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INTERNATIONAL NEWS

Customs Says Hong Kong-Originating Goods Must Now Be Labeled Made in China

As part of President Trump's order to end any preferential treatment for Hong Kong, the rules of origin for goods made in the region are changing.

In a Federal Register notice published Tuesday morning, U.S. Customs and Border Protection said instead of "Hong Kong" origin markings, all goods produced in the region must now be marked "Made in China."

There's no indication yet as to whether these goods will now be subject to some of the same Section 301 tariffs that have impacted other Made in China goods.

"Given the commercial realities, affected parties may need a transition period to implement marking consistent with the position announced in this notice," the Federal Register noted.

"Therefore, this document notifies the public that, unless excepted from marking, goods produced in Hong Kong, which are entered or withdrawn from warehouse for consumption into the United States after September 25, 2020, must be marked to indicate that their origin is 'China.'"

The change comes as a result of Trump's July 14 executive order on Hong Kong's normalization. As part of the order, the president said Hong Kong "is no longer sufficiently autonomous to justify differential treatment in relation to the People's Republic of China."

Trump has been battling China on several fronts over what he deems its unfair practices, and this was the latest strike in that fight.

The president's play follows China's new national security law passed at the end of June, which many say effectively buries the "One country, two systems" principle of governing Hong Kong.

That principle was what afforded the former British colony much of its autonomy. Now, the mainland has more authority to impose order in Hong Kong as it sees fit. As such, President Trump's crackdown on Hong Kong is really a crackdown on China.

Because many wealthy Chinese nationals and influential players tap into Hong Kong's preferential treatments with the U.S. to ease business and benefit from things like duty breaks or less regulated banking, pulling the plug on those privileges deals China another blow, further hampering any trade benefits or access.

Addressing the lack of clarity over the now new potential for tariffs on Hong Kong-originating goods, as well as anti-dumping or countervailing duties assessed on goods made in China, Harold M. Grunfeld, partner at GDLSK trade law firm, said, "We are hopeful that the administration will clarify these issues in the very near future so as to avoid additional commercial disruption."

Source: sourcingjournal.com– Aug 11, 2020

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2020 US Cargo Imports Will Reach 4-Year Low Due to Covid: NRF

Imports at major U.S. retail container ports during 2020 will hit their lowest total in four years due to the impact of the COVID-19 pandemic, according to the latest Global Port Tracker report released by the National Retail Federation (NRF) and consulting firm Hackett Associates.

U.S. ports covered by Global Port Tracker are anticipated to handle a total of 19.6 million Twenty-Foot Equivalent Units (TEUs) in 2020, a drop of 9.4 percent from last year and the lowest annual total since the 19.1 million TEU handled in 2016.

Cargo imports throughout 2019 totaled 21.6 million TEU, a 0.8 percent decrease from 2018 amid the trade war with China, but still the second-highest year on record.

A TEU is one 20-foot-long cargo container or its equivalent.

The ports handled 1.61 million TEUs in June, up 4.9 percent from May but down 10.5 percent year-over-year. May's numbers saw a drop of 17.2 percent year-over-year, but as stores reopened across the U.S., June's imports were able to get a boost on a month-over-month basis. The first half of 2020 totaled 9.5 million TEU, down 10.1 percent from last year.

"The economy is recovering but retailers are being careful not to import more than they can sell," said Jonathan Gold, vice president for supply chain and customs policy at NRF. "Shelves will be stocked, but this is not the year to be left with warehouses full of unsold merchandise. The more Congress does to put spending money in consumers' pockets and provide businesses with liquidity, the sooner we can get back to normal."

Cargo imports for July are estimated at 1.76 million TEU, down 10.2 percent year-over-year, while the Port Tracker anticipates August will see a relative improvement over July at 1.81 million TEU, down 7.3 percent. The numbers are expected to decline again at 9.5 percent in September to 1.69 million TEU, before bottoming out in October with a 10.4 percent decline to 1.69 million TEU.

According to the Port Tracker, August is expected to be the busiest month of the July to October "peak season" when retailers rush to bring in merchandise for the winter holidays. But with retailers ordering less merchandise, the month's total would be the lowest peak for the season since 1.73 million TEU in 2016 and falls far short of the 1.96 million TEU peak in 2019. Peak season usually includes the busiest month of the entire year, but this year that was likely January's 1.82 million TEU, when the pandemic had yet to hit the U.S. and the coronavirus was just beginning to spread in China.

"This year, peak season seems to have been thrown off by the coronavirus pandemic along with just about everything else we consider normal," Hackett Associates Founder Ben Hackett said. "We've probably already had our busiest month. And with the pandemic taking a hit on the economy ever since then, peak season is likely to be a disappointment by comparison."

In November, imports will have their softest decline in the second half at 1.59 million TEU, down 5.8 percent, before December sees a further dip of 9.6 percent to 1.56 million TEU.

Global Port Tracker provides historical data and forecasts for the U.S. ports of Los Angeles-Long Beach and Oakland, Calif.; Seattle and Tacoma, Wash.; New York-New Jersey, Port of Virginia; Charleston, S.C.; Savannah, Ga.; Port Everglades, Miami and Jacksonville, Fla., and Houston.

Source: sourcingjournal.com– Aug 11, 2020

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China regains top position as textile and apparel exports to the US rebound

With most people returning to work, the demand for textile and apparel in the US turned positive for the first time in the month of July. Latest data from CCF Group shows, import of textile and apparels by the US increased by 31.1 per cent in July though it declined by 18.8 per cent on a year-on-year basis.

Of the total textile and apparel imports, the volume of imports from China increased 37.1 per cent even though it declined by 13.9 per cent on a year-on-year basis. For January-June period, the cumulative textile and apparel imports by US declined 19.9 per cent to 26.86 billion sq. mt. Of this, the volume of imports from China declined 26.8 per cent to 10.83 per cent year-on-year.

Value of imports up 38.9 per cent…

The value of US textile and apparel imports in June increased 38.9 per cent month-on-month. However, this value declined by 37.5 per cent year-on-year to reach $5.7 billion. The value of imports from China increased by 40.7 per cent month-on-month but declined by 40.2 per cent year-on-year to reach $1.9 billion.

During the January-June period declined the total textile and apparel imports by the US declined by 27.9 per cent year-on-year to 38.63 billion sq. mt. From this, volume of imports from China declined by 43.1 per cent to 9.6 billion square meters.

By value, US apparel imports value in Jun declined by 42.8 per cent year-on-year to $3.97 billion, but these imports increased by 49.3 per cent month-on-month basis in June. Imports from China declined by 48.4 per cent on a year-on-year basis but increased by 59.7 per cent month-on-month to reach $1.16 billion.

During the Jan-June period, cumulative US textile and apparel imports declined by 27.9 per cent year-on-year to 27.89 billion sq. mt. The volume of imports from China also declined 49 per cent year-on-year to 5.77 billion sq. mt.

...but import volume down 34.3 per cent

Though the volume of US' textile and apparel imports shrank by 34.3 per cent year-on-year it increased by 57.8 percent month-on-month in June. The volume of textiles and garments imported from China declined by 32.5 per cent year-on-year, but increased by 65.4 cent to 0.65 billion sq. mt.

During the cumulative period of January-June, textile and apparel imports by the US declined by 27.9 per cent year-on-year to 9.67 billion sq. mt. The volume of imports from China declined 38.3 per cent to 3.06 billion sq. mt.

These statistics prove that despite the clarion call to ban imports from China, US fashion companies continue to look at the country as an important apparel sourcing base. Though these companies imported more apparels from Vietnam from February-April 2020, China quickly regained its position as top apparel supplier to the US.

Source: fashionatingworld.com– Aug 11, 2020

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Sourcing: How the pandemic is affecting global fashion supply chains

The Corona pandemic has hit the apparel industry's global supply chains hard. How are they recovering? What changes will the pandemic bring? Clothing manufacturers, sourcing platforms and buyers talk about their expectations for the future and whether they believe in the nearshoring trend.

Cancellations: premium manufacturers profit

In mid-March, when the lockdown was in full swing in Europe, Gerhard Flatz was able to reopen his textile factory KTC in southern China already. At KTC, which employs about 1,500 people, he produces highly technical clothing collections for international sports brands such as Mountain Force, Mammut, Helly Hansen or Rapha.

The Corona crisis affected China first, as is well known, and hit KTC exactly at a time when the factory was taking two weeks off for the New Year in January.

Managing director Gerhard Flatz was in Europe at the time and had to remotely organise the factory's forced closure. Returning was no longer possible. The factory was closed for four weeks altogether. In compliance with numerous hygiene requirements, it has been running normally since March. Did orders get cancelled? "There were cancellations, but only sporadic ones, especially with duplicate sizes. Warehoused goods have no chance in retail at the moment," says Gerhard Flatz. The premium strategy of his company pays off, says the native Austrian. "We make brand-shaping pieces, products that brands cannot do without."

Pandemic increases emigration from China

Not all garment factories in China are doing so well. "With the sharp drop in international orders, most Chinese apparel exporting companies have seen a significant decline in their workload, some companies have to reduce working hours, and some small and micro export companies are under enormous pressure to survive," said Chen Dapeng, executive vice president of the China National Garment Association, at the beginning of June. Although recent reports from China report an unexpectedly rapid recovery, it does not change the fact that the Chinese garment industry continues to shrink.

"From a manufacturer's perspective, the Chinese apparel production has been declining in recent years; the pandemic only accelerated an ongoing trend," says Edwin Keh, CEO of the Hong Kong Research Institute of Textiles and Apparel. The demographic development in China, rising labour costs and, not least, trade tensions and tariffs between the USA and China have been driving production into neighbouring countries. The pandemic had once again confirmed "that labour-intensive production is difficult and not desirable for China," says Keh.

Profiteers: North Africa, Turkey, Eastern Europe

The early lockdown in China further fuelled migration. "After the lockdown in China, a hectic search for alternatives in other countries started," explains Jonas Wand, CEO of digital sourcing platform Foursource. Within a very short time, new partnerships had to be forged and finally broken again because the crisis reached there too. Manufacturers in India or Bangladesh may benefit but their situation is difficult. Lockdowns, the exodus of rural workers and the poor payment morale of foreign clients is forcing many businesses into bankruptcy.

According to data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), a total of 1,150 garment factories in the country had to cancel or suspend orders worth 3.18 billion US dollars. Many factories will not survive. The result: „In Turkey and northern Africa, capacities are filling up and the USA is looking towards, Mexico" explains Godecke Wessel, co-CEO of Foursource. Is production moving closer to consumer markets again? "China still accounts for 40 percent of world production, which means enormous capacities. One can't imagine them to be quickly dismantled or relocated. But more nearshoring for fast trends is definitely conceivable, for example from North Africa, Eastern Europe or Turkey," says Wessel.

Difficulties with supplies could continue into 2021

The chaotic supply chain situation continues. With a staggered coronavirus outbreak in different countries, factories have been closed at different times or had to scale down their production.

In the meantime, everything is running relatively smoothly again in China, observes Miriam Anlauf, buying director for women's items and boutique clothes at German fashion retailer Peek & Cloppenburg Düsseldorf, which has more than 500 brands in its product range, including own brands.

In many sourcing countries, it still happens that goods are available but shipping does not take place, for example because port employees are not available, said Anlauf. "Then certain ports were not even sailed into. There are so-called 'black sailings' where goods were ready but never picked up at all. There will certainly be delays for the next six to eight months because factories in some countries are still working only partially and with a reduced workforce."

The P&C buyer is also responsible for the buying and strategy of own brands Christian Berg, Review and Montego together with the collection managers. Peek & Cloppenburg purchases the textiles for own brands currently from China, Bangladesh and Turkey, with shares varying by season.

"For the coming season SS21, we are currently checking where to place which orders, so that we can get at least some of the goods in case there is another lockdown or the number of cases in individual countries increases," says Anlauf. "We are counting on different countries."

Is nearshoring becoming a trend?

What will be the long-term effects of this shift? Edwin Keh from Hong Kong Research Institute of Textiles and Apparel does not believe in long-term nearshoring solutions. "For western brands and customers, the short-term response is to think of onshoring or nearshoring solutions. But in reality, this requires considerable investments.

The desire for speed, transparency and agility while simultaneously reducing costs and inventory risks does not mean a successive change of tactics, but a radical, strategic change. Only few companies have the means to do much more than reconstruct and survive in the short term. I would expect that with some test production in coastal countries, we will soon be able to return to business as usual."

Searching for digital solutions

Digitisation is generally considered to have profited from the crisis. Sourcing platform Foursource received a significant boost through the crisis. "At first, all activity was frozen. But after a few weeks, the situation turned around," adds Wand. Trade fairs have been cancelled and trips abroad have hardly taken place up to now, so many apparel companies are looking for new, digital solutions.

"Traffic has roughly doubled since Corona. In Bavaria alone, we have a five-digit number of users and represent about 16 percent of world production," says Wand.

Foursource is also a technology partner of the first Digital Global Apparel Sourcing Expo 2020 of the International Apparel Federation (IAF). The fair started on 15th July and will run until 14th August. At present, the platform is exclusively used for presenting ready-to-wear. Fabric manufacturers will go live for the first time in September.

Source: fashionunited.uk– Aug 11, 2020

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Turkey's textile exports rise to $1.8B in July

Turkey's textile industry, the second-largest product group in exports, recorded more than an 8% increase year-on-year in exports, hitting $1.81 billion (TL 13.1 billion) in July.

An Anadolu Agency (AA) report published Tuesday, which cited Uludağ Exporters Union (UIB) and Turkish Exporters Assembly (TIM) data, showed that the textile and ready-to-wear industry exported to more than 150 countries in July.

Meanwhile, the total exports reached $8.79 billion in the first half of 2020, posting a 15% decrease compared to the previous year.

Germany ranked first among the recipient countries of Turkish textile exports in July with $349.1 million, a 15% increase year-on-year. Spain and the U.K. followed Germany with $248 million and $183 million, respectively.

Meanwhile, exports to the U.S. increased by a whopping 53% in the same period compared to the previous year and reached $109 million.

Turkey's overall exports reached the highest level of 2020 as they hit over $15 billion amid a rapid recovery from the pandemic.

Meanwhile, the country's Export Climate Index (ECI) for the manufacturing sector increased to 53 in July, its first above-50 index post in five months.

The Istanbul Chamber of Industry (ISO) report, prepared in cooperation with London-based global data firm IHS Markit, showed that the index increased more than five points from 47.5 in June, signaling strong improvements in demand for Turkish manufactured exports.

Source: dailysabah.com– Aug 11, 2020

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Brief of Myanmar garments industry's struggle during the crisis

Regardless of the absence of orders from the European Union, the biggest market, Myanmar's CMP (cutting, producing and packing) factories battle. Most of the clothing factories had to stop overtime in January because stocks had declined. Roughly 90% of supplies were supplied by coronavirus in China, while the remainder came from Indonesia, Vietnam, Thailand and South Korea. Many factories have reduced working hours and cut jobs, while some have permanently or temporarily shut down. Some factories have not received orders or even price inquiries since March, according to the Myanmar Garment Manufacturers' Association (MGMA).

"After the last orders were delivered in August, there have been no new orders. [The factories] haven't received new orders since COVID-19 broke out," said the MGMA president U Myint Soe, who also owns a factory. Many clothing shops across Europe have closed and the demand from Japan has declined by almost half, he said. Without new orders, many factories will be forced to reduce their workforce and working hours, and close either temporarily or permanently.

"Paying salaries will become a problem. Employees can't make a living without a salary and employers can't pay them without orders and income," said factory owner U Myint Soe.

Employers have suggested that the Ministry of Labor provide financial assistance to prevent the factories from shutting down. International closures have removed 50 percent of market demand for Myanmar's clothing, handbags and footwear, according to the MGMA. Garment exports are mainly shipped to the EU, Japan and South Korea and the country earned over US$4.5 billion (6.2 trillion kyats) from the sector from Oct 1 to July, according to the Commerce Ministry. Export revenues are down $65 million (90 billion kyats) compared to the same period a year earlier, mainly due to COVID-19.

Over 500,000 are estimated to be employed in the garment industry. There are around 420 factories, of which 236 are Chinese-owned, 67 are owned by South Korean firms, 20 have Japanese owners and 92 are owned domestically by members of the MGMA. There are also some domestically owned, smaller-scale factories that are not members of the MGMA. "The demand for clothes has declined due to COVID-19. Many factories have reduced their workforce," an MGMA spokesman told The Irrawaddy. More than 100 CMP businesses have closed, largely as a result of COVID-19, he said. "Around 30,000 employees have been made redundant so far. Ten of the foreign-owned factories, which are members of the MGMA, have closed and the managers have returned to their countries," said Ko Wai Lin.

The majority of the foreign factories that have shut are mainly Chinese-owned. Some employers left without paying salaries or redundancy payments. In the Shwepyithar industrial zone alone, managers of five garment factories have fled without paying salaries and there are more cases in other industrial zones.

"Some foreign employers have closed their factories and fled. Recently, a factory with around 700 employees fled. There is no guarantee that such cases won't happen again. Much needs to be done for the garment industry to recover," said factory owner U Myint Soe. He called for government intervention and cooperation between staff and owners to address the crisis.

"As the sector has virtually stopped trading, it was as if a whole season has been removed. If you are to place an order for a season, you have to place the order at least three months' prior. Now there have barely been inquiries for orders. It is a concern," said the owner of the UNIHGTT garment factory U Aung Myo Hein.

Last week, owners of domestically and foreign-owned factories discussed the difficulties facing the industry. The discussions will be reported to the government soon, he said. "If we don't receive orders, over 50 percent of the country's garment factories will be in great trouble. What will the government do if the businesses have to close? It has to see the reality," U Aung Myo Hein said. Factory owners will also ask the government how it can help workers who lose their jobs, he said.

In April, the EU set up the "Myan Ku" program as a rapid response measure to alleviate the economic impact of the COVID-19 pandemic on predominantly female garment workers from across Myanmar who lost their jobs due to the crisis.

The EU has contributed €5 million ($5.72 million) to help approximately 50,000 laid off and under-employed garment, footwear and textile workers with emergency cash support between May and August.

When the industry struggled because of US sanctions around 10 years ago, factories were forced to reduce their working hours, pay, workforce and enforce temporary closures, according to factory owners. “Most of the factories that export to the EU and US have seen a decline in orders. And they can’t deliver the finished goods because buyers have asked for them not to be sent. Shops have closed due to COVID-19 and the products can’t be sold, so buyers have asked for deliveries not to be sent,” said U Aye Thaung, chairman of the Shwelinpan Industrial Zone Management Committee.

However, factories that make sports clothing and personal protective equipment are still receiving orders, he said. The Commerce Ministry’s permanent secretary, U Khin Maung Lwin, said the ministry has appointed commercial attachés to EU countries and the US in order to gain greater access to those markets. Myanmar earned $4.6 billion (6.4 trillion kyats) from garment exports in 2018 and the MGMA targeted $10 billion (13.8 trillion kyats) from exports in 2024.

Source: textilefocus.com– Aug 11, 2020

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China, Pakistan’s universities to promote cooperation in textile under CPEC

“COVID-19 did affect the on site, face-to-face cooperation between China and Pakistan’s universities,” noted Shanghai University of Engineering Science (SUES), China, but they spared no efforts to”promote bilateral exchanges and cooperation in textile engineering via Internet” with National Textile University (NTU), Pakistan.

According to the agreement jointly signed by SUES and NTU in May, the two universities are to promote bilateral exchanges and cooperation in teaching, scientific research, academic conferences, seminars, symposiums, long-term and short-term student exchange programmes, mutual recognition agreement (MRA) for GPA, double major programmes, summer exchange programmes and industry-university collaborations (IUCs), so as to build a demonstration platform for textile engineering technology exchange between both universities.

The Shanghai University of Engineering Science (SUES) told China Economic Net (CEN) that the 2020 AATCC Sustainability Innovation and Fashion Technology International Conference (AATCC-SIFTIC) will be held in October by School of Fashion Engineering (SFE), SUES in the form of online video conference, in which professors from NTU will participate.

"The majors of NTU and SUES's School of Fashion Engineering is highly consistent with each other," said source from SUES, "therefore, through the agreement, we are committed to promoting the international IUCs between the two schools, of which the key step is to enroll NTU students into SUES's IUC projects."

SUES added that School of Fashion Engineering (SFE) is a multidisciplinary and coordinated developing school based on textile and fashion engineering technologies. It has built the "Quadra-Cooperative Mode" of "Cooperative Education, Cooperative School-Running, Cooperative Innovation, and Cooperative Employment" with industries.

SFE is also equipped with two ministerial and provincial research bases, and a National Engineering Practical Education Centre co-founded with the enterprise in China.

"China and Pakistan are iron-clad brothers that enjoy a profound friendship and mutual cooperation," SUES to China Economic Net (CEN) adding that the educational exchange and cooperation between the two universities can provide human resources and technical resources for the economic and trade cooperation in fields of textile and apparel under the framework of Belt and Road Initiative (BRI) and China-Pakistan Economic Corridor (CPEC).

Source: app.com.pk– Aug 10, 2020

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Cambodia's PPE exports up 130 per cent

PPE exports from Cambodia have gone up 130 per cent to $191.3 million in the first half of this year. The country's exports of face masks during the period were valued at $2.5 million.

Exports were largely driven by COVID-19 fears and a shortage of such equipment, the General Department of Customs and Excise said. The newly-incorporated Lyly Global Co – a local plant that produces face masks under the 'Saffi' brand – doubled its production of face masks to meet the rising demand.

In May, the Cambodian government granted a request made by the Garment Manufacturers Association in Cambodia (GMAC) to allow the export of all kinds of infectious disease prevention items amid the pandemic.

The government aims to support and encourage garment factories to produce face masks, medical equipment and medical clothing, to be sold domestically and internationally as the pandemic spurs global demand for PPEs.

Source: fashionatingworld.com– Aug 11, 2020

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Global trade of acrylic synthetic staple fibres to rise

The global export of synthetic staple fibres, not carded, combed or otherwise processed for spinning of acrylic or modacrylic decreased 20.48 per cent from $593.28 million in 2017 to $471.78 million in 2019.

Total exports fell 21.67 per cent in 2019 over previous year and is expected to rise to $572.15 million in 2022 with a rate of 21.28 per cent from 2019.

The global import value of synthetic staple fibres of acrylic or modacrylic was $1,026.00 million in 2017, which slipped 26.37 per cent to $755.42 million in 2019.

Total imports decreased 32.08 per cent in 2019 over the previous year and is expected to rise to $933.59 million in 2022 with a rate of 23.59 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro..

Japan ($218.54 million), Thailand ($90.72 million), India ($34.62 million) and South Korea ($31.60 million) were the key exporters of synthetic staple fibres of acrylic or modacrylic across the globe in 2019, together comprising 79.59 per cent of total export.

These were followed by China ($27.90 million), Portugal ($26.95 million) and UK ($9.45 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by China (39.62 per cent).

China ($201.10 million), Spain ($83.63 million), US ($74.60 million) and India ($56.97 million) were the key importers of synthetic staple fibres of acrylic or modacrylic across the globe in 2019, together comprising 55.11 per cent of total import.

These were followed by Italy ($52.74 million), Turkey ($45.22 million) and Iran ($43.59 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by Spain (84.25 per cent) and India (25 .35 per cent).

Source: fibre2fashion.com– Aug 11, 2020

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Enhance rate of duty drawback to 7%: Pakistan's SCCI

The rate of duty drawback on both non-textile and textile products should be enhanced to 7 per cent to achieve export targets, according to Sialkot Chamber of Commerce and Industry (SCCI) president Muhammad Ashraf Malik, who recently said incentive schemes for exporters are vital to keep the industry competitive in the international market.

The COVID-19 pandemic has opened new avenues of trade for exporters that include manufacturing and export of personal protective equipment (PPE), he said in a statement in Sialkot, a major centre for sportswear exports.

He said this is the right time for the country to gear up for proving its mettle in the PPE industry as its market size is expected to grow to $87.67 billion by 2027, Pakistani media reported.

He stressed that facilities by the federal government to provide exporters with special electricity and LNG rates at US cents 7.5 per kWh and $6.5 per MMBTU should continue for at least two years.

The incentive in energy inputs would allow the exporters to fight against international market pressures by the competition, he added.

Source: fibre2fashion.com– Aug 12, 2020

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NATIONAL NEWS

Commerce Min suggests expanding MEIS successor scheme to support exporters

Facing criticism from exporters and domestic industry over the decision to axe the Merchandise Export from India Scheme (MEIS) scheme, the commerce department has now told the revenue department that some broad benefits should be continued under MEIS's proposed successor.

Senior sources say the ministry has repeatedly pushed back against the decision to cap the MEIS at Rs 9,000 crore for the April-December period and the unilateral suspension of disbursal of benefits. Officials say, the commerce department has now suggested that benefits under the proposed Remission of Duties or Taxes on Export Products (RoDTEP) scheme be expanded to support exporters.

The updated RoDTEP scheme had been announced earlier as an updated alternative of the MEIS, set to go live from January 1, 2021. However, benefits were reduced drastically after the finance department expressed objections. Now, the commerce department has suggested that it follow a formula that is similar to the MEIS.

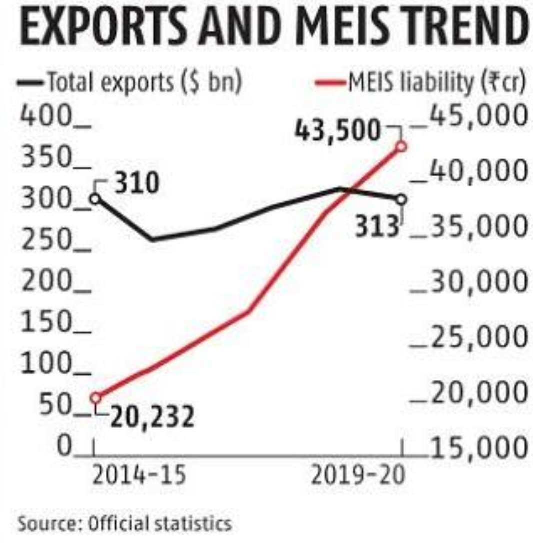
"While the rates for RoDTEP are being drawn up, it has been suggested that the benefits should now be broad based and cover a larger cross section of manufacturing industry," said a senior official. However, the argument of cutting down on expenses might fall flat if the initial projected cost of Rs 50,000 crore worth of tax rebates holds true going forward.

Long time coming

Instead of extending the MEIS, which cost Rs 43,500 crore in 2019-20, the finance ministry and the NITI Aayog have called for putting financial resources into new Production-Linked Incentive (PLI) schemes in select sectors with core competency and potential for global exports.

Unlike MEIS, RoDTEP aims to support a few identified sectors where the government deems India to have competitive strength and assist companies to enhance their size and scale.

Goverrnment sources say public tax liability under the MEIS ballooned from Rs 20,232 crore in 2015-16 to Rs 43,500 crore in 2019-20, becoming unsustainable. However, exports were stuck at $313 billion in 2019-20, compared with $310 billion in 2014-15. The revenue department argued against continuing the scheme, calling it inefficient and wasteful. It pointed to the runaway cost of maintaining the scheme, despite exports not growing at all.



While MEIS was set to be discontinued last year, the commerce department extended it till December 31 this year, in April. However, the Directorate General of Foreign Trade asked the Department of Revenue and CBIC to stop registration of applications for scrips or incentives under MEIS for shipping bills dated April 1, 2020. Incentives of Rs 422 crore were issued to various exporters until July 20. Since July 23, the online MEIS module has been blocked.

Introduced in 2015 under the Foreign Trade Policy, the MEIS was created by merging five reward schemes. Initially, exporters earned duty credits at fixed rates of 2 per cent, 3 per cent, and 5 per cent, depending on the export of certain products to three sets of countries. While it originally covered 4,914 tariff lines, it currently covers 8,059, which constitute 75 per cent of all traded products.

Not everybody is satisfied with this reasoning. The Federation of Indian Export Organisations has said that the sudden axing of the scheme would spell disaster for exporters, who had already factored scheme benefits into their cost outlay for the current financial year.

The CII on Tuesday batted for increasing MEIS rates for all products by 2 per cent, for a period of six months, up to December 31. “India’s working capital cycle is elongated owing to various factors, necessitating higher credit requirements, which add to costs of exports,” it said.

Source: business-standard.com– Aug 11, 2020

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CII calls for early FTP to raise India's global export share to 5 pc

Industry body CII on Tuesday asked the government to come out with new foreign trade policy at the earliest in view of the COVID-19 outbreak to increase India's shares in the global merechandise exports to 5 per cent by 2025.

The Confederation of Indian Industry (CII) has also outlined a 10-point agenda for increasing India's exports of goods and services in line with the prime minister's vision of an Aatmanirbhar Bharat.

For developing international competitiveness, key suggestions by CII include re-examining FTAs and tariff structure with an aggressive market-seeking approach, and build India brand and undertake market promotion in key markets.

The CII report, titled 'Re-orienting India's Export Endeavour in the COVID-19 World', states India must aim to achieve 5 per cent share in world merchandise exports and 7 per cent in services exports by 2025. India's share in global merchandise exports is 1.67 per cent, with a low share in top globally traded items. In services, it enjoys 3.54 per cent share.

The onset of the COVID-19 outbreak that led to a global trade slowdown, affected Indian exports substantially, and led to a drop in Indian exports by 35 per cent in March, 60 per cent in April, and 36.5 per cent in May 2020.

Outlining 10 areas where action is required to boost exports, the chamber said an open and facilitative import environment is required to attract global companies and ensure competitive access to intermediate goods. In general, higher duties on finished goods and lower duties on intermediates should be applied.

CII Director General Chandrajit Banerjee said the pandemic situation has impacted world trade negatively. However, it also provides a big opportunity for India to better engage with the world and boost its export performance. This is an opportune time for India to strengthen its domestic manufacturing through a strong partnership between the government and industry, he said.

As more and more countries are looking at realigning their trading strategies and diversifying their import sources post the COVID-19 outbreak, India must leverage the present situation to emerge as an alternative destination for sourcing cost-effective, quality products, stated Banerjee.

A key point in India's export strategy must be to strengthen its participation in global value chains (GVC), he added.

The CII report has also recommended setting up of an export task force headed by commerce and industries minister to address all areas of export promotion with coordination of ministries, state governments, other organizations and industry bodies.

Further, CII calls for a robust and overarching foreign trade policy to be instituted when the current one expires in 2021. It should not be limited to incentives for exporters but extend across different areas for a holistic export strategy, the report said.

"The first order of the day is to bring out the new foreign trade policy to establish a stable and predictable regime for promoting exports," CII said. The report further said India should initiate its own GVCs in a manner that it not only increases its share in world trade but also increases its trade competitiveness.

Make in India and FTAs could be leveraged to attract more FDI and use them to connect Indian SMEs to large firms. It noted that India's free trade agreements with countries and regions are not panning out as expected even while a large part of international trade is taking place through such agreements.

In 2018-19, export through the preferential route including GSP, was less than 10 per cent of its total exports. No new FTAs have been signed since 2012.

The CII report includes specific measures for nine manufacturing sectors such as automotives, chemicals, electronics, steel and textiles etc. Education and healthcare are covered under services. In the agriculture and allied sector, CII has brought out recommendations for agri produce, fruits and vegetables, marine products and processed foods.

For growth in automotives, auto components, and electric mobility, CII suggested free trade agreements (FTAs)/Preferential Trade Agreements (PTAs) with focus countries Bangladesh, Sri Lanka, Nepal, Algeria, Libya, Nigeria, Kenya, South Africa, Egypt, Chile, Peru, Colombia, Indonesia, the Philippines, Israel, the UAE, Saudi Arabia, Australia, the UK, Mexico, and Brazil

For the steel sector, it said India should demand an auto trigger mechanism to stop a surge in imports while negotiating an FTA, and also opt for stricter Rules of Origin. The CII said for textiles and apparel sector, FTA/ PTAs with the EU, the US and the UK should be done on top priority.

Source: financialexpress.com– Aug 11, 2020

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Cut in benefits? New export scheme to cost govt just Rs 10,000 crore

In a proposal that raises fears of a drastic cut in benefits to exporters and could cast a shadow over economic recovery following the Covid-19 outbreak, a Niti Aayog analysis has pegged the potential outgo under a proposed scheme to reimburse all embedded levies paid on inputs consumed in exports at just about Rs 10,000 crore a year.

This is only a fraction of the annual benefits of Rs 50,000 crore that the government had envisaged when finance minister Nirmala Sitharaman announced the so-called Remission of Duties and Taxes on Exported Products (RoDTEP) scheme in September last year to make exports zero-rated, in sync with global best practices.

In fact, Niti's estimated RoDTEP outlay is also about a fifth of the incentives under the Merchandise Export from India Scheme (MEIS) in FY20 that the RoDTEP is proposed to replace from January 2021.

Niti's estimate can potentially deal a another blow to exporters, coming as it is after the revenue department's capping of the MEIS allocation at just Rs 9,000 crore for the April-December period of FY21, which means exporters could lose about two-thirds of expected benefits this fiscal itself.

While it's unclear how Niti has arrived at such a low estimate (a committee headed by former commerce secretary GK Pillai was formed only on July 30 to suggest RoDTEP rates), its proposed outlay has raised fears about a massive reduction in either the coverage of sectors or the reimbursement rates under the RoDTEP scheme.

To be sure, any such proposal by Niti Aayog is still being deliberated upon and yet to be endorsed by the government.

Federation of Indian Export Organisations (FIEO) president Sharad Kumar Saraf said it's "impossible" to offset the blow of all the embedded taxes within an annual outlay of just `10,000 crore (about $1.3 billion) when exports are typically above $300 billion a year.

"Many exporters are, as such, forced to focus more on the domestic market now, as margins in exports have shrunk. Lack of adequate legitimate incentives will further discourage them from exports. Cash flow, as such, is already badly hit by the pandemic," he said. An export-led economic recovery in the coming years is out of the question now, unless the incentive structure suitably restructured, some exporters warn.

Merchandise exports have been contracting since March, thanks to the pandemic. They witnessed a record 60% crash, year-on-year, in April, although the contraction narrowed to 37% in May, 12% in June and 9% in July, as lockdown curbs were lifted in June. However, some exporters say once some of the orders booked earlier are despatched, exports could falter again, thanks to a combination of subdued demand overseas and inadequate benefits.

In a presentation at a video conference meeting, chaired by PK Mishra, principal secretary to Prime Minister Narendra Modi, on August 6, Niti Aayog chief executive Amitabh Kant is learnt to have proposed that once the RoDTEP scheme replaces the MEIS, the annual "savings" of Rs 40,000 crore be utilised to roll out production-linked incentive (PLI) schemes in "sectors of strength to create global champions".

Interestingly, exporters have often complained that even the MEIS benefits remain too inadequate to offset the damaging impact of structural bottlenecks in India, including embeded levies, elevated logistics costs, poor infrastructure and "over-valued" currency.

The RoDTEP scheme is proposed to cover levies that are not subsumed by the GST (petroleum and electricity are still outside the GST ambit, while other imposts like mandi tax, stamp duty, embedded central GST and compensation cess, etc, remain unrebated).

Niti has favoured the launch of PLI in sectors, including textiles, food processing, battery cell making, electronic/tech products, telecom & networking, auto and components, white goods, capital goods and specialty chemicals.

Funds for PLI schemes, which must be operational for a maximum of 5 years, can be hiked at 10% a year, it suggested. Recently, the government launched the PLI schemes for three sectors — electronics, pharma and medical devices. It has also favoured a phased manufacturing programme for low-value and other products that have high domestic demand. Similarly, it wants a review of India's various free trade agreements to "contain round tripping of imports".

It argues that the MEIS is a "highly-fragmented" scheme that doesn't incentivise high-volume and high-value production, nor does it boost exports significantly. This is despite the fact that as much as 27% of customs duty collection was utilised to service the scheme.

While MEIS liabilities grew as much as 32.2% year on year in FY19, exports of the MEIS-covered items rose by only 10.4%. In FY18, the MEIS covered 47.8% of Indian exports but 85.6% of total exporters, mainly because the scheme encompasses many labour-intensive sectors filled with small and medium businesses.

Source: financialexpress.com– Aug 12, 2020

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Rationalisation: Textile Ministry to close 2 PSUs, withdraw officers from export councils

Five advisory boards abolished, officers withdrawn from textile research associations

The Union Textile Ministry has abolished five advisory boards, withdrawn officers from industry bodies and is planning to withdraw its representatives from export promotion councils as well as shutting down two public sector undertakings (PSUs) as a part of a rationalisation exercise, according to a top official.

The Ministry wound up the All-India Handloom Board on July 27; the All-India Handicrafts Board and the Cotton Advisory Board on August 3; and the All-India Powerloom Board and the Jute Advisory Board on August 4, according to notifications that all cited the Centre's "vision of minimum government and maximum governance" as the reason for the decision.

The notifications said boards were abolished in the interest of "leaner government machinery and the need for systematic rationalisation of government bodies". The Ministry also withdrew its officers from the Textile Research Associations (TRAs), after converting them into "approved bodies for conducting testing, research and developmental activities" related to the sector, as opposed to affiliated bodies, according to an August 6 notification.

Oversight over projects

Textile Ministry Secretary Ravi Capoor said the decisions were a part of a larger Ministry-wide rationalisation exercise, which would likely be completed by the end of October.

Mr. Capoor said the Ministry was also working on withdrawing its officers from the various export promotion councils. However, it would continue to have oversight over projects or events where government funds are used by the councils and TRAs through smaller committees.

Two PSUs under the Ministry — the British India Corporation and the Handicrafts and Handlooms Exports Corporation of India Ltd. — have been proposed to be shut down. According to sources, a Cabinet note has been circulated for the same.

The BIC was declared a "sick company in 1992", according to the Ministry's website, and plans to close down the HHEC have been in the offing since at least 2018, as the corporation's annual report for 2017-2018 said. In 2017-2018, it had a turnover of ₹613.95 crore and a net loss after taxes of ₹23.61 crore, the report said.

Criticism from activists

The Ministry's decision to wind up the advisory boards had faced criticism from activists. Laila Tyabji, founder of the NGO Dastkar, had termed the move to abolish the handicrafts' board 'worrying' as it had been a forum for craftspeople to communicate directly with the government.

Asked how the concerns of stakeholders would be addressed, Mr. Capoor said the Ministry was reaching out to craftspeople and weavers through its 100 field offices.

He said a special two-month programme was held where officials visited villages near their respective field offices to interact with those engaged in handicrafts and handloom sectors. He said these 'chaupal' programmes would be held every two to three months.

Source: thehindu.com– Aug 11, 2020

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Govt directing embassies to understand countries' apparel needs for Indian MSMEs to export more: Gadkari

Trade, Import and Export for MSMEs: MSME Minister Nitin Gadkari on Tuesday urged units in apparel exports to focus on quality along with bringing down costs related to logistics, power, and labour to become more competitive even as India lags behind countries like Bangladesh and Vietnam in apparel exports.

"In the world scenario as compared with Vietnam and Bangladesh, we need to be more competitive, have good quality, reduce logistics, power, and labour costs.

We have to make good designs of international standards by which we can get the market," Gadkari told members of the Apparel Export Promotion Council (AEPC) via video conference. He said that the Foreign Ministry is giving direction to all embassies to find out the requirements of different countries and "how we can create coordination between our manufacturers and people who need material abroad."

While India's apparel exports have reportedly remained at $17 billion since the past around three years, Bangladesh exported apparel worth $33 billion in FY19. Vietnam's apparel export, on the other hand, stood at around $31 billion. The two countries have been given preferred access to the European union – India's biggest textile market.

"We (apparel) are around 5 per cent of global exports while china is over 35 per cent. Bangladesh and Vietnam despite being late entries to the sector are exporting more than us.

Apart from free trade agreements, technology-wise as well they are ahead of India for apparel manufacturing. Their production rate and efficiency is better than us and hence are cost-competitive. For them apparel is their bread and butter," Ashok Juneja, President, Textile Association of India told Financial Express Online.

Gadkari added that to upgrade the technology, manufacturers can either use what's available in India or "if we need to take the international standard of technology by which we can upgrade our own technology, that can also be possible."

Last month, AEPC had said that FTAs with countries such as the US, the UK, Australia, Canada, and European Union would help grow apparel exports double in three years, PTI had reported, even as the sector has taken a huge hit due to the Covid pandemic impact on these markets.

Nonetheless, the recovery for Indian apparel exports amid Covid has been only around 30-35 percent while it might recover fully back to pre-Covid levels only after December, according to Juneja.

Source: financialexpress.com– Aug 11, 2020

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Centre may allow cooperative banks to lend under Emergency Credit Line

As the Emergency Credit Line Guarantee Scheme, specially formed for MSMEs, progresses, the government is considering allowing cooperative banks to lend under it too.

Addressing a webinar at the 'FICCI-SBI Atmanirbhar MSME Virtual Conclave', Micro, Small and Medium Industries Minister Nitin Gadkari said that the government is discussing the matter with the Reserve Bank of India (RBI).

"Cooperative banks that are not included as a member lending institutions under the Emergency Credit Line Guarantee Scheme (ECLGS) will be included as lenders for MSMEs, under a scheme being discussed in consultation with the RBI," a FICCI statement quoted Gadkari as saying.

He also urged the states to release payments due to MSMEs within 45 days, as "this will help bring liquidity, which will accelerate the economic growth of the country".

Gadkari emphasised that special focus towards export enhancement is the need of the hour, and there is also a need to focus on import substitution to replace imports with domestic production.

He also urged the industry to identify the sectors heavily reliant on imports, particularly from China, and look for substitutes towards indigenous production to make India self-reliant.

Gadkari also said that the government aims to increase MSMEs' contribution to the GDP to 50 per cent and in share of exports to 60 per cent, which would help the sector create 5 crore jobs in the next five years.

"The government is formulating a special policy to generate employment in the rural areas and aims to increase the turnover of village industries and encourage medium scale units such as ago and food processing industries, handloom, and handicrafts," he said.

State Bank of India Chairman Rajnish Kumar said that the advancement of digital technology has revolutionised the process of lending to MSMEs as the availability of data and technology in the form of analytics has made it easier to automate lending decisions to the sector.

"We will be using the digital platform in a big way for lending," he said.

Source: business-standard.com– Aug 11, 2020

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Take measures to increase apparel exports two times, Gadkari tells AEPC

Union Minister for Micro, Small and Medium Enterprises (MSMEs) Nitin Gadkari has asked the Apparel Export Promotion Council (AEPC) to take measures to bring about a two-fold increase in exports, and said he would speak to the Prime Minister to allow the export of Personal Protective Equipment (PPE).

In his speech following the inauguration of a Virtual Workshop via video conference, a joint initiative of AEPC and the MSME Ministry, the Union Minister emphasised on technology upgrade and research to improve quality and remain cost-competitive in the global market.

He said the government is supporting the MSME sector with a package announced recently for liquidity and stress management. He also touched upon the need for a lab testing camp of the products and design from the part of global standards and called for having a centre for design.

Gadakari asked the textile industry to explore the use of new material like bamboo. Referring to the enormous employment generation and role of MSMEs in the economy, especially in rural, tribal and backward areas, Gadkari asked apparel/textile industries to set-up clusters in these areas.

On the export of PPE kits, he said, “we are all with you regarding the export of PPE kits. I am constantly following this. I will talk with Piyush Goyal ji and the Prime Minister for the purpose as this will create more employment while at the same time it is an opportunity for our manufacturers,” Shri Gadkari said at a webinar on ‘Manufacture and Exports of Textile Based PPE’.

"Today, we have surplus production and we are in a position to export more of these quality materials. I will write to the Commerce Ministry and the Prime Minister for permission to export PPE kits, masks and sanitiser," he said.

AEPC Chairman A Sakthivel requested the Minister to encourage lifting the ban on export of N95 masks, daily production of which stands at 50 lakh pieces, and increase the limit of export of PPE suits, which currently is 50 lakh pieces per month.

He also requested the government's support in raising the production of man-made fiber (MMF) in the country, which will help increase production of MMF-based garments and thereby its export. This is despite the fact that India is the largest producer of polyester yarn. Globally sought after MMF garments constitute just 10 per cent of Indian exports.

Sakthivel requested the Minister to help in the production of MMF fabric of international standard by allotting Rs 25 crore to the Council for R&D. It will help double our garment exports in three years," Dr Sakthivel said and requested an additional Rs 10 crore for creating a virtual marketing platform saying the future is all about virtual marketing.

Source: business-standard.com– Aug 11, 2020

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'Despite relief package, MSMEs still grappling with problems'

Even after the credit and finance special relief package for MSMEs announced by Finance Minister Nirmala Sitharaman, the small and medium industries continue to face major challenges such as absence of demand due to disruptions in consumption, investment expenditure and hurdles in production at various levels of industry.

"Supply chain disruptions have made it difficult for industries to renew the production process and or reduce inventory," said. KB Arasappa, President, Karnataka Small Scale Industries Association (Kassia). Arasappa spoke to the Finance Minister to discuss issues that are of serious concern to the MSMEs.

As the pandemic continues, the moratorium already provided for the MSMEs is found to be inadequate and needs to be extended. MSMEs find it extremely difficult to comply with the GST returns filing and payment process due to disruptions in business and absence of cash flows. Often the orders get cancelled and buyers default on payments putting the small enterprises in great difficulty.

The schemes announced by the Government often prove to be difficult to access at the bank level due to the rigid postures adopted by the lenders ignoring the ground realities.

“In these circumstances, we would like to request that you kindly consider the following measures to stimulate demand in the economy so that MSMEs can revive their operations, post pandemic,” the Kassia President said.

Infra spend

He said: “We believe that the Government must step up expenditure on infrastructure which will help not only create and improve the existing infrastructure but generate employment and raise demand for SMEs products and services.”

Kassia insisted that both Central and State Governments step up expenditure on public works.

Investments in critical health infrastructure and urban housing and slum development will help create considerable employment and demand for products and services.

“We would also request the Government to inject cash into micro and small enterprises by means of direct payroll support to such enterprises till the end of the financial year and request that interest rate on bank loans be reduced to 6 per cent for a period for MSMEs,” said Arasappa.

“On the lines of the PF payment made by the Government, the Centre may also consider payment of ESI contributions on behalf of the SMEs so that this will take out the stress of cash outgo on those enterprises to an extent,” he pointed out.

The Government must also involve the co-operative banks in extending the ECLGS loans to enterprises to help the rural industries and also widen the distribution network.

The export related units need relaxation in terms of NPA norms to enable them get necessary credit to fulfil commitments on exports.

The Government must consider SMA-2 units for funding under the ECLGS scheme, reduce GST rates and ease compliances of returns filing etc, in view of the disruptions.

It must consider payment of rent and utility bills of micro and small enterprises through direct cash injection for a period. Moratorium on repayment of loans needs to be extended till the financial year-end. Banks must relax repayments further with a grace period, Kassia said.

Source: thehindubusinessline.com– Aug 11, 2020

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Eye on China: Govt mulls duty hike on textiles, cameras, laptops

The government is considering increasing customs duty on close to 20 product segments including laptops, cameras, textiles and aluminum goods, while placing some steel items under import licensing, as part of its latest move to restrict imports from China.

The issue is now before the finance ministry, which had earlier spurned the proposal from the commerce and industry ministry, sources told TOI. A senior officer said that the revenue department is expected to move ahead by notifying some tariff hikes.

“It is not a China-specific duty action but an overall increase in customs duty, although the idea is to focus on products which are coming in large volumes from China,” another officer explained.

In recent weeks, the government has been wary of duty hikes as it has noticed diversion of imports from countries with which India has free trade agreements, especially Asean members such as Vietnam or Thailand.

In fact, the perceived inaction by the revenue department has prompted the commerce department to impose curbs such import licensing of tyres and TV sets, which many in the government believe is turning the clock back by a few decades.

Some steel products are being considered for import restrictions by the Directorate General of Foreign Trade, which is the licensing agency.

Apart from some of the import restrictions, the Narendra Modi administration has also banned 59 Chinese apps, while shifting foreign direct investment (FDI) from China-based entities to the approval route instead of the earlier system which only required companies to inform the Reserve Bank of India post-investment. Further, a registration system has been mandated for Chinese suppliers and contractors who wish to participate in government contracts.

Government officials said that the moves are meant to clearly signal India's displeasure at the recent intrusion in Ladakh, which has also resulted in the death of 20 Army personnel. "Even if it means higher costs, we can't be doing business with them," an officer said.

Separately, the government is working on promoting domestic manufacturing by offering incentives to mobile manufacturers and pharma companies producing bulk drugs, with a few more sectors expected to be added in the coming weeks.

India has a massive trade deficit with China, which was estimated at $48.7 billion in 2019-20, the lowest in five years. The government has accused China of not responding to its requests to allow more exports from India, resulting in higher deficit.

Source: timesofindia.com– Aug 11, 2020

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