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INTERNATIONAL NEWS

US apparel imports decline by 32%

Apparel imports by the US fell by 32 percent to $6 billion in value terms in July compared to a year earlier, according to the Commerce Department's Office of Textiles & Apparel (OTEXA).

Companies imported 30.68 percent less apparel in the first seven months of the year–a period that began with the still-raging US China trade war, Chinese New Year factory closing and the global coronavirus pandemic–for a value of $33.88 billion compared to $48.87 billion for the same period in 2019, according to OTEXA.

The greatest impact has been on China, which posted a 49.34 percent year-to-date decline through July to retain its position as the top supplier with $7.35 billion worth of goods imported. In July, 50 percent less apparel, or $1.58 billion worth, was imported to the U.S. from China compared to a year earlier.

Apparel imports from Vietnam declined by 11.06 percent for the seven-month period to $6.94 billion and were down 11 percent in July compared to a year earlier to $1.29 billion. However, Vietnam did post a 2.9 percent volume increase to 393.29 million square meter equivalents (SME).

Bangladesh didn't fare much better, with year-to-date imports down 18.54 percent to $2.91 billion and year-over-year shipments off 11 percent to $436.34 million.

Cambodia was the only country among the top 10 suppliers to register increases in year-to-date and year-over-year imports to the U.S. For the year through July, imports from Cambodia rose 6.13 percent to $1.54 billion and were up 19.2 percent in the month compared to a year earlier to $292.67 million.

Apparel imports from Ethiopia rose 24.1 percent to $20.4 million and shipments from Myanmar increased 9.8 percent to $29.89 million.

Source: fashionatingworld.com– Sep 05, 2020

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Decoupling not good for China or US

Sino-US relations have undergone drastic changes since the US administration launched a tariff war against China at the beginning of 2018.

Thanks to the China hawks in Washington who want to decouple the US and Chinese economies, Washington has taken a series of targeted measures against Beijing, including restricting Chinese investment in the US through the Committee of Foreign Investment in the United States' review process, trying to strangle Chinese high-tech enterprises, imposing visa restrictions on Chinese students who want to major in science or engineering in the US, and forcing American companies operating in China to return to the US, which have seriously affected economic and trade exchanges between the two sides.

The clampdown on TikTok, a short video-sharing app developed by Byte-Dance, and WeChat, a messaging app owned by Tencent, is the latest US move against Chinese companies on the pretext of safeguarding national security, economy and American people's private data.

Will the impact of all these US moves lead to the global supply chains expanding further out of China to more and more countries?

The fact is, the global supply chains were already widening as some industries, especially labor-intensive industries, had started shifting from China to other countries even before the outbreak of the COVID-19 pandemic or the US-triggered trade war. Such shifting of industries is determined by a variety of factors, including labor cost, changing consumer preferences and industrial upgrading.

Given the implementation of the Belt and Road Initiative across the world and the "go-global" drive of Chinese enterprises, it is only natural that some of China's production capacity will shift and supply chains will extend further to overseas countries and regions.

According to the "new economic geography" theory of Paul Krugman, Nobel Prize winner in Economics, the overlapping effects of industrial divergence and integration will lead to the "hump-shaped" distribution of industrial agglomeration and the geographical shift of manufacturing agglomeration, including the transfer of the textile industry from Europe to North America initially, followed by the transfer of the manufacturing industry from North

America to Northeast Asia, mainly the Republic of Korea, Japan and Taiwan, and then to the Chinese mainland. So, it would be impractical to think that the industries that shifted to the mainland would remain there forever.

Also, the supply chains always keep moving, which is not a bad thing. What really matters is the innovation ability of a country and its enterprises, and the position its domestic enterprises occupy in the global supply chains and global markets. In addition, large economies such as China, which now mainly rely on domestic market circulation, have developed strong resilience.

As for the export-GDP ratio, Germany's is 47 percent, the highest among the world's major economies, and those of France, the United Kingdom and Russia are 31 percent, 30 percent and 26 percent respectively. China's exports account for only 18 percent of its GDP now, more than only Japan's 16 percent, and the US' 12 percent.

Assuming that 50 percent of the added value of China's exports can be calculated into its GDP, the value added of China's exports to the US would actually account for only 1.5 percent of GDP. As such, the US' so-called decoupling cannot shake the basic structure of China's economy, not to mention such a decoupling is unlikely to happen.

Besides, economic decoupling with the Chinese economy will also seriously hurt the US economy, especially those US companies operating in China and reaping profits of $300-$400 billion every year. Economic interdependence between China and the US also plays an important role in maintaining low prices, high fiscal deficit and savings in the US.

In an op-ed on CNN's website on Aug 4, Stephen Roach, a professor at Yale University, said the root cause of the US trade deficit with China lies in its low savings rate. If the US restricts trade with China, a similar trade deficit with a third country will soon occur, which will only make US consumers pay for more expensive imports, which is equivalent to raising taxes on them, Roach warned.

A Sino-US economic decoupling will not only affect US companies and capital, but also the entire US society, including ordinary consumers. This is also the fundamental reason why State Councilor and Foreign Minister Wang Yi said:"If China and the US work together, they will benefit both, but if they fight each other, they (both) will be hurt".

It would be a pity if the US administration still refuses to accept these basic economic facts. With the 2020 US presidential election approaching, the error-correcting function of the US political system will hopefully bring Sino-US relations back to the right track.

The author is a professor at and doctoral supervisor in the Department of Economics at the University of International Business and Economics.

Source: chinadaily.com.cn – Sep 07, 2020

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China's Exports Kept Expanding in August, While Imports Fell

China's exports continued to expand in August, as China's major trading partners gradually resumed business activities. Imports unexpectedly dropped. Exports rose 9.5% in dollar terms in August from a year earlier, while imports fell 2.1%, the customs administration said Monday. That left a trade surplus of $58.9 billion for the month. Economists had forecast exports would increase by 7.5% and imports would rise 0.2%.

Key Insights China's exports have been surprisingly resilient this year, boosted by sales of medical equipment and supplies related to working from home and home-schooling, including computers and tablets.

The gradual reopening of many economies in Asia and around the world may provide a further boost for exports of Chinese goods.

"We believe the resumption of economic activity in the U.S. and the EU will continue to benefit Chinese exports," Citigroup Inc. economists led by Li-Gang Liu wrote in a report before the data was released.

Bilateral trade is the one area of U.S.-China relations that hasn't worsened recently, with both nations reaffirming their commitment to a phase-one trade deal. Officials have agreed to create conditions to push the deal forward, according to China's Ministry of Commerce.

Source: bloombergquint.com– Sep 07, 2020

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Hemp Traders making hemp fabrics in US

Hemp Traders has unveiled hemp knit fabrics for Americans - the first time since hemp prohibition that American made hemp fabrics are available to people. The fabrics will be produced and dyed in Los Angeles. Three types of fabric are being produced - Jersey for t-shirts, French Terry for sweatshirts and sweatpants, and Rib Knit for accessories and apparel.

The first fabric has already been made available while another set of eight would be available within the next two weeks.

"Many customers want hemp textiles that are made in America," said Hemp Traders president and industry veteran Lawrence Serbin. "This is the first step in bringing the entire process back home. Not only does this help the American hemp industry to position hemp textiles for a larger share of the market and make hemp products more available; it does it at a cheaper price than the same Chinese imports."

The company, which was founded in 1994, will start by making three types of fabric. Jersey which is used for t-shirts, French Terry which is for sweatshirts and sweatpants, and Rib Knit which is used for accessories and apparel.

"While we currently still need to import hemp yarns from China since the machines literally don't exist in the US," continued Serbin, "this is a huge step towards building the market.

The demand already exists. We are currently working with farmers and processors to bring decortication, processing, and spinning facilities online. The ultimate goal is to perform the entire process in the United States utilising 100 per cent American grown hemp. "

Source: fibre2fashion.com– Sep 07, 2020

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Egypt is best-placed in MENA apparel production: Fitch Solutions

Egypt appears best-placed to grow apparel production in the Middle East and North Africa (MENA) region, as the country boasts the largest regional working-age population , according to Fitch Solutions' latest report.

The Fitch report added that Egypt also has base labour costs that are comparable to its Asian competitors.

The agency added that North African country is geographically close to Europe, and has preferential market access to the US and EU. This could outweigh the country's relatively high labour taxes and social insurance costs.

"Infrastructure investment and structural reforms look set to improve the operating environment, further raising Egypt's competitiveness," the report said.

According to the report, Egypt has high labour availability, medium apparel manufacturing expertise, many trade agreements, and a medium transport network.

"Tunisia has low labour costs and a developed textile sector, though high political risk, a lack of raw input materials and a small working population could act as headwinds to its apparel production growth," according to the report.

Fitch said that Jordan is politically stable, with strong ties to European suppliers and favourable transport regulation. That said, the high wages and Jordan's reliance on imported fibres pose some headwinds to its apparel sector.

Morocco is already a large textile producer, but as the kingdom moves up the value chain, rising labour costs will likely inhibit further large-scale investment into its apparel sector.

Fitch said that Algeria's large population and low labour costs would suit apparel production. However, the country lacks integration into Europe's supply chains and protectionist policies could discourage investment.

Rising labour costs in China and trade protectionism have, in recent years, encouraged European and North American brands to begin re-evaluating their sourcing strategies. The novel coronavirus (COVID-19) pandemic has further accelerated this trend, prompting firms to diversify and shorten supply chains.

Against this backdrop, Fitch Solutions expects the proximity of MENA countries and the preferential access to European markets, coupled with steady reform efforts, will boost the region's competitiveness vis-à-vis other manufacturing hubs worldwide.

"Despite somewhat higher labour costs relative to Asian competitors, both textile and apparel production as well as mid-range machinery and electronics manufacturing will likely expand in MENA in the next few years," according to the report.

On the lower-value-added end of the spectrum, Egypt stands out as a beneficiary of global supply chain diversification. Morocco, meanwhile, is well-placed to attract companies looking to near-source higher value-add products such as autos and electronics.

Egypt, Jordon, Morocco, Tunisia, and Algeria will benefit the most in the MENA region from global apparel supply chain diversification, the report noted.

Morocco, Egypt, and Saudi Arabia rank as the top three countries in the MENA region to benefit from global mid-range manufacturing diversification, according to the report.

It added that Egypt is also likely to make significant gains in mid-range manufacturing, given its favourable demographics and relatively low labour costs.

In addition, the report mentioned that Egypt has implemented key reforms in recent years. These include adopting new investment and bankruptcy laws, liberalising its currency, and adding momentum to growth prospects.

That said, the Egyptian mid-range manufacturing sector is still relatively underdeveloped. Electrical and mechanical machinery, alongside vehicles, account for less than a tenth of the country's total exports.

Saudi Arabia enjoys a fairly large working age population and its government is pursuing an ambitious business reform agenda. Nevertheless, the kingdom still faces numerous headwinds to boosting manufacturing, such as a limited infrastructure base, skills mismatches, and cultural barriers that act as a disincentive for nationals to work in the private sector.

Fitch solutions forecasts that Egypt's real GDP in 2020 will reach 2.6%, while Bloomberg expects 1.9%. Both Fitch and Bloomberg forecast Egypt's inflation to reach 5.9% in 2020.

Source: dailynewsegypt.com– Sep 06, 2020

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Bangladesh: RMG export to US drops by 18.54pc in Jan-July

The country's apparel export to the United States in January-July this year fell by 18.54 per cent due to the global economic slowdown witnessed in the wake of the coronavirus pandemic.

The US official data showed that Bangladesh's apparel export to the US market in the first seven months of 2020 plunged by $661 million to $2.90 billion from $3.56 billion in the same period last year.

Exporters said that although earnings from the US increased slightly in July, the data reflected the adverse impacts of the pandemic in April-June.

The data showed that the US demand for apparel in January-July 2020 also dropped by 30.68 per cent to $33.87 billion from $48.86 billion in the same period of last year.

Bangladesh still remained the third largest apparel supplier to the US market but the rate of negative growth registered by the country was higher than its competitor country Vietnam, according to the data of the Office of Textiles and Apparel under the US Department of Commerce.

Despite sluggish demand for apparel in the US, Cambodia's export registered a 6.13-per cent positive growth on the market during the period.

Vietnam's apparel export to the US in the seven months of 2020 fell by 11.06 per cent to $6.94 billion from $7.80 billion in the same period of 2019.

Cambodia's readymade garment export to the US in January-July 2020 increased by $89 million to $1.54 billion from $1.45 billion in the same period of 2019.

US apparel import from China in the first seven months of this year decreased by 49.34 per cent to $7.34 billion from $14.50 billion in the same period of 2019, the Otexa data showed.

It showed that Bangladesh's readymade garment export to the US, the largest market for Bangladesh, had started to decline since April and the earnings witnessed a 12.10per cent negative growth in the January-May period.

Bangladesh's RMG export to the market also decreased by 19.73 per cent in the first half of the current calendar year.

The impact of the coronavirus pandemic on Bangladesh's apparel export was reflected in the US import data but the rate of negative growth would fall in the coming days as the US consumers had started buying again, Bangladesh Knitwear Manufacturers and Exporters Association first vicepresident Mohammad Hatem told New Age.

He said that export to the US increased in July but Bangladesh had been failing to gain the expected market share in the US due to many issues.

During the pandemic, the rate of negative growth registered by Vietnam in the US was lower than Bangladesh as Vietnam enjoys a competitive duty structure and lead time advantage on the market, Hatem said.

He hoped that the export growth of Bangladesh's RMG sector would return to a positive on the US market by the end of this year.
Source: newagebd.net– Sep 05, 2020

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Pakistan: Weekly Cotton Report: Prices increase under influence of int'l market

Continuous rains affected the cotton crop due to which farmers are worried. Prices of cotton increased by Rs 300 to Rs 350 per maund and rate of cotton reached at Rs 9300 per maund which is highest in the season. The mills decreased the buying due to low quality of cotton while big textile groups increased their import.

In the local cotton market the prices of cotton increased during the last week under the influence of increasing trend in the international cotton market. Due to the rains in the cotton growers areas of the country the supply of Phutti was affected especially the crop in lower Sindhi was badly affected due to rains. Under these circumstances increasing trend was witnessed in the prices in international market.

The rate of cotton witnessed an increase of Rs 300 to Rs 350 per maund while the rate of Phutti increased by Rs 200 to Rs 300 per 40 kg. The quality of cotton was affected as well as trading volume was also decreased. Due to the low quality of cotton in Sindh the textile and spinning mills had started showing their interest in buying cotton from Punjab as a result of which the rate of cotton reached at Rs 9300 per maund which is highest in the season. Market sources claimed that if the situation remained like this then it is expected that prices of cotton may increase further for the time being.

The rate of cotton in Sindh is in between Rs 8550 to Rs 8700 per maund. The rate of Phutti in Sindh is in between Rs 3300 to Rs 4100 per 40 kg. The rate of Banola in Sindh is in between Rs 1550 to Rs 1600 per maund.

The rate of cotton in Punjab reached in between Rs 8900 to Rs 9300 per maund which is highest in the season. The rate of Phutti in Punjab is in between 3700 to Rs 4300 per 40 kg.

The rate of Banola in Punjab is in between Rs 1650 to Rs 1750 per maund. The rate of cotton in Balochistan is in between Rs 8600 to Rs 8700 per maund while the rate of Phutti is in between Rs 4200 to Rs 4600 per 40 kg.

The Spot Rate Committee of the Karachi Cotton Association has increased the spot rate by Rs 300 per maund and closed it at Rs 8900 per maund.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that due to the availability of low quality of cotton seeds this year sowing area was decreased. The crop was affected due to heavy rain especially the cotton crop in lower Sindh was more affected with rains. Sanghar district which is the highest cotton producer of the country was badly affected by the torrential rains.

According to some ginners and farmers 20 to 22 percent cotton crop was affected in some areas of Sindh where water was not properly taken out from the fields. 70 percent of cotton was produced in Punjab but due to substandard seeds the sowing area was reduced however, according to the information received from some areas rains are beneficial but in some areas rains damaged the crops. But it is difficult to give exact estimates of the crop before the ending of the rain spell.

Naseem Usman told that there is a demand of one crore 35 lac to 40 lac bales in the country. Due to the lock down mills were closed for two to three months or they had reduced their production as a result of which they had some stock, but still they will have to import 30 lac - 35 lac bales from abroad. As a result of the news of low cotton production may textile and spinning mills were continuously importing cotton.

The big textile and spinning groups were enjoying DTRE facility. Under this facility they can import tax free cotton. The government has not clarified his policy regarding duty free import of cotton. The government had given exemption on import from January to June but still government had not clarified its position regarding duty free import.

Naseem Usman told that bullish trend was witnessed in the international market. The Rate of Promise (Waday Ka Bhao) of New York Cotton has crossed 66 American cents. The reason behind is continuous import by China. Another reason is that cotton production was affected in the biggest cotton producing state Texas while production may be affected due to hurricane in Mexico.

Moreover, according to the weekly USDA report due to tension between America and China the export of cotton decreased by 16 percent while the rate of dollar increased and due to profit tacking by the buyers bearish trend was witnessed in the rate of New York Cotton.

Furthermore, bearish trend was witnessed in the rate of cotton in India since many months but few days back Cotton Corporation of India has signed agreements of selling already stock cotton to local mills and textile and spinning mills of Bangladesh due to which the rate of cotton increased per candy (356) kg instead of decreasing. The reason behind increasing prices is that local Indian textile mills were taking interest in buying.

As per information some international buyers were giving orders of textile products to India instead of China due to which Indian textile mills had increased their buying. Overall the rate of cotton remained stable in China and Brazil. Pakistani textile sector are getting export orders from abroad due to which the demand of cotton yarn is increasing however, there is a delay in payments.

Source: brecorder.com– Sep 05, 2020

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Pakistan: Textile exporters claim cess not applicable on them

The textile industry is asking the prime minister to issue directives to collect gas infrastructure deve-lopment cess (GIDC) "only from those who are liable to pay", arguing that the sector has neither collected nor passed on the GIDC in its sales all the time the matter was pending before the court.

The demand has been made by the Council of All Pakistan Textile Association (Capta), an umbrella group consisting of 16 different associations of textile-related businesses that has come together specifically around the GIDC issue. Capta Chairman Zubair Motiwala tells Dawn that close to 60 per cent of the units under the body "would not be able to pay the GIDC in the post Covid scenario."

He said textile-related industries have not passed on the impact of GIDC to its buyers as they were legally not obliged to collect or pass on for certain periods.

The Act of 2015 clearly says no guide for the period of 2011 to 2014 and it further states that those who have collected would pay, which means those who haven't, wouldn't pay either.

The argument that the group is advancing is that the GIDC Act of 2015, that they say the Supreme Court has "revalidated", does not oblige them to pay this cess.

The statement was issued in the wake of claims made by the Petroleum Division terming the court verdict as a win-win for both, industry and the government.

Only some industries have been adversely impacted by the court's decision that resurrected the gas infrastructure development cess after a legal battle lasting almost a year. Others, like fertiliser, have been collecting the cess from their customers and keeping the funds in a reserve account, in anticipation of an adverse verdict.

Most fertiliser players are not particularly disturbed by the decision as a result.

However, textile exporters and CNG station owners had not been collecting the cess while the case made its way through the court.

Textile industry players argue that the cess is not applicable on them, and if they are required to pay, their products will be rendered uncompetitive in international markets.

Source: dawn.com– Sep 06, 2020

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Expanding Bangladesh, India, Nepal rail connectivity to boost regional economy

There are four traditional routes to move globally. Among the routes, rail route is comparatively cost effective and safe for travelling a long way. It is important to note that the citizens belonging to developed nations prefer to train journey. Besides, the world's leading economies are now constructing rail tracks for economic progression.

South Asian countries lag behind in respect of developing rail route except India. But, the region is now moving fast towards regional rail connectivity considering demand for regional trade. After a long gap, Bangladesh-India -Nepal are in a race to re-establish and construct rail connectivity.

Half a dozen rail routes across Bangladesh started to provide service in past 10 years. Many routes are waiting to be opened soon. It is indeed a good news that many abandoned rail routes between India and Bangladesh have been reopened. Out of the erstwhile 6 rail links that existed, four Broad Gauge inter-country rail links between the two countries are now operational.

The Radhikapur-Birol rail link was the latest to be put back in operation during Prime Minister Sheikh Hasina's visit in April 2017. Apart from these, work on the remaining two new rail links is underway. The 7th new rail-link between Agartala and Akhaura is being financed under grant assis tance of India. The 'Maitree Express' between Kolkata and Dhaka and the 2nd Maitri Express between Khulna-Kolkata was conducted during Sheikh Hasina's visit to India in April 2017.

The decision of resuming age-old rail routes came against the backdrop of regional economic activity. Special thanks to the premiers of Bangladesh and India for taking such steps.

Dhaka and New Delhi tried open international passenger train service between the two nations at first. Under the move, the train named "Moitree Express" was launched in 14 April, 2008 amid festivity and runs between Dhaka and Kolkata. Another passenger train named 'Bandhan Express' was inaugurated on November 09, 2017 from Kolkata and on November 16, 2017 from Khulna. The move was undertaken aiming to ease communication between the two neighboring countries. The Bandhan Express runs between Khulna and Kolkata via Benapole (Bangladesh) -Petropole (India).

Apart from passenger train service, freight trains have been operating since long for carrying stones and fly ash. Bangladesh and India have been operating freight trains through Rohonpur-Singabad, Benapole-Petrapole, Darshana-Gede and Birol-Radhikapur boarders. In view of coronavirus epidemic, Bangladesh and Indian railways have recently decided to utilise the freight service for transportation of goods due to COVID-19.

Following the decision, freight trains were used to transport onion instead of stones and fly ash. The recently launched first container train, carrying essential commodities, is another step towards closer ties between the two neighbours.

Bangladesh and Nepal inked the transit agreement and the protocol to the transit agreement in 1976 and indentified six ports of calls for the movement of transport vehicles to and from Nepal. The ports of calls were Mongla port, Chattogram port, Biral (Pashchimbanga, India), Banglabandha, Chilahati and Benapole . The protocol was made amendment considering present context and geopolitical issues. Under the protocol, six entry and exit points – both in Bangladesh and Indian sides – were fixed for Nepalese vehicles to enter and exit from Bangladesh.

Two routes have been proposed as new rail link. The first one is Rohonpur-Zero Point- Singabad (Pashchimbanga)-Jogbani (Bihar) , Birat Nagar (Nepal) . The distance of first route is 217 KM. With 514 KM distance the Second one is Rohonpur- Zero Point- Biral (Pashchimbanga)- Radhikapur (Pashchimbanga) –Roxol (Bihar)-Birgunj (Nepal)

In January 2010, Bangladesh and India agreed to allow Nepal use the Rohanpur and Singhabad broad gauge railway link as another transit point. Later in September 2011, India permitted Bangladesh and Nepal to use a new rail route for facilitating transit of cargo. Subsequently, in April 2019, Nepal sent a letter of exchange to include the Rohanpur railway station as an additional transit entry and exit point. On the contrary, Kathmandu signed a letter of exchange with New Delhi in February 2016 to use Singabad to expand trade with Bangladesh.

Nepal had been doing groundwork since long aiming to expand trade activity with Bangladesh. As part of the move, the signing on Free Trade Agreement (FTA) with Nepal was nearly finalized. The decision of signing FTA with the landlocked mountainous nation would be executed soon. Besides, Nepalese foreign minister Gyawali placed a proposal to Bangladesh in respect of using Saidpur airport for trading purposes also, but Bangladesh is yet to reply on this issue.

In 2018-19 FY, Bangladesh exported goods worth US$ 38.5 million to Nepal and imported goods worth around $ 18.13 million. Some 26,255 Bangladeshis visited Nepal in 2018. According to a published report in a local daily, exports to India from Bangladesh was US $ 361 million in 2012 where the volume increased to US $ 873 million in the first half of 2018. Nevertheless, recently signed Comprehensive Economic Partnership Agreement (CEPA) and trans-shipment deal would turn both economies into prosperous.

According to the South Asian Free Trade Area (SAFTA), Nepal now maintains a list of 998 sensitive products for least-developed countries (LDC) and 1,036 sensitive products for non-LDCs that are not entitled to preferential trade benefits. Bangladesh also maintains a list of 987 sensitive products for LDCs and 993 products for non-LDCs. Historically, Nepal stood by Bangladesh duting the 1971 Independence War.

The need for rail connectivity with India is essential as it is one of Bangladesh's largest trading partners. Transportations of goods to and from India by road is costly and time consuming.

Broad gauge rail network from Biratnagar to Singabad was inaugurated in 2004. Following the similar rail track Bangladesh put in place broad gauge track in 2015.

The Bangladesh, Bhutan, India and Nepal – Motor Vehicle Agreement (BBINMVA) is expected to significantly boost connectivity by road. The trial run of Cargo Movement on Trucks from Kolkata to Agartala via Dhaka and Dhaka to New Delhi via Kolkata and Lucknow took place in August 2016. The Motor Vehicle Agreement along with rail connectivity will boost regional economic activities quickly.

Source: maritimegateway.com– Sep 07, 2020

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Pakistan: Textile body assured of tariff rationalisation

National Tariff Commission Chairperson Robina Ather on Saturday assured the All Pakistan Textile Mills Association (Aptma) Punjab of tariff rationalisation on all industry inputs.

During a meeting with the Aptma Punjab Chairman Adil Bashir, she said the government had assigned NTC the task of rationalising tariff in consultation with all stakeholders. The Federal Board of Revenue (FBR) was already working on it, she added.

The chairman in a detailed presentation pointed out that Aptma has drafted an integrated export-oriented scheme for the value-added chain.

The proposed scheme, he said, provided integration of all existing schemes and extends the coverage to the whole value-added chain with free mobility of inputs, intermediary and output goods from one licensee to another licensee and simultaneously protecting the government revenue through a fool-proof mechanism and a fully automated system.

The same may now be considered and approved by the Ministry of Commerce and the revenue board, he asserted.

Bashir proposed to abolish Anti-Dumping Duty (ADD) and reduce customs duty on import of Polyester Staple Fibre (PSF).

Source: tribune.com.pk – Sep 06, 2020

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NATIONAL NEWS

India's virus woes hit imports more than its exports

Between Apr and Jul, the goods imports have fallen by 46.7% to $88.9 bn. In comparison, goods exports during the same period have fallen at a much slower pace of 30.3% to $74.9 bn. Why have exports fallen at a much slower pace than imports? Mint takes a look.

Between April and July, the goods imports have fallen by 46.7% to $88.9 billion. In comparison, goods exports during the same period have fallen at a much slower pace of 30.3% to $74.9 billion. Why have exports fallen at a much slower pace than imports? Mint takes a look.

Why have imports crashed by 46.7%?

A major reason for the overall decline in imports is the drop in oil and oil products imports, which have plunged by a whopping 55.9% to $19.6 billion. There are two reasons for the same. First is the fall in oil prices between last year and now. The price of Indian basket of crude oil between April and July 2019, averaged at around $66.8 per barrel.

The average price this year has been around half of the 2019 figure at $33.6 per barrel. The lack of mobility due to the spread of the coronavirus pandemic has led to the consumption of petroleum products coming down by 22.50% between April and July.

What else is behind the crash in imports?

Due to the spread of covid-19, incomes have been substantially hit, causing consumption to fall. And this general lack of demand has shown up in imports crashing. The non-oil, non-gold, non-silver imports, —an excellent indicator of consumer demand—have fallen by 38.6% to. $66 billion.

Along similar lines, a demand crash in other countries dealing with covid, has led to a decline in demand for goods from India. This has led the exports to crash by 30.3% to $74.9 billion. But exports have crashed at a softer pace than imports. In fact, if we look at non-oil and non-oil products exports, the fall is even lower at 25.8% to $68.4 billion.

Why have imports fallen at a faster pace than exports?

India's exports have declined at a slower pace simply because some of India's trading partners faced the covid pandemic earlier than India did, and their economies are gradually getting back on track. As the rating agency Crisil pointed out in a recent research note, there has been a "rise in exports to economies which have been able to control the pandemic".

Which countries does India trade more with?

There are many countries India actively trades with. Take the case of China. Exports to the country during the June went up by 77.8% to $2.1 billion. Along similar lines, the exports to Singapore, Malaysia and Vietnam, during the month, went up by 34.6%, 74.7% and 42.7%, respectively.

The reason is that these countries have managed to flatten the covid-19 curve. In contrast, exports to countries like the US and Brazil, which continue to see a rise in their covid caseload, are lower than where they were last year.

What's the learning from this trend?

As Crisil points out: "Export prospects for this fiscal will pivot on the trajectory of the pandemic across countries. It will rise for countries that have controlled their caseload and restarted activity.

China is a case in point. China entered and controlled the pandemic much earlier than other economies. Its cases peaked in February, post which activities resumed." This is precisely how things will play out with other nations when it comes to exports.

Source: livemint.com– Sep 06, 2020

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One Product One District: Govt's new programme to take the 'special' product of every district globally

The government will soon launch a 'One Product One District' programme for every district in the country to expand the outreach of their 'special' product not just in India but across the world, according to the Commerce Minister Piyush Goyal. "We will soon be unveiling a programme wherein every district is a country focusing all its energies to expand the outreach of their special product not only to the length and breadth of India but to the entire world," Goyal said during the release of Ease of Doing Business ranking of states and union territories on Saturday.

The minister said that the Commerce and Industry Ministry is rapidly working with all the states on the programme. For this, the ministry along with the private sector has also identified 24 products for which the government is focusing on partnership with the industry to expand their reach.

Through this effort, the government is looking to give a Rs 20 lakh crore boost to India's manufacturing output. "All these 24 sectors, we are confident we can add at least Rs 20 lakh crore worth of manufacturing output in India in the next five years. This will provide crores of job opportunities, expand economic activity in the country and will lead the way to India's rightful place in the world," Goyal added. The minister also invited states to partner with the government, private sector, industry associations for expanding the footprint of these 24 sectors apart from identifying new ideas and products where India can become a world player.

The annual rankings of states, which started in 2015, based on the implementation of Business Reform Action Plan, covered 12 business regulatory areas including access to information, single window system, labour, environment, etc. Andhra Pradesh followed by Uttar Pradesh, Telangana, Madhya Pradesh, Jharkhand, Chhattisgarh, Himachal Pradesh, Rajasthan, West Bengal and Gujarat were the top 10 states out of 36 states and union territories.

Source: financialexpress.com– Sep 06, 2020

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Customs to roll out pan-India faceless assessment for all imports by October 31

The Customs Department will roll out pan-India faceless assessment for all imported goods by October 31, the Central Board of Indirect Taxes and Customs (CBIC) has said.

While faceless assessment for import of certain goods was already rolled out in Bengaluru and Chennai ports on June 8, it was extended to Delhi and Mumbai Customs on August 3. This will now be extended in phases to all ports across the country by December 31.

"Board has decided to roll out the Faceless Assessment at an all India level in all ports of import and for all imported goods by October 31, 2020," the CBIC said in a circular.

Faceless assessment enables an assessing officer, who is physically located in a particular jurisdiction, to assess a Bill of Entry pertaining to imports made at a different Customs station, whenever such a Bill of Entry has been assigned to him through an automated system.

The CBIC has constituted 11 National Assessment Centres (NACs), consisting of the Principal Commissioners/ Commissioners of Customs. "...The NACs need to work in a coordinated manner to ensure that all assessments are carried out in a timely manner and there is no delay or hold up of the Bills of Entry.

The NACs would also examine the assessment practices of imported goods across Customs stations to bring about uniformity and enhanced quality of assessments," the CBIC said.

The NAC would have to coordinate with Directorate of Revenue Intelligence (DRI) and Directorate General of GST Intelligence (DGGI), Directorate General of Analytics and Risk Management (DGARM) and other Directorates to enhance risk assessment.

"To ensure smooth implementation of Faceless Assessment & to sensitize both the departmental officers and the trade, Directorate General of Taxpayer Services (DGTS) in coordination with Customs Policy Wing shall organize extensive outreaches via online webinars/promotional videos etc," the CBIC said.

The CBIC said the key elements of the 'Turant Customs' programme are faceless, contactless and paperless Customs clearance processes. This includes faceless or anonymised assessment, self-registration of goods by importers, automated clearances of bills of entry, digitisation of Customs documents, among others.

The objectives sought to be achieved are exponentially faster clearance of goods, reduced interface between trade and Customs officers and enhanced ease of doing business. The phased launch of the Turant Customs programme in select ports of import was aimed at testing in a real-life environment, the IT capabilities as well as the responsiveness of the trade and Customs officers to various initiatives.

"The results have been reviewed and these have confirmed that the stated objectives are being met. The stage is now set for extending the Turant Customs programme across all Customs ports pan India and thereby ushering in a more modern, efficient, and professional Customs administration with resultant benefits for trade and industry," the CBIC said in the circular.

The CBIC had originally planned to introduce pan-India faceless assessment of imported goods by January 1, 2021.

Source: financialexpress.com– Sep 06, 2020

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Despite lockdown impact, UP govt hopeful of growth momentum in export revenue

Amid signs of economic recovery in Uttar Pradesh with a reported rise in August revenue collection and the state ranking second in the ease of doing business, according to the Centre's assessment, the state government feels that despite the initial setback due to the Covid-induced lockdown, it will be able to match its export target, which has been reporting a steady increase in the last five years.

In March and April due to the nationwide lockdown, the exports from the state suffered a 21 per cent decline and came down to Rs 8,168 crore from Rs 10,339 crore in the same month last year. In April, the export fell more drastically, by 60 per cent and came down from Rs 8,525 crore in 2019 to Rs 3,377 crore.

“In May, our export units reopened. We are working towards new ways to promote exports from the state. We will be holding a virtual exhibition in September where people from across the world can see our products and buy them. There are other things too which we are doing. The data for May, June and July has still not come. It will be out soon, and we think it will be good,” Additional Chief Secretary (MSME and Export Promotion) Navneet Sehgal told The Indian Express.

In the last five years, Uttar Pradesh saw its export gradually increase from Rs 81,218 crore in 2015-16 to Rs 1,20,356 crore in 2019-20 – a jump of 48 per cent – with the highest increase in 2018-19. (See box)

Sehgal attributed the increase in the exports to “One District One Product” (ODOP) scheme that was launched by the state government in 2018.

“If you see the data, you can see that a substantial increase in the export happened after 2018. Around 80 per cent of products that have been exported from the state are from the ODOP category. We have made new policies, given new incentives to these products and hence, the exports have increased in the last three years,” Sehgal said, adding that the success of the ODOP scheme in the state has led to the Centre to take note of it and emulate in other states.

According to the MSME and Export Promotion Department, exports through ODOP scheme increased from Rs 55,008 crore in 2017-18 to Rs 65,982 crore in 2018-19.

Among the OPOP products that saw the highest jump in terms of export was in food products like kala namak rice, jaggery, banana, desi ghee, hing, pulses, aamla from Siddharthnagar, Ayodhya, Muzaffarnagar, Kaushambi, Auraiya, Hathras, Balrampur, Gonda, and Pratapgarh districts. These products saw a 75 per cent jump in their export in 2018-19 vis-a-vis 2017-18 – from Rs 2,067 crore to Rs 3,620 crore.

A senior official explained that the though the idea of ODOP is to have one district with one product as its priority, there are several adjoining districts that also produce the same good, especially when it comes to food products, and therefore products are grouped in broader categories encompassing more than one district.

Other products that saw a considerable rise in exports in the last few years are stone craft from Mahoba and Banda with a 42 per cent increase – from Rs 511 crore (2017-18) to Rs 727 crore (2018-19). Handmade paper art products from Jalaun district saw a 72 per cent increase in the same period, with the exports valued at Rs 879 crore in 2018-19.

Garments, silk sarees, chikankari and zari zardozi saw an increase of 18 per cent in the same period — from Rs 11,657 crore (2017-18) to Rs 13,733 crore (2018-19).

This fiscal year, due to the lockdown, the exports in the ODOP category dropped to Rs 65,982 crore (estimated). In this period, food products, however, recorded an increase of 36 per cent jump as compared to last year and were pegged at Rs 4909 crore as compared to Rs 3620 crore in 2018-19.

According to the Uttar Pradesh Export Promotion Council, the products that constituted the highest share in the exports from the state in 2019-20 were electrical machinery and equipment, nearly 20 per cent of the total exports. The other products that constituted a substantial chunk in the export was meat and edible meat offal – at 11 per cent — followed by apparel and clothing accessories – 9 per cent of the total export — in 2019-20.

Among the top 10 export destination for products from Uttar Pradesh, the USA tops the list. Goods worth Rs 20,257 crore were exported to the USA in 2019-20, an increase of 5 per cent from 2018-19.

The UAE was second. Goods worth Rs 14,979 were exported to the middle east country in 2019-20 – an increase of 25 per cent.

Nepal and the United Kingdom take the third and fourth spots, respectively.

Source: indianexpress.com– Sep 07, 2020

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Umbrella PLI scheme proposed to replace MEIS, promote domestic manufacturing

The government proposes to introduce an umbrella production-linked incentive (PLI) scheme with an allocation of about Rs 40,000 crore to replace the existing Merchandise Exports India Scheme (MEIS) scheme introduced in April 2015 to promote manufacturing and exports of specified goods from India.

Government sources said that a high-level meeting chaired by the Cabinet Secretary is taking place on Wednesday to discuss measures to promote domestic manufacturing, undertake import substitution and thrash out details of a universally applicable production-linked incentive (PLI) and phased manufacturing programme (PMP) scheme.

Unlike the existing PLI schemes introduced by the Ministry of Electronics and IT for mobile phone manufacturing and the Ministry of Chemicals and Fertilisers for promoting bulk drug and medical device parks, the one being proposed now would be an umbrella scheme that could be adopted by any ministry that comes up with viable plan on import substitution and promotion of domestic manufacturing.

The government proposes to fund the new scheme with an initial allocation of Rs 40,000 crore in the current year with allocation rising by about 10 per cent every year depending on the need. Like the existing PLI schemes, the umbrella scheme would also be operational for a period of five years. The allocation from the scheme would from what was required under MEIS.

Sources said that the government proposes to expand the scope of PLI to cover nine or 10 more sectors including air conditioners and TV sets, leather, chemicals, furniture, tyres, toys, solar cells, auto components, capital goods, textile and food processing.

Apart from PLI, a phased manufacturing programme (PMP) will also be launched especially in areas of import substitution and where some domestic manufacturing capability exists. This would cover some electronics items, surgical instruments, sports equipment, optical and photographic instruments, and power equipment.

Under PMP, the government will look at providing duty protection to the sector for some time so that manufacturing could be established. A plan for duty increase is being looked for solar modules and cells so as to promote the domestic industry.

The high-level meeting of Group of Secretaries is expected to be attended by Secretaries of Ministries of Textile, Chemicals and Fertilisers, Commerce, DPIIT, Telecom, IT, Heavy Industries, MSME, Finance, the NITI Aayog CEO and others having linkages with India's exports.

The government is phasing out MEIS by December this year as it did not yield the desired result. Even with liberal application of scheme across sectors, the exports remained nearly stagnant.

The liability under MEIS ballooned to from Rs 20,000 crore to about Rs 45,000 crore in 19-20, reaching an unsustainable level. However, during the period, the country's exports remained range-bound. In 2014-15, Indian exports were $310 billion and in 2019-20, the export figure was $313 billion. So, the Finance Ministry has restricted MEIS benefits to just Rs 9,000 crore in FY21 and plans to use the savings for the sector focused PLI scheme, sources said.

Source: zeebiz.com– Sep 06, 2020

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Across the Aisle: The worst affected economy

Finally, the fake narrative that was peddled by the government through 2019-20, and even thereafter, has been exploded by the Central Statistics Office (CSO).

Those are indeed harsh words in a column but the realities are harsher, the disdain of an uncaring government is so provocative, and the suffering of the people is so enormous that one is compelled to use harsh words. The intention is not to cause offence but to sound a loud wake-up call to those who are in power and those who support those in power.

The provisional estimates of GDP for the quarter April-June 2020 (Q1 of 2020-21), released by the CSO, tell us a grim tale. GDP in the first quarter has declined by a whopping 23.9%. That means, about one quarter of the gross domestic output as on June 30, 2019, has been wiped out in the last 12 months. Note that when output is lost, the jobs that produce that output are lost, the income that those jobs provide are lost, and the families that depend on those incomes suffer.

According to estimates made by the CMIE, between the economic slowdown and the pandemic, at its peak, 121 million jobs were lost. These included regular salaried jobs, casual jobs, and self-employment. If you wish to do a reality check, just look around or ask questions of other households in your street or neighbourhood.

At 23.9%, India is the worst affected major economy (among the G-20) in the period April-June, 2020 (source: IMF).

Don’t blame God

The only sector that has grown is Agriculture, Forestry and Fishing at 3.4%. The Finance Minister who blamed an ‘Act of God’ for the decline should actually be grateful to the farmers and the gods who blessed the farmers. Every other sector of the economy has declined sharply, some precipitously. Manufacturing is down 39.3 %; Construction by 50.3 %; and Trade, Hotels, Transport and Communications by 47.0 %.

The estimates did not come as a surprise to any one who has closely observed the Indian economy. What we have is an economic tragedy. It was foretold by many economists, most recently by the RBI in its Annual Report released last week. Look at the salient conclusions of the RBI:

- High frequency indicators that have arrived so far point to retrenchment in activity that is unprecedented in history;
- the total stimulus package(liquidity and fiscal measures) for G20 countries averaged 12.1 % of GDP (5.1 % of GDP for EMEs and 19.8 % of GDP for AEs). India’s fiscal stimulus was about 1.7 %;
- the shock to consumption is severe, and it will take quite some time to mend and regain the pre-Covid-19 momentum; and
- a majority of respondents (in an RBI survey) reported pessimism relating to the general economic situation, employment, inflation and income.

Slide predates pandemic

The Indian situation is different from other countries' because our economic slide started long before the first case of Covid-19 was identified. Our slide started with demonetisation.

For eight successive quarters in 2018-19 and 2019-20, GDP growth declined every quarter, from a high of 8.2 % to a low of 3.1 %. This point was made a zillion times, but the government pretended that India was the 'fastest growing economy in the world'! And in a barren desert without any sign of water, the Finance Minister and the Chief Economic Adviser saw green shoots!

We are still in a dark tunnel. Many economists believe that we can find our way out of it, even at this stage, if the government took the fiscal measures necessary to arrest the slide, boost demand/consumption, and, consequently, revive production and jobs.

The key is expenditure — government and private consumption expenditure. It does not matter how much is spent under which head as long the money is found and spent.

The government can find the money from many sources — disinvestment, more borrowing by relaxing the limits under the FRBM Act; using the generous funds to fight the pandemic promised by the IMF, World Bank Group, ADB and others ($6.5 billion); and, as a last resort, monetising part of the deficit.

Three bold moves

Part of the money must be transferred in cash to the poor; part should be used for government capital expenditure in infrastructure; part used to bridge the GST compensation gap; and part used for re-capitalising banks and enabling them to lend. Once there is an indication of revival of demand, private corporates, that are cash-rich and have de-leveraged, will invest and produce.

The next bold move should be to use the mountain of food grain to put food in the homes of poor families and to pay wages-in-kind to start massive public works. The godowns will be full again soon thanks to the record-breaking harvest expected this year.

The third big move will be to

decentralise powers to the states and empower them financially. The Centre should abandon its ill-timed attempt to interfere with agricultural produce marketing, regulate supply of essential commodities, and control district central and urban cooperative banks. One Nation, One Everything is a very bad idea.

My proposals do not factor two unknowns — the course of the pandemic and the intentions of China — because, as I write, they remain unknowns.

Source: financialexpress.com– Sep 03, 2020

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DPIIT starts exercise for states/UTs ease of doing business ranking for next year

The Department for Promotion of Industry and Internal Trade (DPIIT) has started the exercise for the ranking of states and Union Territories in terms of ease of doing business for the next year, a top government official said.

DPIIT Secretary Guruprasad Mohapatra said that the ease of doing business ranking of states and UTs for next year would be released by March 2021. "We have started the exercise already. We have communicated the Business Reform Action Plan (BRAP) for next year with the states/UTs, which they have to implement," he told PTI.

Last year, the department had identified 181 reform points and for 2021, it has shared 301 such points with the states and UTs. The ranking is based on the implementation of BRAP and feedback received. It started in 2015. The action plan cover 12 business regulatory areas such as access to information, single window system, labour, and environment.

So far, rankings have been released for 2015, 2016, 2017-18 and 2019. The exercise is aimed at promoting competition among states with a view to improving the business climate to attract domestic as well as foreign investments. To help laggard states improve the ranking, Mohapatra said that "for next year, we have sent the reform agenda and we plan to engage with them in select groups, region wise. We will hold several rounds of meetings with them".

In the 2019 rankings, released by the DPIIT on September 5, Andhra Pradesh for the third time in a row has topped the chart . Registering a jump of 10 places in the rankings, Uttar Pradesh occupied the second position in 2019 as against 12th in 2018.

Telangana slipped to the third position from second in 2018. Among the laggard states and UTs in the ranking, Bihar was at 26th, Kerala 28th place, Manipur (31), Meghalaya (32), Nagaland (33), odisha (34), Sikkim (35) and Tripura (36).

As part of the economic package, the Centre on May 17 raised the borrowing limit of states from 3 per cent of gross state domestic product (GSDP) to 5 per cent in 2020-21, which will make available an additional Rs 4.28 lakh crore.
However, part of the increased borrowing limit would be linked to specific reforms — universalisation of One Nation-One Ration Card, ease of doing business, power distribution and urban local body revenues.

The secretary said that this “shows the commitment of the central government that reforms are the only way to every activity”. “We are going much beyond the World Bank’s rankings. Reducing compliance burden is the major exercise we are doing now,” he added.

Source: financialexpress.com– Sep 06, 2020

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Overseas clients not making payments, garment exporters in Noida stare at ₹250cr loss

The garment and apparel exporters in Gautam Budh Nagar district are not a happy lot in the wake of the Covid-19 outbreak. Not only have their production and orders gone down by over 40%, but a number of their client companies overseas have also filed for bankruptcy, thereby putting at risk the payment of collective outstanding dues of over ₹250 crore.

Lalit Thukral, chairman (northern region) of the apparel Export Promotion Council (AEPC), said after the outbreak of Covid19, around 600 garment export units have been closed and the units in Noida suffered a collective loss of over ₹3,000 crore.

"The pandemic was sudden and the industry was caught unawares. Orders had already been shipped to overseas buyers and, instead of accepting them, the buyers are bargaining with Indian exporters saying since their companies have been declared bankrupt, there is no legal obligation on them to make payments. They are now asking the Indian exporters to either take the shipments back or sell to them at half the price," he said.

He further said loopholes in India's export policy are being exploited by overseas buyers. "In countries such as Bangladesh and China, no item is allowed to be exported unless full advance or letter of credit (LC) is given by the buyers.

But in India, the government has not yet made any policy to safeguard exporters. Although the government had set up the Export Credit and Guarantee Corporation of India (ECGC), to mitigate the risk of non-payment to exporters, a majority of exporters remains uncovered by ECGC insurance," Thukral said.

He said at present, ECGC offers a package for banks at 0.07% of the credit amount, for packing credit taken by an exporter. "This can only protect the banks in case the exporter files for bankruptcy. The ECGC needs to design a similar policy for micro, small and medium enterprises (MSME) to protect exporters in case of non-payments," he said.

Apparel exporter Manoj Sahu said ECGC is currently providing coverage to exporters only post-shipment. There there is no safeguard in case a buyer defaults after the exporter has purchased the material. "Coverage must be extended to pre-shipment as well. The apparel exporters are working on single digit margins. A single buyer defaulting would result in years of work disappearing overnight. The ECGC should also increase its insurance cap to 90%, instead of the prevailing 80%, of total outstanding. The time has come to overhaul our export policy," he said.

The AEPC all-India chairman A Sakthivel, on September 2, had also written to secretaries of ministry of textiles and ministry of commerce, regarding non-realisation of export proceeds due to buyers declaring bankruptcy and cancellation of export orders. "This has led to a major concern, where our exporters have already claimed for duty drawback and rebate of state and central taxes and levies (RoSCTL), for the shipped goods. It has been ascertained that if the buyer does not pay for the shipped goods, exporters would have to refund/return the drawback and RoSCTL with interest," the letter states.

The AEPC's letter further said that it is a double blow for its member exporters, whose goods have been shipped after they have paid all the taxes.

A senior official of the ministry of commerce said they have received the letter. "We are working on it. We hope to bring out some mechanism very soon, which can save the exporters from this adverse situation," he said, on condition of anonymity.

Source: hindustantimes.com– Sep 05, 2020

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Coronavirus crisis is shattering India's big and bright dreams

India — The hit that India's dreams have taken from the coronavirus pandemic can be found in the hushed streets of Surat's industrial zone. You can see it in textile mills that took generations to build but are now sputtering, eking out about one-tenth of the fabric they used to make.

You can see it in the lean faces of the families who used to sew the finishing touches on saris but, with so little business, are now cutting back on vegetables and milk. You can see it in the empty barbershops and mobile phone stores, which shoppers have deserted as their meager savings dwindle to nothing.

Ashish Gujarati, the head of a textile association in this commercial hub on India's west coast, stood in front of a deserted factory with a shellshocked look on his face and pointed up the road. "You see that smokestack?" he asked. "There used to be smoke coming out of it."

Not so long ago, India's future looked entirely different. It boasted a sizzling economy that was lifting millions out of poverty, building modern megacities and amassing serious geopolitical firepower.

It aimed to give its people a middle-class lifestyle, update its woefully vintage military and become a regional political and economic superpower that could someday rival China, Asia's biggest success story.

But the economic devastation in Surat and across the country is imperiling many of India's aspirations. The Indian economy has shrunk faster than any other major nation. As many as 200 million people could slip back into poverty, according to some estimates. Many of its normally vibrant streets are empty, with people too frightened of the outbreak to venture far.

Much of this damage was caused by the coronavirus lockdown imposed by India's prime minister, Narendra Modi, which experts now say was at turns both too tight and too porous, both hurting the economy and spreading the virus. India now has the fastest growing coronavirus crisis, with more than 80,000 new infections reported each day.

A sense of malaise is creeping over the nation. Its economic growth was slowing even before the pandemic. Social divisions are widening. Anti-Muslim feelings are on the rise, partly because of a malicious social media campaign that falsely blamed Muslims for spreading the virus. China is increasingly muscling into Indian territory.

Scholars use many of the same words when contemplating India today: Lost. Listless. Wounded. Rudderless. Unjust.

"The engine has been smashed," said Arundhati Roy, one of India's preeminent writers. "The ability to survive has been smashed. And the pieces are all up in the air. You don't know where they are going to fall or how they are going to fall."

In a recent episode of his weekly radio show, Modi acknowledged that India was "fighting on many fronts." He urged Indians to maintain social distancing, wear masks and keep "hale and hearty."

India still has strengths. It has a huge, young workforce and oodles of tech geniuses. It represents a possible alternative to China at a time when the United States and much of the rest of the world is realigning itself away from Beijing.

But its stature in the world is slipping. Last quarter the Indian economy shrank by 24%, while China's is growing again. Economists say India risks losing its place as the world's fifth largest economy, behind the U.S., China, Japan and Germany.

"This is probably the worst situation India has been in since independence," said Jayati Ghosh, a development economist at Jawaharlal Nehru

University in New Delhi. “People have no money. Investors aren’t going to invest if there is no market. And the costs have gone up for most production.”

Many neighborhoods in the capital of New Delhi where low-paid workers used to live are deserted, shell-like, a hot wind blowing through empty, tin-walled shacks. A few years ago, when the economy was expanding at a 9% clip, it was difficult to find a place to rent.

Quarter by quarter, India’s economic growth rate has been dropping, from 8% in 2016 to 4% right before the pandemic. Four percent would be respectable for a developed country like the U.S. But in India, that level is no match for the millions of young people streaming into the workforce each year, hungry for their first job.

Many of the complaints that investors make about India — the cumbersome land policies, the restrictive labor laws, the red tape — predate Modi. But his confidence and absolutism, the same qualities that appealed to many voters, may have added to the problems.

Four years ago he suddenly wiped out nearly 90% of India’s paper currency to tamp down corruption and encourage digital payments. While economists cheered both goals, they say the way Modi sprang this move on India did long-lasting damage to the economy.

That impulsiveness emerged again when the coronavirus struck. On March 24, at 8 p.m., after ordering all Indians to stay indoors, Modi shut down the economy — offices, factories, roads, trains, borders between states, just about everything — with four hours’ notice.

Tens of millions of Indians lost their jobs instantly. Many worked in factories or on construction sites or in urban homes, but they were migrants from rural India.

Fearing they would starve to death in city slums, millions poured out of the urban centers and walked, rode bicycles or hitched desperate rides back to their villages, an epic reverse migration from city to countryside that India had never seen. That dragged coronavirus into every corner of this country of 1.3 billion people.

Now, looking back on it, many economists trace the root of India's interlocking crises — spiraling infections and a devastated economy — to this moment.

"India's embarrassing slowdown in the second quarter of 2020 is almost entirely because of the nature of the lockdown," said Kaushik Basu, a former chief economist at the World Bank and now a professor at Cornell. "This may have been worth it if it arrested the pandemic. It did not."

He called the approach "lockdown-and-scatter" and said Modi's policies had been a "failure."

Some workers have trickled back to the cities. But the construction and manufacturing industries have contracted sharply because many migrant laborers remain so traumatized, they don't want to ever go back.

"We went hungry for days," said Mohammad Chand, who once worked in a garment factory near Delhi but fled to his ancestral village, hundreds of miles away. "I had to shunt from place to place after being thrown out by the landlord. Even relatives started showing us the door."

"I don't want to be in that situation again," he said.

In Surat's textile market, Jagdish Goyal sat scowling in his deserted shop with piles of women's suits in teals and oranges, priced for the working poor, now stacked to the ceiling.

"Nobody's buying," he said. "Why? Because there are no social functions. No weddings to dress up for. No places to go. No big birthday parties. People are scared to go out."

Fear of catching the virus seems to be a decisive factor in India's economic crisis, extending beyond the lockdown. Going out to shop means risking illness in a time when sick people are sometimes turned away from hospitals.

According to a recent Google Mobility Report, which tracks cellphone data, trips to retail and recreation areas have dropped by 39% compared with before the pandemic. In Brazil and the U.S., the only countries with more coronavirus infections, the drops were less than half as severe.

Modi’s government has provided some emergency relief, around $260 billion, but economists said too little flowed to the poor. Tax revenues have plummeted, some states are unable to pay health care workers and government debt is approaching its highest level in 40 years.

Still, Modi’s popularity keeps rising. A recent poll published in India Today, a leading newsmagazine, showed his approval rating at 78%, the highest in five years.

Part of this can be explained by the competition’s collapse. The biggest opposition party, the Indian National Congress, has been hit by defections, back-stabbing and a never-ending existential crisis on who should lead it. And Modi’s embrace of Hindu nationalism plays well within the Hindu majority, about four-fifths of the population.“His protection of Hindu values is a big reason why I support him,” said Goyal, the seller of ladies’ suits. “If our self-respect isn’t alive, what good is the economy?”

A few parts of the economy are doing OK. Agriculture has been lifted by strong monsoon rains. In some cities, like New Delhi, many businesses are open again, though they might have new signs on the doors that say: “No more than 3 People Inside” or “Flat 40 Percent Off!”

But the virus and the economy are intertwined, and India’s virus graph is a steady staircase, going up. India is also No. 3 in virus deaths, though its per capita death rate is much lower.

Anxiety hangs in the humid air of Surat’s textile zone. “No one comes for a shave anymore,” lamented Akshay Sen, a young barber with a few coins in his pocket.

His words echoed off the shuttered shops. Behind him stood a bunch of men milling around a tea stand but not buying any tea.

Behind all that, like a warning sign on the horizon, stood yet another tall brick smokestack, smokeless.

Source: economictimes.com – Sep 05, 2020

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Centre's stance on GST compensation to states is untenable, legally and morally

The relation between the Centre and the states has reached its nadir with the controversy over the GST compensation payment. The shortfall in GST revenues in 2020-21 from the protected level will be of the order of Rs 3 lakh crore. The collection from the compensation cess from which this shortfall is to be paid, will be only Rs 70,000 crore. So, how to fill the gap of 2.3 lakh crore?

The only recourse is to temporarily borrow this amount and recoup it by extending the period of the cess collection from the stipulated five years to a longer period. This indeed was the solution that was put forward by none other than the former Finance Minister Arun Jaitley when such a contingency came up for discussion in the GST Council.

However, the Union government today is unwilling to borrow the necessary amount and make it available to the cess fund. They are afraid that such a large borrowing will push up the interest rate. It is strange that this should be the reaction of the Centre which has proposed a Rs 21 lakh crore stimulus package, mostly relying on bank credit.

If one is seriously worried, then the solution will be to monetise the debt. That's what governments all over the world are doing. That is what even C Rangarajan, the former RBI governor who put an end to the age old practice of monetising the debt, finds acceptable in the present situation. But the Centre will have none of it. They will shift their argument to the ballooning fiscal deficit. Surely, the deficit will go up even if the states are doing the borrowing.

It is much more convenient for the Centre to borrow to meet the shortfall in the cess fund. The cost of borrowing by states would be higher by 1-2 percentage points. The states' fiscal deficit ceiling would have to be raised. And further, since the compensation requirements of the states differ so widely, the permissible increase in fiscal deficit ceiling of each state would have to be separately fixed.

Apart from above reasons, it is the moral responsibility of the Centre to provide resources to the fund. When there was surplus in the cess fund, as was the case in the first two years, the surplus funds were deposited in the Consolidated Fund of India. Even the undistributed portion of IGST, which at times was over Rs 1 lakh crore was deposited in the public account of Government of India. Symmetry demands that when the cess fund is in deficit and requires temporary accommodation, the Government of India should support it.

This, I would say, was the spirit of the initial discussions spread over five hours in the last special meeting of the GST Council. Then all of a sudden, at the fag-end of the meeting, the Centre came up with an out-of-the-hat argument, never heard before.

The constitutional provision is for compensating for the loss of revenue in the course of “implementation of GST”. The loss in revenue as a result of COVID-19 is not a shortfall arising out of the “implementation of GST”. It is an act of god. The Indian government has the dubious distinction of invoking the principle of force majeure to avoid payment due to its constituent states.

The whole argument is legally untenable. How the loss due to the “implementation of GST” is to be calculated is clearly laid down in Section 7 of the Compensation Law on “Calculation and Release of Compensation”. It is the difference between the protected revenue and the actual collection, to be paid every two months. It makes no distinction between acts of gods, humans or nature.

The stance of the Centre is a body blow to public trust, which is essential for any federal system to work smoothly. It is unilateral and a brazen abrogation of the solemn promise made to the states when they surrendered more than 70 per cent of their tax domain. The payment of full compensation is a constitutional right of the states and there can be no compromise on this principle. This is the position taken by all the non-BJP states today.

Non-payment of full compensation will force the states to cut their expenditure because their budgets were prepared after factoring in a 14 per cent growth in GST. The states are not demanding accommodation for increasing the expenditure, but for maintaining it at the budgeted level.

States account for 60 per cent of total government expenditure in India. On the one hand, the claim of the Centre is that it is trying to stimulate the economy by increasing the government expenditure and on the other hand, it is forcing the states to cut expenditure. It is surely going to aggravate the economic crisis.

The data for the first quarter for the current fiscal year shows that the global average contraction of 60 countries, for whom data is available, is only around 12 per cent, while the contraction in India has been 24 per cent.

The major reason for the miserable performance of the Indian economy, after the fiasco of demonetisation and the manner in which lockdown was implemented, has been the weakness of its stimulus package.

The real stimulus is only around one per cent of the GDP. The total consumption demand in the economy has fallen by 27 per cent. A reduction in the expenditure of the states will further undermine aggregate demand and the recovery.

The stand of Indian government is devoid of any macro-economic logic. It is not a contra-cyclical, but a pro-cyclical stance. And it is untenable, legally and morally.

Source: indianexpress.com– Sep 07, 2020

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Kerala mill workers protest as textile units remain shut

While factories across the country have resumed operations after lockdown restrictions eased, 23 textile mills under the National Textile Corporation (NTC) — an entity under the Union Textile Ministry — are yet to resume operations.

All 23 mills, employing around 15,000 workers in various states, had suspended operations on March 24 — a day before the nationwide lockdown was declared.

Around 3,000 workers employed in five mills located in Kerala have gone on protest, demanding the reopening of all mills. The joint action council for the agitation has been formed by the Congress-affiliated Indian National Trade Union Congress (INTUC) and CPI (M)'s Centre of Indian Trade Unions (CITU), with the RSS's trade union wing Bharatiya Mazdoor Sangh (BMS) also giving support.

An NTC southern region senior official, who did not want to be named, said the corporation has not got any direction from the Textile Ministry regarding the reopening of the mills, which produce yarn. The demand for yarn is yet to pick, the official said.

However, Kerala State Mill Workers Federation general secretary and state CITU treasurer P Nandakumar claimed that there is no ground in the argument that the market is sluggish.

"All mills under the Kerala State Textile Corporation and those under co-operative sector have reopened in May. These mills readily find a market for yarn. The private textile sector is in full swing as demand for textile products in health care has gone up during pandemic days," Nandakumar said.

He claimed workers at the five Kerala mills have been paid only part of their salary. "We fear that the Union government may privatise the mills after creating a crisis by not reopening the units. All five units in Kerala have been recently modernised," he said.

Source: indianexpress.com– Sep 06, 2020

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Steady surge in cargo handling at JNPT

Jawaharlal Nehru Port Trust (JNPT), India's premier container port continued its steady surge in cargo handling with the easing of lockdown restrictions and pick up in the domestic economic activity. This progress indicates early signs of recovery which is very significant during the ongoing pandemic which has affected business across India. Despite the various challenges faced, JNPT handled a noteworthy 1,643,784 TEUs and 694 vessels in the lockdown period till 31st August 2020.

After facing a drop of over 35% in cargo handling in the initial lockdown period, slowly the decline has come down to 16.61% in August as compared to August 2019 and the Port is trying to reach its pre Covid performance levels and the numbers reaffirms that JNPT will maintain this growth trajectory. From the start, JNPT took a host of measures for the stakeholders, port employees, shipping lines, and the local community.

These timely measures have helped the port in improving its numbers month on month and. JN Port registered a throughput of 3,52,735 TEUs in container handling in Aug 2020 as against 3,44,316 TEUs handled in July 2020. The overall traffic handled at JNPT during the month of August-2020 was 4.74 million tons as against 5.68 million tons in Aug-2019.

Shri Sanjay Sethi, IAS, Chairman, JNPT said, “Ports are an important link in the logistic chain and JNPort has efficiently played this role during the last couple of months and after facing steep contraction, is now on the road to recovery.

At JNPT, we have taken various steps to keep the Port Ecosystem functional and for smooth working of the Logistic Supply Chain during the Covid-19 pandemic crisis, which has helped our cause. Also by converting JNPT Hospital as Dedicated Covid Health Care Centre, we are trying to do our best in helping the local community to come out of this crisis”.

The premier container port is expected to drive the next phase of transformation and further looks to strengthen its position, achieve the goals and remain in the position of a leading port in the coming years.

Source: maritimegateway.com– Sep 07, 2020

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