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INTERNATIONAL NEWS

Global cotton consumption declines by 15%: USDA

Current USDA estimates show global cotton consumption in 2020-21 down is likely to decline by 15 per cent. The 2020-21 world production forecast remains unchanged, and COVID-19's negative impact on cotton demand was too late in the season to shift planting decisions away from cotton for most major producing countries. This has pushed the stocks-to-use ratio back up into the 90 per cent range.

The US department of agriculture (USDA) Outlook in February of 2020 projected that 2020-21 would be similar to 2019-20, with modest consumption growth and a modest decline in world stocks. Then COVID-19 spurred record downward adjustments to global cotton demand.

Looking ahead, with government support programs in the two largest producing countries—China and India—shielding producers somewhat from price volatility, lower prices will have limited impact on global production.

Source: fashionatingworld.com– Aug 15, 2020

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British, European brands request US to adjust 25% tariffs on luxury goods

British and European luxury brands — hoping to duck out of the crossfire of the Airbus-Boeing trade fight — are requesting he Trump administration to adjust the 25 percent tariffs set on many luxury goods imported to the US

Washington raised the import tariff on certain high-end goods from Europe to 25 percent, hitting cashmere knitwear, merino wool and Savile Row suits hard and in retaliation for subsidies paid to manufacture the Airbus fleet of planes.

The move was sanctioned by the World Trade Organization and the US has the right to review and tweak the tariffs, which could go as high as 100 percent, every 180 days.

The EU, which has accused the U.S. of aiding Airbus competitor Boeing, might also retaliate with tariffs of its own on U.S. made goods.

Beth Hughes, Vice President-Trade and Customs Policy, American Apparel & Footwear Association, said this dispute has already caused a negative impact on the industry. This retaliation only hurts those American workers by raising costs, costs which are passed on to U.S. consumers in the form of higher prices, which, in turn, lowers sales.

Source: fashionatingworld.com– Aug 15, 2020

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China factory output flat, retail sales slip in July

China's factory output rose just under 5 per cent last month from a year earlier while retail sales fell slightly, suggesting the country's recovery from the coronavirus pandemic remains muted.

The data reported on Friday show that despite a rebound in Chinese exports, overall domestic demand in the world's second-largest economy remains lackluster.

Massive flooding across much of the south of the country also has hurt both production and consumer demand, though it pushed food prices sharply higher. Pork prices jumped nearly 86 per cent, the report said. Such "idiosyncrasies" don't fully account for the prolonged weakness in consumer spending, said Stephen Innes of AxiCorp.

"Still, the glaring concerns around retail demand continue to speak volumes that it's going to take more than stimulus and deep discounts on luxury products to get people shopping again," he said in a report.

The 4.8 per cent increase in industrial output from a year earlier was on a par with the month before and slightly below forecasts of just over 5 per cent.

China, where the pandemic began in December, was the first economy to start the struggle to revive normal business activity in March after declaring the virus under control. Manufacturing is recovering, but consumer spending is weak.

Many Chinese either lost their jobs or some income, or are worried they might. The National Bureau of Statistics said that overall, China created 6.7 million jobs, nearly 2 million fewer than would normally be expected.

The trends show a "steady recovery," said bureau spokesperson Fu Linghui.

Still, there were signs of improvement in investment in factories and construction, which fell 1.6 per cent in January to July, compared with a 3.1 per cent contraction in the first half of the year.

Friday's data release came just before Chinese and U.S. officials are due to hold online talks about progress on a "phase one" trade agreement set in January that brought a truce in a tariff war between the two biggest economies.

Relations have worsened despite that deal, as the two sides spar over abuses in the northwestern region of Xinjiang, developments in Hong Kong and technology disputes, among other issues.

Source: financialexpress.com– Aug 14, 2020

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Sales at Korea department stores fall by 14.2%

According to the Ministry of Trade, Industry and Energy, the sales of Lotte, Shinsegae and Hyundai department stores in the first half of the year fell by 14.2 percent compared to last year.

Galleria Department Store, which has comparatively more international high-end fashion labels at its branches than its competitors, was the only franchise that showed a sales increase between January and June, recording 4 percent.

Lotte recorded a 16 percent sales drop, followed by Hyundai and Shinsegae with a respective 10 percent and 7 percent.

Galleria only operates five outlets around the country and it has been focusing on attracting the "superrich" in different regions.

In September last year, it opened a separate facility outside its Daejeon department store for VIP customers only called 'Maison Galleria.; The store invited selected customers and exclusively introduced them to its latest luxury items.

Shinsegae also collaborated with Louis Vuitton to promote the men's fall and winter collection, for the first time, at a pop-up store in it Gangnam branch July 31. The branch previously opened temporary boques for Prada in January, Chanel in June and Bottega Veneta last month.

Source: fashionatingworld.com– Aug 15, 2020

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USA: Applied DNA Gets Approval for Cotton Tagging Patent Application

Molecular technology firm Applied DNA Sciences is extending the patent coverage for its method of tagging cotton at the ginning stage.

The company has received a notice of allowance for its U.S. patent application covering its DNA Transfer System (DTS) that tags cotton fibers as they pass through the forced air of a gin, as well as the procedure of authenticating tagged cotton. Part of Applied DNA's CertainT cotton platform, DTS is an automated approach to proving the provenance and authenticity of fibers. Titled "Method and Device for Marking Fibrous Materials," the patent is expected to be issued in the coming months.

With risks in cotton including false organic claims and forced labor, being able to trace the journey of a fiber back to the raw material stage has become increasingly valuable.

"Despite the downturn in global economic activity that has impacted the global textile supply chains we serve, supply chain certainty and social responsibility remain fundamental to the textile industry's long-term strategy," said Dr. James Hayward, president and CEO of Applied DNA.

"We believe the COVID-19 pandemic has increased consumer awareness of the need for authenticity in such textiles as those used in personal protective equipment.

When economic activity within the industry ramps, we believe that our CertainT platform is well-positioned to address the critical issues of traceability and authenticity in our traditional home textiles base, as well as new apparel opportunities currently being explored."

DTS is a fully automated system that can run round-the-clock. Each day, it provides 90,000 data points such as the date, time, place and who tagged the cotton. Wherever the machines are in the world, they feed real-time data back to Applied DNA's Stony Brook, N.Y. headquarters.

The data is housed in a secure cloud-based system, allowing cotton producers to verify that a cotton bale indeed comes from a particular farm and gin via a unique bale ID.

"The advantage of tagging over and above any other traceability system is that once you tagged it, you know it's your cotton, you know it's working in your supply chain because you can tag and then you can test it and track it," MeiLin Wan, vice president of textile sales at Applied DNA, told Sourcing Journal.

To-date, Applied DNA has tagged more than 300 million pounds of cotton in markets including the U.S., Australia and Egypt. Beyond cotton, the patent also protects use of the method for fibers like viscose, polyester and cannabis.

More than $1 billion worth of retail goods contain cotton verified with Applied DNA's tagging. The use of this method has largely been focused on home textiles, but the company is working to expand into apparel products.

Applied DNA holds an existing patent for its DTS process, and it has patents pending for the method in international markets. This latest U.S. patent also has global implications. "It's a U.S. patent, but the claims around this also relate to some other international patents that we filed as well," Wan explained. "So it gives U.S. protection, but also global reach."

For Applied DNA, the patent gives the company the ability to license the technology to its partners.

"A patent basically says it's a unique process, and if you follow the instructions that are going to be licensed to you by Applied DNA, then you can do it yourself, and then you can build a business around it," Wan said.

"So it gives companies and manufacturers a competitive advantage to use the system under a certainty platform."

Source: sourcingjournal.com– Aug 15, 2020

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US-PRC trade row a plus for Sri Lankan apparel exporters

The trade conflict between the United States and China could assist countries like Sri Lanka to raise exports, according to Teejay Lanka chairman Wing Tak Bill Lam, who recently told shareholders that exports of textiles and garments are likely to experience a decline in the near term, especially to key export destinations of Europe and the United States.

According to the Sri Lankan Apparel Exporters Association (SLAEA), a trend of order cancellations has already hit factories and the revenue loss is expected to be significant during the second quarter of the current fiscal.

Apparel exports during the first six months of this year declined by 30 per cent to $1.8 billion from $2.6 billion a year ago. Apparel exports to the European Union during the first six months of this year declined 32 per cent to $753 million from $1.1 billion recorded a year earlier, while exports to the United States during the same period declined by 27 per cent to $830.5 million from $1.14 billion.

However, with the COVID-19 global pandemic many companies are now frightened to rely on single destinations for its supply chain. These companies, according to Bill Lam, are now moving away from China to partner with other South Asian countries, which Sri Lankan apparel manufactures can easily tap into, according to Sri Lankan media reports.

According to statistics released by the Apparel Exporters Association, apparel exports in June this year reached $382 million, down by 20.5 per cent from $481 million recorded during the corresponding month of last year.

Source: fibre2fashion.com– Aug 15, 2020

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Appliances, apparel push US retail sales up 1.2%; but slowdown likely

Americans increased their retail purchases by 1.2 per cent in July, with solid gains in appliances and clothing helping restore sales to their level before the viral pandemic erupted in March.

Sales at retail stores and restaurants have now risen for three straight months, after plunges in March and April, when the pandemic shuttered businesses and paralysed the economy.

Still, much of the spending was fueled by government aid that had put more money in people's pockets but has since expired. With Americans' income now likely shrinking, economists expect a drop in spending and a potential weakening of growth.

Friday's report showed sharp increases in sales at electronics and appliances stores, reflecting the needs of mostly higher-income people who are now working from home. Furniture sales were flat after a huge gain in June.

The problem now is that roughly 28 million laid-off workers are no longer receiving a $600-a-week federal unemployment check that they had received in addition to their state benefit but that lapsed last month. In addition, a USD 1,200 stimulus check that was sent to many Americans in April and May likely won't be repeated. Negotiations in Congress on a new economic relief package have collapsed in rancor and show no sign of restarting anytime soon.

Many retailers have said the supplemental unemployment aid had helped spur sales of clothes and other non-discretionary items in the spring and early summer.

Uncertainty surrounding job and income prospects could weigh on consumer confidence and spending going forward, especially now that enhanced unemployment insurance measures which provided critical support to households have expired, said Rubeela Farooqi, chief U.S. economist at High Frequency Economics.

Spending on credit and debit cards has been essentially flat since mid-June, according to an index from JPMorgan Chase that tracks spending on 30 million of its card accounts, after a steady rise that began in mid-April when stimulus checks were first mailed.

Retail sales include only about one-third of all consumer spending. The rest involves services from haircuts and gym memberships to movie tickets and hotel rooms all of which were hit disproportionately hard by the pandemic and have yet to recover In the April-June quarter, consumer spending collapsed by a record amount, causing the economy to shrink at a previously unheard-of annual rate of 32.9 per cent.

Economists have forecast that growth is rebounding in the July-September quarter at a roughly 20 per cent annual rate, though that pace would still leave the economy far below pre-pandemic levels.

The government's figures mask a huge shakeout in the retail industry, with Americans pulling sharply back on in-person shopping and spending more online. More than 40 retailers have filed for bankruptcy protection this year, about half of them since the pandemic. That's about double the number for all of 2019.

Many of these retailers had been ailing before the pandemic. But analysts envision another wave of retail bankruptcies in coming months that would include some companies that were financially healthy before the virus struck.

In recent weeks, Ann Taylor's parent company declared bankruptcy. So did the Lord & Taylor department store chain and the discount store chain Stein Mart, which had been in business for 112 years.

Stein Mart cited the resurgence of coronavirus cases in Florida, Texas and California as a key factor in its bankruptcy filing. The company has many stores in those states, a fact that hurt customer traffic and drained its cash.

The upscale outdoor CityPlace Doral mall in Miami had closed in March, reopened in May and then enjoyed strong sales and traffic in June, according to Mauro Olivieri, the mall's general manager of the upscale outdoor mall. When the virus resurged in July, local mandates forced it to close indoor dining.

Yet the mall has since recaptured more than half its normal levels of traffic. Because we are an open-air center, people are feeling more comfortable in returning to regular shopping patterns, Olivieri added.

President Donald Trump has signed an executive order that would replace the now-lapsed USD 600 a week in federal jobless aid with USD 300 a week from a disaster relief fund. Yet that would require the states to establish a separate payment system that would likely take weeks. In the meantime, the loss of the USD 600 will cut recipients' income, on average, by one-half to three-quarters.

That prospect has unnerved Tia Ferguson. A 40-year-old substitute teacher in Columbus, Ohio, Ferguson was laid off in March. Beginning in June, she managed to receive both her state's unemployment benefit and the $600 federal check.

It's unclear when she might be recalled to work, and she is reluctant in the meantime to teach in person until after a vaccine is approved. A diabetes and asthma patient, she worries about the risks of returning to the classroom.
Ferguson's husband earns income as an auto mechanic but is still building a business that he recently started. The couple has taken to reducing their three kids' video game time to save on electricity.

With her weekly jobless aid now just USD 171, Ferguson has cut back on groceries and gone on Facebook to find information on food pantries.

I don't know when I'll have a steady stream of income that's even close to what I was making, she said.

Source: business-standard.com– Aug 14, 2020

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UK govt launches scheme to help high street supply chains

The UK Government has launched a new programme to help high street businesses, including Marks & Spencer, Sainsbury's, Tesco, Morrisons and Waitrose, to strengthen their global supply chains by supporting workers in developing countries during the coronavirus pandemic. The new scheme will help keep some of the UK's favourite products on high street shelves.

The new funding announced by international development secretary Anne-Marie Trevelyan includes investment from UK businesses to keep vulnerable workers in their supply chains in safe and secure employment.

The UK aid fund will partner up UK businesses including Morrisons, Tesco, Marks & Spencer and Primark with expert organisations such as CARE UK, the Fairtrade Foundation and the Ethical Trading Initiative to improve working conditions and support greater access to healthcare and health information for workers in some of the world's poorest countries. This will help make workplaces safer, meaning employees can return to work and supply chains can keep moving and become more resilient.

The facility, made up of £4.85 million UK aid and £2 million from businesses, will focus primarily on supply chains and workers in Myanmar, Bangladesh, Kenya, Uganda, Ethiopia, Tanzania, Rwanda and Ghana. These countries provide huge proportions of the world's food, flowers and clothes. Bangladesh is the world's second largest garment exporter.

Marks & Spencer and CARE will work together to improve health services for 80,000 factory workers in Bangladesh who keep M&S stores stocked with clothes. The programme will strengthen community health care systems and deliver targeted health messaging in factories to help employees keep themselves and their families safe. This is expected to have knock-on benefits for a further 300,000 people in Bangladesh's poorest communities.

"We want to ensure people in Britain can continue to buy affordable, high quality goods from around the world. This new fund will strengthen vital supply chains for UK consumers, while supporting some of the most vulnerable workers in developing countries. It will make a real difference to people in the UK and abroad," said Trevelyan.

Overall, more than 200,000 workers in agriculture and nearly 120,000 garment workers are expected to benefit from the facility. The improvements to these people's working lives will indirectly benefit a further 650,000 people, including workers' families and children, taking the total number of people in developing countries helped by the scheme to nearly 1 million (970,000).

"At M&S, we have a robust approach to ethical fashion - we know we're only as strong as the communities where we operate and we're committed to helping improve the lives of workers in our supply chain through collaborative initiatives. We're proud to be partnering again with DFID and CARE to strengthen healthcare systems and services in our factories in Bangladesh and the wider community," said Fiona Sadler, head of Ethical Trading for M&S.

"Businesses have an important role to play to ensure people within their operations and values chains are safe, treated with dignity and can prosper. Coronavirus poses a critical threat to Bangladesh garment workers, with hundreds of thousands of people in dense areas at risk," said Laura Hawkesford, head of Private Sector for CARE UK.

"We are excited to continue to work with Marks and Spencer in partnership with DFID to ensure workers and communities have access to relevant information, facilities and services to reduce the spread of coronavirus," Hawkesford added.

Other partners working with the fund include Arco, Dimensions, Primark, Impactt, Monsoon and VF Corporation, GoodWeave International, Awaj Foundation, FNET, MM Flowers, Women Working Worldwide, Coventry University, Flamingo, Minor, Weir & Willis, Union Roasted and Mondelez International.

Source: fibre2fashion.com– Aug 15, 2020

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Intertextile Shanghai all set to begin on August 24

The autumn edition of Intertextile Shanghai Home Textiles is all set to begin on August 24, becoming the first physical trade event for home textiles held by Messe Frankfurt since January.

Considering the unusual circumstances, the fair is launching an online business matching platform to enable participants, who cannot travel, connect with partners.

The three-day trade fair will showcase an extensive range of home and contract textile products. There will also be high quality fringe programme, featuring a strong line-up of speakers.

In addition to the comprehensive sourcing options available, the fair's event programme will provide the industry with the latest trends and insights in four topics - Design Inspiration, Business O2O, Textile and Technology, and Industry Empowerment. There will be conferences, seminars and presentations to reflect the future of the home textile industry.

The events of Design Inspiration will revolve around the 2021 Intertextile Trends. One of the highlights will be the 2021 Intertextile Trend Forum, which is led by Shen Lei, the Chinese representative of the Intertextile International Lifestyle Trend Committee. The 2021 Intertextile Trend Forum will bring together five prominent Chinese designers - Ben Chen, Ben Wu, Meng Ye, Paul Pang and Xie Ke - who will offer an in-depth overview of the 2021 Intertextile Trends, as well as the Chinese market conditions.

Intertextile has cooperated with the NellyRodi Agency from France to present the design theme for 2021– Bound – together with three trends: Cozy Warmth, Past Future and Bold Clash. Each trend is a reflection on the current environmental, economic, societal and identity changes.

The fair will also launch the Designer x Brands Virtual Showroom, specially curated by Lei. In the virtual showroom, the six top Chinese designers, in collaboration with selected exhibitors including Huatex International, Jab, Morphrow, Novatex, Yada and Zhejiang Maya Fabric, will present various textile products that reflect the concept of the 2021 Intertextile Trends.

To accommodate buyers who cannot come to Shanghai due to travel restrictions, Intertextile has launched an innovative cloud platform, which enables participants to virtually walk through the trade fair under the guidance of the Home Textile Association's experts. With this digital platform, participants can explore innovations in every home textile segment and engage with key decision-makers in the industry.

Digital textile printing is bringing fundamental changes to the home textile industry as it can offer flexibility, speed and personalisation of production all at once. In response to the increasing demand for digital printing, Intertextile will offer relevant information about this technology via a series of seminars.

The fair will host Ride the Storm – Home Textile Digital Printing Forum, which will include an array of educating seminars and discussions on key industry topics. Powered by Fashion Print, the seminars will feature some of the biggest names in the digital printing industry to cover the latest market trends, technology developments, colour management, digital manufacturing, and sustainable practices.

The well-received Furniture and Home Textile Direct Negotiation Event will return to offer a platform for furniture companies and fabric brands to hold high-value business meetings, maximising their business opportunities.

Under the concept of Contract Business 360°, over 40 premier upholstery exhibitors will be presenting their latest textile products and furnishing solutions for contract use, offering functionality, diversity and style. Exhibitors include Guangzhou Yuanzhicheng Home Textile, Haining Julai Textile, Jab, Morgan Shanghai, Symphony Mills, Suzhou Roufang, Ter Molst International, Zhejiang Hexin and Zhejiang Maya Fabric. Top brands such as Agmamito from Poland and Wollsdorf Leather from Austria will be exhibiting for the first time at Intertextile.

Source: fibre2fashion.com– Aug 17, 2020

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Egypt directs EGP 6bn in urgent commodity, service finances in July: Maait

Egypt's Ministry of Finance has provided EGP 6bn in urgent finances to commodity and service providers during July 2020, according to a ministry statement on Sunday.

The statement added that the urgent financing was granted to: the General Authority for Supply Commodities, the Egypt National Railways, Cairo Metro, the National Media Authority, the National Press Authority, and the Cotton and Textile Industries Holding Company.

The finance aims to enable these entities to fulfil their commodity and service obligations towards citizens in a way that relieves the burdens on their shoulders.

Minister of Finance Mohamed Maait stressed the government's keenness to provide the necessary cash liquidity for various commodity and service bodies to ensure they fulfil their obligations.

The aim is to help commodity and service providers maintain their capabilities in providing for the needs of citizens, especially the most vulnerable groups.

Maait noted that his ministry has received other requests for financial support from various administrative bodies, and is keen on offering them the support they need as well. The finance provision takes into account public interest and maintaining standards of living, alongside the country's continued ability to manage the novel coronavirus (COVID-19) crisis.

The Ministry of Finance statement said that, of the finance available, EGP 4bn was set aside for the General Authority for Supply Commodities, representing the value of the monthly financial support for the ration card commodities, bread points differences, and bread-making costs differences.

A total of EGP 400m will be directed towards financing the purchase of the remaining local wheat crop for 2020 season. A total of EGP 220m has been granted to the National Press Authority, in order to fulfil their financial obligations towards employees.

A further EGP 7.4m has been set aside for the Egyptian Company for Metro Management and Operation, to support reduced-price tickets and privileges granted to some segments of Egyptian society. These include the families of martyrs, people with special needs, and elders.

A total of EGP 335.8m has been set aside for the Egyptian National Railways, in addition to EGP 149.9m to support other public transports.

The ministry statement also indicated that the Ministry of Manpower has been granted EGP 500m. The funding will be distributed in the latter ministry's third phase of financial disbursements to irregular workers, under its irregular employment grant.

A further EGP 120m will be provided to the Cotton and Textile Industries Holding Company to cover the costs of its cotton trading system nationwide for the 2020 season. An additional and EGP 1.7m will be given to support the agricultural experiment in East Owainat in which 250 acres of short-staple cotton is being cultivated.

A total of EGP 195.9m will be contributed to the capital of the Holding Company for Cotton, Spinning and Weaving's public treasury. The financing will be used to provide the necessary cash liquidity to disburse worker salaries. An additional EGP 15.9m has been granted to the Agricultural Bank of Egypt (ABE), to support the costs of cotton pest control in Egypt.

Source: dailynewsegypt.com – Aug 17, 2020

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Pakistan-Bangladesh Economic Ties: A Pragmatic Approach

Bangladesh fought twice for independence: first from the British colonial power and then from indigenous oppressive rulers from West Pakistan who totally disregarded the basic social and economic rights of the people of the erstwhile East Pakistan. Hence, since independence in 1971 through a war of brutal violence and bloodshed, it has not been easy for Pakistan and Bangladesh to normalize their relationship.

This unprecedented COVID-19 pandemic has once again taught us that the governments across the globe need to set their priorities right and work urgently for enhancing regional cooperation to handle a severe crisis like this. South Asia is home to a fifth of mankind, and to almost half of the people living in poverty. It is sad that many South Asian countries are seen to prefer distant countries as trade partners to their close neighboring economies.

Whereas, a 2018 study by the world bank strongly argues that regional cooperation in South Asia can power the entire region to grow faster and improve standards of living. Using the gravity model approach, the report estimated that in 2015, the trade between Bangladesh and Pakistan has a potential to be valued at $ 1,376 million instead of $ 837 million and trade between the countries of South Asia to be valued at $67 billion instead of $23 billion.

The report aptly stated that the big gap between trade potential and actual trade in 2015 may be largely attributed to the gap in bilateral trade between Bangladesh and India and between India and Pakistan, three of the largest economies in the region.

Hence it is important to state that a stronger regional cooperation for sustainable peace and prosperity can be achieved through the improvement of bi-lateral relationship and people-to-people exchanges.

Within this context of regional cooperation, paying attention to geographical proximity and other socio-economic-cultural-religious factors, the importance of economic relation between the two most populous Muslim countries in South Asia-Pakistan and Bangladesh-cannot be overemphasized.

The rationale of enhancing bi-lateral trade with neighboring countries can be explained by the unprecedented price hike of onion in Bangladesh in the year 2019. Though the current price of onion is Tk30 (USD 0.35) per kilogram in retail markets of Dhaka, onion prices shot up to Tk 300 (USD 3.54) in November 2019 due to a supply crunch after the Indian government banned the export of onions to Bangladesh in September that year.

To bring down the prices of onions and to keep it within the reach of common people, the Bangladesh government decided to import onions from a number of countries including China, Egypt, Myanmar, Pakistan, Singapore, Turkey, and Uzbekistan. An important lesson from the price hike of onion for Bangladesh is that depending solely on only one country (in case of Bangladesh, this is India) for importing any essential item of the common people is always a mistake and a risky business and enhancing bilateral economic relation with neighboring countries is must to curb the price of essentials.

Recently there has been telephone conversation between Prime Minister of Pakistan Imran Khan and Prime Minister of Bangladesh Sheikh Hasina. The two prime ministers discussed various issues, including Covid-19 and the flood situation in Bangladesh. Mr. Khan also expressed his desire for “closer and fraternal” relations with Bangladesh. This conversation is a right move and can be seen as the dawn of a new era towards developing a solid foundation for economic ties between two countries. At this stage, it is very pertinent to ask, can enhancing Bangladesh-Pakistan trade relations be mutually beneficial for both nations?

Currently, Bangladesh’s export to Pakistan is very small. According to latest data from the UN Comtrade, it was as small as $72 million in 2018, which is just 0.2 percent of her total exports. Bangladesh’s import from Pakistan is small as well.

In 2018, imports from Pakistan were about $784 million, or just 1.30 percent of Bangladesh’s overall imports and from the Pakistan side, it is 3.3 percent of Pakistan’s overall exports. Thus, Bangladesh has become one of the top ten destinations for exports of Pakistan. For the last 3years, exports from Pakistan to Bangladesh have been increasing significantly.

As of now, trade between the two countries is concentrated on a very few items. Textile fibers, paper yarn and woven fabrics of paper yarn accounts for over 60 percent of Bangladesh's total exports to Pakistan. Other major export items are: tobacco, cotton, apparel and clothing accessories, inorganic chemicals, paper, plastics. As regards to imports, intermediate goods especially textiles and clothing constitute nearly 90 percent of Bangladesh's imports from Pakistan. However, some new products have been introduced recently such as cement, raw material, onions, ladies' suits, transport vehicles etc. Also, the imports of dates and chemicals have been increased in the year 2019.

From the preceding discussion, it is seen that the volume of trade between these two countries is very small. It is also worth noting that Bangladesh has always had a deficit trade balance with Pakistan. However, the recent rise of bilateral trade between the two countries indicates that the potentials of bilateral trade is fully unexplored yet. To enhance trade relationships, based on the opinion of experts, the business community and the general public, in a 2006 study by Dr. Ayubur Rahman Bhuyan, a former professor of economics at Dhaka University, has stated that Bangladesh should sign a bilateral Free Trade Agreement (FTA) with Pakistan despite this uneven trade balance because Bangladesh has little to lose but much to gain from the FTA.

Source: eurasiareview.com– Aug 14, 2020

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Cotton demand rebounds in Pakistan as foreign orders increase

Cotton demand is fast rebounding after easing lockdown as textile companies are abuzz with reviving industrial activities to include Pakistan among the world's top recipients of foreign orders post shutdown, people familiar with the development said on Saturday.

Industry officials said Pakistan is one of the countries receiving increasing number of production orders from foreign clients after coronavirus-associated lockdown since late March. "We are receiving a large number of orders from the US and European countries," an industry official said, requesting anonymity.

While textile and spinning mills keep purchasing cotton arrival remains slow due to rainfalls, sending prices up during the start of the week. Later on, however, prices decreased in the market as quality of lint dropped because of rain, traders said.

During the outgoing week, lint prices in Sindh remained at Rs8,200 to Rs8,300 per maund. In Punjab, the prices were in the range of Rs8,550 to Rs8,650, while price was between Rs8,350 to Rs8,375 per maund in Balochistan. Karachi Cotton Association's spot rate committee increased the spot rate by Rs100 to Rs8,350 per maund.

Karachi Cotton Brokers Association Chairman Naseem Usman said cotton prices remained mixed in the world. Rates varied between 63.50 cents per pound to 61.30 cents per pound in the New York Cotton Market futures. China remained the big buyer of cotton during the week. Stakeholders said if international reports are considered, cotton prices will decline next week.

Rain may have a positive impact in some areas in Pakistan and negative effect in others. There is a forecast of more rain in the country. August and September months are called crucial for cotton crop and agriculture departments in the country have asked growers to remain cautious.

Globally, cotton supply is showing an upward trend due to coronavirus-caused decline in consumption and that could be a reason behind price fall, according to the World Agricultural Supply and Demand Estimates (WASDE).

In Pakistan, cotton production might fall in the country due to heavy rains in cotton growing areas of Sindh and Punjab, which might lead local mills to import more lint, said Ihsan ul Haq, chairman of Pakistan Cotton Ginners Association.

Cotton production in the Punjab, the biggest cotton producer, is estimated at around 7.5 million bales of cotton. Last year, cotton sowing in the country declined 18 percent in the country. In Punjab only, cotton sowing decreased 18.16 percent.

World cotton trade slowed down while opening stocks were lower and ending stocks were higher in the world during 2019/20. Cotton consumption declined in the US and China. However, cotton prices remained stable in China and India, which decreased in Brazil and Argentina. Stakeholders said Pakistan's textile exports can reach to the level of last fiscal year. Pakistan's textile and clothing exports contracted to $12.5 billion in the fiscal 2019/20 as compared to $13.3 billion in 2018/19.

Source: thenews.com.pk– Aug 16, 2020

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Pakistan: Why pinning hopes on US election is wrong

Joe Biden is leading President Trump in popularity polls. There is a growing likelihood that there will be a change in the White House on Jan 20, 2021. With that comes a misplaced expectation of radical change in US policy towards Pakistan.

The hope is that the United States will adopt an aggressive stance to outdo the Chinese influence through trade and investment.

Senator Elizabeth Warren, the most vocal candidate on trade during the Democratic primaries, outlined nine principles that aspirants for trade deals with the United States needed to meet. These covered labour and human rights, child labour, religious freedom, curbing bribery and corruption, climate change, transparency in taxation and currency movement (read the Financial Action Task Force. Given the country's own record on some of these principles, the list indicated that for her trade deals per se were not a particularly high priority.

Mr Biden believes that prior to entering into further trade deals, the United States needs to improve its ability to compete. He has spoken about creating 10 million new jobs in environment-friendly sectors.

The United States is Pakistan's largest export destination. Nearly 80 per cent of its exports are textile products. Yet we rank seventh, with a mere 2.8pc share in the total textile imports of the United States.

Thirty-two of the top 50 textile items that the United States imports are made from man-made fibres in which Pakistan has less than 1pc share. Also, most countries ahead of Pakistan in the US textile import league do not enjoy more favourable market access than Islamabad.

Thus, Pakistan needs to address productivity and product range. Of course, a limited preferential trade agreement covering (mainly) textiles and rice from Pakistan in exchange for cotton and soybean from the United States will help close the productivity gap but reduce the incentive to address it. A wider free trade agreement is not in Pakistan's interest owing to its weak agriculture sector.

There are a number of reasons why the United States is unlikely to get into an investment race with China. Unlike China's, the US private sector is independent of the government and will not take direction. Government guarantees can facilitate investment, but it is Pakistan's investment fundamentals that will influence the decision.

Issues such as the ease and cost of doing business and enforcement of intellectual property rights are major determinants in the investment decision, which Pakistan needs to address. A country that is unable to attract local investment (other than in guaranteed-return or protected sectors) cannot realistically hope to attract foreign investment. Not surprisingly, there is hardly any Chinese private-sector investment here.

Secondly, Pakistan's foreign direct investment (FDI) policy has failed to guide foreign investment in sectors other than fast-moving consumer goods (FMCG) that leverage the country's demographic dividend. It has brought limited new technology and led to no meaningful exports. There are several US, UK, Dutch and other FMCG investors operating here already.

However, Pakistan needs policies to attract investment in agriculture, horticulture, cold chain, tourism and fisheries. There isn't even a single foreign investor of note in Pakistan's major export sector — textiles. If the customer is (nearly) always right, the United States is our largest customer of textiles and can surely invest and help improve our range and sophisticate our offerings.

One of the core impediments to competitiveness of Pakistan's industry is productivity which, in turn, is a function of education and training. The energy cost, other than for some export sectors, is also higher than that in the region. Per-acre productivity of all major crops is well below the global best. The cost of moving goods is high. Provinces don't compete for investment. Special economic zones exist on paper only. The tax base is narrow. Industry carries a disproportionate fiscal burden. Pakistan has been de-industrialising. The National Accountability Bureau (NAB), established to check public-sector corruption, keeps 'nabbing' private-sector investors. This is hardly an investment-friendly environment.

Whilst the United States and others can guide in improving the investment climate, we — the government, parliament and the private sector — need to address key issues. Let's stop dreaming. Santa Claus isn't coming anytime soon. Let's fix our house.

Source: dawn.com– Aug 17, 2020

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Pakistan: Have exports turned the corner for real?

Pakistan managed to post 5.8 per cent growth in exports in July on a year-on-year basis after recording an annual drop of 54pc in April as the health disaster–forced lockdown disrupted the mobility of men and merchandise.

The downward swing started in March 2020 when exports fell 8pc. After a vertical fall in April, May fared relatively better as exports shrank by 33.4pc. June witnessed a drop of 6pc after which exports entered the positive zone.

In a rare display of mutual admiration, the exporters' community is thanking the government for its relentless support while government officials are singing the praises of progressive entrepreneurs, techies and fruit and vegetable traders who did not let the health scare numb their competitive spirit and succeeded in beating all odds in the worst phase for trade in recent history.

Abdul Razak Dawood, adviser to the prime minister on commerce, was excited as the current data, he thought, endorsed his position on incentivising exports through subsidies and concessions for the economic turnaround.

Talking to Dawn, he expressed confidence in the future of exports, assuming the gradual return to normalcy around the globe. He promised to lift the ban on the export of personal protection equipment (PPE) in Tuesday's cabinet meeting to expand Pakistan's footprint in this niche market.

“The people in the health ministry feared a disaster in Pakistan back in March. Their paranoia made the government ban the export of PPE, compromising the full utilisation of the installed production capacity of such items in the country. We later made an exception for cotton facemasks and activated commercial attachés to hook locals with overseas clients.”

He acknowledged that the lingering price hike in essential food items and power supply disruptions are two most crucial issues that need urgent government attention. He said he has been approached to take up the issue of frequent power supply disruptions to industries in Karachi with K-Electric. “I intend to call the CEO of KE soon to impress on him the economic cost of power supply disruptions on the industry and its fallout on the economy,” he said.

Expanding on his commitment to free trade, he shared details of his efforts directed towards geographical and product diversification, duty-free import of raw materials and tariff rationalisation strategy over the remaining three years of the PTI government.

He also resented the dumping of sub-quality products in the market that hurt the local industry while hinting indirectly at China. “We are working closely with the Ministry of Industries and the Ministry of Science and Technology to strengthen the Pakistan National Accreditation Council to expand certification infrastructure and make it credible.

“We are engaging with sectoral trade leaders and chambers to remove hurdles in exports.”

The hierarchy in the ministry sounded the same: high on claims and low on homework. Ayesha Humair, spokesperson for the Ministry of Commerce, boasted that the ministry’s role in facilitating e-commerce translated into better export performance by techies.

On the request to share the structured assessment of the export industry or new potential markets in the changed global environment, she said the ministry is in the process of getting input from chambers of commerce and trade bodies to later put the strategy on paper. Other officials mentioned subsidised power rates, cheap credit and release of withheld duty drawback claims, but nothing in terms of guidelines for old players and new entrants into the export business.

The top guns of the business world, however, put in a word of caution. They cited persistent long power breakdowns in Karachi and the limitations of control-addicted bureaucracy resistant to shake off old habits to swiftly spring into action to respond to the demands of the changing times.

“Enjoy as long as it lasts,” a Karachi-based businessman mocked the euphoria in the government circles over July export data. “When the industry is in stress in Pakistan, it would be silly to assume stellar performance in exports. You need a wide stream of value-added products to sustain and gain export markets.

Besides, in the absence of better compliance with international standards and a credible certification infrastructure to check the health and sanitary status of each consignment headed abroad in a world enduring a pandemic, one mishap related to a contaminated container sourced from Pakistan anywhere can compromise the scope of all exports.

“How far can greens, call centres and facemasks take us in exports? Today, business as normal can’t work. Please address the real issues. The loss of jobs and the drop in income of families cannot possibly be addressed till the base of the economy is widened through fast-paced industrialisation.

“Talking about geographical and product diversification is a farce when the industry is crippled and the balance sheets of leading business groups are in red for the drop in demand,” he warned.

The few who did well on the strength of switching operations to digital platforms and changing production lines said they trusted the current team in the Ministry of Commerce as for once they were entertained and not snubbed by the higher-ups.

Source: dawn.com– Aug 17, 2020

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First Letter of Credit issued on Blockchain in Bangladesh

Standard Chartered Bank acted as the issuing bank for the applicant, as well as the advising bank for the beneficiary of the LC. The entire transaction was paperless and completed digitally through Contour's network.

Standard Chartered Bank successfully executed the country's first blockchain transaction by issuing a letter of credit (LC) for Viyellatex, an export oriented apparel manufacturer, using Contour's blockchain network.

Viyellatex Ltd, one of the country's leading readymade garment (RMG) exporters, imported textile items from Viyellatex Spinning, said a statement.

Standard Chartered Bank acted as the issuing bank for the applicant, as well as the advising bank for the beneficiary of the LC. The entire transaction was paperless and completed digitally through Contour's network, it added.

The RMG industry is Bangladesh's main export sector, where most raw materials of this industry are sourced locally, through inland letters of credits.

In these inland LCs involve a lot of tedious paperwork but blockchain transactions can be moved into paperless as well as efficiencies can be achieved in local trade across this industry.

"We are extremely proud to introduce Blockchain technology in Bangladesh for trade transactions. It has been a privilege to partner with Viyellatex Group to initiate the first Blockchain enabled Letter of Credit in the country," said Naser Ezaz Bijoy, CEO of Standard Chartered Bank, Bangladesh.

"Standard Chartered Bank is very excited to offer our clients improved speed and reduced risks of settlement offered by platforms such as Contour," said Naser.

"We recognize that our clients are increasingly looking for new solutions to address the need for greater efficiency, and that this milestone represents the first of many such transactions that will follow," he added.

"At Viyellatex Group, we always strive to provide quality products and services on time. We recognize that innovation and digitization is key to remain competitive in today's ever-changing global trade scenario. Blockchain technology will certainly increase trading efficiency and reduce turnaround time of the LC process," said KM Rezaul Hasanat, chairman and CEO of Viyellatex Group.

"We are very happy and proud to collaborate with Standard Chartered Bank and become a part of the first trade transaction in Bangladesh using the revolutionary blockchain technology," said Hasanat.

Carl Wegner, CEO of Contour said: "Global trade lacks a solution that drives out inefficiencies, improves data transparency and enables interoperability between all trade participants. The long-established elements of trade finance don't have sufficient integration, ultimately causing friction and unnecessary administration."

These inevitably cause significant barriers for global trade growth, adding complexity, increasing cost and delaying the process for both banks and corporate, he added. The Contour network can overcome these issues, providing a consistent and reliable infrastructure for global trade to flourish especially in countries like Bangladesh that counts on LCs for a significant part of their trade volumes, said Wegner.

"The recent transaction with Viyellatex Ltd serves to prove that a solution is out there and readily available for adoption. It is also hugely positive to have Standard Chartered introducing this revolutionary technology for trade in Bangladesh and we are proud to be a part of the first transaction in the country," he added.

Contour provides a distributed trade network enabling an enhanced degree of collaboration across the main elements of trade with all participants leveraging the network to create and renew trade data in real-time.

Built on R3's Corda blockchain, Contour improves data transparency, removes administration costs and reduces friction in global trade: all of this leading to an overall increase in efficiency and reduction in costs for all parties.

Source: maritimegateway.com– Aug 17, 2020

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Bangladesh: Skills development in RMG sector

Building on the foundation of low wage rate, our RMG sector has been labeled by foreign buyers as a low cost hub for high volume product sourcing. This is quite ironical that we are proudly selling ourselves as the cheapest human resource to ensure our growth driver RMG to stay competitive in the global market.

Barely, we are thinking of the changes this sector will encounter after the much-talked graduation to a developing economy. Most importantly, the cultural-shock in RMG sector involving this paradigm shift will demand proper preparedness and if not doing so, the worst hit will be faced by our 4 million workforce in this sector largely due to low productivity coupled with lack of skills development schemes.

RMG ECOSYSTEM AT REGIONAL PEERS

Bangladesh: Largely due to its low wage rates, lower cost of utilities and preferential trade agreement with EU, Bangladesh excels at supplying large quantities of apparel at low costs. Our specialisation ranges mostly in low-value and value for money price segment. However, Bangladesh has had issues on compliances and on time delivery.

Vietnam: Due to high foreign investments (predominantly from China) and joint ventures which bring along technical know-how and expertise, Vietnam has grown its apparel exports significantly. Moreover, these factors coupled with supportive government policies have provided added advantage for the growth of textile ecosystem and infrastructure in the country and making it globally more competitive compared to other sourcing destinations.

Sri Lanka: Despite higher living wages, Sri Lanka has emerged as a large player in global apparel market owing to its product portfolio, which largely accounts for higher-value, niche products. It has a large skilled workforce, which allows it to produce specialised products.

Sri Lankan factories have been focusing on sustainability and compliance for a long time. While, these initiatives have helped create better value to the customers, it has also resulted in optimising the costs of manufacturing.

India: India's status as an apparel sourcing destination owes to its strengths namely, abundant supply of raw material, vertically integrated supply chain, expertise in value added apparel manufacturing, availability of skilled manpower and well-established relationship with key global buyers. India, in contrast to most of the other Asian peers - has the advantage of a very rich heritage of Textiles.

SKILLS DEVELOPMENT IN RMG SECTOR: Competitiveness in the global apparel trade is primarily challenged by lack of scale in garment manufacturing due to workers skill-set. Then comes seasonality (manufacture only certain product categories), inadequate capability in the synthetic value chain, limited number of preferential trade agreements etc. Coming to Bangladesh, our garment export industry is seasonality driven, leading to full capacities for season-specific production and evidently, competing nations have different skill regime to suit their local, cultural and commercial factors. Bangladesh is no exception in this case.

The workers in garment industry are generally classified as unskilled, semi-skilled, skilled and highly-skilled. Usually skilled and highly skilled workforce at a factory floor performs critical operations such as collar attachment, sleeve placket attachment etc., which require certain set of expertise and know-how. Without the right set of skills, these operations cannot be performed and if performed wrongly, it would result in rejections and wastages. Without the requisite workforce to perform these operations, factories would face delivery delays, quality issues and bottlenecks at production floor. So it is of utmost importance for factories to have workers across different skill levels right from unskilled to highly skilled level to ensure smooth operations, quality and timely delivery.

Studies found that each country has developed certain skill levels to match the product categories they manufacture. The clients place orders for certain product categories with these countries to match the existing skill levels of the workforce in these countries. India owing to its relatively higher skill levels, caters to value added products which are low to medium quality with certain level of value addition. In case of Bangladesh and Vietnam, the skill levels have been developed over the last 1-2 decades and these countries predominantly cater to basic products.

THE CASE OF BANGLADESH: Bangladesh has a multi-pronged skill building approach involving various government agencies, private institutions and industry. Some of the key initiatives are Centre of Excellence for Bangladesh Apparel Industries (CEBAI), Bangladesh Skills for Employment and Productivity (B-SEP) etc. The skills development system in Bangladesh can be classified into five main segments:

* Public (Delivered to various degrees by numerous ministries)

* Private (Receive a government subsidy e.g. grant)

* Private (Commercial training institutions including madrashas)

* Non-government and Not-for profit institutions

* Industry-based / Brands (institutions managed by industry and training delivered in the workplace, including apprenticeships)

However, stakeholders are putting their concerns regarding the much talked shortage of about 1.47 lakh skilled manpower from floor to the executive level. This, eventually, compels the factory owners to engage expatriate employees in different positions such as CEO, CFO, general manager, senior manager, head of dyeing, head of washing, and head of quality assurance.

Moreover, industry insiders predict that universities, technical institutions can provide textile and garments-related education to around 25,000 to 30,000 people, which is way too inadequate considering the requirement of the industry. Another concern blown by industry leaders that the RMG sector will need eight hundred thousand specialised employees by 2021 will be very difficult for factory owners to source locally. Moreover, they suggest that the sector will need 1.89 lakh graduates and textile experts for top positions by 2021 while Bangladesh will be able to produce around 40,000 by the time.

AREAS NEEDING SPECIAL FOCUS IN THE CONTEXT OF BANGLADESH

Entry-level skills: These should continue in the current form of existing guidelines of Integrated Skills Development Scheme.

Up-skilling: Up-skilling is extremely important to drive productivity. Only entry-level training is not sufficient to build productivity and efficiency. Existing workforce need to work at a better skill level with operational capability across different operations at production floor to contribute to overall productivity in the factories.

Training of Middle Management: Middle management i.e. supervisors, section in-charges, quality controllers, industrial engineers etc. are the backbone of any garment factory and need to be trained on best practices, by allocating at least 2 hours on a daily basis.

Vocational Education: Vocational training should be given high priority and should be accepted as a university degree/diploma for apparel manufacturing.

To combat the aforesaid challenges of our growth driver, there's no best alternative than re-skilling the whole sector starting from human resources to machine resources. As a whole, preparing updated curriculum, conducting need-based research, establishing teachers training centres and knowledge sharing platforms, capacity development of mid level managers, making bridge between industry and academia and adopting paradigm-shift in policy crafting are the building blocks to embrace upcoming changes and shifts.

Source: thefinancialexpress.com.bd– Aug 16, 2020

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NATIONAL NEWS

India's trade balance in July snaps June's surplus; export continues to fall in double digit

After India had a chance to see a trade surplus for the first time in 18 years in the month of June, July's trade balance once again slipped into the negative territory. India recorded a trade deficit of $4.83 billion in July, according to the Ministry of Commerce & Industry.

While imports to India plunged 28.4 per cent on-year to $28.47 billion in the month, exports fell 10.21 per cent to $23.64 billion. However, due to muted domestic demand and consequently low imports, the trade deficit in July 2020, was substantially lower than the previous year.

Oil imports in July 2020 was 31.97 per cent lower, primarily due to the low fuel demand and the fall of 33.11 per cent in the price of global Brent price. Also, the non-oil imports in the month fell 27.26 per cent, while the non-oil and non-gold imports plunged 29.15 per cent in July.

On the other hand, major commodities that witnessed a fall in exports were petroleum products (-51.54 per cent); gems & jewellery (-49.61 per cent); and leather & leather products (-26.96 per cent)

Both imports and exports are plunging since March amid worsening global demand, India-China tensions, and disruption of global trade due to the coronavirus pandemic.

"External demand is expected to remain anaemic under the weight of the global recession and contraction in global trade," RBI said in its August bulletin. Shifting the terms of trade in favour of agriculture is the key to sustaining this dynamic change and generating positive supply responses in agriculture, it added.

After a 3 per cent on-year decline in global merchandise trade in January-March quarter, World Trade Organization (WTO), as per its June 2020 update, had estimated 18.5 per cent on-year fall in merchandise trade in April-June quarter, on account of full-scale pandemic induced supply chain disruptions, fall in demand, loss of employment, and shutdowns.

Economic disruptions brought by COVID-19 have affected some sectors significantly more than others. As per UNCTAD estimates, textiles and apparel, office machinery, automotive sectors, energy and automotive products, chemicals, machinery, and precision instruments have seen a sharp decrease in global trade.

Source: financialexpress.com– Aug 14, 2020

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India exports 23 lakh PPE kits to US, other countries

India has exported 23 lakh personal protection equipment (PPE) to countries like Senegal, Slovenia, UAE, the UK and the US in last one month as the country has been able to achieve self-sufficiency in making these kits along with other essential Covid-fighting medical products such as N95 masks and ventilators, an official release said here on Friday.

Last month, the Director-General of Foreign Trade through a notification allowed exports of PPE kits. At the start of the pandemic, there was a global shortage experienced for all kinds of medical equipment, including N95 masks, PPE kits, and ventilators.

Most of the products were not being manufactured in the country in the beginning, as many of the necessary components were to be procured from other countries. The rising global demand due to the pandemic resulted in their scarce availability in the foreign markets, the release said.

Turning the pandemic into an opportunity to develop its domestic market for the production of medical equipment, with the combined efforts of Ministry of Health & Family Welfare, Ministry of Textiles, Ministry of Pharmaceuticals, Department for Promotion of Industry and Internal Trade (DPIIT), Defence Research and Development Organisation (DRDO) and others, India has hugely ramped up its manufacturing capacity.

Domestic demand

Currently, India is meeting its requirement for these products through indigenous production.

Between March and August, the Centre has distributed 1.28 crore PPE kits to the States and Union Territories free of cost, while the States directly procured an additional 1.4 crore PPE kits using their budgetary resources.

Source: thehindubusinessline.com– Aug 14, 2020

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Introduce faceless assessment in indirect tax regime, textiles exporters to Centre

A small and medium textiles exporters' association has asked the government to introduce 'faceless assessments and faceless appeals' in the indirect tax regime as well so that exporters' interaction with GST officials could be eliminated.

The income tax department on Thursday amended its e-assessment scheme to align it with faceless assessment. Amending the e-assessment scheme launched last year, the Central Board of Direct Taxes (CBDT) has notified changes to include change in nomenclature of scheme from "E-assessment scheme" to "Faceless Assessment Scheme".

Home Textile Exporters' Welfare Association (HEWA) said Prime Minister Narendra Modi has declared that the faceless assessments and taxpayers' charter would come in force immediately, and faceless appeals would begin from September 25 onward.

The aim of this scheme is to eliminate the face-to-face interactions between taxpayers and Income Tax Department officers, it said in a statement. "On the same footing HEWA urges the government to introduce the faceless assessments and faceless appeals in indirect tax regime also, so that exporters' interaction with GST officials is eliminated," it said.

HEWA further said that in case any exporter is red flagged or declared as 'risky exporter', in that case the exporter must be informed by field formation the exact cause or the reason for his being red flagged.

Exporters are identified as 'risky' on the basis of specific risk indicators based on customs, GST, income tax and DGFT data. The identified risky exporters" information is shared with the CGST formations for physical and financial verification.

Meanwhile, in a letter to the Prime Minister, HEWA has sought help for small and medium textiles exporters impacted by the Covid-19 pandemic by relaxing the GST tax regime. The letter said that exporters are facing liquidity crunch due to delayed overseas payments and large scale migration of labourers and reduction of working hours, shortage of working space due to adherence of social distancing norms.

HEWA further said Indian textile exporters are "not well versed" with the GST tax regime and depend on tax consultants who charge hefty amount as professional fee. "In such troubled times, HEWA requests the government for extending its full support to textile export industry by relaxing the complicated new GST tax regime," it said.

The body sought government's "cooperation" so that textiles exporters can make their best possible contribution towards the 'Atmanirbhar Bharat' initiative.

Source: financialexpress.com– Aug 16, 2020

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India to take equal, proportional measures if other countries impose trade barriers: Piyush Goyal

India will take "equal and proportional measures" to protect domestic manufacturing if other countries continue imposing restrictions or barriers on Indian goods, Commerce and Industry Minister Piyush Goyal said on Friday. He also said that if some countries continue exporting low-quality goods or dumping products or routing exports through India's free trade agreement (FTA) partners, India would take actions.

"Many FTA countries do not allow access to Indian goods, even though they are part of FTA protocols. They put non-tariff barriers or other restrictive measures. Gone are the days that India is going to sit and lie back and just take that…," the minister warned.

He said India will have to plan its own measures whether it is by way of antidumping duty or some restrictions. "We will have to take equal and proportional measures to protect India's domestic manufacturing." The minister said while addressing the 10th meeting of Finland Chambers of Commerce in India.

Goyal also said that the government is looking at providing 'plug and play' infrastructure, faster clearances, more affordable finance and lower logistics cost to invite businesses to India. "We would like to be a preferred and trusted trading partner of countries engaged in global trade and countries that believe in transparent and rule based honest systems of government and I think Finland and India are best suited to work as partners," he added.

The annual bilateral trade volume between India and Finland is USD 2.5 billion and it is "barely the tip of the iceberg" and if both the countries work together, "we can see a quantum jump in our business". Replying to a question, he said India has rarely used export restrictions and for exports, import of raw material is allowed freely. Any import restriction is imposed after a lot of thought and if Indian goods do not get fair and equitable access in other markets, he added.

On a question that MNCs in India are not taken as local vendors when it comes to participation in government procurement, the minister said problems come when such companies set up just "screw-driver" operations. "Our current system is that we normally look at Make In India based on value addition. In some cases 20 per cent, and in some cases 50 per cent," he said.

Referring to his interactions with auto companies on Thursday, he said if auto firms are importing components just to assemble cars and sell in Indian markets, which is big and growing, "then really you are not bringing in too much value to the Indian ecosystem". He said that companies should do Make in India in true sense so that it adds significant value in the Indian manufacturing ecosystem.

Source: financialexpress.com– Aug 14, 2020

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Signs of recovery? Trade contraction narrows sharply to 28.4% in July

Merchandise exports dropped by only 10.2% year on year in July against a 12.4% fall in the previous month, but a contraction in imports narrowed sharply to 28.4% from 47.6%.

Consequently, trade balance swung from the first monthly surplus ($0.8 billion) in about 18 years in June to a deficit of $4.83 billion in July, although it still remains less than a half of the usual trend. Exports in July stood at $23.64 billion, while imports touched $28.47 billion.

Lower import fall suggests demand in the economy is limping back (as lockdown curbs were substantially lifted from June), although it's still far from normal. What also augurs well is that core exports (excluding petroleum and gems & jewellery) grew for the first time this fiscal, by 3.4% y-o-y in July, shaking off the impact of Covid.

Services exports in June dropped 8.4% to $17 billion, while imports eased by 15.3% to almost $10 billion, showed the RBI data released on Friday.

Commerce and industry minister Piyush Goyal said last Saturday that goods export contraction narrowed further in the first week of August to just 5% and the outbound shipments of non-oil and non-gems & jewellery exports, in fact, grew by as much as 10%, indicating the worst was well behind us.

If the momentum improves in the coming days, it could be the first time since February that merchandise exports will grow in a month.

While a sustenance of the recovery in exports will be known only after 3-4 months, improved trade balance will mean India could even witness a current account surplus in the first half of this fiscal, against a deficit of 1.5% of GDP a year before.

Goods exports had witnessed a record 60% crash in April following a Covid-induced nationwide lockdown, although the contraction narrowed to 37% in May and 12% in June. In the April-July period, exports dropped by 30.2%, while imports fell 46.7%.

Exports of commodities that grew in July included engineering goods, iron ore and farm products such as rice, oilseeds and oil meals.

Source: financialexpress.com– Aug 15, 2020

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Gadkari expresses confidence about increasing MSME exports, creating more jobs

Union Minister Nitin Gadkari on Sunday expressed confidence that the government will increase Micro, Small & Medium Enterprises (MSMEs) exports to 60 per cent from 48 per cent in the next 5 years and will create 5 crore jobs in the next 5 years.

"Our MSME sector has a huge contribution to the development of our country. Currently, 30 per cent income of GDP growth rate comes from MSME. 48 per cent of our exports are from MSME and till date, we have created 11 crore jobs," Gadkari said while speaking at SWAVALAMBAN E-Summit 2020 organised by 'Lets Endorse Development' NGO.

"I believe and think that in the coming 5 years, we should increase it to at least 30 per cent to 50 per cent, 48 per cent to 60 per cent of exports and create 5 crore new jobs," he said. The Minister said that unregistered enterprises need to register themselves under the Micro industry to get the benefit of MSMEs.

"Unregistered enterprises need to register themselves under the Micro industry to get the benefit of MSMEs. We are also in the process to cover small traders. We need help from NGOs to encourage such people to register," he said. Gadkari said that we now have to think of the alternative to those things which we import from abroad.

"Now we have to think of the alternative of those things which we import... We have to increase exports, bring foreign investment, and upgrade technology and make India super economic power," he said. The MSME Minister said that the government will work for the empowerment of people from villages and make them self-reliant.

Source: timesnownews.com– Aug 16, 2020

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Forex reserves surge to an all-time high of $538.191 billion

The rise is mainly due to lower trade deficit and higher foreign direct investment inflows, says Madan Sabnavis, Chief Economist, CARE Ratings India's foreign exchange reserves soared about 3.4 times in the March-end 2020 to August 7, 2020 period vis-a-vis the year-ago period and counting. The reserves in the aforementioned period swelled by $60.384 billion against $17.701 billion in the year-ago period.

At this rate, in just the first five months of the current financial year, the forex reserves will likely bulk up by as much as what was added in the whole of last financial year (FY20). In FY20, the reserves jumped by $62.691 billion.

The reserves touched a new record high of $538.191 billion as on August 7, 2020. India now holds the fourth largest forex reserves in the world.
Lower trade deficit, higher FDI push up reserves
Madan Sabnavis, Chief Economist, CARE Ratings, opined that the forex reserves have jumped mainly due to lower trade deficit and higher foreign direct investment (FDI) inflows.

"Essentially, the trade deficit has come down, and FDI has gone up. Lower trade deficit also means lower current account deficit. That is the main reason why the forex reserves are going up," he said.

Sabnavis observed that the implication of the increase in reserves is strengthening of the currency based on fundamentals (balance of payments) and external factors (essentially, what is happening to the dollar).

Brickwork Ratings (BWR), in its report 'Drishtikone', attributed the sharp rise in forex reserves to jump in gold prices, which accounts for 6 per cent of the total reserves.

Underscoring that forex reserves come with a cost, Sujan Hajra, Chief Economist, Anand Rathi Securities, in a report, cautioned: "While this (forex reserves) provides huge resilience to India's external sector position, with low (often less than 1 per cent) yield, the cost of holding high forex reserves is rising."

This would make a progressive accumulation of forex reserves costly for the country, especially since the reserve levels are already high by all measures, he added.

Rupee strengthens

In the backdrop of dollar inflows and weakening of the greenback, the Rupee strengthened from 75.60 to the Dollar as on March 31, 2020 to 74.93 as on August 7, 2020.

Last week, the Rupee closed a shade stronger at 74.90 on August 14 vis-a-vis previous weekend's close of 74.93.

BWR's report emphasised that abundant forex reserves, which gives much-needed comfort to absorb external shocks, will help the RBI to intervene in the forex market whenever required. The credit rating agency expects the Rupee to remain at 75-76 per Dollar in the current fiscal.

According to the International Monetary Fund, foreign exchange reserves are held by a country in support of a range of objectives including to support and maintain confidence in the policies for monetary and exchange rate management, including the capacity to intervene in support of the national or union currency.

Further, the reserves are aimed at limiting external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed. And in doing so, provide a level of confidence to markets that a country can meet its external obligations. It also demonstrates the backing of domestic currency by external assets.

Source: thehindubusinessline.com– Aug 16, 2020

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Shortage of funds hit readymade garment manufacturers

Faced with several problems, city's readymade garment exporters are in a jittery. According to businessmen, the biggest problem they are facing right now is shortage of funds and in addition to this the shortage of labour has worsened the matters.

Readymade garment exporters are now demanding that government steps in and brings out special package for the garment exporters in which they should not only be given interest free loans but the current incentives available on exports should also be hiked so that they could get capital to carry on with business and also to absorb losses which they incurred due to Covid-19.

Speaking on the issue, Harish Dua, president of Knitwear and Apparel Exporters Organisation, Ludhiana, said, "The export of readymade garment from India was on the decline but due to onset of Covid-19 it has taken the worst-ever hit. If we compare the export turnover with the last year there has been more than 50%decline in the exports for the period of April to July.

In the financial year 2019-20 the RMG export from India for the above period was Rs 38,398.47 crore, which tumbled to Rs 18,928.48 crore in the financial year 2020-21. Covid-9 has turned out to be the worst nightmare for readymade garment exporters of India as quantum of losses suffered by us during this period is so huge that it cannot be set off for years to come. Moreover, there are some exporters who after being unable to tackle the situation have shut down their businesses permanently."

Dua added that, "Though the overseas orders have started coming but we do not have much capital left to invest and therefore we are unable to process this. Moreover, with shortage of labour it is very difficult for us to even execute the even smallest of the consignments. Our only request with the government is that it must act now and support the RMG exporters by introducing interest free loans at the earliest which will give the exporters, who are on the brink of bankruptcy, to come out of the situation and give a fresh start to their business."

According to Charanjiv Singh, general secretary of Knitwear and Textile Club, "Ludhiana has the highest number of readymade garment exporters from India and for years we have been successfully give tough competition to the manufacturers of other countries in global exports. However, the situation which has ensued after coronavirus is unprecedented and even the big players are confused on what to do. Shortage of funds to continue with the exports has emerged to be the biggest problem along with the rising costs, particularly in the wake of shortage of labour. We therefore demand that the government along with introducing interest free loans for readymade garment exporters also revise the incentives and subsidies available to us currently as this will help to reduce our losses."

Source: timesofindia.com– Aug 17, 2020

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Rs 3 lakh cr ECLGS: Nearly 33% of amount disbursed so far; this many MSME loan accounts credited

Of the Rs 3-lakh-crore committed by the government for Covid-hit MSMEs under the Emergency Credit Line Guarantee Scheme (ECLGS) in May this year, 32.8 per cent (Rs 98.665.93 crore) has been disbursed in 22,77,463 MSME loan accounts, as of August 12, according to the government data. A total of 12 public sector banks with a share of 55.4 per cent (Rs 54,677.11 crore) and 24 private banks and 31 non-banking financial companies (NBFCs) with the remaining share of 44.5 per cent (Rs 43,988.82 crore) had made disbursements out of the sanctioned amount of Rs 1,43,318.09 crore.

Moreover, out of the 22.77 lakh MSMEs, which received credit as of August 12, 19,84,310 MSMEs have been disbursed by public lenders while the rest 2,93,153 small businesses were given credit by private sector banks and NBFCs, according to the data tweeted by the Finance Minister Nirmala Sitharaman's office.

The ECLGS scheme was part of the Rs 3.7 lakh crore package for MSMEs under the Rs 20 lakh crore economic stimulus announced by PM Modi. According to the scheme, 45 lakh units will be able to benefit from resuming business activity and safeguarding jobs for employees. The government had earlier this month also expanded the scope of the scheme and eligibility criteria to benefit individual entrepreneurs and more number of MSMEs.

The government had raised the upper ceiling of loan outstanding, as on 29 February 2020, from earlier up to Rs 25 crore to Rs 50 crore now. As per the guidelines, small businesses can seek credit up to 20 per cent of their outstanding amount. However, now borrowers can get credit up to Rs 10 crore, which is 20 per cent of Rs 50 crore, up from Rs 5 crore – 20 per cent of earlier Rs 25 crore.

State Bank of India remained the biggest lender disbursing over Rs 16.5k crore followed by nearly Rs 7k crore disbursed by Punjab National Bank, Rs 6.5k crore disbursed by Canara Bank, Rs 5.7k crore by Bank of Baroda, Rs 4.8k crore by Union Bank of India, etc. However, in terms of the number of MSMEs supported, Canara Bank led the tally with over 3.75 lakh MSME loan accounts disbursed credit. Other top lenders were State Bank of India supporting nearly 3 lakh MSMEs, over 2.07 lakh MSMEs disbursed by Union Bank of India, close to 2.02 MSMEs raising credit from Bank and India, etc.

The government had also enhanced the annual turnover limit from Rs 100 crore to Rs 250 crore "in line with the increased ceiling of loans outstanding, and the revised definition of MSMEs issued by the Ministry of MSME," National Credit Guarantee Trustee Company (NCGTC) had said in a notification to the heads of all scheduled commercial banks, financial institutions, and NBFCs.

Source: financialexpress.com– Aug 16, 2020

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New worlds to conquer

These risk-embracing corporate warriors put India on the global business map

Could Indian companies be world-beaters, could they make a mark globally? In a young nation struggling to find its feet, facing myriad challenges and tethered to socialist moorings, it may have been difficult to be optimistic about this proposition - one that involved thinking big, breaking shackles, having the audacity to take on the world's largest, and being unapologetic about creating wealth.

But some India Inc. warriors have done all this and more, displaying drive and chutzpah, making the most of opportunities to become global giants. The economic liberalisation of 1991 and the easing of rules catalysed the journey of these companies from the local arena to the global stage. Mega global acquisitions, attracting big foreign investments, capturing huge markets… their paths may have been different and not all their moves may have played out as expected, but these companies have helped put India on the global business map.

From an energy-focussed giant to an energy-plus-consumer business play, Reliance Industries (RIL) has metamorphosed over the past decade. Spending its way at break-neck speed to dominance in the telecom sector, Reliance Industries has in recent months secured mega-investments (about ₹1.5-lakh crore, nearly $20 billion) at top-dollar valuations into Jio Platforms, its digital business holding company. The world's top technology companies such as Facebook and Google and private equity biggies have made a beeline for Jio Platforms, whose next stop could be a mega-IPO on global bourses.

RIL was already a major player in global refining and petrochemicals. Jio Platforms now seems set to be catapulted into the league of global technology companies. RIL's retail business could also attract marquee global investors. RIL, incorporated in 1973 as a textile business, is now India's largest company in terms of market-cap ($179 billion), and figures in the Fortune 500 list.

Infosys scales new heights

Software major Infosys too started small and scaled global heights. The triumph of Infosys is held up as a victory of the hard-working middle-class India. With an investment of $250 in 1981 pitched in by seven co-founders, Infosys started in an office in Pune.

It now clocks annual revenue of about $12 billion and has a market-cap of $54 billion. Infosys was among the first to capitalise on the great opportunity of software services outsourced from foreign countries. It achieved runaway success with high-quality delivery to a diverse global clientele from delivery centres across continents.

The company listed on the Indian bourses in 1993, achieved $100 million revenue in 1999, and listed on the Nasdaq that year. Its ESOP plan made many of its employees millionaires.

The company has now moved beyond traditional application development and maintenance to become a full-fledged IT and digital services player.

Towards this end, it acquired global companies such as Lodestone, Panaya and Simplus.

On an acquisition spree

Acquisition-driven global growth was a key strategy adopted by the Aditya Birla Group too. Hindalco Industries, the group's flagship aluminum company, acquired US-based Novelis, the world's largest aluminum rolling company, in a landmark $6-billion deal in 2007.

Novelis' 25 manufacturing facilities in nine countries across North America, South America, Europe and Asia gave Hindalco a global footprint, positioning it among the top five global aluminum majors. Novelis now accounts for about two-thirds of Hindalco's revenue and operating profit.

In April 2020, Hindalco acquired another US-based rolled products major, Aleris Corporation, through Novelis for $2.8 billion. The Aditya Birla Group companies made several other global acquisitions too including Australia-based Nifty Copper Mines in 2003, Dubai-based Star Cement in 2010, and Domsjö Fabriker, a Swedish speciality pulp and bio-refinery company in 2011.

Tata makes headlines

The Tata Group too pressed hard on the global acquisition paddle since the turn of the century. Tata Tea's acquisition of Tetley in 2000 made headlines. So did Tata Steel's buys of Corus in Europe in 2007, NatSteel in Singapore in 2004 and Millennium Steel in Thailand in 2005. In particular, the acquisition of Anglo-Dutch steel-maker Corus for $12 billion after a tough fight was a watershed event, making Tata Steel the world's fifth-largest steel producer at that time.

The acquisitions, however, did not deliver as expected. Unfavourable market conditions for steel left these businesses bleeding.

Tata Steel has been attempting to reshape the company by focussing on its Indian operations and divesting non-core overseas businesses. But these plans such as the agreement with thyssenkrupp AG have not yet gone through due to regulatory troubles.

Another of the Tata Group's landmark deals — Tata Motors' acquisition of Jaguar Land Rover (JLR) from Ford in 2008 for about ₹9,200 crore ($2.3 billion) — had raised eyebrows. Though JLR had turned in an operating profit in 2007, the Jaguar brand wasn't in great shape.

The company was saddled with high costs and needed restructuring and huge investments. But the acquisition paid off for Tata Motors in the initial years, with the JLR brand identity kept undiluted, focus on emerging markets such as China for volumes, and cut in costs. JLR recorded its highest profit since the acquisition by Tata Motors in 2014-15.

But since then, the business has weakened, and JLR has recorded losses the past two years due to weak sales growth, margin pressures and increasing debt. JLR is again on mission to cut back on investments, rationalise inventory and control costs through 'Project Charge'.

Source: thehindubusinessline.com– Aug 15, 2020

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