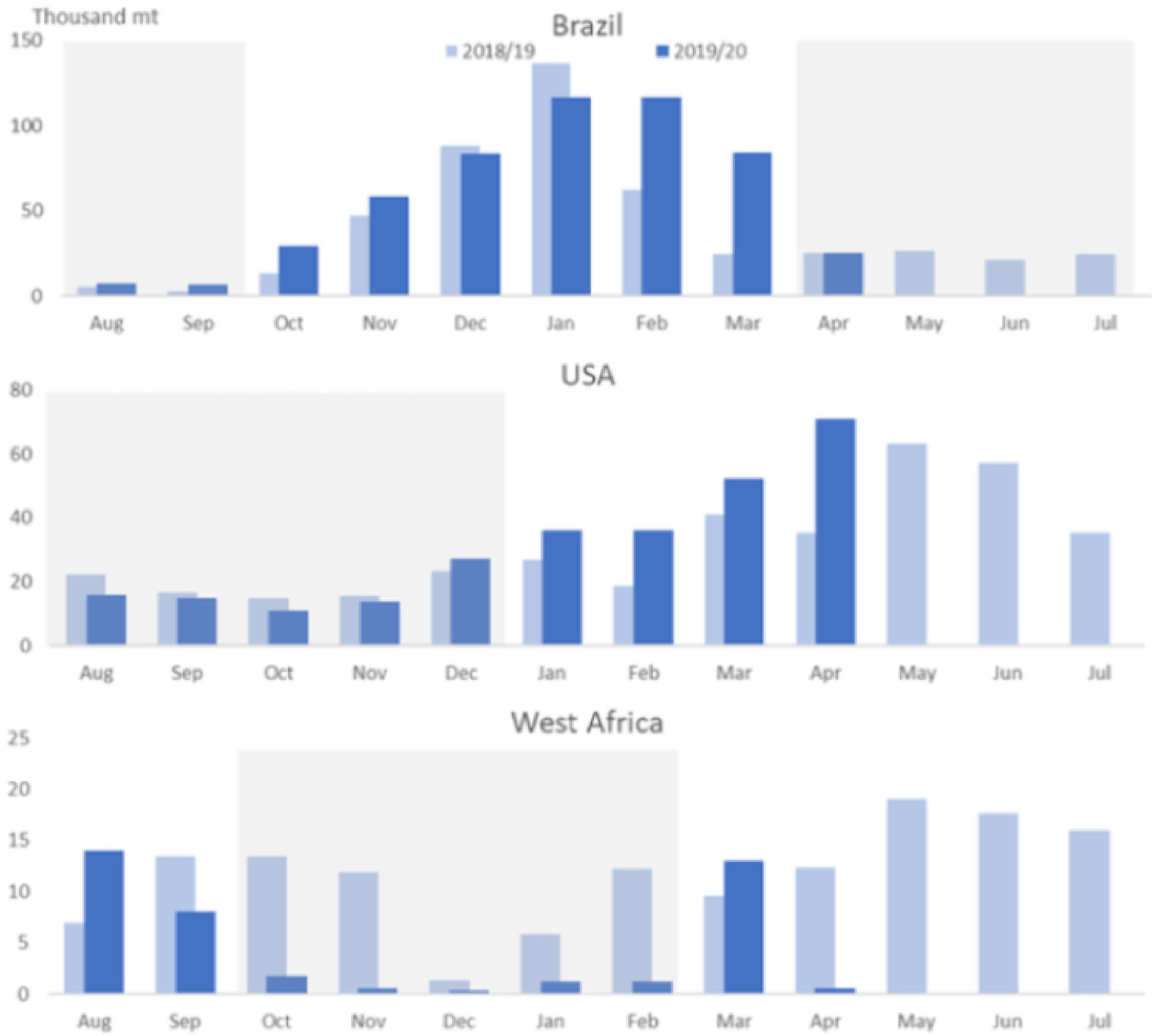
Brazil Sees Huge Jump in Share of China's Import Market but Most Countries Will See Declines Ranging from 7% to 73%

Highlights from the July 2020 Cotton This Month include:

- China and the USA will remain the world's top importer and exporter
- Brazil's share of China's import market increased 170% in 2018/19 as US exports to China wilted under the 25% tariff
- Through the August – April period of the 2019/20 market year, US exports to China are up significantly but most countries will see their shipments to China decrease between 7% and 73%
- The Secretariat's current projection for the year-end 2019/20 average of the A Index has been revised to 71 cents per pound this month
- The price projection for the year-end 2020/21 average of the A Index is 58 cents per pound this month

Imports to China from Brazil and the United States Increase as Imports from West Africa Decrease



The COVID-19 pandemic has turned the cotton world upside down, but not everything has changed in the past six months. China and the United States, for example, have suffered from the virus like every other country recently — and continued to batter each other with tariffs, as well — but they will remain the world's largest cotton importer and exporter, respectively.

Although Phase One of their trade agreement went into effect on 20 February, the cotton industry had already seen several changes as a result of the troubles:

- Brazil has been the prime beneficiary of the USA's losses in China, as the South American country saw its share of the Chinese import market increase by 170% in 2018/19.

- The news isn't all bad for the USA, which is still expected to export 3 million tonnes globally in 2019/20 and from August through April saw its shipments to China reach 277,000 tonnes, up 29% from the previous period.
- For the 2019/20 season, most other countries are expected to find their shipments to China decrease, with West Africa's exports declining by 48% and other countries that export to China seeing contractions ranging from 7% to 73%.

In terms of prices, The Secretariat's current projection for the year-end 2019/20 average of the A Index has been revised to 71 cents per pound this month. The price projection for the year-end 2020/21 average of the A Index is 58 cents per pound this month.

Source: icac.org– Jul 01, 2020

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China: 2020 state cotton reserves sales to commence from July 1, 2020

In order to optimize reserved cotton structure and ensure the quality, the National Food and Strategic Reserves Administration released the announcement about state cotton auction in 2020.

The state cotton auction will start from July 1 and last to September 30, 2020, with the total quantity of about 0.50 million tons. In principle, the daily auction volumes are about 8,000 tons. The base selling price will continue to be related with international cotton prices, and the calculation will be showed below.

Moreover, the announcement also states that the state cotton reserves policy may be implemented according to the actual state cotton auction and market supply and demand.

The base selling price is set at the average price of international cotton and domestic cotton, which will be adjusted every week. During the auction, if the domestic cotton price index is below 11,500yuan/mt, the auction will be suspended next working day, and when the domestic cotton price index is above 11,500yuan/mt for consecutive three days, the auction will restart the next working day.

Formula:

Base selling price (cotton type 3128B)=average price of prior week's domestic cotton prices*50%+average price of prior week's international cotton price*50%.

1. Domestic cotton price=(China Cotton Index+CNcotton)/2;

2. International cotton price=Cotlook A Index (converted to USD per ton)*exchange rate*(1+1%import duty)*(1+9%VAT)

3. The exchange rate is the benchmark exchange rate of the foreign currency against the RMB announced by the People's Bank of China, based on the customs taxation method and the third Wednesday of the previous month (if it is on public holiday, the fourth Wednesday is postponed).

Source: ccfgroup.com– Jul 01, 2020

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Japan's textile and apparel demand still improved in May

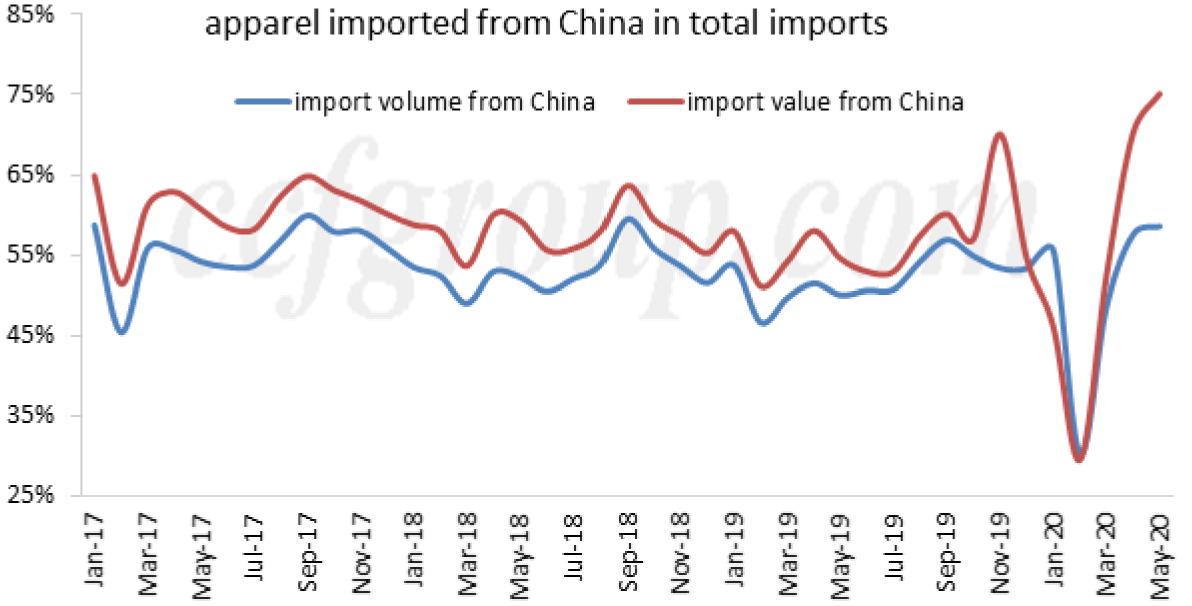
The latest data shows that Japan imported 191,000 tons of textile and apparel in May, down by 9.9% year-on-year and 21.3% month-on-month; the volume from China was 112,000 tons, up by 5.4% year-on-year and 19.9% month-on-month.

Import volume and value of Japan's textile and apparel

	import volume(unit:kt)				import value(unit: billion yen)			
	Total	from China	y-o-y change total	y-o-y change from China	Total	from China	y-o-y change total	y-o-y change from China
1-Jul-19	238.8	121.1	8.3%	5.6%	361.312	191.266	6.0%	0.6%
1-Aug-19	242.8	131.6	-3.0%	-2.1%	383.697	220.276	-6.0%	-6.8%
1-Sep-19	261	148.5	2.9%	-1.6%	394.789	237.268	-3.7%	-9.1%
1-Oct-19	264.3	144.9	-7.9%	-9.5%	383.079	218.342	-14.2%	-17.7%
1-Nov-19	232.7	124.1	-6.6%	-7.1%	313.866	219.966	-11.7%	7.9%
1-Dec-19	220.4	117.5	0.9%	4.5%	312.311	170.336	-1.8%	-3.0%
1-Jan-20	249.3	138.5	2.8%	6.3%	375.111	172.86	3.2%	-18.0%
1-Feb-20	139.2	42.1	-27.1%	-52.8%	188.671	55.563	-35.7%	-63.0%
1-Mar-20	216.5	105.3	-2.0%	-4.0%	324.293	170.32	-2.9%	-5.8%
1-Apr-20	243.2	139.9	8.8%	21.5%	419.416	294.605	25.3%	51.7%
Jan-Apr 2020	848.1579	425.6957	-3.4%	-4.1%	1307.49	693.3479	-1.4%	-5.8%

During Jan to May, Japan's cumulative textile and apparel imports reached 1040,000 tons, down by 4.7% year-on-year, and that from China was 538,000 tons, down by 2.3% year-on-year, accounted for 58.6% of the total Japan's textile and apparel imports, up 1.1% month-on-month.

Proportion of import volume and value of Japan's textile and apparel imported from China in total imports



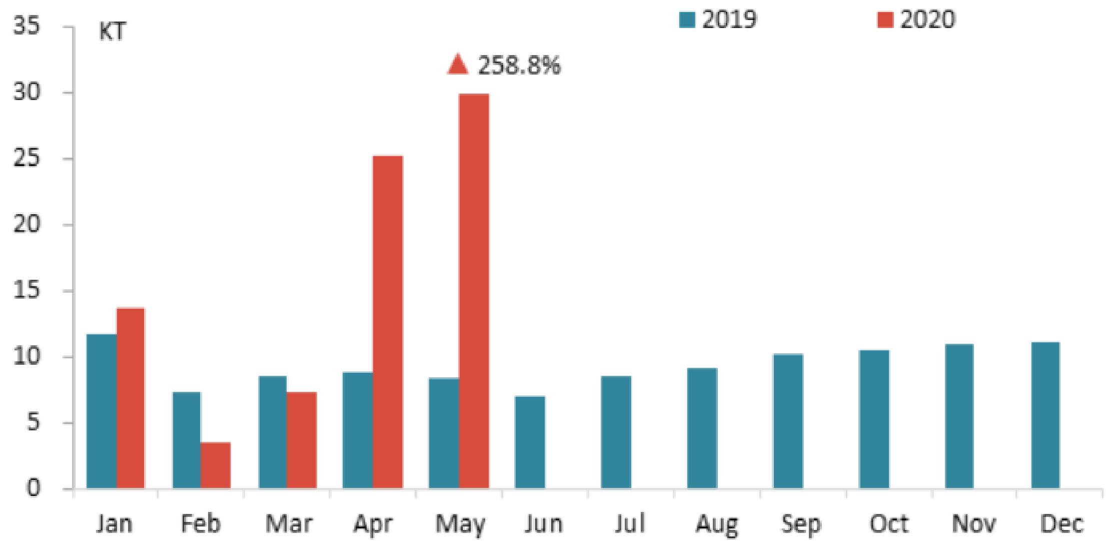
Import volume and value of Japan's apparel

	import volume(unit:kt)				import value(unit: billion yen)			
	Total	from China	y-o-y change total	y-o-y change from China	Total	from China	y-o-y change total	y-o-y change from China
1-Jul-19	9.0	5.4	13.2%	7.6%	2731.5	1468.3	6.3%	0.0%
1-Aug-19	10.8	6.9	-0.3%	-0.9%	3077.9	1799.9	-4.7%	-6.1%
1-Sep-19	11.8	8.0	-0.5%	-4.0%	3120.8	1925.0	-4.7%	-10.0%
1-Oct-19	11.4	7.3	-8.9%	-12.0%	2964.9	1715.7	-14.7%	-19.0%
1-Nov-19	8.5	5.3	-8.7%	-11.1%	2294.8	1270.4	-11.5%	-16.2%
1-Dec-19	8.3	5.1	5.6%	4.9%	2334.9	1282.9	0.6%	-1.8%
1-Jan-20	9.7	6.2	6.5%	7.0%	2886.9	1719.6	5.0%	5.6%
1-Feb-20	4.4	1.4	-39.4%	-64.8%	1406.3	403.6	-37.3%	-65.8%
1-Mar-20	8.1	4.5	-2.3%	-6.1%	2397.8	1251.7	-4.7%	-9.5%
1-Apr-20	8.3	5.4	-1.0%	3.7%	2328.9	1478.6	-6.7%	-1.3%
1-May-20	4.9	3.2	-29.2%	-23.3%	1364.4	848.1	-33.0%	-26.4%
Jan-May 2020	35.3	20.7	-11.4%	-13.7%	10384.2	5701.8	-13.8%	-16.6%

In terms of value, the import value of Japan's textile and apparel in May reached 342.38 billion yen, up by 17.1% year-on-year but down by 18.4% month-on-month; while that from China reached 257.13 billion yen, up by 61.2% but down by 12.7% month-on-month. During Jan to May, Japan's cumulative textile and apparel imports value was 1,649.87 billion yen, up by

1.9% year-on-year; that from China was 950.48 billion yen, up by 6.2% year-on-year.

JAPAN'S TEXTILE AND APPAREL UNDER HS CODE 6307900 FROM CHINA



From the perspective of the proportion of import volume and value of Japan's textile and apparel imported from China in total imports, both the volume and value somewhat rose. In May, the value reached 75.1% and the volume accounted for 58.6%.

Import volume and value of HS code 6307900

	import volume(unit:kt)				import value(unit: billion yen)			
	Total	from China	y-o-y change total	y-o-y change from China	Total	from China	y-o-y change total	y-o-y change from China
1-Jan-20	1.6	1.4	15.7%	17.1%	154.4	124.6	9.7%	10.8%
1-Feb-20	0.5	0.4	-44.0%	-51.5%	58.5	32.5	-40.0%	-52.9%
1-Mar-20	0.9	0.7	-9.0%	-13.7%	184.4	142.6	62.1%	63.8%
1-Apr-20	2.8	2.5	164.8%	186.4%	1162.9	1102.4	913.1%	1135.1%
1-May-20	3.2	3.0	215.8%	258.8%	1487.5	1432.1	1165.7%	1552.6%
Jan-May 2020	8.9	8.0	68.8%	78.6%	3047.6	2834.2	421.7%	537.6%

From Japan's apparel imports, the imports volume of apparel in May was 49,000tons, down 29.2% year-on-year and 41.2% month-on-month; that from China was 32,000tons, accounting for 65.6% of the total, down 23.3% year-on-year and 41.4% month-on-month.

Japan’s apparel imports performed weaker than that of textiles, and it still shrank significantly year-on-year. However, imports shrinkage of textile was smaller than that of apparel. So, did the imports mainly boost by epidemic prevention materials?

In May, Japan imported 32,000 tons of HS code 6307900 (masks are also listed), up 215.8% year-on-year, accounting for 16.7% of the total, and accounting for 22.4% of the textiles; however, nearly 30,000 tons came from China, accounting for 93.6%.

In conclusion, the local epidemic appears repeatedly and the epidemic outside China is still severe. The epidemic prevention materials are still important products exported by China.

Source: ccfgroup.com– Jul 01, 2020

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Modernize Sri Lankan garment & textiles industry, urges new report

A new report, 'COVID-19 & Beyond - The impact on the Labor Market of Sri Lanka', urges the Sri Lankan government to modernize its garment and textile industry besides establishing a comprehensive social security system.

Prepared by the country's Commissioner General of Labor, Ananda Wimalaweera, the report reveals results of an e-survey of 2,764 private sector businesses, carried out by the Sri Lankan Department of Labor, to assess the scale of the problems faced by employers.

The biggest single sector among those surveyed was manufacturing, with three-quarters of these respondents coming from the key garment and textile industry. The survey found that 53 per cent of businesses had been forced to temporarily shut down their businesses during the pandemic and that only three per cent had been able to remain fully open.

The survey found that a staggering 64 per cent of the nearly 600,000 workers employed by the businesses had not been in work during the pandemic. Most were without any form of social security, making them highly vulnerable.

Only two per cent of the business surveyed had been successful in securing working capital loans from financial institutions to help them through the crisis, with another 48 per cent still awaiting the outcome of their applications. The report made a series of short-term recommendations designed to protect workers and reduce the financial pressures on employers, such as the granting of low interest loans.

And, in the medium term, it advised measures including the establishment of a comprehensive social security scheme and adopting strategies to modernize key industries such as apparel and textiles.

Source: fashionatingworld.com– Jul 01, 2020

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Post COVID 19 denim retail to continue resonating with manufacturers

The denim industry has been integrating new fabric technologies and retail formats to boosts sales for a while. However, increasing unemployment and store closures are forcing the industry to face an unfamiliar retail landscape.

These were some of the views presented at a Kingpins24 panel moderated by Edward Hertzman, President, Sourcing Journal, John Deputato, President-US Apparel, The NPD Group and Mark Cohen, Director, Retail Studies and Adjunct Professor at Columbia Business School. The panel focused on how the COVID-19 pandemic is causing enormous changes within the global denim industry.

Boost to online retailers

According to Dupato, the pandemic has turned even the most reluctant consumers into online shoppers. This gave a boost to operations of those retailers' with a legitimate online presence and able to fulfill orders in a reasonable way.

Following their initial rush for essentials items like toilet paper and sanitizer, etc consumers have shifted focus to comfort-driven apparel categories like innerwear, socks and pajamas.

These apparels are mostly being sold by retailers selling essentials like Walmart, Target and Amazon. Retailers, selling denims and workwear through these stores are currently doing very well.

Patience and focus to guarantee future success

Though this augers well for the industry, rising unemployment is a huge cause of concern for retailers as it will drive away millions of consumers who will now be unable to shop. Consumers' priorities will once again shift to essentials as a result of which denim retailers may have to wait for a few years for demand to return.

This year as individual states reopen on different timetables, consumers will spread out their purchases across the year. They expect brick and mortar retailers to focus on sanitization and social distancing measures in their stores. On their part, retailers expect the holiday season to be quite dismal in 2020. However, they expect online sales to accelerate with BOPIS (buy online, pick up in store) purchases gathering momentum.

A bright outlook

Casual attire is unlikely to go out of fashion anytime soon. Hence, the outlook for the denim industry remains bright. As long as manufacturers deliver consumers demand for comfort and performance, denim stands a fair chance to be part of the casual apparel rebound, believes Dupato.

Echoing the same sentiment, Cohen noted the denim business is unlikely to see any kind of decline from consumer usage point of view. It has always resonated with manufacturers across the world and will continue to do so.

In fact, retailers and manufacturers who have a powerful market share will easily tide over the crisis, said Cohen. They may not sell to as many customers as they were prior to the pandemic but will continue to sell to retailers that are doing business.

Source: fashionatingworld.com– Jul 01, 2020

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S. Korea exports in June down 10.9%, but rate of decline slows

South Korean exports in June dipped 10.9 percent from a year ago, falling for the fourth straight month but at a slower pace as global business activity started to resume amid easing of coronavirus lockdowns.

Outbound shipments in June totaled $39.21 billion, down 10.9 percent from the same month a year earlier, the Ministry of Trade, Industry and Energy said Wednesday.

The pace of decline was slowed from the 25.1 percent decline in April and 23.7 percent drop in May. But average daily exports tumbled 18.5 percent, similar to the 18.4 percent fall in the previous month.

Korea's export items all struggled as its major trading partners continued to grapple with the COVID-19 pandemic, dampening global demand.

The auto sector was hit the hardest, with shipments of autos plunging 33.2 percent and auto parts 45 percent. Textile exports were down 22.3 percent.

Imports in June were also down 11.4 percent on year at $35.55 billion, resulting in a trade surplus of $3.67 billion.

Imports of capital goods related to investment and production rose 27.4 percent, up for five months in a row to raise cautious hopes for an economic recovery.

Exports to China gained 9.5 percent in June, returning to pre-pandemic levels. Shipments to other major markets continued to shrink but at a slower pace compared with the previous two months. Exports to the U.S. were down 8.3 percent, Europe 17.0 percent and Southeast Asia 10.8 percent.

The trade ministry said Korea was faring better than other developed economies, citing World Trade Organization data that showed the country's exports ranking in the first four months of the year had moved one notch higher to sixth versus last year.

Source: pulsenews.co.kr– Jul 01, 2020

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Vietnam organizations collaborate to rescue apparel industry from COVID-19 effects

Organizations and industry bodies like VITAS and LEFASO, the Vietnam Chamber of Commerce and Industry (VCCI) and VGCL have collaborated to help the country's apparel industry survive the impact of the Coronavirus pandemic.

The joint statement issued by these organizations calls the European Union and the Vietnamese government to invest in strategic partnerships to promote social dialogue in line with international labor standards.

It points out that Vietnam is an important source country for the European garment industry, calls for timely and substantive support for affected workers and businesses, and also for investment in education for workers to make them more employable.

Like most supply chain countries, COVID-19 has had a huge impact on the apparel industry in Vietnam where 20 per cent of orders in April 2020 and 50 per cent in May were cancelled, leading to the loss of about one million jobs.

Most of the affected businesses and workers reported that they had not been able to access support from the Vietnamese government. Under the new agreement, the stakeholders worked – through social dialogue - to find common ground and solutions to overcome the crisis.

Source: fashionatingworld.com– Jul 01, 2020

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Covid-19: Learning for Bangladesh Textile Industry

Appropriate Planning

It is said that effective planning itself completes half of any difficult task. Bangladesh textile industry needs to come up with befitting planning including various back up plans, providing a solution for every problem. The planning should include — how to cope with various natural calamities, pandemic situations or unexpected economic fall mentioning how the industrialists need to divert the supply chain, how to regulate the supply of raw materials, how to ensure the health-salary-security of workers during such kind of situations etc. Another important learning from the pandemic situation is that a strong emergency fund is needed for every industry to maintain existence in difficult situations.

Securing the Supply Chain

Bangladesh textile and garments industry is a vital player in the global consumer apparel supply chain. It is evident that the proliferation of RMG business was possible in this country mostly due to the back to back facility provided for importing raw materials. According to the report of BGMEA, Bangladesh has earned around US $ 35 Billion in 2018-2019, by exporting ready-made garments around the world, where more than US $ 6 billion is spent only to import raw materials.

During this Pandemic COVID-19, airports & sea ports of most of the countries were shut down for an uncertain period. As a result, raw materials & necessary accessories could not be imported on time. Due to lack of raw materials & necessary accessories, many factories faced difficulties. It would be more get-at-able for those factories if Bangladesh were a self-dependent country in case of textile raw materials. Besides, it will make textile industry of the country more durable.

Gradually, other organizations in the supply chain i.e. buying and trading offices, logistics companies, 3rd party testing companies etc. made their way in the country. Out communication throughout the global supply chain is getting better day by day with the diffusion of effective information technologies. However, due to the covid-19 pandemic, worldwide supply chain has been disrupted severely.

Especially, issues like cancellation of orders, holding/ cancelling of payment were completely unexpected. As a result, the security and transparency of the supply chain gets a question mark which probably didn't get importance before. So, organizations must learn to ensure appropriate policies, terms and conditions before setting a business relation with another party to secure the supply chain in adverse conditions.

Workers' Wage and Security

Bangladesh textile sector plays the most important role in country's economy having huge growth opportunity, at present earning more than 80% foreign currency and consisting of 5,000 textile factories. And it became possible only due to the 4.1 million workers of this industry, as one of main reasons behind the high demand of Bangladeshi RMG products in global market is cheap labor cost.

During this pandemic COVID-19 Many, BD textile sector has not received any new order rather the confirmed procurement orders are being cancelled or postponed. According to BGMEA, international buyers have either cancelled or suspended shipments worth of US $3.18 Billion involving 1,150 factories & 2.28 Million workers, till 15 June 2020.

As a result, the factories are facing difficult situation about paying bank debts, worker's salary & other costs, and so several factories have laid off workers, according to provisions 12 and 16 of the Labor Law. During layoff period, workers only gets half of their basic payment & house rent (53% of gross salary). President of National Garment Workers Federation, Amirul Haque Amin mentioned "Laying off a worker during such a critical moment is unjust."

Beside thousands of workers got fired or furloughed and many more are staring at joblessness. To fight with this pandemic situation, the Government has announced a Stimulus Package allocating Tk50 billion for RMG & other export-oriented industries, only to pay salaries & allowances of workers & employee. Besides, to provide short-term facilities for importing raw materials the Export Development Fund has been increased from US $3.5 billion to US $5.0 billion.

Out of this package, the central bank will institute a Pre-Shipment Credit Refinance Scheme worth of US $600 million. This package was a need of the hour for the industry. But only a fraction of the massive requirements of the sector can be fulfilled through this package as to pay wages every month at least $470 million is needed. This situation, deeply indicates the importance of having an Emergency Fund to tackle industry costs at difficult moments. The industry owners need to plan about this Emergency Fund from the very beginning of their business.

From 26th April 2020, most of the factories reopened with 30%-50% workers. Government strictly advised the factory owners to ensure the security of the workers, through a Health-Guideline. Some factories took measures according to the Guidelines, but many of them are unable due to budget or infrastructure insufficiency. Keeping that in mind, BGMEA signed agreement with Maya & Common Health to provide free physical and mental health services to RMG workers through Telemedicine. Besides, BGMEA prepared multiple audit teams, headed by 6 board of directors of BGMEA, for surprise factory visits and monitoring health & safety system.

Contingency Planning

Future events or circumstances which are possible but cannot be predicted with certainty are becoming more frequent day by day, be it natural or be it human induced. No business is out of the effect of such situations. A key learning from this covid-19 pandemic is to consider contingency planning and fund management for such events.

Not many organizations in our country have such provisions perhaps. In modern world not having a contingency plan is considered as a disaster of its own. So, companies must become proactive in making strategy that describes the course of actions or steps the management and staff of an organization need to take in response to an event that could happen in the future. It plays a significant role in business continuity, risk management and disaster recovery.

The impact of COVID-19 has just started to unfold but the full impact will be more visible within the next few months or beyond. Undoubtedly it is a challenging situation for all of us, recognized as the most crucial global moment after World War II.

But negative experiences often lead us to the most potential learnings. As soon as the pandemic COVID-19 situation gets back to normal, industrialist should come forward to taking measures about the above mentioned facts, to ensure a better future for Bangladesh textile Industry.

Source: textilefocus.com– Jun 30, 2020

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Bangladesh: RMG exports dip by $6.3b in FY20 on pandemic

The country's readymade garment exports in the just concluded financial year 2019-20 declined by 18.45 per cent, or $6.3 billion, to $27.83 billion from $34.13 billion in FY 2018-19 as the global outbreak of coronavirus disrupted business across the world.

Although the export earnings witnessed a negative growth in June, the last month of FY20, the export performance in the month was slightly better compared with that in the previous three months.

According to the provisional data prepared by the Bangladesh Garment Manufacturers and Exporters Association compiling statistics from the National Board of Revenue, the RMG export in June this year declined by 11.43 per cent to $2.12 billion from $2.39 billion in the same month of 2019.

Experts and exporters said that the export earnings increased in June but it was difficult to predict the scenario of the coming months as the pandemic cut the demand for apparel products on the global market.

They said that the July-September period was a lean period for the industry and exporters would have to wait to see the impact of the season.

The earnings from RMG exports declined by 62 per cent in May and 85 per cent in April this year as the pandemic disrupted the global supply chain.

RMG exports improved in June as the global market started to recover slowly but it is difficult to say whether the trend would remain the same in July, Policy Research Institute of Bangladesh executive director Ahsan H Mansur told New Age on Wednesday.

He said that exports increased in June due to post-Eid bump as the shipment was lower in May due to the Eid-ul-Fitr vacation.

Ahsan said that exports would recover slowly as the western countries started reopening their economies but there was a fear of a second wave of the pandemic.

‘I hope exports will pick up but Bangladesh may not be able to utilise more than 70-75 per cent of its capacity as the nature of orders will be changed and the demand will also go down,’ he said.

Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, said that the 8.5-per cent export dip on a year-on-year basis was a reflection of the reality.

‘July-September is a relatively lean period for the industry and we will wait to see the impact as orders are coming in to the tune of 40-45 per cent compared to the usual flow,’ she said.

Rubana said that full recovery might take as late as the middle of 2021.

Source: newagebd.net– Jul 01, 2020

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Bangladesh govt urged to reinstate export source tax at 0.25%

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) recently, in a letter to finance minister AHM Mustafa Kamal, demanded a reduction in source tax on readymade garment (RMG) export to 0.25 per cent from 0.5 per cent for the next five years and acceptance of the tax as final payment.

The source tax was set at 1 per cent for fiscal 2019-20, and the government reduced the tax rate to 0.25 per cent through a statutory regulatory order which expired recently.

Kamal on June 11 proposed tax at source at the rate of 0.5 per cent in the proposed budget for the fiscal 2020-21 that was passed in parliament a few days back.

Amid the severe cash crisis caused by the cancelation of global orders and deferred payment, the sector is trying to continue export business by communicating to buyers and governments, the letter said.

“Considering the national crisis caused by the coronavirus pandemic, we are seeking support from the government,” Bangla media reported citing the letter.

RMG factory owners had recently sent a letter to the finance ministry demanding further stimulus to pay workers using COVID-19 as a pretext.

Source: fibre2fashion.com– Jul 01, 2020

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El Salvador eyes 25,000 apparel job losses as exports falter

El Salvador lost 20,000 apparel industry jobs this year and could lose another 5,000 as production plummets 35% due to Covid-19.

The losses will dent the industry's current headcount of 80,000 as exports fell by $453m from January to May, depressing annual sales by 42%.

"The sector has been tremendously impacted because it generates most jobs," says Jose Escobar, president of industry association Camtex (Cámara de la Industria Textil y de la Confección de El Salvador – the Chamber of Textile Industry, Clothing and Free Zones of El Salvador).

He adds that the small Central American nation lacks the bandwidth to quickly restart factories as US demand spikes. "Even if we work every day, production capacity is very limited compared to others."

Those "others" include Honduras, which has been stealing market share from El Salvador amid an ambitious plan to transform its industry into an activewear powerhouse.

El Salvador recently began opening its economy after severe lockdowns imposed by President Nayib Bukele. It is gradually increasing output to 35-40% of installed capacity and hopes to boost that rate without undermining sanitary measures, according to Camtex.

The group's executive director Patricia Figueroa says the industry will remain in a quasi-standby mode until September when it is able to assess the virus's full impact and can then begin looking at new business opportunities.

Camtex's commercial coordinator Mauricio Rodriguez says the industry's ability to make facemasks and other personal protective equipment (PPE) for US customers helped cushion losses from a decline in garment production and orders – some of which may be lost forever.

"We weren't ready to do it because it wasn't our business but given the need, we restructured and were able to export. Otherwise, the impact would have been much worse," he says.

Figueroa adds at least 30% of companies belonging to Camtex shifted to making PPE. She says the sector will invest $90,000 a month to ensure safe transport for workers reaching manufacturing plants. The sector has invested $1m so far to adapt to the virus as well as flooding from heavy rains due to tropical storm Amanda.

Hanesbrands, which has strong operations in El Salvador, donated 85,000 basic clothing items to help families cope with the storm, according to Figueroa.

According to the Department of Commerce's Office of Textiles and Apparel (OTEXA), El Salvador is the ninth largest supplier of apparel to the US. Latest figures show the volume of shipments tumbled 33% in the first four months of the year to 158m SME (square metres equivalent) from 236m SME in the same period last year.

Source: just-style.com– Jun 29, 2020

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Clothing manufacturers from Bangladesh: “This behavior is driving factories into their death throes”

For years, fashion companies insisted that suppliers comply with social standards, only to leave factories and their workers to their fate by cancelling orders during the coronavirus pandemic. More than a thousand clothing makers in Bangladesh are currently struggling through this bitter reality with their Western clients.

For many consumers, Bangladesh still evokes terrible memories of Rana Plaza - of a place where seemingly irresponsible factory owners and Western buyers produce cheaply by exploiting workers. In recent years, a great deal of commitment has gone into improving working conditions in Bangladesh, as public concern over the welfare of millions of workers who sew in these factories mounted. Mostafiz Uddin has contributed to the changing image of Bangladesh. He himself is a denim producer from Bangladesh, founder of the denim fair Bangladesh Denim Expo and above all a passionate, internationally respected activist looking to build a more ethical and sustainable clothing industry. However, his notoriety has not prevented him from having the same threatening experiences in the current coronavirus crisis that many other factories have dealt with.

Mr Mostafiz, what is the current situation of the clothing industry in Bangladesh?

In the wake of the Covid-19 pandemic, brands and retailers cancelled orders, which had already been produced or were at different stages of production. Some brands and retailers delayed payment for goods that were shipped to them by manufacturers and others demanded arbitrary discounts – all these behaviors of brands and retailers put the apparel factories in Bangladesh at death throes.

What does that mean exactly? How many companies and workers are affected?

According to the data of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), a total of 1150 garment factories in the country have had to cancel or suspend orders worth 3.18 billion US dollars, affecting around 2.28 million workers. As a result of order cancellations and suspensions, 100 garment factories in Bangladesh have been permanently closed.

Unfortunately, the situation has not improved since the worldwide pandemic outbreak in March. The government of Bangladesh provided an economic stimulus package of four billion Taka (ca. 42 million euros) from which the factories took out bank loans with 2 percent interest to pay the workers' wages for the last three months.

On one hand, the brands and retailers have still not received the orders or released payment and on the other hand, no new orders are coming into the factories, which puts the livelihoods of tens of thousands of workers at risk. The President of BGMEA recently expressed her worries that in this circumstance, the factories may have to lay off 50 percent of the workers this month.

Is there any kind of social system supporting workers in their lives?

About 4.1 million workers are employed in the apparel industry of Bangladesh, among which 70 percent are women. The employment in the sector has contributed to the empowerment of women and reduction of poverty in the country. Unfortunately, there is no social system supporting the lives of the workers if they lose their jobs, nor is there any safety net that exists globally to support the 60 million apparel workers employed across the world.

The global apparel industry represents a dynamic sector in global trade, offering the opportunity for development and employment to impoverished areas of the world. There is no safety net for the apparel industry, there is no global bailout from international governments for our sector, as there was for the banking institutions following the 2008 financial market collapse. The impact of the constriction in the industry will be universal and, it pains me to say, was felt most by the most fragile members of the apparel community – the workers, who rely on their salaries to survive and to provide for their immediate dependents.

As a denim manufacturer yourself, how is the situation at your company?

The Covid-19 pandemic has hit my factory Denim Expert Limited hard. The factory incurred orders cancellation/suspension worth about 10 million which has put it in a deep crisis.

The first, most profound crisis is the question of how factories should pay workers' salaries when orders from brands and retailers are cancelled? If workers do not receive their salaries at the expected time, this will directly impact their livelihood and that of their immediate dependents.

Though the factory was closed for about a month as safety precaution against the Covid-19 spread, I provided full salaries to my workers and employees for the months of March and April, as well as festival bonuses for Eid-ul-Fitr (the festival of breaking the fast immediately after the month of fasting Ramadan) on May 25.

I cannot throw my workers into the streets as they are dear to my heart. As long as I can arrange two square meals for my family, I will arrange the same for them. But I am also not sure how long I can survive!

What is the second crisis?

Secondly, the cancellations and postponements have a direct effect on the cash flow of the factory, which in turn limits our ability to pay the suppliers of fabrics, ingredients and raw materials from whom we have sourced our materials to produce our orders.

Thirdly, the bank is blocking factory accounts from opening new letters of credit (LC) as the previous LCs have not been settled with due to order cancellations and non-payments. If the factory cannot open new letters of credit for fabrics and other raw materials, they will fail to generate new orders with other customers.

Last but not least, factories are even struggling to pay their utility bills, which is causing embarrassment and deteriorating relationships with the concerned authorities.

You are a well-known person in the global denim industry, does this help at the moment?

I tried to mobilize my network in the outbreak of the pandemic to make everyone realize that during this crisis, collaboration and cooperation among buyers and manufacturers is more necessary than ever before, as buyers are affected by the pandemic in the same way as manufacturers. Through conversations with the global media, including yours, I also raised my voice against the ill-purchasing decisions of the brands and retailers that have put the manufacturers at death throes and jeopardized the lives and livelihoods of millions of workers. The pandemic has exposed the flaws and fragility of the system of the global apparel business. If the system is not changed for the benefits of all, any individual cannot survive. For this very reason, my reputation did not yield any help for me.

The same brands which demanded more Corporate Social Responsibility are now refusing to pay. What does this mean for your relationship with your customers?

Actually, this is the time to practice the sustainability that we have been preaching for so long. The main pillar for sustainability are the people. If the lives and livelihoods of the people (workers) are not secured, there is no meaning behind sustainability. It’s really unfortunate that brands and retailers have put aside the relationship and trust that has been built and grown over the years. They have not even thought about the workers who served them during this time.

Is it possible to sue the Western brands which are not paying or cancelling orders?

As I mentioned earlier, the current system of the global apparel industry is full of flaws. It's a buyer-dominated industry where manufacturers have little to say. The industry supply chain, from cotton to cargo, is scattered across the world. But there is no global authority to which any party in the supply chain who has been harmed can appeal. The western law courts are unknown territory for manufacturers. They neither have the money nor networks to win in the legal battle against buyers.

Are you going to change your strategy? Do you think you have to change the way you are doing business?

The current payment system in the clothing industry requires a complete overhaul in order to learn from this pandemic situation. Previously, a manufacturer had to rely on an order from a customer to execute an order. Only on the basis of the sales contract does the manufacturer receive a loan to procure the necessary raw materials.

But the shortcomings in the payment system were severely exposed after the pandemic, as customers could withhold payments or cancel orders due to the exceptional circumstances, and the manufacturers alone bore the financial risk without the security of a bank guarantee. That needs to change. The business between buyers and manufacturers should be done via letter of credits in the period after the Covid-era. With a bank guarantee, this system offers manufacturers some financial security in that they are guaranteed payment if the goods they produce meet customer requirements.

Source: fashionunited.in– Jul 01, 2020

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World Bank approves $750-million loan to support Covid-hit MSMEs

This programme will address the immediate liquidity needs and credit needs of some 1.5 million viable MSMEs and help them combat the pandemic

The World Bank's Board of Executive Directors has approved a $750-million MSME Emergency Response programme to support increased flow of finance into the hands of micro, small, and medium enterprises (MSMEs), severely impacted by the Covid-19 crisis.

The $750-million loan from the International Bank for Reconstruction and Development (IBRD) has a maturity of 19 years, including a 5-year grace period.

This programme will address the immediate liquidity and credit needs of some 1.5 million viable MSMEs to help them withstand the impact of the current shock, and protect millions of jobs. This is the first step among a broader set of reforms that are needed to propel the MSME sector over time, a statement issued by the World Bank said.

The World Bank has to date committed $2.75 billion to support India's emergency Covid-19 response, including the new MSME project. The first $1-billion emergency support was announced in April this year for immediate support to India's health sector.

Another $1-billion project was approved in May to increase cash transfers and food benefits to the poor and vulnerable, including a more consolidated delivery platform – accessible to both rural and urban populations across State boundaries.

The Covid-19 has put the MSME sector — the backbone of India's economy and contributing to 30 per cent of India's GDP and 40 per cent of exports — under severe stress.

The sector, which employs about 150-180 million people, is today burdened with cancelled orders, loss of customers and supply chain disruptions, causing a sharp fall in revenues.

Severe cash crunch

This cash flow shortage is exacerbated by constraints to accessing finance, potentially leading to solvency problems. The broad-based loss of cash flows has triggered a chain of non-payments throughout the economy, including to the financial sector, the statement added.

"The MSME sector is central to India's growth and job creation and will be key to the pace of India's economic recovery, post Covid-19. The immediate need is to ensure that the liquidity infused into the system by the government is accessed by MSMEs.

Equally important is to strengthen the overall financing ecosystem for MSMEs," said Junaid Ahmad, World Bank Country Director in India. "This operation seeks to achieve both these objectives by furthering the role of NBFCs and SCBs as effective financial intermediaries and leveraging fintech to broaden the reach of finance into the MSME sector."

The World Bank Group, including its private sector arm, the International Finance Corporation (IFC), will support government's initiatives to protect the MSME sector by: unlocking liquidity; strengthening NBFCs and SFBs; and enabling financial innovations.

Unlocking liquidity

This programme will support government's efforts to channel that liquidity to the MSME sector by de-risking lending from banks and non-banking financial companies (NBFCs) to MSMEs through a range of instruments, including credit guarantees.

Strengthening NBFCs and SFBs

Improving the funding capacity of key market-oriented channels of credit, such as the NBFCs and small finance bank (SFBs), will help them respond to the urgent and varied needs of MSMEs. This will include supporting government's refinance facility for NBFCs. In parallel, the IFC is also providing direct support to SFBs through loans and equity.

Enabling financial innovations

Today, only about 8 per cent of MSMEs are served by formal credit channels. The programme will incentivise and mainstream the use of fintech and digital financial services in MSME lending and payments. Digital platforms will play an important role by enabling lenders, suppliers, and buyers to reach firms faster and at a lower cost, especially small enterprises who currently may not have access to the formal channels.

Source: thehindubusinessline.com– Jul 01, 2020

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GST mop-up bounces back in June; crosses ₹90,000 cr

Higher collection hints at early recovery

The Finance Ministry on Wednesday released the GST collection data for the first three months of the current fiscal. The June collection exceeded ₹90,000 crore, but it was 9 per cent less than the mop-up in the same month last year. This is the first GST data after the pandemic crippled the economy.

The collection was ₹90,917 crore in June, ₹62,009 crore in May and ₹32,294 crore in April. “The GST (Goods and Services Tax) collection for the first quarter of the year is 41 per cent less than the revenue collected during the same quarter last year. However, a large number of taxpayers still have time to file their return for May, ” the statement said.

The collection in June this year is 91 per cent of the GST revenue in the same month last year. The revenue collected from import of goods was 71 per cent of the revenue from the same source in June last year. Revenue from domestic transactions in June 2020 (including import of services) is 97 per cent of the revenue collected under this source during the same month last year.

In June, returns of February 2019, March 2019, and April 2020 have been filed in addition to some returns of May 2020 as the government has allowed a relaxed time schedule for filing of GST returns.

Some returns of May, which would have otherwise got filed in June, will get filed during the first few days of July . Commenting on the numbers, Rajat Bose, Partner, Shardul Amarchand Mangaldas & Co, said the increase in GST collection in June is a positive sign and it is an indication that the economy is slowly recovering.

However, it is important to note that many companies paid GST for March, April and May also, in June due to the partial moratorium extended by the government.

“It will be interesting to wait and see how much GST is collected for supplies made in June after unlock 1.0, which will be the true indicator of the economic situation post-lockdown,” he said.

"One fact to be taken into consideration while looking at these collection numbers is that revenue collections are post announcement of government schemes, which were aimed to relax the collection of revenues. These all-cumulative scenarios signify that domestic consumption is back on track, as also the strong comeback of SMEs,” said Kapil Rana, Founder and Chairman, HostBooks Ltd.

Source: thehindubusinessline.com– Jul 01, 2020

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SEZs seek further extension in direct tax sops for units

Govt extended tax holiday for new units till September 30, 2020, but investors want it at least for entire fiscal

Special Economic Zones are trying to convince the government to go beyond the additional three months extension of direct tax holiday for new units (up to September 30, 2020), announced recently and instead offer the incentive for the entire fiscal.

The EPCES, in its submission to the Commerce Ministry, has argued that while the extension till September end was a good move that will help units, the tax benefits need to be on offer for the entire fiscal to attract larger number of units.

“We request the government to extend income tax benefit to all new units that start operations in 2020-21 so that more new units are motivated to come in, investments flow in and jobs get created. By extending the benefits for a longer time period we could also attract investors that are thinking of shifting their business from China,” said Anand Giri, Deputy Director-General, Export Promotion Council for EoUs and SEZs (EPCES).

As stipulated in the SEZ Act, the sunset clause set in on direct tax benefits for units on March 31, 2020. With investors pointing out that there were many SEZ units that had been approved but couldn't start operations because of Covid-19 disruptions, the government decided to extend the benefits for three more months, till June 31, 2020.

But the three-month extension was not enough to allow most notified units to start operations and after persuasion from the industry and the Commerce Ministry, the Central Board of Direct Taxes extended the tax holiday further till September 30 in a notification issued on June 24.

"Instead of extending the tax holiday on a piece-meal basis, we believe that the government should, in one go, extend it for the entire fiscal or more, depending on the support it wants to give to SEZs. Once units get a signal that they would be eligible for tax benefits for some time to come, confidence will be built and more investments will flow into SEZs," according to a Delhi-based expert on SEZs.

Once investors are motivated to invest, the 111 notified SEZs, which are not operational yet, will attract more units and prosper creating lakhs of jobs, said Giri.

The direct tax benefits for SEZ units include a 100 per cent income tax exemption on export income under Section 10AA of the Income Tax Act for the first five years, 50 per cent for the next five years thereafter and 50 per cent of the ploughed back export profit for five more years.

Fall in exports

SEZs have taken a severe beating due to disruptions caused by the pandemic. Export from SEZ units fell by more than 50 per cent while more than a third of the orders placed have been cancelled in April 2020 due to the pandemic, as per an internal survey carried out by the EPCES.

SEZs have attracted investments worth ₹5,32,631 crore so far and have provided direct employment to over 21 lakh. Exports from SEZs increased from ₹22,840 crore in 2005-06 to ₹7,01,179 crore in 2018-19

Source: thehindubusinessline.com– Jul 01, 2020

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Customs department gives clearance to cargo imported from China

In a major relief to trade, the Customs department has begun giving clearance to all cargo from China. The clearance was halted from June 23.

From Tuesday night, the Customs began clearing all active pharmaceutical ingredients (APIs) imported from China. From today morning, other cargoes are also being released, industry sources said.

Clearance to Chinese cargo by the Customs comes at a time when the intensive lockdown is to be relaxed in Chennai and neighbouring districts from July 6. Many factories, including leather and automobile, will restart production and require critical components that were imported from China. Nearly 30 per cent of the containers handled at the ports are of Chinese origin, carrying cargo like electronic components and automobile spare parts, sources said.

Zippers and buttons imported from China have been lying at the ports for the last one week. These are important items required to manufacture garments that need to be shipped to Europe in the next few days, said Sanjay M Lulla, Managing Partner at SM Lulla Industries Worldwide, a Chennai-based exporter of leather garments.

No reason was given for non-clearance of the Chinese cargo. However, there were speculations that some narcotics could have entered the country, and Chinese cargo were being subjected to rigorous examination by the Customs.

Initially, the Customs officials said that the hold on Chinese cargo was due to some ‘suspicion’, and later due to problems in the systems, said sources.

With the situation worsening, the Chennai Customs Brokers Association, whose members clear cargo on behalf of their clients, on Tuesday urged Union Finance Minister Nirmala Sitharaman to intervene and help restore normalcy in the movement of imported goods from China.

The association’s president S Nataraja said the imported goods stranded at various ports have brought movement of goods to a complete standstill, creating a panic situation among the trade and other manufacturer importers.

“We have requested waiver of additional charges like demurrage and storage charges incurred during this period,” he said.

Source: thehindubusinessline.com– Jul 01, 2020

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Delay in clearing 500 containers hits textile industry in Tamil Nadu

Textile industry in Tamil Nadu said that nearly 500 containers carrying apparel accessories and fabrics are stuck in and around Chennai. These containers have come mainly from China.

According to Tirupur Exporters Association (TEA) nearly 500 containers are stuck in and around Chennai seaport, along with 500 tonnes of cargo at Chennai airport and another 400 tonnes at Bengaluru airport. The merchandise consisted entirely of apparel accessories and fabrics.

The imported consignments arriving from China have not been cleared by the Customs for the past 10 days even after duty has been paid, said Raja M Shanmugham, President, TEA.

He has written to Piyush Goyal, Union Minister of Commerce to help clear the goods immediately, as any more delay will further impact the already affected Tirupur knitwear garment export sector.

He added that garment exports are facing stiff competition from countries like Bangladesh, Vietnam and Cambodia, apart from China and foreign buyers are always very keen to get quality products at competitive prices and tight delivery schedules.

"Any delay in making sea shipments at the right time will push exporters to resort for Air shipment, otherwise the buyers won’t place any future orders and categorize the units as unreliable suppliers," said Shanmugham.

He added, "The non-clearance of imported consignments, despite the importer having made payment, is like rubbing salt on to the wounds. Importers are also incurring demurrage.

The concern is that buyers are now doubting that the goods will be shipped as per delivery schedule. While contacting the Customs Authorities, we learnt that they can clear the stranded consignments only after the Centre's approval."

While customs maintained that they are not holding back the goods, sources from the industry said that they were told that the authorities are investigating something and in a day or two things will be cleared.

Industry sources have said that they received calls from the customs late last night and they were asked not to give deliveries of Containers, which have products made-in-China as they are "investigating" something.

They have confirmed it is not a written order, orally instructions were given and after the investigation the cargoes will be released.

This is not the first time such a thing is happening, in Chennai alone it has happened four times whenever customs get some intelligence on some illegal imports, dumping waste among others. After one or two days they will release.

Source: business-standard.com– Jul 01, 2020

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Can India boycott trade with China?

Made-in-China equipment are so deeply entrenched into Indian products that any break-up in trade will hurt India more than China

Following the power play in Galwan valley of Ladakh there is a growing sentiment to boycott Chinese exports to India. But this seems to be easily said than done. China accounts for about 14 per cent of India's imports and is a major supplier for sectors like mobiles, telecom, power, plastic toys and critical pharma ingredients. During April 2019-February 2020, India imported goods worth $62.4 billion, while exports to the dragon nation stood at $15.5 billion.

China is India's largest source of imports. In 2018-'19, India imported goods worth $88 billion from China (including Hong Kong). This was more than 17% of India's total imports, and is more than double of what India imports from the United States, which is at the second place with goods worth $36 billion. India, on the other hand, only exports around $30 billion worth of goods to China (2018-'19).

What worsens this balance of power is the type of goods India exports to China versus what is imported. "We export mostly raw material and low value items to China, but we import value added items," explained Rakesh Mohan Joshi, Chairperson of the Indian Institute of Foreign Trade. To get a hint of how deep Chinese equipment are entrenched into Indian system, a report by Brookings estimates that three in four power plants in India use Chinese equipment.

Where China's grip is most visible to the average Indian is in its dominance in consumer goods. The Indian smartphone market, for example, is completely dominated by China. Four out of five top smartphone sellers – Xiamoi, Oppo, Vivo and Realme – in India are Chinese. Ultimately it turns out that three out of every four phones sold in India in Q1, 2020 were made in China.

The situation in the Smart TV market is no different, where Xiamo is the leader in Indian market, commanding a massive 27% share. This domination extends across industries, as China dominates rural consumer purchases too. As much as 45% of diammonium phosphate fertiliser and 13% of urea is imported from China. Any effort to boycott China in this sphere will drill a hole into the pocket of the Indian farmer.

Crisil in its research clearly highlights that any disruption in trade with China will severely hamper supply chains for Indian manufacturers. As much as 67% of electronic components are imported from China. This means that even if one were to buy an Indian electronics item, a large amount of the item's value would still find its way back to China.

Bulk drugs is one sector highly dependent on China with as much as 69% imported from the country, specifies CRISIL. Of specific concern is antibiotics, where dependency is as high as 90%.

"If China decides to pull the plug on supply [of antibiotic], it will lead to a huge public health crisis in India," explained Sandeep Narula, Associate Professor & Assistant Dean, School of Pharmaceutical Management, IIHMR University, Jaipur.

Coming to the current scenario

Several industries that depended on inputs from the dragon nation are facing delay in getting their supplies as the goods are held up at ports and airports and are being subjected to stricter Customs scrutiny. Industry bodies, from apparel to electronics, have written to the government urging faster Customs clearance as delays might affect the manufacturing process.

The Apparel Exporters Promotion Councils has reported that delay in clearances of goods was adding to the crisis for the industry that was gearing up to get back to the normal after easing of lockdown in India and other countries. "Lately, Customs authorities at several ports are doing 100 per cent examination of goods originating from China, Hong Kong and Taiwan. It has created undue delay in clearance of imported inputs meant for production of garments for exports," AEPC Chairman A. Sakthivel noted.

The India Cellular and Electronics Association (ICEA) said the "adverse" action by the Customs would impact over 200 mobile and electronic manufacturing units, set up following the "Make in India", "Digital India" and "Phased Manufacturing Programme" initiatives. "There was refusal to clear, followed by delays. And now, about 100 per cent examination. The logistics of seamless movement is in total disarray," clarifies ICEA Chairman Pankaj Mohindroo.

Even importers certified as AEO are also stuck in the process. "We understand the step of thorough inspection of containers was being taken to safeguard India's interests. In such a case, as an industry we suggest importers with AEO status, also called Green Chanel Importers, be excluded from it as they are GOI-validated entities," said George Paul, CEO, MAIT.

China pulls the strings on Indian exports

A retaliatory reaction at the Chinese ports was obvious. Exporters have raised concerns over consignments being held back by Hong Kong and Chinese Customs in response to a similar action allegedly being taken by Indian authorities.

FIEO, President, S K Saraf, has urged the Commerce Ministry to take up the matter with CBIC to see whether any official communication has been sent to Indian Customs regarding scrutiny of Chinese consignments here. If no such instructions have been given, a denial may be issued by CBIC so that the matter may be communicated to our importers in China and Hong Kong to suitably take up with their customs explaining our stand.

Where does India stand vs China in trade with Southeast Asia?

In the last two decades, China has emerged as a major trade partner of the South Asian nations. China has made inroads into Bangladesh becoming its top trading partner in 2015, and bolstering trade and investment with Nepal, Afghanistan, the Maldives, Sri Lanka and not to forget Pakistan. The trade relations mainly strengthen the Belt and Road Initiative (BRI).

Until 2005, India and China were close in their overall trade volume with South Asia. However, after 2005, China consistently increased its trade with South Asia. In 2014, China's trade reached a high of $60.41 billion, whereas India traded approximately a third of the amount — $24.70 billion. Following the peak in 2014, both countries saw a decline in trade with South Asia in 2015 and 2016. The gap between India's and China's trade with South Asia in 2018 is relatively low at $12.87 billion.

China's trade with the N8 neighbours is mainly export-driven, making it a top source of goods. Despite regional and bilateral free-trade agreements, India's trade volume with its neighbours has remained below in value to that of China, which has only one FTA in the region.

"Eventually, experts argue that given the nature of the India-China relationship, any calls to break off economic ties will hurt India more than China – a point made even more tricky given India's poor economic condition at the moment.

A trade break-off with China will hurt our manufacturers by denying them materials, it will hurt our consumers by denying them cheap, quality products. We could not change this dependence on China when our economy was relatively better. How will you do it now during Covid-19 when purchasing power has fallen rapidly?" asks Rakesh Mohan Joshi, chairperson of the Indian Institute of Foreign Trade.

Source: business-standard.com– Jul 01, 2020

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Long road ahead for export recovery: Report

Any prolonged disruption due to COVID-19 could materially impact credit and liquidity profiles of companies in export-dependent sectors such as textiles, gems and jewellery, and auto ancillaries, a report on Wednesday said.

Export recovery, which may begin from the second quarter, could get further delayed if the border standoff with China lingers on, an India Ratings report said, adding ability of export-oriented manufacturers to keep up supply will remain key to navigating the path to recovery.

"While domestic exporters are facing vulnerability in form of geography and commodity concentration, the overall demand prospects for merchandise goods from importing countries can improve, creating a potential demand-supply mismatch for domestic exporters," the report said.

Since January, the agency has taken 25 negative rating actions and 13 positive rating actions, as well as revised the rating outlook down for another 16 issuers exposed to exports.

Noting that domestic exports have dual concentration in terms of geography as well as the category of goods -- though the former is common for many exporting countries, it says top 10 export partner countries constitute over 50 per cent of the total merchandise exports and a substantial portion of which comprises discretionary goods like gems and jewellery, textiles, automobiles and parts.

The report notes that exports are largely concentrated in the red zone countries (over 500 COVID-19 cases per million people) which could inherently a take longer time to return to normalcy, delaying domestic exports.

On the evolving geopolitical risks, the report said China saw a revival of exports in April as its operations resumed and pending orders were cleared. Additionally, stable or increasing Chinese exports would suggest a smoothening of exports environment globally and may also place domestic exports in a favourable spot in the second quarter if geopolitical condition remains conducive.

The supply-side issues, it noted that domestic companies are likely to face supply-side challenges, ranging from issues related to factors of production such as capital and labour to nuanced operational issues like physical distancing and logistic related hurdles.

"The reverse migration of labourers may increase the cost of production, and under-capacity utilisation will deter production till the end of the second quarter. Furthermore, export-oriented MSMEs are likely to be more impacted than large corporates due to lesser resilience to withstand the pandemic-related financial damages.

"A prolonged impact on the ability of domestic exporters to meet demand can also result in the country losing its market share to competing exporting countries," warns the report.

Warning that weak exports could disproportionately impact credit and liquidity conditions, the report expects the exogenous shock from the pandemic could accentuate the pressure on credit profiles of export-oriented entities, if the recovery gets prolonged.

Before the pandemic, sectors like pharma, petrochemicals and textiles reported healthy revenue growth, while auto ancillaries and gems & jewellery saw lower growth.

Source: economictimes.com– Jul 01, 2020

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Protests threaten exports to Bangladesh from Petrapole border

Shipments to Bangladesh from the Petrapole border were halted for several hours on Wednesday following protests by exporters in the neighbouring country, which demanded that India allow import of their goods.

However, some trucks entered Bangladesh through the Benapole border in the evening following a meeting with stakeholders from both sides, an official said.

"Bangladesh had stopped imports this morning on grounds that exports from that country were not accepted in India. But, the stalemate seems to have ended after the meeting, as 50 trucks from the Indian side crossed the border," Federation of Indian Export Organisations Chairman (East) Sushil Patwari told PTI.

Bangladeshi exporters claimed that trucks from India made their way through the border in the evening as the majority of protesters had left by then.

"We will not allow any truck to cross the Benapole border from Petrapole from Thursday. This will continue until India resumes import of our goods," Benapole C&F Agents Staff Association Secretary Sajidur Rehman said.

"Bangladesh has been importing Indian goods since June 7," he added.

Meanwhile, West Bengal-based exporters have sought Chief Minister Mamata Banerjee"s intervention into the matter.

"Indian manufacturers, including MSMEs, are running short of essential supplies and raw materials as imports are not allowed. Since Bangladesh has allowed entry of Indian goods, it is required to import their cargo to keep the trade balance moving.

"Currently, more than 500 trucks from Bangladesh are waiting at the Benapole border to enter India," Patwari said in a letter to Banerjee.

Source: outlookindia.com– Jul 02, 2020

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Manufacturing PMI improved to 47.2 in June, but business conditions continue to deteriorate

Factories in India saw some improvement, as the Manufacturing Purchasing Managers' Index (PMI) rose to 47.2 in June as against 30.8 in May.

Still, as IHS Markit says, business conditions continue to deteriorate amid regional lockdown extensions. This is the global agency that prepares the PMI on the basis of responses from purchasing managers associated with around 400 manufacturers. The panel is stratified by a detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50, indicating an overall increase compared to the previous month, and below 50, an overall decrease.

Manufacturing has a share of around 15 per cent in India's Gross Domestic Product (GDP). Despite low share, it is considered to be giving maximum employment, directly or indirectly.

Woes may prolong

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said India's manufacturing sector moved towards stabilisation in June, with both output and new orders contracting at much softer rates than seen in April and May. However, the recent spike in new coronavirus cases and the resulting lockdown extensions have seen demand continue to weaken. "Should case numbers continue rising at their current pace, further lockdown extensions may be imposed, which would likely derail a recovery in economic conditions and prolong the woes of those most severely affected by this crisis," he said.

The report accompanying the survey result revealed that despite the rise in index, the latest reading pointed to a third successive monthly decline in the health of the manufacturing sector, albeit one that was far softer than that registered in April and May. Contributing to the further deterioration was another sharp contraction in output at the end of the second quarter.

Panellists continued to suggest that coronavirus-related restrictions had constrained production capacity. That said, the rate of contraction eased considerably from May and was the softest since an expansion in March.

Export orders decline

Another key factor behind the decline in operating conditions was the further decrease in new business during June. The latest contraction extended the current sequence of falling sales to three months, although the pace of reduction decelerated to the slowest since the lockdown measures were imposed in March. Overall, demand received little support from international markets, with new export orders falling for the fourth month in a row.

Although the rate of decline eased to the softest since March, it remained sharp overall. When explaining the reduction in demand, panellists often cited the Covid pandemic. In line with the continued deterioration in demand conditions, Indian goods producers recorded a further reduction in employment during June. Despite easing from May's survey record, the rate of workforce contraction remained among the quickest since data collection began in March 2005.

Looking forward, firms remained positive towards the 12-month business, with sentiment strengthening to a four-month high. That said, the degree of optimism remained far weaker than the historical average amid fears of a prolonged economic downturn due to the coronavirus outbreak.

Source: thehindubusinessline.com– Jul 01, 2020

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Advantage MSMEs, in new loan dispensation

However, loan applicants would require support from finance professionals Very rarely in recent times have so many steps been taken in so short a time, and at such break-neck speed, for the revival of the beleaguered micro, small and medium enterprises (MSME) sector.

The sector contributes about 30 per cent of the GDP, 50 per cent of our exports and employs about 11 crore people across 6.33 crore units.

In banks, the "tone at the top" is a huge plus for MSMEs, with bank chief and their staff directly monitoring MSME lending almost on a daily basis. Of the ₹20-lakh crore Atmanirbhar Bharat package, at least ₹3.9 lakh crore is meant for MSMEs, with the government giving guarantees to banks for their additional loans.

While the ₹3-lakh crore Emergency Guaranteed Credit Limit Scheme supports standard and non-stressed borrowers, the latest in the slew of GOI announcements is a loan of up to 15 per cent of equity or ₹75 lakh to the promoters of MSMEs which are under stress or have turned NPAs after April 1, 2018.

The loan will be in the names of the promoters who can then bring it as subordinated debt. With a moratorium of seven years, this loan will be for 10 years. Banks will get a guarantee cover of 90 per cent for this loan.

The Atmanirbhar package provides for ₹20,000 crore as support for stressed accounts. The RBI had earlier announced that restructuring of MSME units with loans up to ₹25 crore can be done by banks and NBFCs without the loans being classified as NPAs (in normal cases, any restructuring will lead to the loan account being downgraded as an NPA).

The window is open till December 31, 2020.

Many banks, including SBI, have announced very soft terms for the restructuring. Both the funded interest term loan (FITL) and working capital term loan (WCTL) carry zero per cent interest during the first year which is also a moratorium period for these loans. Further, the units are eligible for a second WCTL to fund cash losses expected during the first year after restructuring.

With this, the majority of the MSME units with loans up to ₹25 crore should be totally out of the woods as far as finance is concerned. There are other measures like the additional ₹40,000 crore for MNREGA and the 125-day worksheet for labourers in 116 districts which will create demand, once the money flows down.

The key, therefore, is for cash to reach people's hands. Last-mile delivery is what will make or mar such schemes. Whether it is the emergency limit or the subordinated debt support, implementation should be smooth.

For restructuring, bank branches will require financial statements and projections for the next five-eight years, depending on the industry/service/business. There are a few non-negotiable steps in successfully implementing a restructuring proposal and putting a small unit back on the rails. It should be done as carefully as nursing a sick person back to health.

What is the borrower's projection for profit and loss for the period of restructuring? The projected balance sheet will also be essential along with assumptions underlying the projections.

Here, irrespective of the size of the loan, all borrowers may need some support from finance professionals, including chartered accountants.

Is the borrower's business intrinsically viable and are the projections realistic ? Banks have to quickly assess this. If the answer is no, it may be better to discuss closure of the account. But this should be the last resort.

If found viable, banks have to go wholeheartedly for a flexible restructuring so that the borrower gets time for smooth repayment. Too often, tight terms make the remedy worse than the malady.

Banks should be open to tactically useful options like ballooning repayments, low interest rates (with rights of recompense) and adequate additional funding with really useful risk mitigants like capturing of cash flows (The rest of the so-called security is more often a mirage).

Skill-sets needed for restructuring are slightly special. Staff who are overawed even by terms like FITL/WCTL/recompense are better off handling deposits/personal or home loans/wealth management.

Branches/processing centres should go for a quick yes or no.

Banks should remember that a "no" within a week is better than a "yes" six months later because time is indeed fungible money for such units.

The third of the announcements for equity support of up to ₹50,000 crore is in the works, it is understood, and will be announced soon. MSMEs have been indeed taken care of very well. It is hoped that the measures do not flounder at the door of implementation.

Source: thehindubusinessline.com– Jul 01, 2020

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Bangladeshi exporters stop Indian imports from Petrapole border

India has allowed export of goods from Petrapole, the largest land border port with Bangladesh on June 7 but has not allowed import of goods from Bangladesh.

Export of Indian goods to Bangladesh through the Petrapole border in West Bengal was disrupted on Wednesday due to agitation by a section of exporters of the neighbouring country, an official of Federation of Indian Exporter Organisations (FIEO) said.

India has allowed export of goods from Petrapole, the largest land border port with Bangladesh on June 7 but has not allowed import of goods from Bangladesh.

“Bangladesh has stopped import since this morning on ground that their exports are not accepted by India even though have taken our export cargo. There is a stalemate at the border”, FIEO chairman (east) Sushil Patwari said

The Bangladeshi exporters are annoyed as India has not allowed import of goods from Bangladesh through Petrapole, an official of Benapole Clearing and Forwarding (C&F) Agents Staff association said.

“The Bangladeshi exporters are annoyed with the stand of India at Petrapole. Despite imports by Bangladesh have been allowed since June 7, India has not yet permitted Bangladeshi goods to enter India in the wake of coronavirus. They are agitating and stopped imports at the border,” Benapole C&F Agents Staff Association secretary Sajidur Rehman told PTI over phone.

“Those who import from India also do exports. They said export cargo is lying at the Benapole border causing huge losses. Some 500-700 trucks with several export cargo like jute, chemicals, saree and thread among others are waiting to offload cargo in India,” he said.

Source: thehindu.com– Jul 01, 2020

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Resolve risky exporters' issue immediately, release refunds: FIEO

Exporters' body FIEO on Wednesday demanded fast resolution of issues related to 'risky exporters' and immediate release of their refunds to help them tide over the problems arising due to COVID-19 pandemic.

The Federation of Indian Export Organisations (FIEO) said that during the current crisis, exporters are already facing problems and the matter of risky exporters is further adding to their woes.

An exporter is tagged as risky if the customs department suspects that duty drawback claims and IGST refunds are on the basis of bogus invoices. The consignments of risky exporters undergo manual checking before their claims are refunded.

The FIEO said that the government can take strict action against erring exporters but should ensure that no innocent is taken to task.

FIEO President S K Saraf said delay in duty drawback and IGST related refund create issues for exporters and the government should look into the matter for its early resolution.

Sharing similar views, FIEO Regional Chairman (Western Region) Khalid M Khan said that the government should clearly inform about the reasons for declaring an exporter as "risky" because this tag has several consequences for him/her.

"The issues related with risky exporters should be resolved as early as possible during the current Covid-19 pandemic time. They should not stop incentives/refunds under duty drawback and IGST as we are already facing credit related problems. The standard operating procedure which a risky exporter has to be follow is very complex and there is a need to simplify that," Khan told .

He also demanded for reduction in the documentation as it is time-consuming and tedious.

Khan said that the federation is undertaking a survey to see the number of risky exporters in the country and the total amount of incentives stuck due to this.

"Exporters have a vested right of tax refunds unless they are proven guilty and also have the right to know on what grounds they are declared risky exporters. The CBIC (Central Board of Indirect Taxes and Customs) should show cause the exporters before calling them risky exporters," he added.

The exporters marked as 'risky' have their IGST/ITC refunds blocked as well as their duty drawback amount is blocked until they are declared non-risky, he said adding such exporters are accountable to complete cargo check at ports and airports which are creating even more hassles for businesses as the customs department does not have enough resources to carry forward such checks.

Khan also said that submitting all the required documents that is demanded by authorities is not easy in such crisis times due to the skeleton staff available at the office.

"We need a way out of this. How can somebody be declared risky without even telling him/her the reason?. Only because the RMCC (Risk Management Centre for Customs) picks the company name irrespective of whether you are a defaulter or not, one has to go through the trauma and enquiry," he said.

Source: economictimes.com– Jul 01, 2020

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Building robust trade practices: Protectionism and India in the age of an open economy

India has been at the forefront of introducing protectionist actions, has the highest tariffs in the world, and is known to have one of the most restrictive trade practices. The US notes that though it has sought opportunities to increase access to the Indian market, exporters from the US continue to face significant trade and non-trade barriers.

The raising of import tariffs by the government in past years is seen as a reversal of the liberalised tariff rates India followed since 1991. While India has projected itself as a balanced inward- and outward-oriented economy, the accuracy of that assertion will have to be tested, especially in light of the stringent amendments introduced in the Customs Act, 1962.

India has signed many bilateral and free trade agreements affording concessional tariffs or exemptions to member nations and is negotiating with other nations on more such arrangements. As per the Foreign Trade Policy, India has 10 effective free trade agreements (FTAs) and six preferential trade agreements, and is engaged in formal negotiations for more than 18 such agreements.

However, the foundation of accord with member nations is questioned when such concessions are challenged post facto in the hands of Indian importers specifically where the exporting country has issued a valid certificate of origin (COO).

Recently, FTAs and benefits accorded and received under them seem to have gone unnoticed, as it is believed that FTAs have not conferred any real benefits to the country and the trade deficit with member nations of FTAs has increased. The NITI Aayog, in 'A Note on Free Trade Agreements and their Costs', has said that India's exports to partners and non-partner nations has increased year-on-year and any growth in Indian exports to such partner nations is owing to diversification and not to FTAs.

Disputes raised by Indian customs by challenging the appropriateness of COO that certifies the regional value content (RVC) are nothing but a backdoor approach to take away concessions granted to Indian importers. Authorities have alleged that exporters in member nations have failed to fulfil RVC, and this also raises questions on the appropriateness of COOs issued by regional authorities.

Officials have failed to engage in a fruitful dialogue with regional authorities of partner nations to investigate the issue and have instead adopted the route of penalising Indian importers for undertaking such imports.

Manufacturers of chocolate products, scrap and jewellery have been under the scanner for imports at a concessional rate of duty by availing the benefits under regional trade agreements and matters are being litigated.

Courts in India have ruled that in case of FTAs, governments of member nations need to engage in dialogue to arrive at a solution, and importers in India, who in no way are involved in the process of determination of RVC and issuance of COO, cannot be punished.

Recent changes to the Customs Act, in the Budget 2019-20, counter these directives. A new chapter has been introduced that places the onus on Indian importers to prove that goods imported under the FTA benefit adhere to the prescribed RVC criteria. The provisions expect an Indian importer to pre-obtain and verify data relating to verification of an RVC without giving due consideration to the aspect that a seller would not be willing to share his cost data with the buyer. Member nations have, in certain cases, refused to share cost data with the Indian government under a retroactivity check, citing confidentiality. In the absence of an ability to prove an RVC with appropriate documents and data, the law affords sweeping powers to customs or revenue officials to temporarily suspend the preferential treatment or even reject the benefit claims to one or all, where they have reason to believe that such goods do not satisfy the origin criteria.

The provisions ignore that such preferential rates and treaty benefits have their genesis in the economic integration between nations and form the backbone of multilateral trade. By introducing such restrictions in the customs law, India is challenging the very foundation of the pact that was put in place by these nations including India. It is important to take remedial measures to reverse or counter the effects of wrong decisions in the past; however, the right way is to fix it through diplomatic channels. The partisan decision adopted by India may come across as India's disinclination to work with its allies to reach an amicable solution.

India should, therefore, be more cautious in its ongoing negotiations, to build robust trade practices. Also, amidst the Covid-19 crisis, it is important for importers to re-verify the origin criteria of their imports, as there are likely to be alternations in supply chain at the suppliers end, thereby changing the earlier assumptions on procurement of raw material and calculation of RVC. This would also see an increase in scrutiny by customs authorities to minimise instances of abuse. In fact, Covid-19 and the current India-China standoff may compel the Indian government to relook treaty benefits with other countries for establishing new procurement hubs for essential imports for Indian manufacturers, and most critically on becoming self-reliant by subsidising imports of raw material rather than finished goods. Clearly, the need would be to achieve a right balance and ensuring that the objectives of granting concessions are endorsed in substance and not only in form.

Source: financialexpress.com– Jul 01, 2020

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