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INTERNATIONAL NEWS

INTERNATIONAL NEWS

The pandemic, an opportunity to make or break US textiles, apparel industry

The Coronavirus outbreak across the US has exposed the country's ineptness in manufacturing critical textile-related personal protective equipment (PPE) on an emergency scale. With great difficulty, factories across the country were able to manufacture the required products like face masks and gowns for frontline workers and the public.

One reason for this is the slow pace of textile and apparel industry revival since the Great Recession. It made retailers and brands realize the importance of sourcing at least a portion of their merchandize closer home. Coronavirus might accelerate this trend further, fuelling the growth of domestic textile industry.

Strengthening supply chains

The pandemic offers domestic textile players an opportunity to regain their position as producers. And as Kim Glas, CEO, National Council of Textile Organizations (NCTO) points out, lawmakers and key decision makers need to introduce new policies and fund to strengthen existing textile supply chains besides attracting new ones.

Glas advises textile leaders to build on the woven fabric and yarns industry in the country. As the US does not have a lot of cut-and-sew operations, it is currently automating some of its finished products to better compete with imports in speed and in lowering labor costs. Manufacturers in the country have also opened new facilities to convert textile and other waste to new textile uses and resins.

Policies for domestic producers

The government should draft new policies to support the growth of these industries, Glas feels. It should prioritize domestic production chains and make adequate investments into it. The industry should also appeal to its customers to buy products made in the US only, especially products like masks and other supplies, views Sherry Wood, Director-Merchandising, Texollini.

Experts opine though some production is coming back online and orders are picking up, customers are reluctant to spend due to the looming financial uncertainty. Hence, there is a need for brands and retailer to strengthen domestic industry and production chains that exist with its free trade agreement countries in the Western Hemisphere.

Foundation for 'Made in America' supplies

Ed Gribbin, President, Americas Apparel Production Network (AAPN), views the pandemic as an opportunity for the textile and apparel industry to build a foundation for a 'Made in America' supply chain for critical medical supplies. Wood also believes it offers 'Made in America' to be a key sourcing destination. Consumers, including those in the fashion industry were moving away from products made in China even before the pandemic. The pandemic has accelerated their move.

Preeti Arya, Assistant Professor, Fashion Institute of Technology, advises the industry to revise supply chains for sampling, R&D and small manufacturing, especially of nonwovens and more sustainable yarns and fabrics.

Challenges in the way

Julia Hughes, President, United States Fashion Industry Association argues even though the move to bring apparel production back to the US is welcome, it is not feasible as it is difficult to find companies that make on a cost competitive scale in the country. Hughes acknowledges production of yarn and fabrics in the country is very competitive as the industry has begun to embrace automation and robotics into production.

Once, the pandemic is over, the apparel industry might again revert to producing cheap products as many retailers have gone bankrupt due to COVID-19 losses. This could arrest the revival of 'Made in America' apparels in a big way, opines Hughes.

Source: fashionatingworld.com– Jul 02, 2020

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USMCA deal to rewrite North American trade

For domestic textile manufacturers and importers in the US, the United States-Mexico-Canada Agreement (USMCA) is a like the medicine that though doesn’t cure but does not hurt either. These manufacturers view the agreement as an extension of the North American Free Trade Agreement (NAFTA) that ruled trade between the three countries for a quarter century. Though experts viewed NAFTA as a threat to local jobs, US textile companies viewed it as a getaway to an export market in the south.

Victory for domestic manufacturers

On the other hand, the newly christened trade pact is being seen as a victory for domestic soft-goods and shoe stakeholders. According to Steve Lamar, CEO & President, AAFA the deal provides domestic textile, apparel and footwear industries an assurance of support to supply chain operations that employ hundreds of thousands of Americans.

The deal encourages American businesses to continue to work with supply chains in the North American region, says Lamar. It does not impose unnecessary trade barriers, such as punitive tariffs which are important for businesses as they recover from the effects of COVID-19 on their businesses, he adds.

US Trade Representative Robert Lighthizer worked closely with the US Congress to get the deal approved. According to the USTR, the deal contains significant improvements and modernized approaches that will deliver more jobs, ensure labor protection, expand market access and offer greater trade opportunities for large and small companies.

Concerns about USMCA the deal

However, supply-chain risk intelligence analyst Tim Yu of Resilience360 raises concerns about the new rules and changes that USMCA introduces. According to him, the deal could affect North American supply chains, including major amendments to rules of origin, higher de minimize thresholds, labor rights obligations, customs facilitation, intellectual property, environmental protections, and digital trade and e-commerce. The rule will compel the defendant to prove that an alleged labor rights violation will not affect trade or investment between parties, he says.

According to Yu, the deal will benefit digital trade and e-commerce firms, retail manufacturers and agriculture producers by offering them greater market access and trade liberalization measures. However, it would also affect North American production by incentivizing foreign companies to move production elsewhere to avoid additional trade restrictions.

Kim Glas, CEO, National Council of Textile Organizations (NCTO) stresses that the deal will greatly benefit the US textile industry at a time when domestic producers, have converted their production lines to manufacturing personal protective equipment (PPE) for frontline workers during this crisis. According to him, it is absolutely critical to sustain the $20 billion in apparel and textile trilateral trade between the US Mexico and Canada and USMCA can go a long way to ensure this.

Source: fashionatingworld.com– Jul 02, 2020

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2020 China state cotton auction begins, how about the impact?

Before the Dragon Boat Festival (Jun 25-27), rumors have been in circulation that China would start cotton auction in July, and Zhengzhou cotton futures market began to move downward. On the night of Jun 30, the official news finally came out. 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.

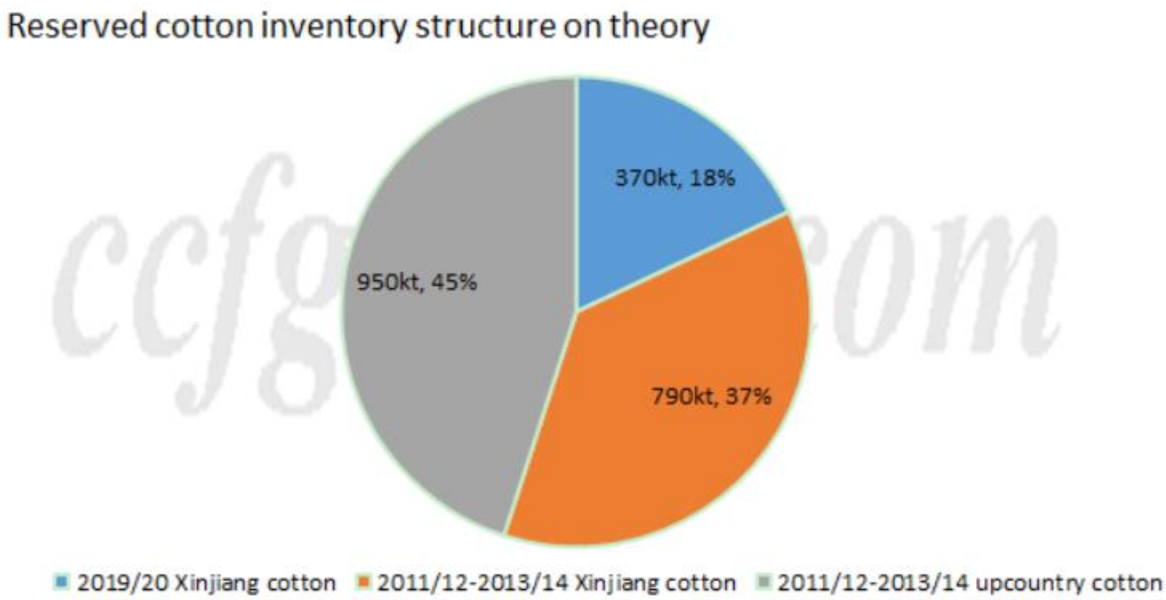
In principle, the daily auction volumes are about 8,000 tons. Under the sufficient supply on the market, the 500kt of reserved cotton releasing to the market is not small, and the monthly auction volumes are about 30% of cotton consumption in Apr or May affected by the COVID-19 pandemic, moreover, the proportion is likely to climb up later with the slack season in the downstream market.

Therefore, the selling volumes of reserved cotton still have pressure on spot market. However, after studying the calculation of selling prices, the adverse impact of cotton auction may weaken somewhat.

According to the announcement, the base selling price will continue to be related with international cotton prices. Formula is 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%.

Selling price of standard type cotton (3128B)				
	CCIndex3128B	CncottonB	Cotlook A	Cotlook A under 1% tariff
Weekly average	11,972	11,857	68.28	11,759
22-Jun	12,026	11,890	68.45	11,788
23-Jun	11,973	11,852	68.45	11,788
24-Jun	11,916	11,830	67.95	11,702
Base selling price	11,837			

The base selling price during the first week from July 1-3 is 11,837yuan/mt, only 29yuan/mt lower than 11,866yuan/mt of CC Index 3128B on Jun 30. It can be seen that when the price spread between domestic and foreign cotton is large, price spread between spot cotton price index and base selling price of reserved cotton will be large, but when the price spread between domestic and foreign cotton is small, the corresponding price spread will narrow.

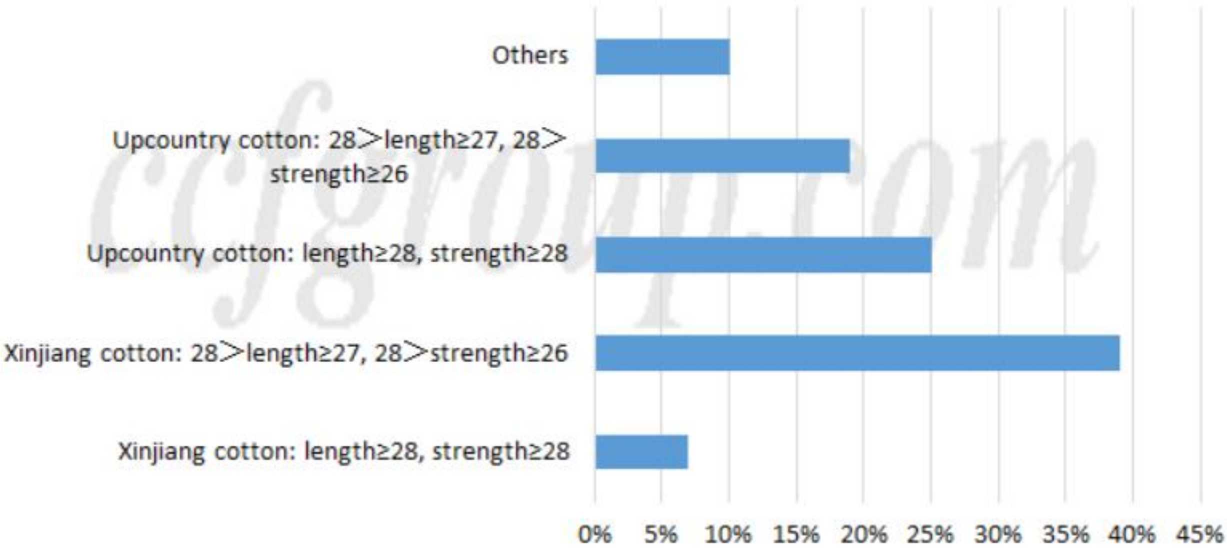


Under such condition, the reserved cotton is less attractive on theory, and trading volumes may fail to reach 8,000 tons per day. In addition, when ZCE cotton futures market declines, mills may consider to purchase reserved cotton next week, while when ZCE cotton moves up, mills may show higher purchasing intention.

Nevertheless, CC Index 3128B is slightly lower than the actual purchase prices of spinners, and the index has certain price difference with the actual trading prices on the market. The state cotton auction can reduce certain cotton costs for mills using low-grade cotton. The price spread between

CCFGroup 3128 Cotton Index on Jun 30 and the base selling price of reserved cotton reaches 323yuan/mt.

Traded reserved cotton quality structure in 2019



In addition, according to our calculation, the remaining reserved cotton inventory in state warehouses includes 790kt of 2011/12-2013/14 Xinjiang cotton, 950kt of 2011/12-2013/14 upcountry cotton. On July 1, the selling sources are all old cotton. Old cotton faces poor color index, and prices will be lower. Last year, transactions focus on Xinjiang cotton, with 28>length≥27mm, 28>strength≥26gpt, and upcountry cotton, with strength ≥28gpt, which can meet the low-count cotton yarn without requirement on color index. Therefore, this round of cotton auction is favorable for this kind of cotton users and puts certain pressure on low-grade cotton market.

In general, according to the calculation of base selling price of reserved cotton, when the price spread between domestic and international cotton is small, the price spread of spot cotton and base selling price of reserved cotton is small, so buyers may be not active to purchase reserved cotton, so the adverse impact of cotton auction weakens somewhat. But as the selling cotton is old cotton, with poor color index, it can meet the demand for mills that produce low-count cotton yarn. Therefore, this round of state cotton auction will have certain pressure on low-grade cotton market. Due to the higher supply of low-grade cotton, cotton prices may face some pressure in short.

Source: ccfgroup.com– Jul 02, 2020

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Sustainable Cotton Production on the Increase Despite COVID-19 Setbacks

Is sustainable cotton becoming a mainstream commodity?

According to the Better Cotton Initiative (BCI), which launched its 2019 Annual Report this week, it looks to be soon. BCI reports that Better Cotton – cotton produced by licensed BCI Farmers in line with the initiative's Better Cotton Principles and Criteria – now accounts for 22 percent of global cotton production. That is enough cotton to make approximately 8 billion pairs of jeans, a pair each for every person in the world. In addition, BCI retailer and brand members sourced more than 1.5 million metric tons of sustainable cotton in 2019, a 40 percent increase over 2018.

Given that it takes an estimated 20,000 liters of water to produce 1 kilogram of cotton, let's hope the trend continues.

Profits, but at a cost

According to WWF, cotton is the most widespread and profitable non-food crop in the world. In fact, approximately half of all textiles are made of cotton. Cotton production also provides income for more than 250 million people worldwide and employs almost 7 percent of all labor in developing countries.

However, the downside of cotton production is its well-known environmental impact. In addition to significant water usage, conventional production practices for cotton involve the application of substantial fertilizers and pesticides that threaten the quality of soil and water and the health of biodiversity in and downstream from the fields. Heavy use of pesticides also raises concern for the health of farm workers and nearby populations.

Established in 2009, BCI's mission is "to make global cotton production better for the people who produce it, the environment it grows in and the sector's future." Its more than 1,800 members pledge to support its seven principles and criteria, ranging from minimizing the harmful impact of crop protection practices and promoting water stewardship, to promoting decent work and operating effective management systems.

Members comprise retailers and brands — including some of the most recognized names like Adidas, Ikea, Burberry, Nike, Gap, Levi Strauss & Co., and Marks & Spencer — as well as suppliers and manufacturers, civil society groups, producer organizations and associate members. BCI says it is the world's largest cotton sustainability program, a claim it backs up in its latest report.

Aiming for 100 percent sustainable cotton

Many of BCI's members have set goals to source 100 percent sustainable cotton, with some already nearly meeting them.

Adidas was one of the first, announcing in 2018 that 100 percent of the cotton it used globally was either "Better Cotton" or organic cotton. Nike, which reports that more than half of its water footprint comes from cotton farming, says it is on track to source 100 percent of its cotton more sustainably by this year. In 2019, 55 percent of its cotton was certified organic, recycled or BCI, which it says has helped the company save an estimated 25 billion liters of water and more than 92,000 kilograms of pesticides from its supply chain. Target has set a goal to source 100 percent sustainable cotton by 2022 for its owned and exclusive national brands in apparel, home and essentials based on its cotton policy, which it introduced in 2017.

To help meet demand for sustainably produced cotton, BCI works with local implementing partners to provide training on sustainable agricultural practices. In 2019, it provided support to 2.3 million cotton farmers, 2.1 million of whom gained a license to sell BCI sustainable cotton based on an assessment of eight indicators designed to ensure that they are on track to meeting clearly defined standards for pesticide use, water management, decent work, record keeping, training and other factors. The greatest increase in numbers of licensed farmers was in India and Pakistan, where more than 100,000 additional farmers in each country achieved a BCI license.

Together, there are BCI-licensed farmers in 23 countries on five continents, the overwhelming majority being smallholder farmers who farm on less than 20 hectares. By the end of the 2020-2021 cotton season, BCI aims to more than double the number of cotton farmers its supports from 2.3 million to 5 million – one of five 2020 targets the collaborative has set to help meet global volume demand for sustainable cotton.

BCI admits, however, that the global COVID-19 pandemic has added an element of uncertainty, which may prevent some members from achieving their 2020 sourcing targets.

"We are committed to not only continuing to deliver beneficial change at field level, but also to learning from the experience and adapting to become more effective," said Alan McClay, CEO of BCI. "We do not yet know how close we will come to our 2020 targets, and we are still assessing how the current COVID-19 pandemic will impact our efforts. But one thing is certain, we have made significant and undeniable progress over the past 10 years, and there are many successes to celebrate."

Not immune to COVID-19

Like the rest of the world, the cotton sector has felt the impact from COVID-19. The world price of cotton fell approximately 20 percent from January (pre-COVID 19 pandemic) to April. In later trading, the market recovered about half of those losses, but there has been persistent price uncertainty due to the ongoing pandemic and the accumulated impact of disruptions in the supply chain. Together, these challenges present real and devastating consequences for smallholder farmers, according to BCI.

"The fact that the coronavirus is mostly concentrated in cities does not mean that rural communities have been spared," McClay wrote in a recent BCI blog. "They may be far from the vortex of contagion, but they are also less resourced with protections against the coronavirus and adequate healthcare if they or their family members become ill."

Together with local organizations, BCI implementing partners have stepped in to not only ensure that farmers receive training and support for the upcoming cotton season, but also food packages, safety equipment and health information about COVID-19. BCI implementing partners in India, for example, are using WhatsApp to share advice on how to stay safe in the face of COVID-19 with farmers and local communities.

They are also sharing guidelines and best practices through videos and e-posters in local languages. In Mozambique, the BCI Assurance Team piloted a process using remote communications to maintain assurance activities during the government-imposed lockdown, while prioritizing the health and wellbeing of all concerned – field and partner staff, farmers, workers and verifiers.

Despite the challenges, McClay remains optimistic and focused on the future of BCI, which is poised to release its 2030 strategy in the last quarter of 2020. “Delivering positive change at farm level will remain our core focus, while we continue to scale our efforts to ensure more sustainable cotton becomes the norm.”

For the sake of farmers and the planet, let’s hope it does.

Source: triplepundit.com– Jul 02, 2020

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U.S. trade deficit widens as exports fall to lowest level since 2009

The U.S. trade deficit widened in May as the COVID-19 pandemic pushed exports to their lowest level since 2009, strengthening expectations the economy will contract in the second quarter at its steepest pace since the Great Depression.

The Commerce Department said on Thursday the trade deficit increased 9.7% to $54.6 billion. Economists polled by Reuters had forecast the trade gap would widen to $53 billion in May. Exports tumbled 4.4% to $144.5 billion, the lowest since November 2009. Goods exports plunged 5.8% to $90.0 billion, the lowest since August 2009.

Travel restrictions weighed on exports of services, which fell to $54.5 billion, the lowest since December 2011. Imports slipped 0.9% to $199.1 billion, the lowest since July 2010. Goods imports fell 0.8% to $166.0 billion, the lowest since September 2010.

Declining imports have led businesses to draw down on inventories, which will contribute to sinking gross domestic product in the second quarter.

The Atlanta Federal Reserve is forecasting that GDP will plunge at a record 36.8% annualized rate in the April-June quarter. The economy contracted at a 5.0% rate in the first quarter, the sharpest decline since the 2007-2009 recession.

Source: in.reuters.com– Jul 02, 2020

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Amazon teams up with Zhejiang foreign trade enterprises

Amazon Global Selling signed a cooperation memorandum with the Department of Commerce of east China's Zhejiang Province Wednesday to jointly support the development of local foreign trade enterprises.

The move comes as part of the "Amazon Global Selling Supporting Scheme for New Foreign Trade," and the two sides will cooperate with traditional foreign trade companies from 10 cities of Zhejiang.

The two sides will join hands to help enterprises develop export, cross-border, and e-commerce businesses through Amazon's overseas sites, and solve problems they might encounter. These enterprises cover a wide range of fields, including clothing, textiles, shoes and boots, outdoor products, toys, luggage, hardware, small household appliances, and auto accessories, according to the memorandum.

Sheng Qiuping, director of Zhejiang's Department of Commerce, said the cooperation will promote the high-quality development of the foreign trade industry amid the COVID-19 pandemic.

Source: xinhuanet.com– Jul 02, 2020

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Macy's registers $4 billion loss in Q1 FY20

Macy's Inc reported a staggering $3.58 billion loss with Coronavirus-hit first quarter of the current financial year as store shutdowns resulted in the department store chain recording a $3 billion impairment charge. Net sales for the first quarter nearly halved to $3.02 billion.

On a per-share basis, it reported a net loss of $11.53 in the first quarter ended May 2 compared with a profit of 44 cents a year earlier. Excluding one-time items, the company lost $2.03 per share, meeting expectations, according to IBES data from Refinitiv.

The company had raised $4.5 billion last month including a $3.15 billion asset-based loan to keep its business running as stores reopened. As of May 2, it had $1.52 billion in cash and cash equivalents, and $18.58 billion in total liabilities and shareholders' equity.

Source: fashionatingworld.com– Jul 02, 2020

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Bangladesh: EPB increases export target for FY2020-21

The Export Promotion Bureau (EPB) of Bangladesh has increased its export target for FY 2020-21 by 13 per cent. The bureau has set a $37.44-billion export target for the year for expects exports to reach $33 billion by the end of current fiscal year, 2019-20. The initial target for the outgoing fiscal was $45.50 billion.

As per the target, the ready-made garment (RMG) sector will contribute more than 82 percent. Additionally service export will contribute $7.6 billion.

The apparel industry has witnessed 82 percent and 62 percent negative growth in April and May respectively this year compared to last year's April and May. Total export earnings during July-May fell b by 17.99 percent to $30.99 billion, from $33 billion in the same period of last fiscal year.

Bangladesh fetched $34.13 billion from RMG export in FY '19 marking 11.49-per cent growth over that in FY '18. The compound annual growth rate of apparel export in the past five years has been 6.86 percent.
The export sectors need government policy support to overcome the pandemic's impact and sustain, she opined. According to the business leader, such a decline has not yet been detected in the history of the industry.

Exports fell $6.6 billion in the current fiscal year, close to a fifth of last year. The RMG sector experienced a 4.6 billion export decline in the just three months from April to June 2020, exacerbating the impact of COVID-19 on the industry.

Source: fashionatingworld.com– Jul 02, 2020

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California bill seeks to end garment sector piece-rate pay

The Garment Worker Protection Act passed the California senate in a 25–11 vote on June 25. The bill seeks to guarantee a minimum wage for garment workers and end the industry standard of piece-rate system—payment by how many garments workers produce during a shift. The bill is still in the legislative process, to be submitted to the state assembly in July.

"It is time that we demand better working conditions for women and just hourly pay for garment workers, who, when paid by the piece, earn on average $5.15 per hour," said Senator María Elena Durazo, who authored the bill.

The bill also closes what Durazo has criticized as a legal loophole. Retailers and companies who order apparel made in California factories will be responsible for the wages of people employed by contractors who produced the goods.

During past wage disputes, retailers have argued that contractors are solely responsible for wages for items sold at retailers' stores. Labour advocates criticised the argument as allowing retailers to duck responsibility for paying garment workers' wages.

Apparel-industry and business groups were strongly opposed to the bill. The trade group California Fashion Association and the California Chamber of Commerce called the bill a job killer. CFA president Ilse Metchek said that the bill would crush opportunities for good sewers to make more money.

"It means that good sewers won't get a bonus. What they have done is taken money away from the best of them. They have penalized the expert sewers," she was quoted as saying by media reports from the US state.

In an already struggling domestic apparel industry, Metchek feels that the bill will impede recovery.

Source: fibre2fashion.com– Jul 02, 2020

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Pakistan: Exports showing progress due to product diversification: Razak Dawood

Advisor to the Prime Minister on Commerce and Investment, Abdul Razak Dawood on Thursday said the exports of Pakistan are showing clear signs of recovery, due to the efforts of the exporters to diversify the products, in the wake of new opportunities arising amid Covid 19 pandemic.

This was stated by Advisor to the PM on Commerce and Investment, Abdul Razak Dawood, while chairing a meeting to discuss export strategy of Pakistan, at Ministry of Commerce today.

Seniors officers of the Ministry of commerce also attended the meeting,said a press release issued by Minstry of Commerce here.

Commenting on the trends of exports, Razak Dawood underscored that the export sector has been given a new impetus by the Government by allowing the export of Personal Protective Equipment, barring three items, which is indicated by the surge of exports in the month of June.

He added that other policies of the Government, for diversification of exports and international markets, will enable us to continue the thrust in the current fiscal year as well.

The Advisor noted that the traditional exports of Pakistan, like garments and bed wear etc., are also picking up and would show improved performance in the new financial year 2020-21.

Talking about the export strategy, the Advisor reiterated that greater emphasis will be on product diversification, including engineering products, pharmaceuticals, agro products and services.

He remarked that the beginning of export of home appliances and geographical diversification of cement export to China and Philippines are clear signs of success.

Razak Dawood added that he remains optimistic towards achieving the export targets in the new fiscal year and the policy of product and geographical diversification will continue to be actively pursued for success in this regard.

During the briefing, the current facts and figures related to the trend of exports were presented to the Advisor.

It was explained that, before the outbreak of the pandemic near the end of February 2020, Pakistan's exports were on an upward trajectory and it showed an increase of 14% in Dollar value terms, as compared to the same month last year.

This momentum for February 2020 continued despite the initial outbreak of Covid-19 in the country, as the first 10 days of March 2020 registered an increase of 13% as compared to last year, release said.

In mid March, because of a lockdown to control the spread of the pandemic, followed by a global economic slowdown, the export-oriented industry in Pakistan suffered as reflected in March 2020 figures, which showed the decline in growth by 8% compared to same period last year.

The situation persisted and, in April 2020, the exports showed a downward trend of 54% as compared to April 2019.

According to press release, after the month of April and with the efforts of the Government to encourage the export sector, the first signs of recovery were observed in the month of May 2020, which only saw 33% decline in exports as compared to same month last year.

The momentum continued in June 2020, as the downward trend, which stood at 54% in April, 33% in May, has been brought down to single digit figure of 6% in dollar value terms.

In addition to a positive trend of exports, the figures also indicate the strategies for geographical and product diversification are bearing fruits. For instance, there is significant improvement in exports to Africa, which is an outcome of 'Look Africa Policy', as well as the Middle East, press release added.

Similarly, export of Meat products has shown good growth, while Tobacco shows a promising future.

Similarly, in the overall textile sector, value-added products have shown improvement while, at the same time, the export of cotton yarn and fabric has gone down.

As a result of overall progress, the trade balance has improved by $8.7 Billion, which shows that the Current Account Deficit is also at manageable levels.

Source: app.com.pk– Jul 02, 2020

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Bangladesh: Apparel exports fall by over 18% in FY20

The country's apparel exports declined by 18.45% to $27.83 billion in the just-concluded fiscal year as the Covid-19 pandemic took a heavy toll on global clothing demand and supply chain, according to the provisional data of the National Board of Revenue.

The contraction is the highest in the history of Bangladesh's apparel export, as the biggest shipment shrink of 5.68% took place back in the 2001-02 fiscal year.

In the fiscal year 2001-02, the apparel sector declined 5.68%, when its total export earnings were only $4.58 billion.

For the last FY20, the government had set a target to earn $38.20 billion from clothing export. The earnings from the sector were $34.13 billion in the 2018-19 fiscal year.

The Export Promotion Bureau (EPB) is going to release the overall export performance data for the just-concluded fiscal year next week, a senior trade official at the Bureau told Dhaka Tribune.

"We are now verifying the NBR data. It seems all right," an EPB official said.

Why the plunge

Lockdowns and shutdown enforced both in Bangladesh and export destinations to defeat the coronavirus pandemic have deeply affected the country's exports as it has impacted the production as well as sales in the global brands' outlets.

"The country's export-oriented sector has been passing through an unprecedented time in our history as Covid-19 has swept through the entire landscape of the global economy. Export has been a lifeline for Bangladesh economy and indispensable to maintaining micro and macroeconomic stability in the country, hence such a devastating scenario is alarming," Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Rubana Huq told Dhaka Tribune.

The compound annual growth rate of the country's exports during the last 5 years had been 6.86%, and the rate had been even higher for the last 10 years, 10.70%, Rubana added.

Global buyers, retailers and brands had cancelled or held work orders totalling $3.18 billion due to the Covid-19 pandemic, she said.

"We lost 4.8 billion worth of exports just in three months, April-June 2020. This showed the severity of the Covid's impact on the industry," she added.

Ways forward

"New seasons are coming but travel restrictions have not been withdrawn in many countries. So, like before, physical meetings will not be possible. Therefore, both manufacturers and buyers have to use digital technologies for sharing designs, approving samples, doing b2b meetings etc," Mostafiz Uddin, Managing Director of Denim Expert said.

Though the lockdown in western cities is gradually being withdrawn, people might not go to shops as many times as before, rather consumers would prefer buying clothes online, maintained Mostafiz.

Hence, e-commerce and online sale would emerge as a new opportunity to recover the loss that had been made during the pandemic and earn a good profit, added Mostafiz.

"It will take time to reopen the economy and demands for clothing items to pick up. So, the manufacturers have to concentrate on new products such as personal protective equipment and meditext," Dr Zahid Hossain, former World Bank lead economist in Bangladesh said.

He also urged to take advantage of the duty-free market access in China and as well to focus on non-traditional markets.

Free fall in exports to continue

As the Covid pandemic exists, and signs of economic recovery are yet to become visible, the free fall in exports to continue as global trade and consumption forecast to decline sharply.

In addition, UNCTAD estimated a decline by 27% in the second quarter of 2020 in trade in many developing countries due to the “unprecedented effects of the pandemic.

As per the World Trade Organization (WTO) forecast, the global merchandise trade to decline 13-32% in 2020 due to the Covid-19 pandemic.

As per the global projections and forecasts by industry insiders, currently the factories have orders equivalent to 55% of their capacities on average which is expected to pick up a bit by the year end by 70% of the capacity by December 2020,” said Faisal Samad, senior vice president of BGMEA.

A long term prediction may not be pragmatic at this volatile situation, yet we can hope that we will be as close as 80% of our regular exports toward middle of 2021, he added fearing continuation of down trend in exports.

Source: dhakatribune.com– Jul 03, 2020

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Pakistan’s exports decline 6.8pc YoY in June

While the official data is yet to be released by Pakistan Bureau of Statistics (PBS), the Ministry of Commerce (MoC) has claimed that the country’s exports in June 2020 witnessed a decline of 6.83pc, terming it a “sign of recovery after the historic fall of 54pc in April”.

According to the ministry, the single-digit decline in June showed a clear improvement in the country’s export trend, particularly after a fall by 8pc, 54pc and 33pc in March, April and May, respectively.

“Pakistan’s exports are showing clear signs of recovery due to the efforts of the exporters to diversify their products in the wake of Covid-19 pandemic, and also due to the support extended by the government in this regard,” said Adviser to Prime Minister on Commerce and Investment Abdul Razak

Dawood while chairing a meeting to discuss the export strategy of Pakistan on Thursday.

During the meeting, the adviser was briefed on the current facts and figures related to the trend of Pakistani exports.

It was informed that before the outbreak of the pandemic near the end of February 2020, Pakistan's exports were on an upward trajectory, showing an increase of 14pc YoY in dollar terms. The February momentum continued despite the initial outbreak of Covid-19 in the country, as exports in the first 10 days of March 2020 registered an increase of 13pc as compared to last year.

According to officials, after the mid of March, Pakistan's export-oriented industry felt the impact of Covid-19 lockdowns as well as the global economic slowdown. This led to an 8pc decline in March exports as compared to the same month of last year.

The situation persisted and, in April 2020, the exports showed a downward trend of 54pc as compared to April 2019, they added.

Following the month of April and with the efforts of the government to encourage the export sector, the first signs of recovery were observed in the month of May 2020, which saw 33pc decline in exports as compared to the same month last year. The momentum continued in June 2020, as the downward trend was brought down to a meagre 6.8pc.

In addition to a positive trend in exports, the figures also indicated that the ministry's strategies for geographical and product diversification were bearing fruits. For instance, there was a significant improvement in the exports to Africa, which was an outcome of 'Look Africa Policy', as well as the Middle East.

Similarly, the export of meat products has shown also decent growth, while tobacco depicted a promising future.

In the textile sector, value-added products showed an improvement, while at the same time, the export of cotton yarn and fabric went down. As a result of overall progress, the trade balance has improved by $8.7 billion, indicating that the current account deficit was also at manageable levels.

Commenting on the trends of exports, Razak Dawood underscored that the export sector was given a new impetus by the government by allowing the export of Personal Protective Equipment, barring three items, which was indicated by the surge of exports in the month of June.

He added that other government policies for diversification of exports and international markets would enable the exporters to continue the thrust in the current fiscal year as well.

The advisor noted that the traditional exports of Pakistan, like garments and bedwear etc., were also picking up and would show improved performance in the financial year 2020-21.

Source: profit.pakistantoday.com.pk– Jul 02, 2020

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NATIONAL NEWS

India's trade deficit with China reduces to $48.66 bn in FY'20

India's trade deficit with China fell to $48.66 billion in 2019-20 on account of decline in imports from the neighbouring country, according to government data.

Exports to China in the last financial year stood at $16.6 billion, while imports aggregated at $65.26 billion, the data showed. The trade deficit between the countries was at $53.56 billion in 2018-19 and $63 billion in 2017-18.

The main imports from China include clocks and watches, musical instruments, toys, sports goods, furniture, mattresses, plastics, electrical machinery, electronic equipment, chemicals, iron and steel items, fertilisers, mineral fuel and metals.

New Delhi has time and again raised concerns over widening trade deficit with China. The government is taking steps such as framing technical regulations and quality norms for several products to cut dependence on China for imports.
It has also imposed anti-dumping duties on several goods, which are being dumped in the domestic market at below the average prices from China with a view to guard domestic players from cheap imports.

Technical regulations

As many as 371 products have been identified for technical regulations. Out of these, technical regulations have been formulated for 150 products worth about $47 billion of imports.

Over 50 quality control orders (QCOs) and other technical regulations have been notified in the past one year including on electronic goods, toys, air conditioners, bicycle parts, chemicals, safety glass, pressure cooker, items of steel, electrical items such as cables.

China accounts for about 14 per cent of India's imports and is a major supplier for sectors such as mobile phones, telecom, power, plastic toys, and critical pharma ingredients.

Similarly, foreign direct investment (FDI) from China into India too has dipped to $163.78 million in 2019-20 from $229 million in the previous fiscal, according to the data.

India had received $350.22 million FDI from the neighbouring country in 2017-18 and $277.25 million in 2016-17.
During April 2000 and March 2020, India attracted FDI worth $2.38 billion from China.

In April, the government tightened FDI norms coming from the countries which share land border with India. As per the amended FDI policy, a company or an individual from a country that shares land border with India can invest in any sector only after getting government approval.

Top sectors which saw maximum FDI from China during April 2000-March 2020, are automobile ($987.35 million), metallurgical ($199.28 million), electrical equipment ($185.33 million), services ($170.18 million), and electronics ($151.56 million).

Source: thehindubusinessline.com– Jul 02, 2020

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‘Customs Department may take at least a week to clear pile-up of Chinese cargo’

Manufacturers relieved as imports pending across sectors are being cleared, say officials

Pending cargo imports from China — textiles, pharmaceuticals, electronics, embellishments or engineering goods — are now being cleared by the Customs department across ports without 100 per cent physical examination. However, it may take about a week for the consignments stuck at various ports to be cleared, a government official has said.

“As consignments were piling up since June 23, it can take about a week or more for pending consignments to get cleared.

The important thing is that the process has started and there is a feeling of general relief amongst the industry,” a Commerce Ministry official told BusinessLine.

'Drug trafficking'

The Customs Department had stopped clearing imports following a border conflict between the two countries that resulted in both sides trading charges. The department had informed importers in some ports that the 100 per cent physical checks that were taking place in ports was due to information about some drug trafficking taking place.

With both countries now calling for step-wise de-escalation across the Line of Actual Control in Eastern Ladakh, reconciliation may be back on the agenda. Since early this week, ports had started clearing consignments imported by authorised economic operators, which included about 3,000 companies, and from Tuesday night, imports by pharmaceutical producers were cleared.

Since Wednesday, following representations by exporters and manufacturers dependent on Chinese imports, all ports — including Chennai, Mumbai, Kolkata, Delhi, Bengaluru and Tuticorin —have started clearing consignments that were held-up, the official said.

Lack of clarity over physical checks

"We are thankful to the government for starting the clearance of imports from China across ports. We are not sure whether the 100 per cent physical checks for all consignments will be done away with as there were reports of drugs being smuggled in at Chennai port, but most imports are now being cleared," said A Sakthivel, Chairman, Apparels Export Promotion Council (AEPC).

The AEPC had earlier written to the CBIC and the Textiles Ministry pushing for release of imported fabrics and accessories stuck at ports as it was affecting factory processes.

"Checking of consignments at ports will now not be a challenge since under the Risk Management System in various customs locations, the percentage of checks is very low", pointed out Ajay Sahai from the Federation of Indian Export Organisations (FIEO).

Source: thehindubusinessline.com– Jul 02, 2020

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As trade with China takes its toll, cotton ginners worry about stalled payment

The ongoing trade war between India and China has cast a shadow on the burgeoning textile sector of the country, with exporters worried about their stuck payment.

As India stares at bumper cotton stocks, exporters are asking for urgent steps like exporting subsidies to help them offload their stocks. With the stoppage of imports from Bangladesh at the land ports between two countries in West Bengal coming to a halt, Indian exporters fear this would affect their prospects to one of the biggest markets of Indian cotton.

At present, Indian cotton is perhaps the cheapest in the world, with bales (170 kg of ginned and pressed cotton) priced at Rs 32,000 each. Prior to the lockdown, Indian exporters were eyeing Chinese markets to sell their stock as the former was in the process of replenishing its stock.

The Cotton Association of India (CAI) has estimated that India will export around 47 lakh bales for cotton marketing year (November-October) 2019-20. China imports bales and yarn from Indian for its home grown textile industry.

Exporters, while speaking to The Indian Express, said they fear their credit line with Chinese companies will be hit for the bales they have exported between April and June.

Estimates say around 2 – 3 lakh bales have gone to China during this period, payment for which is yet to be released. Exporters avail credit from banks to export their produce and adjust the same once their received payment for shipment. "We will be in big trouble if the payment is held up," said a Mumbai-based exporter. As Indian companies start boycotting the Chinese market, textile manufacturers and cotton ginners feel they will have to do the same.

The bigger worry for cotton ginners is the large unsold export surplus the country will carry forward for the next marketing season. Trade with Bangladesh, one of the biggest importers of Indian cotton, has come under a cloud, given the uncertainty at the land border. On Thursday, the Federation of Indian Export Organisation dashed off a letter to Mamata

Banerjee, the Chief Minister of West Bengal, highlighting the problems they are facing over exports.

While exports from India have been allowed to go to Bangladesh, imports have been stopped at land borders in West Bengal.

"This has affected Indian MSMEs who depend on Bangladesh for most of their raw material," the letter said. Bangladesh, in retaliation, has also stopped the entry of Indian goods through its land border.

Pradeep Jain, founder president, Khandesh Cotton Gin/Press Owners and Traders Development Association, called for an immediate resolution on the present imbroglio between the two countries. "Bangladesh alone imports 17-18 lakh bales from India and we should retain the market," he said.

Source: indianexpress.com– Jul 02, 2020

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India-funded Chabahar port in Iran to be integrated with Free Zone

India's first overseas strategic port venture gains momentum after initial struggle

India's first-ever port investment overseas at Chabahar in Iran is gaining momentum with the Persian Gulf nation approving the integration of the port with the Free Zone operating in the area and the opening of a branch by an Afghanistan bank soon.

The integration of Chabahar port with the Free Zone was approved by the Iranian Guardian Council. Subsequently, a memorandum of understanding was signed between the Ports and Maritime Organization (PMO) of the Islamic Republic of Iran and Free Zone Authorities on June 9 for implementation of laws and regulations of the Free Zone in the port of Chabahar.

"The inclusion of the port in the Free Zone is expected to boost the cargo through the port," Arun Kumar Gupta, Managing Director of India Ports Global Ltd (IGPL), told BusinessLine.

India Ports Global is a fully owned by Sagarmala Development Company Ltd, a company controlled by the Shipping Ministry.

The trade is also upbeat with the announcement that Ghazanfar Bank of Afghanistan will soon open a branch in Chabahar, Gupta said. “It is understood that the bank has received requisite permit from Central Bank of Iran,” he added.

India Ports Global started operations from two berths at Shahid Beheshti Port of Chabahar on December 25, 2018 and has since handled container, bulk cargo, livestock and heavy lift cargo vessels.

“Transit of export consignment from Afghanistan through Chabahar commenced in February 2019 as a trickle but has now started showing a healthy upward trend. On June 30, the IPGL terminal loaded 76 twenty-foot equivalent units or TEUs (all refrigerated) for India. This is a record single loading and is a milestone in growth path of Shahid Behesti Port of Chabahar, Gupta stated.

On June 28, the port also handled the fourth consignment (300 TEUs) of wheat cargo from India to Afghanistan. This is part of the 75,000 tonnes of wheat that India is supplying to Afghanistan as humanitarian aid.

The port has a water-front of over 1,200 mts (with 70 hectares of back up area), where four post panama vessels can berth.

Exceptions granted by the US

With “exceptions” granted by the US to the port project from the sanctions it has imposed on the Persian Gulf nation, Chabahar is all set to scale greater heights, Gupta added.

India Ports Global and Aria Banader Iranian Port & Marine Services Company (ABI) of Iran signed a deal in May 2016 to equip and operate the container and multi-purpose terminals at Shahid Beheshti – Chabahar Port Phase-I with capital investment of $85.21 million and annual revenue expenditure of $22.95 million on a 10-year lease. Cargo revenues collected will be shared by India and Iran as per an agreed formula.

Located in the Sistan-Baluchistan Province on Iran’s South-eastern coast (outside Persian Gulf), Chabahar port gives India a sea-land access route into Afghanistan and Central Asia through Iran’s eastern borders. The project is considered a strategic venture for development of regional maritime transit traffic to Afghanistan and Central Asia.

Source: thehindubusinessline.com– Jul 02, 2020

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Reducing dependence on China: India Inc advise on import substitution

Indian companies have started submitting proposals to the government on ways to reduce import dependence on China, recommending measures such as levy of Covid-19 import duties on non-essential products and reduction of customs duty on plant and machinery from other countries.

"The suggestions include imposing Covid-19 import duties of as much as 15% on non-essential imports across sectors, even for products routed through countries that have free-trade agreements with India," a senior official told ET. "They also suggested suspension of trade concessions under FTAs, reducing customs duty on plant and machinery imported from Japan, the US and Europe, and making import of raw material very selective."

Industry associations are making presentations to the government on the basis of inputs received from sectoral bodies.

Japan and South Korea have been identified as alternative sources for lithium batteries and other technical components.

Companies are using the opportunity to outline steps to cut dependence on all imports.

Demand for Tighter Standards

Global supply chains were disrupted after the Covid-19 outbreak, hurting India's manufacturers and exporters, and that was followed by border tensions with China that erupted last month.

The automobile components industry wants standards to be tightened so that cheap Chinese imports don't flood India through FTAs, including pacts with the Association for South East Asian Nations and the South Asian Free Trade Area, and it has called for an investigation into the matter.

Citing an example, the auto components industry said imports from Singapore surged more than seven-fold to almost $1 billion in 2018-19 from $124 million in 2017-18.

The Indian business community's detailed suggestions were made after the commerce and industry ministry sought a list of imports from China and ways to discourage them by either incentivising local production or finding alternative sources.

"We have a lot of capability in sectors such as pharmaceuticals, auto and electronics, but we need to build alternative supply chains with partners in the Far East, Europe and the US, as we look to cut our dependence on China," said Jayant Dasgupta, India's former ambassador to the World Trade Organization.

However, he said these changes won't happen overnight and would take at least five years of efforts, considering that China achieved this level of manufacturing capability over 20 years.

Sectors ranging from auto to pharmaceuticals, iron & steel, textiles, plastics, furniture and toys are making representations to the government, officials said.

SOME CONFLICTING VIEWS

However, there were conflicting views on certain items. While the chemicals industry proposed a duty on imports from China, the pharmaceuticals industry opposed the move, saying it would increase their costs and interfere with drugs that are under price control.

"The idea of this exercise is to diversify our supply chain — we have seen the perils of excessive dependence on one supplying nation," another senior official told ET.

The cement industry proposed a ban on exports of grade limestone and introducing import duty on cement and clinker. The aluminium alloy and related industry sought a complete review of existing FTAs, including with Asean.

Textile companies suggested that the rules of origin should be drafted in such a way that China is not able to push its products to India through Bangladesh.

OUTRIGHT BAN

An outright ban has been proposed on import of petrochemical products where the local industry has the capability of meeting domestic demand and a doubling of import duty has been sought on synthetic fibres for which there is more than adequate domestic capacity to meet demand in the country.

The PVC flooring industry wants imports through FTAs to be curbed to give a fillip to domestic companies and create employment in this labour-intensive sector.

“India should also re-negotiate preferential import duty rates favouring exports from India for PVC products,” officials from the sector have proposed.

China accounts for about 14% of India’s imports and is a major supplier for sectors including mobile phones, telecom, power, plastic toys and critical pharma ingredients. India’s trade deficit with China narrowed to $48.66 billion in 2019-20 due to lower imports, according to government data, from $53.56 billion in 2018-19 and $63 billion in 2017-18.

Source: economictimes.com– Jul 03, 2020

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Coping with Covid-19: Strategising the next wave of stimulus

Governments around the world are grappling with the economic (and health) devastation unleashed by Covid-19. As per recent estimates, over $7 trillion may be shaved-off from the 2019 global GDP. But, the macro-economic number doesn't tell the enormous human cost as millions lose their jobs, small businesses are devastated, and major industries like hotels and airlines face bankruptcy. ILO in May had estimated that nearly 300 full-time jobs were at risk in the April to June quarter as 94% of the world's workforce was located in places with some form of workplace closure. Protecting these jobs and worker incomes has become the top priority of every government.

Governments have responded by announcing mega stimulus packages. The G20 countries (including India) have announced stimulus packages totalling more than $11.2 trillion, (nearly 16% of G20 GDP). However, these countries have followed different strategies for deploying this money. BCG has been working with governments in over forty countries in different capacities on the management of the crisis, and has been tracking the stimulus packages and their effectiveness.

We find that while the size and composition of these stimulus packages varies significantly across countries, there are five important themes one can draw out which are instructive for policymakers in India and other countries as they continue to develop and fine-tune their policy responses to deal with a crisis, which is likely to remain with us for some time given the uncertainty on timing to develop an effective treatment. Let me point out these themes.

The first theme is that most countries have used the stimulus packages to directly support the industry as a primary policy lever for job protection. But, it has not been a blanket support. They have customised their fiscal support driven by three specific objectives/criteria.

First, some countries are supporting those sectors that are the most financially stressed and close to bankruptcy, like airlines and hotels, which potentially would lead to huge job losses. An example of such support is the $25 billion to be given to the US airlines in return for worker retention.

Second, fiscal support has been given to sectors with an economic multiplier effect for that country. Example of this is the support to the automotive industry in Spain or both auto and healthcare sectors in Germany. Third, many governments with an eye on the future, have innovatively tied the fiscal support to push a 'green' agenda by linking part of the money to the adoption of green technologies by the companies who seek the stabilisation funds.

The second theme that jumps out from this analysis is that Covid-19 has clearly served as a wake-up call to countries around the world without adequate social protection floor for the workers and the poor. As a result, countries have focused substantial part of the stimulus package on workers and weakest part of their population. While half the countries primarily adjusted their current programmes, the other half introduced new programmes.

These had two interesting features. First, over half of the total social protection outlay was in the form of direct cash handout, which helped provide immediate urgently needed support (and also supported short-term demand revival). At the same time, we also found countries preparing for the future by innovatively linking pay-out to workers with them having to get new skills for the future while they are at home under lockdown.

The third theme is that, on an average, 50% of the fiscal package is directed towards consumer demand revival through revenue and expenditure measures like direct cash pay-out, wage subsidy, tax exemption. The remaining part of the fiscal stimulus is provided through government guarantees, loans and equity infusion. Of course this balance varies between countries, with countries like Japan and the US having much higher part of the stimulus as direct monetary support for demand revival, while Germany and the UK having a greater focus on using government guarantees.

The fourth interesting theme was that, in general, countries have refrained from launching major policy reforms amidst this crisis. Instead, they have tried to accelerate the use of technology and digital business models to drive the effectiveness of delivery of these stimulus programmes. These technology-led innovations have varied from smartphone-based savings accounts for the unbanked in Brazil to speeding up regulatory changes like allowing non-banking e-money providers to launch more services.

The fifth, and the final, theme is not directly from the study of the fiscal packages, but from our teams' discussions with governments. Governments have learnt from the global financial crisis of 2008 when they had to launch economic stimulus in waves and had to launch a bigger second wave (2009) than at the start of the crisis in 2008. With a coronavirus, which makes any predictions on recovery—whether it will be L, U or V-shaped—fraught with risk, it is very likely that countries will have to roll out more than one stimulus package over coming months. Given the already stretched fiscal positions of many governments in both developing and developed world, finding the money for subsequent waves is clearly one of the biggest policy challenges they face.

What do these themes mean for India? To answer this question let us first summarise India's stimulus package. In terms of total size (including the consolidation of earlier packages and RBI's measures which typically are not counted in the fiscal package), we are middle of the pack in terms of % of GDP. While direct cash infusion is planned through work programmes in the rural areas, there is limited immediate relief besides free food, and most of the support is in the form of guarantees, loans and moratoriums. The government has also focused on two areas: rural poor and returning migrants, and MSMEs, and has also taken this opportunity to announce major reforms to the agriculture marketing policies.

So, the report card for the first wave of stimulus would read as follows. Excellent on the critical theme of social protection for the weaker section of the population. Good on pushing acceleration of digitisation across sectors and delivery channels. More innovative and long-term thinking (on direct worker protection and re-skilling, how to give credit to nearly 90% of them who do not have access to formal credit line) can strengthen the support to MSMEs and urban migrants (e.g. low-cost urban worker housing subsidies/loans can make a huge impact and also create demand, a policy adopted by several countries).

While there will be a positive impact on consumer demand from rural works programmes, we have to perhaps think more creatively on how to push it harder using fiscal levers and/or large scale government infrastructure buildout. Finally, we have an opportunity to think through the three lenses on how to support the industry; (i) the fiscally challenged sectors (e.g. travel and tourism), where bankruptcy will create challenges for both jobs and already stressed banking sector, (ii) the economic multiplier sectors like real estate/housing and automotive, and (iii) innovatively pushing India's 'green' agenda. Food for thought as the government plans the next wave of the stimulus.

Source: financialexpress.com– Jul 02, 2020

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India needs to become global champion in auto, textile & food processing: Amitabh Kant

The Prime Minister has shared his vision on Atmanirbhar Bharat. What kind of policy framework do you think needs to be put into place to make India more self reliant?

It is very clear that under the Atmanirbhar Bharat vision set by the Prime Minister, the domestic sector will have to be made more competitive. We will build scale and size and target-specific areas of global value chains and enhance our contribution to global trade. It was not about isolation as some have said. It is not about anti-globalisation. It is about actually penetrating global markets and using the strength of our domestic markets to do this and to achieve this we have a three-pronged strategy. One, invite investments both FDI and domestic into sectors of strength. Second, build scale to ensure economies of scale in the areas of strength and third, really kindle the animal spirits of entrepreneurs in India.

It is critical that we really push for this. We have already initiated several policy measures and we have brought in the production-linked incentives in mobile and electronics, in APIs and pharma and in medical devices, and we will continue to push for radical reforms so that India becomes easy and simple and we continue to push for growth.

I am not drawing you to political waters but Make in India was also a campaign which was in a sense unveiled by the current administration a couple of years ago. Some would argue, it never really saw the success with which it was really launched and ideated. So how is Atmanirbhar really different from Make in India?

People do not realise that because of Make in India, we could focus on ease of doing business. We jumped up 79 positions on the ease of doing business ranking. We could open almost all sectors of India's economy through FDI and our FDI consistently grew over the last five years. This year we are receiving close to about $80 billion from foreign direct investment. Just imagine if this had not happened. FDI has brought along with it a lot of technology.

Thirdly, it is because of Make in India thrust we could focus on a new patent policy. We could really reduce the massive pendency on patent rights and patents and trademarks were pending for a very long time. In India we do not produce to size and scale and while we have subsidised agriculture, kept tax out from the services sector for a very long, we have penalised the manufacturing sector simply by land being at very high cost, through labour laws which have protected a small size and by ensuring that electricity costs are almost 2.5 times of other destinations. If you want to make manufacturing efficient in India, you have got to take care of these aspects. Without that, it will not happen. I think the focus this time is to really make manufacturing efficient and to make it globally competitive. There are several reforms which have been taken in this direction.

I saw your tweet yesterday that you are in support of India's ban on Chinese apps. Why is that? Some would argue is it not against complete deglobalisation?

My view always has been that India has to be a data sovereign country. Any app released here has to respect data sovereignty. Secondly, my belief is that many of these apps are actually lifestyle apps. They are not utility apps and they should adhere to India's data integrity, privacy, transparency and sovereignty. They must be transparent as far as the origin and final destination of data is concerned. This is critical to my mind.

Secondly, China as you are fully aware, has grown and evolved and developed as far as the tech world is concerned by totally closing the rest of the world. Google, Twitter none of them operate in China and you have to provide an equal field to everyone. So you allow your products to develop, do not allow other products to come in and create an imbalance and then you allow them to penetrate Indian markets. We have been very open about this because we believe in a free market economy but I think there was a challenge about the transparency of origin and final destination of data and I think that is critical.

Some would argue that in India you had two large success stories: one is pharma and second is auto. Now they both are big industries. One is based on chemistry and the other is based on supply chain. Why do you think other industries and other entrepreneurs are not able to achieve that?

My personal view is that India has a comparative and competitive advantage in nearly 15 sectors; around 14 to 15 sectors in the rest of the world. We have a comparative advantage to my mind in quite a few areas: chemicals, pharmaceuticals, leather, textile and food products. We enjoy substantial comparative advantage in terms of services trade with the rest of the world. But we have to make ourselves very competitive as far as land, labour and electricity is concerned. Now one of the challenges is that quite often, we get into the sunset areas of industry where it is very difficult to penetrate because other countries have already gotten into it. We need to get into sunrise areas and bring size and scale.

Secondly, it is very important that we focus on democratic things. Therefore, we start supporting all the sectors under the sun and start supporting every single exporter or producer. Look at the MEI scheme and the way it was expanded. We spent Rs 50,000 crores but we support even small exporters. Whereas if you look at the strategy followed in South Korea, they created global champions like Samsung and Hyundai. We support them to become a global champion and then they can do backward integration with the small MSME sector.

I think our strategy should be that we identify about 14-15 sectors, we identify global champions and we really support them and make them really big players. Along with that, you will see the MSME sector growing. Therefore, my personal view is that India must create big time global champions in several sectors and that is one approach we have taken through this production-linked incentive scheme. I think we need to do the same thing with automobiles, we need to do that in textile and in food processing to become a global champion.

But in order to be competitive, we have to automate more. If one of the underlying themes of Atmanirbhar Bharat is job creation, do you think somewhere that will get defeated because when you speak about size and scale, they require a lot of automation and the minute you start automating, you will become efficient but you will not create jobs.

India already has a very strong manufacturing base in high value segments that are already quite highly automated. You look at automobiles and mobile manufacturing. Even though these segments are highly automated in aggregate terms, they also create huge employment opportunities by providing jobs to very highly skilled workers and India has a plethora of high-skilled engineers and workers who are already pretty adept with working in automated settings. My view is that automation will only be a boon and not a curse. It will actually help us to move forward and Indians are quite skilled as far as this is concerned.

Source: economictimes.com– Jul 02, 2020

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Major GST reforms likely this fiscal: Ajay Bhushan Pandey, Finance Secretary

Even as the GST regime entered the fourth year on July 1, it is encountering the issue of low revenue growth and the resultant inability of the central government to fully compensate the states for their 'revenue shortfall' versus the constitutionally guaranteed annual growth of 14%. FE's Sumit Jha spoke with finance secretary Ajay Bhushan Pandey on the reforms being undertaken to remedy the situation.

GST collection in June is close to Rs 91,000 crore, about 9% less than the year-ago month. What proportion of the revenue is from taxes paid for transactions during May?

We are performing that exercise to find out from the available data but my guesstimate is that 70-80% of June collection would have come from transactions in May.

Lower-than-estimated collections have made it difficult to fully compensate the states for their revenue shortfall. What is the solution to this issue?

Last year (FY20), nominal GDP growth was around 7.5% but the domestic GST collection, leaving aside the import part as GDP growth can be compared only with tax growth from domestic consumption, was around 9%. Hence, the notion that lack of GST revenue growth is the sole reason for the compensation issue is not correct.

The answer to the compensation issue is in the law itself, which says that the compensation would be paid out from the designated fund. We have discussed this in the last three GST Council meetings, including options of augmenting revenue and tighter compliance. The solution could be a combination of several options on the table as the discussion is still continuing.

What are the important reforms expected for the GST structure and systems over the coming six months or so?

We have to improve the taxpayers' experience, howsoever small a unit may be or even when an issue may be affecting only one taxpayer. We have to ensure that each assessee gets as smooth an experience as anyone else among 1.24 crore registered taxpayers. On the policy questions, such as inverted duty structure, or rate rationalisation, several groups have been constituted under the GST Council. The discussions are going on. Some decisions have been taken and more will be taken as we go forward. This is a continuous exercise and hopefully, within the next 8-9 months, many such decisions will be taken.

Is a decision due on further rate rationalisation?

This is something being discussed. What will be the exact nature of deliberations or the outcome thereof is up to the GST Council to decide. Of course, the council has always been sensitive to the needs of the industry and other taxpayers.

Over the last 3 years of GST, its IT platform has received a lot of flak. What is the solution to this and how the GSTN could be made to work for all taxpayers?

There is no parallel in the world for the IT platform where 1.24 crore people file their tax returns completely online without any manual interface. When you have such a large IT system, there are bound to be problems at some places, local to a particular tax sphere in certain situations.

However, the problems for taxpayers should be brought down to zero. If you compare with the scenario three years back, and then compare to next year and to what we do now, (the glitches faced by taxpayers) is on a declining trend.

Nandan Nilekani (chairman of Infosys — the IT partners of GST Network) is involved in the personal capacity, for which we are thankful. We are working on completely eliminating problems, and over the next few months, we will continue to improve further.

Revenue leakage has been among the major concerns in GST. How has the trend been lately?

With the IT initiatives in tax department, now all three systems — income tax, customs and GST — are talking to each other. The idea is to avoid over-reach by tax officials and minimise discretionary decisions. In the last 7-8 months, we have generated red-flag reports in respect of few thousand entities using data analytics and identifying the places where tax evasion might be taking place.

Our success rate has been more than 70% and this would improve further. The data triangulation among income tax, customs and GST, along with data analytics is reassuring to the compliant taxpayers since they won't be asked any questions if their returns are fine. They won't even need to see face of the tax officer for years together.

Source: financialexpress.com– Jul 03, 2020

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RBI asks banks to reclassify MSMEs as per revised criteria

The RBI has asked banks, financial institutions and NBFCs to reclassify micro, small and medium enterprises on the basis of the new criteria.

Last month, the government notified new criteria for classification of micro, small and medium enterprises (MSMEs) on the basis of turnover and investment in plant and machinery.

"We advise you to initiate necessary action for reclassification of enterprises as per the new definition w.e.f July 1, 2020 and issue necessary instructions to your branches/controlling offices in this regard, at the earliest, RBI said in a communication to banks, financial institutions and non banking financial companies (NBFCs).

After 14 years since the MSME Development Act came into existence in 2006, a revision in MSME definition was announced in the Atmanirbhar Bharat package on May 13.

The Reserve Bank further said in case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration.

As per the revised definition, an enterprise is micro where the investment in plant and machinery or equipment does not exceed ₹1 crore and turnover does not cross 5 crore.

An enterprise is now classified as small enterprise, where the investment in plant and machinery or equipment does not exceed Rs 10 crore and turnover is not over ₹50 crore.

For medium enterprise, as per the new classification, the investment in plant and machinery or equipment should not exceed ₹50 crore and turnover should be below ₹250 crore.

Source: thehindubusinessline.com– Jul 02, 2020

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