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IBTEX TEXTILE INTELLIGENCE CENTRE
INFORMATION BUREAU TEXPROCIL
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

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# INTERNATIONAL NEWS

## USA: Market Ignores Fundamentals Despite Record Export Sales

Huge world buying continues. Nevertheless, cotton's legacy fundamentals have not had any positive impact on the cotton market.

U.S. cotton export sales recorded a marketing year high, and the USDA March supply demand report noted a substantial decline in U.S. carryover. Additionally, USDA clarified its export shipment information, making it clear that the so-called inflated estimate of the 2019-20 marketing year U.S. export estimate was actually almost assuredly underestimated.

None of these three fundamentals were able to stir any bullish price reaction in the market. Cotton prices continue to follow Wall Street's dirt road to the poor house as the Chaos Index/Fear Index as measured by the Chicago VIX maintains its prediction of extremely volatile and erratic markets (yes, the futures market does have a contract that measures fear, chaos and confusion).

Price activity this week may have established a market bottom in the 60-61 cent area, basis old and new crop. However, given the chaos in the financial markets, cotton prices remain at risk of falling to the 56-58 cent level.

In its March world supply demand report, USDA reduced its estimate of the 2019 U.S. crop 300,000 bales, down to 19.8 million. The final crop estimate will be released in May 2020, and some feel the crop will be lowered another 100,000 bales. This reduction dropped U.S ending carryover for the 2019-20 marketing year to 5.1 million bales. Again, this was expected.

However, in a footnote included in the report, USDA noted that Census data – the official data USDA will use for its final U.S. export number – is almost 700,000 bales above USDA's estimate of actual export shipments to date. This was very unexpected and will be very supportive of prices later in the year.

Export shipments have been above the weekly average needed to meet the USDA 16.5 million bale export estimate for 2019-20. Further, it supports the idea that U.S. exports could actually climb as high as 16.8-17.1 million bales. Such a level, if realized, would correspondingly lower U.S. carryover to 4.5-

4.8 million bales, creating the possibility of the old crop May/July futures price to return to mid to high 60s, and potentially as high as 68 cents.

Turkey and Pakistan have increased their spinning activity, along with Bangladesh, in an attempt to grab textile market share from China for products shipped into the European markets.

All three of these countries have been and continue to be excellent buyers of U.S. cotton. All three continue to shop for U.S. cotton almost daily. It is noted that U.S. cotton industry export promotional efforts have been very instrumental in adding to U.S. sales.

The somewhat bearish tone noted in the March supply demand report was that while U.S. ending stocks were lowered, world ending stocks, as well as world production, were increased. That was coupled with a reduction in world consumption. World production was raised only 260,00 bales, up to 121.6 million.

World consumption, due to the coronavirus, was lowered one million bales in China. However, due to consumption increases primarily in Turkey and Bangladesh, the net reduction in world consumption was 850,000 bales, down to 118.2 million bales. The net effect was to increase world carryover some 1.3 million bales, up to 83.4 million.

The USDA weekly cotton sales report showed that a net of 661,900 bales were sold during the week ending March 5 – 484,200 bales of upland for the current year; 17,300 bales of Pima for the current year and 160,400 bales of upland for the 2020-21 marketing year.

Suffice it to say, the numbers for upland sales were basically unheard of. Pima sales were up 91% from the prior week and up 20% over the monthly average.

Reality will be restored, but Wall Street will come first. Cotton must still sort through its planting season, including a potentially meaningless March 31 planting intentions report from USDA and the 200,000 plus acres of cropland flooded in the South Delta of Mississippi where all that gets planted will go to soybeans. Mid-South corn plantings will also have to take on aquatic characteristics if/when those plantings occur.

Price volatility will continue and could be wild – from a low of 57 cents to a high of 68 cents.

Source: cottongrower.com-Mar 15, 2020

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## Ban imports from Xinjiang: U.S. lawmakers

Rights groups say as many as one million Uighurs and other minorities are held in camps in Xinjiang

Lawmakers in Washington have proposed a ban on most imports from China's Xinjiang region, charging that goods produced by Uighur forced laborers were easily making their way into the United States.

The U.S. already bans products made through slavery, but with rights groups saying as many as one million Uighurs and other minorities are held in camps in Xinjiang, lawmakers said forced labor was interwoven into the region's economy.

"These practices in Xinjiang are one of the world's largest human tragedies. It remains unimaginable, frankly, that this is happening in 2020," Senator Marco Rubio, a Republican sponsor of the bipartisan measure, told reporters on Wednesday.

Representative Jim McGovern, a Democrat who leads the Congressional-Executive Commission on China — which looks at human rights — said that witnesses, surveillance photos and leaked documents all showed the existence of forced labor.

"We know that many US, international and Chinese companies are complicit in the exploitation of forced labor involving Uighurs and other Muslim minorities," Mr. McGovern said.

"Audits of supply chains are simply not possible because forced labor is so pervasive within the regional economy," he said.

The act would ban the import of any goods from Xinjiang unless US Customs and Border Protection has "clear and convincing evidence" that no forced labor was involved.

Uighur activists say that China is conducting a massive brainwashing campaign in internment camps aimed at eradicating their culture.

Beijing says the camps are "vocational education centers" teaching Mandarin and job skills to steer "students" away from religious extremism.

A Chinese foreign ministry spokesman said at a regular press briefing Thursday that the U.S. should "stop using the human rights issue to interfere in China's internal affairs."

**Xinjiang cotton reaches world**

The commission also released an accompanying report on Wednesday said it had seen "credible reports" that goods involving forced labor have come into the United States, including textiles, cell phones, computer hardware, shoes and tea.

It listed a number of companies that allegedly benefited from forced labor, including fashion brands Calvin Klein and H&M, beverage giant Coca-Cola and Campbell Soup.

The Fair Labor Association, a collaborative that aims at protecting workers' rights, said this week it was "deeply troubled" by reports of forced labor in Xinjiang and asked its affiliates to look at alternative sourcing options.

The association covers companies that were also listed as touched by forced labor from Xinjiang, including shoemakers Adidas and Nike.

One major source of concern has been cotton, as Xinjiang — like the American South two centuries ago — supplies the world.

Scott Nova, the executive director of the Worker Rights Consortium, which monitors factories, said that China had made a concerted effort to turn the region into a global hub for cotton and yarn.

Of the 10 billion garments imported each year into the United States, around 20 percent are believed to contain at least some material from Xinjiang, Mr. Nova said at a panel of the Congressional-Executive Commission on China. Xinjiang cotton "feeds not just garment factories in China but factories around the world," Mr. Nova said.

"For apparel brands and retailers, the risk of complicity in forced labor is enormous," he said.

The Uighur Forced Labor Prevention Act, if approved by Congress, would also require the secretary of state to produce a report on whether coerced labor is taking place and outline steps to combat it.

Secretary of State Mike Pompeo criticized China's treatment of minorities Wednesday as he released the State Department's annual report on human rights.

"The CCP's record in Xinjiang is the stain of the century," Mr. Pompeo said, referring to the Chinese Communist Party.

Source: thehindu.com-Mar 14, 2020

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## How Low Can They Go? COVID-19 Isn't the Only Threat to Cotton Prices

Already depressed cotton prices could go even lower if demand bottoms out from coronavirus pandemic disruptions and the U.S. and China revive their trade dispute, Cotton Incorporated said in a new report.

Cotton Inc. said the evolving global situation is putting increased pressure on prices that have declined over the past month. The New York futures contracts for May fell to near 61 cents per pound from levels near 70 cents per pound in early February. Prices for the December contracts that are indicative of expectations after the 2020-21 harvest moved in the same pattern, but values were slightly higher. Most recently, December futures were trading near 62 cents per pound.

The A Index, an average of global spot prices, fell to 73 cents from 77 cents per pound in the last month. U.S. spot cotton prices averaged 57.53 cents per pound for the week ended March 5, down from 60.84 cents in the prior week and from 68.17 cents a year earlier, according to the U.S. Department of Agriculture (USDA).

"The rapid spread of the coronavirus has significantly altered macroeconomic conditions," Cotton Inc. said. "The Organization for Economic Cooperation and Development ventured a revised forecast for global GDP growth in 2020 in early March that suggested a 2.4 percent increase in economic activity. If realized, this would be below the 2.9 percent growth rate experienced in 2019 and would be in the opposite direction of the acceleration in global GDP assumed by the USDA in its early 2020-21 forecasts" for cotton.

The report noted that global growth in 2019 was the slowest since the Great Recession and that deceleration from that weak level does not suggest strength on the demand side of the balance sheet and implies downward risk to consumption estimates.

"Including March, there are still five months remaining in the 2019-20 crop year, meaning there is ample time for the coronavirus and the slowdown in economic activity it can bring to lower expectations for the current crop year, as well as the upcoming 2020-21 season," Cotton Inc. said.

The USDA lowered its consumption number for China this month. Reports indicate that China is returning to regular business conditions, which could mean that further decreases in Chinese consumption could be limited, the report noted.

"Nonetheless, delays have been registered throughout supply chains," Cotton Inc. said. "The resulting logistical bottlenecks, along with the spread of the virus beyond China, pose risks to demand. If global conditions do not clear up quickly, weakness from the demand side could erase the production deficit projected by the USDA in 2020-21."

The report stressed that while COVID-19 and macroeconomic conditions dominate demand-related concerns at the moment, the U.S.-China trade dispute and its potential impacts "should not be forgotten." With the Phase One agreement now in effect, if the targets laid out in it are not met, both sides could escalate the conflict, Cotton Inc. said.

"The trade dispute has been identified as a contributing factor for the economic slowdown in 2019," the report added. "If tensions flare again in 2020, economic growth could end up being lower than currently expected."

Source: sourcingjournal.com-Mar 13, 2020

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## Coronavirus: Colombia expects an increase in its fashion exports to the U.S.

The Colombian fair organizer, Inexmoda, expects textile exports from Colombia to the United States to increase in 2020 as brands seek alternatives away from China.

Colombia, a refuge for sourcing against the coronavirus. The textile and clothing industry in the South American country has begun to notice an increase in orders due to the stoppage of other productive hubs, especially in Asia.

“The coronavirus and the trade war (coupled with a plunging local peso currency) is driving the biggest buyers to look for sourcing alternatives, more and more brands are looking for opportunities, which we hope will turn into long-term contracts,” said Carlos Eduardo Botero, the president of Inexmoda, to Just Style.

However, the uncertainty generated by this health crisis, which in countries such as China, Italy, and now Spain, has forced to declare a state of alert, makes it difficult for the businessman to provide an export forecast for 2020.

In this regard, Botero believes that shipments to “American customers should trend up in the near and medium term, offsetting potential losses to other countries if the disease is not contained in the coming months.”

In January, garment exports to the United States from Colombia decreased by 16.7%, maintaining the downward trend with which they ended in 2019.

Last year, Colombian textile exports dropped by 1.5%, to 229, 7 million dollars, according to data from the Textile and Apparel Office (Otexa).

Source: themds.com- Mar 13, 2020

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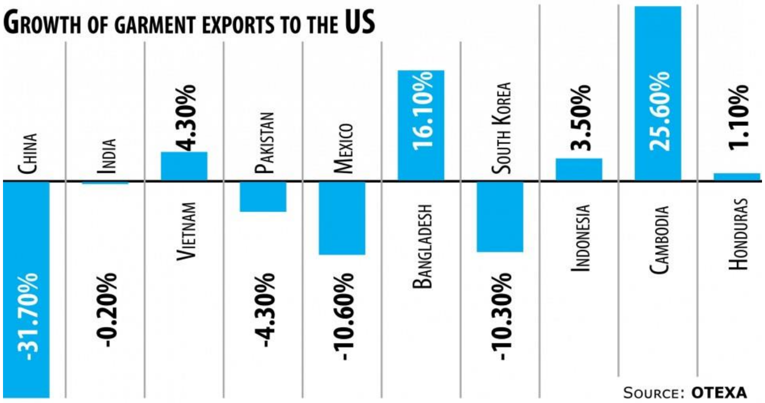
# Bangladesh: Trade war proves a boon for apparel

*Shipment to US rises 16pc but exporters wary of coronavirus fallout*

Bangladesh's apparel exports to the US grew 16.09 per cent year-on-year to $637 million in January amid the US-China trade war.




Apart from Bangladesh, four other countries, which are among the top 10 garment producers worldwide, also saw their shipment to the US market rise in January, according to data from the Office of Textiles and Apparel (OTEXA) of the US.

Garment exports from Vietnam grew 4.25 per cent to $1.39 billion, from Indonesia 3.48 per cent to $445 million, from Cambodia 25.61 per cent to $319 million and from Honduras 1.07 per cent to 155 million year-on-year, OTEXA data showed.

The increased earnings from apparel shipments to the US, Bangladesh's main export destination for garment products, came from previously placed work orders and due to the trade war between China and the US, said MA Jabbar, managing director of DBL Group, a leading garments exporter.

A fair amount of work orders has shifted from China to Bangladesh owing to the continued conflict between two major economies, the US and China, for the past two years, according to industry insiders.

Although Bangladesh seemed to benefit from the trade conflict, the garment export may come under pressure in the coming months because of the fast-spreading coronavirus in the world and in particular in the developed economies that are also the country's major export destinations.

"Our exports may also be in trouble if the coronavirus situation in Europe and the US does not improve soon. The crisis being faced by these two markets [the US and China] has only deepened after the outbreak was declared a pandemic," Jabbar told The Daily Star by phone.

Since the supply chain for raw materials from China is improving gradually, production may soon return to normalcy as well, said KI Hossain, president of the Bangladesh Garment Buying House Association. "However, those involved in the garment industry should remain cautious," he said in a statement.

China's apparel exports to the US dipped by 31.68 per cent to $2.47 billion and consignments to India dropped by 0.18 per cent to $720 million.

The Pakistan market for China shrank 4.34 per cent to $261 million and shipments to Mexico decreased by 10.57 per cent to $304 million and South Korea by 10.30 per cent to $80 million.

Source: thedailystar.net- Mar 16, 2020

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## Pakistan PM approves textile export target of $28bn in 5 yrs

In a major development, Pakistan Prime Minister Imran Khan has accorded approval to the country's textile policy 2020-25 under which the textile exports will be jacked up to $28bn in five years' time by 2025.

And to achieve the target of $28bn textile exports, cotton production in the country will be enhanced to make availability from 9mn bales to 20mn bales within five years.

Razak Dawood, Adviser to PM on Commerce and Textile, in his tweet said that the prime minister has in principle approved the Textile Policy 2020-25 and under the rules of business it will be processed to the federal cabinet for approval.

The draft of the Textile Policy 2020-25 available with The News also reveals that electricity and gas tariff will be fixed for the next five years till 2025 at US cent 7.5 per KWh and $6.5 per MMBTU respectively.
It also indicates that withdrawal of Zero Rating or SRO 1125 will be reviewed.

Under the textile policy, formation of Specialised Economic Zones (SEZs) will be ensured to accelerate exports by providing Plug and Play facilities, especially for garmenting units.

Pakistan is one of the few countries having a complete textile value chain from farm to fashion and the textile sector is the biggest employment generator – especially garments.

It mentions that the global market for textile exports is dominated by China, having 32% share of textile trade that is $302bn.
Pakistan's share is 1.6% in the global textile trade which is targeted for 3% over the next five years.

Mentioning about the initiatives to enhance production and yield of cotton to make availability from 9mn bales to 20mn bales within five years, the textile policy says that cotton seed quality will be improved and the latest farming and picking practices will also be introduced.

The government will emphasise the production of long staple cotton resulting in minimal reliance on imported cotton that will enhance overall exports.

It also touches the important issue of availability of Man Made Fiber (MMF) at competitive prices as the world trade is rapidly shifting from cotton to man-made fibres.

Globally, use of man-made and synthetic fibres against natural fibres has shifted to a ratio of 70:30, with synthetic fibres having the main share.

At present, Pakistan's consumption ratio of MMF to cotton is 30:70 and currently there is 7pc customs duty on the import of polyester staple fibre with total import expenses ranging up to 20% including anti-dumping duty.
Pakistan will shift focus from cotton to Man Made Fibres (MMF) and target fibre mix of 50:50

Pakistan has not been able to achieve its full export potential and product diversification owing to limited access to raw-material and to this effect the application procedures for temporary import schemes will be simplified.
Inter/intra-Bond/Scheme transfers of intermediate products to direct or indirect exporters and commercial importers will be allowed.

And by extending TIS to indirect exporters, Pakistan will be able to achieve price competitiveness and product diversification and effective implementation of this reform will be a game changer.

However, the official of Textile Ministry said that withdrawal of Zero Rating or SRO 1125 has created a serious liquidity crisis for the export sector.

Zero Rating was withdrawn to collect sales tax from domestic sales. “It was assured to the export industry that sales tax refunds under the FASTER system will be paid in 72 hours.

However, the system has completely failed and billions of rupees of refunds are stuck in the system.” He said that the ambitious target of $28bn textile exports by 2025 cannot be achieved if the liquidity crisis of textile sector is not resolved immediately.

The textile policy also states that in a bid to exploit the export value chain, the overall limit of LTFF (long term financing facility) will be enhanced by at least $1bn per year for each upcoming year. The LTFF scheme will be extended to the entire value chain since the whole value chain requires upgradation and modernisation to meet the export targets.

And in order to ensure investment in the entire textile value chain, LTFF is to be provided to direct and indirect exports. The LTFF should be extended to building infrastructure costs of garments and knitwear sectors.

The LTFF for projects will also be provided to achieve international sustainability requirements i.e. effluent plants, etc.

Mentioning about the special economic zones, it says that currently no state-of-the-art infrastructure is available, shifting common infrastructure costs to the investors.

It also pinpoints that state-of-the-art industrial zones will be established with an aim to accelerate exports by providing Plug and Play facilities, specially for garmenting units. Workers’ residential colonies are to be developed through the prime minister’s housing scheme around SEZs.

Talking of the facilitation for value added products, it says that currently Drawback of Local Taxes and Levies (DLTL) is provided to segments (2018-2021) that include four per cent for garments, 3% for made ups and 2% for processed.

Additionally, 2% is provided for non-traditional markets and 50% of DLTL is given unconditionally and remaining on 10% growth.

Under the textile policy 2020-25, DLTL after 2021 is to be provided to garments and made-ups.

The textile policy also highlights that the government through the Finance Act 2013 had raised the General Rate of Minimum Turnover Tax under Section 113 of the Income Tax Ordinance 2001 to 1% from 0.5%, which was further increased to 1.5% through the Finance Act, 2019.

And now the minimum turnover tax will be reverted to 0.5% and indirect exporters will also be extended taxation regime available to direct exporters. About the skill development, the textile policy says that the textile industry is the largest industrial employer in Pakistan.

Source: gulf-times.com- Mar 15, 2020

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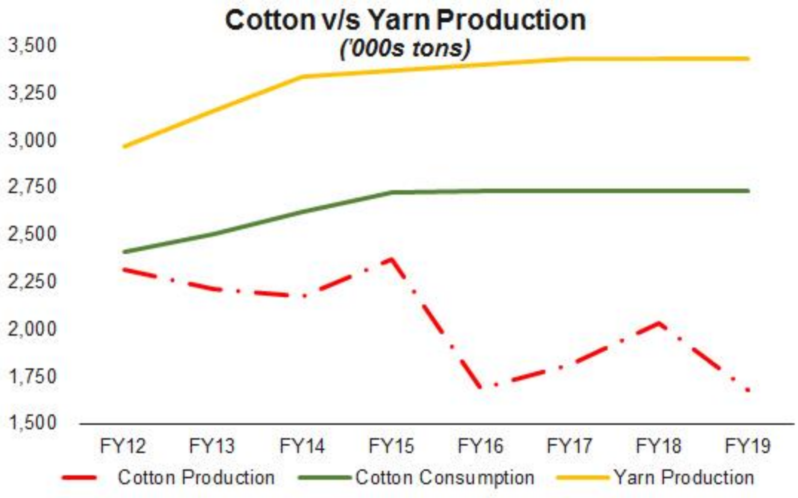
## Pakistan: Cost of falling cotton production

Is the cost of falling cotton production restricted to bleeding dollars for raw material import? Critics often argue that loss in domestic cotton output is no excuse for struggling textile exports. This is considering that countries with little to no indigenous crop of their own – such as Bangladesh – have grown textile-based exports over 5 times during last 20 years.

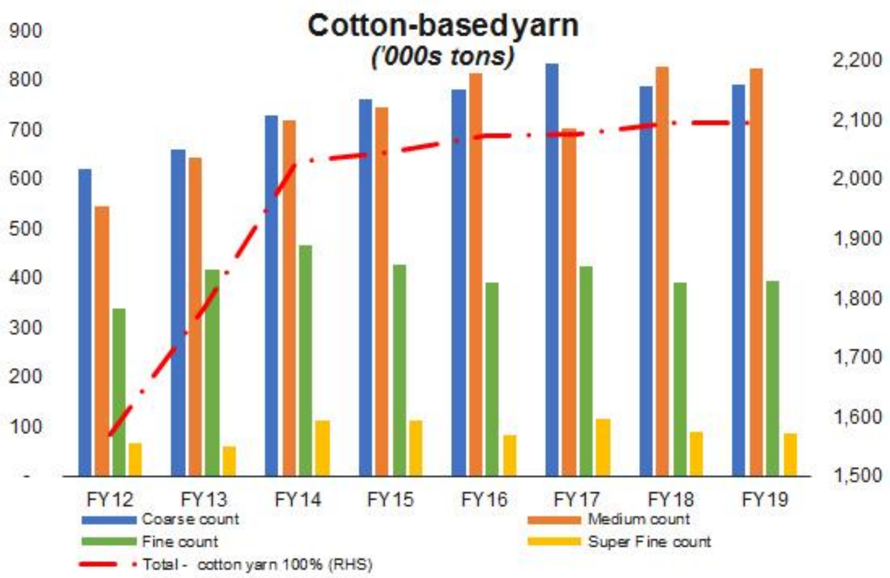
Consider also that Bangladesh spends over thirty percent of its textile dollar earnings on importing raw material such as fibre, filament, and yarn, yet ballooning raw material bill has done little to limit its value-adding potential. Back home, textile continues to rely on low value-adding yarn and cloth to provide one-fourth of sectoral exports, especially in face of onslaught from southeast Asian exporters in apparel and RMG category during the last decade.

Does that mean Pakistan should stop worrying about falling cotton output – which according to BR Research estimate has fallen to its 26-year worst in the ongoing season? The accompanying three illustrations may help explain the creeping impact of declining cotton output downstream, particularly on the spinning segment.



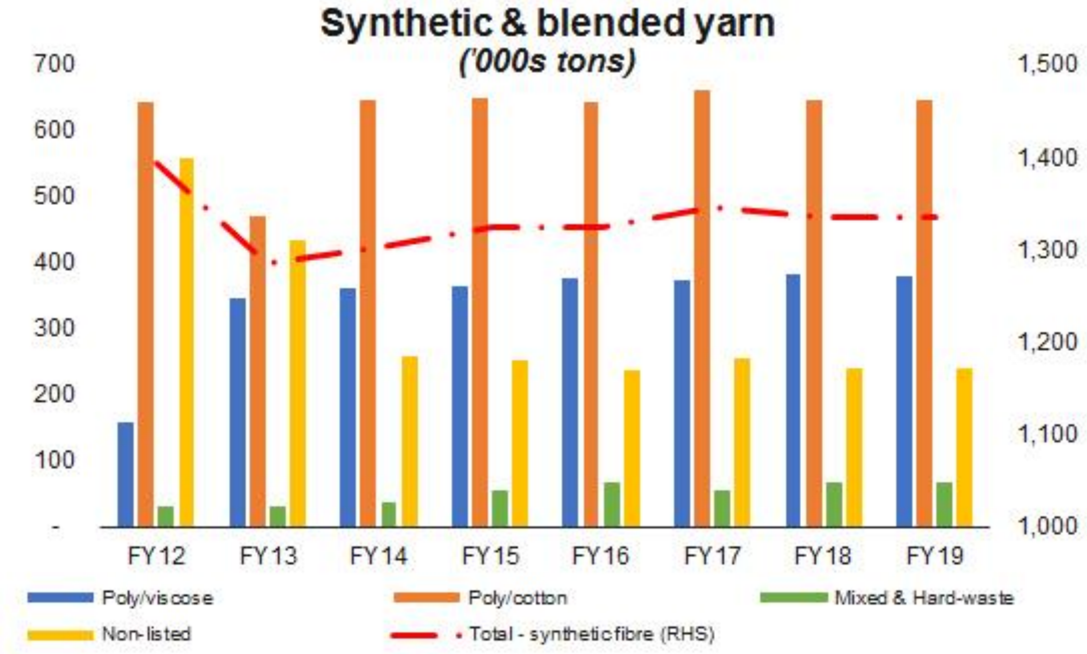

Since reaching its peak volume in FY05, domestic cotton output has fallen by over two-fifths. Yet, because demand from textile has remained sticky – cloth production has stayed over 1 billion meters for most of past decade – the gap is met by importing raw material from international market. This is further confirmed from various governmental and private sector estimates that place annual domestic cotton demand between 15 to 16 million bales (or 2.7 million tons).

This is substantive – even more so because unlike popularly held notions, a shortfall in cotton has not exactly pushed spinners to man-made fibre. That's because spinning is a demand-driven business; and for so long as buyer preference in value-add knitwear and RMG category remains tilted in favour of cotton-based fabric, spinners have little choice but to fill the gap by using imported fibre, rather than switching over to synthetic or blended.




The overarching risk to this equation, however, remains supply shock to worldwide cotton supply; that is, if cotton price in international market were to run amok due to global deficit. Domestic value adding segment may struggle to pass on the price impact, whereas lower value-add factor may mean that the RMG segment may earn lower bang for its buck due to lack of competitiveness.

But here is a baffling fact: between FY12 and FY19, while man-made fibre production has remained flat-lined (in fact, declining by CAGR 0.6 percent), cotton-based filament has maintained a positive geometric growth of four percent per annum. That may sound like a win for domestic spinners, except when one recalls that total volume of cloth production has been on a flatline, as have the value-added exports of RMG and apparel. Where then, is increasing cotton-based yarn being consumed, if not towards cloth production?




To answer that mystery, look towards the breakdown of cotton-based yarn output. Turns out, during the intervening years the country has been producing a lot more coarse and medium count yarn – forty percent more, to be exact. In contrast, fine count yarn peaked in FY14, and has since been on a steady decline of CAGR 3 percent, as has super-fine count yarn which has been falling by 5 percent annually. Thus, even if surplus yarn production is adding towards exports, the incremental gain is to lower value-add coarse and medium counts.

It was for textile sector researchers to develop models to extrapolate the impact of increasing share of lower count yarn on value-added export potential of the country. But if intuition – coupled with export figures of past five years – is any guide, the correlation does not exactly appear positive.

Source: brecorder.com- Mar 16, 2020

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# Pakistan: ICST lauds govt special relief package to export sector

Special relief package for the export sector is highly laudable as it will help increase exports, employment and revenue, a business leader said. The Economic Coordination Council has approved electricity tariff of 7.5 cents for export industry including textile, carpet, leather, sports and surgical goods which will increase exports, said Shahid Rasheed Butt former President ICCI.

The decision has provided relief to the export sector which was uneasy over recent unprecedented hike in power tariff, he added. Shahid Rasheed Butt said that the relief would be applicable until June, which will reduce the cost of doing business, and help Pakistan regain ground in the export market.

He said that the government should announce the same tariff for the export industry for next year so that the investors can take critical decisions regarding expansion of their industrial base.

Pakistani textile sector is best suited to fill the textile gap in the international market but it requires relaxations by the government. He said that the government should encourage apparel exports which fetch 6to9 times more foreign exchange as compared to yarn and cotton.

A neighbouring country used to export raw cotton and yarn worth nine billion dollars to China which will process it and sell it for almost 60 billion dollars, he informed. He said that Pakistan is set to become a textile superpower for which the textile policy should be reviewed, cotton production should be promoted.

Moreover mega textile parks should be established across the country where spinning, weaving, knitting, processing and readymade garments etc. can work together to improve issues related to labour, taxation, transportation, and enjoy integrated common infrastructure to reduce the cost of doing business. A complete manufacturing eco-system for textiles and apparel industry at one location can enhance productivity and increase efficiencies to change the fate of Pakistan, he said.

Source: thenews.com.pk- Mar 16, 2020

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# Bangladesh: All is well on the apparel export front

Major Western clothing retailers said they are yet to cut back on their work orders from Bangladesh for the coronavirus outbreak in Europe and the US -- where most of the country's apparel products are headed -- in a reassuring development for the sector that rakes in 84 per cent of the exports receipts and employs about 4 million.

The Daily Star spoke with the country managers of four major clothing brands, all of which are household names in the Western world, and they all said the same thing: that there are no plans to revise down their sourcing targets from Bangladesh.

The four brands' combined sourcing accounts for about 20 per cent of Bangladesh's receipts from apparel shipments every year.

The disclosure is in stark contrast to the news coming out of the headquarters of the Bangladesh Garment Manufacturers and Exporters Association, the sector's apex trade body, which is foreboding doom and gloom.

"We are facing a grave situation with coronavirus. The brands are reducing their orders and are asking us to hold on to uncut fabric," BGMEA President Rubana Huq said Thursday.

And those who are producing are being asked to hold their shipments as global consumption is coming to a halt, Huq said in a WhatsApp message.

But the retailers the correspondent spoke with yesterday remained buoyant, even though Europe has now become the epicentre of the novel virus, shifting away from China.

"Until now, the company has not slashed any work order," said the country manager of a European retailer asking not to be named as he is not authorised to speak with the media without getting the clearance from the headquarters, which is closed for the weekend.

In fact, the company has placed 5 per cent more work orders in Bangladesh compared with last year, he said.

"We consider this country as an important place for our business."

If the situation worsens in the EU and the US further, then consumption might be hit hard.

But, given the advent of online shopping, consumers' staying away from shopping centres or even a lockdown in large parts of the Western world would soften the blow of the virus.

"While our stores currently remain open for business, we recognise you may choose to shop from home. Our ck.com customer service team is available 7 days of the week, and we have extended our return window for all purchases after February 1, 2020 to 60 days," said Cheryl Abel-Hodges, chief executive officer of Calvin Klein, in a press release yesterday.

Besides, the timing of the spread of the virus is opportune in a way: the stores have started to put out their spring/summer collections, so the country's apparel manufacturers have already shipped out a big chunk of their work orders.

"We have been running our office as normal. We did not ask for any work order cancellation in any of the factory until now in Bangladesh," said another official of a multinational clothing retailing company of Europe.

He too requested not to be named as he did not get authorisation from the company headquarters to speak with the media on such matters.

His company is taking strong health and safety measures, so that the staff are not infected by the coronavirus.

"I hope the situation will improve soon now that the governments in Europe and America have been stirred into action to contain the virus," said the official who sources garment items from nearly 250 garment factories in Bangladesh. At the time of writing, Italy is in lockdown, and the Spain, the second most affected country, is considering following suit, too.

Meanwhile, China, where the virus originated from and the apparel sector's source for 46 per cent of the raw materials, has got the novel virus under control and is on course to restarting production. "Things are improving in the supply chain with China," said Kabir Ahmed, president of Bangladesh Freight Forwarders Association (BAFFA).

For instance, normally some 550 tonnes of cargoes are unloaded in a day at the Hazrat Shahjalal International Airport. However, the quantity declined to nearly 250 tonnes a day in February, when coronavirus was at its peak in China. But, over the last two days, nearly 300 tonnes of cargoes have been unloaded a day.

"This means, normalcy is being restored in China," he added. In fiscal 2018-19, $5.02 billion worth of textiles were brought in from China. "Nobody complained of any disruption in the supply chain as of now," said Monsoor Ahmed, secretary to the Bangladesh Textile Mills Association.

The association's members import machinery, cotton, dyes chemicals and other industrial raw materials mainly from China.

Besides, most of the international clothing retailers and brands have extended the period of execution of work orders for two weeks due to the virus, according to Kyaw Sein Thay Dolly, managing director of Cloths "R" US, a garment buying house in Dhaka.

Meanwhile, Hong Kong-based QIMA, a leading provider of supply chain compliance solutions and which partners with brands, retailers and importers to secure, manage and optimise their global supply network, surveyed the executives of more than 200 globally renowned companies between February and early March and found that Bangladesh stands to benefit from the fallout of the coronavirus.

The reason being, most of the globally renowned companies are planning to shift their work orders from China to other Asian countries, including Bangladesh.

Source: thedailystar.net- Mar 15, 2020

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# Vietnam beats Bangladesh in apparel export

Vietnam beat Bangladesh in apparel export in the last five months. During this period, the Southeast Asian country fetched around $2 billion more than Bangladesh ($12.7 billion). However, in the last calendar year, Bangladesh was marginally ahead of Vietnam in overall apparel export.

From January to December last year, Bangladesh's apparels earned $422 million more than that of Vietnam, enabling Bangladesh to retain its second position. If the latest trend of decline in Bangladesh's apparel export continues, the country may soon lose its position to Vietnam. Yet, businesspeople are upbeat about the country's apparel sector.

"Vietnam has clearly taken us over in recent months. But the fiscal year has not ended yet," said Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association. At a time when the Vietnamese garment industry surpassed that of Bangladesh, the garment industry here was experiencing a negative growth in export.

Overall exports in August fell by around 11.5 percent to $2.84 billion, led by sluggish apparel shipments. The decline persisted in the following three months before recovering a bit in December. Earnings fell $3.43 billion short of the overall export target of $26.34 billion during the first seven months of this fiscal year. Of the shortfall, the garments sector alone accounted for $3.05 billion.

Apparel exports were expected to fetch $22.11 billion but real earnings amounted to $19.06 billion. Bangladesh and Vietnam had been holding the second and third positions respectively in apparel export over the past decade with a close margin. The fast-paced growth of the two countries followed the "China Plus One" policy taken by brands when they considered manufacturing facilities outside China.

It was the end of an era when China's cheap land and labour, huge market and investment policies drew foreign investment in that country. However, China gradually lost its cost advantage and competitiveness in comparison to other Asian countries as its worker wages and operational costs increased significantly. The business dynamics and environment are quite different in the two competing countries.

While Bangladesh is a popular destination for manufacturing low-end items at the cheapest rate globally, Vietnam produces high-end apparels with a strong backward linkage industry and educated workforce. But the latest ease of doing business index reveals that Vietnam is still a better choice for investment than Bangladesh.

The World Bank report published in October last year shows that Vietnam fell one notch down to 70th and Bangladesh moved eight notches up to 168th in the global ranking.

Corruption, energy crisis, poor transportation and logistics are responsible for the low performance of Bangladesh in the index which is followed by investors worldwide. The lead time is another key factor that the buyers are concerned about as fashion changes fast and so products have to reach market quickly.

Although the shipping time to the EU and the USA are quite similar, Vietnam can end up with a quicker lead time as it is self-sufficient in textiles. On the other hand, Bangladesh is still dependent on imported cotton, yarn and fabrics (specially woven) which adds to its lead time. The average lead time from Bangladesh to the EU and the USA ranges between 90 and 120 days whereas from Vietnam it is 50 to 60 days.

A free trade deal between Vietnam and the European Union signed in June last year and passed in the EU parliament on February 12 this year is likely to give a boost to the country's apparel export. Earlier, it had to pay 12 percent tax for exporting apparels to Europe.

Bangladesh is under pressure from the EU to meet its standards in labour rights for enjoying Generalised System of Preferences facilities – a preferential system that provides tariff reduction for least developed countries.

Source: dailyindustry.news- Mar 15, 2020

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# NATIONAL NEWS

## Covid-19 hurts textile exporters

*Supply chain disruption, export drop take toll; yarn exports fall 30% in Jan.-Feb.*

Textile and clothing exporters have started feeling the impact of Covid-19 because of supply chain disruptions, fall in exports and cancellation of international events.

According to the Cotton Textiles Export Promotion Council (Texprocil), 11 countries buy 41% of India's cotton yarn exports and these countries have reported Covid-19 cases.

Yarn exports are down 30% in value terms in January-February compared with a year earlier. There is a sharp fall in cotton yarn exports to China, Iran, Korea and Vietnam.

Exporters are unable to get appointments from buyers for Market Week 2020 to be held in New York later this month, pointed out Dr. Siddhartha Rajagopal, Executive Director of the council. In the case of home textiles, the biggest markets include France, Germany and the U.S.

"We need to wait and watch (the market situation in) these countries. China is the largest supplier and India can tap opportunities for specific products," he said.

Texprocil has also called off Ind-Texpo 2020, its flagship event which is a reverse buyer-seller meet, to have been held in Coimbatore between March 17 and 19.

The Apparel Export Promotion Council had asked garment exporters who depend on China largely for their import requirements to explore other sources.

In a communique to members, the council listed suppliers from Japan for woven fabric made out of artificial filament yarn, slide fasteners and parts, sewing machines, furniture, bases and covers, and sewing machine needles.

"AEPC has made a preliminary study on the possible impact of disruptions of supply of raw materials from China," said A. Sakthivel, chairman, AEPC.

**U.S., Israel opportunities**

Similarly, the council has identified products that buyers in the U.S. and Israel are interested in sourcing from India.

They had been buying these products from China so far. Mr. Sakthivel said Indian exporters should tap such opportunities.

Source: thehindu.com- Mar 14, 2020

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## New textile policy for overall development of the sector in works: Smriti Irani

Textiles minister Smriti Zubin Irani on Friday told Lok Sabha that the government is formulating a New Textile Policy for overall development of the sector including human resource development.

"Inputs from all the state governments, individuals through e-portal and different associations are being solicited," she said.

Different stakeholders consultation meetings are also underway under broad topics such as cotton, silk, jute, wool, man-made fibre, handloom, handicrafts, powerloom, technical textiles, technology & machinery upgradation, infrastructure (spinning, weaving and processing), and human resource development.

In a separate reply, she also said the government has not received demand for a restructuring package for textile and garment units.

**Textile share**

Irani also informed the Lower House that the share of textiles sector to India's gross domestic product (GDP) and GDP of manufacturing sector (at basic prices) are 2.2% and 12.22%, respectively during 2017-18 as per the National Accounts Statistics, 2018.

"Textile industry is facing some pressures and problems in the past few years like technological obsolescence, high input cost (power & capital), poor credit access, fragmented units, absence of fibre neutrality," she said.

**Mill shutdown**

To another question on textile mills, the minister said that as far as NTC (National Textile Corporation) is concerned, there is no textile mills shut down/turned sick during the last three years.

34 new cotton/man-made fibre spinning/composite mills have been enlisted during the last three years till September 30, 2019. Mills have been closed in the country, over the years mainly owing to financial problems and labour related issues.

Source: economictimes.com- Mar 13, 2020

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## Cabinet approves scheme for "Remission of Duties and Taxes on Exported Products (RoDTEP)" to boost exports Scheme for enhancing Exports to International Markets

The Cabinet Committee on Economic Affairs, chaired by Prime Minister Shri Narendra Modi, has given its approval for introducing the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) under which a mechanism would be created for reimbursement of taxes/ duties/ levies, at the central, state and local level, which are currently not being refunded under any other mechanism, but which are incurred in the process of manufacture and distribution of exported products. This scheme is going to give a boost to the domestic industry and Indian exports providing a level playing field for Indian producers in the International market so that domestic taxes/duties are not exported.

Under the Scheme an inter-ministerial Committee will determine the rates and items for which the reimbursement of taxes and duties would be provided. In line with "Digital India", refund under the Scheme, in the form of transferable duty credit/electronic scrip will be issued to the exporters, which will be maintained in an electronic ledger. The Scheme will be implemented with end to end digitization.

The refunds under the RoDTEP scheme would be a step towards "zero-rating" of exports, along with refunds such as Drawback and IGST. This would lead to cost competitiveness of exported products in international markets and better employment opportunities in export oriented manufacturing industries. In line with the vision of Prime Minister, various export oriented industries are being reformed and introduced to better mechanisms so as to increase their productivity, boost exports and contribute to the overall economy.

**Salient features:**

At present, GST taxes and import/customs duties for inputs required to manufacture exported products are either exempted or refunded. However, certain taxes/duties/levies are outside GST, and are not refunded for exports, such as, VAT on fuel used in transportation, Mandi tax, Duty on electricity used during manufacturing etc. These would be covered for reimbursement under the RoDTEP Scheme.

The sequence of introduction of the Scheme across sectors, prioritization of the sectors to be covered, degree of benefit to be given on various items within the rates set by the Committee will be decided and notified by the Department of Commerce (DoC).

The rebate would be claimed as a percentage of the Freight On Board (FOB) value of exports.

A monitoring and audit mechanism, with an Information Technology based Risk Management System (RMS), would be put in to physically verify the records of the exporters. As and when the rates under the RoDTEP Scheme are announced for a tariff line/ item, the Merchandise Exports from India Scheme (MEIS) benefits on such tariff line/item will be discontinued.

Source: pib.nic.in- Mar 13, 2020

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# Coronavirus an opportunity for India to replace China in the global supply chain: Report

The Coronavirus outbreak has sent the global markets into a frenzy with a sharp decline on Friday. The Indian markets, however, recovered from the initial decline to enter the green zone.

Importantly, looking into the future, this problem can help India steal a march on China. While several economies around the globe have been hit by the virus, it gives an opportunity to Indian companies to fill the void left by China in the global supply chain, a new report titled 'IMPACT OF COVID-19 ON INDIA INC' from Cyril Amarchand Mangaldas group states.

"Although, a slowdown in raw material supply may hurt certain China-dependent industries, it also presents an opportunity for the Indian companies to fill the void around the globe. Indian businesses can offer to replace China in the global supply chain by building ties with companies looking to reduce dependency on China," the report said.

It added that this could pave the way for more foreign investments in India and promote its 'Make in India' programme.

"Meanwhile, based on the rapid spread of the virus around the globe, the World Health Organization (WHO) continues to upgrade its global risk assessment. In addition to the grave health consequences of COVID-19, the virus is having a major negative effect on international business, disrupting numerous global supply chains. The sectors most affected are Aviation, Shipping, Transport & Tourism, Hospitality, Manufacturing & Retail," it said.

China is one of the key suppliers to several businesses around the world. The shutdown of the country has led to disruption in supply chain for several industries, including for procurement of raw materials for production.

"Since 18% of India's imports come from China, supply disruptions in key segments is a primary threat being faced by Indian companies. Consumer durables, electronics and solar panels industry, which heavily depend on China for imports, will be largely impacted by the epidemic in the absence of an alternative.

Exports to China have also been affected. The impact on Indian exporters of cotton yarn, sea food, petrochemicals, gems and jewellery seems to be inevitable since China is one of the biggest markets for them," the report said.

### What should companies do?

The report states that all companies impacted by the COVID19 outbreak would need to consider if adverse financial consequences of business interruption resulting from COVID-19 can be claimed under the insurance policy.

"Companies should review their existing business interruption insurance policies to protect themselves against any losses sustained from exposure to the epidemic. The extent of insurance cover available to Check Your Insurance a company will depend on the specific terms of each policy," the report suggested.

It added that the company may also need to notify to the insurance company any material event which may result in the company being required to make an insurance claim and such notification requirement under the insurance policy needs to be strictly adhered to.

Source: zeebiz.com- Mar 15, 2020

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## India's merchandise exports rises 2.9% in February 2020

*Trade deficit declines to 12-months low of US$ 9.85 billion in February 2020*

India's merchandise exports increased 2.9% to US$ 27.65 billion in February 2020 over a year ago, while snapping consistent decline for last six straight months. Meanwhile, merchandise imports also moved up 2.5% to US$ 37.50 billion after continuous decline for last eight straight months.

The trade deficit rose marginally by 1.3% to US$ 9.85 billion in February 2020 from US$ 9.60 billion in February 2019, while dipped sharply to 12-months low on sequential basis from US$ 15.17 billion in January 2020.

Oil imports increased 14.3% to US$ 10.76 billion, while the non-oil imports fell 1.6% to US$ 26.74 billion in February 2020 over February 2019. The share of oil imports in total imports was 28.7% in February 2020, compared with 25.9% in February 2019.

Among the non-oil imports, the major contributors to the overall growth in imports were pearls, precious & semi-precious stones imports rising 13.2% to US$ 2.44 billion, electrical & non-electrical machinery 9.0% to US$ 3.36 billion, vegetable oil 26.1% to US$ 0.89 billion, transport equipment 6.1% to US$ 1.79 billion and non-ferrous metals 6.8% to US$ 1.09 billion, while imports of chemical material & products also increased 4.4% to US$ 0.59 billion, professional instrument, optical goods etc 4.3% to US$ 0.40 billion, medicinal & pharmaceutical products 1.9% to US$ 0.47 billion and artificial resins, plastic materials etc 0.5% to US$ 1.17 billion.

However, the imports of iron & steel declined 26.2% to US$ 1.00 billion, organic & inorganic chemicals 14.7% to US$ 1.49 billion, electronic goods 6.7% to US$ 3.52 billion, gold 8.5% to US$ 2.36 billion and metaliferrous ores & other minerals 38.6% to US$ 0.30 billion.

Further, the imports of coal, coke & briquettes etc also fell 8.6% to US$ 1.83 billion, crude & manufactured fertilizers 16.1% to US$ 0.42 billion and machine tools 14.3% to US$ 0.33 billion in February 2020.

On exports front, the engineering goods recorded an increase in exports by 8.7% to US$ 7.24 billion, followed by electronic goods 37.1% to US$ 1.17 billion, petroleum products 10.1% to US$ 3.39 billion, organic & inorganic chemicals 16.3% to US$ 2.01 billion, drugs & pharmaceuticals 8.3% to US$ 1.75 billion, and iron ore 37.9% to US$ 0.18 billion. The exports also moved up for man-made yarn/fabrics/made-ups etc by 10.6% to US$ 0.43 billion, ceramic products & glassware 14.6% to US$ 0.26 billion, spices 6.6% to US$ 0.29 billion, and marine products 1.7% to US$ 0.44 billion.

However, the exports declined for gems & jewellery by 20.1% to US$ 3.02 billion, RMG of all textiles 4.5% to US$ 1.47 billion, meat, dairy & poultry products 17.2% to US$ 0.24 billion, rice 5.3% to US$ 0.70 billion and mica, coal & other ores, minerals including processed minerals 7.1% to US$ 0.33 billion in February 2020. Further, the exports of leather & leather products also fell 4.0% to US$ 0.38 billion, cotton yarn/fabrics/made-ups, handloom products etc 1.3% to US$ 0.87 billion, plastic & linoleum 1.5% to US$ 0.61 billion and fruits & vegetables 0.7% to US$ 0.29 billion in February 2020.

Merchandise exports in Rupees increased 3.3% to Rs 197646 crore, while imports rose 2.9% to Rs 268064 crore in February 2020 over February 2019. The trade deficit rose to Rs 70418 crore in February 2020 compared with Rs 68340 crore in February 2019.

India's merchandise exports fell 1.6% to US$ 292.91 billion, while merchandise imports declined 7.0% to US$ 436.03 billion in April-February 2020.

The decline in imports was driven by a 7.4% fall in oil imports to US$ 119.42 billion. India's merchandise trade deficit eased to US$ 143.12 billion in April-February 2020 from US$ 170.85 billion in April-February 2019.

Source: business-standard.com- Mar 13, 2020

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## Women face all-pervasive glass ceiling

In most sectors, share of female employees is low. Where the share is close to 50 per cent, there are few women in top roles

The NCAER Skills Report 2018 has emphasised on the importance of female role models to encourage employability and eventual employment. Where are these role models? The numbers from the Periodic Labour Force Survey 2017 inform us that the labour force participation rate (LFPR) of females aged between 15-59 years according to usual status was barely 25.9 per cent and the worker population ratio (WPR) was 23.8 per cent.

Majority of the women (55.3 per cent) aged 15+ were employed in the agricultural sector in 2017-18. The corresponding number for men was 39 per cent.

The next top four sectors which employed women in 2017-18 were education (8.3 per cent); retail trade, except of motor vehicles and motorcycles (4.6 per cent); manufacture of wearing apparel (3.5 per cent); and activities of households as employers of domestic personnel (3.3 per cent). Together they employed 75 per cent of women aged 15 and above.

In this article, we specifically examine the role of female leaders — that is, females who fall in Division 1 of National Classification of Occupations 2004, classified as legislators, senior officers and managers (henceforth referred to as 'managers').

For that reason, we leave out agriculture and allied activities and activities of households as employers of domestic personnel from our analysis. While the former sector has its own peculiarities, the latter category primarily includes domestic assistants in various capacities with limited scope for managerial roles.

Divisions 2 (Professionals) and 3 (Associate Professionals) are clubbed together in one group, referred to as 'professionals'. Divisions 4 to 9 are clubbed together and referred as 'workers' and include clerks; service workers and shop and market sales workers; skilled agriculture and fishery workers; craft and related trades workers; plant and machinery operators and assemblers; and elementary occupations.

**Females aged 15+ in the workforce, 2017-18**

| Sector (share of females in all non-agricultural & non-domestic service industries) | Share of female employees amongst all employees (%) | Share of female managers amongst all managers (%) | Share of occupations amongst all female employees | | |
|---|---|---|---|---|---|
| | | | Managers (Division 1) | Professionals (Divisions 2 & 3) | Workers (Divisions 4-9) |
| **Manufacturing & Construction** | | | | | |
| Manufacture of wearing apparel (8.5%) | 36.8 | 38.2 | 12.6 | 2.4 | 84.9 |
| Manufacture of tobacco products (6.8%) | 88.8 | 85.2 | 10.2 | 0.6 | 89.2 |
| Construction of buildings (6.7%) | 6.6 | 0.9 | 0.3 | 0.3 | 99.4 |
| Manufacture of textiles (5.6%) | 29.2 | 29.5 | 15 | 0.6 | 84.4 |
| **Services** | | | | | |
| Education (20%) | 46.3 | 22.9 | 1.1 | 84.1 | 14.9 |
| Retail trade, except of motor vehicles and motorcycles (11.1%) | 12.1 | 13.4 | 27.2 | 4.2 | 68.5 |
| Human health activities (5.2%) | 45.3 | 20.7 | 2.1 | 77.8 | 20.1 |
| Other personal service activities (4.1%) | 29.9 | 19.5 | 6.8 | 4.6 | 88.5 |
| Food and beverage service activities (3.2%) | 16.7 | 15.7 | 23.3 | 1.6 | 75 |
| Public administration and defence; compulsory social security (2.8%) | 14.6 | 15.8 | 9 | 30 | 61 |
| Financial service activities, except insurance and pension funding (1.5%) | 17.9 | 16.7 | 24.2 | 20.9 | 54.9 |
| Computer programming, consultancy and related activities (1.1%) | 18.9 | 11.8 | 6.8 | 83 | 10.2 |

Source: Authors' computations from the National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India. 2019. Annual Report: Period Labour Force Survey July 2017- June 2018. www.mospi.nic.in.

The 12 sectors listed in the table account for 76.6 per cent of all female employees outside agriculture and domestic services. The share of female employees amongst all employees is greater than 50 per cent only in the case of the tobacco sector. It is 45-50 per cent for education and human health activities.

## Stark difference

However, the nature of the sectors differ starkly. Majority of the females engaged in the tobacco sector were ‘workers’ whereas they were ‘professionals’ in the education and health sectors — that is, signalling different skills levels.

Within the manufacturing and construction sectors, barring the latter, the share of female ‘managers’ as a percentage of all managers was approximately equivalent to the share of all female employees as a percentage of all employees.

Majority of the females in these sectors were ‘workers’. The share of ‘professionals’ was the smallest.

In contrast, the service sectors show variations. Two sectors, namely, retail trade and food & service beverage activities behave in a similar manner as the above mentioned manufacturing sectors.

Even though other personal service activities is similar to the other two sectors discussed above, the share of female ‘managers’ is lower than the share of female employees signalling presence of glass ceiling in this sector.

There are three sectors — education, health and computer programming, and consultancy and related activities — where the share of female ‘managers’ is lower than the share of overall female ‘employees’. These sectors are characterised by a very high share of ‘professionals’.

Two sectors, namely, public administration and financial services, fall between the two extremes. The share of female ‘managers’ is the same or higher than the share of female employees.

There is no suggestion of glass ceiling though the share of female employees was overall relatively low compared to health and education. There is a fair share of ‘professionals’ in these sectors.

## Double whammy

The numbers suggest a double whammy for women. First in a majority of the sectors, the share of female employees is relatively low. And in sectors where the share of female employees is close to 50 per cent, glass ceiling seems to be at work.

This is despite the fact that some of these sectors are characterised by a high share of professionals.

Third, there is a concentration of women employees in certain sectors — agriculture and education. This is true despite educational attainment.

Majority of the female employees with graduate level education and above were engaged in education (45.6 per cent) and health (10.7 per cent) sectors as opposed to men being engaged in education (17.3 per cent) and retail trade (12 per cent).

To encourage female leadership at work, demand side policies have to work along with supply side (education and skilling).

Source: thehindubusinessline.com- Mar 14, 2020

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# Export body advises members to widen sourcing, reduce dependency on China

The Apparel Export Promotion Council (AEPC) has advised its members to explore more markets for buying intermediates or raw materials to reduce dependency on China due to coronavirus outbreak.

In a letter to its members, AEPC Chairman A Sakthivel said that he has approached the government to direct Indian embassies abroad to identify alternate sources of input suppliers.

"We have advised our members to diversify their sourcing base given that the supply chain from China is disrupted," he said.

He also said that the council has identified top 10 apparel product lines or items each in the US, the EU, Japan and South Korea which are showing significant decline in imports from China.

"These items can work as new opportunities for local apparel exporters who have the potential to fill the gap," he said.

Sakthivel also urged members to spread health awareness about coronavirus among its workforce at their factories.

Source: economictimes.com - Mar 15, 2020

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## Indo-American trade: FTA talks may start after US elections

India and the US will likely explore the feasibility of a full-fledged free trade agreement (FTA) to boost bilateral trade only after the US presidential elections in November, sources told FE. However, a limited deal, based on the convergence so far, may be signed before that. While the quantum of incentives involved in the limited deal is still unclear, it could cover products with a total bilateral trade of around $13 billion a year, more than the initial expectation of $10 billion.

At a joint press meet with Prime Minister Narendra Modi in New Delhi last month, American President Donald Trump had said India and the US had agreed to focus on a “comprehensive trade deal”. Modi, too, said: “President Trump and I have agreed that our teams will give a legal shape to the understanding that our commerce ministers have reached. We have also agreed to start negotiations for a big trade deal.”

As part of the initial deal, in the works for months, India is learnt to have agreed to sweeten its offer on the price control regime for medical devices and apply trade margin on coronary stents and knee implants at the first point of sale (price to stockiest), instead of imposing it on the landed prices, as was planned earlier.

The move could help American medical equipment makers such as Abbott Laboratories and Boston Scientific Corp. Similarly, New Delhi is willing to offer greater market access in agricutlure and also cut import duties on motor cycles, which will help Harley Davidson.

The government last year trimmed the import duty on all completely built-up (CBU) motorcycles to 50% from 100% after Trump had raised the issue. At the same time, it increased the tariff on completely knocked-down (CKD) units from 10% earlier to 15%. Harley — which has a plant in this country since 2011 — imports most of its components such as engines, gear box, transmission mechanism etc in a pre-assembled form that are liable for just a 15% duty now.

However, there are differences over certification procedures for dairy imports from the US. New Delhi wants mandatory certification of dairy products, specifying that the source animal was not raised on animal protein, as it's a religious issue in India. While major dairy producers such as Australia and New Zealand have no issues providing such a certificate, the US has been reluctant to comply with this. Washington also wants India to scrap retaliatory tariffs on dozens of American products, including almond and apple. These extra tariffs were imposed as tit-for-tat action for the US move to slap additional tariff on steel (25%) and aluminium (10%) from countries, including India.

For its part, India is pitching for an exemption from the extra duty on steel and aluminium, and a complete restoration of duty-free export benefits for some Indian goods under the so-called Generalised System of Preferences (GSP). It wants greater as well as easier US market access for its fruits, including grapes and mangoes. The limited deal was supposed to be signed during Modi's visit to the US in September last year, but a lack of consensus had then stalled it.

Both the countries are also yet to reach a consensus on US' demand that India scrap an up to 20% duty on seven ICT products, including mobile phones worth over Rs 10,000 and smartwatches.

Nevertheless, India has strived to narrow the stark differences through hard negotiations over the months. It may consider lowering duties on very expensive phones if it gets commensurate offers in return.

New Delhi has already conveyed that while an across-the-board cut of import duties on the seven items would cost it a massive $3.2 billion a year and help only third parties (like China and Korea) that supply more.

Trump has been asking India to reduce its tariffs and lower its trade surplus with the US. As such, India's trade (both goods and services) surplus with the US dropped from $30 billion in 2016 to $25 billion in 2018, even though overall trade jumped from $114 billion to almost $143 billion during this period, according the US official data.

Source: financialexpress.com.com- Mar 16, 2020

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## China's slowdown and disruption in supply: Impact of coronavirus outbreak on global trade

Coronavirus cases have been identified across different parts of the country, and the government is taking all measures to curb and control the rapid spread of the pandemic across India.

**Coronavirus in Karnataka affects SMEs and trade**

Recently, three positive coronavirus cases have been confirmed in Bengaluru, according to the Indian Council of Medical Research (ICMR). All primary classes in BBMP, Bengaluru Urban and rural districts are suspended and scheduled examination for primary school children stands cancelled until further orders are issued by the Government of Karnataka.

Amidst spread of the pathogen and efforts made by the State Governments and the Ministry of Health and Welfare to contain it, the disease has affected 15 to 20 industry sectors to result in a decline of trade volumes and business by 50% in the State of Karnataka.

Karnataka has approximately 6 lakh small-scale industries reliant on imports from China directly or indirectly for the supply of raw materials, machine, motor and auto parts, computer accessories, building material, fittings and fixtures, electronic and hardware items, solar panels, fabrics and furniture and many more.

The Covid-19 attack has disrupted the entire supply chain to affect 15 to 20 business sectors in the region mostly consisting of SMEs, with the breakout of the virus imposing several restrictions on dispatch and movement of goods.

Additionally, travel advisories have been issued and mobility restrictions have been imposed to create an environment of fear for businesses to operate. With the coronavirus issue building up, businesses have cancelled their travel plans, companies have rescheduled events to affect sales and marketing operations and trade in the last quarter of the fiscal.

If the situation does not improve in the next few weeks, Sandeep Singh, Chairman of CII-Karnataka cautions "manufacturing, automobile, machine tools, hotels, entertainment, and tour and travels businesses to be prepared for the much higher impact."

Holding hopes high amidst the crisis, Devesh Agarwal, President, Bangalore Chamber of Industry and Commerce positively believes, "Some factories in China will reopen after the Lunar New Year. While alternative supply chains are being developed, global consumption has seen an overall decline. Clearly, there is a slowness witnessed in global economic activities."

**Impact of China's slowdown on global trade and business in India**

Since the coronavirus outbreak, the Indian economy has faced the worst hit with a decline in trade volumes, weaker exports, and sluggish imports to dent profit margins of enterprises and companies across the globe. The travel and tourism industry has seen a sharp slowdown with a flurry of domestic and international cancellations that will continue for the next few weeks.

In a chain reaction, the hotel and hospitality sector is bearing the brunt of reduced travel and cancellations due to coronavirus. The global spread of Covid-19 has raised the prospects for an emergency monetary policy action call in India.

RBI Governor Shaktikanta Das said, in order to shield the economy from the coronavirus crisis,  "there's room to cut interest rates if needed."

As per estimates published by the United Nations Conference on Trade and Development (UNCTAD) in its report, the manufacturing slowdown in China has impacted world trade to affect developing economies such as India at $348 million with US$50-billion decrease in exports across global value chains.

The country ranks among the top 15 countries affected by Coronavirus and China's slowdown. The most affected sectors in China are precision instruments, machinery, automotive and communication equipment.

The most affected economies globally because of the Covid-19 outbreak are - European Union (US$ 15.6 billion), the United States (US$ 5.8 billion), Japan (US$ 5.2 billion), South Korea (US$ 3.8 billion), Taiwan Province of China (US$ 2.6 billion) and Vietnam ( US$ 2.3 billion). The trade impact on Indonesia is US$ 312 million. Indian chemicals sector trade is most impacted at $129 million, followed by textiles and apparel segment at $64 million, the automotive sector at $34 million, metals and metal products at $27 million, wood products and furniture at $15 million, leather products at $13 million and electrical machinery at $12 million respectively.

The report further states, "Any significant disruption in China's supply in these sectors is deemed to substantially affect producers in the rest of the world. Indeed, many companies around the world are fearful that the measures put in place to contain COVID-19 (i.e. restrictions to economic activities and movement of people), could hinder the supply of critical parts from Chinese producers, therefore affecting their own output."

**How will disruption in supply from China affect businesses?**

While the full effect of coronavirus on global supply value chains will become clearer only in the next few months, the question remains how will disruption in Chinese supply of intermediate inputs affect the rest of the world?

The report states, "Even if the outbreak of COVID-19 is contained mostly within China the fact that Chinese suppliers are critical for many companies around the world implies that any disruption in China will be also be felt outside China's borders in Europe, America, and East Asian regions. The estimated global effects are subject to change depending on the containment of the virus and or changes in the sources of supply."

"It is expected that the spillover effects of a disruption in Chinese supply will be diverse across economic sectors and dependent on the geographic localization of the COVID19 outbreak."

Source: ibtimes.co.in- Mar 15, 2020

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# FICO cautions against raising GST rates

Federation of Industrial and Commercial Organisation has written to Finance Minister, Nirmala Sitharaman and welcomed the recommendations of Fitment Committee of reducing GST rates on manmade fibres from 18 per cent to 12 per cent.

However, the industry has demanded from the GST Council to bring the entire textile value chain under 5 per cent GST rate.

"Five per cent GST across their entire textile chain will completely eliminate the issue of inverted duty structure. However, if all fabrics and apparel below Rs 1,000 are moved to a 12 per cent duty it would have a dramatic impact on consumption.

Since a majority of saris, tailored fabrics and apparel that are sold in India are under Rs1,000 price and are currently in the 5 per cent GST slab, a rate hike of 7 per centwould have a large impact on overall consumption," said Ajit Lakra from FICO.

This rate increase would impact the most vulnerable income groups that comprise of the bulk of the domestic demand. The demand destruction in turn would have a very large impact of manufacturing," said Ajit Lakra.

He also said that textile being one of the largest job creators, such a sudden move could also lead to job losses, especially since the industry is particularly vulnerable at the moment.

"The entire industry is currently reeling from the Corona virus pandemic. Business has been hugely impacted as consumers are unwilling to go to crowded places and an atmosphere of fear and uncertainty is prevailing Over the next few months demand could be impacted by as high as 30-40 per cent."

Source: tribuneindia.com- Mar 12, 2020

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## Tax on Cotton and Man-Made Fibres

GST on cotton is 5% across the entire textiles value chain whereas GST rates on manmade fibres (MMF) and textiles are 18%, 12%, and 5% on fibre, filament yarn/ spun yarn and fabrics respectively.

The matter of implementation of a uniform tax structure for the MMF value chain (from feedstock to fabric) was already referred to Ministry of Finance to correct inversion in duty structures. Rationalization of GST on MMF value chain will help to boost growth of the MMF sector.

To boost exports in textile sector including cotton clothing, Government has introduced the new RoSCTL (Rebate of State and Central Taxes and Levies) scheme from 7th March 2019. Government has also notified a special one-time additional ad-hoc incentive of upto 1% of FoB value to be provided for exports of apparel and made-ups to offset the difference between RoSCTL and RoSL + MEIS at the rate of 4%, from 7.3.2019 to 31.12.2019.

To boost exports in MMF sector, Government has also removed anti-dumping duty on PTA, a key raw material for the manufacture of MMF fibre and yarn. Exporters are also provided assistance under Market Access Initiative (MAI) Scheme. Interest equalization rate for pre and post shipment credit for exports by MSMEs of textile sector has been enhanced from 3% to 5% from 2.11.2018.

Benefits of Interest Equalization Scheme has been extended to merchant exporters from 2.1.2019 which was earlier limited to only manufacturer exporters.

This information was given by the Minister of Textiles, Smriti Zubin Irani, in a written reply in the Lok Sabha today.

Source: textilevaluechain.in- Mar 14, 2020

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