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INTERNATIONAL NEWS

How can tariff reduction under RCEP reduce Asean's exports?

Free trade agreement (FTA) generates both winners and losers, and the formation of the Regional Comprehensive Economic Partnership (RCEP) is no exception. This column argues that tariff reduction under RCEP is likely to reduce ASEAN's exports as it will erode trade preferences of ASEAN granted by existing FTA partners.

RCEP is a regional agreement that aims to liberalize trade and investment, and to strengthen economic cooperation in Asia-Pacific economies. It has gone through several rounds of negotiations since 2012, between 10 member states of ASEAN and six dialogue partners, namely Australia, China, India, Japan, South Korea and New Zealand.

In November 2019, the withdrawal of India reduced the number of RCEP negotiating countries from 16 to 15 countries. Nonetheless, RCEP remains the biggest FTA in the world as it has a huge market of US$24.8 trillion and over 2.3 billion people. It is expected to be signed in 2020.

While RCEP presents opportunity to access larger market size, it is likely to generate unfavorable effect for ASEAN's exports. One of the key trade policy instruments of such a deal is to eliminate tariffs on imports among its members. Usually, tariff eliminations are expected to increase exports. In the context of ASEAN, however, tariff eliminations under RCEP will erode trade preferences in ASEAN as RCEP will overlap with many other ASEAN FTAs.

All ASEAN countries already have FTAs with all of its major trading partners, partly because of its membership in ASEAN Free Trade Area (AFTA), ASEAN+1 FTAs with each of the dialogue partners and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), but also because some of them have bilateral FTAs with each other such as Japan-Singapore FTA, Malaysia-Australia FTA, Japan-Thailand FTA, among others. Therefore, the importance of RCEP as export destinations for ASEAN countries is limited.

The erosion of ASEAN's trade preferences occurs when ASEAN countries face declines in the competitive advantage that some exporters enjoy in foreign markets as a result of preferential trade treatment provided by FTAs among ASEAN members and between ASEAN as a group and their dialogue partners. But ASEAN exporters will see the benefits of these FTAs reduced by the expansion of preferences to include the additional countries of the RCEP. Higher tariff eliminations under RCEP will result in greater preference erosion and hence reducing exports in ASEAN.

The analysis of top five export destinations for 10 ASEAN countries using export data in 2018 from the International Trade Center reveals that ASEAN countries will have different degrees of export losses from preference erosion. Countries with relatively large export losses include Brunei Darussalam, Indonesia, Lao PDR, Myanmar, Malaysia, Singapore and Thailand, which have some of the top five export markets in ASEAN or dialogue partners. In contrast, Cambodia, the Philippines and Vietnam are likely to face less export losses as they mainly export to the United States, which is not part of RCEP.

We consider two scenarios to demonstrate how preference erosion reduces ASEAN's exports using ASEAN-China, ASEAN-Japan and ASEAN-Korea FTAs as an example. Before the formation of RCEP, only ASEAN countries have preferential access to the markets in China, Japan and South Korea under the FTAs.

Exporters from ASEAN enjoy low preferential tariff rates granted by these three countries, while exporters from the three countries also enjoy low preferential tariff rate granted by ASEAN countries.

Meanwhile, exports from Japan to China or vice versa face the most-favored-nations tariff rates, which are usually higher than the preferential tariff rates. But still, China is the main export market for Japan.

After the formation of RCEP, ASEAN's preferential access to the markets of its dialogue partners will be reduced because RCEP will set the same threshold of tariff reductions on imports among its partners. China, Japan and South Korea will have preferential access to each other market in addition to ASEAN.

This is particularly important for Japan, which has not yet formed any FTA with China and South Korea. In 2018, the top-ranked export destination of Japan was China, followed by the United States and South Korea.

The reduction of tariffs under RCEP will generate trade flows among Japan, China and South Korea, and to some extent divert trade flows from ASEAN countries. For ASEAN countries, their preferential access to the markets of RCEP partners will be reduced as part of the market share will be occupied by trade expansion in the dialogue partners.

In conclusion, tariff reduction under RCEP is likely to erode trade preferences in ASEAN as RCEP will emerge in an environment of numerous overlapping FTAs. The erosion of trade preferences means that exporters in ASEAN are likely to face lower demand for their goods in the markets granted by their dialogue partners under ASEAN+1 FTAs.

Given the lack of FTA between Japan and its key trading partners, RCEP is likely to intensify trade flows among the dialogue partners rather than stimulating more exports from ASEAN. The key implication of tariff cuts is that export-oriented firms in ASEAN will face tougher competition with foreign firms in the dialogue partners to maintain their market shares.

The unfavorable effect of tariff cuts considered here does not necessarily mean that there is no room for ASEAN to gain from RCEP. If RCEP achieves its objective of going well beyond these tariff reductions, it may be that potential export losses resulted from preferential erosion will be its least important implications.

Addressing the issues such as non-tariff barriers, intellectual property rights and e-commerce, among others, will enhance competitiveness and stimulate innovation of ASEAN firms, the benefits of which are likely to greater than potential export losses of tariff cuts.

Source: businesstimes.com.sg- Apr 06, 2020

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Now is the Time for Fashion to Practice the Sustainability it Preaches

The world is reeling from the aftershocks of the outbreak of the COVID-19 pandemic and the effects are being felt across all strata of society. As stock markets tumble, countries go into effective lockdown and the death toll continues to rise, the pandemic has changed the lives of everyone globally. As the impact of the pandemic spreads, every industry worldwide has been affected by the ramifications of the disease wreaking havoc within the global apparel industry.

As retailers and brands face dwindling customer numbers, stores have closed while inventory mounts. The immediate reaction from these companies has been the cancellation, delay or scaling back of current production orders. This has been further compounded by many companies withholding payment for goods that have been shipped or insisting upon longer payment terms with their manufacturers than were originally agreed when orders were placed.

This has created a perfect storm for apparel manufacturers around the globe. Unable to rely on supplementary business from existing or new customers—as the business has, put simply, evaporated—their cashflow is seriously affected and they are struggling to raise the necessary funds to pay their workers and to cover the purchase of the materials necessary to generate new orders, or diversify into other product areas.

What this perilous state of affairs brings to light is the ethics of companies when dealing with their apparel manufacturing partners. It would appear that, in some cases, the moral compass of many fashion companies is askew, as they seem to forsake the relationships that have been built with their partners and are prepared to cut them adrift during these unprecedented times.

I, like many of my peers in the apparel manufacturing sector, appreciate the gravity of the situation caused by the COVID-19 pandemic. We are not naïve enough to assume that it will be 'business as usual' as our customers are themselves facing challenges from all sides, not least of which is how to protect their own employees. Across the globe, clothing retail stores are being forcibly shut down and customers advised to stay at home for fear of spreading the virus. Brands and retailers are seeing their sales fall through the floor and, of course, all of us involved in the apparel manufacturing process appreciate that our customers cannot trade as normal.

What concerns me is that the approach that appears to have been most commonly adopted by our customers is to minimize their financial burden, instead shifting the onus onto the apparel manufacturers themselves. Often the small print of an order is used as the pretext for the cancellation of orders or the delay in payment but these actions are being taken without open dialogue with business partners and with no consideration for the far-reaching consequences that they bring to bear.

This seems to me to be a short-term strategy. The COVID-19 pandemic will be defeated and when the dust has settled, companies will need the support of their apparel manufacturing partners to support the post-virus demand for product.

From an ethical standpoint would it now not be better for companies to engage with their manufacturing partners, negotiate terms that allow both parties to remain functioning and, in effect, be prepared to lose today in order to reap the benefits of an understanding, established business relationship when the situation improves?

We are in unchartered territory and entering into a period that threatens the well-being of the whole apparel manufacturing industry and the livelihood of the millions of workers around the world, that rely on our industry to support them. When the COVID-19 crisis is finally averted, the industry must ensure that the events of recent weeks are not allowed to take place again.

Surely, from an ethical point of view, an order between a brand or retailer with an apparel manufacturer should be seen as a binding contract. As recent events have proven that does not currently appear to be the case. This is a situation that must be addressed at an international level going forward.

There is no safety net in place for the apparel industry, in particular manufacturers that have to cover fixed costs and are largely operating on limited profit margins. Given these circumstances, the ethical approach would be to safeguard the interest of the apparel manufacturers and, more important, the well-being of their employees. Contracts between manufacturers and their customers should be respected and when faced with unprecedented circumstances, such as we now face, be allowed to be renegotiated to the satisfaction of both parties.

Whatever the outcome of the COVID-19 catastrophe, it is the industry's moral duty to do whatever is possible to mitigate the damaging effects that a calamity of this scale causes to ensure that the industry is fit for purpose going forward and to safeguard the long-term security of the workers that depend on the industry for their survival.

During these troubling times the global apparel industry must work together to mitigate the effects of the COVID-19 virus. There has been much talk across the sector among manufacturers and their customers about responsibility, partnership, cooperation and collaboration.

Now, more than ever, is a time when the industry should stand up and start practicing what it has been preaching over the past few years and find a way to overcome the financial dilemma facing manufacturers around the globe.

Source: sourcingjournal.com - Apr 04, 2020

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Cambodia: Garment buyers urged to fulfil purchase contracts in bid to save 750,000 jobs

The Cambodia Manufacturers Association (GMAC) has reiterated an appeal to all buyers who source their goods from its members to work with the body to overcome the critical situation caused by the global COVID-19 outbreak, in an open letter issued late last week.

The letter urged all buyers to fulfill their purchase contracts by taking delivery and paying for goods already produced and currently in production as is their obligation.

"This will save 750,000 jobs (globally) and enable factories to pay their workers and ensure the livelihoods of millions of Cambodians," GMAC said.

The letter also stated that the global pandemic has brought chaos to every corner of people's lives and businesses, with all parties in the global apparel supply chain suffering.

"Our manufacturers operate on razor-thin margins and have less ability to shoulder this burden compared to our purchasers, who still need to put food on the table," GMAC added.

The government has announced a host of measures to alleviate the plight of garment workers whose wages have been affected because of production suspensions.

In the plan, garment workers whose factories have closed will receive 60 percent of the minimum wage. Two-thirds of that is the responsibility of the factory owners, with the remaining 20 percent being provided by the government.

While China's supply chains have reportedly resumed, ensuring the flow of 60 percent of the raw materials used in Cambodia's textile industry, clothing manufacturers are still facing even greater problems because of the declining supply orders from distributors and retailers in Europe and the United States, the main market destinations for the Kingdom's garment industry.

"Scores of clothing brands and retailers have cancelled orders without assuming financial responsibility even when workers had finished making their products," Human Rights Watch (HRW) claimed in a statement last week.

"Many supplier factories in Asia are strapped for cash and unable to pay workers' wages and other compensation because of the brands' actions," the statement continued, adding that the COVID-19 pandemic has caused both the sales of clothing brands and retailers to plummet.

According to the HRW, many have closed their retail stores to check the spread of the virus. While navigating this crisis, some brands and retailers have taken advantage of unfair purchasing practices.

"Brands should take steps to minimise the devastating economic consequences for garment workers in their global supply chains and for their families who depend on this income to survive," said Aruna Kashyap, senior counsel in the women's rights division of HRW.

Thus far, HRW said the H&M Group, Inditex (Zara and other brands), and Target USA have taken steps in the right direction, which these and likely other companies have committed to take delivery of goods already produced or in production and pay for them as previously agreed upon.

"More brands should take similar steps to ensure fair treatment of workers, including payment of wages and other compensation, and minimise job loss," HRW said.

As of yesterday, around 90 of Cambodia's garment factories had suspended their operations, resulting in 60,000 job losses, according to the Ministry of Labour and Vocational Training.

Bangladeshi factories have reportedly lost an estimated $138 million so far due to cancelled or suspended orders from international brands, while an estimated one million workers have already been laid off or temporarily suspended.

In Myanmar, 20,000 workers have already lost their jobs and one industry expert estimated that as many as 70,000 garment workers could lose jobs within a week.

Source: khmertimeskh.com - Apr 05, 2020

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Indonesia to have enough PPE as manufacturers agree to produce 17 million units: Govt

The government is confident about the supply of personal protective equipment (PPE) for medical workers in Indonesia, given that the domestic textile and garment industry has the capacity to produce 17 million pieces per month.

Wiku Adisasmito, an expert at Indonesia's COVID-19 rapid response task force, said that number was based on the combined production capacity of 31 textile manufacturers and 2,900 garment production facilities across the country.

Those manufacturers, he added, had committed to providing the gear after the Indonesian Textile Association (API) and the Indonesian Fiber and Filament Yarn Producers Association (Apsify) agreed to help the government meet domestic demand.

"Based on the number, we are confident that the PPE supply will suffice, especially medical gowns, so we don't have to depend on imported equipment anymore," Wiku said at a press conference on Friday.

He went on to say that the manufacturers would use two main materials, polyester and polyurethane, to produce the equipment, adding that those substances complied with World Health Organization (WHO) standards on protective equipment.

Both materials would allow for the equipment to be washed numerous times and be worn by medical workers repeatedly.

"Thus, the equipment could replace disposable medical gowns which have always been used by medical workers. And we have an abundant supply of both materials, too, so I think we don't have to worry about the equipment production stopping due to a lack of raw materials," Wiku added.

Muhammad Khayam, the Industry Ministry's chemical, pharmacy and textile director general, estimated that Indonesia's PPE production per month would exceed demand, saying the country would only need 3 to 5 million pieces of the gear until May.

"And we hope those manufacturers will distribute 5 to 10 million pieces of protective equipment at the end of April," Khayam said in a statement. "We have also asked manufacturers to expedite their production as the spread of COVID-19 is [accelerating] in Indonesia," he added.

Since mid-February, Indonesia's health workers, doctors and nurses have been working overtime to treat COVID-19 cases, despite many of them having inadequate personal protection. Many of the medical workers were found to have worn makeshift personal protection gear, including raincoats, in lieu of hazmat suits.

Due to the woeful condition, medical workers have threatened not to treat COVID-19 patients unless the supply of protective equipment is sufficient, especially after several health workers contracted the disease – and some have died – after treating patients with the disease.

To address the issue, the Indonesian Military (TNI) has been distributing protective equipment from the national warehouse at Halim Perdana Kusuma Air Base in East Jakarta since March 23. As of Thursday, as many as 300,000 pieces of equipment have been delivered to all provinces of Indonesia.

Health Ministry Disease Control and Prevention Director General Achmad Yurianto said that most of the equipment, as many as 85,000 items, had been distributed to Jakarta, given that the capital was the epicenter of the disease with 971 confirmed COVID-19 cases, or 48.8 percent of the total 1,986 national cases as of Thursday.

“We acknowledge that the distributed equipment is not sufficient for medical workers, and therefore we are going to purchase and distribute [more items],” Achmad said.

Source: thejakartapost.com - Apr 04, 2020

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Malaysia: Local apparel firms switch to making masks from fabric

Local bespoke tailor Meiko Tailor is shutting down for a month from Tuesday (April 7) in keeping with the more stringent measures imposed by Singapore but it has been work-as-usual for the firm in the last few days.

It has been making reusable masks - and giving them out for free.

The firm is an example of a local apparel company that has quickly shifted operations to produce fabric masks, joining the national effort to combat the spread of Covid-19.

Meiko Tailor's efforts could see it being classified as an essential service, which means it can continue running during the nationwide suspension of non-essential services from April 7 to May 4, wrote Ms Sim Ann, Senior Minister of State for Communications and Information and for Culture, Community and Youth, in a Facebook post on Saturday .

"I know that others in the garment industry have started similar projects. If your company is among them, you could be deemed as providing essential services," said Ms Sim, who is Holland-Bukit Timah MP.

"Please contact eddiewan@taff.org.sg at our trade association, the Textile & Fashion Federation (Singapore) to lodge your company name and UEN. I am proud of our garment makers' initiative!"

The Textile & Fashion Federation (Singapore) said companies that wish to produce masks on their premises during the suspension period may register their details at bit.ly/mask4sg. No further application at GoBusiness is needed, as the federation will coordinate with Enterprise Singapore and the Ministry of Trade and Industry.

"Meanwhile, safe distancing measures must be put in place and companies which had signed up to produce masks to operate their work space during the suspension period shall produce only masks," the federation said.

Prime Minister Lee Hsien Loong said on Friday that the Government would no longer discourage people who are well from wearing masks because of evidence that a few could be infected but not show any symptoms. He also announced that reusable masks would be distributed to all households in Singapore.

Ms Adele Chung, daughter of master tailor Chung Chi Kwong who handles overall marketing operations for Meiko Tailor, said the mask-making effort started out as something just for employees and family members. Now, the firm is trying trying to reach out to logistics and Grab delivery drivers or riders, who would be out and about during the period.

"We first made the masks back in early February, when there was a scramble for masks. It's more for basic protection, and not meant for medical purposes," said Ms Chung.

After the outlet at Pan Pacific Singapore was shut as the hotel turned into one of the designated ones for Singapore returnees on stay-home notices, the tailor moved operations to its workshop in Paya Lebar.

"It started as a random thought, and we never thought about selling them for profit. We have all the materials and the workshop, so we might as well make the most of it. It's also to occupy our time and keep spirits high, because this whole coronavirus saga can be quite dampening."

She said that since Friday's announcement, the firm has been spending its final days ramping up its mask-making efforts to give them to those who needed them at no cost.

The firm was initially making about 10 to 15 per day, but on Saturday increased the number to about 40 to 50. "At full capacity, if we dedicate all our resources just to make masks, we will be able to make about 300 a day," said Ms Chung.

Her father said the process started through trial and error, cutting cloth samples, researching online and creating a few prototypes. "From a basic piece of cloth, we made changes such as having a slot to put a filter," Mr Chung said.

His daughter told The Straits Times: "We have applied to be classified as essential services. We want to be part of this nationwide initiative."

Another bespoke tailor, CYC, is also on a similar drive, with managing director Fong Loo Fern saying the company wanted to provide 200,000 reusable masks to foreign workers inhere.

Mrs Fong said: "A friend from a textile training centre said she wanted her students to learn how to make masks. So I thought, I got the room and the cloth, and they have the manpower, so we can collaborate. We can also open up the sewing to the public. We'll give them the elastic loop and the nose bridge and the material, and in this way we can expand production more quickly."

The call for volunteers on the firm's website and social media channels led to an "overwhelming" response, with all of its do-it-yourself mask kits reserved. The kits will be distributed on a rolling basis to volunteers.

Mrs Fong said: "These are the different fabrics we have in stock in the factory anyway, so we thought we would do something to help."

Other than the initiative, CYC is also producing masks for sale, using its high-end shirting fabric. Each mask sells for $20 a piece.

Source: straitstimes.com - Apr 05, 2020

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Spain's coronavirus crisis stalls global fashion giant Inditex

Inditex has switched its clothes factories in Spain over to making medical supplies and its logistics hub has almost ground to a halt, effectively freezing the nerve centre of its business from which it supplies stores worldwide.

Retailers around the world have had to close shops and in some cases their entire business as governments have told people to stay at home to try to contain the coronavirus pandemic.

Inditex, the owner of brands including Zara, Massimo Dutti and Bershka, said in its annual results on March 18 that it had temporarily closed 3,785 stores worldwide.

That would leave around half of its shops still open, suggesting its global footprint might help it to cope better in the crisis than some rivals.

However, with Spain suffering the most deadly outbreak of the coronavirus outside Italy, the government on Saturday tightened the terms of its lockdown - already entering its third week - by ordering all non-essential workers to stay at home for two weeks from March 30 to April 9.

That has meant Inditex's 13 factories in its home market have had to stop making clothes and - in order to remain open as well as to help with the fight against the coronavirus - they have switched to producing medical supplies like scrubs and masks, according to four union representatives.

Inditex does not disclose the proportion of its fashions made in Spain, but says it sources 57% from factories near its Spanish headquarters - mostly in Spain, Portugal, Turkey and Morocco - so it can quickly refresh its stores around the world.

The tightened restrictions since Saturday also mean the company's 10 logistics centres in Spain - the heart of its global distribution operations - have almost ground to a halt, two union officials and a worker said, putting a question mark over supplies to shops elsewhere in the world that remain open.

In Inditex's highly-centralised system, the logistics centres in Spain make two deliveries per week to stores to ensure they are kept up to date with the latest fashions.

"Store orders are not being taken care of during this time," said one union representative, who spoke on condition of anonymity. "All work for stores has stopped."

Inditex did not respond to a request for comment.

Inditex's rival, H&M of Sweden, on Friday said it expected a loss in the second quarter after reporting a 46% plunge in March sales as the pandemic took its toll.

SERVING SPAIN

Inditex's logistics centres are allowed to stay open to process online orders, as e-commerce is one of the sectors of the economy classed as essential by the Spanish government, the union representative said.

However, he said the centres were now operating for as little as one reduced shift of four hours per week.

The priority for workers is to unload trucks that arrive from suppliers in countries like Turkey and Morocco, he said, so as not to leave them unattended at loading bays. The number of trucks arriving at the centres is greatly reduced, he added.

A notice posted on Tuesday on one union's Facebook page for Inditex's logistics and distribution platform in Zaragoza, northeast Spain, asked for workers to sign up for two four-hour shifts per week to cover minimum service.

The platform is working at around 15% its usual levels of activity, said one worker, speaking on condition on anonymity. Logistics centres are full of merchandise because so many shops are closed, he said.

The worker said clothing was being sent to China to serve online orders on cargo planes from Zaragoza that come back loaded with medical supplies for Spain.

Inditex's billionaire founder and owner, Amancio Ortega, said this week his foundation had bought medical material worth 63 million euros ($68 million) - including ventilators, masks and testing kits - for Spain's fight against the coronavirus.

Government officials have highlighted the importance of the company's capabilities in bringing in medical supplies.

"Without Inditex's planes, most of the supplies would be stuck in China," said Alberto Nunez Feijoo, head of the northern region of Galicia, where Inditex has its headquarters.

Source: economictimes.com- Apr 04, 2020

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Vietnam: Textile-garment, retail sectors bear enduring pandemic

Extended store closures by apparel retailers, many factories halting operations due to raw material supply chain disruptions, increased manufacture of personal protective equipment (PPE) and private enterprises donating to COVID-19 containment efforts marked the week around the world, as many governments announced relief packages and fiscal measures to tackle the economic impact of the novel coronavirus strain, which continues its contamination spree. Dipesh Satapathy explores.

Many top apparel retailers, including Crocs, Christopher & Banks Corporation, JC Penny, Kohl's, Macy's, continued expanding store closures amid a worldwide dip in apparel sales. Many others, like British luxury fashion house Burberry, dedicated their resources to support those affected by the infection.

Companies across the world kept busy manufacturing PPE, such as goggles, face-shields, masks, gloves, coveralls, gowns, head covers and shoe covers, either to cater to domestic needs or for export. The Indian health ministry asked over 10 domestic manufacturers to produce PPE after suitably amending PPE standards.

Companies suffered significant cancellations or postponements, and on an average, orders dropped by 8 per cent, according to a survey by Zurich-based International Textile Manufacturers Federation (ITMF).

The fall in orders ranged from 4 per cent in South America to 13.3 per cent in Africa. The turnover in 2020, on an average, is expected to be 10.5 per cent lower in 2020 than last year. While North America is expected to witness an average decline of 7.5 per cent, companies in Europe are expecting a drop of 17.5 per cent, ITMF said.

Ralph Lauren Corporation committed $10 million to help its teams, partners and communities affected by the pandemic. The commitment includes contribution to the World Health Organisation COVID-19 Solidarity Response Fund.

Global luxury fashion group Capri Holdings announced that its collective brands and their founders are donating over $3 million to support COVID-19 relief efforts. In New York, the Michael Kors brand donated $1 million to back local relief. In London, Jimmy Choo donated $500,000 for UK as well as global relief efforts. In Milan, Versace donated $500,000 for local efforts.

The World Bank's board approved a first set of emergency support operations for developing countries, using a dedicated, fast-track facility for COVID-19 response. The first group of projects worth $1.9 billion will assist 25 countries. In addition, the bank is working worldwide to redeploy resources in existing projects worth up to $1.7 billion.

The board approved a fast-track $1 billion 'India COVID-19 Emergency Response and Health Systems Preparedness Project' to help the country strengthen its public health preparedness.

Among major policy measures across the world, the United States approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act to assist companies with fewer than 500 employees and India launched the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM CARES) Fund. The US National Retail Federation welcomed the CARES Act. Several Indian companies offered contributions to the PM CARES Fund. Reliance Industries announced a donation of ₹500 crore while LNJ Bhilwara Group donated ₹5.51 crore.

Malaysia granted a six-month delay on most loan payments. Authorities in neighbouring countries of the Association of Southeast Asian Nations (ASEAN) bloc also took aggressive measures.

The US Food and Drug Administration issued a guidance to help expand the availability of surgical apparel, include gowns, hoods and surgeon's and patient examination gloves, for health care professionals. The policy is intended to continue till the crisis situation ends.

The Export Credit Guarantee Corporation of India, which offers export credit insurance support to Indian exporters, extended the time limit for all returns, extension requests and default notification of policyholders till 31 May and the deadline for filing claim, reply to claim queries and representations till June. The Specific Shipment Policy expiring in March was extended automatically up to June. It also announced some measures for banks.

The Small Industries Development Bank of India (SIDBI) launched the SIDBI Assistance to Facilitate Emergency response against coronavirus (SAFE) scheme for micro and small enterprises (MSEs) engaged in the manufacturing of products or offering services related to fighting the pandemic.

India also extended the existing foreign trade policy till March 2021 and urged the countries with which it has free trade agreements to allow import of goods now without certificate of origin as domestic authorities are currently not issuing the document on account of the lockdown.

On the other hand, Indian exporters urged the government to take measures like allowing them to operate factories with minimum workforce, offering subsidy on interest rates and extending incentive schemes to deal with the crisis.

At least a quarter of garment workers in Bangladesh have been fired or furloughed because of declining global orders, according to the Penn State Center for Global Workers' Rights.

Many US and European Union partners sent notices to Vietnamese garment and textile businesses informing they will temporarily stop receiving goods for three to four weeks. Vietnam’s garment and textile industry may lose up to VND 11 trillion if export orders continue to be stopped, delayed and cancelled, the Vietnam National Textile and Garment Group (VINATEX) said. Thousands of Cambodian garment workers lost their jobs as global markets contracted.

Important differences in the ethical buying behaviour are becoming very apparent in the way brands and retailers are either simply dropping their suppliers or trying to confront this crisis in a more collaborative manner, a joint report by the International Apparel Federation (IAF) and ITMF said. In Bangladesh alone, up until March 29, 1025 factories reported 864.17

million pieces worth $2.81 billion of exports getting cancelled or held up affecting 2.06 million workers.

Copenhagen-based IndustriALL Global Union said unless measures are taken by governments to protect factories and workers to enable them to survive the crisis, the short-term decisions being taken by brands and retailers to renege on existing contracts will end up destroying the very businesses they are seeking to protect.

However, in a big relief to manufacturers in Bangladesh, six brands—Sweden's H&M, Spanish clothing company Inditex, British retailer Marks and Spencer, France's Kiabi and US retail firms PVH and Target—informed the Bangladesh Garment Manufacturers and Exporters Association of their decision to accept the ready goods along with the goods in production.

The global economy could shrink by up to one per cent in 2020 due to the pandemic and may contract even further if restrictions on economic activities extend without adequate fiscal responses, the United Nations Department of Economic and Social Affairs said. Millions of workers are at risk of losing their jobs as nearly 100 countries close their national borders, it found. That could translate to a global economic contraction of 0.9 per cent by the end of 2020, or even higher if governments fail to provide income support and help boost consumer spending, the UN said.

India Ratings and Research slashed its gross domestic product (GDP) growth estimate for India for fiscal 2020-21 to 3.6 per cent from 5.5 per cent because of the pandemic and the nationwide lockdown till April 14. While rating agency ICRA said the country's GDP is likely to contract by 4.5 per cent in the April-June quarter this year and will rise by only 2 per cent in 2020-21, Moody's Investors Service slashed its estimate of the same during 2020 to 2.5 per cent from the earlier 5.3 per cent.

India's fiscal deficit in fiscal 2020-21 is likely to shoot up to 6.2 per cent of the GDP from the government estimate of 3.5 per cent as a result of the economic stimulus package, Fitch Solutions said. It had earlier estimated the figure to be 3.8 per cent of GDP.

The Indian apparel industry could take a hit of almost ₹1 lakh crore due to the lockdown, according to the Clothing Manufacturers Association of India, which concluded that almost 50 lakh jobs in the apparel industry are at risk.

While the UK Fashion and Textile Association (UKFT) urged the British government to provide support for individuals or companies that are not eligible for any of the existing COVID-19-related protection schemes, retail trade organisations in the United Kingdom jointly launched a campaign to raise £10 million for retail workers facing financial distress.

US retail giant Macy's announced it would furlough most of its 1,30,000 employees while others like Burberry forecast a staggering 70-80 per cent drop in sales. UK-based retailer Primark announced a cancellation of all new orders and Inditex has already written off some $336 million worth of inventory.

With the number of infected showing no signs of diminishing worldwide, it seems the textile-garment industry's wait and the retail sector's eagerness to see light at the end of the coronavirus tunnel will continue for now.

Source: fibre2fashion.com- Apr 04, 2020

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Vietnam: Textile, auto, timber industries struggle as coronavirus exacts toll

Vietnam's textile, auto and timber industries are facing challenges with plummeting revenues threatening massive job cuts as the Covid-19 pandemic intensifies.

The number of textile orders in the next two months are set to fall 70 percent as major buyers in the U.S. and the E.U. have stopped signing new contracts due to lower consumption, according to a recent report by the Ministry of Industry and Trade.

Other markets such as India, South Korea and Japan cannot make up for the reduced demand from the two major markets, which account for over 60 percent of textile exports, the ministry said. First quarter textile exports fell 8.9 percent year-on-year to $6.5 billion.

The CEO of Hanoi-based Vietnam National Textile and Garment Group (Vinatex) Le Tien Truong had said earlier that these unprecedented challenges could cost the industry VND11 trillion ($473 million) in revenue, and millions could lose their jobs.

The trade ministry said that as China has started resuming production, Vietnamese products will face strong competition, and companies might not have the needed cash flow to pay its employees.

"Manufacturers might have to cease production," it warned. Timber manufacturers also face similar challenges, with no new orders since mid-March.

The Vietnam Timber and Forest Production Association (Vietfores) anticipates that all production for export orders will cease in the next three or four weeks, and producers for the domestic market will only operate at 10-15 percent of capacity due to low demand.

With five major five automakers – Ford, Toyota, Honda, TC Motor and Nissan – ceasing production for 15 days to limit contagion, the auto industry has ground to a halt.

In the first quarter, auto production fell 10.5 percent year-on-year to 56,200 units, while inventory rose 222 percent, showing a slump in sales.

The ministry proposed that local banks lower interest rates and prolong debt payment deadlines for these businesses. It has also suggested that the Ministry of Finance delays payment of taxes and fees until the end of the year.

Source: e.vnexpress.net- Apr 05, 2020

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Pakistan: Punjab govt exempts several industries from lockdown

In another move to provide financial relief to the masses, the Punjab government has exempted several industries from the lockdown amid prevailing coronavirus crisis.

In a notification issued on Saturday, textile, auto-parts, medicines, leather and other industries were exempted from the lockdown and were allowed to work after adopting precautionary measures. Factories related to vegetables, fruit, meat and others are also allowed to restore their operations.

The Punjab government has allowed the reopening of auto workshops, spare-part shops and oil depots located along national highways in the province. The government also ordered reopening tyre shops and hotels where truck drivers might take rest. Earlier, goods transporters had demanded the federal government to allow workshops and hotels in certain areas to operate.

Meanwhile, the process of distribution of financial aid to the impoverished under Chief Minister Punjab Insaf Imdad Programme kicked off and a sum of around Rs1.5b had been transferred to 170,000 people. Chief Minister Punjab Usman Buzdar in his statement had said that the government provided real relief to the masses instead of making hollow claims.

It may be noted that the Khyber Pakhtunkhwa government on March 31 had granted general exemption to the textile export industry keeping in view the importance of foreign exchange in the country's economic viability.

Meanwhile, in a similar move on Thursday, Sindh government had said that it has distributed an amount of Rs569.604 million among 94,934 needy families in Sindh amid lockdown in the province due to coronavirus pandemic

Source: nation.com.pk - Apr 05, 2020

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Pakistan: With lockdowns everywhere, export a difficult job

Because of lockdown in many countries caused by the Covid-19 pandemic, the world is heading towards recession this year. The International Monetary Fund (IMF) has already warned about it.

Global oil prices have already plummeted to multi-year lows. This is an early sign of the looming recession regardless of the fact that prices began to fall initially due to a Saudi Arabia-Russia row over the extent of reduction in production.

Pakistan's exporters are rightly worried and so is the government. The government has already offered a relief package to them and that, along with the policy rate cut by the State Bank of Pakistan (SBP), may provide some relief to the exporters.

However, many are still worried because selling merchandise at a time of falling demand and countrywide lockdowns in large parts of the world is not an easy job.

Just because of full or partial lockdowns in Europe, America, China and the Gulf Cooperation Council (GCC) region, any increase in Pakistan's export earnings has become uncertain. Exporters say they are facing lots of problems in shipments.

Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Senior Vice President Dr Mirza Ikhtiar Baig says, "Buyers in Europe and America have requested us to delay shipments due to decrease in demand for apparel owing to closed markets and shops. "Also, they don't want to lift even confirm orders which have already been produced. Our inventories are piling up and no exporter can afford to let this continue as it will erode the cash flow."

Exporters say buyers of their products in a number of countries are requesting to defer payments for 90 to 180 days against buying orders which have already been shipped.

The reduction in production is another major problem exporters are facing because of unavailability of staff and machine operators due to lockdown in the country. Moreover, mingling of workers cannot be allowed in factories for safety reasons.

Before the interest rate cut and the recent unveiling of the economic stimulus package, textile exporters feared 25-50% decline in exports for March and April.

Hopefully, they must be more enthusiastic now but given the uncertainty all around, it would still be too optimistic to expect that textile exports from March onwards would not see any decline.

Now, the issue is how to avert a massive decline in exports and better still, how to boost them.

Trade gap

Obviously, the exporters need to search for new markets while continuing to cater to traditional markets. It is pretty much possible because of the gap created in global supplies due to the current world trade situation.

Pakistan's export competitors, too, must be finding it difficult to meet export orders, leaving some gaps for Pakistani exporters to fill in.

So, there is an opportunity to take advantage of this situation and grab some export orders which are being diverted from countries like China, India, Bangladesh, Thailand, the Philippines, Vietnam and others.

Containing the decline in exports has become a real hard challenge also because cross-border trade with neighbours – India, Iran and Afghanistan – has stopped now.

Earlier, Pakistan's exports to neighbouring countries made up a tiny part of the total shipments. All three markets have a lot of potential in bilateral trade but political rivalry with New Delhi caused suspension of trade with India, which is hurting Pakistan in the absence of a quick and easy land route. Looking towards Iran is also of no use, for the reason that the country is still facing international sanctions and Covid-19 has caused more damage there.

Increased influence of China and India in Afghanistan and the ongoing war there reduced Pakistan's exports to that landlocked country.

But the recently signed peace accord between the United States and Afghan Taliban would possibly help improve bilateral trade with Kabul provided Covid-19 threat does not play a big role in both countries.

Except for China, Pakistan does not have a sizeable trade relationship with any of its neighbours, resulting in great dependency of exports on it. In the textile sector, Pakistan is highly dependent on imports of Chinese raw material. But those imports slowed down considerably after the outbreak of Covid-19 in China in December last year.

However, with proper planning and strategy and with adequate support from the government, textile millers can tackle such kind of hurdles and stave off a decline in exports.

New, old markets

When asked about the steps which the government should take in order to boost overall exports and not just those of textile, former FPCCI president Daroo Khan Achakzai told this writer: "Government should not only waive all export development surcharges but also ensure rapid release of export rebate."

He believes, "We not only have to explore new Central Asian and Middle Eastern markets but also revive activity in old conventional markets like the US, Afghanistan and Europe. We once used to export $2-3 billion worth of goods to Kabul. That has been continuously decreasing for some years, giving market space to other players like China and India. Consequently, our exports to Kabul stand close to a billion dollars. "It's time to boost exports to Afghanistan, first to $3 billion and then aim at exploiting the full potential of $5 billion."

Fortunately, no other trade partner offers so much economy of trade as Afghanistan does.

"It takes just two days for us to dispatch commodities to Afghan markets. Apart from this, since Afghanistan is an underdeveloped country, we can continue to export grains and low value-added products there."

Source: tribune.com.pk- Apr 05, 2020

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Bangladesh: RMG workers left in the lurch

Owners' indecision blamed

Indecision of factory owners and lack of coordination among the government agencies multiplied the sufferings of readymade garment workers, labour leaders and experts said on Sunday.

They said that thousands of workers on Friday and Saturday were forced to return to their work locations in Dhaka and its adjacent areas amid the countrywide shutdown.

Export-oriented garment factory owners were allowed by the government to reopen factories on April 5 while the number of novel virus infections and death was on the rise.

Blaming indecision of RMG factory owners, trade union leaders demanded closure of all factories to protect workers from infections, besides demanding payment of wages and coronavirus protective equipment for the workers.

Transparency International Bangladesh on Sunday in a statement also condemned the factory owners for exposing workers to health risks violating their health rights.

TIB said that the insensitive act of factory owners which was detrimental to public interest had put tens of thousands of workers as well as people at large at higher risk of getting infected.

TIB considered it a violation of safety and health rights of RMG workers who were under pressure from the factory owners to rush to their workplaces in extremely adverse conditions fearing loss of jobs as the country was still under lockdown.

Thousands of garment workers used local transports, ferries and even walked to reach back to their places of employment in Dhaka, Gazipur and Narayanganj, among others, as their owners were set to resume production at factories from Sunday amid the nationwide shutdown announced to fight the spread of coronavirus.

However, on Sunday morning most workers could not enter their factories as the authorities of a good number of factories chose not resume work without any prior notice after the BGMEA and the BKMEA urged their members at midnight to keep factories shut till April 11, labour leaders said.

Due to the closure of factories, workers decided to go back to their village homes on Sunday on local transports and on foot.

'There are two reasons behind the sufferings of the readymade garment sector workers. There is this lack of coordination among the ministries as government agencies failed to determine the health risk of the RMG workers and the delayed decision issued by the apparel trade bodies to keep their units closed,' Centre for Policy Dialogue research director Khondoker Golam Moazzem told New Age on Sunday.

He said that the government agencies were not giving the same priority in assessing the health risks involving the RMG workers.

Moazzem also said that the leaders of the apparel trade bodies should have tried to keep their units shut through negotiation with brands and buyers amid the outbreak of the pandemic.

He said factory owners should pay wages to the workers within a very short time as they had been made to rush to the city.

‘We are not machines, we are human beings. We deserve dignity and respect and decent livelihood,’ Combined Garment Workers Federation president Nazma Akter said.

Nazma urged the government, factory owners and buyers to pay workers and stop their sufferings in the apparel sector that engages over 40 lakh workers.

About the payment of wages, BGMEA president Rubana Huq said they urged all of their members to clear wages for March as early as possible.

‘A cell has been set up to assist BGMEA members in this regard,’ she added.

According to the industrial police data, there were a total of 3,371 RMG and textile units under the jurisdiction of the agency across the country and of them 578 factories were open on Sunday.

Source: newagebd.net - Apr 06, 2020

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Impact of COVID-19 on exports will be worse than the financial crisis of 2008

Even before the Indian government could wake up to the realities of the COVID pandemic, the Directorate General of Foreign Trade (DGFT), probably, had an epiphany.

With the country's exports showing no signs of a meaningful recovery, India's premier foreign trade agency issued a circular on 26 th February, vide which it reduced the average Export Obligation (EO) for exporters who had availed authorisations under the Export Promotion Capital Goods (EPCG) scheme.

Applicable to all exporters who operate in sectors that had seen a five percent or more drop in exports over the preceding year, the move was expected to provide some much-needed relief. But that was then.

Bend in trend

While the previous outbreaks such as the SERS, Ebola, H1N1, etc., have had minimum impact of Indian trade, however , September 2008 may provide some indications for what we might be headed for. With the American investment banking giant Lehman Brothers' bankruptcy freezing the financial world, the month saw India's trade go through a trend reversal that took years to undo.

While every single month, during the 12 months preceding September 2008, had seen India's merchandise exports grow by double digit percentage points from a year-ago period, the Lehman bankruptcy saw the country's exports drop year-on-year every single month, during the following 12 months.

If this doesn't make the next few months look worrisome enough, there are two factors that are only likely to make matters worse. One, while going into the Lehman crisis, India's exports were on a rampage, growing in double digit percentage points year-on-year for several years; in the present day, the country's exports have mostly remained flat over the last five years.

Secondly, while the financial crisis of 2008 affected all countries at the same time, this time the case is not the same. What started in China, the COVID-19's epicentre is changing ever since – first Iran, then Italy and now the US. So, even after China is up and running its business, with so many countries under lockdown, it may not find too many buyers for its products in the international market.

Policy paralysis

While the short run repercussions of the COVID-19 pandemic on India's trade are somewhat foreseeable, its long to medium term fallout are anything but it.

For starters, India's Foreign Trade Policy (FTP) is in a spot. Late last year, almost all export incentive schemes under the FTP were ruled World Trade Organisation (WTO) non-compliant by the global trade regulator. And while the government has appealed against the ruling, it knows that India must do away with a subsidies-based policy.

Hence, to replace such schemes, ones like the Merchandise Exports from India Scheme (MEIS), the government has now approved a new scheme named Remission of Duties and Taxes on Exported Products (RoDTEP).

While the finer details of this new scheme and the remission rates under it are yet to be notified, the scheme essentially aims at refunding taxes and duties like Value Added Tax (VAT) on fuel that is beyond the ambit of the Goods and Services Tax (GST) to exporters.

Intuitively, this raises a major issue. Given what the RoDTEP attempts to refund, the rates under it are unlikely to be comparable to the MEIS rates of as much as five percent available until now.

So, even if RoDTEP manages to pass through the WTO's lenses, the scheme is unlikely to give the kind of price competitiveness that MEIS used to give to Indian exporters.

At the same time, the government has also extended the current FTP to end of the financial year 2021. With more time in hand, this allows the government to revisit its stance and prepare for the post-COVID-19 world wherein exporters would require much more support than just export incentive schemes.

Lost in transit

Another most likely fallout of the COVID-19 pandemic is that countries are increasingly likely to adopt more and more protectionist measures. While countries, particularly those exporting finished manufacturing goods, with established export markets, are likely to wade through such an environment, those like India that are dependent on intermediate and agricultural exports and are on the lookout to tap newer markets, are likely to find the going tougher.

With India in a lockdown and a large chunk of its workforce, particularly those employed in Micro, Small and Medium Enterprises (MSMEs), back in the hinterlands, there's another major concern.

Even if demand from existing export markets were to come back in the medium to long run, it's unlikely that our exporters would be in any position to cater to them. And with competitors only too willing to pounce on such an opportunity, India runs the risk of losing some of its export markets permanently.

Silver lining

While the gloom and doom surrounding COVID-19 is palpable, the crisis might also throw up some great opportunities for India. There are already reports of several Western manufacturers looking at moving their factories out of China.

Many Indian chemical producers have gone on record at having received enquiries from Western manufacturers who earlier never used to look towards India as a source. Tapping these opportunities, however, will require some serious innovation on the policy front.

Indian policymakers need to hunker down and plan economic assistance that will not only help India's export sector survive the immediate crisis, but also retain stability and resume growth in the medium to long-term.

Source: economictimes.com- Apr 05, 2020

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Covid-19 aftermath: A third of orders cancelled, grave crisis grips export hubs

With vast swathes of key markets — the US and the EU — badly bruised by the Covid-19 outbreak and migrant workers back home following a nationwide lockdown, export hubs in India are pummelled by an unprecedented crisis.

Exporters from hubs, including Tirupur, Chennai, Surat, Hyderabad, Pune and Kochi, that FE spoke to were bracing for harrowing times. About 25-30% of orders had been cancelled across various product categories.

Overseas buyers are using the crisis to renegotiate contract terms and seek a cut in product prices. Domestic manufacturing units are shut and logistic chains in tatters, even though ports are somewhat functioning.

Most of the top 25 destinations for engineering goods exports are facing a lockdown. These 25 markets together accounted for $53 billion exports in the April-February period, according to Ravi Sehgal, chairman of EEPC India.

Exporters from Tirupur, the country's larget garment hub that is expected to have shipped out aparrel worth Rs 26,000 crore in FY20, apprehend a 50-60% year-on-year slide in despatches in FY21. The cluster – with 1,000-odd units, mostly MSMEs – employs around 6,00,000 people. About a half of them are migrant labourers, who have gone back home with no certainty of a return anytime soon.

The leather companies in Chennai say summer sales are gone and, given the crisis in the US and the EU, the outlook for winter orders remains uncertain. At the all-India level, orders worth about Rs 8,000 crore have either witnessed cancellation or a deferment of delivery, said exporters.

Rafeeque Ahmed, chairman of major leather exporter Farida Group, said: "We anticipate that we will lose at least one quarter's business. There is hardly any enquiry from the US and Europe." Nearly 70% of the leather exporters are SMEs.

Raja M Shanmugham, MD at Warshaw International and president of the Tirupur Exporters' Association, said" "We have not even received our payments for exports in January and February, and much of the stocks despatched in March are stuck mid-way. I have no clue when the markets will revive and we will get our dues.”

The already-dwindling farm exports are expected to plunge further in FY21. Even large companies are not unscathed. Having witnessed a dream run in the December quarter and in February (when its exports outstripped domestic sales), Bajaj Auto’s stellar show was jolted by the pandemic. Rakesh Sharma, ED at Bajaj Auto, projected an up to 20% y-o-y decline in exports in FY21 and maintained that the picture still remained hazy. While the auto maker hasn’t yet seen cancellation of orders, it fears its payment ability will be eroded if the situation worsens.

Without enough labourers, employment-intensive sectors like garments, leather and even gems and jewellery are in for an extended period of uncertainties. Cash reserve is depleting fast and in the absence of adequate and smooth credit flow, and many units, especially small and mid-sized ones, are on the brink of collapse.

The EU, the US and China alone account for 40% of India’s overall goods exports. Even before the pandemic spread its tentacles in India, the country’s goods exports had contracted by 1.5% y-o-y up to February this fiscal to $293 billion.

In Surat, which houses some 20,000 diamond units, about 30-35% of export orders have been cancelled, according to Dinesh Navadia, chairman of the Gujarat chapter of the Gems and Jewellery Export Promotion Council. Production has come to a halt after the lockdown. Almost 80% of the gems and jewellery from India are exported to the US, Hong Kong and China, and nine out of every 10 rough diamonds in the world are being cut and polished in Surat.

In the pharmaceutical sector, since Indian companies rely heavily on China for key raw materials, until the supply lines are restored fully there, domestic firms will get hit to that extent. Also, input prices have gone up due to limited supply, while the largest market, the US, is facing a recession.

Nevertheless, large pharma companies are seen as weathering the crisis better than the rest. A spokesperson for Dr Reddy’s said, “The market demand continues to be good. However, our manufacturing facilities are operating at below-normal levels... and there are challenges related to the supply chain.”

The Rs 12,000-crore carpet industry, with a significant presence in Uttar Pradesh, is apprehending a loss of about Rs 2,000-2,500 crore in FY21. Sidhnath Singh, chairman of the Carpet Export Promotion Council, said the order flow has already been hampered since January, with the crisis breaking out in China. However, it just exacerbated in March when the epicentre shifted to the US, which accounts for well over a half of our exports.

Shaji Baby John, CMD at marine exporter Kings Infra Ventures, said: "Vietnam and China are still buying. But internal logistics is a serious problem." A broad range of farm products, including rice, onion, grape, natural rubber, tea and cashew, will likely plummet in FY21.

More than 4,500 natural rubber dealers and one lakh farmers in Kerala are staring at a dark future, as tyre companies have shut production. Dealers alone have incurred losses to the tune of Rs 400 crore in just the first week of lockdown.

According to Jagannath Khapre, president of All India Grape Exporters Association, there is hardly any fresh order, and in many cases, payments for earlier supplies are stuck.

Ajit Shah, president of the All India Onion Exporters Association, said exports in March were already down by 25% from the usual level to 75,000 tonne.

Similarly, as Tea Board deputy chairman Arun Kumar Ray pointed out, tea output from the first flush in Darjeeling could crash by as much as 75%, as hardly any harvest took place. West Bengal's rice exports have been dwindling over the years, and the pandemic has just worsened the situation.

Pratap Nair of Vijayalaxmi Cashews, one of the largest cashew exporters, said: "If problems with movement of export cargo to ports in Andhra Pradesh, Tamil Nadu and Kerala not sorted out fast, many orders will have to be cancelled."

Source: financialexpress.com- Apr 06, 2020

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India, China trade declines by 12.4 per cent in first two months of this year amid coronovirus outbreak

The trade between China and India fell 12.4 per cent year-on-year to USD 12 billion in the first two months amid the coronavirus outbreak, according to the latest data from Chinese customs.

From January to February, China's exports to India were 67.1 billion yuan (USD 9.5 billion), down 12.6 per cent on a yearly basis and imports from India dropped 11.6 per cent to 18 billion yuan (USD 2.5 billion), the state-run Global Times reported on Friday.

Bilateral trade fell by 12.4 per cent to 85.17 billion yuan (USD 12 billion) in the first two months, the report quoted Chinese Customs data.

The lockdowns in both the countries due to Covid-19 is expected to badly affect the bilateral trade which declined by three billion billion dollar last year to USD 92.68 billion from USD 95.7 billion in 2018.

The declining trade was largely attributed to the slowdown of the economies of the two countries.

The trade deficit for India continued to be high amounting to USD 56.77 billion in 2019.

The trade deficit has become a major irritant in India-China bilateral relations, figuring high in the bilateral discourse.

India has been demanding China to open up its IT and pharmaceutical sectors to enable it to increase its exports. As China continued to promise to address India's concerns, the two countries discussed initiatives over the issue at various levels last year.
As a result of lockdowns, the Indian pharma industry is concerned as India is a big importer of the main raw materials called APIs (Active pharmaceutical ingredients) from China.

API shipments have started coming in for pre-manufactured stocks which were lying at ports in China, Lan Jianxue, deputy director of the Department for Asia-Pacific Studies at the China Institute of International Studies, told the Global Times.

"This is hampering business sentiment and affecting investment and production schedules of companies in India," he said.

Lan noted that sectors like pharmaceuticals, healthcare and non-traditional securities are likely to become new forces to drive cooperation between China and India in the near future.

The coronavirus outbreak is slowing down Indian exports to China, Atul Dalakoti, executive director for China at the Federation of Indian Chambers of Commerce and Industry (FICCI) said.

China in recent years has emerged as a major market for Indian products like seafood, petrochemicals, gems and jewellery, he said.

The Covid-19 outbreak has adversely impacted exports of these items to China, Dalakoti told .

The fall of exports could result in losses in the Indian fisheries sector.

India also exports 36 per cent of its diamonds to China. The cancellation of four major trade events between February and April could also cause major losses to India's diamond industry, he said.

Source: economictimes.com- Apr 04, 2020

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Undeterred by lockdown, GST staff process over 10,000 new registrations

Also handle nearly 8,000 refunds using VPN

The lockdown has not deterred business entities from getting new GST registrations. Statistics released by the GST Network (GSTN), the IT backbone for the indirect tax system, show that over 10,000 entities registered themselves between March 25 and April 3, the first 10 days of the lockdown.

According to the data, 20,273 registrations were processed during the period. These include 10,077 cases of new registration, 3,377 core amendments, 3,784 cancellations by application, 1,966 cancellations suo moto and 1,069 cases of revocation. Similarly, 7,876 cases of refund were also processed during the period. These numbers are for 21 States and Union Territories (UTs).

As on March 31, the total number of registered assessees stood at 1.23 crore. January alone saw the registration of 1.85 lakh.

Lost time

The number of registrations would have been higher during the lockdown period had the first 3.4 days not been lost in setting up the virtual private network (VPN), said officials.

Under GST rules, businesses with a turnover above the prescribed threshold limit need to register mandatorily while those with a turnover below that can do so voluntarily. While Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand have opted for a threshold limit of ₹20 lakh, the other States/UTs have gone for ₹40 lakh.

For suppliers of services, the threshold limit is ₹10 lakh in Manipur, Mizoram, Nagaland and Tripura, and ₹20 lakh elsewhere. Taxpayers may opt for multiple registrations within a State/UT for multiple places of business located therein. Mandatory registration applies only to e-commerce operators who are required to collect tax at source.

GSTN during lockdown

Meanwhile, the IT network said it has enabled 1,748 tax officers from 18 States/UTs to access their office network during the lockdown using VPN. This is in addition to the three hill States, which already connect to the GST system using VPN.

The remote access is helping the officers avoid the backlog which was bound to have occurred if the cases had not been processed during the lockdown, the GSTN said.

Source: thehindubusinessline.com- Apr 05, 2020

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Over 50,000 containers stuck at 3 major ports in Chennai

For want of truck drivers who have left for their home towns due to the lockdown

With truck drivers moving back to their home towns due to the Covid-19 lockdown, more than 50,000 sea containers are lying uncleared at the 23 Container Freight Stations (CFS) and private container terminals at the ports of Chennai, Kamajarar and Kattupalli.

For the speedy evacuation of containers, the Tamil Nadu police have offered to help in locating the drivers and bringing them safely to Chennai to ensure container movement starts immediately and the backlog is cleared in the next 10 days, said P Raveendran, Chairman, Chennai Port Trust (ChPT). It is critical that the containers are evacuated from CFSs and ports before the end of the lockdown on April 14, or else the mass evacuation of the boxes after the lockdown will lead to congestion on the roads, he told BusinessLine.

To find a solution to the problem, the ChPT, on Saturday, organised a meeting with various stakeholders, including officials from Tamil Nadu police, Chennai Corporation, trade associations, CFSs, and Custom house agents, said Raveendran.

P Thamarai Kannan, Additional Director General of Police (ADGP), requested the participants to give the drivers' names and contact details. The Superintendents of Police in respective districts will ensure that necessary passes are issued to drivers to reach Chennai, he said.

On the free movement of trucks/trailers, the ADGP clarified that vehicles should display visible stickers on the wind screen, declaring them as essential cargo, and will be permitted by the police, said Raveendran.

Passes to be issued

Kapil Saratkar, Joint Commissioner of Police (North), has been nominated as Nodal Officer to issue the passes to the stakeholders during the lockdown period. Further, Rajasekar, Deputy Commissioner of Police (North), has been nominated as Nodal Officer, for operational issues such as empty container yard and container movement, said Raveendran.

Concurring with Raveendran on expeditious evacuation of containers, G Raghu Sankar of Southern India Chamber of Commerce and Industry, who was present in the meeting, said with roads being empty, the evacuation could happen quickly as the turnaround of vehicles will be fast.

Over 50 per cent of importers have cleared Customs formalities, but factories are still under lockdown and cannot take delivery of the cargo until April 14. Importers need to ensure that there are officials at the site to receive the cargo, he said.

An official with a large CFS said all the containers can be cleared in 10 days depending on the cash flow and transport supply after April 14. From March 22 to31, 14,000 boxes were moved by CFSs with only 5 per cent cleared as essential cargo such as pulses, vegetable oil, pharmaceutical, food products and reefer food products, he said.

Source: thehindubusinessline.com- Apr 05, 2020

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Container carriers skip JNPT, Mundra Port as exports dry up

Global container shipping lines such as Maersk Line, Mediterranean Shipping Company SA, CMA CGM SA, Hapag-Lloyd AG and COSCO Shipping Lines have started skipping India's top container gateways: Jawaharlal Nehru Port Trust and Mundra port.

The shipping industry sees this as a clear indication that the problems in clearing import containers from the two ports and nearby container freight stations (CFS), and the lack of exports due to factory closures in the wake of the lockdown, have started to disrupt export-import (EXIM) trade and carrier schedules.

"Lines have started skipping JNPT and Mundra Port," said the chief executive officer of a European container line. "Because there are no exports and imports, clearances are not happening," he said.

"Lines cannot sail out with zero exports. It's a cash loss to the lines as expenses are more than the revenue," he added.

"Due to the significant reduction in demand, we will be having blank sailings (no shows) from West Asia/Indian subcontinent to Europe and Mediterranean (ME1,ME2 and ME3) and vice-versa," said Maersk Line, the world's biggest container carrier, in an April 3 customer advisory.

Maersk said its Mawingu service will also be omitting JNPT calls. Typically, in the container trade, services are run by a consortium of lines, with each partner calling the service by a different name.

Mediterranean Shipping Company has omitted JNPT calls on its India-Mediterranean (IMED) service, run jointly with CMA CGM and COSCO Shipping Lines. Other container services that have started to skip calls include the Europe, Pakistan, India Consortium 2 (EPIC 2) service run by CMA CGM; Hapag-Lloyd and COSCO Shipping lines linking JNPT and Mundra with Antwerp, Hamburg, Rotterdam, Le Havre and London. CMA-CGM calls it the EPIC 2 service whereas Hapag-Lloyd calls it the Indian Ocean Service (IOS).

JNPT coverage has been suspended by the Swahili Express operated by CMA CGM and Hapag-Lloyd on the India-Africa sector.

The West Asia-India Sub-continent-North America service run by CMA CGM and United Arab Shipping Company has started skipping calls at JNPT and Mundra, while the Nhava Sheva-Mundra-Gulf Service (NMG) and Arabian Sea Express service have also suspended JNPT and Mundra coverage.

"These skips are largely volume related, that too due to low export volume," said an executive with a freight forwarding company based in Mumbai.

"Unless importers/consignees take delivery of their containers, problems will remain. But there is limited possibility to do so if factories are closed," said the executive.

CFS operators that service JNPT and Mundra port have urged importers to evacuate containers quickly from the CFSs as "these are likely to get choked soon with a cascading impact on port congestion".

"Exports, on the other hand, have been adversely affected due to the slowdown/ shut-down of factories owing to non-availability of labour. Ship owners are contemplating not to dock at Indian ports as post off-loading of import containers they have to sail out without export containers. This could also lead to an increase in freight rates for imports to cover up for their export leg cost," Adarsh Hegde, Joint Managing Director, Allcargo Logistics Ltd, India's top logistics firm, told BusinessLine last week.

To keep India from losing more market-share to China, the Federation of Indian Export Organisations (FIEO) is lobbying the Central and State governments, seeking permission to re-start factories with half the labour force.

Non-clearance of import containers from CFSs has also led to a huge imbalance in the availability of empty containers to support exports when they re-start.

To ease clearance of import containers, JNPT has waived dwell-time charges till April 14 for all import/export containers moved by road and rail (CFS/direct port delivery/empty/inland container depot) and shifting charges for change of mode (truck to rail or rail to truck) subject to receipt of NOC from shipping lines for change of mode.

Source: thehindubusinessline.com- Apr 05, 2020

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GST ease amid Covid 19: E-way bill validity extended, 10% ITC deferred

The government extended the validity of e-way bills till April 30, that were set to expire between March 20 and April 15, giving a big relief to industry grappling with issues of supplies and goods stuck in transit amid the nationwide lockdown due to Covid 19.

"Where an e-way bill has been generated and its period of validity expires during the period 20th day of March, 2020 to 15th day of April, 2020, the validity period of such e-way bill shall be deemed to have been extended till the 30th day of April, 2020," the finance ministry said in a notification Friday.

The finance ministry has also deferred the application of 10% restriction for availing input tax credit for February, to August, 2020 and rolling over the cumulative applicability to the month of September, 2020, giving the industry a seven-month window that will ease out cash flows, experts said.

"Government has gone all out in of support the industry by deferring the application of 10% credit restriction… This step from government would ease out the cash flows of the entire community of over 12 million taxpayers," said Rajat Mohan, senior partner at AMRG Associates.

The extensions were given via a notification on Friday, which also brought into effect several indirect tax compliance relaxations that were announced by the government earlier this week.
Source: economictimes.com- Apr 04, 2020

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Apparel exporters seek relief package, say millions could go jobless

As factories shut down, workers leave and global demand plummets, apparel exporters have sounded the alarm, warning that millions of people could go jobless soon if a relief package isn't announced soon.

Even as the industrial cycle has ground to a halt during the 21-day lockdown, the industry has been hit hard by foreign orders from major clients in the US and Europe being cancelled. Also, a sudden lack of labour has crippled the sector because of a mass exodus of workers from industrial units to the hinterland.

According to industry estimates, about 70 per cent of the apparel units are in the micro, small, and medium sector. Labour costs form the single-largest component of product costs at a typical 25-30 per cent, as opposed to the norm of 7-8 per cent for overall domestic industry.

In a letter to Prime Minister Narendra Modi, Apparel Export Promotion Council (AEPC) Chairman A Sakthivel said the industry employing 12.9 million workers would die a slow death unless the government immediately announced an economic package for apparels.

"Apparel industry is a seasonal industry and the products are similar to a 'perishable commodity' as they are a tailor-made, design-specific, fashion-specific export and any cancellation this year may be redundant and have little or no salvage value next year," said Sakthivel.

In a similar letter to PM, Confederation of Indian Textiles Industry Chairman T Rajkumar suggested that all raw materials, dyes and chemicals, intermediaries, spares, and accessories be exempted from anti-dumping duty and basic Customs duty.

AEPC has pleaded that most of the sector are operating under extremely competitive margins in the range of 3-4 per cent, and are completely dependent on export benefits granted by the government. Given the disruptions in imports, the Council has requested for the extension of validity period of unutilised entitled value under export promotion schemes by six months. It also asked for the extension of the validity period of Advance Authorisation to two years from the existing one year along with the period for fulfilment of export obligations being increased to 3 years from the existing 18 months.

Global challenges

Exporters have pointed to detailed, industry specific measures taken by other governments as necessary cues for India to adopt immediately. "India's main rival in textile exports, Bangladesh, is funding salaries of workers for three months by extending loan at 2 per cent payable over two years. India needs to at least do this.

The government needs to help out labour and industry both as flow of funds from either the banks or the customers have stopped," said S K Jain, managing director of garment major TT.

According to the World Trade Organization, China, the European Union, Bangladesh, and Vietnam unshakably remained the world's top four largest exporters in 2018. Altogether, these top four accounted for 72.3 per cent of world market shares.

Next-door Bangladesh's export of apparel more than trebled between 2008 and 2018. Even before the Covid-19 crisis began, demand from key importers and particularly, the UAE, had gone down drastically, say exporters.

The trend started in late-2018 with many new manufacturing units coming up in free market zones in the UAE, which prefers to source raw materials from India as opposed to finished goods.

Slow policy

Ever since the Covid-19 struck India, the government has announced a single new measure for the sector as a whole, the extending of the Rebate of State and Central Taxes and Levies scheme. In place since March, 2019, it provides benefits to exporters in the form of duty credit scrips similar to existing schemes.

But, it does so while rebating all embedded state and central taxes on paid inputs. This includes VAT on petrol, mandi tax, electricity duty, and stamp duty on all export documents, among others.

Source: business-standard.com- Apr 04, 2020

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