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INTERNATIONAL NEWS

USA: Textile and Apparel Imports from China Surge Amid Collapse Elsewhere

The Department of Commerce’s Office of Textiles and Apparel reports that monthly imports of cotton, wool, manmade fiber, silk blend, and non-cotton vegetable fiber textile and apparel products totaled 3.54 billion square meter equivalents in May 2020, down 11.7 percent from April and 42.0 percent from May 2019.

Textile imports totaled 2.59 billion SME, down 7.5 percent for the month and 32.2 percent from the previous year, while apparel imports of 950.5 million SME were down 21.4 percent from May and 58.3 percent from a year before.

For more information on trade-related issues affecting textiles and apparel, please contact Elise Shibles at (415) 490-1403.

Overall Imports. Total year-to-date imports were 22.2 billion SME, down 19.9 percent from the previous year, as textile imports fell 15.5 percent to 14.0 billion SME and apparel imports fell 26.5 percent to 8.2 billion SME.

For the year ending in May, imports were 64.2 billion SME, down 8.4 percent from a year earlier, as textile imports fell 5.6 percent to 39.4 billion SME and apparel imports fell 12.5 percent to 24.8 billion SME.

Source Countries. OTEXA has reported the following statistics on textile and apparel imports from major source countries for May 2020.

<table>
<thead>
<tr>
<th>Country</th>
<th>SME</th>
<th>Monthly change %</th>
<th>Annual change %</th>
<th>$ Value</th>
<th>Monthly change %</th>
<th>Annual change %</th>
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<td>$1.38 bn</td>
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<td>$682.1 Mn</td>
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<tr>
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<td>$211.3 Mn</td>
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<td>Cambodia</td>
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<td>$163.5 Mn</td>
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<td>Taiwan</td>
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<td>-31.0</td>
<td>$38.1 Mn</td>
<td>-6.6</td>
<td>-37.0</td>
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How China's clothing industry is emerging from the pandemic

The Chinese clothing industry has been hit hard by the corona crisis – not only in terms of production, where China remains an important global player, the internal market, too, has also been impacted by store closures and curfews. How is the Chinese clothing industry doing today? Which developments are emerging and how are Chinese consumers behaving? FashionUnited spoke to Chen Dapeng, president of the China National Garment Association and president of the fashion fair Chic. He maintains a confident outlook and launched Chic Shenzhen this week, the first “offline” trade fair to take place in China following the pandemic.

What is the current situation in the Chinese clothing industry? Is it already operating at the same capacity as before the crisis?

Chen Dapeng: The sudden outbreak of the coronavirus has disrupted the usual pace and order of the clothing industry. Problems such as weak consumption, closed physical stores and logistics have created immense pressure and challenged the development of the industry.

With the effective control of the epidemic in China, the market is gradually recovering. More than 90 percent of garment enterprises have maintained the level of their production and the supply chains have generally recovered. However, foreign trade is severely affected due to the contraction of international markets and especially export-oriented enterprises are facing difficult times.

How strongly is the Chinese garment industry affected by cancellations, order cutbacks, and non-payments from its foreign customers?

Due to the outbreak of the novel coronavirus, major apparel export markets such as the US, the European Union and other markets had to shut down, and consumer demand has fallen sharply internationally. This has led to a sudden increase in the cancellation or delay of orders by European and American clients since mid-March. Apparel export orders and the number of new orders dropped significantly, leading to an unprecedented impact on
Chinese exporters. According to the statistics by China’s customs office, from January to May 2020, exports of clothing and accessories totaled 38.21 billion US dollars, down 22.8 percent year-on-year. With the sharp reduction of international orders, most of China's garment export enterprises ran into a significant decline in workload, and some enterprises had to compensate with breaks and rotation; some smaller export enterprises are facing tremendous pressure to survive.

In recent years, the Chinese garment industry has shifted from mass production to highly specialized production. Is this an advantage in the current situation?

Facing an entirely new environment, the Chinese apparel industry has increasingly turned its focus to the product in recent years. Efforts have been made to improve the adaptability of products according to changes in consumer demand - from various aspects such as technological, design, management and service innovation. The companies are actively taking fashion aesthetics, functionality, and ecological and environmental protection into consideration to meet consumer demand.

While continuously optimizing the product, they’re also paying particular attention to a new generation of information technology. In this process, companies are adopting mass customization models and smart manufacturing factories, and the level of lean, flexible and service-oriented manufacturing in the supply chain is constantly improving. The industry isn’t only overcoming current difficulties, it is also laying a solid foundation for the next transformation and upgrade.

How do you think the current crisis will affect global sourcing?

The current crisis has a far-reaching impact on global procurement. More importance will be given to geographical proximity, diversification and flexibility, which will certainly accelerate the pace of structural reconstruction of the production chain and even boost global relocation and transfer of some production capacity. However, the change will not be that radical and the scope will not be very wide in the short term. The global supply chain follows the logic of industrial development and business, and its evolution under market conditions will also take time. It is not as simple for some countries to relocate enterprises from China. The advantages of China's overall apparel industry are still obvious, and its position will not change in the short term.
Will geographical proximity play a more important role again in the future? With regard to China: Will Chinese producers shift their focus to the domestic market in the future?

In the era of the Internet, consumers are playing a more active role in consumption. They don’t only pursue more diversification and personalization, but also have higher demands for the flexibility and agility of products and services. Therefore, geographic proximity is a natural advantage and the importance of trade regionalization is rising. I think this is an important feature and direction of development in the new era of globalization.

China has a huge clothing market, and Chinese garment companies have always been focusing on the domestic market. Two-thirds of total production capacity is used to meet domestic demand. The advance of China's economy and society, especially the consumption upgrade (note: a term for rising consumption of higher quality goods in China) - stimulated by a new generation, has brought broad room for development and business opportunities for the clothing brands and enterprises all over the world.

In the retail sector, the crisis has accelerated digitalization. Can we now expect the same in terms of sourcing and production?

During the epidemic outbreak, new marketing models like live streaming and community marketing effectively made up for the gap caused by offline channel loss. This is the power of continuous innovation of China's fashion e-commerce sector. In fact, with the advancement of technology and the new requirements for industrial development, the digital development of China’s clothing industry is moving from consumer internet to industrial internet.

The new era of the digitalization of the clothing industry has begun: with smart equipment and industrial internet as the core, from R&D to design, textile dyeing and processing to final product manufacturing, all parts in the supply chain are shifting towards digitalization, networks and artificial intelligence.

What is the current consumer sentiment in China? Are consumers buying the same amount of clothing as before?

Like other markets in the world, the epidemic impacted China's clothing market massively. With the improvement of domestic epidemic prevention
and control, clothing consumption started to recover in the second quarter. We believe that as long as the epidemic could be effectively controlled, the recovery of clothing consumption will accelerate in the third quarter, and even more in the fourth quarter.

In Europe, nearly all trade shows have been postponed to the next year. How have the reactions to your upcoming Chic edition in Shenzhen in July been?

Many exhibitions have been postponed in China as well. This year’s Chic spring edition also had to take place online in April, but fortunately, it received quite a good response. We are going to hold Chic Shenzhen in July, which is the first offline exhibition in China this year. We hope it could help enterprises with their business development and collaboration within the supply chain. We received positive feedback from the industry, and for most people it will be a very good opportunity, helping them to solve problems and overcome difficulties. The industry needs a platform to meet and exchange.

Source: fashionunited.uk – Jul 17, 2020

Peruvian textile workers hit by coronavirus and Chinese competition

The small textile company that employed Juan Mendoza for 17 years in San Juan de Lurigancho, Peru’s largest district, laid him off without notice or compensation in mid-March. “They let me go saying that they would call me back, but they didn’t,” he says. His dismissal came at the start of the government's March 16 quarantine to stem the spread of Covid-19.

Mendoza (not his real name) fears that the company, which is currently manufacturing masks, will know he has spoken out about his dismissal and will not rehire him. Now, the three meals his family used to have every day have been cut to one and a half.

At 62, Juan knows he is a vulnerable member of the population and that, despite having devoted half his life to working in the textile industry, there may be no going back.
Juan’s story is just one of the more than 2.6 million workers who lost their jobs between April and June due to the Covid-19 epidemic in Peruvian capital Lima alone, according to latest figures published by the National Institute of Statistics and Information (INEI).

His case also illustrates how many smaller textile companies and workers in the sector, in many cases informally, are making protective medical clothing to cope with the pandemic but do not get the vital support from the government necessary to find niche opportunities in the face of imports from China. Between January and March of this year alone, more than 129 million masks were imported, including some made of fabric that could have otherwise been manufactured and purchased in Peru.

**Textiles in the midst of a pandemic**

Despite Chinese competition, Peruvian companies have been restarting their operations gradually, but with certain limitations.

Gamarra, the largest textile emporium and conglomerate in Peru, employs more than one million people on a daily basis. This mini-commercial city, located within Lima, is home to hundreds of textile workers, who produce and sell in workshops spread over more than 40 blocks.

Since the country was paralysed due to the quarantine, 40,000 establishments had to close with losses estimated at 30 million soles (US$8.9 million) per day, according to the Gamarra Business Coordinating Office.

The lack of financing for operations has led merchants to resort to creditors as their businesses face bankruptcy.

César Cansaya was one of the businessmen forced to halt production at his micro-enterprise in Gamarra. The children’s clothing he produced in previous months, all packaged, are piled up in his workshop. “We cannot compete with Chinese industry and now with the crisis, it is worse. I had less than 10 workers and more than half had to be laid off. I couldn’t keep up the payments,” he says.

César was forced to give up making children's clothing and produce masks and protective jumpsuits (called romper suits [mamelucos] in Peru) to support his small workshop. But when he wanted to resume production, once the textile sector was authorised to restart, one of the requirements to
access a loan was to have invoices totalling more than US$5,000 a month. Although the government reduced it from US$8,000, for César and other micro-entrepreneurs, it was still an impossible figure to reach. They have since joined forces to produce masks and protective clothing.

The Peruvian government's aid programmes, such as Reactivate Peru and the Business Support Fund, sought to help re-establish the chain of payments, but ended up marginalising thousands of micro- and small businesses who did not qualify or could not afford the high interest rates, or who were sometimes left out when there was not enough for all those who needed the help.

In May, Rocío Barrios, until recently Production Minister, acknowledged in a television interview that the loans were not being distributed as anticipated. “We are considering some adjustments to the Reactivate Peru programme to ensure that resources reach the MSEs (micro- and small enterprises),” she said.

Click here for more details

Source: dialogochino.net – Jul 17, 2020

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British fashion industry requests govt for support

The British Fashion Council (BFC) recently released new data from Oxford Economics that reinforces the stark reality of the impact of the pandemic on the UK fashion industry. As many fashion businesses have not been able to access the benefit of government schemes, BFC has suggested a series of seven measures to consider the future of the sector.

The measures are helping keep retail open, protecting towns and cities; funding small and medium enterprises (SMEs); funding innovation and research and development for clean growth; responsible retailing; providing access to finance and future proofing; a moratorium on payment of duty and tariffs; and invest in responsible fashion and textile manufacturing.

The COVID-19 recession could hit the fashion industry twice as hard compared to the UK overall, effectively wiping out the above-average growth achieved by the industry in the past ten years, according to the data, which
shows that alongside the economic impact, an entire generation of creative talent is threatened to disappear, putting in danger the UK’s position as the creative crucible of global fashion, BFC said in a press release.

In an industry that employs 890,000 people (2019), 240,000 direct job losses are predicted If you include indirect jobs through the supply chain and consumer spending this rises to 350,000 which equals 1 per cent of all UK jobs.

The level of contribution to gross domestic product is forecast to drop from £35 billion in 2019 to £26.2 billion. Revenues are predicted to drop from £118 billion in 2019 to £88 billion in 2020.

The BFC continues to fund-raise for its BFC Foundation Fashion Fund for the COVID crisis to support creative fashion businesses and individual to survive the pandemic.

In May 2020, it gave financial support and mentoring to 37 British designer businesses, with grants taken from the £1,000,000 emergency fund allocated to viable businesses depending on their urgency and capability to come through and thrive post crisis.

A portion of funds was allocated to students, underpinning the future generation of creative talent.

The fund will re-open for further rounds of applications so that more meaningful support can be given, every time the £500,000 milestone is reached.

Source: fibre2fashion.com– Jul 18, 2020
Texworld Paris to provide a digital platform to exhibitors

Texworld Paris and its related events will provide a digital platform from September 2020 to support exhibitors. The digital platform will cover each of the The Fairyland for Fashion fairs including Apparel Sourcing, Avantex, Leatherworld, Shawls&Scarves, Texworld and Texworld Denim Paris.

The platform will enable exhibitors from Messe Frankfurt France tradeshows - textile and clothing manufacturers, brands, accessory manufacturers, etc to present their collections and know-how to international buyers through a complete digital networking solution: virtual showroom, matchmaking, definition of needs, etc.

Buyers will also profit from a specific section to define their requests and build their collection based on selection criteria designed for the textile world: country, minimum quantities, type of service, certificates, etc.

Available from September 01 on the respective trade fair websites, the platform will be offered for a renewable period of 6 months to exhibitors at the February edition of the Paris trade fairs. It will also help to maintain a working relationship between buyers and manufacturers and support them in their projects between two editions of the Messe Frankfurt France trade fairs.

Source: fashionatingworld.com– Jul 17, 2020

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Virtual Home Textiles Sourcing Expo planned in July

Traditionally held at the Javits Center in New York, Home Textiles Sourcing Expo will be held on a virtual platform from July 21-23. Connecting Asian resources with American buyers, the show will focus on offering a free access to sourcing and education, AI-powered matchmaking, dynamic online showrooms with vivid customization, live chats, virtual networking, interactive educational programming and flexibility to engage at the user’s convenience during the live event and beyond

The show will provide manufacturers, retailers, jobbers, converters, contract specifiers and designers a dedicated avenue to locate new fabrics and products for their latest home collections. It will solely focus on fabrics
and finished soft goods for home applications. The show will be held in collaboration with Texworld USA and Apparel Sourcing USA.

Source: fashionatingworld.com– Jul 17, 2020

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**Fashion retailers hope for US-Kenya FTA**

Fashion retailers are keeping a close watch on the ongoing trade talks between US and Kenya which could lead to a free trade agreement between the two countries.

According to a data, 99.7 per cent of US apparel imports from Kenya got all AGOA benefits between 2015 and 2019. Brands hope these benefits will continue with FTA.

Almost 100 per cent of these imports gained from ‘third country’ fabric facility wherein Kenya enjoyed duty-free access to US market for clothes made of yarn and fabric originating from anywhere else in the world. These will surely be the core areas of discussion before the FTA comes into effect.

The agreement should not make any changes with respect to market access and duty-free treatment for apparels made in Kenya effective from the date of entry into force of the agreement, views fashion brand PVH.

However, many feel the FTA may help move to yarn-forward rule of origin in phases to help the development of the local textile industry in Kenya.

Betty Maina, Cabinet Secretary for Industrialization, Trade, and Enterprise Development, also believes that the trade agreement will help Kenya foreign direct investment from the US.

Source: fashionatingworld.com– Jul 17, 2020

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Japan sees 9.60% Apparel Imports Decline Due to covid-19

The global COVID-19 pandemic has made a huge dent in the Japanese fashion apparel industry, prompting widespread closures of the country’s department stores.

As a result, Japan imported 903.5 billion yen (US$ 8.41 billion) of clothing during the period January-April ’20, marking a downturn of 9.60 per cent on an annual basis.

According to the data released by the Ministry of Finance, Japan was also down by 8.80 per cent in weight to import 2,076 million kg worth of garments from the world over.

Shipping of Vietnamese apparel to Japan valued at 149.29 billion yen (US$ 1.39 billion), marking an increase of 4.81 per cent on Y-o-Y.

In the first four months of 2020, China exported 486.05 billion yen (US$ 4.53 billion) of clothing to Japan, a decrease of 14.43 per cent, while India’s exports were priced at 11.71 billion yen (US$ 110 million), down 21.58 per cent from what it exported the same duration of the previous year.

Bangladesh’s exports to Japan diminished too. Bangladesh’s shipment was priced at 46.59 billion yen (US$ 434 million), noting a decline of 3.04 per cent on Y-o-Y basis.

Source: textilefocus.com— Jul 17, 2020

Pakistan: Mixed trend witnessed on cotton market

Local cotton market remained stable on Friday. Market sources told that mixed trend was seen in the trading volume. Due to the monsoon rains the quality and supply of the Phutti was also affected.

Ginners were buying Phutti according to their needs. The recent rains in Sindh and other parts of the country are good for cotton crop. Cotton Analyst Naseem Usman told that Pakistan textiles and clothing exports posted a negative growth of over six percent to 12.526 billion in the fiscal year 2019-20 as compared to 13.3 billion in the corresponding period of 2018-19.
According to the data released by Pakistan Bureau of Statistics (PBS) ready made garments exports dipped 3.81 percent in value and 10.07 percent in quantity during July-June FY 2020, while those of knitwear dropped 3.64 percent in value and 10.11 percent in quantity.

Naseem also told that cotton crop sowing in the country during current season 2020-21 decreased by 1.3 per cent compared to last year. Ministry of National Food Security and National Research Cotton commissioner Khalid Abdullah told media that cotton crop was cultivated on 2.457m hectares against the target of 2.663m hectares.

He said that 92 percent of the cotton cultivation target was achieved during the current season. He said that area under cotton cultivation in Punjab was decreased by 2.5 percent as crop was sown over 1.890m hectares against the target of 2.03m hectares.

However, he said that the cotton sowing in Sindh registered 2.7 percent increase as it was cultivated over 0.615m hectares as against last year’s 0.599m hectares. As per media reports in southern Punjab, including Multan, the cotton production may affect due to the attack of White fly on cotton crop.

Naseem told that 200 bales of Noabad were sold at Rs 8350, 400 bales of Mirpurkhas were sold at Rs 8350, 400 bales of Hyderabad were sold at Rs 8350, 1000 bales of Shahdadpur were sold in between Rs 8350 to Rs 8375, 1000 bales of Tando Adam were sold at Rs 8350 to Rs 8400, 1400 bales of Sanghar were sold in between Rs 8350 to Rs 8375 and 200 bales of Khadro were sold at Rs 8375.

Naseem Usman also said that rate of new cotton of Sindh is in between Rs 8350 to Rs 8400 per maund while in Punjab the rate of new cotton is in between Rs 8550 to Rs 8650 per maund.

He told that Phutti of Sindh was sold in between Rs 3700 to Rs 4000 per 40 kg. The rate of Phutti in Punjab is in between Rs 3700 to Rs 4300 per 40 kg. The rate of Banola in Sindh was in between Rs 1600 to Rs 1650 while the price of Banola in Punjab was in between Rs 1700 to Rs 1750. The spot rate remained unchanged at Rs 8400 per maund. The polyester fiber was available at Rs 157 per kg.

Source: brecomer.com.– Jul 18, 2020
NATIONAL NEWS

India-Bangladesh multi-modal connectivity: A win-win proposition for both nations

Enhancing connectivity has been an important area of cooperation between India and Bangladesh. In order to promote connectivity, various initiatives have been taken in the last few years.

Both sides recognize that increasing connectivity through air, water, rail, road offers mutually beneficial opportunity for enhancing economic cooperation between Bangladesh and the North Eastern States of India and beyond.

Therefore first trial of container ship from Kolkata to Agartala through Chattogram Port of Bangladesh, therefore assumes significance.

During the visit of Bangladesh PM Sheikh Hasina to India in October 2019, both sides had welcomed the conclusion of Standard Operating Procedures (SOPs) for the use of Chattogram and Mongla ports for movement of goods to and from India, particularly to and from the North East of India, which could create a win-win situation for both economies.

Earlier the two countries had signed an agreement on coastal shipping in 2015 and an agreement in October 2018 on the use of Chittagong and Mongla Ports for transshipment of goods to and from India.

This agreement and SOPs permit the movement of goods in Bangladesh through waterways, rail, road or multi-modal transport. Eight routes have been provided under the Agreement which will enable access of North East Region via Bangladesh.

The routes identified comprise Chattogram/Mongla Port to Agartala (Tripura) via Akhura, Chattogram/Mongla Port to Dawki (Meghalaya) via Tamabil, Chattogram/Mongla Port to Sutarkandi (Assam) via Sheola and Chattogram/Mongla Port to Srimantpur (Tripura) via Bibirbazar and vice versa.

Thus trial run assume significance as this will lead to development of the North East region and enhance India’s connectivity with Bangladesh.
Once this gets fully implemented, it will reduce distance, time and logistical cost for transportation of goods from India to north eastern states and will be a win-win for both the economies.

Job creation, spurring investment in the logistics sector, integration of supply chain, promotion of business services e.g finance, transport, insurance and revenue are the major advantages that will accrue to Bangladesh.

Source: economictimes.com— Jul 17, 2020

1,377 'risky exporters' who claimed Rs 1,875 cr GST refunds not traceable in principal place of biz

Over 1,300 exporters who had claimed GST tax refunds of Rs 1,875 crore were untraceable at their principal place of business in a massive verification exercise the government initiated after identifying 7,516 'risky exporters', an official said on Friday.

"As many as 1,377 exporters who have fraudulently claimed IGST refund amounting to Rs 1,875 crore have been found untraceable at their principal place of business," the official said, adding this includes seven accredited 'star exporters'.

As on date, 7,516 exporters are in the 'risky exporter' list. Out of them, for 2,830 exporters' IGST refund /drawback worth Rs 1,363 crore is suspended.

The official further said the government has received adverse reports in respect of 2,197 risky exporters and as many as 10 'star exporters' have claimed Integrated Goods and Services Tax (IGST) refunds amounting to Rs 28.9 crore deceitfully.

"The field formations of the Central Board of Indirect Taxes and Customs (CBIC) have detected offence cases amounting to Rs 115 crore against identified risky exporters.

"Also, out of the 234 suppliers' verification received so far, 82 suppliers have been found non-existing at their principal place of business," the official said.
Exporters are identified as 'risky' on the basis of specific risk indicators based on customs, GST, income tax and DGFT data. The identified risky exporters' information is shared with the CGST formations for physical and financial verification.

The supply chain analysis conducted by CBIC's investigation arm DGARM has found that suppliers have availed ineligible Input Tax Credit (ITC) in 695 cases. Out of these, in 461 cases IGST refund /drawback amounting to Rs 273 crore is under suspension.

Information on these risky suppliers has been shared with jurisdictional field formations for their physical/financial verification and to verify the ineligible ITC availed by them, the official added.

Last year, the CBIC had detected several cases of firms availing credit fraudulently through refund of IGST on export of goods.

To mitigate the risk, the CBIC has taken measures to apply stringent risk parameters-based checks, and the consignment of exporters in the risky category are subject to 100 per cent customs examinations and their refunds have been kept in abeyance.

In May, the CBIC had asked the GST risk management wing to conduct supply chain analysis to identify the major suppliers to these exporters and share it with jurisdictional field officers.

Source: economictimes.com– Jul 17, 2020

Relocation of supply chains from China to benefit India the most: Nomura

The Covid-19 crisis will likely lead to deglobalisation, and a fall in US dollar's dominance in the world. While global inequality could rise alongside food shortages at the same time, the climate will get a breather and there could be a renaissance in productivity, Japanese bank Nomura said in 16 short essays released on Thursday.

Some of the global supply chains will move out from China and will flow mostly to Asian countries, with India poised to be the top beneficiary, it said.
The larger points of the essays, collectively put in an anchor report titled ‘The world after Covid-19’, say there could be a vacuum in global leadership, tense US-China relations and deglobalisation might continue, and emerging markets might face a more challenging medium-term outlook. “We see the US dollar following a path of reduced global dominance,” the bank said.

It also expects inflation to remain low and sees the possibility of an even lower real rate of interest. Unconventional monetary policies would be the new normal, reducing the urgency for fiscal austerity. There is also a danger of moral hazard that could lead to excessive risk taking and asset price bubbles.

"Income inequality should worsen substantially, and we flag the danger of a global food crisis in coming years. Conversely, Covid-19 could be a blessing in disguise in uniting efforts to tackle climate change," the report said.

The current US-China tensions will most likely compel some multinational companies to diversify part of their production to other emerging market countries such as Vietnam, India and Cambodia because of their much cheaper labour forces. This move was evident even before the Covid-19 crisis, as China’s labour cost was on the rise and the tax sops of the companies were also ending one by one.

Such dislocation should help other emerging markets countries, in which Asia stands to gain the most. Eight of the top 10 countries that would potentially benefit from the dislocation from China are situated in Asia, with India topping the list.

India, Singapore, Vietnam, Malaysia and Indonesia rank in the top five. “India could benefit from its large market size and potential, while Singapore’s advantage lies in its ease of doing business, economic and political stability and trade openness,” Nomura said. Vietnam, which has already started to benefit from trade diversification from China, is gaining due to its closer proximity to China, trade openness, market potential and low labour costs. The two non-Asian countries in the top 10 are Poland and the Czech Republic, “owing to their favourable investment climate”.

However, the top losers due to the dislocation would again be Asian countries, with the top 8 potential losers in the world coming from the continent. “Taiwan (its value addition in China’s gross exports stood at 6.3
per cent of its GDP in 2018), South Korea (3.0 per cent) and Malaysia (2.8 per cent). The value-added by industry across Asian countries shows that computer & electronics, textiles, leather & footwear and machinery & equipment sectors are the most exposed,” said Nomura.

However, large emerging markets such as Brazil, India and South Africa have debt ratios that are getting close to, or are already at thresholds that empirical evidence suggests become counter-productive for growth, Nomura said, and these countries must embark on fiscal consolidation and tighter fiscal policies in the coming years. The emerging markets would likely deliver lower growth with interest rates being at near record lows now.

"When combined with weak fundamentals such as higher corporate debt (China), weak banking sector (India) and weak fiscal positions (India, Malaysia), EM risk premia may need to rise to compensate investors for higher risks,” Nomura said.

The global health crisis and the lack of policy co-operation is compelling governments to better safeguard economic sovereignty, Nomura said, citing the example of India's new “vocal for local” campaign. Relocation of supply chains from China to benefit India the most: Nomura

Source: business-standard.com – Jul 17, 2020

Textiles: Growth hinges upon reopening of retail space, festive demand and policy support

The subdued domestic demand and declining export demand due to lockdowns in the global markets on account of COVID-19 come as a double blow for textile companies. While the domestic demand could revive in 3QFY21 with the onset of the festive season and reopening of retail spaces, export demand would be fairly dependent on the recoup of major economies such as the US and UK.

Also, there seems to a short-term opportunity for Indian companies to cater to those markets which were earlier catered by China and Bangladesh. However, the threat of import of lower cost raw materials persists and could hamper the domestic industry in the near term.
These were the findings of India Ratings and Research’s (Ind-Ra) assessment for the impact of COVID-19 on India’s textile sector highlights expected outcomes while presenting Ind-Ra’s revenue base case assumptions as well as sub-sector outlook from raw materials to home textiles along with impact on credit metrics.

The agency expects a huge revenue downfall for textile companies in 1HFY21 and a moderate recovery only over 2HFY22. With the stoppage of production and shortage of labourers due to the lockdown, revenue is likely to bottom out over 1HFY21; but, the consumption demand is unlikely to revive in FY21. This is likely to result in a fall in EBITDA in the range of 20 percent -50 percent Y-o-Y, depending on the segments, leading to deterioration in credit metrics. Furthermore, players in spinning, readymade garments carry high debts on account of stretched working capital cycles with low cushion to borrow. The agency expects the working capital cycle to stretch for textile players over the next 9 months due to delays in collections and a longer inventory.

The ongoing economic slowdown is likely to contract the demand by 25 percent to 35 percent Y-o-Y across yarn, fabric and apparels in FY21. The demand over 1HFY21 is likely to be muted with the summers lost because of the lockdown. FY21 demand growth would typically depend on discretionary spending, and thus a gradual recovery in household income over 2HFY21. Ind-Ra assumes normalcy in revenue to return by 2HFY22, on back of reopening of the retail space, a normal monsoon, the festive and wedding season. The demand revival will also depend on government measure to incentivize exports.

The agency expects a correction in cotton prices over 2QFY21 from the levels of Rs 90-95 per kg as of May 2020 due to a low demand and high holding levels at Cotton Corporation of India. However, holding stocks could only provide a short-term relief. Some of the inventory is expected to be exported, given the advantage of lower prices and rupee depreciation.

The textile industry is labour intensive in nature, and with most labourers headed to their hometowns, sector companies could face challenges to operate even at low capacities. The agency expects that it would take 3-4 months for operations to stabilise post Unlock 1.0.

Readymade garments/apparels and cotton yarn exports, which were already facing headwinds prior to the lockdown, is likely to be more impacted than other segments, led by the fragmented nature of industry and a slowdown
in Chinese yarn demand. The situation has worsened in the lockdown with consumers delaying discretionary consumption. Amid high competition, the oversupply in the domestic market is likely to postpone demand normalcy until end-1HFY22. Conversely manmade fibres / synthetic players have the advantage of a lower cost compared to cotton players and therefore could see a better demand, as players look to blend synthetics more in the fabrics/apparels.

Key issues such as supply chain disruptions, incentives and labour unavailability need to be addressed to revive the textile sector. Labour retention policies of each state would be critical to ensure minimum disruption of manpower availability.

Source: indiaretailing.com – Jul 17, 2020

India risks losing its grip over Chabahar terminal

Businesses wary of China’s increasing influence over Iran

Amid rising geopolitical tension between India and Iran, shipping sector experts fear that India may risk losing its grip over Iran’s Chabahar port, a strategic transit point to access Afghanistan, Central Asia, Russia and Africa. This follows China’s growing influence in Iran.

The last few days have been abuzz with reports of China’s growing influence in Iran, coinciding with signals from the latter that it could curtail India’s strategic ambition to fund and build a rail link between Chabahar and Zahedan (Afghanistan border).

Two business leaders BusinessLine spoke to admitted that the industry is rattled about the emerging geopolitical uncertainty between the two countries as well as China’s increasing sway in Iran, and expect the government to clear the air on India’s continued operations at the Chabahar port.

There is a lurking fear among businesses that China’s increasing influence in Iran might make it unviable for India to operate the Chabahar port if China were to flex its muscles, said an industry watcher.
“We have got feedback from exporters as well as bankers that they are unwilling to send products to or through Iran as companies fear losing their business in the US, which is a bigger market than Iran,” TS Ahluwalia, President, North India Shippers Association, told BusinessLine.

China has reportedly committed to invest $400 billion over several years to build infrastructure including rail links, ports and telecommunication.

**Waiting for response**

This coincided with Iran stating that it would build the rail link — which India had been eyeing — on its own. This rail link was a long-pending project that India’s Ircon International was planning to build with funding from the Indian government. India’s External Affairs Ministry on Thursday stated that it has been waiting to hear from Iran on technical and financial issues for several months now.

Officially, India has maintained that the use of a terminal at Chabahar Port, operated by Indian Ports Global Private Ltd, has improved. Transit of export consignment from Afghanistan through Chabahar, which started in February 2019, has now shown a healthy upward trend, the Shipping Ministry stated on July 6. Port operations have steadily scaled up with Chabahar port, echoed External Affairs Ministry on Thursday, adding that in the last 12 months, the port has handled 52 vessels with bulk and container cargo.

Shipping sector sources maintain a regular container liner service between India and Iran, and Iran and Africa can lure more businesses to use Chabahar as a transit port. Also, shipping companies from India point out that by using Chabahar, the transportation cost of Indian products exported to other countries can drop sharply.

Many note that despite the US sanctions on Iran, which were aimed to prevent countries from trading with Iran, the US has not created barriers for India to use Iran as a transit hub.

But India’s relationship with Iran have strained – in terms of trade – ever since it chose to align with the US. India used to depend on Iran for low-cost crude till about a few years ago. “However, today (given the global crude prices), India can get cheaper oil from other countries, not just Iran,” said another industry source. But, for India, the US is a larger market than Iran.
India 3rd in global manufacturing locations in C&W index

India has been ranked third following China and the United States in the list of most-suitable locations for global manufacturing among 48 countries in terms of cost competitiveness and operating conditions, according to property consultant Cushman & Wakefield (C&W). India has moved one place higher, the consultant said in its Global Manufacturing Risk Index (MRI).

In its annual ranking of the most suitable locations for global manufacturing among 48 countries in Europe, Americas and the Asia-Pacific, the consultant said India is an upcoming manufacturing hub globally from an operating conditions and cost-competitiveness perspective.

"In the backdrop of the COVID-19 scenario, the government has reiterated its agenda to launch fresh measures that would give a boost to setting up of a more conducive environment to make India a manufacturing hub.

At a time like this, India ranking amongst top-three on the most suitable locations for global manufacturing comes as a shot in the arm for the country," said Anshul Jain, managing director (India and Southeast Asia), C&W.

In cost scenario, India is at the third position after China and Vietnam. However, India ranks 30th in risk scenario. Countries that present lower levels of political and economic risks are ranked higher, the report said.

The annual Global MRI scores each country against 20 variables that make up the three final weighted rankings that cover conditions, cost and risk.
India’s Competitor In Exports Is Not China But Industry 4.0

In our quest for finding solutions to the immediate problems such as India being seen as an alternate manufacturing destination to China, at times we lose sight of looming long-term threat to our manufacturing and share of international trade from disruptive technologies. This level of competitive advantage was lost two decades back and China mastered the global value chain. Can India reposition itself with the pandemic threatening life, disrupting the economy and on the other side a surge in demand for recreating the ‘New India’, post Covid-19?

After watching devastating effects of Covid-19 on global supply chains, many companies are not convinced that moving to India is the right solution as our supply chain for major export items also starts from China, as seen in mobile phones. Isn’t this a latent challenge to be rethought before laying the new chess board? They are looking at new technological solutions within Industry 4.0 domain such as Artificial Intelligence (AI), robotics and additive technologies (3D Printing) to bring manufacturing home (back-shoring) or in countries close to its borders (near-shoring). As capital cost of such technologies decline in future, these are seen as more attractive in near-shoring and back-shoring scenarios not only for multinationals but also to smaller companies which rely on distant & complex supply chains. Is India geared on this, if not how soon?

According to the documentary “Farewell to the Global Supply Chain” broadcasted by DW, the German news channel on 30th June 2020, since the coronavirus pandemic began, Companies in Europe with supply chains extended throughout Asia, especially China have come to realise that having a single supplier in one country can be disastrous for their business. That is monopoly, which they see and intend to mitigate upon! Global supply chains, which at one time was seen as a solution for keeping costs low are today seen as a liability that can disrupt their production. This opens up opportunities for India, only if India can be a source of a significant part of the value chain, not just assembly from imported components as in the case of mobile phones. A critical re-thinking, a speedy one is required.

As an example, the above program quoted a German company BDT manufacturing data storage hardware. The company shifted its electric motor manufacturing from Philippines to India due to lower labour costs but now finds itself in a dilemma as its raw material is sourced from China. What a challenge, within the complex global supply chain? It is now looking
to source its components from European manufacturers hoping that shorter supply chain would be more reliable. The company is developing a supplier in Slovakia to manufacture a complex component which it was earlier obtaining from China and hopes to change the supplier nearer home next year. This is just one baby step by firms whose end product is meshed within global supply chains and even dangerous, if it is emerging from a monopolistic supplier!

In yet another example, the supply chain for automotive is still longer and more complex with India exporting $12 billion of automotive components every year. The move to shorter supply chain resulting in back-shoring and near-shoring can turn into a crisis, a decade from now. Will Industry 4.0 will make it happen?

The threat to Indian labour-intensive industry, which is already being facing stiff competition from lower labour cost countries is very real. These industries employ close to five million (three million in garment industry alone) minimally trained workers. The new threat will come from near-shoring and back-shoring due to entry of Industry 4.0 represented by robotic factories, as well as customers going for shorter supply chain to cater to frequent fashion and trend changes, even if at a higher cost. Jim Yong Kim, the World Bank President has pointed out that automation may lead to the loss of a majority of jobs in the developing countries while an ILO study has underlined that a large number of jobs in the ASEAN clothing and leather sectors are at a risk due to automation.

Technologies do exist for robotic factories in garment production. Almost 30% of globally outsourced garments are T-shirts while another 20% is made up of jeans. Both these items can, in the near future be made in robotic factories.

China Daily reported that sewbots would produce 23 million T-shirts per year for Adidas in a fully robotic factory in the US, manned by only 22 workers. The factory will produce one T-shirt every 22 seconds at a cost of 33 cents. The cost is even lower that the labour cost in Myanmar, the cheapest outsourcing destination in the world. Next will be jeans and other mass-produced outsourced items followed by shoes, knitted undergarments, towels, bedsheets & pillow covers. As Industry 4.0 takes deep roots on the back of 5G, the outsourcing industry may be affected in the long run. This is a visible challenge and how many of us are prepared on this?
However, a certain amount of offshoring many still continue due to companies trying to avoid the stringent pollution compliance in their markets by pushing polluting industries like textiles & garments to developing countries. We must be alert to this aspect.

Our industries must adopt Industry 4.0 to remain globally competitive a decade from now. This requires both 4G and 5G infrastructure to be installed widely as the backbone for Industry 4.0. 4G is not fully operational and 5G is several years away from launch. Due to US-China trade war and other protectionist policies of many governments, compounded by black swan events like Covid-19, automation in back shoring and nearshoring look very attractive as labour arbitrage loses its advantage.

What should India do to retain its export markets as well as provide avenues of employment to millions of displaced workers?

One thing it should not do is prevent introduction of mechanisation and automation. Kerala government did just that in the cashew industry, in the 70s to save jobs. The result was that export leadership went to Vietnam and stayed there. Kerala still lost lakhs of jobs as factories shifted to other states and later even to African countries. One of the large sectors where we have only scratched the surface for exports and employment potential is agribusiness. Khadi along with handloom can be turned into a value-added signature fabric of India. There is little competition but require extensive marketing as well as stringent quality control.

In fact, these fabrics can be sourced from organic cotton of which India is the largest producer. Already, government has taken an initiative in increasing export of khadi by allotting it a new HS Code. It should be followed up by establishing extensive value chain from rural sourcing to buyers in prosperous countries. It can lead to supply chain innovation in areas like vegetable dyeing, another eco-friendly product. Since textiles is one of the largest consumers of chemicals, the organic sustainability supply chain could be a big seller in Europe, US and other high-income countries. There are over 400 khadi institutions in India, under Khadi & Village Industries Commission (KVIC) which are strongly embedded in the rural economy and they can spearhead this program. In fact, KVIC should be given the status of an Export Promotion Council.

Yoga is a strong global brand with origins in India but we have never tried to synergise yoga with marketing of organic and healthy lifestyle products abroad. Post Covid-19, this trend will gain traction. Our village agri-business
can be linked to this value-added export base. Fifteen years back there was little export of mint oil from India. Today, we have captured 80% of the world’s market. A win-win result through collaboration between a CSIR research centre, farmers and entrepreneurs. We should introduce new technologies such as hydroponic or vertical farming to enable small landholders to grow value-added organic medicinal herbs and spices, the market of which growing at 20-30%.

Near the farms, distillation and extraction units can be set up to add value to farm produce. India is a goldmine of medicinal plants but our exports are less than 10% of China. Though capital investment is large, suitable subsidies and financial assistance along with wide usage of solar technologies can make it happen. Netherlands, with a landmass 79 times smaller than India is the second largest exporter of agricultural products in the world. Adoption of modern technology can make it happen in India too as adoption of latest technology would certainly bring down capital costs.

Agribusiness can be a solid foundation for value-added exports. Processed food can be a game changer not only for the rural employment but also the whole sector This sector has the potential to become the largest foreign exchange earner. The success of export of frozen French fries where it was being imported just a few years ago has clearly shown the potential of agribusiness farm to export value chain. In spite of world’s No.2 producer of fruits & vegetables, we have negligible presence in the global market for convenience food, the fastest growing food sector.

Organic honey can be next. The Govt. of India has rightly chosen honey production as a major source of income for marginal and landless farmers. It has approved a new Central Sector Scheme entitled “National Beekeeping & Honey Mission”. If developed to its full potential, we can displace China as the largest exporter. Chinese honey which is exported is heavily adulterated and does not enjoy good reputation in either US or Europe. In fact, Indian honey is often mixed with Chinese adulterated honey to sell abroad. The US Customs has called it “The Honey Laundering”. The list of products is endless.

We have only to examine the investment being made in smaller countries such as Thailand’s Food Innopolis Project or Dubai’s World Food City to see not only the vision of these countries to become leaders in processed food exports but also the rising technological gap between India and its closest competitors.
The technological disruption would take place not only in garment industry but the entire gamut of industrial landscape, including construction which is another large source of minimally trained labour. Foresight scanning with a 10-year horizon should be applied to develop various change scenarios likely to happen.

If we give it an active consideration today and take baby steps to identify and adapt the displaced workers to alternate employment avenues, we can make the change ten years from now when the capital cost of automation will tip the scale in favour of factories which will employ a fraction of today’s workforce. This will happen not only in the advanced countries but India too. In a VUCA world, anticipation is winning half the battle.

Source: businessworld.in– Jul 17, 2020

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Current account, exports and Atmanirbhar

For the first time in decades, India turned in both a trade and current account surplus. But that’s no reason to cheer as the surplus was due to depressed demand for gold, fuel and machinery. When a country runs a current account surplus, it sells more goods and services than it purchases.

In other words, it’s a net lender with surplus forex to invest overseas. It also boosts employment due to higher domestic demand. But right now, none of this is happening. Even as the debate on whether India’s current account should be in deficit or surplus to sustain our external sector balance is ongoing, it isn’t an explicit policy variable like money supply, nor is it a policy target like GDP, inflation or unemployment rate.

As per the ‘consenting adults view’, also known as the Lawson Doctrine and Pitchford thesis among economic circles, it doesn’t really matter whether the current account is in deficit or surplus as long it results from private sector saving and investment decisions.

Sadly today, both saving and investment appear battered and are being compensated by government spending and the invisibles (services exports and remittance inflows). Now the trouble is, there’s little public money to spend and given the rise of protectionism, any layoffs of Indians in the Middle East, the US or the UK can be savage.
If that happens, exports will have an added responsibility to keep our current account in check. Currently, India’s lack of export dynamism compared to Vietnam or Bangladesh is evident. Our export basket is dominated by low-value engineering products, and gems and jewellery, while agriculture, textiles and handicrafts are negligible. The government should swiftly correct this imbalance.

There’s also a need for a special exports package for labour-intensive sectors including an export development fund to boost foreign trade. While the government made a right start encouraging producers and consumers to spend on domestic goods, we need an explicit medium-term strategy to ensure that Atmanirbhar doesn’t end up as a mere catchphrase.

Source: newindianexpress.com– Jul 18, 2020

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Cotton sowing crosses 50 lakh acres in Telangana

Maize area cut down by three-fourths

With the State recording copious monsoon rains, farmers in Telangana have completed cotton sowing on over 50 lakh acres. The State targeted an area of 60 lakh acres to be under cotton this kharif season as it began the regulated cropping system.

As sowings are in full swing, farmers and officials of the Agriculture Department are confident that the remaining 10 lakh acres would be covered in the next few weeks.

The push by the State government for certain crops reflected in the numbers. The State recorded 50.14 lakh acres in cotton sowing as against 34.66 lakh acres the same day last year.

“The kharif season is progressing well as per the government’s new regulated cropping system,” B Janardhan Reddy, Commissioner of Agriculture, Govt of Telangana, told BusinessLine.

Rainfall: As monsoon progressing well, the State has so far received 318.6 mm of rain as against the season normal of 236.3 mm, showing an increase of 35 per cent.
Under the new crop regulation system, the government has asked the farmers not to grow maize this season. However, the farmers sowed the cereal on about 1.25 lakh acres as against the season normal of about five lakh acres.

The State Government has refused Rythu Bandhu benefits (₹5,000 each in the two seasons for every acre a farmer owns) to those who violated the regulated areas.

“Farmers might have gone for maize in some areas to meet the contractual obligations with poultry and other industries,” a farmers’ union leader has said.

“The State purchased maize in excess to the normal levels. We have asked the farmers not to go for maize as the State is saddled with piled-up stocks from last year. They can grow it in the Rabi season,” a Government official said.

Paddy sowing, too, are in full swing in the State. At 3.97 lakh acres, paddy sowing overtook last year’s 3.97 lakh acres.

Source: thehindubusinessline.com– Jul 17, 2020

India for customs duty on computer-aided design files for 3-D printing

India has proposed imposing customs duties on computer-aided design, or CAD, files, which are necessary for 3D printing, while pitching its case for countries to be able to tax electronic transmissions.

Electronic transmissions are at present immune from taxation in the World Trade Organization (WTO) under a moratorium.

If the moratorium continues, India argued at the WTO, foreign firms will be able to export any software duty-free to developing countries to 3D print products that they currently manufacture.

This will lead to “disruption in traditional manufacturing, resulting in job losses and decline in incomes” especially in textiles and clothing, footwear,
auto-components, toys, mechanical appliances and hand tools, it said. India and South Africa have been arguing that the e-commerce moratorium, giving immunity to e-transmissions, has led to loss of revenue and had taken away policy space from developing countries.

“An important policy instrument available for this purpose would be to impose customs duties on CAD files necessary for 3D printing,” India said at WTO’s General Council meeting earlier this week.

Source: economictimes.com— Jul 17, 2020

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**IT refunds worth ₹71,229 crore issued in last 3 months**

The Income Tax Department on Friday said that it issued refunds amounting over ₹71,000 crore during last three months.

“The Central Board of Direct Taxes (CBDT) has issued refunds worth ₹71,229 crore in more than 21.24 lakh cases by July 11 to help taxpayers with liquidity in Covid-19 pandemic days since the government’s decision of April 8 to issue pending income tax refunds at the earliest,” Finance Ministry said in a statement. CBDT is apex policy making for Income Tax and Corporate Tax.

CBDT said that all the refund related cleaning up of the tax demands are being taken up on priority and would be completed optimistically by August 31. Also, all applications for rectifications and for giving effect to appeal orders are to be uploaded on the ITBA (Income Tax Business Application). It has decided to do all the work of rectification and appeal effect on the ITBA only.

CBDT reiterated that taxpayers, for quick processing of their refunds, should provide immediate response to the emails of I-T department. A quick response from the taxpayer in this regard would facilitate the I-T Department to process their refunds expeditiously. All refunds have been issued online and directly into the bank accounts of the taxpayers.

Source: thehindubusinessline.com— Jul 17, 2020