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INTERNATIONAL NEWS

Trump Administration to Push for 'Reset' of Global Tariffs

The Trump administration plans to continue its aggressive trade tactics this year by pushing for a "broader reset" of the tariffs set at the World Trade Organization, a top trade official plans to tell Congress in testimony on Wednesday.

Robert E. Lighthizer, the U.S. trade representative, will tell the House Ways and Means Committee that the tariffs set for various countries are "outdated" and far above the levels charged by the United States, according to a copy of his prepared remarks.

The United States "must ensure that tariffs reflect current economic realities to protect our exporters and workers," Mr. Lighthizer's prepared testimony says.

The remarks suggest that American officials will continue their offensive this year on the World Trade Organization, the international body charged with writing and enforcing trade rules.

The international trading system was largely built by the United States, but the Trump administration argues that its rules have put Americans at a disadvantage, preventing the United States from taking actions to protect its workers while doing little to curb unfair trade practices by China and other nations.

The United States wants to change the organization's rules, efforts that critics say have crippled it and edged it into further irrelevance.
Mr. Lighthizer is expected to deliver his remarks, along with a review of the administration's recent trade accomplishments, to the House committee in the morning and then testify before the Senate Finance Committee in the afternoon.

He will say the United States intends to press forward on trade negotiations with Britain and Kenya, seek to "rebalance" its trade relationship with the European Union and work toward more comprehensive trade agreements with Japan and China, according to the prepared remarks. The United States signed limited trade deals with Japan and China within the last year.

Mr. Lighthizer will also commend the Trump administration's trade and economic policies for spurring growth in wages and manufacturing jobs and creating a "blue-collar boom," the document says.

"This year, President Trump will continue to pursue new trade agreements that benefit all Americans, aggressively enforce our trade laws, respond to unfair trade practices by other nations and work toward reform at the World Trade Organization," the prepared testimony reads.

The Trump administration also intends to pursue "formal challenges" this year to unfair trade practices by other countries, potentially including a number of countries that are adopting new taxes on digital commerce, and look for other ways to strengthen American trade policies to protect producers and consumers, according to the testimony.

One option the administration is considering, Mr. Lighthizer will say, is lowering the "de minimis threshold," the dollar value up to which products can be shipped into the United States duty-free and with minimal screening.

The threshold, now $800, is significantly higher than it is for many U.S. trading partners, a system that benefits large importers like eBay and Amazon but exposes American manufacturers to more competition from abroad. Trump administration officials have argued that this system fails to protect American companies against competition from Chinese companies, which can ship many products into the United States duty-free.

But the testimony suggests that Mr. Lighthizer's most critical remarks will be reserved for the World Trade Organization, which has been increasingly sidelined as the Trump administration pursues negotiations with other countries one on one.

The organization has treated the United States "as the world's greatest trade abuser" and "created new obligations out of thin air, preventing the United States from taking action to address unfair trade practices that hurt U.S. workers, and usurping the U.S. government's accountability to the American people," Mr. Lighthizer's testimony reads.

Unlike other officials in the Trump administration, including, at times, Mr. Trump, Mr. Lighthizer does not advocate withdrawing from the group entirely. But under his direction, the United States has crippled the arm of the organization charged with settling trade disputes by blocking appointments to fill its seats. Mr. Lighthizer frequently sparred with that part of the organization earlier in his career as a lawyer defending the American steel industry.

Mr. Lighthizer's prepared remarks suggest that the United States is likely to put more pressure on the trade organization this year to adjust the tariffs it allows countries to charge one another on a variety of products, potentially bringing the United States into conflict with governments that support the organization, including the European Union.

Some members of the World Trade Organization have higher tariffs on certain products than the United States, while others have lower tariffs, the result of negotiations that Americans have led with dozens of countries over the last 70 years, said Chad Bown, a senior fellow at the Peterson Institute who was previously a visiting scholar at the trade organization. But some Trump administration officials believe this complex system should be wiped away so all the tariffs the United States charges its trading partners can be set at the same "reciprocal" level it pays them.

"Historically, Americans have been successful at getting other countries to lower their tariffs when willing to offer something reciprocal in return," Mr. Bown said. But the Trump administration "has shown it has little interest in taking that on."

Source: nytimes.com– Jun 17, 2020

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Who Will Replace China- India or Vietnam?

With manufacturing companies worldwide increasingly focusing on reducing their supply chain dependence on China, the country's significance as a manufacturing hub has dimmed. By Vipul Kumar

Background

Over the past two decades, China has served as the global production hub for companies in multiple industries, such as electronics, textile, medical devices, and automotive. The key factors have been high availability of raw material, technological innovations, business-friendly laws and accessibility to skilled labor.

However, the scenario changed in 2019, when increasing cost of labor as well as tensions created by the US-China trade war clouded China's perception as a favorable production center. More than 50 multinationals decided to shift manufacturing (partially or fully) to other low-cost destinations, such as India, Vietnam, Thailand and other Southeast Asian countries, in their bid to avoid the hike in tariffs in 2019.

More than 50 multinationals decided to shift manufacturing (partially or fully) to other low-cost destinations, such as India, Vietnam, Thailand and other Southeast Asian countries, in their bid to avoid the hike in tariffs in 2019. COVID-19 Impact: Companies to Diversify Supply Chain

The COVID-19 pandemic exacerbated the situation. With manufacturing companies worldwide increasingly focusing on reducing their supply chain dependence on China, the country's significance as a manufacturing hub has dimmed. In April 2020, the Japanese government announced a US$2.2 billion economic stimulus to help manufacturers shift production out of China. South Korean and US firms are also looking for alternative manufacturing bases.

India and Vietnam: The Biggest Winners

Several manufacturing companies are considering relocating production to other low-cost Asian countries, primarily India and Vietnam. Considering the various initiatives undertaken in India to make the country attractive to investors, it is expected to take lead and emerge as the preferred destination in the next 2–3 years.

Several manufacturing companies are considering relocating production to other low-cost Asian countries, primarily India and Vietnam.Strong government initiatives as well as continued growth in FDI

Central and state governments in India are working actively to attract global manufacturing companies shifting base from China. For example, Uttar Pradesh, Tamil Nadu and Karnataka are offering incentives, setting up a special investment promotion task force and implementing fast-track clearance programs to lure US companies.

The Government of India is developing a land pool of 461,589 hectares, nearly twice as big as Luxembourg, to attract businesses looking for replacements to China.

In 2019, India was one of the top 10 recipients of FDI, totaling US$49 billion, up 16% from that the previous year. The Indian government recently allowed up to 100% FDI in contract manufacturing, aiming to increase the share of investments in manufacturing in total FDI.

In Vietnam, FDI increased 7.2% YoY to US$38 billion in 2019, with investments in processing and manufacturing accounting for almost half of this.

Availability of port infrastructure

According to the World Economic Forum, India ranks 51st among 139 countries on the Quality of Ports Infrastructure Index. Vietnam holds the 85th position.

The Indian government has spent US$1.85 billion on infrastructure development at major ports in the country.The Indian government has spent US$1.85 billion on infrastructure development at major ports in the country. It has permitted up to 100% FDI on projects related to ports and offers a 10-year tax holiday pertaining to the construction and maintenance of ports and harbors.

With regard to Vietnam, the country's geographic location, facilitating connectivity with other countries, makes it a suitable hub for manufacturing. Forty-four key seaports dot its 3,260-km coastline, managing ~400–500 million tons of cargo annually; however, this is significantly lower than India. Additionally, the cost of shipping from Vietnam to the US, South Korea and Japan is higher (by 50–100%) compared to India. These factors make it a less favorable destination.

Technology adoption and automation

ndia ranks 18th and Vietnam 24th on the Automation Readiness Index. Additionally, India's gross expenditure on R&D, as a percentage of GDP, is almost double compared with Vietnam's.

The Indian government is still working on preparing a blueprint to speed up digital manufacturing transformation. Many organizations have already taken steps in this regard and invested in setting up Industry 4.0 Excellence Centres.

Bosch Rexroth, a leading provider of custom-made solution of automation technology, has funded India's first Centre of Excellence in Industry 4.0 Automation Technology at Gujarat Technology University (GTU), while other companies such as Siemens are investing in R&D pertaining to digitization technology at plants.

The GoI is developing a land pool of 461,589 hectares, nearly twice as big as Luxembourg, to attract businesses looking for replacements to China.~ Government initiatives such as Smart Advanced Manufacturing and Rapid Transformation Hub (SAMARTH) – Udyog Bharat 4.0 will also increase the adoption of Industry 4.0 in India.

Vietnam too is implementing policies to boost the adoption of Industry 4.0; however, it depends on investments from countries like Japan. Few Japanese companies such as Daikin have undertaken automation-related initiatives in Vietnam.

Daikin's factory is the first in the country to use AGV, an automatic machine that delivers supply components to production lines, and Internet of Things technology in production systems. Other Vietnam-based companies are still lagging regarding adoption of Industry 4.0.

Although both countries are pacing up investments in technology and automation, India is expected to gain a lead due to government support for technological innovation as well as increasing availability of skilled talent in IT and technology industry.

Lowest tax rates among Southeast Asian countries

In 2019, India reduced its overall corporate tax rate to 22% from 30% to boost investments, lure international companies and strengthen the country's economy. Additionally, for new manufacturing firms planning to come to India, the corporate tax rate was decreased to 15% (17%, including cess and surcharge) from 25%.

The new tax structure is not only favorable to most organizations but also the rate is the lowest in Southeast Asia. Vietnam has a flat tax rate of 20%.

India has a strong workforce of more than 500 million, with about 5–10 million added each year. Low labor cost and ease of availability

India has a strong workforce of more than 500 million, with about 5–10 million added each year. The monthly manufacturing wage rate varies in the range of US$110–130. Vietnam has about 57.5 million workers, with the average wage rate ranges from US$130–190 per month.

In 2019, India started consolidating its 44 labor laws into a set of four new codes to govern wages, industrial relations, social security provision and working conditions. Also, in May 2020, to recover losses due to lockdown and attract investments, the governments of Uttar Pradesh, Gujarat and Madhya Pradesh announced reforms to labor laws, eliminating the role of and labor inspection or government intervention in the hiring or firing of workers. The objective is to give businesses more flexibility and freedom to operate.

Domestic consumption

India is a bigger market than Vietnam and, therefore, a better prospect for investors. In 2019, the Indian consumer electronics market stood at US$11 billion vis-à-vis Vietnam's US$6-7 billion. Nearly 3.8 million new automobiles (passenger and commercial vehicles) and 159 million mobile phones units were sold in India compared to 0.3 million and 20 million in Vietnam, respectively.

Availability of raw materials

Vietnamese manufacturers across industries rely on imports to produce goods. Majority of the raw materials are sourced from outside. In fact, 70–80% of textile and plastics raw materials, 75–80% of electronics components, and 85–90% of pharmaceutical raw materials come from China, given their geographic proximity.

India's raw material production capacity, on the other hand, is strong. Also, it is the largest producer of cotton and second-largest producer of steel globally. Hence, availability of raw materials is easy.

In 2019, the Indian consumer electronics market stood at US$11 billion vis-à-vis Vietnam's US$6-7 billion.~

Currently, about 1,000 US companies plan to shift their manufacturing base from China, of which 300 are chiefly manufacturers of mobiles, electronics, medical devices, textiles, and food processing units.

India is taking several initiatives to emerge as the new manufacturing hub and draw foreign manufacturers moving out of China. These include reduction in corporate tax, reforms in land acquisition, and relaxation of FDI norms, among others.

There are, however, a few challenges that need to be addressed, such as difficulty in doing business, long-drawn land acquisition process, and low productivity due to outdated technologies. India would need to overcome these challenges quickly to emerge as a chosen destination for supply chains and manufacturing hubs.

Source: auto.economictimes.indiatimes.com– Jun 17, 2020

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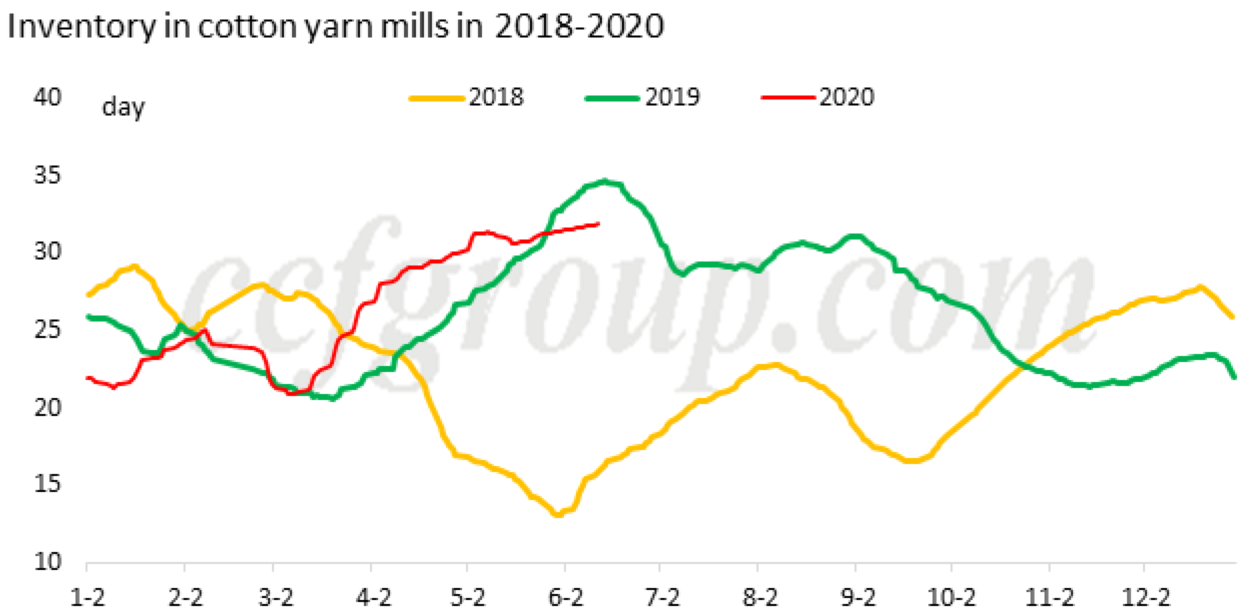
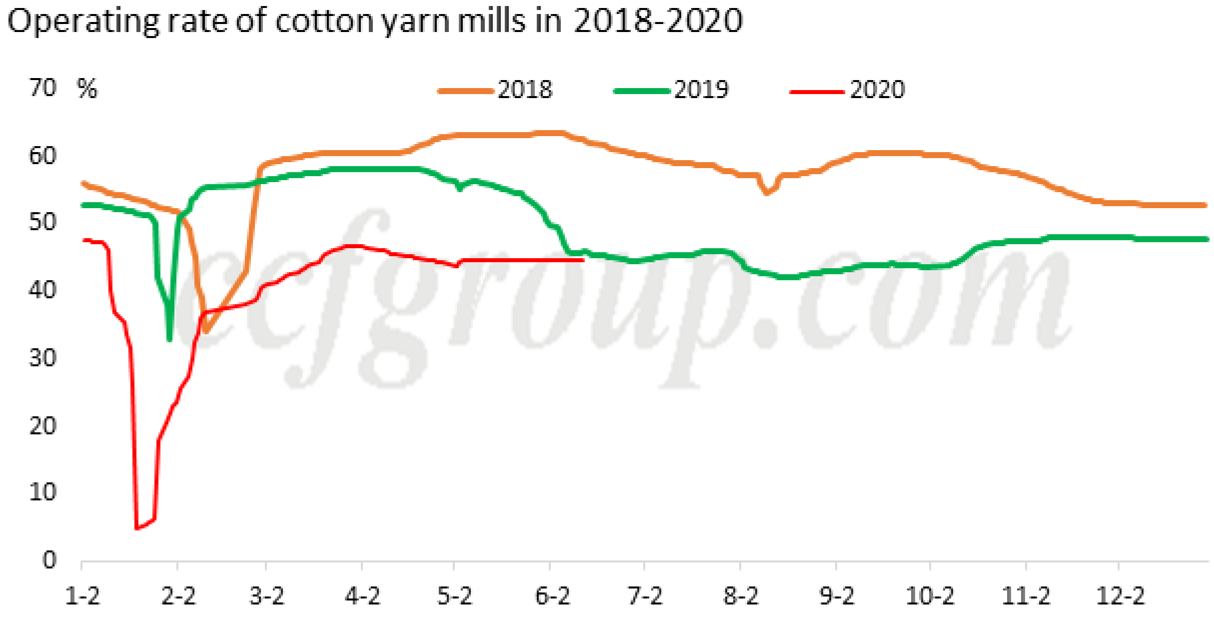
How will cotton yarn market perform during dull season

European and American markets resumed in haste without the pandemic controlled completely, and it did not bring good news to the industry. On the contrary, the orders of apparel from Europe and America recover slowly and the reversal of the pandemic brought by the work resumption has caused more concerns about later restoration of consumption confidence. According to the market operation in the past years, cotton yarn market has stepped into dull season. What's the picture now?



1. Overall weakness is seen on the market, but in some regions, the orders are moderate.

The weakness on cotton yarn market could be felt obviously. In May, cheered up by local demand, conventional carded cotton yarn like 32/40S was sold quickly and the mills mostly witnessed supply shortage. As for other varieties, the inventory in traders and weavers was generally low and their replenishment reduced the inventory in the mills and eased the operation pressure. However, good times didn't last long. Export orders have not improved, and local consumption was limited. Except conventional carded cotton yarn and some low or medium-count ones like 21/26S saw tolerable orders driven by street vending and online sales, other varieties performed poorly, especially high-count cotton yarn with high export dependency was hard to be consumed by China local market.



In terms of operating rate, with previous hurt by high inventory, most mills now control sales ratio strictly and keep running at a low rate for low inventory amid the pandemic crisis. At present, not many mills cut or suspend production, but due to soft sales, the inventory is still inching up.

2. Cotton yarn prices mostly stabilize, with some falling.

Cotton yarn prices stay in the stable territory on the whole. The mills are hard to raise prices despite higher cotton cost. Some varieties like carded 32/40S stabilize while some are discounted in trading. Some large mills even undersell.

The reason why cotton yarn prices do not slide completely is partly due to the rebound of cotton price in Jun, providing support for cotton yarn. On the other hand, it reflects that downstream orders do not deteriorate continuously without improvement in orders from Europe and America. It is noteworthy that downstream buyers make efforts to force price down. Many mills said that low price is the key to sales now.

3. Actual profits of cotton yarn worsen obviously.

In Jun, cotton yarn price has shown weaker trend compared with cotton price, so the mills still suffer serious losses whether calculated by spot profits or profits under one-month cotton inventory.

What about the outlook of China yarn market?

Firstly, as the lockdown outside China is eased, the production has gradually resumed in India, Vietnam and Pakistan. Cotton yarn imports of China has recovered and even surged, which will hit low to medium-count cotton yarn in China local market.

Secondly, although the lockdown in Europe and America has been lifted since May, the reversal of pandemic brought by work resumption still affects the recovery of apparel orders from Europe and America. Price inquiries partly increase, but not many orders are placed. In addition, marketers are pessimistic to the recovery of export orders.

Thirdly, the production of cotton yarn mills in China is supported by local orders, but it does not last long due to limited capacity. The hot street vending and online sales see retaliatory increase, but it just facilitates to digest the stockpiles instead of improving the demand.

According to CCF Group, end-user orders have not shown signs of improvement. On the contrary, it weakens obviously. In late Jun, local orders are likely to reduce largely and downstream weavers will also take holidays increasingly. If the pandemic outside China reverses and the export orders cannot restore, cotton yarn sales and price in China will be more possible to decline and more cotton yarn mills will cut or suspend production.

Source: ccfgroup.com– Jun 17, 2020

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US to export 19.5 million cotton bales in 2020: USDA

USDA's recent report says, the US is expected to export 19.5 million bales of cotton in 2020. The country's exports for the 2019 crop year remain at 15 million bales. The country has lowered its mill use for the 2019 crop year to 200,000 bales.

USDA also revised its mill use for 2020 crop year downward by 100,000 bales. The world demand (Use) for the 2019 crop year was revised down by 2.35 million bales to now only 102.65 million bales. As a result of this lowered use, carry-in stocks in 2020 will be higher than earlier projected.

Though cotton global consumption is expected to rebound, USDA lowered this increased by 2 million bales. The end stocks for the 2020 crop year are now projected to top 104 million bales—almost 5 million bales higher than for 2019 and the largest stocks since 2014 and second highest on record.

Source: fashionatingworld.com– Jun 17, 2020

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USA: Retail struggles point to cotton supply glut, stalling rally

Cotton growers are facing a growing supply glut as shoppers are slow to return to stores, threatening to halt a recovery in prices from a decade low.

Companies such Hennes & Mauritz AB are struggling to regain pre-virus sales levels and the owner of Men's Wearhouse and Jos A Bank is mulling bankruptcy protection. China's retail sales in May fell more than analysts forecast, illustrating the challenge of getting shoppers back to stores as economies reopen.

The US Department of Agriculture last week cut its 2020-2021 world consumption forecast by 1.8 per cent, and raised its estimate for August 2021 global reserves to the second-highest since at least 1960.

"Ultimately, the entire cotton complex will head south under the weight of all these unsold stocks," Peter Egli, a Chicago-based director of Plexus Cotton Ltd, said in a report. "All this excess cotton is in a game of musical chairs and the music will stop soon."

Cotton futures in New York rose as much as 26 per cent from early April, driven largely by Chinese buying as the world's biggest importer complies with phase one of its trade deal with Washington. That short-term boost is likely to fade, according to analysts. US prices may fare better than elsewhere in the short term due to local issues.

"The fact that the US is well committed this season and that new crop has some issues with a potential drought in West Texas may keep US values strong relative to other origins," Mr Egli wrote.

For Mr Egli, the most bearish development for prices is the increase in global stockpiles, especially outside China, now projected by the USDA at 63.31 million bales for this season, which ends next month, swelling to 69.05 million bales a year later, some 25 million more than in August 2019.

While the economy in China, the top user of cotton, continued to inch out of the coronavirus slump in May, a reliance on industry amid sluggish consumer demand underlines the fragility of the recovery.

Retail Struggles

H&M's sales in the first part of June were down 30 per cent from a year earlier. Victoria's Secret parent has said it will close 251 stores, while JC Penney Co is set to close stores. Ascena Retail Group, the owner of Ann Taylor and Lane Bryant apparel chains, said in late May that foot traffic is lower than normal at stores it has reopened.

While commodity "demand will inevitably bounce back as lock-downs are lifted, the return to pre-virus consumption patterns will take longer as consumers remain cautious," Caroline Bain, chief commodities economist for Capital Economics in London, said in a report.

Cotton is also under pressure from increased competition from synthetic fibers such as polyester, made cheaper by the plunge in crude oil earlier this year.

"The competition from polyester is not helping," said Jon Devine, economist for Cary, North-Carolina-based researcher Cotton Inc. "But the primary concern on the demand front is simply the macroeconomic situation. Overall activity is slow, consumers are worried, and retailers are in financial trouble. It is not an environment that is healthy for order placement for textiles and, therefore, for fibre across the board."

Source: businesstimes.com.sg– Jun 17, 2020

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Vietnam targets China manufacturers after EU trade green light

Vietnam's National Assembly approved a free trade agreement with the EU on June 8, a move expected to help make the country a new investment destination for manufacturers looking to leave China.

The EU-Vietnam Free Trade Agreement (EVFTA) was unanimously approved and, following formal ratification, will take effect as early as August. The trade deal has already been ratified by the EU, making Vietnam the second south-east Asian nation to have such a trade treaty with the European bloc after Singapore.

A display in the assembly hall showed that all 457 legislators voted in favour of the trade pact.

"One of the issues that attracted the attention of the National Assembly deputies was that Vietnam had to change its mode of economic activity, and secure customers in the European market after the Covid-19 pandemic," the National Assembly News said on its website before the voting took place.

"Along with the benefits, the EVFTA also poses some challenges. The EVFTA creates competitive pressures on goods and services from the EU for Vietnamese businesses, goods and services," the website also said.

Once the agreement takes effect, 71 per cent of exports from Vietnam to the EU will become duty-free, as will 65 per cent of EU shipments to Vietnam. Of the remaining tariffs, up to 99 per cent will be phased out by Hanoi over 10 years and by Brussels over seven years.

With about 96m people, Vietnam has the third-largest population among the 10-member Association of Southeast Asian Nations. Per capita gross domestic product is estimated at nearly $3,500 for 2019, topping the $3,000 benchmark at which car and appliance ownership tends to take off.

Hanoi already benefits from the EU's preferential tariff scheme. But the trade deal is sure to make the bloc a bigger buyer of Vietnamese goods, rising from its current share of about 15 per cent.

Particularly strong growth is expected for apparel and footwear, which account for roughly 20 per cent of Vietnam's exports. Vietnam ranks as the world's third-largest apparel exporter after China and Bangladesh.

Vietnamese textile companies have prepared to enter the EU market. Once the deal takes effect, the bloc is to eliminate tariffs on 77.3 per cent of Vietnam's textile and apparel exports after five years and the remaining 22.7 per cent after seven years.

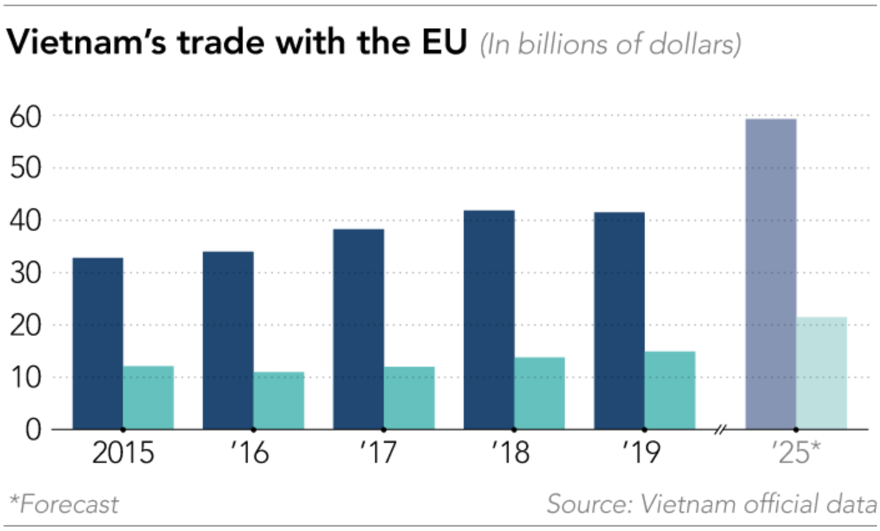
Many companies in the local industry claim their contracts with partners in the EU and the US have been cancelled, delayed or scaled down recently. Vietnam's garment industry reported that all enterprises were affected by the pandemic, saying that 70 per cent of members were urged to cut workers in March and more will have to reduce their labour force in April and May.

Hopes are growing that the trade deal will give a much-needed boost to Vietnam's economy, which is certain to suffer a slowdown from the 7 per cent growth it enjoyed before the pandemic. Vietnam is aiming for garment export turnover of $34bn this year, down from $39bn last year.

The trade agreement is good news for multinational manufacturers outside the EU as well. Among Japanese enterprises, apparel companies such as Uniqlo operator Fast Retailing source clothing in Vietnam, while makers of car and machinery parts look to increase shipments from Vietnam to Europe.

Hanoi's exports to the EU market reached $42bn in 2019, while the bloc's shipments to Vietnam totalled $15bn, Vietnamese government data show. The Ministry of Planning and Investment expects Vietnam's export revenue to the EU to rise 42.7 per cent by 2025 and 44.4 per cent by 2030 compared with a no-deal scenario.

The World Bank forecasts that the free trade agreement will help raise Vietnam's GDP by 2.4 per cent and lift exports 12 per cent by 2030. Tran Tuan Anh, the minister of industry and trade, has said the agreement will speed the reduction of poverty in Vietnam.



"The EVFTA is now more important than ever, as trade wars and a global pandemic disrupt normal business operations on an unprecedented scale," said the European Chamber of Commerce in Vietnam. "This agreement represents a true 'win-win' not just for European and Vietnamese enterprises; but also for citizens on both sides. Now, the next step is to ensure a smooth and effective implementation."

Nguyen Thi Thu Trang of the Vietnam Chamber of Commerce and Industry said the deal will drive businesses to reignite their export activities after market demand declined owing to the pandemic.

The trade deal gives the EU, whose Vietnam-bound exports include aircraft and cars, greater access to an attractive consumer market.

Post-Brexit Britain will be part of the EU trade pact with Vietnam until the end of 2020. The UK ambassador to Vietnam, Gareth Ward, told British companies in an online conference that the two countries are working on a bilateral trade deal and expect to reach an agreement by year's end.

Vietnam is also part of the free trade effort known as the Regional Comprehensive Economic Partnership, which includes all of south-east Asia as well as Australia, China, India, Japan, New Zealand and South Korea. The country is also seeking a trade deal with Israel. Local companies are urging Vietnam to negotiate a free trade agreement with the US as soon as possible.

Source: ft.com– Jun 17, 2020

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Japan's exports fall most since 2009 as virus hits US shipments

Japan's exports fell in May at the fastest pace since the 2009 global financial crisis as U.S.-bound car shipments plunged, bolstering expectations for a deep contraction in the world's third-largest economy this quarter.

Weak global demand for cars and slowing business spending could drag on Japan's export-led economy, even as China-bound trade shows signs of picking up and U.S. and European economies reopen. The trade data came a day after the Bank of Japan increased its support through lending schemes for struggling businesses to $1 trillion.

Ministry of Finance (MOF) data out Wednesday showed Japan's exports fell 28.3% in the year to May, worse than a 26.1% decrease expected by economists in a Reuters poll. That followed a 21.9% decline in April and marked the biggest annual drop since September 2009.

U.S.-bound exports - Japan's key market — halved to mark the biggest annual drop since March 2009, due to more than 70% declines in shipments of cars and car parts, the trade data showed. Exports to China, Japan's largest trading partner, fell 1.9% in the year to May, a smaller drop than the prior month's 4% annual decline.

Shipments to Asia, which account for more than half of Japanese exports, declined 12%, and exports to the European Union also fell 33.8%. Overall imports fell 26.2% in the year to May, versus the median estimate for a 20.4% decrease, posting the biggest drop since October 2009.

As a result, the trade balance came to a deficit of 833.4 billion yen ($7.77 billion), versus the median estimate for a 1.07 trillion yen shortfall. Japan's economy slipped into recession for the first time in 4-1/2 years in the first quarter and is on course for its deepest postwar slump as the pandemic ravages businesses and consumers.

Analysts warn of an even bleaker picture for the current quarter as consumption crumbled after the government requested citizens to stay home and businesses to close.

Source: deccanchronicle.com– Jun 17, 2020

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UK starts talks with Australia, New Zealand on FTAs

Australia and New Zealand will soon start negotiations on a free trade agreement (FTA) with the United Kingdom. Australian minister for trade, tourism and investment Simon Birmingham recently said his country was "ready to help the UK find new beginnings post-Brexit and in doing so, open up new doors for our farmers, businesses and investors".

The United Kingdom is Australia's seventh largest trading partner and New Zealand's sixth largest trading partner, with UK-New Zealand trade totalling almost $NZ 6 billion last year.

"We've been preparing for this deal since the UK decided to leave the EU [European Union] and welcome their agreement to commence negotiations," Birmingham said in a statement.

He said both sides wanted "an ambitious and comprehensive agreement that builds on our already significant people-to-people links and creates new opportunities for exporters, generating more jobs in our nations".

New Zealand's trade minister, David Parker, echoed Birmingham's sentiments, according to global newswires. "As the UK embarks on its next steps post-Brexit, New Zealand is pleased to be among the first countries to negotiate a trade agreement with one of our oldest friends," Parker said.

Parker said talks would focus on removal of trade tariffs, new approaches to non-tariff barriers, streamlined customs, regulatory cooperation, development of digital trade and trade provisions in support of sustainable development, including climate change.

The first round of negotiations between Australia and the UK is due to begin on 29 June, but due to COVID-19 restrictions will be held remotely.

Source: fibre2fashion.com– Jun 17, 2020

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U.S. wants comprehensive market access to Kenya in free trade deal

A summary of key negotiation points in the proposed bilateral deal between the United States and Kenya has shown that Washington is seeking unfettered access to a host of key sectors in East Africa's largest economy.

The document, published by the Office of the U.S. Trade Representative and reported by The EastAfrican, details a list of demands and rules that the American government will table when negotiations commence sometime next month.

Kenya is expected to reduce or lift tariffs on all American agricultural and digital products, and also open its maritime, textile, telecommunications, financial services, and pharmaceuticals industries, including other sectors deemed sensitive to U.S. investors.

The proposed free trade agreement is meant to replace the expiring AGOA deal, a trade preference program set up in 2000 that provides duty-free entry into the U.S. for almost all African products, from oil and agricultural goods to textiles, farm, and handicrafts.

The Donald Trump administration has said it will not renew the multi-party deal that has been at the centre of U.S.-African engagement on trade and investment for two decades, opting instead for bilateral ones with individual countries under an "America First" policy meant to counter Chinese influence across the world.

Kenya expects to benefit from the two-party deal by exporting a range of tax-free goods to the U.S. and is preparing proposals ahead of negotiations, reports show. But its decision to seek a trade deal with America outside existing regional and continental trade protocols has been met with widespread criticism and even challenged in court.

Regional trade officials criticized the deal after initial details of the maiden bilateral trade agreement surfaced earlier this year, saying it is potentially in breach of protocols of the East African Community and the African continental free trade agreement, both of which Kenya is a signatory. Lawyers Christopher Ayieko and Emily Osiemo in March then filed a petition at a regional court challenging the proposed agreement.

Nairobi has denied the allegations and since maintained that the free trade agreement will not breach regional treaties. “We would like to assure our partners in the EAC and the African Continental Free Trade Area (AfCFTA) that we do not intend to jeopardize our regional interests,” said Betty Maina, Kenya’s Trade and Industrialisation Cabinet Secretary.

Granting comprehensive market access for major sectors to the United States could have far-reaching implications on Kenya’s critical agricultural sector and its industrialization plans, experts have warned.

“Reciprocal trade between Kenya and the U.S. essentially puts two extremely unequal countries on a path of enhanced harmonization of rules and policies. This is a complete mismatch,” executive director at Econews Africa Edgar Odari said in a note on The EastAfrican.

Both countries share around $1 billion in trade annually, which is mostly skewed in favor of America. While the U.S. ranks third as Kenya’s export destination, the East African country is currently placed 98th on Washington’s trading partners list with exports of $365 million and imports worth $644 million.

The agreement portends danger to sectors such as agriculture and manufacturing and disintegration of Kenya’s economy, Odari said, with likely implications on food security as the ability of local farmers to produce will be limited by stiff competition from subsidized products from the U.S.

“The discussion on a post-AGOA future needs to be collectively done by African countries and not a single country rushing to conclude an agreement with such far-reaching consequences. Such a move will set a counter-productive floor for all other African countries in their future trade relations with the U.S. since it will give the U.S. pole position,” Odari adds, calling for “an abundance of caution” from Kenya.

Source: venturesafrica.com– Jun 17, 2020

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$53 bn in additional US e-com sales in Apr-May: Mastercard

Consumer spending appears to be normalising in a number of markets, according to Mastercard SpendingPulse1, which tracks overall retail sales across all payment types, including cash and cheque. In April-May, more than $53 billion of incremental spending occurred on e-commerce channels in the country compared the same period in 2019, said Mastercard.

US e-commerce sales, according to Mastercard SpendingPulse, were up 92.7 per cent in May, underscoring the broader shift to digital. E-commerce in April and May made up 22 per cent of all retail sales, up from 11 per cent in 2019.

Total retail sales for May in the country saw a marked improvement from April as some states started reopening and stimulus funds continued to buoy consumer spending.

Mastercard recently released the first report in its Recovery Insights series, which sheds light on the impacts of the pandemic and stay-at-home orders, including the incredible growth of online shopping.

While the shift to digital has not been universal or consistent—due to geographical, economic and household differences—there are a number of key overarching trends, according to a Mastercard press release.

In May, US hardware sales across online and in store were up by 36.2 per cent compared to 2019. In addition, furniture sales grew by 7.5 per cent year on year in May, the strongest growth rate for the sector since August 2018.

In April and May, e-commerce as a share of total retail sales reached 33 per cent in the United Kingdom—an unprecedented high.

Source: fibre2fashion.com– Jun 17, 2020

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Nigeria, others suffer most as UNCTAD forecasts 20% drop in global trade

Latest data and projections from the United Nations Conference on Trade and Development (UNCTAD), have shown that international trade in goods is expected to continue its nosedive in the coming months as economies struggle to recover from lockdown measures used to slow the COVID-19 outbreak.

Specifically, the forecasts show a particularly rapid deterioration for developing countries. Nigeria's foreign trade volume fell from N10.12trillion in the fourth quarter (Q4) of 2019 to N8.30trillion in Q1 2020, the latest report from the National Bureau of Statistics (NBS), has shown. NBS attributed the decline in total merchandise to impacts of the coronavirus pandemic, which has been ravaging the world economy.

"For developing countries, while declines in exports are likely driven by reduced demand in destination markets, declines in imports may indicate not only reduced demand but also exchange rate movements, concerns regarding debt and a shortage of foreign currency," the report says.

Preliminary data for April, according to UNCTAD, suggests the sharpest downturn for South Asia and the Middle East, which could register trade declines of up to 40%. Meanwhile, East Asia and the Pacific regions appear to have fared best, with trade drops remaining in the single digits both in the first quarter of 2020 as well as in April.

China appears to have fared better than other major economies in April, registering 3% growth for exports. But the most recent data indicates that the recovery may be short-lived, as the nation's imports and exports fell by about 8% in May. The report shows that economic disruptions wrought by COVID-19 have affected some sectors significantly more than others.

In the first quarter of 2020, textiles and apparel declined by almost 12%, while office machinery and automotive sectors fell by about 8%. In contrast, the value of international trade in the agri-food sector, which has so far been the least volatile, grew by about 2%.

Preliminary data for April indicates further declines in most sectors, with a very sharp contraction in the trade of energy (-40%) and automotive (-50%)

products. Significant decreases are also observed in chemicals, machinery and precision instruments, with drops above 10%.

On the other hand, office machinery appears to have rebounded in April, largely because of China's positive export performance. "In general, the variance across sectors," the report says, "has been driven by decreases in demand and disruptions of supply capacity and global value chains due to COVID-19." A notable side effect of the COVID-19 pandemic has been the increase in demand for medical goods and equipment, such as ventilators, monitors, thermometers, hand sanitizers, protective masks and garments.

While the international trade of such goods contracted at the onset of the pandemic, it rebounded in February and March and almost doubled in April 2020, as countries scrambled to secure medical and protective equipment. The flow of imports and exports, the report says, followed the spread of the virus.

Source: guardian.ng– Jun 17, 2020

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Indonesia: Govt revokes export ban on PPE amid oversupply

The Trade Ministry has lifted an export ban on personal protective equipment (PPE) amid oversupply in national production as it seeks to restore exports hard hit by the COVID-19 economic crisis.

Ministerial Regulation No. 57/2020, issued by Trade Minister Agus Suparmanto on Tuesday, will allow manufacturers to export surgical masks, N-95 masks, coveralls, surgical gowns and raw material to make face masks, thereby annulling the previous ban that had been imposed to ensure domestic supplies during the pandemic.

Manufacturers can apply for the export permit via the government's export-import online licensing system Indonesia National Single Window (INSW). They will then be required to provide documents such as a business permit, six-month export plan and statement to prove that they have stocks to meet domestic demand, in order to be granted export approval.

"This trade ministry regulation that I have signed and that is currently undergoing the legislation process at the Law and Human Rights Ministry aims to spur national economic growth, particularly for manufacturing, and improve our export performance amid the COVID-19 pandemic," the minister was quoted as saying in a statement on Tuesday.

The country's exports have fallen by 28.95 percent year-on-year (yoy) in May to US$10.53 billion, the lowest level since July 2016, due to reduced shipments of coal, coffee, palm oil, as well as oil and gas.

Meanwhile, textile manufacturers, who are suffering from dwindling demand due to the pandemic, have switched to produce PPE products, leading to an oversupply of the domestic production.

For example, Indonesia's production capacity of surgical mask has more than doubled to 394 million per month in April compared with the pre-pandemic level, according to an estimate by the Industry Ministry. The supply is expected to exceed domestic consumption by 2 million this year. Meanwhile, manufacturers can now produce 54 million coveralls a month, dwarfing the pre-pandemic figure of 1 million per month.

Agus said the now-defunct export ban under Trade Ministery Regulation No. 23/2020 in part made the excessive medical supplies possible. The regulation had been put in place to ensure national demand for PPE during the ongoing health crisis was met.

In the early days of the COVID-19 pandemic, prices of face masks skyrocketed in several parts of the country as people stockpiled protective supplies, such as masks and hand sanitizer, to protect themselves from the virus.

"The temporary ban had a positive impact on an excessive supply of antiseptic," Agus said. "With the issuance of this trade ministry regulation, we hope that it will provide certainty for medical equipment manufacturers in Indonesia."

Source: thejakartapost.com– Jun 17, 2020

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34 fashion brands from Moldova, Belarus to expand in EU

Thirty four fashion brands from Moldova and Belarus are eager to enter the European fashion market through their participation in the Ready to Trade project of the European Union's (EU) Centre for the Promotion of Imports from Developing Countries (CBI) in collaboration with the International Trade Centre (ITC) and are receiving assistance from sector experts.

The Hague-based CBI initiated the project two years ago, when the Moldovan and Belarusian fashion brands with the most potential on the European market were selected.

The 34 brands are diverse, from ladies fashion and bridal fashion to children's clothing and industrial clothing. They are successful in their own countries and have done well in neighbouring countries as well.

The brands needed assistance because of several reasons, according to Afke van der Woude, the project's programme manager. Conducting business in Western Europe is different from the same in Russia. The requirements and tastes vary as well; for example, the fit in the Netherlands and Germany is different from that in the Eastern Bloc. The collections often also feature different colours, explains Van der Woude.

The Ready to Trade project offers training to entrepreneurs in the skills they need for export. The brands recently received help from three Dutch fashion experts with developing their collections, as well as the ins and outs of corporate social responsibility

The brands from Moldova include Alina Art (company is Alina Bradu), Etnika, Vistline, Maxikids (company is Zivax Maxi), Sophie (company is Sophie Design), Julia Allert (company is Allet & Co), Premiera Donna and Georgetta Mir.

The Belarussian brands include Belarusachka, Balunova Fashion Design Studio, Lakbi, Lea Lea, Nelva, Panda, Vladini, Bell Bimbo and Vesnaletto.

Source: fashionatingworld.com– Jun 17, 2020

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Bangladesh: 21,331 RMG workers lose job after Eid

A total of 21,331 workers, mostly from readymade garment sector, have lost their jobs after Eid-ul-Fitr due to the cost-cutting measures adopted by the factory owners on the excuse of the COVID-19 outbreak.

Out of 21,331 workers, nearly 11,000 were retrenched in the last two weeks, according to the Industrial police data.

Labour leaders, however, said that the number of workers who lost their jobs after Eid would be much higher than the official data showed as many incidents of job cuts were taking place in the factories without notice.

Data showed that 21,331 workers have lost their jobs from 129 industrial units under the jurisdiction of six industrial zones of industrial police as of Wednesday.
There are hundreds of industrial units out of the jurisdiction of industrial police and the laid-offworkers of the units are not included in the data.

Out of the total 21,331 workers, IP sources said, 19,409 were garment and textile workers.

Of the total terminated workers, 16,853 are from 86 factories of Bangladesh Garment Manufacturers and Exporters Association, 2,298 from 16 factories listed with Bangladesh Knitwear Manufacturers and Exporters Association and 258 from four mills under Bangladesh Textile Mills Association.

Data showed that 56 workers from eight factories under Bangladesh Export Processing Zones Authority and 1,866 workers from 15 non-RMG units were retrenched after Eid.

One of the high officials of Industrial Police told New Age that they were monitoring the situation everyday to avert any untoward incident.

Nazma Akter, president of Sommilito Garments Shramik Federation, said that the number of retrenched workers would be much higher than the IP data as many workers were laid off from the factories located in Dhaka Metropolitan area.

She said that the workers, who are working less than one year, are the worst sufferers of job cuts as they are not entitled for any compensation according to the law.

Nazma demanded lawful compensation for the retrenched workers and alleged that the wages of May sill remained unpaid in a good number of RMG factories.

Data showed that out of 21,331 laid-off workers, the job duration of 13,942 workers was less than one year.

Earlier, BGMEA and BKMEA leaders said that some of the workers would be laid off as most of the factories were running with 50-55 per cent capacity due to lack of export orders.

They feared that many of the factories might close down permanently as they lost businesses due to the coronavirus situation.

BGMEA president Rubana Huq at a press conference on June 4 said that shedding workers might take place in the readymade garment sector as the factories had been suffering from the lack of export orders due to global outbreak of the pandemic.

‘Unexpected reality awaits the sector and workers will have to face terminations as entrepreneurs are helpless as 99 per cent of factories are running at only 55 per cent capacity,’ she said.

The BGMEA president also said that many entrepreneurs would be eliminated from business and many workers would also lose their jobs due to the unprecedented COVID-19 outbreak.

Source: newagebd.net– Jun 17, 2020

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Pakistan: PYMA opposes 2.5 percent additional RD on yarn

Pakistan Yarn Merchants Association (PYMA) Chairman Danish Hanif has expressed frustration at the government for not providing relief on imported raw materials to the textile industry and SMEs in Budget 2020-21, while opposing the imposition of regulatory duty of 2.5 percent.

He termed the move disastrous for the textile sector and SMEs, both, a statement said on Wednesday.

In an appeal to Prime Minister Imran Khan, PYMA chairman requested not to impose RD on the raw materials of the textile sector to get the domestic industries out of COVID-19 impact and to promote industrialisation.

The government should provide equal opportunities to all sectors of the economy to meet the challenges of the devastating effects of COVID-19, and create employment opportunities. He urged the government to provide equal business opportunities on the basis of a uniform policy for the export, import and industrial sectors.

“Polyester filament yarn is an important raw material for weaving, knitting and home textiles. Most of the needs, about 70 percent, of the user industry are met by imports because the local manufacturers only produce basic specs and are only able to meet about 30 percent of the total demand.”

The PFY yarn (HS codes 5402.3300 and 5402.4700) was subjected to a higher customs duty of 11 percent and additional customs duty of two percent.

Polyester was a value chain item, in its cascading already has a two percent additional customs duty on the yarn level, which PYMA has been opposing for three years. However, it has not been abolished which would have an effect of 4.5 percent, he explained.

Lamenting protectionism, he said that polyester filament yarn was subjected to anti-dumping duty ranging from 3.25 percent to over 11 percent from imports originating from China and Malaysia, which fulfilled 80 percent need of the local industries. The protection available to the local manufacturers was already excessive, and with further imposition of 2.5 percent RD in the current budget, it would be grossly unjust and a disincentive for exports and industrialisation, Hanif said.

“Proposed budget calls for a three percent value-addition tax to be collected from commercial importers of PFY at the import stage. Commercial importers of raw materials like PFY sell their goods to SME sector at a minimal profit. This is clearly a very harsh and unrealistic tax and would end up increasing the cost to SMEs sector,” Hanif feared.

“We appreciate the fact that the government has reduced the withholding tax on commercial importers from three percent to two percent under erstwhile SRO 1125 while the withholding tax on industrial importers is one percent.

We believe that the WHT should be uniform for both classes of importers considering that government intends to remove the discriminatory withholding tax regime for other sectors,” the PYMA chairman concluded.

Source: thenews.com.pk– Jun 18, 2020

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NATIONAL NEWS

India rejects market economy tag for China

India on Monday rejected China's demand to grant it market economy status, amid the ongoing face-off between the two armies along the Line of Actual Control (LAC). New Delhi will continue to treat its neighbour as a non-market economy, which allows it to impose steep anti-dumping duties on imports from China.

World Trade Organization (WTO) members are allowed to apply anti-dumping measures on any company if it exports a product at a lower price than its home market, and if the product threatens to impact the local industry.

China joined the WTO in December 2001 after years of negotiations on the condition that it will be treated as a non-market economy by other member countries for anti-dumping proceedings. A non-market economy refers to a country which has a complete or substantially complete monopoly of its trade and where all domestic prices are fixed by the state.

While the 15-year period ended in December 2016, the European Union and the US have desisted from granting market economy status to China, citing wide-ranging price control on export commodities by China.

"India must fulfil its obligation to WTO and recognize China PR as a market economy status. Surrogate country methodology for China PR expired from 11 December 2016.

After the expiry of China's accession to WTO, it must be treated in same way as any other WTO member and, regardless of the domestic law of a particular member, imports from China PR must be demonstrated on the basis of Chinese prices and costs," Chinese companies submitted before the Directorate General Of Anti-Dumping And Allied Duties (DGTR), responding to anti-dumping investigations involving imports of organic chemical compound Aniline and anti-biotic Ciprofloxacin Hydrochloride.

India, however, said since Chinese producers failed to file relevant information to prove the market economy status, it will continue to treat it as a non-market economy.

"The Authority notes that in the past three years, China PR has been treated as a non-market economy country in anti-dumping investigations by India and other WTO Members. In view of the same, the authority treats the subject country producers/exporters as non-market economy in the present investigation," DGTR said.

Jayant Dasgupta, former Indian ambassador to the WTO, said China has to take positive actions, remove distortions from its market and provide evidence for other countries to take an informed decision about its market economy status. "If 80% of your companies are directly or indirectly controlled by the state and the banks are controlled by the Chinese Communist Party, then how can China claim that its trade partners should give it market economy status," he said.

India initiated 18 anti-dumping proceedings in 2019, most of them against China, according to the WTO website. However, China remains one of India's largest trading partners and a major source for intermediate products for its industry. India's exports to China rose 3.8% to $17.1 billion in 2019, while imports contracted 7.5% to $68.3 billion.

Source: livemint.com– Jun 17, 2020

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India 9th largest recipient of FDI in 2019: UNCTAD

India became the world's 9th largest recipient of the foreign direct investment in 2019 scoring deals worth $51 billion, according to a report by the United Nations' trade body, the UN Conference on Trade and Development (UNCTAD).

A lower but positive economic growth in India in the post-Covid19 pandemic period and the country's large market will continue to attract investments, the UNCTAD said in its World Investment Report 2020 report on Monday.

Earlier, the inflows stood at $42 billion when India ranked 12th worldwide in 2018. The country witnessed an increase in the inflows by $9 billion in 2019, according to the report.

India was among the top five host economies for FDI in the developing Asia region. Global FDI flows are speculated to see a plunge by up to 40 per cent in 2020, from $1.54 trillion in 2019, the report said. This would be for the first time since 2005 that global FDI falls below the $1 trillion mark.

However, inflows in 2020 will be severely affected due to the pandemic that brought lockdown across the world causing a serious blow to the world economy. Experts have expected that it would decline by up to 45 per cent in 2020. In South Asia, FDI is expected to shrink sharply in 2020.

"In India, the biggest FDI host in the sub-region, with more than 70 per cent of inward stock, the number of greenfield investment announcements declined by four per cent in the first quarter, and Merger & Acquisitions contracted by 58."

"However, the country's economy could prove the most resilient in the region. FDI to India has been on a long-term growth trend. Positive, albeit lower, economic growth in the post-pandemic period and India's large market will continue to attract market-seeking investments to the country," the report said.

The magnitude of the logistical challenges during both the lockdown and the recovery remain a big downside risk for FDI in the medium term, it added.

"The digital economy and real estate and property development, two industries that attracted growing FDI before the pandemic, could evolve in different directions," the report said, adding that the digital economy will likely to see continued investments, real estate and property development will face "significant pressures" from slowing demand and financing constraints.

"India's most sought-after industries, which include professional services and the digital economy, could see a faster rebound as global venture capital firms and technology companies continue to show interest in India's market through acquisitions," the report said.

The report mentioned that investors sealed deals worth $650 million in the first quarter of 2020. This is mostly due to the growing digital sector in India.

Large deals in energy were also concluded, such as the acquisition by Total (France) of Adani Gas (India), valued at $800 million.

FDI flows to South Asia increased by 10 per cent to $57 billion in 2019, the growth accelerated particularly by a rise in investment in India, which further relaxed investment barriers in mid-2019 (including in retail, insurance and downstream coal processing), as per agency reports.

FDI to India, the largest South Asian recipient, increased 20 per cent to $51 billion, sustaining the country's upward FDI trend, the report said. Most of the investments were in the information and communication technology and the construction industry.

ICT investments into India have transitioned from information technology services for global companies to the rapidly growing startups, with many local and regional online platforms, particularly in e-commerce (such as Flipkart and Zomato), attracting international investment.

A number of mega deals also contributed to M&A activity. These included investments in internet companies, which amounted to $2.7 billion,14 as well as the $7 billion acquisition of Essar Steel (India) by a Japanese-Indian joint venture.

Outflows from South Asia grew 6 per cent, driven by investment from India. Yet they remained small, representing only one per cent of global outflows. Companies in India are the sub-region's largest investors, with more than 90 per cent of outflows in 2019.

Investments from India are expected to decline in 2020, with the largest MNEs revising their earnings down by 25 per cent in early 2020 due to the impact of the pandemic, it added.

The report said that flows to developing Asia will be severely affected due to their vulnerability to supply chain disruptions, the weight of global value chains-intensive FDI in the region and global pressures to diversify production locations. In 2019, FDI flows to the region declined 5 per cent to $474 billion, despite gains in South- East Asia, China and India.

The report stressed that global FDI flows will be under severe pressure this year as a result of the Covid-19 pandemic, dropping well below the trough reached during the global financial crisis and undoing the already lackluster growth in international investment over the past decade.

"The outlook is highly uncertain. Prospects depend on the duration of the health crisis and on the effectiveness of policies mitigating the pandemic's economic effects," said UNCTAD Secretary-General Mukhisa Kituyi.

Source: thehindubusinessline.com– Jun 17, 2020

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Include cotton yarn under 3 per cent Interest Equalization Scheme, urges Texprocil

Dr. KV Srinivasan, Chairman, Cotton Textiles Export Promotion Council (Texprocil) has urged the government to include cotton yarn under the 3 per cent Interest Equalisation Scheme.

He also requested the government to cover cotton yarn and cotton fabrics under the present RoSCTL (Rebate of State and Central Taxes and Levies) Scheme and the much-awaited Refund of Duties and Taxes on Export Products (RoDTEP) Scheme.

He says, these schemes reimburse all duties and taxes incurred during the production process and support the maxim of "export of goods and not taxes". It would also enhance the overall competitiveness of the textile industry and give a fillip to India becoming a hub of fabric and yarn production to serve both the domestic and export markets.

Texprocil also urged the government to release all the pending claims under ROSL and RoSCTL to exporters of made-ups and garments. All these measures will help exporters of cotton textiles sustain exports, which in turn enable consumption of cotton which has been procured and stocked by the Cotton Corporation of India in very large quantities.

Data released by the Indian Ministry of Commerce and Industry shows, textile exports in the country plunged by 53 per cent last month to $758 million, against the $1.62 billion logged in May 2019, while apparel exports fell by 66 per cent to $1.27 billion ($3.15 billion) as economies across the globe reeled under the pandemic.

Export of cotton yarn and fabrics slipped 47 per cent to $465 million in May while those of readymade garment shipments dropped by 66 per cent to $517 million.

Similarly, textile exports in the first two months of this fiscal decreased by 68 per cent to $991 million while that of apparel decreased by 78 per cent to $643 million.

Source: fashionatingworld.com– Jun 17, 2020

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Exporting units in Tirupur, Noida try to procure local labourers in the absence of migrant workers

Tirupur exporters will need more manpower from September onwards when garments for the winter season will have to be shipped to the US and Europe.

With export orders trickling in from the US, Europe and West Asia, apparel and knitwear exporting units in Tirupur and Noida are trying to procure local labourers in the absence of migrant workers who have returned to their native places. While knitwear units in Tirupur have managed to get labourers from the southern districts of Tamil Nadu to run their operations, apparel units in Noida have got about 65,000 workers from Uttar Pradesh.

The chief minister of UP, Yogi Adityanath, will distribute offer letters to the first batch of 25,000 workers, who will join the Noida Apparel Export Cluster, on June 18, said Lalit Thukral, president of the cluster.

There are 12 million workers engaged in garment manufacturing across Maharashtra, Gujarat, Karnataka, Tamil Nadu, Delhi-National Capital Region and Punjab, among others. Migrant workers constitute about half the workforce. “We have reopened our units but we need people immediately to run the show. As of now, UP government has helped us arrange 65,000 workers,” said Thukral. “They were all working in places like Indore, Hyderabad, Bengaluru, Surat, Jaipur and Mumbai.

They had returned to UP to be with their families in the time of pandemic. But now they need work. In the first batch 25,000 workers will be joining. We will give them free ration for a month.”

There are 3,000 garment manufacturing units in the Noida cluster, which generates exports of Rs 20,000 crore annually and also sells garments worth Rs 5,000 crore in the domestic market, he said.

Units in Tirupur, the biggest knitwear cluster in the country, have procured labourers from southern districts of Tamil Nadu to run their operations for the time being. “The units are now running at 50% capacity. Therefore, workers who are coming from the districts of Tamil Nadu are enough to run the show,” said Raja M. Shanmugam, president, Tirupur Exporters Association. “But when large orders from the global markets start pouring in, we will require more people and the need for migrant workers will go up.”

Nearly 40% of the workforce in Tirupur was migrant workers. “Of them 10% have stayed back in our hostels. The rest have left,” said Shanmugam. Tirupur exporters will need more manpower from September onwards when garments for the winter season will have to be shipped to the US and Europe.

In a garment factory, 70% people are engaged in stitching, 20% in ironing and pressing, 5-7% in cutting and the rest in packing, said Rahul Mehta, chief mentor of the Clothing Manufacturers Association of India (CMAI) “The entire workforce that does the ironing and pressing comes from UP,” he said.

Mehta said there has been no improvement in labour supply so far for the garment units that cater to the domestic market. “Demand for garments in high street outlets is 30-35% of that last year. Footfalls is less in malls. Interestingly, footfall at weekends is less than on weekdays,” he said.

Source: economictimes.com– Jun 17, 2020

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COVID-19: Now textile fairs going virtual

A total of 250 members (exporters of Home Furnishing, floor covering and textiles) are participating at the ongoing Indian Handicrafts & Gifts Delhi Fair (IHGF) Textiles Virtual fair.

Conceptualised by Export Promotion Council for Handicrafts (EPCH), the virtual platform aims to combat the lack of sales because physical fairs around the globe got cancelled due to the COVID-19 outbreak.

The product categories displayed at IHGF fair include home furnishing, floor covering and textile. These are important segments of the handicrafts sector that mainly have a market in USA and Europe.

The exports of these items account for 25 per cent in the total export of handicrafts from the country, which was around Rs 6,200 crores in 2019-20, informed RK Verma, Executive Director of EPCH.

Ravi K Passi, Chairman of EPCH, said the exporting community for handicrafts have gained a lot of confidence from the first virtual fair on Indian Fashion Jewellery & Accessories Show (IFJAS), as serious business enquiries worth `150 crores were generated during the show.

"We hope that IHGF Textiles Virtual fair will boost the morale of the participants during this pandemic, and provide a way forward for member exporters to participate in large numbers in 49th edition of the IHGF-Delhi Spring '20 virtual to be held from July 13-18," said Passi.

This new initiative, he adds, will certainly help the exporters to gear up for new challenges posed by the pandemic and encourage them to kick-start the business activities.

Source: newindianexpress.com– Jun 18, 2020

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Cotton acreage likely to dip 15-20% this year

Gujarat may see a decline in cotton acreage with farmers preferring groundnut over cotton this kharif season. The area under cotton cultivation is expected to be 15-20% less in 2020 as against last year, said market players.

"Cotton sowing in Gujarat is likely to drop by 15-20% this year as farmers are shifting from cotton to groundnut crop," said Atul Ganatra, president, Cotton Association of India (CAI). "However, a lot depends on the progress of monsoon," he added.

Farmers last year fetched better prices for groundnut as compared to cotton. Hence, more are now opting for this oilseed crop now.

The growing preference for groundnut among Gujarat's farmers could be seen from the massive jump in its sowing area.

According to the state agriculture data, as on June 15, the area under groundnut cultivation stood at 6.56 lakh hectares, which is more than 20 times the acreage of 22,875 hectares sown during the same period last year.

At 6.05 lakh hectares, cotton cultivation area in the state is currently higher than the 1.60 lakh hectare sown in the corresponding period last year due to early arrival of monsoon. The area under cotton crop stood at 26.48 lakh hectares in 2019.

Market participants, however, are of the view that the final acreage of cotton cultivation may be lower also because of low price of the natural fibre and stressed textile sector amid dim demand prospects. Declining yield and pest infestation have further made cotton crop less attractive.

"The cotton season had opened with a price range of Rs 39,000 to Rs 40,000 per candy (356 kg) last year. The prices remained firm till February this year. But, prices have plummeted to Rs 33,000 to Rs 35,000 per candy now due to the lockdown," said Arun Dalal, a city-based cotton broker.

"Had minimum support price (MSP) for cotton not been hiked, its sowing would have been even lower," said an industry insider.

Source: timesofindia.com– Jun 18, 2020

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PSBs press accelerator to sanction loans under govt's MSME package

Public sector banks which are on an overdrive to sell loans under the government's Rs three lakh crore package for micro, small and medium enterprises (MSME) before the October 31 deadline have sanctioned an average of Rs 3.75 lakh per borrower to over 8.54 lakh borrower accounts in the last fortnight.

With the government offering a guarantee on loan repayments, many banks have started holding virtual town hall meetings and activating their zonal offices for suitable customers to meet the October 31 deadline. Some banks have already issued pre-approved sanction letters to all eligible MSME customers under the risk-free Emergency Credit Line Guarantee Scheme (ECLGS) at a time when the overall credit offtake is sluggish. Total sanctions by PSU banks till June 12 were Rs 32,049 crore. Total sanctions would be higher as private banks, including HDFC Bank, are also in the field offering the loan package. Disburals were Rs 16,031 crore to 4.23 lakh borrowers till June 12. After a lukewarm start, private banks are slowly stepping up their MSME business following a meeting of Finance Minister Nirmala Sitharaman with private banks and NBFCs recently.

As per Central Bank of India MD and CEO Pallav Mohapatra, the bank is aiming to cover all eligible accounts by July 31, 2020, much ahead of the given deadline of October 31, 2020. The bank has identified over two lakh MSME units eligible under the scheme. “All the eligible borrowers were issued pre-approved sanction letters. Within 12 days of launch of the scheme, the bank could sanction loans to 62,952 borrowers involving an amount of Rs 1162 crore and disbursed Rs 544 crore,” Mohapatra said.

SBI said it has sanctioned GECL loans aggregating Rs 15,000 crore to 1.5 lakh MSME customers and disbursed loans worth Rs 8,700 crore. “SBI organised more than 125 E-town hall meetings from May to date. As per directives of DFS, SBI conducted circle level meetings to reach out to MSME customers and explain the various reliefs and financial support provided to them to fight the Covid-19 outbreak. These meetings witnessed participants of around 3000 MSME customers,” SBI said.

Bank of Baroda had said it can lend up to Rs 12,000 crore under the ECLGS. “The particular portfolio (MSME) amounts to Rs 58,000 crore. So, 20 per cent of that would be around Rs 10,000 crore to Rs 12,000 crore. This, we can make available to our MSME clients in the times to come under the guaranteed scheme of the government,” BoB MD and CEO Sanjiv Chadha recently said.

According to SBI, borrower accounts should be less than or equal to 60 days past due as on February 29, 2020 in order to be eligible under the scheme. Borrower accounts which had NPA, or SMA-2 status, as on February 29 are not eligible under the scheme. In order to be eligible, the borrower must be GST registered in all cases. “Loans provided in individual capacity are not covered under the scheme. The government should allow individuals to apply for the scheme. There’re a large number of individual borrowers who are involved in the small business,” said an official of a private bank.

Banks are aggressively pricing the loans under the external benchmark linked (repo) lending rate. A major factor that's preventing some of the banks, especially private banks, in going full throttle in the MSME loans is the possibility of defaults. Credit information firm TransUnion Cibil has said loans worth Rs 232,000 crore of MSMEs is at a higher risk of going into non-performing assets (NPAs). The NPA rate for MSMEs has increased continuously over last few years to reach 12.6 per cent as of December 2019, Cibil said in a report.

Source: indianexpress.com– Jun 17, 2020

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Port land to be linked with cargo handlers

The Centre will soon introduce a policy to link cargo handlers with land available with the Syama Prasad Mookerjee Port Trust (SPMPT) for industrial purposes through reverse auctioning. This was announced at a webinar on Wednesday by Mansukh Mandaviya, minister of state for shipping and chemicals and fertilisers.

He was addressing members of the organised by Bharat Chamber of Commerce in Kolkata. Vinit Kumar, chairman, SPMPT, was also present at the event. “Instead of enjoying gains from leasing out this land, the government plans to set up cluster industries there,” Mandaviya said.

The minister informed that the government will pay more attention to the Public-Private-Partnership (PPP) model and bring out a new strategy through which equity will be taken from private investors.

In course of time, the government will gain from charges and the stake it holds (provided the venture is profitable) and then return the equity to the investors. Investments on man, machinery and technology will have to be done by the private investors. The minister also assured members that a proposal for withdrawal of the 15% Covid Tax on chemicals required for manufacturing detergents and disinfectants will be considered.

According to Kumar, SPMPT has been playing a proactive role in tapping the geopolitical opportunities arising as a result of the changed world order. He pointed out how the minister had displayed a humane approach towards seafarers stuck at sea during the pandemic by issuing Standard Operating

Procedures with immediate effect. He also said how export procedures at the port have been expedited through the introduction of an e-platform.

Source: timesofindia.com– Jun 18, 2020

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Only 30 to 40% MSME units have opened for work in Unlock Phase 1: FISME's Animesh Saxena

The Indian MSME sector has been particularly hit hard by the COVID-19 pandemic. Millions of businesses across different sectors have seen widespread economic destruction. To gauge the sentiment of small businesses, the state they are in, and why only a few have opened for business since the lifting of the lockdown curbs, ET Digital spoke to Animesh Saxena, President, Federation of Indian Micro and Small & Medium Enterprises (FISME). Edited excerpts.

ET: What is the state of MSMEs in the country at the moment?

Animesh Saxena (AS): Even before the pandemic the MSME sector had been under stress. There were the challenges of payments not coming on time, and lack of skill set and limited technology being available. These were some of the challenges MSMEs were already facing. The pandemic has brought havoc on this sector. In terms of the cash flow also as there has been zero revenue coming in the last few months. This has broken their back, as if this wasn't enough; they had fixed costs to be borne, which included salaries, wages, electricity, rentals and more.

The biggest challenge for the sector was the survival, whether they can handle this lockdown and endure the shortage of orders. We are still passing through the same phase because even after the unlocking, many SMEs are facing the challenge of not having enough orders.

Add to it the payments are still stuck. The government's announcements have made it mandatory, especially for the government and PSUs to clear all the payment in 45 days that has come as a relief. Now, we have to see on the ground, whether the PSUs do their job.

But apart from the PSUs, the private sector also owes huge sums and this is where we wanted the government to do something. We need a mechanism to ensure that the private sector also pays MSME on time, which is within 45 days.

Another thing to keep in mind is that the supply chain is not completely open. Let's say your company makes auto components, but if the cars and two wheelers are not selling, enough ordered are not being generated. Secondly, a lot of the workers have gone home to their villages and getting them back is still a challenge, especially in the metropolitan cities where the number of Covid-19 is still rising. Most MSMEs have a limited number of people and most of them are technically qualified and you need them to run your operation. Around 30 to 40% units have opened and work has begun as they had some unfinished orders to complete, which they were unable to do because of the shutdown.

As a relief the government came up with the guarantee free loan, which is not finding many takers because most SMEs feel it can be a cost burden on them as it is a term loan with an interest rate ranging from 7.5% to 9.25%.

Most of the private banks are asking for more that 9%, and I think only the State Bank of India is offering it at 7.5%. Also, banks are asking for a lot of papers, including balance sheets to check your creditworthiness. These are the challenges which MSMEs are facing right now.

ET: You mentioned that it has been some time since the lockdown was lifted, but just 30 to 40% units have started functioning. Do you see that gradually going up this month or people will still be circumspect?

AS: We see gradually that the number is going up slowly as the life is coming back to normal. But these last few days with the speed of the cases being reported, and the hype over the projections that is being created has led to a fear psychosis, which we have noticed now because a lot of the staff in the MSMEs are showing reluctance in turning up for work. They are extremely fearful about this. This is another challenge.

ET: The government announced a slew of schemes for the MSMEs. How effective do you think that is?

AS: We have to see them happening on the ground. There have been three major announcements - one was loans for existing borrowers. Another was the distress fund, and the third was for taking some equity.

The detailed guidelines are still updated. We were interested in this and were waiting for the guidelines that tell us how the government would be participating and the terms and conditions. Hopefully, the things will be clear soon as only the loan part is operational till now.

ET: The new definition of MSME that will come in from July. You think that will be helpful?
AS: FISME welcomes that move. A lot of our members have demanded this for a while and it should be helpful for the medium enterprises.

ET: Access to finance has been a perennial problem, especially in a situation like this, what can small businesses do? Where can they look at money, what's your advice on that?

AS: This is a challenge faced by the SMEs for many years. Most SMEs were dependent on NBFCs as they have better coverage and they were the last mile connectivity for the MSMEs, while the banks had a very limited exposure.

Banks have a limited number of branches and secondly, in banks the managers and officers who run those branches change every few years. This means they don't develop a good rapport with the MSMEs and lack an understanding. They insist on the credit worthiness of the unit on papers, but 97% of MSMEs are not in the corporate sector, they are private proprietorship or partnerships.

Most don't have a very healthy balance sheet. Banks were simply looking at these and refusing it plus they were demanding too much paperwork, so most of the MSMEs found it easier to connect with NBFCs. Most NDFCs have a local base and have developed an understanding of businesses and had a better credit risk appetite.

They understood that this unit was operational and surviving so they did not insist on too much paperwork. However, with the NBFCs in trouble in the last two -three years, MSMEs were forced to either to go for the private borrowing, which comes at a very high interest rate or banks, which have their own set of norms.

Our demand for the government was to strengthen the NBFCs again, and keep a check on them, The NBFCs collapsed because of the lack discipline.

ET: Considering the situation that MSMEs face at the moment what more can be done by the government to support the sector?
AS: Initially during this lockdown, we have been requesting some direct financial support, primarily for the salaries of the workers. We offered them the mechanism like ESI and reduction of the fixed costs like electricity. Some state governments offered a partial reduction in aspects like electricity tariff, but we were requesting full waivers. Unfortunately, probably due to lack of funds, the government, both central and state, did not go for the full waiver.

Take the case of Haryana, which is home to a large number of MSMEs in Gurgaon and Faridabad. We were requesting them that waive the fixed charges, which they did very little. Every month there is a cess charge on the basis of the labor as the labour welfare fund. A huge corpus is available with the state government, which could not be spent on the labor welfare activities. So, our request was that in a crisis that has hit the laborers the most, why can't we release some funds from there, and make a direct transfer to the workers, so that they stay back and not run away? Unfortunately the government didn’t agree to it.

ET: When do you think there would be some semblance of recovery and we can start talking about growth?

AS: There is one very strong, but pessimistic estimate that to come back to the 2019-2020 levels, it will take 2-3 years. But, on the optimistic side we feel that things might start looking up from the October onwards when the festive season starts. We are hoping that things will start normalizing around that time. This financial year everyone will close by less that 20-30% of their revenue. And probably the year after that should be, if everything goes well, we should be able to recover that whatever we lost.

Source: economictimes.com– Jun 17, 2020

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Some fashion stores open doors

With the changing phases of the country's lockdown since March 25, I have perhaps revisited the Indian fashion fraternity's take on it at least five times, each time talking to industry insiders to understand their perspective on different things — from shutting shop, extending a helping hand, business getting impacted, the changing face of the high-grossing Indian wedding industry to fashion weeks going digital.

But simply by virtue of being a fashion enthusiast, the one phase I have looked forward to writing on the most is the one when the industry opens up after this undeniably difficult time. Yes, the timing of it is still debatable and yes, the uncertainty and worry since March have still remained largely unchanged, but what has also remained steadfast is the collective grit of the industry to make a comeback.

Talking Shop

While designers and brands are still reeling from an entire season rendered redundant, they are just starting to open up stores, especially in Calcutta, Delhi and Hyderabad. The online presence that all brands have had to bolster since Lockdown 1 still remains as the primary and preferred means of shopping but the physical stores have been equipped and adapted to fit the present-day need for safety and hygiene.

While some like am:pm and Good Earth have cautiously opened their stores for walk-ins, some like Payal Khandwala and Amit Aggarwal are allowing visitors with appointments only at their respective Mumbai stores. However, masks and temperature checks are mandatory at all stores.

"Only a limited number of customers are allowed at a time in the shops and social distancing is being maintained. Customers are allowed to carry their belongings inside the store and any open bags are being taped. Customers are requested to refrain from touching surfaces in the store and avoid physical contact with any person as much as possible," said a spokesperson for Good Earth, which has each of its stores in New Delhi (Khan Market and Select Citywalk), Bangalore, Jaipur, Chennai and Hyderabad getting sanitised every two hours.

"In order to provide a safe shopping environment, we are currently working with 33 per cent of our in-store staff and they are following stringent hygiene measures at every step," explained Priyanka Modi, creative director, am:pm. Keeping track of the health of the staff is also being prioritised as Payal said, "We have masks, gloves, sanitisers and disinfectant sprays in place. We have only one housekeeping staff member (not on the shop floor) and only one member of our sales staff on the floor. They are all checked for temperature and with an oximeter when they begin their day."

"While the standard prerequisites before entering the store include wearing a mask, having the Arogya Setu app on your phone and so on, the protocols inside the store are tightly outlined by allowing only two customers to shop at a time. We are also treating the health of our store staff as a priority and ensuring they are secured with modes such as digital payment and allowance of lesser people in the store to ensure quality care extended," said Akanksha Arora, co-founder, Tribe Amrapali.

Trial and Caution

I have always been of the opinion that fashion must be felt first and then worn. But the present time is not or only selectively conducive to that sentiment with a public health emergency afloat. So that brought forth the very pertinent question of how the designers and brands were handling the precarious situation of trials.

"The customers are requested to share their measurements at the store and our team suggests the appropriate size that would fit them. The customers are then asked to carry the merchandise home and try it inside the safety of their homes," said Priyanka. am:pm is not allowing trials at their stores currently and hence has relaxed its exchange policies.

Adarsh Makharia of OSAA by Adarsh (that has stores in Topsia in Calcutta and Delhi), said, "We are offering trials only to customers who have purchased the outfits. Online, we are trying to provide a virtual shopping experience by offering innovative displays, installations, live sketches and swatches to make them more confident of their choices."

According to Akanksha, Tribe Amrapali is in the process of "finalising on a sanitisation machine which will clean all pieces, every single time they are tried", so that they can start offering trials, which are not available at the moment.

The collective assertion, however, still leans towards a digital-only model of consumption, which might even serve as a premonition of things to come, irrespective of the pandemic. While some designers with e-commerce already in place from before are throwing in offers such as free shipping and contactless delivery, some are also using this time to launch their web operations.

For instance, Payal has launched a virtual shopping experience with her seniormost client services executives personally guiding every shopper and offering customised sizing solutions for everyone. "This is done via telephone and video calls and includes 360-degree videos plus images of the products.

Once a garment is selected or bought, our client services executive organises to have the pre-steamed garment (sealed in sanitised packaging) delivered to them via a local, contactless delivery service. All garments remain untouched for a minimum of 48 hours so that the clothes are safe to wear immediately. The client then has the option to keep the garment or return it within 24 hours for either an exchange or refund," explained Payal. For now, this dedicated home-shopping service is available in both Mumbai and Bangalore.

Good Earth, which already had a thriving website, is now regrouping its focus there with a dedicated customer service team. "We encourage them to place orders on our web boutique or through WhatsApp and calls. Our personal shoppers and customer care team are available all day to assist them," said their spokesperson.

Behind The Scenes

With demand slowly expected to begin picking up, even if in limited quantities, production could still lead to problems in this age of social distancing. "Ensuring the safety of our work family, educating everyone about guidelines and ensuring strict adherence to them is definitely our first priority.

Regular temperature checks, masks and PPE kits are mandatory at all times for our staff, workers and karigars, along with cleaning of the shop floor periodically. Self-dispensing sanitisers and restrictions on sharing of tools are also being followed," said Amit.

For Adarsh, a large workshop with ample space to allow for social distancing has come in handy. Meanwhile, what has worked for Tribe Amrapali is having a manufacturing unit in a larger industrial unit in Rajasthan where everyone has implemented the safety norms as community guidelines.

"The interesting part is that our manufacturing is part of a gem and jewellery zone in RIICO (Rajasthan State Industrial Development and Investment Corporation), which makes life easier because other workshops and factories around have been implementing the same guidelines and all the workers get used to these steps when they are aware of the rules implemented in the area," said Akanksha.

Mumbai-based Vedika M. Sonthalia's Calcutta production unit (of label Vedika M) has just started work and her solution to reduce exposure for her 12 workers and karigar is to arrange on-site accommodation for them for the time being. "My work unit is functioning in shifts and I have given them a separate space to live in and all the other paraphernalia required to keep them safe as they now work to complete old orders and to launch our new collection," said the pret designer. Meanwhile, Payal is happy to wait it out for a little at her production unit in Mumbai. "Local trains have not started yet and we're waiting to see how safe it is for our employees to travel these distances before we restart," she added.

Road to Revival

"We will meet just twice a year to share the chapters of a new story. Irregular, joyful and absolutely free chapters, which will be written blending rules and genres, feeding on new spaces, linguistic codes and communication platforms," said designer Alessandro Michele of Gucci recently, thereby embracing fashion sans boundaries. Joining the likes of Saint Laurent, Gucci has taken this pandemic as a clarion call of awakening to a more slow and sustainable process of fashion. While some brands in India have always led the sustainable way of life, others are also realising that this could well be the road ahead.

Despite the challenges, the industry is happy to start reopening stores and step up production, slowly but surely. Even if fashion designers and consumers have to make do with more of a digital experience for the foreseeable future in the form of the two biggest fashion weeks in the country opting for digital solutions and most designers encouraging online consultations and trials, we can all perhaps draw solace from the fact that fashion in whichever form may be can never go out of fashion.

Source: telegraphindia.com– Jun 18, 2020

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Indo-Pacific supply chains: A feasible idea?

Covid-19 has highlighted dependencies of several countries on China in strategic industries like semiconductors, medical supplies, automobiles, chemicals, metals, textiles and machineries. The outbreak of the pandemic has disrupted supply chains for all these industries. The disruptions began with disturbances in sourcing from China that was the early epicentre of the pandemic.

Over the weeks and months that followed, such disruptions, while gradually reducing, came to be accompanied by frustration and anger over China's handling of information flow on the pandemic. Several countries, led by the US and including Japan, India, South Korea, Australia and Vietnam, have begun working on reconfiguring supply chains, for relocating large parts of these chains outside China. The countries engaged in such efforts are all part of the Indo-Pacific, more specifically the Free and Open Indo-Pacific (FOIP) strategy of the US, for balancing China's influence.

Can regional production networks be overhauled to produce Indo-Pacific supply chains? It's an interesting possibility. The emergence of such chains would depend on how the Indo-Pacific addresses some key determinants behind supply chains.

Business decisions on spatial fragmentation of supply chains are determined by relative cost efficiencies of various locations. China has strong proficiencies in assembling, be it smartphones, cars, electronic products, medical supplies and processed food items.

Decision-making lead firms in various supply chains have invested in assembling operations in China due to the mainland's abilities in mobilising custom-skilled workers for assembling products in large batches in short time.

Parts and components that are assembled into final products flow into China from various countries in the region and the rest of the world. Several components are also sourced internally from within China.

In this regard, China is distinct in its broad-based manufacturing capacities, a character common to a handful of other economies, such as Germany, South Korea, Japan and Mexico. Taiwan and Hong Kong have been instrumental in broad-basing China's industrial capabilities. Together, the mainland, Hong Kong and Taiwan are an almost unbeatable combination, given the depth they offer in hosting various parts of different supply chains, within a common geography.

Much of the prospects of supply chain relocation would depend on whether the synergies between the Chinese mainland, Hong Kong and Taiwan are obtainable elsewhere. While China's political ties with both Hong Kong and Taiwan are currently turbulent, cultural affinity, common work practices and business principles, including the celebrated 'Guanxi', remain unchanged.

Guanxi, or the principle of building informal relationships for conducting business, has been important in shaping regional supply chains, not just within the China-Hong Kong-Taiwan space, but also outside of it, to business ties with Japan, South Korea and several parts of Southeast Asia.

Such practices are unlikely in locations where business is conducted in formal structured fashions, and judicial means, as opposed to dialogue and consultation, are accepted norms for settling business disputes. Pushing regional businesses out of such familiar cultural spaces would be a tough challenge for Indo-Pacific.

Pursuit of self-reliance by minimising economic dependencies on China has been accentuated by the mounting strategic unease of almost all major Indo-Pacific countries with China. US-China trade and business hostilities have accelerated along with the growth in the Covid-19 pandemic.

In parallel, China's trade and political ties have become complicated with Australia. India, which has major outstanding issues with China, is now engaged in de-escalating the latest border standoff with its largest neighbour. The political and geostrategic discomfort with China is palpable among the Indo-Pacific and has added impetus to endeavours to shift supply chains.

If security and geopolitics are the drivers of shifts, as opposed to cost efficiencies, businesses need to adjust to the perspective. For lead firms, cost of supply chain relocations from China, to more inefficient locations, would need to be compensated. They would expect incentives from host countries.

During the Donald Trump presidency, some American businesses relocated to the US, not on efficiency grounds, but due to incentives. Businesses would expect sizeable incentives, including generous subsidies, for activating shifts. Indo-Pacific countries should be ready to offer good incentives, more so because China has already begun offering them to foreign businesses for retaining investments in the mainland.

Indo-Pacific countries also need to note China's importance not just as a sourcing and assembling hub, but also as major market for final demand. Post-Covid-19, supply chains would aim to become shorter and locate closer to final demand markets.

China's global significance as a final demand destination would continue to influence business decisions. Not many markets, be in Asia, Europe or elsewhere, would be able to absorb products as much as China, in the months following the recovery from Covid-19.

The task of fruitful reorganisation of supply chains within the Indo-Pacific might become easier if Indo-Pacific countries, particularly those in Asia such as India, Australia, Japan and South Korea, agree on a few essential rules of the game.

These include investment-facilitating decisions like a multi-country alternative commercial arbitration framework; common tax rules, particularly on digital tax; and a set of incentives that businesses would be eligible for if they relocate supply chains and reposition them within the common group of countries. An Indo-Pacific trade agreement is too much to expect. But basic ground rules are not impossible to agree on. Otherwise, 'snatching' the chains from China might remain an elusive prospect.

Source: financialexpress.com– Jun 17, 2020

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Centre to unveil another fiscal package by the end of second quarter : S Gurumurthy

Reserve Bank of India (RBI) central board director S Gurumurthy said that growth stimulus for the economy has to come from internal demand while supply side measures such as pushing bank loans may have limitations at this juncture.

He said that he expects another fiscal package towards the end of the second quarter when the spread of Coronvirus may subside and that would help demand creation. "For that, the government needs to monetise deficits", he said, in order to create room for fiscal package as its finances are already strained.

"Banks cannot drive growth. Banks can only prevent it from falling further. The growth stimulus has to come from internal demand and that will happen when the final fiscal package is announced," Gurumurthy said Tuesday.

In a video call with businessmen, organised by Bharat Chamber of Commerce, Gurumurthy said that the Rs 20 lakh crore financial package announced by the government might not be final because the Covid situation is still an ongoing problem and it would be difficult to access the extent of financial impact now.

Economic forecasters have predicted Indian economy to contract by 4 to 6.8 per cent in FY21, the first time in four decades.

Gurumurthy however expressed hopes that the economy would rebound faster than any other nations, and that would be visible from the first quarter of next fiscal.

Till now, both the fiscal and monetary authorities are following accommodative policies to boost credit growth. Banks are flushed with liquidity and cost of fund has been reduced to encourage entrepreneurship.

Gurumurthy said that the economy would reinvent itself with more weightage on the health and allied sectors while the consumption pattern would change to a neccessity-driven one from as aspiration-led one.

He also said that a change in the global economy is also on order with it shifting from multilatersim to unilaterism.

Source: economictimes.com– Jun 17, 2020

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Karnataka CGST Zone disburses ₹1,702 cr GST refunds during lockdown

Karnataka Central Tax Zone has processed 2,128 claims and disbursed ₹1,702 crore as GST refunds during the lockdown period (March 24 to May 31), said a note issued by the office of the principal chief commissioner of central tax.

The zone has also issued more than 2,600 new GST registrations in the April-May 2020.

In Karnataka, over 28 lakh e-way bills were also generated in the month of April-May, with a similar trend in terms of volume. In May the volumes of e-way bills generated was 40 percent of that in pre-lockdown period.

Work from home

During the lockdown period, the CBIC-GST application could be accessed by the field offices even when work from home was instituted.
During April-May the GST Seva kendra at the zonal headquarters addressed 54 tax payers' queries through email and 105 queries through the WhatsApp Seva (on 919480258909 -http://gstkarnataka.gov.in/mailquery.html).

Source: thehindubusinessline.com– Jun 17, 2020

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Vardhman Textiles launches anti-viral fabrics

India-based integrated textile manufacturer Vardhman Textiles Limited has launched a new range of fabrics with anti-viral and anti-bacterial properties. The 'Travel Shield' range of fabrics are water and stain repellent, breathable and easy to care. The fabrics will help in mitigating the risk of COVID-19 when these are used for making garments.

"These fabrics will definitely make you travel safer, comfortable and stylish. Further strengthening Vardhman's commitment towards sustainability, these fabrics are washable and reusable unlike nonwovens. Icing on the cake is that these Travel Shield range of fabrics are made from non-metal based chemistry," said Vardhman's head-Marketing Mukesh Bansal.

The new range of fabrics comes in multiple variants – 100 per cent polyester, 100 per cent viscose and a blend of cotton and polyester to provide the customers a better performing, soft and easy-care product.

For the new range, Vardhman has partnered with the pioneers of health care finishes, HealthGuard, an Australia based company for developing several healthcare finishes like anti-viral, anti-bacterial, anti-dust etc.

Health Guard AMIC is 99.94 per cent effective against killing coronavirus (H1N1, ISO1814 tested), SARS and influenza virus. It remains active on treated fabric even after 20 home laundering.

Source: fibre2fashion.com– Jun 17, 2020

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