TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL
TEXPROCIL NEWS CLIPPINGS
An ISO 9001:2015 CERTIFIED COMPANY
The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 151 of 2020 July 13, 2020

US 75.16| EUR 85.15| GBP 95.14| JPY 0.70

NEWS CLIPPINGS

	NATIONAL NEWS
1	US remains India's top trading partner in 2019-20
2	Three months on, spinning mills are still silent
3	Cambodia eyes India FTA, China deal set for August
4	India in talks with EU for trade deal, open to pact with UK
5	Get industrial policy right to take on China – What govt can learn from Japan
6	Policy reversal? Import tariffs up 4 pps since 2014, seem rising further
7	FM Sitharaman reviews Atma Nirbhar Bharat progress: Rs 60,000 cr disbursed to MSMEs under collateral-free loan scheme
8	India is a more cost-effective option for Kathmandu than China. Here's why
9	Ludhiana: Heads of MSME bodies write to Modi, Gadkari for aid
10	Swadeshi for 21st century realities: Govt should foster an ecosystem for driving consumer preference
11	Arvind Fashions in talks with Reliance Retail to sell two denim brands

INTERNATIONAL NEWS

USA: Cotton's Picture Brighter But Dependent on Mother Nature and China

At least the picture is prettier! A combination of lower than expected U.S. plantings, Chinese buying, the Texas drought and a somewhat friendly USDA July supply demand report carried cotton prices to a four-month high.

The December ICE futures contract so wants to trade above 55 cents in order to reach a 66-cent objective. Yet, I fear it is burning a hole in the speculators' pockets. Speculators have been very present in the price advance, and the trade has been a very willing seller all the way up. Bottom line, I like what the market is doing, but I have great fear that it will need new bullish news to keep from selling back down to the 57-60 cent level.

Yes, the U.S. crop could still be a complete mess, but both China and India have big crops as well as gigantic stocks on hand. Further, the Brazilian second crop – now more than 10% harvested – is being exported at whatever price necessary for it to move.

Thus, the export report shows the only markets for U.S. cotton remain China and Vietnam with sporadic purchases from Turkey, Pakistan, Mexico and Southeast Asian countries. Yet, for the past month the business has essentially come only from China and Vietnam.

That could be the picture for another two to three months. Thus, this may be the time to take advantage of the option market, buying put options some 3 cents out of the money, especially if December moves above 65 cents.

Hopefully, once again I will miss the mark, but I fear the excitement of December finally reaching near a 65-cent trade looks very top heavy. The price range has widened considerably, but still runs from the 57.50 cent low now up to 66 cents.

The Phase One trade deal Trump negotiated with China has taken it on the chin from many who wished it to fail. Yet, for agriculture and cotton specifically, it has become a bright shining star.

China now desperately needs to conclude cotton business with the U.S. China has created a flurry of very negative news including the introduction of the COVID-19 virus to the world, the Hong Kong invasion, the invasion and killings in India, the slavery and child labor violations in Xinjiang, the crossing of swords with Taiwan and finally the South China Sea theft. Fulfilling the Phase One trade deal has now become a feather in the hat for the Chinese Communist Party. They point to that in an effort to take world pressure off those other egregious confrontations.

Cotton purchases have been a major part of their agricultural dealings. Their strategy is intriguing. During the course of buying U.S., they now come forward and blame the U.S. farmer for all the problems in the world cotton industry. The carryover stocks level for U.S. cotton is estimated by USDA (and disputed by no one) is 6.8 million bales. China's carryover is currently estimated at 35.4 million bales. Yet, China's blames the U.S. for allowing the U.S. cotton farmer for growing too much. Their statement to the world is that the U.S. cotton grower is to blame for world cotton prices for being too low.

China is now expected to be the largest export market for U.S. cotton despite the fact that some other growths, notably Brazilian and Indian, are cheaper priced. In fact, sales to China the past three months were 2.5 million bales. During the 2019-20 season, with four reporting weeks remaining, sales to China have totaled over 3.7 million bales. Granted, some 1.6 million have yet to be shipped. But by the end of season, that should drop to one million or less, and it is commonplace in the cotton industry to carryover the remaining shipments into the next marketing season.

To repeat, China will purchase some 3.8 to at least 4.0 million bales of cotton from the U.S. during the current 2019-20 marketing year – and more business is coming in 2020-21.

Yet, the fly in the ointment is that, practically speaking, most of the world textile markets are near shuttered to running on little more than fumes. Yes, business is improving, but only very slowly. China is not buying cotton for immediate use. It is buying cotton to further increase its 35 million bale carryover stocks level, as if they need stocks. With all its "bad will," it is attempting to buy a little good will. Thank goodness for cotton, as it is the only market for cotton right now. However, those stocks will still hang over the market and not help boost prices. Simply, the Chinese government will pay the carrying cost instead of the U.S. government.

USDA's July supply demand report held no surprises, save for that a few expected lower world consumption along with a smaller crop in India and China as well as a greater reduction in the U.S. crop. USDA lowered the U.S. crop to 17.5 million bales, down 2 million from last month's 19.5 million. U.S. carryover was reduced 1.2 million bales from 8.0 to 6.8 million as U.S. exports were lowered from 16.0 to 15.0 million bales.

A smaller crop coincides with a lowering of exports. World production was reduced from 118.7 to 116.3 million bales, but world consumption was lowered only some 100,000 bales, from 114.4 to 114.3 million. Thus, world carryover was dropped from 104.7 to 102.8 million bales.

Note that most of the reduction in world production was attributed to the United States.

July is the prime fruiting month for the U.S. crop, and most of the northern hemisphere crop. Thus, weather remains the prime fundamental. I am expecting the crop to slip down to 17 million bales given the problems in Texas, but Mother Nature can still pull off a miracle. Additionally, signals are emerging that the southern Xinjiang crop is under stress. Further, the Turkish crop may be further lowered.

India is also pressing the U.S., along with China, with respect to the Indian stock situation. USDA has historically assumed considerably more storage space for cotton in India than India says exists. It's a long running disagreement that USDA should at least recognize, but historically has only paid lip service to. Yet, the international trade has not jumped into the fray – and no doubt, they know more than me.

Mother Nature must take the U.S. and world crops lower if prices are to hold the 65-cent area. Demand fundamentals do not demonstrate any desire for higher prices.

Source: cottongrower.com– Jul 11, 2020

HOME

****

China plans for attracting luxury fashion consumer to buy Chinese luxury product

Rather than going overseas, China seeks to ensure its people shop for foreign luxury products within its own boundaries. For that, the government is proposing a new annual cap of RMB100,000 ($14,000) per person for tax-free shopping in the southernmost province of Hainan, China.

Each year the popular tourist destination attracts more than 75 million tourists, mainly domestic. The new limit is over three times that of the current RMB 30,000 ($4,200).

The allowance rise and free port policy announcement followed the 'Two Sessions' annual plenaries of the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference which ended last week.

Among other aspects of the free port plan relevant to duty-free retailing include the plan to increase its number of tourists by making Hainan an international aviation hub; liberalizing air rights including fifth and seventh freedoms; and constructing a cruise tourism pilot zone.

The Chinese increased their share of the global $313 billion personal luxury goods market by as much as 35 per cent last year, according to consultancy firm Bain & Company.

China was also responsible for increasing the personal luxury market in 2019 almost single-handedly.

Source: textilefocus.net– Jul 13, 2020

HOME

****

Fast Fashion Proves Slow in Eliminating U.K. Labor Concerns

In 2015, university professor Nik Hammer studied working conditions in the local garment industry of Leicester, England, finding it rife with verbal abuse, harassment and safety violations.

He catalogued what he called severe and widespread labor-law infringements in a 57-page report, detailing how most workers were paid about 3 pounds ($3.80) an hour in cash and had no formal employment contracts.

Five years later, the stock meltdown of online clothing retailer Boohoo Group Plc focused new attention on labor abuses in one of the last bastions of the textile industry in high-wage Europe. Newspapers alleged some suppliers underpaid workers and forced them to toil in closed factories and without hand sanitizer as Leicester reentered a local lockdown amid a surge in Covid-19 infections. At one point this week, Boohoo shares had lost more than half of their value.

While the maker of Nasty Gal and PrettyLittleThing clothing has recovered some of that loss, it could take a lot longer to put to rest concerns about whether its fast-fashion model churning out made-in-England miniskirts and playsuits for less than $10 is sustainable.

“Conditions in Leicester remind me of tiny workshops I used to see in South Asia 10 to 15 years ago,” said Henrietta Lake of Lake Advisory, which consults companies on creating ethical and sustainable global supply chains. “We’re talking Dickensian.”

Leicester has been a hub for manufacturing in Britain since the sixteenth century, built on a reputation for hosiery, shirts, socks and gloves. However, the emergence of low-cost manufacturing in Asia and entry of China into the World Trade Organization nearly decimated the industry in a city whose motto once was “Leicester clothes the world.”

Fast-fashion and online-only retailers like Boohoo filled the gap, fueling a revival in Leicester’s manufacturing during the past decade. Such companies took a business model perfected by Zara owner Inditex SA and put it on steroids. Cranking out hundreds of new designs each week, Boohoo needs close-to-home sourcing to meet millennials’ whims. That has protected one of Europe's few remaining textile hubs from disappearing, while even Italy and Spain struggle to keep their garment industries intact.

New Industry

Eager to work with local clients and stay in business, the Leicester factories helped create what Hammer said is an entirely new and different industry. Instead of large, unionized firms churning out thousands of clothing lines, Leicester now is full of hundreds of tiny workshops and subcontractors, sometimes employing fewer than 10 people, servicing much smaller orders for market traders and wholesalers.

For many years, Boohoo's growth was stratospheric. In the first 10 minutes after the company's shares began trading in a 2014 initial public offering, investors pushed them up 70%. Last week the company's market value had exceeded 5 billion pounds, towering above Marks & Spencer Group Plc.

Many attribute Boohoo's success to its ability to harness a network of at least 150 factories in Leicester to quickly produce items inspired from catwalks or social media within a few weeks. Nearly 40% of its clothing is sourced from the U.K., mostly in Leicester, using what Boohoo calls a "test and repeat" model where it trials designs on its website and then ramps up the orders of items that prove popular. Boohoo says it's helping support U.K. manufacturing.

The local garment industry's Wild West reputation has led many bigger retailers to abandon it in search of cheaper countries, which also face challenges in protecting employee rights and working conditions. The collapse of an eight-story garment factory in Bangladesh that killed more than a thousand people in 2013 sparked worldwide criticism. That spurred Inditex and H&M owner Hennes & Mauritz AB to sign a five-year accord to improve cramped and often unsafe working conditions in Bangladesh's factories.

Worldwide Sourcing

Buying from manufacturing hubs around the world means placing orders months in advance and having less flexibility. Still, many rivals have chosen that route. New Look Ltd. works with 12 factories in Leicester, down from 109 a decade ago. Asos Plc deals with seven factories there, accounting for 2% of its clothing. Associated British Foods Plc's Primark hasn't sourced clothes from the city in years. Next Plc, one of the largest clothing chains in

Britain, doesn't source any garments from Leicester even though its head office is there.

Many retailers have significantly reduced their U.K. sourcing because of "systemic non-compliance to legal standards" in Britain's textile industry, said David Camp, chief executive officer of the Association of Labour Providers Ltd.

Missguided, a smaller rival to Boohoo that plans to continue sourcing from Leicester, has reduced the number of factories it buys from to 12 from 80, in an attempt to monitor working conditions more closely.

Consistent Business

"You simply can't get your arms around 80 suppliers," said Paul Smith, Missguided's head of sourcing. "You can't visit them regularly and the level of business you give each one is relatively insignificant. So we took a decision to be more important to fewer factories and give them consistent levels of business."

Boohoo says it has found no evidence of workers receiving less than the minimum wage but has pledged to carry out an independent review led by Alison Levitt, a lawyer and former U.K. public prosecutor. It has also promised to work with any official investigations that may result from reports this week. Home Secretary Priti Patel said the allegations were "appalling" and called for investigations, which are being carried out by seven U.K. authorities.

Industry experts say it is possible for Leicester garment firms to operate legally and still be an attractive manufacturing base, even if the cost of producing garments increases. One advantage fast-fashion retailers have is that by sourcing locally, they can respond to quick changes in demand, and thereby usually avoid the need to sell unsold inventory in big clearance sales. Thus, they have some room to absorb higher costs.

Though Boohoo has denied the allegations of labor exploitation, the pressure to overhaul Leicester's operations as #boycottboohoo trends on social media could become too great to make cheap dresses there. On Friday, Standard Life Aberdeen Plc, one of the biggest shareholders in Boohoo, sold most of its shares, criticizing the retailer's response so far "as inadequate in scope, timeliness and gravity."

Source: bloomberg.com– Jul 12, 2020

HOME

****

Garment workers lose jobs across Asia, stores in US, Europe shut

Hundreds of thousands of garment workers in Asia, a vast majority of them being women, were suspended or laid off when the coronavirus pandemic struck as stores closed across North America and Europe.

As per Wall Street Journal reports, millions of people belonging from various Asia's developing countries relied on factories producing T-shirts, trousers for employment. But owing to the pandemic, the western brands canceled orders worth billions of dollars, leaving shipments of sweaters and jeans with no takers. As a result, hundreds of factories closed in waves across Asian industrial belts near Phnom Penh, Dhaka and Yangon.

In recent months, Bangladesh, Vietnam and Myanmar are the most affected countries in Asia as many workers have returned to their villages, cut back on food and borrowed money to survive.

The Journal cites an example of Zin Mar Oo, 22, who had to lose her job in Myanmar after the South Korean-owned factory where she worked closed down operations in April. The owner has not been there seen since and left no word about the fate of the jobs or the factory, according to Oo, the country's garment manufacturers body and the local labor-relations official.

Oo, who didn't finish high school, made USD155 a month by working in the garment factory located in the outskirts of Yangon. Her role was to check that clothes being made did not have crooked stitching lines or mismatched thread colours. Her income supported her mother and helped repay the family's debt.

These setbacks could be longer lasting than the disruption to shopping. The global fashion industry, which was already facing headwinds before lockdowns decimated sales, is in deep turmoil and is likely to be reshaped by the pandemic.

"I don't think this is a sector which is going to come back to the same point again," said Rubana Huq, president of the top industry group for garment manufacturers in Bangladesh, among the world's largest clothing exporters.

Meanwhile, J.C. Penney Co., Neiman Marcus Group Inc. and J.Crew Group Inc. have filed for bankruptcy protection in recent months.

Western companies are expected to turn more to "near-shoring"–moving some of their production to Turkey, Eastern Europe and North Africa for European markets, and to Mexico for North American markets, said Achim Berg, senior partner at McKinsey & Co. who advises global fashion and apparel companies.

For countries with limited infrastructure and low-skilled workers, garment manufacturing has been a key economic engine. Operating sewing machines does not require much education or training, unlike car or smartphone production, and low wages help meet the West's demand for inexpensive clothing.

Clothes make up nearly 85 per cent of Bangladesh's export earnings, and the sector employs four million people there. In Cambodia, one in five households has at least one garment worker, and 75 per cent of exports are garments, footwear and travel bags. Vietnam and India are also top exporters, according to estimates by the World Trade Organization.

Before they moved to the industrial area on the outskirts of Yangon, Oo's mother sold vegetables in their village market, earning USD2 a day. That meant that on some days, the family don't even have enough for a full meal. Oo is now helping a local nonprofit make cloth face masks for a small wage while she hunts for job openings.

Myanmar, which suffered years of underdevelopment, appeared on the radars of garment manufacturers around 2013, when the military junta that had been in control for decades was loosening its grip. The US and European Union lifted sanctions that had long deterred investment and granted duty-free access to their markets under a program designed to help the world's least developed countries.

Hundreds of factories owned by firms from China, South Korea and elsewhere set up to make clothes for Western brands, seeking to take advantage of the low wages compared with locations like China and Vietnam. Myanmar became a part of a global production network in which designs are created in one country, the textiles woven in another and clothes sewn in a third place.

However, the coronavirus pandemic started disrupting the cross-border supply chain behind the shirts and dresses that fill store racks.

Developing Asia will grow by just 0.1 per cent this year–the slowest rate in six decades, the Asian Development Bank estimates.

Globally, the pandemic could increase the number of people who are extremely poor–living on less than USD1.90 a day–by 71 million to 100 million, estimates a World Bank study. This would be the first increase since 1998, and almost half of the projected new poor would be in South Asia, the bank said.

Source: telanganatoday.com – Jul 12, 2020

HOME

****

UNIQLO Owner Expects 50% Drop in Profit This Financial Year

Fast Retailing Co. — the owner of Japanese apparel retailer UNIQLO — has now readjusted its financial projections for the rest of the year, lowering its profit outlook as a result of the ongoing coronavirus pandemic.

More specifically, the company now expects an annual operating profit of ¥130 billion JPY, roughly equating to $1.21 billion USD. This marks a 50 percent reduction, as compared to the lesser 44 percent drop previously predicted, which altered due to an operating loss of ¥4 billion JPY ($37,400 USD) in the period between March and May.

Despite these projections, Fast Retailing Co. remains confident as it reports a strong rebound in domestic sales for the month of June in Japan as well as a faster-than-expected recovery in the Chinese market. UNIQLO's domestic sales — which include online purchases — rose by an impressive 26 percent last month compared to a year earlier, an impressive feat by the retailer following a 57 percent decrease in April followed by being 18 percent down in May. In light of these two recovering markets, the company says it will continue to open more stores globally.

In other business-related news, Brooks Brothers have now secured an interest-free loan of $80 million USD.

Source: hypebeast.com– Jul 12, 2020

HOME

****

Meet the man single-handedly manufacturing socks from a mill in Bradford

Inside a mill once owned by renowned textile employer Sir Titus Salt, Mark Hill is the one-man band behind The Bradford Sock Company.

Since launching four years ago, his sock production has been from a single machine in the premises of Edward Hill & Co Ltd, the knitting wool firm founded by his father in the 1980s, which he took on just over a decade ago.

However, production capacity at the site, in the heart of Bradford, has doubled in recent months, with a second sock-knitting machine now up and running to meet demand.

Across the two machines, Mark can make between 100 and 200 pairs a day.

He typically does short runs – only 50 pairs or so. "Somebody else wouldn't even entertain 50 pairs," he says. "They'd want (to be making) a thousand.

"And they won't have one or two machines, they'll have a factory of 30 or 40 and will have to keep them constantly running."

Small scale has worked for Mark so far, though. He has had commissions from clothing brand Belstaff, with whom David Beckham has collaborated, as well as local shops and Hebden Bridge-based menswear brand HebTroCo.

"I haven't had to go out for clients," he says. "They have come to me. I haven't gone knocking on doors. I've built a website and if you search for British sock manufacturers, there's not many. But people are looking all the time for this sort of thing."

In fact, it was out of a request from an Edward Hill & Co customer that The Bradford Sock Company grew.

"The customer asked whether I could make some socks. I had no idea how you made them," Mark recalls.

"Generally though, if somebody puts something to us we look into it. Because a lot of the (textile) companies that aren't here today have just done one thing – like spinning or dyeing - we've constantly done new things."

Supported by a European funding grant through Bradford Council, Mark established the new brand, heading off to 'sock school' in Italy, where, armed with samples, he chose his first production machine and embarked on a course to learn how to use it.

"I found this agent who supplies these machines and I don't think he took me seriously at all because to be honest, you wouldn't really go and buy one machine.

"People who buy sock machines have got a factory and they're adding to them or replacing them. The smallest factory I've been to has 30 machines.

"I was going to see the machine being built in the factory, to literally see it being put together so that if anything went wrong with it, I'd see how it had gone on."

When the £40,000 machine arrived in the UK, Mark was given support over two weeks to programme it for the designs he wanted to create. That machine is now almost at its maximum capacity for a year's production.

It led to the new addition, which is not quite the same, programmed to produce a slightly thinner sock, but it is proving popular, with work lined up for a third of the year.

"Initially, I had one customer who almost kept the original machine going all the time.

"From then, other people who would come to us (Edward Hill & Co) for knitting wool would start asking about making socks from it. You can only sell so much knitting wool at the end of the day but if they can sell a tonne of knitting wool and 200 pairs of socks, then they've expanded their market as well. So for quite a few of the existing customers, we now make socks.

"We also get people ringing up who find us on the internet or see us on Instagram."

A lot of Mark's clients are small, independent shops. A short run of orders for them means the machine isn't tied up for weeks and "when somebody goes into their shop and sees the socks, you then get other people starting to think 'ooh, I'll go and have a look about putting some of them in my shop'. It's snowballed from there really."

Mark reckons certain colours sell better in certain areas. "For example, the Bradford City colours will be most popular in Bradford but a shop in Leeds will sell more yellow, blue and white socks, because of Leeds United. We will make what people want."

As well as handling commissions from various shops and companies, Mark creates his own range of designs and colours, selling the socks on his website, with pairs also available to buy in the Edward Hill & Co mill.

Special commissions have been designed on yarn spun and dyed in Huddersfield. The socks are washed, left to dry until slightly damp and then put on foot-shaped sock irons, aptly known as 'hot legs', before being packaged.

"People are constantly looking for new things," Mark says.

"And say if there's only a few pairs of a certain colour combination left, shops will buy them. Then if somebody goes in their shop and thinks 'I'll go home and buy that sock online', they can't. They have to get it in their store so they go back."

The mill in which the socks are made was built in 1826, for the spinning of worsted yarn and employed more than 100 people in its heyday.

Owned for a period by Sir Titus Salt, a textile industrialist best known for having built Salts Mill, today the mill is split into two halves, one of which has been occupied by Edward Hill & Co since the firm's launch in 1983.

Just one room within that is set aside for the manufacture of socks. Most of the space is dedicated to the production and distribution of knitting yarn, including machines that steam and thicken the material, reel it into hanks and wind it into balls.

Edward Hill & Co supplies it to people all over the world, sending out around four tonnes every week.

“Our biggest customer at the moment is in France,” Mark says. “They’re a mother and daughter team. They started really small, ordering one box and then two and now they’ve just taken four palettes of yarn.”

At its peak, the company employed 40 staff and distributed more than ten tonnes of yarn a week. Today, things are scaled back and there are just 10 employees.

Mark, who joined the firm in a warehousing role in 1989, says the higher value of yarn has helped the company to survive.

“Now we are part of this bigger chain of events almost,” he says.

“The cheaper yarns that we used to do here are now done in China or Turkey, because they’ll do them for next to nothing.”

The sock production has allowed the firm to diversify under a new brand, whilst remaining true to its roots and to its home city.

“I know the yarn is going through a sock machine and it’s a different product coming out, but it’s almost the same as the other machines. You put some yarn behind it and a product comes out – in this case a sock,” Mark says.

“There’s not many people making them. I’ve joked about being Yorkshire’s largest sock manufacturer – and I only had one machine.”

Source: yorkshirepost.co.uk– Jul 12, 2020

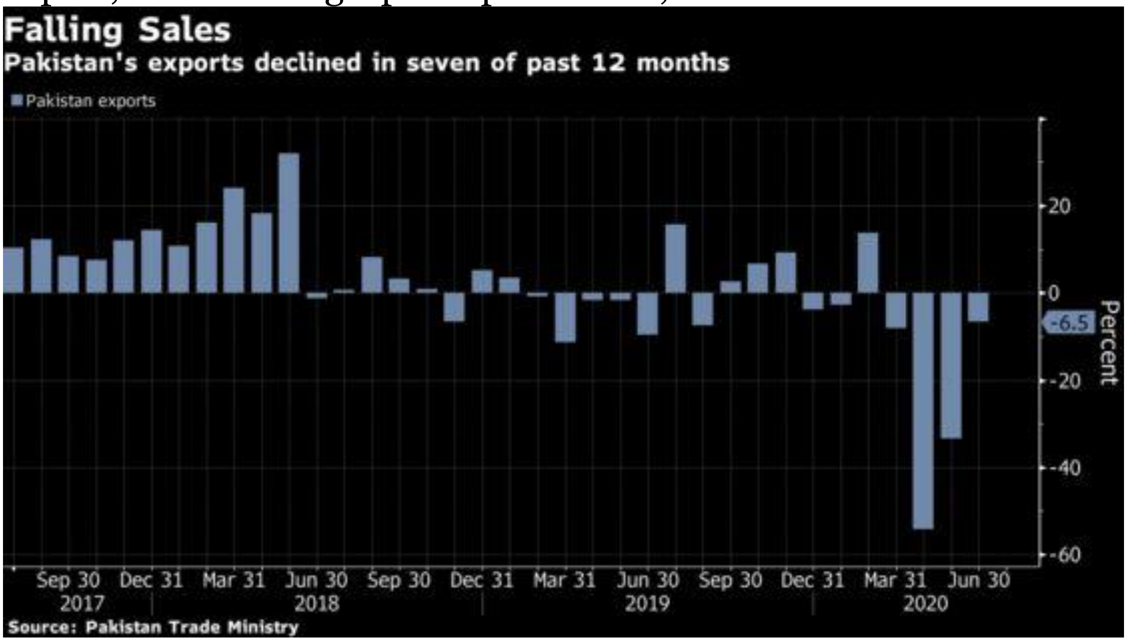
HOME

****

Virus Protection Gear Sales Seen Reversing Pakistan Exports Fall

Pakistan expects exports to recover, aided by demand for personal protective equipment amid the coronavirus pandemic, the nation's trade adviser said.

Exports of PPE, masks and other protective gear -- a new market -- have increased, Abdul Razak Dawood, the trade adviser to Prime Minister Imran Khan, said by telephone. Textiles, which account for half of the nation's export, is also seeing a pick up in orders, he said.



Pakistan has "really moved fast into that area," Dawood said, referring to PPE. The current year should be a better one than last, he said. South Asia's second-largest economy, whose exports dropped 7% in the year ended June, isn't alone in stepping up production of PPEs.

Neighbor India has become the world's second-biggest maker of PPE kits after a shortage at the beginning of the outbreak pushed it to boost local manufacturing.

Supply chain disruptions caused by the pandemic has meant Pakistan secured its first sportswear order from Hugo Boss AG, according to Ijaz Akhtar Khokhar, chief coordinator at Pakistan Readymade Garment Manufacturers and Exporters Association.

Pakistan plans to give tax incentives to any global brand that opens an office in the country, said trade adviser Dawood. The South Asian nation is looking to spur growth in the economy after its first contraction in 68 years in the year ended June. While exports dropped in seven out of the past 12 months, the rupee's depreciation -- by more than 50% since late 2017 -- has made the nation's shipments competitive globally, said Dawood.

Dawlance, a local home appliances maker, exported microwaves to Bangladesh for the first time, while D.G. Khan Cement Ltd. has sent clinker to new markets such as China and Philippines. The cement maker has another order from the Philippines for supply of 20,000 tons as well as making more shipments to China, according to CFO Inayatullah Niazi.

Source: bloombergquint.com– Jul 12, 2020

HOME

****

Bangladesh: RMG workers demonstrate for factory to reopen, arrears in Savar

Over two thousand workers of Dipta Apparels Ltd in Savar's Shampur area started their demonstration in front of the factory gate after blocking a local road around 10:00am.

They continued the demonstration till 2:30pm, our Savar correspondent reports quoting police and the agitating workers.

The demonstrating workers said the authority on July 1 declared the factory closed for three days due to electricity line being cut off. On July 3, the authority further declared it closed till July 11 showing the same reason. The factory was supposed to open today.

"As we came to the factory today to join work, we found another notice on factory gate saying the factory has been closed for indefinite period due to the same problem," said Jahirul Islam, a worker of the factory.

The authorities have shut down the factory without paying their last month's salary, he said.

The workers took to the street demanding reopening the factory and last month's salary, he said, adding that they also demanded Eid bonus and current month's salary before Eid-ul-Azha.

Rafiqul Islam Sujon, president of Bangladesh Garments and Shilpa Sramik Federation said, workers are worried about their jobs as the factory authority declared the factory closed for indefinite period.

Kabir Hossain, vice president of National Garment Workers' Federation, said "Factory authority told us that workers' salary will be paid very soon and it will be reopened by next Sunday."

However, this correspondent could not reach Lokman Hossen, production manager of the factory, despite repeated phone calls.

Contacted, Arif Hossen, assistant superintendent of police of Dhaka Industrial Police-1, said the factory had less work for the last couple of months, and there are problems with electricity and gas supply at the factory.

Source: thedailystar.net– Jul 12, 2020

HOME

****

Textile exporters' liquidity crunch hinders Pakistan's exports

Textile exporters have expressed immense distress as they are facing severe liquidity crunch due to the imposition of 17% GST as the government has yet to issue refunds.

The unnecessary delay in release of tax refunds is also causing hurdles in export production, Pakistan Hosiery Manufacturers and Exporters Association (PHMA) Central Chairman Chaudhry Salamat Ali.

He said that the government's anti-export decisions have disturbed exporters. Following the outbreak of the coronavirus, the global business has shrunk and textile exporters are faced by extreme uncertainty and they are unable to decide on the future of their businesses as the government has left them without any help in these critical times.

He said that exporters were worried that despite commitment and assurances, the government was not able to release the refunds in a timely manner. He also lamented that a major demand of the sector to restore the zero-rating regime and reduce GST was also ignored in the recent budget for fiscal year 2020-21.

“Exporters are also apprehensive about the fate of their other refunds of income tax, customs rebate, duty drawback as well because still a huge amount worth billions of rupees lying with the government, which has not been released.”

The PHMA official urged the government to support the textile industry and release all pending refunds in one go.

He said that to achieve breakthrough in enhancement and development of exports, it is extremely necessary that the government facilitate the export sector by introducing export-friendly policy.

He added that the five export-oriented sectors have been highly aggrieved due to the withdrawal of SRO 1125 and imposition of 17% sales tax on exports, which the government imposed in the last budget.

He added that the textile sector was reeling from anxiety as the government had disregarded its recommendations.

He also demanded that the government review its decision and restore zero-rating on GST, no payment no refund system, for textile sector or reduce GST from 17% to 4%.

Apart from providing employment to a huge number of people, the textile sector also supported more than 40 allied industries.

He added that the government will be responsible for closure of industries, flight of capital, and massive unemployment if these issues are not resolved.

Source: tribune.com.pk– Jul 12, 2020

HOME

****

NATIONAL NEWS

US remains India's top trading partner in 2019-20

The US remained India's top trading partner for the second consecutive fiscal in 2019-20, which shows increasing economic ties between the two countries.

According to the data of the commerce ministry, in 2019-20, the bilateral trade between the US and India stood at USD 88.75 billion as against USD 87.96 billion in 2018-19.

The US is one of the few countries with which India has a trade surplus. The trade gap between the countries has increased to USD 17.42 billion in 2019-20 from USD 16.86 billion in 2018-19, the data showed.

In 2018-19, the US first surpassed China to become India's top trading partner.

The bilateral trade between India and China has dipped to USD 81.87 billion in 2019-20 from USD 87.08 billion in 2018-19. Trade deficit between the two neighbours have declined to USD 48.66 billion in 2019-20 from USD 53.57 billion in the previous fiscal.

The data also showed that China was India's top trading partner since 2013-14 till 2017-18. Before China, UAE was the country's largest trading nation.

India is also considering certain steps like framing technical regulations and quality control orders for host of items with a view to cut import dependence on China and boost domestic manufacturing.

Trade experts believe that the trend of widening trade ties between New Delhi and Washington will continue in the coming years also as both the sides are engaged in further deepening the economic ties.

Presence of Indian diaspora in the US is one of the main reasons for increasing bilateral trade, Biswajit Dhar, professor of economics at Jawaharlal Nehru University, said.

"Presence of Indian diaspora is creating demand for Indian goods such as consumer items and we are supplying that. A balanced trade deal will further boost the economic ties," Dhar said.

India and the US are negotiating a limited trade pact with a view to iron out differences at trade front and boost commercial ties.

Professor at Indian Institute of Foreign Trade (IIFT) Rakesh Mohan Joshi said that although the trade pact will be mutually beneficial for both the countries, India should be a bit cautious while negotiating the pact with the US in areas such as agriculture, dairy and issues related intellectual property rights.

Ludhiana-based Hand Tools Association President Subhash Chander Ralhan said there is huge potential to boost bilateral trade between the countries on account of increasing anti-China sentiment in both the nations.

"Because of the anti-China sentiment, several US companies are exploring news suppliers in countries like India to cut dependence on China and if it will happen, then it will greatly help India to boost exports to the US," Ralhan said.

India is seeking relaxation in US visa regime, exemption from high duties imposed by the US on certain steel and aluminium products, and greater market access for its products from sectors such as agriculture, automobile, automobile components and engineering.

On the other hand, the US wants greater market access for its farm and manufacturing products, dairy items, medical devices, and data localisation, apart from cut on import duties on some information and communication technology products.

Source: financialexpress.com– Jul 12, 2020

HOME

****

Three months on, spinning mills are still silent

NTC mills employees' salaries were progressively cut and June's wages are yet to be paid

The 23 spinning mills of the National Textile Corporation, under the Union Textile Ministry, have remained closed since March, despite the Centre granting permission for factories and industries to open in May. This includes the five spinning mills in Kerala — Vijayamohini Mills in Thiruvananthapuram, Kerala Lekshmi Mill and Alagappa Textiles in Thrissur, and the CS&W Mills in Kannur and Mahe.

The salaries of the more than 7,000 employees countrywide have not been paid in June, after progressive salary cuts since March. The large pile of unsold yarn stock is being pointed out as a reason for the mills remaining closed. Employees' unions convened an online conference on Sunday to decide on protests.

Many of these mills which began under private ownership in the 19th or early 20th century, were brought under the public sector in the early 1970s. The Vijayamohini Mills, which was taken over in 1973, now has 450 workers under the permanent and casual categories. Around 150 casual workers from this mill alone lost their jobs much before the lockdown.

Post the lockdown, the salary was first cut by 25%, by 40% the next month and by 60% in May. According to the union leaders, an employee of the Mahe mill committed suicide on June 15.

'Machinery loss'

"The usual response of the management is that there are no sales and that no funds are coming from the Centre. Every year, close to ₹40 lakh is paid as taxes by Vijayamohini Mills alone, but the NTC has been working without any economic aid from the Central government.

The spinning mills owned by the State governments have resumed operations. If the mills remain closed for a few more months, we can expect a loss of crores worth in machineries," says M.T. Antony, decretary of the Trivandrum Textile Workers' Union, affiliated to the CITU.

According to Pradeep, Manager of Vijayamohini Mills, there has been no movement of yarn in Mumbai, which is the main market for the produce of mills in the State.

"As long as the yarn movement in the Mumbai market does not pick up, we cannot start production," he says.

Solutions suggested

Some of the suggestions from trade unions to cut costs include procurement of raw materials from the Cotton Corporation of India, a Central public sector enterprise, which can supply cotton at a discount.

Yarn produced by NTC mills can be exempted from GST or given a reduction in the percentage of GST. Strict control should be kept on the import of yarn and cloth materials, and indigenously made products of NTC should be promoted instead, say the unions. The unions see a ploy to push the textile corporation into a loss-making enterprise and privatise it.

Source: thehindu.com– Jul 12, 2020

HOME

****

Cambodia eyes India FTA, China deal set for August

Cambodia is studying the possibility of establishing a bilateral free trade agreement (FTA) with India to open a new market with the second-largest regional economy.

This comes as an FTA with China is scheduled to be signed next month while similar negotiations with South Korea have also started.

The subject of an FTA with India was made during a working lunch meeting between Minister of Commerce Pan Sorasak and Indian ambassador to Cambodia Manika Jain on Wednesday.

"I discussed with ambassador Jain the possibility of establishing a Cambodia-India bilateral FTA to increase trade volume and bilateral benefits between our countries.

"We also discussed the trade volume of our countries, which is constantly progressing," he said.

During the meeting, Jain agreed to strengthen bilateral trade relations by establishing the Cambodia-India Joint Trade and Investment Working Group to facilitate trade and investment between the two countries.

Ministry of Commerce spokesman Seang Thay told The Post that the ministry's FTA negotiation group will meet with the Indian side to discuss the possibility of developing an agreement.

"We have already set up a negotiating team and they will discuss with India the possibility of a trade agreement and whether it will be profitable.

"They will report the findings to the minister. If we see the benefits, both sides will start negotiating, but we do not know when that will happen," he said.

He said Cambodia wants an agreement with India because it has a very large market that is "greatly beneficial" to the Cambodian economy.

Cambodian Chamber of Commerce vice-president Lim Heng told The Post that if Cambodia could reach an FTA with India, the Kingdom would become a more attractive destination for foreign investors.

"If we have this agreement, Indian enterprises will look to Cambodia to set up processing factories to export to India and other destinations," he said.

Data from the Indian embassy in Cambodia said the trade volume between the two countries reached US$249.92 million in 2019, up 10.24 per cent compared to 2018's US$226.69 million.

Cambodia exported goods to India worth US$82.09 million last year, up 69.43 per cent from 2018, while imports amounted to US$167.83 million, down 5.8 per cent.

Indian investment is worth US$19.8 million. The country is among the top 10 foreign investors in Cambodia. India's main investments are in machinery, agriculture, energy, construction and mining.

Separately, Cambodia has also began FTA negotiations with South Korea, Thay said.

And before August 12, Prime Minister Hun Sen is due to visit Beijing to witness the signing of the bilateral trade agreement with China.

Source: thestar.com.my– Jul 12, 2020

HOME

****

India in talks with EU for trade deal, open to pact with UK

India has started trade talks with the European Union (EU) and is open to dialogue with the United Kingdom for a free trade agreement, the trade minister said on Saturday, as Asia's third largest economy looks for new markets for its products.

Piyush Goyal said that India is open to engage with the UK for a preferential trade agreement with the ultimate goal of a free trade agreement.

He is also in dialogue with the European Union's trade commissioner for a deal that could start with a preferential trade agreement. He added that the ultimate goal here too would be to have a free trade agreement.

"We're talking to the EU and I am in dialogue with the EU trade commissioner. I am looking for an early harvest deal. Open to discussions on a variety of subjects. It's up to the UK and EU whoever picks up the gauntlet first," Goyal said.
Negotiations for a comprehensive free trade agreement between the EU and India were suspended in 2013 after six years of talks.

India pulled out of the Regional Comprehensive Economic Partnership last year due to fears over China's access to its markets and is looking for new ways to boost its exports.

The country has also been raising trade barriers to block cheap imports from China and replace them with locally made goods for domestic consumption and exports.

"Apart from pharmaceuticals, we have textiles, handicrafts, leather, furniture, industrial machinery, toys are areas where India can engage with UK & EU at competitive prices," Goyal said.

India's economic growth has largely been driven by local consumption and successive governments have struggled to expand exports.

In the last six years Prime Minister Narendra Modi's government has been trying to push exports through various programmes like "Make in India" but with limited success.

Source: thehimalayantimes.com– Jul 12, 2020

HOME

****

Get industrial policy right to take on China – What govt can learn from Japan

India's approach to development in the last 2-3 decades has been service sector-led and has undermined manufacturing; at the same time, China has made rapid strides in manufacturing. This has resulted in an uneven balance between the two in their development stages.

China has developed capacities across a wide spectrum in applied engineering and chemical processes and has attempted to capture global markets. India on the other hand is stuck with various low-end services, many of which are of "body-shopping", the scope for which is rapidly declining.

It has begun to lose abilities in manufacturing, even in fields where it still has some presence, e.g., pharmaceuticals (68% dependence on China, for active ingredients) and auto-industry (15-20% dependence on China for electricals, electronics and fuel injection), to name two. The list of items on which India depends on Chinese imports include solar panels, metal-ware, cloth-ware, industrial machinery, a range of consumer electronics like mobile phones and TVs, and even low-end products like furniture, kitchenware, toys, kites or incense.

The annual trade-deficit between the two countries, of over $50 billion, is unsustainable for more than one reason. First, most Indian exports are raw materials or in that genre (low-tech and low employment, like ores, rare earths, chemicals), while the imports are in manufacturing (high-tech). Such a trade pattern inevitably results in unequal terms of trade in time ("I can do without your products but you can't without mine – case, Chinese manufactures vs Australian barley and beef").

Next, as stated earlier, even in areas where India has some competence, critical inputs are imported from China. Third, a sustained current account deficit has led India to multilaterals for loans even for undertaking earthworks, and then use the foreign exchange to balance the current account.

Since most multilaterals require global tendering for awarding contracts, Chinese companies creep-in through (at times) questionable routes to dig tunnels or make railroads in India, making Indian industries functionally further unfit. India is thus progressively exporting meaningful jobs to China, draining precious foreign exchange, and losing prowess in modern technologies and manufacturing.

Trade is advantageous to all when the trading countries have equal wares to share and that there is a shared vision of mutual welfare. The present dynamic, however, suggests that China quotes low prices to obliterate industries in unsuspecting countries, manipulates currency, follows few labour standards to cut costs, undermines IPRs, and inundates other countries with large loans, eventually landing them in a debt trap (Sri Lankas' ceding of Habantota Port, with more to follow through BRI). They practice hostile takeover of companies and countries through any means including gunboat diplomacy—a 18th/19th century approach of European colonisers (China-India or China-Vietnam border threats).

India's approach to development—following an Indian version of the Washington Consensus since the last three decades—has to change in favour of manufacturing if a total surrender is to be forestalled. There would be short-term financial losses to consumers, traders and domestic manufacturers for up to 2-3 years by not being able to import inexpensive auto- and machine/electrical parts or active ingredients in pharma from China, but this will gradually reduce.

Lower imports from China would also imply better overall terms of trade and therefore, stabilisation of the rupee, resulting in lower rupee value of petroleum products.

Thus, even if the price of a motorbike, car, or bus goes up, the cost of imported transport fuel correspondingly falls, evening out the said price increase in the former. Next, a near ban on imports of low-end products and consumer goods will create more jobs, and further stabilise trade deficits/rupee.

Business analysis at Bloomberg believes that up to 3,000 imported (Chinese) items (toys, watches, plastic products) could be substituted by local supplies. This is not reversion to the import-substitution model of yesteryears: there is a clear difference between strengthening local companies to become globally competitive (proposed) and companies producing under license for captive markets (earlier). Also, there is more than economics here:

Earlier, local industries could not grow in size due to controls, now they can; and earlier, they were psychologically not prepared to face international markets, now they are. Also, the approach proposed here is not to fully substitute imports but to reduce unnecessary imports for saving foreign exchange and jobs, along with weaving the Indian industry into the international division of labour. This would necessarily imply a great deal of imports, but which would also boost exports, local competence and jobs.

The present government, while making the right statements through the 'Make in India' campaign, has no manufacturing strategy. The share of manufacturing in GDP and employment has stagnated since economic reforms began in 1991 and manufacturing employment actually fell after 2014.

India needs a strong industrial policy for development, employment and facing a belligerent China. There are at least five components of a proposed policy:

- Government and industry need to work closely and create mutual trust for promoting industries through tariffs, subsidies, land and labour law easing, infrastructure, etc. Like the MITI of yesteryears in Japan or South Korea more recently, the government must help national companies to grow and become internationally competitive. That is what China did.
- Approaches to gain economies of scale need to be put in place to overcome India's shortcoming of having 66 million MSMEs. A "one-state/district-one product approach" can bring together SMEs to form a single giant unit. Again, the state needs to initiate this process by means of planning.
- Need to invest heavily in targeted R&D, for which private-public sector partnership is essential. Indian government and defence labs along with R&D Departments of private and public sectors require

joining hands for this. Expenditure on R&D should rise 3-4 times from 0.7% of GDP at present.

- Investment in education, training, and human capital formation should rise from the current 3% to 6% of GDP, with greater industry-based training, focus on quality, and emphasis on STEM.
- Contain brain-drain out of India (from top engineering and medical colleges) to foreign shores. Partnerships with the best universities in the West is one approach to provide quality education here.

Source: financialexpress.com– Jul 11, 2020

HOME

****

Policy reversal? Import tariffs up 4 pps since 2014, seem rising further

After several years of steady and progressive trade liberalisation, India seems sliding into a protectionist groove, again. Several rounds of duty hikes since the Modi 1.0 government assumed office in 2014 have significantly increased import barriers; besides, the planned stringency on checking sub-standard imports could keep a section of imports at bay.

India's applied (real) tariff has increased to an average of 17.6% in 2019 from 13.5% in 2014, according to the latest data compiled by the WTO. Trade-weighted average tariff, too, rose from 7% to 10.3% between 2014 and 2018, the latest year for which the data are compiled.

As the government undertakes a major review of its tariff policy to push for Atmanirbhar Bharat and target low-grade imports from China, the average tariff level may rise even further.

This may cause unease among some trading partners, including the US, who tend to exaggerate New Delhi's "trade protectionism" by citing the (high) simple average applied duty, disregarding the relatively low bound rates (upper level allowed by the WTO) maintained by the country.

Of course, India's trade-weighted average tariff of 10.3% in 2018 was well below a third of the level permitted by the WTO.

What underlines the need for a rethink on the policy is the fact that hiking the duties in the recent past has had only limited efficacy in reducing the target imports. Also, there is evidence of import curbs impeding domestic value-addition and economic growth.

After its increase of customs duties on a range of products in September 2018, an FE analysis had suggested that barring certain gems and jewellery items, where imports were already falling before the duties were hiked, as many as eight of the 13 product segments witnessed a rise, year on year, in purchases from overseas between October 2018 and February 2019.

Of course, a resource-hungry government mops up some extra revenue by way of higher customs duty collection at a time when the GST mop-up has remained below expectations. But that represents a myopic view as import curbs could ultimately stifle economic expansion and thereby hit revenue growth. These restrictions could work against Indian industry's efforts to be more globally competitive.

The argument that import curbs could reduce India's merchandise trade deficit and thereby the overall shortfall on the current account also doesn't hold water, as higher imports could ultimately push exports if these are accompanied by domestic policies to spur local manufacturing.

Since September 2018, the government has raised import duties on scores of products in October 2018 and then in the Budgets for FY20 and FY21. The duties on dozens of items, ranging from gold, certain electronics and electrical items to select steel products, footwear, furniture and toys.

Also, despite a duty hike last year, imports of products like base metal mounting, fitting or similar items meant for furniture, etc, fell by only 3.7% y-o-y in FY20, when overall merchandise imports were down by as much as 7.8%. Similarly, a higher duty didn't deter imports of static converter and its purchases barely fell (by 2%) in the last fiscal to $1,083 million. Of course, in certain other steel products, the duty increase seems to have worked.

So, for the Atmanirbhar India scheme to work, the government must remove obstacles in manufacturing, the share of which in GDP has remained stagnant at about 15-17% for decades now, according to Biswajit Dhar, professor at the Centre for Economic Studies and Planning of JNU.

On a crackdown on imports from China, Dhar said: "We have to recognise that China has a huge presence in the supply chain involving India and any move to disrupt that will hurt the Indian economy and consumers. So we must try and prepare our industry for a long haul by building a solid (manufacturing) eco-system and gradually reducing our dependence on imports from China."

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

So without structural reforms, especially in factors of production like land, labour and capital, a sustaintained improvement in exports is unthinkable. For his part, Prime Minister Narendra Modi has spoken about heralding fresh reforms in the factors market and the government is expected to spell out its intent soon.

Importantly, the Surjit Bhalla panel last year suggested that every free trade agreement must be conceived with a view to achieve national objectives and should not be driven by narrow considerations or political expediency. "While negotiating market access for goods in FTAs, India should focus on both tariffs and non-tariff barriers in the partner countries. In services, India should go beyond Mode 4 (movement of persons), and also focus on Mode 3 (commercial presence), as Indian investors have an interest in investing in the FTA partner country," the report said.

Countries like China, Japan and South Korea have effectively employed various non-tariff measures to curb imports that they deem undesirable, while keeping tariff barriers at a more reasonable levels to mask the ferocity of their trade protectionism. India has already taken a leaf out of China's book and is developing standards to curb low-grade imports.

According to an analysis of the commerce ministry ahead of India's RCEP pullout in November 2019, China has put in place 1,516 notifications that are nothing but technical barriers to trade (TBT), followed by South Korea (1,036) and Japan (917), while India has initiated only 172 such steps. India's average applied tariff, however, stood at 17.1%, while China's was 9.8%, South Korea's 13.7% and Japan's 4.4%.

Source: financialexpress.com– Jul 13, 2020

HOME

****

FM Sitharaman reviews Atma Nirbhar Bharat progress: Rs 60,000 cr disbursed to MSMEs under collateral-free loan scheme

Indicating a steady progress of the Rs 3 lakh crore collateral-free loans proposed for MSMEs in the recent Atma Nirbhar Bharat Package, commercial banks have sanctioned loans worth Rs 1.2 lakh crore under the scheme and about half of it has already been disbursed to businesses.

As far as the Rs 30,000 crore special liquidity scheme for NBFCs/HFCs, applications requesting about Rs 9,875 crore (33% of the scheme) of financing has been received, it was revealed in recent review by finance and corporate affairs minister Nirmala Sitharaman on the schemes of her ministries.

On May 12, Prime Minister Narendra Modi had announced the Rs 20 lakh crore package to give succour to businesses and people from the adverse effect of Covid-19. Later, details of the package were unveiled by Sitharaman during May 13-17. The package mainly consisted of easier liquidity facilities while fiscal cost was estimated to be only Rs 2 lakh crore (that rose later to Rs 3 lakh crore).

One of the key components of the package was to give Rs 3 lakh crore collateral-free automatic loans for businesses, including MSMEs. In a short period of about one and a half month, noticeable progress has been achieved in identifying units, sanctioning as well as disbursing of loans to MSMEs, the finance ministry said.

On the special liquidity scheme for NBFCs/HFCs, SBICAP (the manager of the scheme) has received 24 applications requesting about Rs 9,875 crore of financing as on July 7. The first application in this regard has received its approval and the remaining are also being considered, the ministry said.

A new front loaded special refinance facility of Rs 30,000 crore was sanctioned by Nabard during Covid-19 to RRBs & cooperative banks. This special facility benefits 3 crore farmers, consisting mostly of small and marginal farmers in meeting their credit needs for post-harvest and kharif sowing requirements. When kharif sowing is already in full swing, Rs 24,877 crore out of Rs 30,000 crore has been disbursed as on July 6, out of this special facility, the ministry said.

Existing Partial Credit Guarantee Scheme (PCGS) has been revamped and extended to cover the borrowings of lower rated NBFCs, HFCs and other Micro Finance Institutions (MFIs). Banks have approved purchase of portfolio of Rs 14,000 crore and are currently in process of approval/negotiations for Rs 6,000 crore as on July 3. The Centre provides 20% first loss sovereign guarantee to public sector banks under the scheme.

One of the key announcements was to reserve government procurement tenders up to Rs 200 crore for domestic MSMEs. In a major relief to these small units, expenditure department has amended General Financial Rules (GFR), 2017 and GFR Rules relating to global tenders, to disallow government procurement tenders up to Rs 200 crore.

The government has also acted on its promise that all central agencies like railways, ministry of road transport and highways and CPWD will give extension of up to 6 months to contractors for completion of contractual obligations, including in respect of EPC and concession agreements.

In this regard, expenditure department has issued instructions that on the invocation of Force Majeure Clause (FMC), contract period may be extended for a period not less than three months and not more than six months without imposition of any cost or penalty on the contractor/concessionaire.

Instructions were also issued to return the value of performance security to the contractor/ suppliers proportional to the supplies made/ contract work completed to the total contract value.

Source: financialexpress.com– Jul 13, 2020

HOME

****

India is a more cost-effective option for Kathmandu than China. Here's why

India has a major role to play

India accounts for 64% of Nepal's total volume of trade, according to data sourced from Economic Survey of 2018-19.

Non-tariff Trade: Informal trade happens in the Terai region too. These are for goods mainly produced in UP, Bihar and West Bengal to avoid high tariff and other issues such as weak infrastructure and high transportation cost. In exchange, Nepal gives goods produced in third countries.

Proximity to ports

Nepal is dependent on Indian ports to facilitate its trade across different parts of the world. About 60% of its exports and imports are handled by Haldia and Vishakhapatnam ports. Proximity to Birgunj helps Haldia to handle most of Nepal's trade.

Meanwhile, Vishakhapatnam port is Nepal's cargo gateway to China, Southeast Asia, the US and Europe.

India has agreed to provide Nepal access to Dhamra port in Odisha and Mundra in Gujarat. The two countries have been negotiating to facilitate trade through inland waterways from Haldia to Nepal through rivers Koshi and Gandak.

More access points in India

Nepal shares a 1,868-km boundary with India, which has 20 entry and exit points for trade. India's export items include petroleum products, iron, steel, cement, machinery and pharmaceuticals. Import items include tea, black cardamom, juices and jute products.

Nepal-China trade

Nepal shares 1,415 km border with China which has its own geographical challenges. The Nepal-China trade deal allows people living within 30 km on either side of the border to travel freely by merely providing residence proof to engage in barter trade.

Tatopani-Zhangmu and Rasuwagadhi-Kerung are the two major trade points. Tatopani has been the closest trade point with China since 1960s but it was closed after a severe earthquake hit in 2015. It reopened only last year, impacting trade.

Bulk of Nepal's exports to China is consumed in Tibet. China's attempt is to provide Nepal access to another port through the Kathmandu-Rasuwadadhi highway.

Transit Deal

To reduce dependancy of Nepal on India, China has offered more avenues to Nepal and both the countries signed a transit agreement in 2016.

The deal gave Nepal access to many Chinese ports for third country trade. China also invested in rail and road networks to boost bilateral trade. In the fiscla year 2019-20, Nepal-China trade through the border points route has reached about $20 million, which is five times that of last year.

Source: economictimes.com– Jul 12, 2020

HOME

****

Ludhiana: Heads of MSME bodies write to Modi, Gadkari for aid

A day after Reserve Bank of India (RBI) governor Shaktikanta Das termed the Covid-19 pandemic the worst health and economic crisis in the last 100 years during peacetime with unprecedented negative consequences for output and jobs, heads of various industry associations in Ludhiana on Saturday demanded government support to tide over the current economic crises.

Upkar Singh Ahuja, president, Chamber of Industrial and Commercial Undertakings (CICU) and Ajit Lakra, head of textile division, FICO, sent open letters to Prime Minister Narendra Modi and Union minister of micro, small and medium enterprises, Nitin Gadkari, stating that making India 'atma nirbhar' is not possible unless the government supports MSMEs and manufacturing sector.

"The electricity rate of industrial units should be reduced by Rs 3per kw and liquidity should be available easily for MSMEs at low interest rate. Improvement of transport infrastructure is imperative and GST should be slashed. Besides this, export incentive like no income tax on export should be offered to encourage industrial growth," Ahuja said.

He said the country's MSME base is the largest in the world after China and if the government abolishes anti-dumping duties for raw material such as steel and plastic, the Indian MSME industry has the potential to touch 200% growth in three years.

"The anti- dumping duties makes raw material expensive. This in turn makes finished products costlier, which is why Chinese products are preferred over ours," he added.

Lakra said that amid growing anti-China sentiments, India has a lucrative opportunity to become one of the most industrialised countries of the world.

"It is most important to immediately ban import of unnecessary commodities from China or any other country to promote our own industry and create more employment," he added.

He said labour, land acquisition and tax laws must be suitably amended to make them satisfactory for foreign investors to establish their business ventures in India with ease.

Source: hindustantimes.com– Jul 12, 2020

HOME

****

Swadeshi for 21st century realities: Govt should foster an ecosystem for driving consumer preference

The slogan of 'Atmanirbhar Bharat' has received considerable support from the general public, especially following China's misadventures in Ladakh. These misadventures have indirectly made this an issue of boycotting Chinese products. However, boycotting is a fraught proposal since China is a crucial source of raw materials for local industries, like APIs in pharmaceuticals, components for electronics, etc. Further, many of our consumers wouldn't be in a position to afford the alternatives.

Instead, Atmanirbhar Bharat must strive for an outward-driven yet self-sufficient economy rather than a mere inward-looking one. Unlike traditional import-substitution, atmanirbharta and trade need not be mutually exclusive. On the contrary, trade can provide an opportunity for greater indigenisation by increasing the market for Indian goods abroad. This would not only give an impetus to local production and employment, but also would provide a cushion to absorbs shocks in the economy when the global supply chains falter (as seen recently).

To this end, the government has undertaken numerous supply-side measures like production incentives, labour reforms, creating land banks for use by industry, etc. However, adequate efforts have not been made to promote consumers' demand for Indian products. The Indian consumers today are showing an increasing preference for Indian products, with a greater sense of pride about supporting the 'vocal for local' call. However, due to a lack of disclosures from sellers and companies, it often is difficult for consumers to distinguish between imports and domestic products.

Thus, there exists asymmetry of information regarding product origins, which could affect consumer behaviour. One way to address this would be through a certification system for products 'Made in India' akin to 'certified organic', if certain standards related to local value-addition are met.

The US has a similar system where the US FTC deals with the criteria for products to be labelled as 'Made in USA'. This certificate would be strictly voluntary and available for any local or foreign brand undertaking production in India. Unlike recent guidelines mandating e-commerce products to declare the source of origin, the focus here is to brand and promote Indian products rather than singling out imports based on their origins.

These standards must reflect the realities of particular industries instead of a one size fits all approach. For example, 100% local value-addition is not possible in smartphone manufacturing, as India doesn't have adequate capability to make microchips and other core components. So, the standards here would naturally have to be lower.

Complementary to 'Made in India', an 'Assembled in India' certification having a lower threshold for local value-addition, could also be developed. Thus, foreign firms would not only have a cost incentive to assemble their items locally (supply-side measures), but also the possibility of higher demand from Indian consumers.

Simultaneously, awareness campaigns must be undertaken to inform consumers about these certifications. These measures would help create a 'brand' for Indian products both locally and globally. It would not only help the big Indian businesses, but also the MSMEs which presently lack recognition.

However, the certification process must not be cumbersome, as it would undermine the ease of doing business. One way would be to grant certifications directly on the basis self-declarations by firm guaranteeing local value-addition. The verification would take place later (like tax returns) using analytics on data from GST filings, audits, etc; and penalties imposed only if claims were falsified.

As consumer choices aren't being restricted, such certifications wouldn't be against free trade or competition. It merely provides a new dimension of information to consumers on which they can base their decisions. A good analogy would be when some consumers prefer 'eco-friendly certified' products, despite being more expensive. This is because they are willing to pay a mark-up in order to be environmentally conscious (i.e. positive externality).

Similarly, consumers might be willing pay more to promote local goods due to positive externalities like employment, poverty reduction, etc. Just as the demand for eco-friendly goods would also fall if the price is too high or the quality too low, so is the case here.

So, this wouldn't result in inefficiency, as the firms would have a strong incentive to be competitive and efficient. Thus, this could be a long-term alternative to short-term responses such as tariffs or boycotts, which could attract similar retaliation.

This idea of promoting local industries isn't a new phenomenon. In fact, 'Made in India' or swadeshi was one of the hallmarks of our freedom struggle. However, instead of merely replicating the swadeshi of our past, we must fine-tune it to the realities of the 21st century.

Source: financialexpress.com– Jul 11, 2020

HOME

****

Arvind Fashions in talks with Reliance Retail to sell two denim brands

Arvind Fashions Ltd is in talks with Reliance Retail to sell two denim brands -- Newport and Ruf & Tuff, three people familiar with the development said.

It is also, separately, in talks with value retailer V-Mart to sell its Unlimited department store chain.

Arvind Fashions has been restructuring its businesses for about a year, by trimming its global brands portfolio and pruning unviable outlets. Last year, it exited marketing arrangements with loss-making global labels including Izod, Gant, Nautica and Ed Hardy to focus on US Polo, Gap, Aeropostale, Flying Machine, and other labels.

The Bengaluru-based retailer also shuttered a substantial number of its Unlimited stores and virtually exited markets in north India.

"We do not comment on market speculations," said an Arvind spokesperson when asked about plans to sell the Newport, Ruff & Tuff and Unlimited brands.

Lalit Agarwal, MD of V-Mart, declined to comment.

A Reliance Retail spokesperson said in an email, "As a policy, we do not comment on media speculation and rumours. Our company evaluates various opportunities on an ongoing basis."

V-Mart was to ink a deal to fully acquire the Unlimited store chain in March, but the nationwide lockdown in end-March has delayed it, one of the sources said.

Arvind Fashions was hoping to bring its business on track this year when Covid-19 pandemic hit sales at its offline stores, just like many of the fashion retailers globally.

In May, the retailer of brands such as Gap, US Polo, Sephora, Aeropostale and Flying Machine, deferred payments to staff owing to reduced sales and depleting cash flow amid the lockdown.

Earlier this week, Walmart-owned Flipkart picked up a substantial minority stake in Arvind Fashions' subsidiary Arvind Youth Brands for Rs 260 crore as part of the home-grown e-commerce company's plans to strengthen its mid-market fashion portfolio.

Arvind Fashions reported a consolidated net loss of Rs 208 crore for the quarter ended March 31, compared to a net profit of Rs 21.30 crore a year earlier. During the quarter, its gross debt ballooned to Rs 1,210 crore, a 53% jump over financial year 2018-19.

Source: economictimes.com– Jul 13, 2020

HOME

****