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# INTERNATIONAL NEWS

## The International Apparel Federation is expected to decrease apparel sales 50 per cent by 2020

The International Apparel Federation is expected to decrease apparel sales 50 per cent by 2020 , compared to 27-30 per cent of revenue, and more than 80 per cent of companies are facing financial problems such as bankruptcy.

Clothing retailers are trying to get back their feet on e-commerce or other strategies. The brands are already reopening stores in many countries. On the other hand, 65 per cent of consumers are cutting their apparel spending.

Retailers and brands are going forward with their strategies and manufacturers also getting new orders. But apparel manufacturers are the most sufferers because they are facing a significant crunch in liquidity.

To save theirs worker, the Pakistan government issued a concessional loan to partly cover 3-month salaries provided no layoffs moratorium on payment of principal.

To prevent bankruptcies Pakistan took the resumption of work under strict SOP's (standard operating procedure) with partial capacity utilization and extra overheads but without the help of brands' receivables of payments, it will get tough.

The Re-Set of the supply chain will occur at the end of the pandemic. Fast fashion will go to slow fashion, change in order rhythm, e-commerce will go fast but it will take more time to replace shops, reconsideration of the sourcing strategy and the relationship between buyer and supplier will be re-balanced. Manufacturers around the world are taking a new initiative to get back on track again.

Likewise, RMG companies in Bangladesh reopened their factories and are receiving new orders. The garment sector in Bangladesh follows SOPs to maintain worker health security. In factories daily temperature control, proper sanitization and social distancing are provided.

Source: textilefocus.com– Jun 03, 2020

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# Norway hopeful of major progress in FTA talks with China

Though the COVID-19 outbreak has resulted in delays in negotiations, major progress on a China-Norway free trade agreement (FTA) is expected this year, according to Norway's minister of trade and industry Iselin Nybo , who recently said Norway will work with China at the global level and bilaterally to strengthen international economic and trade cooperation.

"There has been good growth in bilateral trade between Norway and China over the last two years. We have been particularly pleased by the strong growth in Norwegian seafood exports to China," she was quoted as saying by Chinese media reports.

Though there was a decline in bilateral trade in the short term, Nybo hopes for a return to past growth levels in the long run.

The two sides completed the 16th round of negotiations on a China-Norway FTA in November last year. They held consultations on related issues such as trade in goods, trade in services and investment, rules of origin, trade remedy, environment, legal issues, dispute resolution, competition policy, government procurement, e-commerce and institutional terms.

The Chinese commerce ministry said both sides had made positive progress in negotiations.

China exports mainly raw materials, computers, transport equipment, plastic and rubber products, textiles, garments and household appliances to Norway.

Source: fibre2fashion.com– Jun 03, 2020

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## Cambodia: 256 units suspended operations due to COVID-19: Hun Sen

Cambodian Prime Minister Samdech Techo Hun Sen recently said some 256 garment, footwear and travel goods factories in Cambodia had suspended operations due to the COVID-19 pandemic, affecting more than 130,000 workers. Around 169 tourism-related companies had also closed temporarily, leaving roughly 16,891 people unemployed, the prime minister said.

"To help relieve the burden of the jobless, the government and the employers have decided to pay $40 and $30 respectively to each of them per month, so an unemployed worker gets $70," he was quoted as saying during a visit to the southwestern coastal province of Preah Sihanouk by a news agency.

Labour ministry spokesman Heng Sour said last month that factories had not received any orders from buyers for both May and June, as well as for the foreseeable future.

Cambodia's garment, footwear and travel goods industry earned gross revenue of $9.32 billion last year, up by 11 per cent compared to the year before.

Source: fibre2fashion.com– Jun 03, 2020

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## Vietnam's cloth import down 14.5 per cent in five months

Vietnam spent nearly US$4.7 billion importing cloth in the first five months of this year, posting a year-on-year decrease of 14.5 per cent, according to the country's Ministry of Industry and Trade on Wednesday (June 3).

Between January and May, Vietnam imported 686,000 tonnes of cotton worth over $1.1bil, up 2.8 per cent in volume and down 9 per cent in value.

The country also spent more than $860mil importing 415,000 tonnes of yarn in the same period, down 15.5 per cent and 6.5 per cent, respectively.

In 2019, Vietnam poured over $13.3 billion in importing cloth, up 4.4 percent on-year, nearly $2.6 billion in importing cotton, down 14.8 per cent, and more than $2.4 billion importing yarn, down 0.5 per cent.

Vietnam reaped roughly $32.6 billion from exporting garments and textiles last year, up 6.9 per cent against 2018, according to the country's General Statistics Office.

Source: thestar.com.my– Jun 03, 2020

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## Egypt to manufacture of 30 million cloth masks per month

The Egyptian minister of trade and industry Nevine Gamea has revealed the government plans to manufacture around 30 million cloth masks a month to meet local demands. Production of masks will begin in the next few days, with 8 million fabric masks to be manufactured in the first phase. These will be supplied to the Authority for Unified Procurement, Medical Supply and Technology Management (AUPP), who in turn will provide them to state agencies.

As per the government, this project will offer the domestic industry an opportunity to become a major centre for fabric mask manufacturing, especially in light of the increasing global demand for these types of masks. The raw materials needed for manufacturing of these masks are already available in the country.

The Micro, Small and Medium Enterprise Development Agency (MSMEDA) of the government have also prepared an inventory of small textile and garment factories that it has funded since 2015. The ministry aims to link these factories with large ones as part of the value chains in this industry, which contributes to maximizing the benefit from these production capacities and then maintaining existing labor in these factories.

Source: fashionatingworld.com– Jun 03, 2020

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## Vietnam vows 5% GDP growth in post-outbreak foreign investment

Vietnam 's success in pushing back the pandemic was driven in part by a system of intensive research and mass, concentrated isolation of large numbers of people. After five years of growth, Vietnam's foreign investment dropped by 15.5 per cent to $12.3 billion in the first four months of the year, as stated by the General Statistics Office (GSO) records. Nevertheless, this year the country is targeting annual GDP growth of over 5 per cent.

The country is on the verge of having massive foreign investments to flood in after the pandemic for this fast response. Kizuna Joint Development Corporation, a company that builds read-to-go factories in Vietnam, is planning to complete a factory of 100,000 square meters in southern Vietnam, fully expecting a post-pandemic interest expansion.

Source: textilefocus.com– Jun 03, 2020

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## RMG exports in Bangladesh declined by 62% approximately US$ 1.07 billion in May 2020

According to provisional data collected by the Bangladesh Garment Manufacturers and Exporters Association from the National Revenue Board, RMG exports by the country declined from $2.81 billion in the same period of 2019 by 62.09% to $1.07 billion in the 29 days of May this year.

RMG exports could fall to $5 billion in March-May 2020, with a possible unsettled $2 billion liability for the country's clothing market. According to the data, the country's RMG export in April this year declined by 85.25% to $374.67 million from $2.54 billion in the same month of 2019 due to shrinking demand for goods and suspension of production in the country due to the coronavirus outbreak.

RMG exports in March this year, when the coronavirus was first detected in the country, declined by 30.19% to $1.97 billion from $2.82 billion in the same month of the last year.

While production has begun in the country since April 26, due to health concerns and falling demand in all export markets, factories have been operating with a limited number of staff. During the pandemic, all export markets suffered a decline between 8% and 22% and unit value decreased by 0.90% from the US and 1.87% from the European Union.

Source: textilefocus.com– Jun 03, 2020

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## COVID-19 affects Bangladesh's RMG exports for 3rd month

Bangladesh's readymade garment (RMG) exports declined by 62.09 per cent to $1.07 billion in the first 29 days of May compared to $2.81 billion in the corresponding period last year as both the demand for and prices of apparel products fell in the global market due to the COVID-19 pandemic, according to provisional data released by the National Board of Revenue.

The data has been compiled by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Exporters said RMG export in March-May of 2020 may fall to $5 billion, with possible unsettled liability of $2 billion for the country's clothing sector, according to Bangla media reports.

The country's RMG export in April this year declined by 85.25 per cent to $374.67 million from $2.54 billion in the same month of 2019 due to shrinking demand for goods and suspension of production in the country due to the pandemic.

RMG exports in March this year, when the coronavirus was first detected in the country, declined by 30.19 per cent to $1.97 billion from $2.82 billion in the same month of the last year.

Although the production has started in the country since April 26, factories have been running with limited number of workers due to health concerns and fall in demand in the all export markets, exporters said.

Source: fibre2fashion.com– Jun 03, 2020

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## Indonesia exempts Vietnamese fabrics exempted from new import tariffs

Moody's Investor Service revealed that Indonesia has exempted fabrics made -in-Vietnam from new import tariffs imposed on some textile products from May 2020 until November 2022. Aside from Vietnam, Indonesia also exempted the Republic of Korea and Hong Kong from these tariffs for the imports of synthetic yarn and curtains, as well as India also for fabrics.

In 2019, the Indonesian government imposed temporary additional duties on imports of textiles and textile products up to 67.7 percent. The fresh move is a safeguard measure to protect the domestic upstream industry from a recent surge in imports and encourage the use of domestic market products.

Previously, Moody's Investors Service warned that the US-China trade tensions could lead to an influx of Chinese yarn, fabrics, and garments into Indonesia, potentially disrupting the so far stable levels of demand and supply in the country.

Moody's explained that tariffs imposed by the US on Chinese textile exports are at 25 percent versus the 10-15 percent that Indonesia has implemented.

Source: fashionatingworld.com– Jun 03, 2020

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## Brands need to adopt responsible sourcing practices: ITMF

ITMF's recent Corona-surveys have revealed textile orders have plummeted over 40 per cent globally and textile turnover in 2020 is expected to be 33 per cent lower than in 2019. Therefore, ITMF views it is essential for brands and retailers to adopt responsible sourcing practices to enable socially compliant and eco-friendly production.

According to the federation, they need to find solutions to pay their workers and avoid massive layoffs. They should also realize that in a situation of global demand and supply disruptions, cooperation and dialogue are paramount for the entire supply chain.

Passing the loss and pain to suppliers by cancelling orders cannot be the answer and further weaken the supply chain further. Founded in 1904, ITMF's members include associations and companies in the fiber, textile, apparel, home textile, textile machinery and textile chemical industry in almost 60 countries around the world.

Source: fashionatingworld.com– Jun 03, 2020

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## Bangladesh: Foreign buyers terms RMG order cancellation irresponsible act

Foreign buyers who cancelled RMG orders from Bangladesh amid corona pandemic has committed an irresponsible act.

Foreign Minister Dr AK Abdul Momen made the comment while talking to Irish Deputy Prime Minister and Foreign Minister Mr. Simon Coveney.

The FM said such irresponsible behaviour by foreign companies is adversely affecting 4 million RMG workers in Bangladesh, most of whom are women, a foreign ministry spokesperson said on Wednesday.

He requested Irish companies to honour their contract.

Dr Momen informed his counterpart about the availability of a huge pool of IT experts (6,00,000) whose expertise could be used by Ireland.

He also requested the Irish Government to ease and facilitate visa procedures for Bangladesh nationals.

The Irish Deputy Prime Minister highly lauded Bangladesh's humane gesture in hosting 1.1 million persecuted Rohingyas from Myanmar.

"Bangladesh has played a very significant role in extending temporary shelter to this huge number of Rohingyas, a number almost equivalent to a quarter of the population of Ireland," the Irish FM added.

While Dr Momen thanked his Irish counterpart for their continued support on Rohingya issue, he expressed deep concern that there was no progress in repatriation of Rohingyas to Myanmar.

He informed Mr Coveney that till to date Myanmar had not taken a single Rohingyas back. He urged EU countries to exert more pressure on Myanmar so that it takes its nationals back.

"The situation has become untenable for us," he added. EU countries should step forward and share the responsibility, he continued.

The foreign minister hoped that if elected as a non-permanent member of the UN Security Council, Ireland will play a more robust role in the Council. The Irish deputy prime minister assured Ireland's continued support and active engagement in this regard.

The Irish minister applauded the leadership role of Bangladesh in UN Peacekeeping and expressed willingness to work jointly in this area.

Source: thefinancialexpress.com.bd– Jun 03, 2020

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# NATIONAL NEWS

## India needs to rethink its trade strategy

*Covid-19 has expedited working and delivering services remotely. Protectionist barriers in this regard need to be tackled*

The global trade and investment landscape will not be the same after the full impact of the Covid-19 crisis plays out. Hence, India's post- Covid-19 policy responses cannot be business as usual. Indian policymakers have to move out of their comfort zones and bring greater focus on key priorities. Three clear urgent priorities stand out:

Reducing overdependence on certain countries (especially China) for key imports.

Integrated trade promotion and investment policy that leverages the Post Covid-19 strategic shift away from China-based manufacturing supply chains

Proactive trade policy that allows Indian manufacturing to expand into new markets and products

In order to objectively frame policies, one has to understand the sectoral peculiarities of India's import profile and its trade-related sensitivities. The basic unit of product specialisation in the Indian context is the India Trade Clarification Harmonised Code at the eight-digit level, or ITC HS8.

Of the 10,264 ITC HS8 product lines in which India imports, only 2,656 lines can be considered important, and account for an overwhelming 97 per cent of imports. These ITC HS8 product lines had imports of at least $10 million in 2018-19, and regular imports in the last four years. We will call these ITC HS8 Key Import Product or KIP lines, and focus on them.

### Reduce China dependency

India depends heavily on China for 797 of these ITC HS8 KIP lines (ie at least 40 per cent of imports come from China in that line). India thus has a dependence on China for a substantive 30 per cent of the KIP lines. Categorising these imports into consumer, producer and natural resource imports, China would account for close to half of all consumer goods imported into India. China's share of producer goods is lesser, but still substantive at 24 per cent.

If the ITC HS8 KIP product line imports are categorised by technological sophistication, a vast majority are associated with low- and medium-technology products (close to 60 per cent). This means that there are large parts in the global value chains (GVCs) that do not require significant technological sophistication, and where India has the economies of scale. Yet, India has not managed to develop local capabilities here.

**Reorient supply chains**

These represent the low-hanging fruits where India could expand local capabilities generating exports and employment by taking advantage of the shifting supply chain priorities in a global economy that is increasingly wary of putting eggs in one basket. But in order to do so, it is imperative to retool our trade and investment policies.

India could consider a progressive customs duty on a range of ITC HS8 KIPs, with increasing rates of applied duty on imports from a particular country as it crosses certain thresholds.

For example, if the MFN applied rate on solar panels is 7.5 per cent, and imports of solar panels from a particular country cross 40 per cent of total imports, the applied rate on imports of solar panels from that country would go up to 15 per cent.

Another strategy for reorientation of supply chains could be to extend non-FTA preferences by identifying the most competitive alternatives to China and extending preferential tariffs for those products to these alternative source countries irrespective of whether they have an FTA with India or not. India should dovetail its strategy with the supply chain reorientation plans of countries like Japan, Germany, Korea, and the US.

A special unit reporting directly to the PMO should be made responsible for ensuring that any investment proposal related to such reorientation is given expedited clearance, with a Joint-Secretary level officer serving as a dedicated investor relations representative to each prospective investor. Aggressive monitoring from the PMO to ensure a hassle-free investment experience should be made a top policy priority.

## Engage in trade agreements

India needs to aggressively engage in trade agreements that allow it to broadbase its exports and move up GVCs. This would be especially critical in the post Covid-19 crisis environment, where major economies would also be seeking to broadbase their supply chains, reducing dependence on China.

Serious FTA negotiations require the ability to give and not just get market access. India would have to be ready to offer close to 90 per cent of its tariff lines as duty free. India has been hobbled in the past by not being able to ruthlessly bring focus and identify lines of interest that need to be protected, and the ones where it can be more flexible.

As pointed out, there are 7,708 of 10,264 ITC HS8 lines where imports are typically below $10 million and irregular, representing 75 per cent of India's traded tariff lines. These could be easily liberalised.

In the remaining 2,656 product lines, there are 260 raw material and agro-produce related lines that should ideally be marked for liberalisation. For the manufacturing related lines, we could use the following rules of thumb: Whether the product line represents a critical input with significant value-addition happening in India.

Whether the product line is related to processing of raw materials cheaply available in the exporting country

Whether it is a technology-intensive product line and Indian demand for that product is not a significant percentage of global demand. Thus, tariff protection is unlikely to lead to production relocation to India.

If the answer to any of the three questions is yes, then product line is a good candidate for liberalisation. Analysis suggests at least 1,150 ITC HS8 KIP lines related to manufactured goods would meet these requirements. That would bring down the number of lines which genuinely deserve protection to just about 1,200.

In return for tariff liberalisation, India should require partners to provide concrete solutions for technical and regulatory barriers to trade. In services, instead of focusing on facilitating movement of Indian professionals, priority should be on barriers that would impede remote service delivery using electronic or digital means.

The Covid-19 crisis has expedited the move towards working and delivering services remotely, but protectionist barriers in terms of taxes that punish offshoring or incentivise local sourcing, regulations that disallow offshore delivery, data localisation and privacy requirements can all emerge as barriers.

Source: thehindubusinessline.com– Jun 03, 2020

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## Modi, Morrison to discuss trade, health, education, defence in virtual summit

*India-Australia to sign many pacts including Mutual Logistics Support Agreement*

Prime Minister Narendra Modi and his Australian counterpart Scott Morrison will hold wide-ranging discussions covering areas such as revival of the India-Australia bilateral trade talks, the future of the proposed mega regional trade agreement, responses to the Covid-19 pandemic and enhanced cooperation in sectors such as education, defence, science and technology and agriculture when the two meet for a virtual summit on June 4.

The two countries are scheduled to sign a number of agreements as well during the meet which include a Mutual Logistics Support Agreement in defence which could lead to enhanced military cooperation, according to government officials.

“The two Prime Ministers have been planning to meet for long but the meeting had to be postponed first because of the bush fires in Australia and then due to the global pandemic. Although, the meeting on Wednesday is a virtual one both sides are determined to ensure that all issues of importance get discussed,” the official said.

While sharing their responses to Covid-19 would be one of the top items for discussion, trade issues, too, will get primacy. Both India and Australia are keen to re-start talks on a bilateral Comprehensive Economic Partnership Agreement (CEPA) on the lines of the Regional Comprehensive Economic Partnership (RCEP) pact that India walked out of in November 2019 mostly due to concerns about providing market access to China.

The RCEP comprised 16 nations including the 10-member ASEAN, China, South Korea, New Zealand, Japan, India and Australia.

"Australia is eager to persuade India to join the RCEP talks again and has been one of the key architects of the flexibilities offered to the country to get it back on the negotiating table. But at the same time it is also ready to accept India's refusal to join and will be happy to work out a bilateral CEPA with it on the lines of the larger regional agreement," the official said.

More market access for its farm products, such as wheat, sugar and some fruits, as well as a number of dairy items including premium cheese and chocolates, is also high on Australia's agenda.

India, on the other hand, wants lower duties and non-tariff barriers on items such as garments, gems & jewellery, leather products and a number of fruits and vegetables.

The Framework for Security Cooperation between Australia and India signed in November 2014 during the visit of PM Modi to Australia laid an action plan on Foreign, Defence and Security Policy Exchanges & Coordination.

Several new initiatives and bilateral/trilateral mechanisms such as Foreign Secretaries and Defence Secretaries 2+ 2 Dialogue, India-Australia-Indonesia Trilateral Dialogue, India-Australia-Japan Trilateral Dialogue have been established since then.

"A number of announcements to strengthen these partnerships are expected during the summit," the official said.

Australia continues to be an important trade partner for India although there is a large trade imbalance due to Australia's high coal exports to the country. India exported goods and services worth $5.17 billion and imported goods and services worth $15.75 in 2018-19.

Australia's cumulative investment in India is about $10.74 billion whereas India's total investment in Australia is $10.45 billion.

Source: thehindubusinessline.com– Jun 03, 2020

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# New MSME definition to benefit downstream textiles, boost exports: experts

The change in the definition of micro, small and medium enterprises (MSME) is set to offer major relief to the downstream sector and boost exports of textile and readymade garments, experts have said.

In the package announcement, the threshhold for micro manufacturing and services units was increased to Rs 1 crore by way of investment and Rs 5 crore by turnover. The limit for small units was raised to Rs 10 crore (investment) and Rs 50 crore (turnover). Similarly, the limit of medium units was increased to Rs 20 crore (investment) and Rs 100 crore (turnover). Earlier, these limits were significantly lower than the expanded figures.

The cabinet has approved revision in the definition of MSMEs under which the investment limit has been raised from the existing Rs 20 crore to Rs 50 crore and turnover limit from Rs 100 crore to Rs 250 crore for the medium size enterprises. Also, the cabinet has decided to exclude revenue collected through exports from the turnover limits fixed for MSME.

“With the change in definition, a large number of exporters in textile sector can now be classified as MSMEs and avail 5 per cent rebate under interest equalization scheme.

This will make Indian textile products competitive in the world market and hence help boost India’s exports of textile which in turn will lead to employment generation,” said K V Srinivasan, Chairman, Cotton Textiles Export Promotion Council (Texprocil).

Manmade fibre textile industry would also be the major beneficiary as most of the textile units are under MSME. Higher threshold will include more units now and will give a huge fillip to the production, domestic supply and exports of manmade fibres textiles. Apart from that spinning and weaving units will also get benefit of this revision.

The government also approved roadmap for implementing the remaining two packages for MSMEs, namely, a Rs 20,000 crore package for distressed MSMEs and Rs 50,000 crore as equity infusion through fund of funds.

"These measures would encourage MSME segment to expand their horizons, strengthen them to be a bigger contributor to the economy and boost exports," said Ronak Rughani, Chairman, Synthetic & Rayon Textiles Export Promotion Council (SRTEPC).

MSMEs play a significant role in the Indian economy contribute towards 29 per cent of the gross domestic producct (GDP) and 48 per cent to India's overall exports. At a time when, India's textile industry is passing through unprecedented times due to months of nationwide lockdown to prevent spread of coronavirus (Covid-19), the change in MSME definition would provided a major relief for recovery in both domestic and export fronts.

"In the revised definition, even small weaving mills may be able to come and because of this many garment manufacturers will benefit," said T Rajkumar, Chairman, Confederation of Indian Textile Industry (CITI).

The distressed asset fund of Rs 4,000 crore created to help weaker MSMEs that are struggling through non performing assets norms due to Covid-19 pandemic, will bring them back into the business and they can start activities afresh.

Source: business-standard.com– Jun 03, 2020

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## 24x7 Customs clearance at all sea ports, airports till June

To facilitate faster clearance of consignments, the CBIC has extended the 24x7 customs clearance facility at all sea ports and airports by a month till June 2020.

In a letter to all Chief Commissioners (Customs and Central Tax), the CBIC said as the situation of COVID-19 pandemic is still prevailing and trade continues to face challenges... as a measure of facilitation, CBIC has decided to extend the facility of 24 7 Customs clearance at all the Customs formations till June 30, 2020 .

In February, the Central Board of Indirect Taxes and Customs (CBIC) had said 24x7 Customs clearance facility will be available at all sea ports and airports till May 2020, to address any congestion or delay or surge on account of the prevailing conditions due to outbreak of COVID-19.

Chief Commissioners are therefore requested to make proper arrangement for the same and deploy sufficient number of officers on 24 7 basis at sea ports/Air Cargo Stations/Inland Container Depot (ICDs)/ Container Freight Station (CFSs) etc falling in their jurisdiction, CBIC said.

Source: cnbctv18.com– Jun 03, 2020

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## SBI taps into Rs 3 lakh crore MSME credit package; gives thousands of loans worth this much amount

Credit and Finance for MSMEs: India's biggest lender State Bank of India disbursed 22,000 loans worth Rs 3,000 crore to MSMEs on Monday under the Rs 3 lakh crore collateral-free loan scheme. "We are very bullish on this scheme," SBI Chairman Rajnish Kumar told in his address at the industry association CII's 125th anniversary.

The credit guarantee by the government on loans to MSMEs makes way for a capital infusion of Rs 30,000 crore into the banking system, he added. The emergency credit scheme was announced by the Finance Minister Nirmala Sitharaman last month to help revive Covid-hit businesses and MSMEs as part of the Rs 20 lakh crore economic package announced by PM Modi.

MSMEs accounts having up to Rs 25 crore in outstanding credit as on February 29, 2020 less than or equal to 60 days past due as on the date along with up to Rs 100 crore in turnover can apply for the collateral-free credit. 100 per cent guarantee cover will be given by the government to banks and NBFCs lending to eligible MSMEs.

Finance Minister Nirmala Sitharaman on Tuesday had said that the public sector banks have sanctioned loans worth Rs 10,361.75 crore while Rs 3,892.78 crore has been disbursed to MSMEs.

The disbursement comes amid the launch of new lending vertical by SBI for micro, small business, agriculture and allied activities. The new vertical — Financial Inclusion & Micro Market (FI&MM) will offer microloans to small businesses and farmers in the rural and semi-urban regions.

The bank will reach out to the potential lendees through more than 8,000 branches in rural and semi-urban areas. "The new FI&MM Vertical will provide an opportunity to serve the small business, Agri & allied segment so that they can run their businesses smoothly, especially in the current times of uncertainty," Kumar had said in a statement.

The government had restructured 6 lakh MSME accounts till March 21, 2020, and is looking to restructure another 25 lakh accounts by end of this year, MSME Minister Nitin Gadkari had said during a video conference with the members of the Indore Management Association last month.

Source: financialexpress.com– Jun 03, 2020

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## As funds dry up, startups line up to register as MSMEs for sops

Shashank Moddhia, chief executive of The Renal Project, a startup that runs a chain of dialysis centres in the suburbs of Mumbai and Pune, is working overtime to get a micro, small and medium enterprise (MSME) registration for his business since the government announced a special package for small businesses impacted by the covid-19 outbreak.

"We need to ensure we have access to funds. We have applied for the MSME registration so that we can avail collateral-free loans at a time when it is even more critical for us to obtain expensive medical equipment to keep the centres running," said Moddhia.

As financial distress of businesses across sectors continues to rise, many startups such as Moddhia's are lining up to register as MSMEs as traditional sources of funding dry up.

The government has introduced various schemes to address the financial crisis faced by MSMEs, by giving them access to credit amid a squeeze on liquidity.

"With the Atmanirbhar package, MSME registration for many startups has almost become a necessity which apart from providing easier access to liquidity also allows benefits from measures such as MSME incubators," said Sanjay Mehta, founder and partner 100X.VC, an early stage VC and board member, TiE Mumbai, which has started programmes to guide startups to register as MSMEs.

There are stringent rules in place for businesses to qualify as MSMEs, which include revenue and investment parameters. Industry experts said that while registering as MSMEs may not be a lasting solution for most startups, it will nonetheless help them tide over the current crisis. “Startups cannot be classified as MSMEs lifelong, but it would be in the interest of companies to register, keeping in mind the status can change over time,” said Anil Joshi, managing partner, Unicorn India Ventures, another early-stage technology-focused VC.

The government has also approved the creation of a ₹50,000-crore fund of funds to help select high-growth MSMEs with a good track record, and help them list on the exchanges.

Commerce minister Piyush Goyal said recently that most startups will be eligible for additional liquidity and funding under the credit support schemes for MSMEs under the Aatmanirbhar Bharat Abhiyan package.

Source: hindustantimes.com– Jun 03, 2020

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## In ‘Atmanirbhar’ quest, Shipping Ministry may reinstate cabotage restrictions

In an Atmanirbhar Bharat (self-reliant India) push, the Shipping Ministry could reverse the relaxation in cabotage restrictions granted two years ago, allowing foreign flag ships to carry six cargo types along the Indian coast.

The move is being pushed by the recently re-constituted National Shipping Board (NSB), the country’s top advisory body on shipping.

The Coastal Container Transporters Association (CCTA), which has representation on the NSB, has sought amendments to the notifications issued by the Directorate General of Shipping in 2018, allowing foreign flag vessels to carry coastal cargo without a license from the DG Shipping.

“Flow of export-import (EXIM) containers to Indian coastal ships will provide filler cargo and improve the feasibility of ships currently carrying coastal cargo one way,” said Rahul Modi, a member of NSB and president of CCTA.

## India’s cabotage law

Only Indian registered ships are allowed to ply on local routes for carrying cargo, according to India’s cabotage law. Foreign ships can operate along the coast only when Indian ships are not available after taking a license from the DG Shipping, according to the cabotage law.

In 2018, following strong lobbying mainly from foreign container lines, the Shipping Ministry allowed foreign flagged ships to transport export-import (EXIM) laden containers meant for transhipment, empty containers meant for re-positioning, agriculture, horticulture, fisheries, fertiliser and animal husbandry commodities on domestic routes without a license from the DG Shipping.

A decision to overturn the cabotage relaxation can be taken at the Ministry level because the 2018 decision was in the form of an office memorandum/notification without Cabinet sanction.

The re-constituted NSB is led by Malini Shankar, a former Indian Administrative Service (IAS) officer of Maharashtra cadre. As the DG Shipping at the time, Malini Shankar was the only top ranked government official to take a divergent stand after the cabotage law was relaxed in 2018. “Almost every country in the world has cabotage law where they protect their own national ships to a much larger extent than in Asian countries. The United States, for example, does not allow coastal trade on ships unless they are built, owned and manned by the Americans.

So, these are the foreign ship owners who have the benefit of having tax legislation in their favour and cabotage legislation in their favour and they also have cabotage legislation relaxation favour in a country like India. So, the cost benefit will be heavily in favour of foreign flag ships. This has to be understood by the trade and the industry at large if we are to find convergence,” Malini Shankar said on September 1,2018 at a panel discussion on cabotage relaxation that has roiled the local shipping industry.

While making out a case for providing a level-playing field to local ship owners, she had said: “The larger issue is how do we compensate the Indian ship owners to ensure that they are not having an uneven level playing field and this simply has to be distinctly addressed”.

When asked for her views now, Malini Shankar said: “The NSB is working with base documents - the draft Merchant Shipping Bill 2016 - and deliberations within the Ministry thereafter”.

**Shipping industry view**

Local ship owners lobby group, the Indian National Shipowners Association (also represented on the NSB) has always opposed easing cabotage restrictions.

Pitching for a strong national fleet, Bharat Sheth, Deputy Chairman and Managing Director of Great Eastern Shipping, India’s biggest private ocean carrier, told Business Line in March last year: “Every other country is tightening its regulations on foreign tonnage deployed on the coast. I can’t deploy my ships on the Chinese coast. That’s how they build fleets.

India is just not bothered. It just staggers me sometimes. Everybody else is trying to bring in greater and greater restrictions. So, in a way, you fall between two stools, because we cannot go to their territory but they can freely come to our territory. That reciprocity is not there.”

Source: thehindubusinessline.com– June 03, 2020

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## Increasing MSP on cotton not a sustainable solution, bring back TMC: SIMA

The Southern India Mills Association (SIMA) welcomed the increase of MSP on cotton as it would benefit cotton farmers, while saying it was not a sustainable solution and called for bringing back the Technology Mission on Cotton.

The minimum support price for seed cotton (kapas) for medium staple has been increased from Rs 5,255 to Rs 5,515 per quintal (by 4.75 per cent) and for long staple, it has been increased from Rs 5,502 to Rs 5,825 per quintal (4.95 per cent) on Monday. Reacting to the announcement, SIMA Chairman, Ashwin Chandran said though increase in MSP would benefit the farmers, it was not a sustainable solution and the government should bring back the TMC, in a revised format.

This, he said was to increase the productivity which is half that of other major cotton producing countries, improve quality by reducing contamination and trash cotton by adopting global best practices. With the current market price for cotton and expected accumulation of stocks due to COVID-19, the government would need to allocate huge funds for the forthcoming cotton season as the country would produce at least 25 per cent higher than the domestic requirement, apart from a carryover of 125 to 150 lakh bales of closing stock in the current season, he said in a statement.

With reference to modifying the definition of MSMEs, he said though five-fold hike in MSME limits is a great relief for the textile industry, the government should consider modifying the definition from “investment and turnover basis” to “investment or turnover basis” to further extend benefits to capital intensive sectors of the textile industry like spinning, weaving, processing and technical textiles. This will encourage modernisation and increase scale of operation so that these segments can improve their global competitiveness, he said.

Stating that prior to the recently announced changes, the investment limit for a medium sized industry was only Rs 10 crore when compared to the new limit of Rs 50 crore, Ashwin said that increasing the sales turnover limit to Rs 250 crore from the recently announced turnover of Rs 100 crore, while excluding export sales turnover from this calculation, would greatly benefit the highly labour intensive and fragmented textiles and clothing industry.

Ashwin also welcomed the allocation of Rs 4,000 crore towards distressed fund to bail out MSME units under NPA category and also allocating Rs 10,000 crore fund on fund to enable the high performing MSME units to get listed in the stock market and gain advantage.

Source: thehitavada.com– June 03, 2020

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# Covid-19 impact: Exports dip 60% in Apr, iron ore, pharma only bright spots

Overall exports from the country plummeted 60.3 per cent during April 2020, hit by the nationwide lockdown and trade restrictions imposed by other nations amid the Covd-19 crisis.

A study by CARE Ratings notes that iron ore and pharmaceuticals are the only commodities among the 30 major export items that registered growth in April. Outbound iron ore shipments rose 17.5 per cent in the wake of weakening domestic demand, while pharma exports witnessed a muted growth of 0.25 per cent.

Apart from exports, imports too, tumbled 58.7 per cent in April, with all major import products seeing a contraction.

The dip in imports led to the narrowing of the trade deficit to a 5-year low of $6.76 billion during April. The current account deficit eased to 0.2 per cent of the GDP during Q3FY20 compared with 2.7 per cent in the corresponding period of FY19 largely on account of lower deficit and rise in net services receipts.

“Rupee strengthened marginally during the month by 0.7 per cent to Rs 75.68 per dollar in May 2020 compared with a month ago level. Weakness in the US dollar with improved risk appetite among the investors, subdued global crude oil prices and partial inflows of FPIs supported the currency during the month. However, concerns over global growth and the US-China trade relations limited the upside to the rupee. Foreign exchange reserves increased in May 2020 to $490 billion”, the study noted.

In May 2020, FPIs remained net sellers in Indian markets with outflows amounting to $1,022 million during the month. The debt segment (including Debt Voluntary Retention Route or VRR) witnessed outflows amounting to $2,583 million while the inflows in the equity segment amounted to $1,560 million in May 2020. Investors’ exit from emerging markets in the expectation of a deeper global recession led to outflows from the markets. However, towards the end of month, FPI inflows increased due to balancing of portfolios to adjust for the new MSCI (Morgan Stanley Capital International) index.

Also, during May 2020, the Sensex fell by 3.8 per cent on month on month basis. Globally, concerns over the US and China trade relations, disappointment among the market participants over the stimulus package announced by the government, rising Covid-19 cases domestically leading to extension of lockdown till May 31 and weak macroeconomic data weighed on investor sentiment.

However, a rate cut by the Reserve Bank of India (RBI), return of FPI inflows in the country towards the end of month and the gradual opening up of global economies and developments over vaccine for the coronavirus curtailed the overall decline in the index.

Source: business-standard.com– Jun 03, 2020

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## India needs to open up more and knock down import tariff imposed in last 3 years: Arvind Panagariya

Economic liberalisation has done good to India, and the country needs to knock down import tariffs imposed on many products in the last three years, former Niti Aayog Vice-Chairman Arvind Panagariya said on Tuesday.
Panagariya also pointed out that COVID-19 pandemic may lead to integration of global labour market.

"Liberalisation has done good to us. We are reversing something from which we benefited. I thought that in 1991, India had give(n) up import substitution, but in the last three years, import tariff on many products have been raised," he said while addressing CII Annual Session 2020.

"India needs to open up more and knock down import tariff imposed on many products in the last 3 years. We should bring tariff to 7 per cent and sign trade agreement with the US, RCEP and European Union," he said.
The eminent economist also expressed hope that down the line, India will sign trade agreements with the US, Regional Comprehensive Economic Partnership (RCEP) and the European Union.

Panagariya said India should continue to engage with Asia Pacific partners and get into RCEP as it prepares to take over the multinational companies from China in areas of textiles, footwear and other labour intensive sectors.

The professor of economics at Columbia University also pitched up for setting up Shenzhen-style coastal employment zones to boost manufacturing and creating employment.

Panagariya pointed out that there will be greater globalisation post COVID-19 pandemic in terms of integration of labour markets. “Boundaries of the labour market will extend beyond H1 B visa as workers will work from their remote countries,” he said, adding India could emerge as winner if it brings in major reforms in the education sector.

Panagariya observed that multilateralism had taken a hit even in the pre-COVID 19 days with bodies like the WTO Dispute Settlement mechanism becoming inoperative due to non-cooperation by the US.

“The COVID-19 crisis which has been currently sweeping the world is not likely to affect the process of globalisation,” he stressed. Panagariya said India needs 2-3 large employment zones with full autonomy to change rules. “Today 44 per cent of Indian workforce still involved in farming, you can’t combat poverty without lot of farm workers moving out of farming to low skill industry,” he argued.

Also, speaking at the event, Jeffrey Sachs, director of sustainable development, Columbia University, said that India made a big mistake in not joining the RCEP because this is an economic group catering to 3.2 billion people.

He stated that in light of the COVID-19 pandemic, countries sealing off their borders to prevent the virus from spreading in the country was not the same thing as reversing globalisation.

Source: financialexpress.com– Jun 02, 2020

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## Why falling for anti-China mood could hurt trade

The covid-19 pandemic has earned China the ire of quite a few countries. India has not yet complained openly, but the deep-rooted mistrust towards the giant neighbour has been intensifying nonetheless. The focus may be on the military skirmishes in Ladakh, but the trade screws are at work too: India has been tightening investment norms for China.

Just last month, India mandated government approval for foreign direct investment (FDI) from countries with which it shares land borders. The curbs aimed to shield Indian companies from predatory investments, particularly those from China—a big hint that policymakers in New Delhi have become ever more cautious of Beijing's growing role in the Indian economy.

India's actions have possibly been made easier by a recent global context. Backlash over covid-19 is just weeks old, but China is not a new trading target: latest data from Global Trade Alert shows it has faced more trade restrictions than any other country since 2019. The pandemic is only making Beijing's case worse, with Germany and the United Kingdom hesitating to let in tech giant Huawei, and Australia and the United States, among others, calling for inquiries and reparations.

Jabin T Jacob, associate professor of international relations at Shiv Nadar University, called India's step an "opportunistic move". "Since China is being accused of predatory action in other countries and justifiably so, India can do it too without drawing too much attention," he said. "The fear of predatory investments in the wake of covid-19 disruptions has made India more alert, but analysts and diplomats have been sounding alarm over it for a very long time."

Given the small FDI share, some of the paranoia may even be exaggerated due to the growing mistrust towards Beijing. But not all of it: China's dominating presence in strategic sectors such as telecom and e-commerce have also raised eyebrows. huge volumes of data. This has led to fears of security of India's data.

Click here for more details

Source: livemint.com– Jun 03, 2020

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## Surat: Textile traders' body seeks quarantine relaxations

The Federation of Surat Textile Traders Association (FOSTTA) on Wednesday wrote to Gujarat Chief Minister Vijay Rupani requesting him to give relaxations to the labourers who want to return to the state but are feared of 14-day quarantine period. The traders' body has requested that labourers should be allowed to work if they are found healthy after the medically examination.

Even as wholesale textile shops in various markets of Surat have opened after more than two months of Covid-19 lockdown, the owners said they are facing labour shortage and took up the issue with FOSTTA members.

There are 185 textile trading markets in Surat which have over 65,000 textile trading shops where over one lakh labourers are employed. Majority of the wholesale saree and dress material shops in the textile markets are being run by the businessmen from Rajasthan while the labourers are from Rajasthan and Uttar Pradesh.

In a letter sent by FOSTTA to state government and addressed to the chief minister, the traders' body said, "Since the last two days the textile trading shops are opening but due to the shortage of the labourers, who have returned to their home states, the owners are facing difficulties.

The labourers want to return to Surat but they are feared of 14-day quarantine period. We request that medical examination of the labourers should be done and those found healthy, should be allowed to work in the shops. With this the traders will also have not to face difficulties and the business will be back on track in a few days."

The letter further stated that if the textile trading industry does not gain its routine momentum then the powerloom factories and dyeing and printing mills in Surat also cannot function properly.

FOSTTA general secretary Champalal Bothra said, "I also run a textile trading shop in the market, and we face a lot of problems due to the labour shortage. The labourers are involved in stocking the sarees and dress materials in the godown and in loading the parcels which is sent to other states. They also show sarees and dress materials to the customers."

"The shopkeepers are following all the Covid-19 protocols, like maintaining social distancing. The security guards of textile markets don't allow any anybody to enter into the market without wearing a mask," he added.

Source: indianexpress.com– Jun 03, 2020

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## Impact of Covid-19 Pandemic on Small Textile Units

The COVID-19 crisis is set to have a huge impact on small labour-intensive textile units, mostly dependent on migrant workforce. While the focus around the world right now is on food, medicine and protective gear, the pandemic has posed a serious threat to all the sectors of the economy. Economies everywhere have been predicted to hit rock bottom. The Indian textile industry faces some grave challenges: from maintaining production and addressing the need for protective clothing to coping up with the deficit due to lockdown and retain migrant labourers.

Punjab, Gujarat, Maharashtra and Tamil Nadu, the hubs of textile manufacturing in India, are amongst the worst hit states by the pandemic. The industry is mostly dependent on migrant workforce from Bihar, Jharkhand Uttar Pradesh and Orissa. Due to the seriousness of the pandemic, the textile units were shut in March. The absence of wages and imminent risk to life made the migrant labourers go back to their respective native places.

As reported by the scientists and doctors, the pandemic might last longer than expected and that again may pose a challenge to small textile units as migrant labourers may not return until safety can be assured to them. Unlike big companies, these smaller units are operated either manually or semi-automatically.

Majority of these textile processing units function on a seasonal basis based on the availability of raw material and the demand for products. The machines installed in these units are ill spaced; hence violate the standard six-feet social distancing norm between workers. These are some of the issues that may affect the production and economic state of the small textile units:

**Availability of raw material**: Due to the pandemic, agriculture has also suffered. With more emphasis on food crops, cash crops are being sidelined due to decreasing demand. This will lead to lower availability of raw materials like cotton and silk. For synthetic textiles too, a similar situation has arisen as the majority of chemical units are either closed or are focussing on meeting the demand for sanitisers and essential chemicals to deal with the pandemic.

**Transportation**: Transportationis the spine of any supply chain, be it raw material or finished goods. Due to the long duration of the lockdown, transportation has severely suffered, and that has affected both established as well as small businesses. It may take awhile to repair the broken supply chain and bring production, transportation and delivery on track.

**Cash flow**: Big companies have larger turnover and profits, and so, they have a continuous cash flow unlike smaller textile units, which are more precarious. Limited sources of capital combined with low production size may lead to shutting down of many small textile units.

**Availability of labour**: Small textile units mostly rely on manual operation. Due to the pandemic and the lockdown, migrant labourers have moved back to their native places and are less likely to return soon to work. This problem is more serious for smaller textile units and this could hamper their production and overall business.

In this crisis situation, the textile industry is also motivated to contribute to the fight against coronavirus. As a result, the focus has shifted from aesthetic clothing to functional clothing that impart protective function to apparel. In the last two months, the production of personal protective equipment (PPE) kits, gloves and masks has shot up and is expected to rise further.

But the production of PPE kits is still concentrated among the highly specialised manufacturing units that happen to be only 110 in number. Right now, due to increased domestic demand, India has not started exporting protective gears. Once the production rate rises and the domestic demand is met, India will soon export such items.

The new mantra of ‘Aatmanirbhaeta’ (self-reliance) and ‘Be vocal about local’ given by Prime Minister Narendra Modi will hopefully boost the morale of the small textile units. His address emphasised on using more and more domestic products and brands. This on one hand will support local companies, and simultaneously will decrease dependence on foreign products. This will surely lead small textile units to recover from the losses incurred by them during the lockdown. This also poses a huge challenge for domestic brands, which have to match the quality of global brands and satisfy consumers to that extent.

Source: fibre2fashion.com– Jun 02, 2020

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## IIM Indore, Wharton moot value model to lure firms leaving China to India

At a time when companies across sectors are either leaving or mulling to exit China, India must invest in policy and administration, infrastructure, legal system and implementation to make the most of the exodus, a research paper suggests.

Titled 'FDI Value Proposition Framework: Six interventions to attract MNCs to India', the paper looks at why companies are opting for destinations like Vietnam and Taiwan when leaving China, and what could India do about it.

Prashant Salwan, professor of strategy and international business, as well as chairman of executive education at Indian Institute of Management (IIM) Indore, is the lead researcher and main author the paper. It has been co-authored by Yorum Wind, professor of management, Wharton School, University of Pennsylvania and reviewed by Amlendu Dubey, faculty member at Indian Institute of Technology (IIT) Delhi.

"As companies started leaving China, Indian policy makers were quite upbeat that they would come to India. But sadly, that wasn't the scenario. Nomura Group Study found that in 2019, out of the fifty-six companies which shifted their production out of China, only three of these invested in India; while 26 went to Vietnam, 11 to Taiwan, and 08 to Thailand.

In April 2020, Nikkei noted that out of the 1,000 firms which were planning to leave China and invest in Asian countries, only 300 of them were seriously thinking of investing in India," the paper states.

Foreign Direct Investment (FDI) helps in creation of jobs, economic boost by getting foreign exchange, exports of products, and gives access to best technologies which are very critical for a developing country. What's more, Indian cost of production is half of China, but still China has more FDI than India. Vietnam market is 1/4th the size of India, but still around 46 per cent of companies leaving China went to Vietnam and only 5 per cent came to India, the paper points out.

Further, manufacturing FDI in India is quite low at 0.6 per cent of GDP as compared to Indonesia (manufacturing FDI is one per cent of its GDP. "These examples show that market size or labor cost are not the only variables to decide on global location decisions. There are other factors and combinations of these factors which firms take into consideration before taking any decision," the paper further states.

For attracting FDI as a nation, one needs to look into the decision-making steps a firm deliberates while deciding FDI in a host country. According to Salwan, country policy makers need to link the understanding of firm’s requirements in creating Customer Value Proposition (CVP) to the competitive advantage a country has. A country should help a firm develop unique value proposition and simultaneously help reducing cost of producing the latter as well.

After due analysis of numerous FDI frameworks and the four factors which are used by a firms in deciding location choices or FDI investment to create and capture value, namely firm fit , location characteristics, government incentives and competitive effects; which help a firm decide on its location decision and further discussion with 31 MNCs, the research team came up with the ‘Value Proposition Model of FDI’.

With six pillars and 20 sub-factors segmented in pull and push factors, the research paper looks at how the Indian government needs to take a "structured approach in attracting FDI".

The six pillars include government policy & administration, infrastructure, economy, business ecosystem, legal system & implementation, and location advantages. The paper has gone on to create a FDI value proposition index based on these six pillars which shows that while India may have advantage over destinations like Vietnam and Taiwan in terms of infrastructure and economy, the latter score over India in government policy & administration, legal system & implementation as well as location advantages.

"India has taken positive steps like allocating huge chunk of land and policy changes regarding land acquisition. But Indian government need to take a structured approach in attracting FDI India needs to work on government policy and administration, infrastructure and legal systems and implementation on a war footing.

Developing policy and facilitating strategies using these six pillars will help India attract FDI to a ratio of 1.5 per cent to 2 per cent of its GDP," the paper further states.

Source: business-standard.com– Jun 03, 2020

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