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INTERNATIONAL NEWS

US apparel imports slump 58% year-on-year in May

US apparel imports in May fell by 58% against the same month last year as the global garment industry continued to crumble under the coronavirus pandemic. However, there was a resurgence in shipments from Central America and Mexico as retailers appear to have turned to those suppliers closest to home as stores started to reopen.

1 July should have been a day to celebrate in Mexico as its newly revamped trade deal with the US and Canada – the US-Mexico-Canada Agreement (USMCA) – swung into effect. But instead, the Aztec nation is counting its losses.

El Salvador, too, has seen 20,000 apparel industry jobs go this year and could lose another 5,000 as production plummets due to Covid-19.

Sustainability, innovation and digitalisation are all seen as key to helping the Indian textile and clothing industry build back better from the pandemic. The South Asian manufacturing hub could also benefit from its indigenous environmentally friendly processes and models of textile production, executives believe.

However, in the short-term, Indian apparel exporters are fearing missed deadlines – with key inputs from China either stuck at Indian customs or not shipped at all following military tensions between the two neighbours.

New reports have emerged of "shocking" working conditions at clothing factories in the UK city of Leicester, which are said to have continued to operate at full capacity during lockdown primarily to sustain orders from their biggest customer, Boohoo.

Value fashion retailer Primark is pressing ahead with new store openings and is placing GBP1bn (US$1.25bn) worth of orders for the autumn/winter season after reporting an "encouraging" start to post-lockdown trading.

Overall, however, some garment makers believe that while consumers will be unlikely to prioritise clothes shopping in the near-term, it should be business as usual by autumn.

Artificial intelligence and machine learning techniques are among the tools to help retail planners make the best decisions at every stage of this or any other pandemic – from initial response to recovery.

In the US, changes are afoot on the labelling front. The Federal Trade Commission is looking to turn its 'Made in USA' standard into a new 'Made in USA Labeling' rule to enable it to seek civil penalties to deter violations. The FTC is also mulling an end to the 50-year-old care labelling requirements for clothing sold in the United States.

Meanwhile, experts believe digital apparel and textile trade shows are unlikely to replace physical shows post-pandemic.

Source: just-style.com – Jul 06, 2020

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Cotton's growth continues as the most preferred fiber: Study

Global textile industry is making a significant impact with its bold adoption of preferred fibers and materials. Production of fibers has doubled in the past 20 years, reaching an all-time high of 111 metric tons in 2019, reveals Textile Exchange's new 'Preferred Fiber and Materials Market Report'. Pre-COVID-19 results indicated potential growth for preferred fibers and materials to be around 146 million metric tons by 2030. However, with altered social and environmental impacts, the market is not expected to grow at the desired scale.

Cotton advances while polyester lags

Owing to the existence of a few established programs, the market for cotton is currently more advanced than most other materials. However, the industry needs to urgently increase its market share and also make the fiber most sustainable. Though the share of recycled polyester reached 14 per cent in 2019, the industry is not yet advancing at the required speed and scale as low fossil-based polyester prices creates market challenges for recycled and bio-based polyester, says the report. Due to technical challenges and less attention due to lower volumes, the market share of preferred polyamide is still low compared to polyester.

Most recycled polyamide is currently made from pre-consumer waste, some also from discarded fishing nets. Increasing the use of post-consumer textiles is needed, the report suggests.

Wool creating a positive impact with responsible standards

Though conventional wool dominates the market, the adoption of non-mulesing and preferred wool programs such as the Responsible Wool Standard, is increasing. The industry's transition to these wool programs offers an opportunity to create positive impact in animal welfare, land use and biodiversity. Another factor that fuels growth is the use of recycled wool which has high impact potential despite a low market share.

Share of recycled MMCFs to increase

The share of Forest Stewardship Council (FSC) and Program for the Endorsement of Forest Certification (PEFC) certified manmade cellulosic fibers or MMCFs is around 50 per cent. Yet, the industry still sources around half of all MMCFs from ancient or endangered forests remains high. The current market share of "recycled MMCFs" is estimated to be below 1 per cent. However, it is expected to increase significantly in the coming years.

A growing interest in animal welfare, deforestation, land use and climate change issues has changed the focus of the leather industry. The Leather Impact Accelerator developed by the leather industry accelerates positive actions along the leather value chain. Increasing awareness about animal welfare has also led to the development of standards such as the Responsible Down Standard.

Making supply chains risk free

The use of preferred down standards helps to reduce the risks along the supply chain, says the Textile Exchange report. The report aims to reduce carbon dioxide emission from the textile fiber and material production by 40 per cent by 2030. It cites the examples of a few companies that are exploring innovative approaches to recycle carbon and directly use it as feedstock for textiles. For instance, led by the Institute of Textile Technology at RWTH Aachen University Covestro and its partners last year made elastic textile fibers based on carbon dioxide by replacing crude oil as a raw material. Similarly, Fairbrics with Airwear is developing a technology to convert greenhouse gas into sustainable polyester, while LanzaTech is developing a carbon recycling technology to create clothing like yoga pants from the CO_2 emissions.

Source: fashionatingworld.com– Jul 06, 2020

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China to be largest importer of cotton lint in 2019-20

Despite a 12 per cent decrease from the previous season attributed to trade tensions with the US and a slowdown in manufacturing during the COVID-19 containment, China is expected to remain the world's largest importer of cotton lint and import 1.8 million tonnes of cotton in 2019-20, according to the International Cotton Advisory Committee (ICAC).

As tariffs on cotton lint increased in 2018-19, making US cotton 25 per cent more costly to Chinese importers compared to other growths, China had also increased the total volume of imports of cotton lint. As China increased its total imports of cotton lint from 1.3 million tonnes in 2017-18 to 2.1 million tonnes in 2018-19, US cotton exports to China decreased from 528,000 tonnes in 2018 to 360,000 tonnes in 2019.

"Market share in China shifted over this period with imports from Brazil increasing by over 170 per cent in 2018-19," ICAC said in its June estimate of world cotton supply and demand.

As phase one of the trade agreement entered into force, stringent COVID-19 containment measures in countries have slowed manufacturing and trade across the globe. With global cotton consumption revised down to 22.5 million tonnes for 2019-20, a 13 per cent decrease from the previous season, trade is expected to decrease to 8.25 million tonnes, an 11 per cent decrease. Imports to China have shifted again during this period of reduced demand from both COVID-19 containment and trade agreements.

Comparing the August through April period for the 2018-19 and 2019-20 seasons, global imports for the nine-month period are estimated at 1.245 million tonnes, a 22 per cent decrease from the previous period, the ICAC period said.

During the 2018-19 season, as US exports to China decreased, Brazil gained market share to China. Australia, India and West Africa also increased cotton lint exports to China during the 2018-19 season.

For the 2019-20 season, Brazil is expected to export over 1.8 million tonnes globally and through April 2020 (where the latest data is available), has exported an estimated 527,000 tonnes to China, a 30 per cent increase from the previous period.

The United States is expected to export 3 million tonnes globally and through April has exported an estimated 277,000 tonnes to China, a 29 per cent increase from the previous period. Other countries and regions exporting to China that had seen increases during the 2018-19 season are showing declines in exports to China in the August through April period.

Drought conditions in Australia have limited total exports for 2019-20. Exports from India to China have decreased following an increase the previous season. Exports from West Africa (including Benin, Burkina Faso, Chad, Cote d'Ivoire, Mali and Togo) show a 48 per cent decrease over the period. Exports from other countries to China, including Sudan, Mexico, Uzbekistan, Greece and Kazakhstan, have seen decreases that range from 7 per cent to 73 per cent.

Following production and a growth in exports in 2018-19, total exports from West Africa are expected to decrease in 2019-20 to 1.1 million tonnes. With production estimated at 1.3 million tonnes for the region, stock levels would increase if quantities of the 2019-20 crop are not exported.

Imports from West African countries to China have fallen by 48 per cent over the August to April period with limited opportunities to export under reduced demand from COVID-19 containment and improving trade relations between the US and China.

Source fibre2fashion.com– Jul 06, 2020

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USA: Will Acreage Numbers Help Unlock Higher Cotton Prices?

The June 30 USDA Acreage report was a shocker. USDA's first estimate of 2020 actual cotton acres planted is 12.185 million acres – down 11% from last year. Back in March, USDA's Prospective Plantings report estimated that acres planted would be 13.7 million acres – essentially unchanged from 2019.

Most analysts/observers considered that number high and, given the decline in cotton prices since then, even more so now compared to what would actually be planted. This week's estimate of 12.185 million acres is 1.5 million acres less than March intentions. The average pre-report guesstimate was 13.2 million acres.

The cotton decrease is not necessarily accurately explained by offsetting increase in other crop acreage. This is because of differences in areas within a state where various crops are grown/not grown, and production practices and land type that may determine what crops can be grown/not grown. In general, the decline in cotton acreage is explained at least in part by increase in corn, soybeans, grain sorghum and peanuts. It is also possible that some land intended for cotton was not planted at all due to too dry or too wet conditions.

Texas acres planted are approximately 700,000 acres less than March intentions. March intentions were questionable from the beginning since they were almost 300,000 acres more than last year. I'm told a 400,000 acre decrease from last year seems reasonable given relative prices, weather and other factors.

Regardless of how you feel about the acreage numbers, the reality is that cotton plantings are now estimated at considerably less than most folks thought. A surprising adjustment of this magnitude must now be considered a market mover. Moving forward, crop condition (as this will impact yield and abandonment) will also be more critical. Crop condition in Texas improved just slightly in this week's report but has declined steadily this season – it is in mostly poor to fair condition.

The 2019 U.S. crop was 19.91 million bales. Given the new acreage estimate of 12.185 million acres, a 2020 crop of 17.3 million bales is projected based on 5-year average yield and abandonment. If yield is above average and abandonment below average, a 2020 crop in the neighborhood of 19 to 20 million bales is possible. So, even with planted acres much less than expected, the market will keep a close eye on crop condition and outlook.

A lower U.S. acreage and crop is just one part of a combination that could unlock a move to higher prices. The rest is yet to be determined. Higher prices will also now depend on continued good export numbers, more stability and less uncertainty about demand/use, and more confidence in a COVID-19 recovery.

December futures pushed very near 61 cents for only the second time since mid-March. Prices will move higher or lower based on the combination of factors discussed. A move to near 65 cents would seem a prudent opportunity on some portion of the crop.

Source: cottongrower.com– Jul 06, 2020

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World Bank Projects Russian Economy To Shrink By 6% In 2020 Due To COVID-19 Stress

World Bank has predicted that Russia's economy is likely to shrink by almost 6 percent in 2020. According to reports, this will be the most that the country's economy has shrunk since 2009.

The possible shrinking of the Russian economy is being seen as an effect of the COVID-19 pandemic and the countless measures undertaken to help curb the spread of the virus.

The World Bank also projects that the country's economy will return to normal levels of growth in 2012-22 after the worst of the COVID-19 pandemic has subsided.

The COVID-19 health crisis has caused businesses in Russia to slow down production. The lockdown imposed in several countries across the globe due to the virus has also negatively affected the prices of oil, which is Russia's main export.

The health crisis has also caused the unemployment rate in Russia to rise drastically. The country's GDP is also expected to contract at a pace not seen for the prior 11 years.

However, the World Bank reports also predict the Russian economy to rise 2.7 percent in the year 2021 and 3.1 percent in 2022.

The World Bank report added that as long as Russia is able to successfully overcome the COVID-19 pandemic and does not experience a second wave, the economy could begin the road to recovery in the second half of 2020.

Source: republicworld.com– Jul 06, 2020

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Japan's Richest Person Sees Wealth Soar To $29 Billion As Shoppers Flock Back To Uniqlo

As the coronavirus pandemic forced the closure of stores around the world, it felled some of the biggest names in retailing from J.C.Penney and Sears to Debenham and Neiman Marcus. But with lockdowns easing, shoppers are returning, more so in Asia.

Japan's wealthiest person, Tadashi Yanai, whose Fast Retailing owns clothing brand Uniqlo, has benefited handsomely from this rebound; the billionaire has added $9.2 billion to his fortune since Forbes' World's Billionaires list was published in March and is now worth $28.9 billion.

With shoppers once again flocking to Uniqlo's stores in Japan and China, shares of Yanai's Fast Retailing are up 53% since March 19, when they hit a low this year. The two countries account for 75% of Uniqlo's worldwide network of 2,200 stores. While Fast Retailing owns other brands such as Theory, Helmut Lang, J Brand and GU, the biggest money machine is Uniqlo, contributing 80% to the company's $21.3 billion annual revenue.

"Retailers are doing better in Asia," says Maureen Hinton, research director at GlobalData, a London data analytics and consulting company. "In markets like China, where lockdowns have been removed and where there is a huge population base, there is a growing demand."

Uniqlo shuttered half of its 748 stores in China after the lockdown was imposed in January, gradually reopening them all in late April. Meanwhile in Japan, 40% of Uniqlo's stores were temporarily closed in May, but have since reopened. Last month, the company opened two new Uniqlo stores in Tokyo, in upscale Ginza and in the shopping hub of Harajuku.

Part of the buzz around Uniqlo was due to the June launch of AIRism, a range of face masks, which set off an online stampede that overwhelmed the company's site. But it also lured buyers to visit the brick-and-mortar stores of the brand, which is best known for its range of affordable casual wear—women's skirts, for example, retail from $9.90 to $39.90.

This value-for-money pricing makes Uniqlo relatively immune to economic downturns, according to Dairo Murata, senior analyst at JP Morgan in Tokyo. "Economic cycles and fashion trends do not have much impact as it's a supplier of ordinary life clothing and rooted in real demand."

Even so, the retailing giant isn't likely to escape the impact of the pandemic. The company has estimated that for the fiscal year ending August 31, revenue will decline 9% to 2.09 billion yen ($19.3 billion), while operating profit is likely to be 44% lower at 145 billion yen ($1.34 billion)

Yanai, who grew up above his parents' clothing store in a small town in Yamaguchi prefecture in southwestern Japan, has often stated that he wants Fast Retailing to become the world's largest apparel retailer. But the company still lags Spain's Inditex, best known for its Zara brand, which is the current number one, with annual sales of $31.6 billion as well as Sweden's H&M with sales of $24.8 billion.

Inditex founder Amnacio Ortega is the richest apparel billionaire in the world with a net worth of $64.6 billion, but H&M's Stefan Persson with a $16.4 billion fortune is in third place after Yanai.

Source: forbes.com– Jul 06, 2020

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UK, Kenya agree to start post-Brexit trade negotiations

The United Kingdom and Kenya have agreed to start talks on a post-Brexit trade agreement in a recent phone call between President Uhuru Kenyatta and British Prime Minister Boris Johnson.

The negotiations, likely to be finalised before the former's exit from the European Union (EU) by the year end, will be conducted within the Kenya-UK Strategic Partnership Framework established by the two leaders in January 2020 and the East African Community (EAC) parameters to enhance regional integration.

In the conversation, Uhuru and Johnson also discussed several bilateral interests, including the response to the COVID-19 crisis.

Uhuru thanked the UK government for supporting Kenya's Worker Protection Scheme, which he said, will benefit garment and horticultural sectors to avoid massive staff layoffs during the ongoing economic disruption, according to Kenyan media reports.

The two leaders affirmed their strong support for the Commonwealth and committed to working together to ensure stability, continuity, and the deepening of solidarity among Commonwealth nations.

Source: fibre2fashion.com– Jul 06, 2020

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Vietnam improving legal framework for FTA with EU

Tax policies are being specified while customs procedures simplified to improve Vietnam's legal framework to facilitate the enforcement of the EU-Vietnam Free Trade Agreement (EVFTA).

General Department of Customs deputy director Luu Manh Tuong said the department pledged to create the favourable conditions for firms in conducting customs procedures.

Tuong said the customs watchdog was hastening administrative reforms and modernisation to improve the business climate and the national competitiveness of enterprises and the whole economy. The information system for customs management was also improved to adapt to Industry 4.0.

EVFTA will give a push to the bilateral trade because of setbacks caused by the Covid-19 pandemic, increasing trends of protectionism and escalating trade wars, Tuong said, adding that the trade deal was an opportunity for Vietnam to speed up administrative reform, improve the investment climate and institutional reform.

Customs Control and Supervision Department director Au Anh Tuan said a plan for customs management to implement the EVFTA was being developed and would be soon submitted to the Ministry of Finance for approval.

Tuan urged firms to study and comply with rules of origins to enjoy preferential tariffs provided by the trade deal.

Tuan said the Ministry of Industry and Trade issued Circular No 11/2020/TT-BCT about rules of origin in the EVFTA on June 16 which provided instructions for origin certification.

The trade ministry's Department of International Cooperation director Ha Duy Tung said the ministry was also drafting detailed plans to implement the EVFTA which would be submitted to the government this month.

Tung said that a decree about EVFTA's preferential import-export tariffs was being developed together with a circular about rules of origin.

The trade ministry's Multilateral Trade Policy Department deputy director Ngo Chung Khanh said that when the trade deal came in force, Vietnam should pay attention to developing sectors like services, finance, automobile, processing and manufacturing, information technology, high technology and processed food which the EU had strength in and might invest in the country.

Khanh said Vietnamese firms must focus on improving product quality and intellectual property protection to meet the EU's requirements.

European Chamber of Commerce in Vietnam (EuroCham Vietnam) vice-chairman Nguyen Hai Minh said European investors were paying attention to three major factors in Vietnam, including improvement in infrastructure systems, human resource quality and investment climate, especially customs administrative reforms to facilitate trade.

The trade deal is planned to take effect on August 1.

The customs department estimated that the EVFTA with its roadmap of tariffs cuts would cause a decrease of import and export taxes and contribute to state budget revenue by around 1.1 trillion dong ($47.7 million) per year.

The decrease would gradually widen, depending on the impacts of the trade deal on growth. However, domestic revenue contributed to the budget would increase because the trade deal would lift trade, investment and economic growth.

Analysis by the Ministry of Planning and Investment showed that the EVFTA would help increase Vietnam's export revenue to the EU by 20 per cent this year, 42.7 per cent in 2025 and 44.37 per cent in 2030.

The trade deal would also help push up the country's gross domestic product (GDP) by around 2.18-3.25 per cent in the 2019-2023 period, 4.57-5.3 per cent in 2024-2028 and 7.07-7.72 per cent in 2029-2033.

Source: phnompenhpost.com– Jul 06, 2020

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Pakistan: Textile millers fear production losses amid power outages, low gas pressure

All Pakistan Textile Mills Association (APTMA)-Punjab Chairman Adil Bashir has said that frequent power outages and inadequate supply of gas were causing serious problems for the manufacturing units of the province.

"Textile mills are facing serious issues of power fluctuations and unannounced load shedding over the last few weeks. Similarly, they are also confronted with a serious issue of extremely low gas pressure," he said in a statement issued on Monday. In addition, he added, the member mills were facing supply interruptions in the supply of furnace oil, a commodity of paramount importance for manufacturing processes such as dyeing, drying, heating etc.

"Under the prevalent circumstances, textile mills will not be able to maintain the smooth flow of export orders," Bashir said, adding that all requests for resolution of this issue at local levels have remained futile.

He recalled that the government had resolved to provide uninterrupted electricity and gas to five export-oriented zero-rated sectors in order to foster exports and earn valuable foreign exchange for the country.

"At this critical junction, when the exports of the country have started recovering after a steep fall in April, it is imperative for the government to ensure uninterrupted supply of electricity and gas to the mills," he remarked.

The APTMA official said the country's export industry was committed to maximising its productivity, but their efforts were going in vain due to frequent fluctuations in the provision of basic utilities.

Bashir urged Power and Petroleum Minister Omar Ayub Khan, Lahore Electric Supply Company (LESCO) CEO Mujahid Pervez Chattha and Sui Northern Gas Pipelines Limited (SNGPL) MD Amer Tufail to immediately restore normal supply of gas and electricity to textile exporters-cum-manufacturing units so as to enable them to fulfil their commitment of surplus exports.

Source: profit.pakistantoday.com.pk– Jul 06, 2020

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Bangladesh: OP-ED: What of the RMG workers?

The unexpected unemployment is wreaking havoc on their lives

Globally, since March 2020, economic activity has been halted due to Covid-19, putting the entire world under great uncertainty.

The global economy could suffer losses between $5.8 trillion to $8.8 trillion -- equivalent to 6.4% to 9.7% of global GDP -- as reported by ADB. The outbreak-affected economy will witness a decline in global employment between 158 million to 242 million jobs, where 70% of total employment losses will be in Asia and the Pacific.

In an analysis, the International Labour Organization (ILO) warns that, only for this devastating pandemic, billions of labourers are at major risk of losing jobs around the world. In the US alone, more than 4 million workers filed for the jobless benefit in May.

In Bangladesh, the RMG sector is the biggest foreign currency generating sector that provides direct employment to around 4.4 million people, the majority of whom are women. Covid-19 has created a noxious situation in this sector. Already, 1 million workers have become unemployed due to this pandemic.

A report published by Penn State University's Centre for Global Workers' Rights and the Worker Rights Consortium (WRC) noted that more than 1 million garment workers in Bangladesh have already been fired or furloughed, as a result of order cancellations and unwillingness of Western buyers to compensate for abrupt cancellations.

The garment factories surveyed mentioned that 98% of their buyers refused to contribute to the cost of paying partial wages to furloughed workers, required by law, and 72% of furloughed workers were sent home without any compensation or payment. Meanwhile, 97% of buyers refused to contribute to the severance payment expenses of dismissed workers, also a legal entitlement in Bangladesh.

The situation worsens when recognized Western clothing brands like JCPenney, Debenhams, Aldo, and Forever 21 announced themselves as bankrupt immediately after the sudden shock of Covid-19, leaving a great uncertain future for the workers. They are giant buyers of Bangladeshi RMG products.

In a note, the Bangladesh Garment Manufacturers and Exporters Association says that 1,150 factories in Bangladesh had lost orders worth $3.18bn due to the drastic effect of the pandemic.

A photo has been published in a local newspaper that depicted Mostafiz Uddin, globally acknowledged as Denim Mostafiz, who is the managing director and CEO of Denim Expert Ltd, cried when he heard that his western buyers refused to pay a single penny for pre-ordering of clothes which his factory workers already prepared. In this situation, Mostafiz got stuck in a helpless condition, assuming massive risk about the future job certainty of 2,000 workers working in Denim Expert.

A fundamental question arises in the minds of readers about the rights of garment workers. Those poor people, whose only source of income is earning from the RMG sector, what will they do? The stimulus package given by our government has helped the export-oriented industries a lot but considering the rampant impact of this pandemic, who else out there will compensate for such a big loss?

All concerned are emphasizing more on increasing funding in the health sector as Covid-19 is the most serious health crisis the world has ever experienced in a century. But, apart from the intent of increasing and strengthening health spending, protection schemes in income and livelihood are also needed for tackling prolonged economic recovery, especially in Bangladesh.

Being out of work will also have an impact on the mental health of these jobless workers. Unexpected unemployment not only puts impact on income, savings, and spending but also on social status, dignity, and family relationships.

Needless to say, our government should take a diplomatic stance in front of international organizations to protect the subsistence of momentous wheels of our economy, our garment workers to ensure they wouldn't be the worst sufferers of this pandemic effect.

This sudden unemployment crisis has created a risk factor for millions of workers in Bangladesh. Our government needs to make sure that certain rules regarding exporting are appropriately implemented in the future. Moreover, a responsibility lies from the side of the ILO to put pressure on giant companies so that they can make themselves aware of their business ethics and corporate good practices.

Recognized humanitarian rights organizations should come forward to support this export-oriented sector that is constantly fulfilling the needs of the fashion industry across the globe.

Source: dhakatribune.com– Jul 05, 2020

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NATIONAL NEWS

Big slowdown! Share of labour-rich exports starts to fall

Growth of India's exports from labour-intensive sectors has been slowing at a faster pace in recent years than overall outbound shipments, according to official data. While exports of merchandise dropped by 5.1% in FY20 to $313 billion, those from job-sensitive sectors — such as textiles & garments, farm, plantation, marine, gems & jewellery, leather, stone, cement, ceramic and some other allied segments — slid by 8.4% to $114.2 billion.

Consequently, the share of such sectors in merchandise exports came down to just 36.5% in FY20 from close to 43.7% in FY17, according to the official data. This also partly explains why not enough jobs are being seen to have been created.

The faster decline in exports from job-intensive sectors also indicates the loss of jobs in the formal and informal sectors, which are corroborated by surveys and analysis of the job market.

First-time jobs, as reflected in EPF and New Pension System (NPS) payroll data, showed a significant decline on year in FY20 itself, according to an analysis by SBI Ecowrap. New EPF payroll or 'first jobs' in FY20 were 60.8 lakh, down 28.9 lakh from the previous year.

The slowdown in job-intensive exports is set to accentuate further in the current fiscal, with vast swathes of key markets — the US and the EU — badly bruised by the pandemic and scared migrant workers back home in the wake of a nation-wide lockdown. Even before the Covid-19 outbreak, policy-makers were grappling with options to contain the fallout of an escalating global trade war.

Although a weak rupee is expected to offer some cushion, the domestic currency is still "over-valued" by over 17% vis-à-vis a basket of 36 export-sensitive currencies, despite its depreciation in recent months, according to the RBI's real effective exchange rate (REER) index. The domestic currency had remained "overvalued" by just over 16% in FY19 and close to 20% in FY20, according to the index. Also, currencies of some of India's competitors, including Malaysia, Indonesia, Singapore and Pakistani, too, have weakened, blunting the advantage for New Delhi.

Analysts have pointed out that with hefty hikes in the minimum support prices of a range of commodities in recent years to ensure farmers get a 50% premium over costs, our farm and allied sector exports have lost competitive edge in many commodities as well as finished goods. More importantly, thanks to its handicap in several segments—elevated expenses on logistics (as much as 15-16% of consignment value) and elevated costs of raw materials and labour — India has been beaten by countries like Bangladesh and Vietnam in segments like textiles and garments where China has been trimming its dominant exposure.

In an earlier interview to FE, Pronab Sen, former chairman of the National Statistical Commission, had said the note ban continued to haunt employment-sensitive sectors. “Most of these sectors have a fairly large component of non-corporate sector in production. I suspect, a lot of it (drop in exports) could be due to the supply problem—that such units are simply not able to produce much,” he had said. “All these sectors are very sensitive to the informal financial sector that was badly bruised by demonetisation. And the banking sector — which could have possibly replaced it (in terms of lending) — is struggling with a balance-sheet problem. So these sectors are squeezed from both sides,” he had added.

Apart from the note ban, the export sector has also been affected by a hasty GST roll-out, trade finance pangs and subdued global growth prospects. While overall non-food credit grew 6.8% as of May 22 from a year earlier, loans to MSMEs rose just 1.7%. Of course, with the implementation of the Rs 3-lakh-crore guaranteed loan scheme from June 1, credit flow to these businesses is expected to rise.

Also, as pointed out in a 2016 report by HSBC, India’s domestic bottlenecks explain 50% of the recent slowdown in overall exports (remaining the biggest threat to its outbound shipments), followed by world growth (33%) and the exchange rate (just 17%).

The International Monetary Fund (IMF) has predicted a 4.9% contraction for 2020 global GDP, warning that the Covid-19 outbreak has plunged the global economy into its worst recession since the Great Depression in 1930s. The WTO, too, has warned that global trade volume growth could crash by 13% in 2020. These would weigh on the Indian exports as well.

Source: financialexpress.com– Jul 07, 2020

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India-China tussle: Government seeks stricter checks on Sri Lanka, Bangladesh, South Korea, Asean imports

The commerce and industry ministry has sought stricter scrutiny of goods coming from Bangladesh, Sri Lanka, South Korea and the Asean bloc, amid fears of Chinese imports increasingly being routed through these countries.

It has pushed for fast tracking amendments to the customs law to tighten the rules to claim concessional benefits under India's free trade pacts, in line with the changes proposed in the budget this year.

The ministry has requested the finance ministry to introduce stringent provisions related to rules of origin, to empower customs officers for checking the abuse of FTAs.

In the budget, the government had inserted a new chapter in the Customs Act on the administration of rules of origin under trade agreements, giving it the power to suspend and refuse preferential tariff treatment in case of incomplete information or verification and non-compliance, respectively. Moreover, an importer cannot avail of concessional benefits by merely providing a certificate of origin.

These amendments aren't yet notified.

"We will scrutinise imports coming from third countries and not clear suspicious consignments ... There is complete sync in the government at top levels that unnecessary imports need to be blocked," said a senior official.

As per the proposed rules, where the preferential rate of duty is suspended, the officer, on the request of the importer, can release the goods if the importer pays a security amount equal to the difference between the duty provisionally assessed and the preferential duty claimed.

The move comes on the heels of India imposing 100% physical checks of shipments from China.

"The process of notifying the new rules has begun," said another person in the know.

As per the rules, the submission of a certificate of origin "shall not absolve the importer of the responsibility to exercise reasonable care". In certain cases, the certificate of origin shall be marked inapplicable.

"Determining the correct country of origin is not only important for the benefits of FTAs to accrue to the rightful importer, but also trade facilitation, and expeditious clearance of cargo will happen in the current situation depending on the country of origin," said Bipin Sapra, a partner at advisory firm EY.

The government is already putting together details of the installed capacities of local industry for goods that India trades under free trade and bilateral agreements under the Asia Pacific Trade Agreement, South Asian Free Trade Area, the Asean group, and bilateral pacts with Singapore, Japan, South Korea and Sri Lanka.

Source: economictimes.com– Jul 06, 2020

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Monetary policies and the rise of Chinese imports

Indian industry lived off interest rate arbitrage in the 2000-10 decade. This de-industrialisation created conditions for Chinese domination

Economists often get their predictions wrong or fail to see an evolving crisis. Few economists foresaw the 2008 crisis. In our case, economists' prognosis of the India Growth Story has fallen flat.

The growth crisis is becoming intractable. The common perception is that the 'economistocracy' is divorced from real world issues. Abhijit Banerjee and Esther Duflo find economists are among the least trusted experts across the world.

Why is this so? The gap between theory and practical experience/insight into the real world of finance and business can lead to misdiagnosis. Superficial data analytics and mechanical reading of the findings of various committee reports relating to corporate financials, financial flows and monetary developments mask the warning signals. This failure leads to wrong policy choices.

Take the case of the RBI's reports. The RBI's annual study of financials of non-government-non-financial public limited companies (defined as private corporate sector (PCS) here) suggests that their average gross fixed assets (GFA) to total assets ratio steadily declined from 69 per cent during 1951-2000 to 58 per cent in 2000s and further to about 50 per cent by now. There is a related increase in their financial assets.

These structural changes are corroborated by RBI's study of 765 corporates' financials for the 2000-12 period. Here, GFA to total assets of the PCS declined from 74 per cent to 53 per cent and financial assets to total assets increased 16 per cent to 28 per cent over FY 2003-12 (Financial Stability Report, December 2013).

The FSR of June 2014 talked about financialisation of PCS. The High-Level Committee on Estimation of Savings & Investment, 2009 and the Planning Commission's 12th Plan Working Group on Estimation of Investment reached the same statistical conclusions, but they missed its deeper implications.

Why less capex since 2000s?

There was a large-scale circular flow-of-funds between PCS and banks during 2000s, which bypassed capex. Interest arbitrage arising from accelerated sub-BPLR lending (reaching 77 per cent of total credit by FY 2007), surge in low-interest ECB borrowings and exalted bank demand for relatively higher-interest bearing bulk deposits, prompted the circular flow of funds.

Vicious circle of more credit leading to higher liquidity to higher rating to even more cheaper credit and banks' obsession with higher deposits and credit volume boosted this mad-rush. PCS' fixed deposits with banks surged by a CAGR of 40 per cent during 2001-10. Its share in total bank term deposits spurted from 3 per cent in FY 2000 to 17 per cent in FY 2010. Big ticket bank loans (above ₹25 crore) surged with a CAGR of 30 per cent during 2001-10. The RBI remained inert over the decade till the Base Rate policy in 2010 ended the interest arbitrage advantage.

These abnormal trends in data points coincided with a staggering rise in Chinese imports during this same period. The links between the financialisation of investment and the rise in imports are easily explained. The lack of physical investment brought down the competitiveness of Indian industry. At the same time, manufacturing entities actually decided to simply trade in Chinese goods, putting their brand on them.

Surprisingly, economistocracy (including the RBI's analysts) remains oblivious to these developments. It is even more surprising that the decline in capital intensity was misinterpreted as sharp jump in gross capital formation (GCF) — the very basis of the much glorified India Growth Story. The actual investment of funds by PCS was more in bulk deposits and financial investment than capital assets.

Chinese imports, de-industrialisation

The steady spurt in imports from China since mid-2000s through various dubious ways (under-invoicing/misclassification/counterfeits of reputed brands/smuggling, gift and FTA channels) have caused deep and enduring structural damage to the manufacturing base. Capex, technological/skill development, employment, competitiveness and tax revenue have been impacted. Consumption goods dominate imports.

Imports of final products/CKD/critical components have kept the manufacturing value chain and capex at a low level. No large economy can achieve a high growth with such an import-intensive consumption/production structure. These lead to leakages in GDP and savings. Consumption/investment-led growth suffers.

The 'economistcracy' needs market intelligence to realise industry-paralysing effects of surreptitious Chinese imports. The Covid crisis has exposed risk of our over-dependence on China. At the same time, it can be used as an opportunity to develop India as a global manufacturing hub.

Other misgivings

The RBI's assertion of continuous systemic liquidity surplus is deceptive. It is an economic drag. It is meaningless and absurd in a time of unprecedented liquidity gridlock confronting trade, industry and non-banking financial channels.

The average annual growth in currency since the late 2000s is higher than the nominal GDP growth, despite widespread expansion of core banking, digital payments, DBT and mass banking. This abnormal growth in cash economy taken as an indicator of black-money (the main reason for demonetisation) is mainly due to the need for cash financing of massive under-invoiced/clandestine Chinese imports. Non-appreciation of this fact resulted in critical shortcomings in the demonetisation strategy.

Remedial measures

The RBI needs to reinvent its big data management strategy. It is imperative to bridge the gaps in information/data analytics and between theory and practice to improve policy framework and reading of warning signals.

Collaborative policy-making by partnering with practitioners, business-level economists and domain experts are required to prevent intellectual hara-kiri in data management.

We need to leverage the Covid crisis by encouraging manufacturing investment. Dismantling the shady Chinese import network requires breaking the nexus between Chinese exporters, clearing agents, importers and customs. Random and surprise check of imports are needed at the ports in terms of invoice prices/description of goods and their actual/reference prices in the national/international markets to check dubious imports.

Multiple benefits of this include surge in tax revenue and industrial activities with several positive externalities. International cooperation against illegal money transfers by banks in hawala havens like Hong Kong, Dubai can be useful. Well-calibrated measures against Chinese import are required without creating sudden and large disruptions in import-dependent industries.

We may start with inessential consumer goods and proceed with creation of domestic capacity. 'Make in India' strategy needs to be synchronised with planned phasing out of unscrupulous imports.

Source: thehindubusinessline.com– Jul 06, 2020

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Export-import through Benapole resumes after 3 days

The state government of West Bengal has finally allowed goods from Bangladesh through the Benapole Land Port in Jashore in Bangladesh, days after Bangladeshi exporters blocked imports from across the border.

Export and import activities through the Benapole-Petrapole land port resumed on Sunday evening, after a three-day disruption in the wake of a strike enforced by Bangladeshi traders.

The trading organisations at the Benapole land port in Bangladesh on July 1 stopped the import of Indian goods protesting against the refusal of Bangladeshi export items on the Indian side, which led to a complete standstill there.

Later, the Foreign Minister of Bangladesh, the Indian High Commission of Dhaka, and the customs officials of Benapole came to a reconciliation through a fruitful meeting on Sunday noon. As a result, five trucks carrying Indian goods entered the country while five Bangladeshi trucks with export items entered India in the evening.

The Foreign Minister of Bangladesh, A.K. Abdul Momen, said that after a long conversation with the state government of West Bengal, the Indo-Bangla trade through the Benapole-Petrapole land port resumed again.

In a video brief, Momen said, "We, the governments of India and Bangladesh, decided together that we would continue our trade. But suddenly our trade was stopped due to the ban imposed by the West Bengal government."

He added, "Since March 23, no truck carrying goods from our country has been allowed to enter Bangladesh through the Petrapole-Benapole land port. Whereas, Bangladeshi products are going to Tripura and other places of India as usual."

"Only the West Bengal government said that due to the lockdown, they will not let any truck go to Bangladesh," he mentioned.

Momen said that primarily the government of West Bengal has ordered that if any Indian truck entered Bangladesh, the driver would not be allowed to enter the border, and only products will be allowed to cross the border. It was decided that the drivers will not enter Bangladesh, they will just unload their goods.

Followed this system, it was seen that the goods had to be unloaded over and again, which proved to be quite expensive. Secondly, not more than 4/5 trucks could be unloaded in a day. For this reason, this programme was dropped, Momen said.

After a long discussion, it was decided to take the goods by rail.

Source: outlookindia.com– Jul 06, 2020

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Economic package, opening up of economy post lockdown have begun showing results: Survey

On the economic package related questions, only 1 in 5 companies said that the Emergency Credit Line Guarantee Scheme has started yielding results.

The opening up of India's economy post lockdown and implementation of the economic package unveiled by the government have started showing results on the ground with initial signs of improvement in the performance of businesses now visible, says a survey. The Ficci-Dhruva Advisors industry survey was conducted in June 2020 and saw participation of over 100 top corporate executives (CxOs) from across sectors.

"While the green shoots of recovery are being seen, it is important to emphasise that sustaining this improvement in the operational parameters of businesses will require continuous support from the government.

"The support is particularly needed in the realm of strengthening market demand in the absence of which this initial recovery may fizzle out," Ficci emphasised.

The results of the survey show that presently close to 30 per cent of the firms are operating at 70 per cent plus capacity utilisation, while nearly 45 per cent expect capacity utilisation to be above 70 per cent in the near term.

In terms of the challenges that firms foresee they will continue to face even during the unlocking phase, managing costs, weak demand and financial liquidity remain the top three items with 60 per cent, 59 per cent and 57 per cent reporting the same.

"Some of the survey respondents have also alluded to the second wave of COVID-19 as a challenge they foresee that could affect businesses going ahead. A sudden stop on the imports from China, given the most recent developments, also figured in the feedback received as part of the survey on challenges that could impact businesses," said Ficci on the survey.

On the jobs front, nearly 32 per cent of the firms have reported that they see a job loss of over 10 per cent from their company's perspective. In April edition of this survey, this figure was close to 40 per cent.

Unlocking of the economy is starting to have a positive impact on exports, cash flows, order books and supply chains, it observed.

It revealed that 22 per cent of the respondents have said that exports have improved in recent times. 25 per cent have reported a positive impact of unlocking of the economy on order books and 21 per cent have confirmed improvement in cash flows.

Nearly 30 per cent of the firms are seeing their supply chains getting back on track.

Notably, in the April edition of the survey only 5 per cent of the companies were expecting an increase in exports, 7 per cent had reported increase in order books and 10 per cent expected an improvement in cash flows.

However, the survey results further show that on strategic issues like M&A and FDI, majority of the firms still plan to wait for 6-12 months before decision making.

In the April edition of the survey, 54 per cent of the companies had reported that they would look at M&A in the long term. In June this figure has moved to 75 per cent - a reflection of the recessionary conditions and fast changing business dynamics.

On the economic package related questions, only 1 in 5 companies said that the Emergency Credit Line Guarantee Scheme has started yielding results.

The interest rate reduction by banks has also benefitted just about a quarter of the firms with the gains being modest for most and in the range of 25-50 basis points.

Regarding the questions related to migrant workers, while a majority (53 per cent) of the respondents believe migrant workers will come back as businesses have restarted, industry is requesting for provision of concessional transportation, availability of low rental housing near work-sites, adequate healthcare and medical facilities and subsidised meal programmes to be provided by the government to encourage workers to return.

Further, like MNREGA in rural areas, large scale public works programme for city cleaning, sanitation and plantation of trees can be initiated in urban areas as these would generate jobs for the informal sector workers, according to the survey participants.

On income tax refunds, nearly 36 per cent of the respondents said that they have started receiving income tax refunds from the government.

Almost an equal proportion are saying that the measures taken towards ease of doing business have started yielding results.

On the demand generation side, companies have suggested enhanced cash transfers to the vulnerable sections of society, reduction in GST rates on a temporary basis, widening of the income tax slabs to leave more money in the hands of the people, greater impetus to housing, infrastructure and auto sectors and support to state governments for purchase of buses for city transportation amongst other areas.

Ficci President Sangita Reddy said, "These numbers are on expected lines and underscore the nascent recovery that is currently underway. Given the deep impact on the economy and industry, any improvement will be gradual and with time we hope to see these results improving.

Given the evolving situation, it is important that we continue to take measures that are supportive of businesses enabling them to tide over the current crisis as well as prepare well for the long-term opportunities."

Dinesh Kanabar, CEO, Dhruva Advisors said, "The survey results show an improvement in sentiments with the unlocking and the implementation of the stimulus package; while this is very welcome, more radical steps need to be undertaken by the government to get the economy back on the growth trajectory, particularly for the sectors which are deeply impacted."

Source: economictimes.com– Jul 06, 2020

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Assam has a good textile policy: Chandra Mohan Patowary

Assam industry minister Chandra Mohan Patowary said that Assam has a good textile policy and assured customized support to textile investors for setting up business ventures in Assam.

The Ministry of Textiles, Government of India in collaboration with Invest India organized an 'Exclusive Investment Forum' webinar. As part of the series, today's edition focused on textiles and apparel sector.

Only five states were invited, Assam being one of them. Other states included Gujarat, Maharashtra, Madhya Pradesh and Telangana. The webinar saw discussion on domestic manufacturers, state clusters, scope of apparels, textile machineries, yarn, supply chain and man-made fibres (MMF).

Participating from Assam, Patowary said, 'As per the 4th All India Handloom Census, Assam has the highest number of looms and weavers in India. With 10.9 lakh weaver households and 10.19 lakh looms, the cottage industry provides huge employment opportunities to the people.' Citing that Assam has a good textile and export policy, Minister Patowary invited the textile investors to Assam and assured customized support to their business ventures in Assam.

Patowary said, 'Assam has a textile park and is soon contemplating to set up another mega textile park. Assam offers the advantage of seamless connectivity to East Asia. With the advancement of the Act East policy, Assam is now the Centre of South East Asia with access to 80 million people.'

Ravi Capoor, Secretary, Ministry of Textiles, highlighted the ecosystem for textile sector in India and presented the latest initiatives and schemes of Government of India for promotion of textile industries in India.

Dr KK Dwivedi, Commissioner and Secretary, Industries and Commerce Department made a brief presentation on the state's advantages for textile majors. He added that the State produces 4650 MT of eri, 156.96 MT of muga, 59.50 MT of mulberry per year.

Gautam Nair, Chairman, CII Task Force; Dr. A. Sakthivel, Chairman, Apparel Export Promotion Council (AEPC) and over 100 business leaders from various parts of the country participated in the webinar.

Source: economictimes.com– Jul 06, 2020

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Mundra overtakes JNPT to emerge largest container port by volumes

Indian ports see volume declines in all cargo segments in first quarter due to Covid

Mundra Port, India's biggest commercial port by volumes and the flagship port of the Adani Group, edged past state-run Jawaharlal Nehru Port Trust (JNPT) to emerge the largest container port in the country in the April-June quarter.

Mundra handled 970,940 twenty-foot equivalent units (TEUs) while JNPT loaded 847,844 TEUs. A TEU is the standard size of a container and a common measure of capacity in the container business.

"Our next goal is making Mundra the largest container port in the world," said Karan Adani, Chief Executive Officer (CEO) of Adani Ports and Special Economic Zone Ltd (APSEZ), the port operating unit of the Ahmedabad-based conglomerate Adani Group.

Aside from this milestone, the operational performance of Indian ports during the first quarter of FY21 was hit by the demand destruction triggered by the pandemic.

Cargo volumes handled at the dozen major ports run by the Central government dropped 19.68 per cent to 141.924 million tonnes (mt) during the first quarter from 176.699 mt last year.

Except for iron ore, pellets and raw fertiliser cargo, all the other cargo types such as crude oil, products, LPG,LNG, other liquids, finished fertilisers, thermal coal, steam coal, coking coal, containers and other miscellaneous cargo registered volume declines during the first quarter.

APSEZ, with nine ports, handled 41.5 mt during the first quarter, a drop of about 27 per cent from the 57 mt handled last year.

In Mundra, container volumes dropped 17.7 per cent to 970,940 TEUs during the April-June quarter from 1.18 million TEUs during the same period last year.

In comparison, JNPT handled 847,844 TEUs, a drop of about 35 per cent from the 1.307 million TEUs handled in the first quarter of FY20.

On a cumulative basis, the container volumes handled by the 12 major ports dropped 32.28 per cent to 1.743 million TEUs from 2.574 million TEUs last year.

Source: thehindubusinessline.com– Jul 06, 2020

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FOGWA chief draws flak over favouring anti-dumping duty on imported yarn

President of Federation of Gujarat Weavers' Welfare Association (FOGWA), Ashok Jirawala had to face the ire of the powerloom community after his video favouring anti-dumping duty on the filament yarn imported from China and other Asian countries went viral on the social media on Monday.

In the alleged video, Jirawala is heard saying that the central government should impose anti-dumping duty on the filament yarn including nylon filament yarn from China and other countries to protect the domestic yarn spinning industry and that they should ensure that the yarn is not dumped from other FTA countries including Vietnam, Indonesia and Bangladesh.

The powerloom sector has been opposing the anti-dumping duty on yarn imported from other countries for allowing the weavers to get the yarn at cheaper rates compared to the yarn manufactured in India.

Ashish Gujarati, president of Pandesara Weavers Association said, “It was an irresponsible statement on part of FOGWA president, which he rectified after facing opposition from the weaving community. We are demanding that there should be no anti-dumping duty on yarn. If the duty is imposed, the yarn manufacturers will create a price cartel in the domestic market.”

Talking with TOI, Jirawala said, “The yarn quality manufactured in India is not matching the international standards. However, the local spinners need to go for upgradation and till then the government should not impose anti-dumping duty on yarn.”

Source: timesofindia.com– Jul 07, 2020

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SBI readies Rs 1k-cr B2B e-market only for MSMEs

State Bank of India (SBI) is set to invest $100-150 million (Rs 750-1,000 crore) and leverage its YONO platform to set up a business-to-business (B2B) e-commerce marketplace for micro, small and medium enterprises (MSMEs). The country’s largest lender hopes this will also help it better manage financing of small businesses.

The plan, which has been cleared by the bank’s executive committee, entails getting MSMEs on to the platform and providing funds based on the transactions that take place. The bank is hoping that it will not only help assess risk better but will also give it greater grip over receivables.

“We are engaging with the MSME ministry to create a marketplace for SBI customers to sell their products, called Bharat Craft, which is going to be an e-commerce and technology driven platform. It is in the initial stage of taking shape,” said SBI MD Challa Sreenivasulu Setty. SBI is looking to design the platform using the Alibaba and Alipay model, where transactions and payments are routed through it, a source said.

YONO is currently used by the bank to hawk its products and as an e-commerce platform. It is expecting regulatory clearances to come through as the B2B marketplace is not going to earn it revenue but help with its banking business.

Among banks, HDFC Bank already has an e-commerce platform SmartBuy. The bank uses the platform to provide merchants a marketplace. In return, the merchants extend a discount to customers of HDFC Bank.

Last year, MSME minister Nitin Gadkari had proposed two platforms for small businesses, including one for B2C, and suggested that the Government e-Marketplace (GeM) take up the job. But the plan did not find support, resulting in SBI stepping in on the B2B front.

At a webinar organised by Brickwork Ratings on Monday, SBI's Setty said state-run lenders are working with the ministry to provide hand-holding support to the MSME sector, which has received special attention in recent weeks with the government announcing a series of steps, including a guarantee-based lending, to help them navigate out of the Covid-19 crisis.

So far, lenders have sanctioned loans amounting to Rs 1.1 lakh crore backed by government guarantee, Sidbi deputy managing director V S V Rao said, adding that if the Rs 3-lakh-crore limit was exhausted, a fresh look at the industry's needs will be taken.

Source: timesofindia.com– Jul 07, 2020

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World Bank, India sign $750 million emergency response programme for MSMEs

The World Bank on Monday signed a 750 million dollar (about Rs 5,600 crore) agreement with the government for MSME Emergency Response Programme to support the increased flow of finance into the hands of micro, small, and medium enterprises (MSMEs) severely impacted by the Covid-19 crisis.

The programme will address immediate liquidity and credit needs of nearly 15 lakh viable MSMEs to help them withstand the impact of the current shock and protect millions of jobs.

This is the first step among a broader set of reforms that are needed to propel the MSME sector over time.

The agreement was signed by Sameer Kumar Khare, Additional Secretary at the Department of Economic Affairs, on behalf of the government and Junaid Ahmad, Country Director (India) on behalf of the World Bank.

Khare said that the Covid-19 pandemic has severely impacted the MSME sector leading to loss of livelihoods and jobs. The government is focused on ensuring that abundant financial sector liquidity available flow to non-banking finance companies (NBFCs) and that banks which have turned extremely risk-averse continue taking exposures in the economy.

"The project will support the government in providing targeted guarantees to incentivise NBFCs and banks to continue lending to viable MSMEs to help sustain them through the crisis," he said in an official statement.

Source: indianexpress.com– Jul 06, 2020

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Why there's a need to stabilise the GST tech platform

On July 1 this year, Goods and Services Tax (GST) completed three years. It was on the midnight of July 1, 2017, that GST was unveiled with a lot of fanfare and hailed as a “good and simple tax”, “one country-one tax”, “a game-changer” and “a reform of the century”.

The implementation of a destination-based, standard-invoice-credit-type GST in a large and diverse federal country, at both the national and sub-national levels ruled by different political parties, was considered a remarkable achievement and a great experiment in cooperative federalism with both the Centre and state governments ceding fiscal autonomy to achieve a harmonised domestic consumption tax system in the country. More importantly, 100% invoice matching to verify input tax credit was supposed to enhance the compliance of the tax and the tax was expected to be a “money machine”.

However, three years after the implementation, not many are celebrating. Both the Centre and states are complaining about the shortfall in revenues. In FY20, the actual revenue collection from GST of central government was 24% lower than the budget estimate and 18% lower than the revised estimate.

The revenue from the tax for FY21 is budgeted at Rs 6.9 lakh crore, and it would require almost 40% growth to achieve this. Of course, Covid-19 has had a severe adverse impact on revenue collection, and even if last year's revenue from the tax is collected, there will be a shortfall of almost Rs 3 lakh crore from the budget estimate for FY21.

The aggregate revenue collection of Centre and states from GST (excluding the compensation cess) in the first quarter is 41% lower than the revenue collected during the corresponding period last year. In June, collections rose sharply to Rs 90,917 crore after dismal collection of Rs 32,294 crore in April, and Rs 62,009 crore in May.

It would, however, be too hasty to conclude that increased revenue collection is entirely due to economic recovery. Of course, this is partly due to lifting of the lock down, but is also due to delayed filing of GST returns. The government allowed a relaxed time schedule for filing GST returns for March and April, and even some returns of February too got filed in June.

The states are staring at an uncertain future regarding the revenue from GST. They joined the GST reform on the promise of generous compensation of 14% increase every year over the revenue collected from the taxes subsumed in GST in FY17. Although there was an assurance by the previous finance minister that the Centre will make the compensation payments even if it has to borrow when the collection from compensation cess falls short, the present finance minister, in her budget speech, has categorically stated, "Hereinafter, transfers to the (compensation) fund would be limited only to collection by way of GST compensation cess".

With the revenue productivity of GST continuing to be low and the promised compensation not forthcoming, states are faced with a serious dilemma; they cannot quit the GST regime and face serious revenue uncertainty. The revenue uncertainty is even more after the compensation agreement gets over in FY22.

The most important reform needed now is to rationalise the rate structure to minimise the number of rates. Excessive rate differentiation results in misclassification, anomalies, and inverted duty structure. There are at least seven rate categories in addition to cess on certain supplies at varying rates. The much talked about higher tax rate on 'parathas' is not an isolated matter. The differential tax rates on silk and jute (exempted), cotton and natural (5%), man-made fibres (18%) creates serious anomalies and inverted duty structure on blended fabrics.

Rate differentiation is also done according to the stage of production (mineral products and their finished goods), value of the supply, hotels (footwear) and the use of the commodity. Rationalisation of rates is important not only to simplify the tax to enable better compliance but also to avoid anomalies and inverted duty structures.

Reforming the rate structure of GST is important, but carrying that out, in the present juncture, may not be easy. First, the Centre itself should be convinced that rate rationalisation is important. Second, passing any reform of the structure would require 75% of the votes in the GST Council.

The Centre has only one-third of the votes to carry and it needs to secure the support of at least 20 of the 31 states and Union Territories with legislature to get the reform passed in the Council. However, when the revenue is declining and with so much trust deficit, it is doubtful whether the GST Council will vote for substantial rationalisation in the rate structure. They may make minor changes, but drastic reduction in the number of rates may be difficult in the prevailing environment.

Serious reform of the tax structure is feasible only when there is promise of increase in revenue productivity. A major reason for low revenue productivity of the tax is its poor compliance. The most important reason for the failure to evoke better compliance of the tax, unlike in many countries, is the failure to stabilise the technology platform even after three years.

The original idea of having three returns in a month and 100% matching invoices for verifying input tax credit has failed to take off. The monthly return prescribed now does not have the details of input purchases and cannot be used to verify input tax credit. The annual return filing, that is supposed to contain the details to facilitate verification, has been repeatedly postponed and the last date prescribed now is March 31, 2021.

In the absence of a verification mechanism, the GST has turned out to be a voluntary tax; with the fake invoice industry mushrooming, compliance has been low, providing a scope for inspector raj. This is mainly due to the failure to stabilise the technology platform. There cannot be any excuse for the technology service provider and the GSTN for not firming up the technology platform even after three years, and the GST Council must take up this issue on a priority basis. There are press reports that the Council has discussed it with the service provider, but it is not clear when we will have the benefit of a robust technology interface. It is only when we have buoyant revenues that the reform of the structure of taxation becomes feasible.

Source: financialexpress.com– Jul 07, 2020

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Centre expediting e-comm policy to regulate sector

The Centre is trying to expedite work on the fresh draft of the national e-commerce policy, which proposes a regulator to deal with 'unique' aspects of e-commerce activities and seeks to impose strict rules on data flow in line with ones already being carved out for handling of personal data and non-personal data in the country.

"It is work in progress. Our consultations are still on. Once we are ready, we will put up the fresh draft of the e-commerce policy in the public domain for comments. The new draft retains many components of the old one," a government official told BusinessLine.

The new draft being finalised by the Department for Promotion of Industry and Internal Trade (DPIIT) is being awaited by e-commerce companies, such as Amazon and Flipkart, which want more clarity about the future on the policy front, as well as brick-and-mortar retailers wanting the government to tighten regulatory framework for e-commerce players.

The proposed draft suggests that treatment of personal data emanating from e-commerce should abide by relevant regulations (Personal Data Protection Bill, 2019) as and when such regulations are adopted. Non-personal data should be addressed by the regulatory framework that is being put in place by the Non-Personal Data Committee of the Ministry of Electronics and Information Technology.

Localisation of data

The draft under discussion also recognises that certain types of data may need mirroring or localisation in accordance with the provisions of the Information Technology Act, 2000 as well as any future legislation on personal and non-personal data governance.

Such categories of e-commerce that would require mirroring or localisation may be defined by the government, in consultation with relevant stakeholders. Localisation of data means that the data generated in the country stays within the country while mirroring means that data has to be copied from one location to a storage device in real time.

In case of suspected data breaches, e-commerce entities may need to ensure that all request for information made by law enforcement agencies are complied with within such time as indicated by the such agency but not later than 72 hours (as mentioned in Personal Data Protection Bill).

In order to deal with novel matters that may arise with the rapid evolution of online business, appropriate legislation is required to provide regulatory framework for governing unique aspects of e-commerce, the proposed draft suggests.

Specifically, such legislation will ensure fair competition, consumer protection (to the extent not covered by Consumer Protection Act) and handling of e-commerce related data issues.

Source: thehindubusinessline.com– Jul 06, 2020

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Diamond units and textile markets told to shut down

Surat: All diamond polishing units and trading markets of Surat have been ordered to shut down till July 14 following a spike in Covid-19 cases in hubs like Varachha, Katargam and Mahidharpura.

After unlock 1.0 on June 1, around 800 people associated with the diamond industry have been infected with the virus, with Katargam zone accounting for 1,522 Covid-19 cases.

Similarly, four major textile markets on Ring Road and 152 shops in three other markets were shut by the Surat Municipal Corporation (SMC) on Monday till further notice after more than three Covid-19 cases were detected among the textile shop owners and workers in the last few days.

Sources said that about 400 cases have been reported from the textile industry and majority surfaced in the textile markets.

The closure orders were issued by municipal commissioner Banchhanidhi Pani, who said that the virus was spreading at a lightning speed in areas like Varachha, Katargam, Pal, Adajan, Rander and Chaprabhata.

Source: timesofindia.com– Jul 07, 2020

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From 'Only Vimal' to almost everything

From textiles to telecom, Reliance has transformed many sectors. Much of the credit for this goes to its founder's spirit

Growth is life. Life is growth. Dhirajlal Hirachand Ambani — also known as Dhirubhai — died on July 6, 2002. India has grown since then; so has Reliance Industries. The story of Dhirubhai and Reliance are tightly woven together by the same yarn. New strands are being added rapidly.

Reliance has come a long way since its past. It began as fibre. It is now growing itself into fiber — Jio Fiber. Some parts of the fibre in its digital network are not visible. But the wireless fiber is present inside the fabric or the network that Dhirubhai's son, Mukesh Ambani, is weaving.

Unusual beginning

Dhirubhai began with yarn and then fabric. It was Reliance's "Only Vimal" that grabbed the nation's attention. Dhirubhai understood what India needed; and what Reliance needed. He took off on a backward integration adventure, blitz and binge. His yarn needed fibre.

Natural fibre needs organic chemicals, soil, water and manure. Dhirubhai knew cotton's yield limitations. Cotton is an expensive fibre in the task of providing adequate lengths of fabric to clothe the millions. India needed inexpensive fabric. Dhirubhai chose inorganic chemicals and synthetic fabrics.

India needed style, too. Reliance understood style. It had to flourish as a customer-facing business-to-consumer (B2C) business. There is a big management lesson here for storytellers and strategy experts.

India had won the Prudential Cricket World Cup in 1983. The first three editions were held in England in 1975, 1979 and 1983. All three were sponsored by Prudential, a British global insurance group born in 1848.

Dhirubhai seized the moment and won the right to sponsor the 1987 Cricket World Cup in India, for the country and for the world. Reliance's route to substance and style in its massive B2C entrepreneurial effort was cricket. The 1987 Championship was played in India and Pakistan. The final was played at the magnificent Eden Garden in Calcutta (now Kolkata) on November 8, 1987.

Dhirubhai handed the Reliance Cricket World Cup to Allan Border, the captain of the winning Australian team. Border batted extremely well and got two wickets. The first one remains unforgettable — he got the wicket of Mike Gatting, the captain of the losing team from England. Gotcha!

It is not a coincidence that Reliance's door to a borderless world was opened by Allan Border. The 1987 Reliance World Cup was the last cup that could be sponsored. Reliance had arrived as a B2C company.

Growth of the business

Now, it is on to bigger adventures. Reliance Jio and Jio Fiber are the latest and the biggest. Perhaps, they are equal; so let's unify them. Reliance Jio Fiber is the latest and the biggest.

Hence, fibre and fiber are the same as well. Yarn, thread, fibre, fabric, fiber and network are all the same, depending on how you see them. Fibre to fiber is the manifestation that determines what we see. Fibre to fiber is the determination of what the manifestation is.

Dhirubhai and Reliance make up a fine yarn, a story, an elaborate narration of a real adventure. A yarn becomes an epic when the hero goes the long distance. When Dhirubhai passed away in 2002, Reliance had entered the communications and information business. Refining was in its backyard.

It had taken deep a backward integration, as far back as possible. It became the world's largest refiner of crude oil. That deep backward integration then pushed it into deep forward integration. Reliance is now in the big business of fuels.

A yarn becomes an epic. Then an epic becomes a saga. Reliance has become a master of deep backward integration and deep forward integration. Reliance owns the fabric and the network — end-to-end. There are no loose ends.

Reliance is B2C on the outside, but B2B (business-to-business) on the inside. Its managerial activities and the accomplishments through cost centres, revenue centres and profit centres are breath-taking, buzzing and borderless.

ESPN Cricinfo says that Allan Border is the epitome of the fighting Australian. Dhirubhai was the epitome of the fighting capitalist. Reliance is the epitome of the efforts of capitalism.

There is the extraordinary past. There is the gargantuan present. There is an exciting future. We can make whatever yarn we wish to make of these. All three are about the flow of time in its long journey. It is as if time wraps itself along the Reliance warp.

The warp in a fabric is the yarn that goes the distance. It goes metres and metres to make up the tale and the bale. The weft is the yarn that defines the moment.

Rise and rise

Let us imagine Dhirubhai walking along with us in this moment. He would be very happy. Reliance is now in three game-changing industries: fuels and feedstock; mobile telephony and broadband; and retail. Reliance has served India by bringing optimism and opportunities in gigantic barrels. It has served the citizens of India. It has over 2,00,000 employees and supports the enterprises of over 20 million self-employed Indians.

India's gross domestic product (GDP) has grown six times since 2002, or from $0.5 trillion to $3.2 trillion in 2020. Reliance earns $18 billion in revenues. Its revenues have risen 12-fold since 2002. Its market capitalisation has grown at least ten times in the same period.

Reliance exports petroleum products. Its Jamnagar refinery has a capacity of 1.24 million barrels per stream day. Reliance Retail is set to become the biggest retailer in India. It has over 3,800 retail outlets.

Reliance owns a clutch of powerful brands — Reliance Fresh, Reliance Smart, Reliance Digital, Reliance Trends, Ajio and Jio Mart. Reliance has disrupted many businesses with Jio Platforms. In merely four years, Jio has added 387.5 million subscribers and has over 34 per cent of the market. Jio earns $2.4 billion in revenue.

Reliance is a celebration of the owner-driven public company. The Ambani family owns more than 45 per cent of the shareholding. This extraordinarily big inside holding is the perfect antidote to 'agency costs'. The other shareholders of Reliance admired Dhirubhai. He belonged to them. They belonged to him. They were cut from the same cloth. They wore the same clothes.

Reliance has combined enterprise, leadership, ownership and management. Its ownership and management practices have for long been the envy of many European and American corporations. Reliance's corporate ownership and management practices have been discussed since the time it chose to issue its global depository receipts in May 1992. The world's most demanding shareholders — the institutional shareholders, in particular — knew of Reliance's strengths since 1993. Twenty-seven years later, more and more of them are rushing to invest in Reliance.

Source: thehindubusinessline.com– Jul 06, 2020

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Indian Garment Industry's Shutting Down of Creche Services is Anti-Women

The Indian garment industry is among the worst hit amid the coronavirus pandemic and during the nationwide lockdown, it was among the industries which suffered the biggest blow.

The Indian clothing and garment factories were finally opened up after a long haul as the country's coronavirus restrictions were eased. But the easing of restrictions wasn't enough to ensure that the severe blow that the industry suffered would immediately be compensated for, what went on for weeks was a severe loss of livelihood, thousands of unpaid and underpaid workers and owners who were clueless about the prospects of the sector in the near future.

Thousands of workers were told by factory owners to stop coming to work randomly and many were denied payment for the last couple of working months too.With their meagre savings already exhausted and wages denied, thousands of people employed in the Indian garment sector had no refuge, no option but to return back to their native towns and villages.

Closing Down of Creches Leaves Women Workers in the Garment Industry Distressed

What added to the problem of the women workers in garment factories that had creches to cater to the needs of children while their mothers were busy working in the factories prior to the lockdown, now decided to pull down the shutters and put an end to all such services.

With creche facilities are no longer available, many women continuously find themselves in a dilemma about being unable to care for their children during the day and on days when they have to stay back to care for the child especially when he/she is unwell, they have to be prepared to miss out on a day’s pay.

Many parents working in the garment industry are haunted by this dilemma and don’t know how they would be able to manage their children as well as go to work, if such services aren’t resumed very soon. Many such parents were called by factory managements in the state of Karnataka and told to stop coming to work as the creches are indefinitely closed, there was no discussion or search for solutions as many garment industry workers have been complaining.

India’s multi-millions dollar garment industry employees more than 12 million people and it has been reeling from the impact of the coronavirus pandemic, many global brands which relied on their products have gone ahead and canceled their orders or are demanding steep discounts as store closures batter their sales.

With workers in the garment industry in India facing a major blow and payments being denied and jobs being lost, there are predictions for a greater curtailment of labour rights in the garment industry.

If Factories Can be Sanitised and Functional,Why Can’t Creches be Operated With The Same Logic?

Factory owners suggest that the closure of creches was important to curb the spread of infections and make sure that both children and factory workers were as safe as possible but workers are seeing it as an effective strategy to lay off women workers, without having to sack them formally.

This is a matter of grave concern because the majority of workers in the Indian garment industry are women and they are jointly responsible for taking care of the household and earning a livelihood, if creches are closed many mothers will no longer be able to come to work and employers wouldn't even need too sack them formally.

With many working women being single or having little baby-sitting help from their husbands, this is indeed a grave problem for Indian women workers in the garment industry. This decision by the factories has pushed many women and toddlers into deep crisis. The closure of creches is illegal and violates a worker's basic rights and clearly infringes a workers dignity.

While there is no formal directive that has been issued to factories to close creches, most factories that did have one decided to close down all such facilities, citing the pandemic as a reason.

According to the Indian Labour Laws, factories that have more than 30 women employees have to provide for creches for children under the age of 6 years. With the pandemic still on and no clear instructions from the government, it is not clear when these creches would open again.

It is high time that this problem is reconciled and safe creche services are resumed to help out and help sustain thousands of women employees who run the Indian garment industry.

Women employees are stressed and struggling and are appealing to unions to come to their aid, but nothing has been concretised so far. Trade unions and workers' associations must also have a role in key decision making processes and their needs and aspirations should be the key priorities.

If the management is prepared to sanitise and run a factory and adhere to social distancing norms amid the pandemic, why can't the same be done for creches?

These services should be resumed and workers should be given a choice whether they want to bring their children to these facilities.

With schools closed, homes empty and creches closed, women workers in the Indian garment industry have no place to go.

Source: thenewleam.com– Jul 06, 2020

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