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INTERNATIONAL NEWS

H&M Cuts Xinjiang Ties as Lawmakers Push to Punish China on Forced Labor

Following U.S. Customs and Border Protection's (CBP) issuance of five Withhold Release Orders (WRO) this week on products including textiles and cotton widely believed to be produced using state-sponsored forced labor in the Xinjiang Uyghur region in northwestern China, several witnesses and congressional representatives at a House Ways & Means Trade Subcommittee hearing Thursday called for the passage of the Uyghur Forced Labor Prevention Act.

The hearing comes as H&M Group confirmed plans to sever ties over the next year with a mill associated with a textile producer that has been linked to Uyghur abuses. In a statement emailed to Sourcing Journal Thursday, H&M clarified that the Shangyu mill owned by forced-labor-linked Huafu Fashion Co, is not located in Xinjiang province but "supplies some of our suppliers with a specific yarn."

"While there are no indications for forced labour in the Shangyu mill, we have decided to, until we get more clarity around allegations of forced labour, phase out our indirect business relationship with Huafu Fashion Co, regardless of unit and province, within the next 12 months," H&M said.

Patagonia also announced plans to cease sourcing in Xinjiang earlier this summer as concerns over state-sponsored forced labor in China continue to mount.

Meanwhile, pending in the House, the act would impose various restrictions related to China's Xinjiang Uyghur Autonomous region, including prohibiting certain imports from Xinjiang and imposing sanctions on those responsible for human rights violations there.

The bill, which has bipartisan sponsorship, calls for goods manufactured or produced in Xinjiang to be denied entry into the United States unless CBP determines they were not manufactured by convict labor, forced labor or indentured labor under penal sanctions and reports such a determination to Congress and to the public.

The National Council of Textile Organizations (NCTO) sent a letter to the chairs and ranking members of the House Ways and Means Committee and Senate Finance Committee on Thursday in support of congressional efforts to address China's use of forced labor.

NCTO president and CEO Kim Glas wrote that congressional efforts are needed to address "China's use of forced labor as part of a broad spectrum of unfair trade practices that disregard human rights and harm U.S. manufacturers and consumers."

Glas said China's "illegal trade practices" are designed to "unfairly bolster a blatantly export-oriented economy" and are "inescapably linked to human rights abuses, including atrocities perpetrated against the country's Uyghur Muslim population." Certain Chinese apparel exporters "have clearly profited from the abuse and exploitation of this minority population," Glas said, and that must stop.

Trade subcommittee chairman Earl Blumenauer (D-Ore.) said researchers and investigators have documented that the Chinese government is using forced labor in the production of all kinds of goods through a concerted program of oppression and coerced assimilation of China's Uyghur and other Muslim minority populations.

Blumenauer noted that there already is a law on the books prohibiting imports of such goods, however, "the implementation of the U.S. ban on forced labor imports has been spotty," he said. "The law had serious flaws, including a so-called 'consumptive demand' loophole that eroded the principled underpinnings of the prohibition by exempting goods made by forced labor if the United States could not produce those goods in sufficient quantities to meet consumer demand. The demand loophole was also a moral loophole. I was proud to work with my colleagues on this Committee to close this loophole in strong and bipartisan fashion five years ago."

He and several others, including Cathy Feingold, director of the International Department of the AFL-CIO, said prohibiting the importation of goods produced by forced labor is now reflected in the U.S.-Mexico-Canada Agreement (USMCA), and should be art of any trade relationship, including with China.

"As both a sanction and as a tool to counter anticompetitive terms of trade, the U.S. forced labor import ban has an important role to play in addressing the Chinese government's abuse of its Uyghur population's human rights and rights as workers and that is the focus for our hearing today," Blumenauer said.

He said enforcement is vital to an existing or future legislation, and "that's certainly no easy task." Blumenauer cited the Department of Labor's annual reports that document the presence of forced labor conditions in more than 70 countries and in a wide and diverse set of goods. The ILO estimates 20 million people around the world are subjected to forced labor in the private economy, he added.

"In the nearly five years since closing the loophole, CBP has slowly increased its enforcement," Blumenauer said. "Some positive steps have been taken, such as the ban on cotton from Turkmenistan in response to a state-sponsored program of forced labor. However, much more needs to be done."

Despite the ongoing atrocities, "the Trump Administration has failed to take effective action to address these practices," he said. Blumenauer noted that during negotiation of the Phase One trade deal with China, the administration "failed to even raise a single labor concern or raise concerns regarding the abusive treatment of the Uyghurs in China. That was a big, missed opportunity as an economic matter and a profound failure of leadership overall."

But action on forced labor requires more than government intervention.

"Businesses and brands that import products made with forced labor into the U.S. must also play an important role in removing these abusive practices from global supply chains," he said. "Just because supply chains are complex and this issue is difficult, does not mean we can shy away from making necessary changes."

Steve Lamar, president and CEO of the American Apparel & Footwear Association (AAFA), said at the hearing that the apparel and footwear industry remains committed to ending forced labor.

"The problem in XUAR is bigger than any one industry can handle, and requires sustained government to government pressure," Lamar said. "The tools used to address the situation must be targeted, transparent, prospective, fact-based, and developed with the trusted industry partners that will ultimately enforce them."

These actions should remain focused on the end goal of ending forced labor practices and the larger campaign of repression that it fuels, he said, by "ensuring that solutions involve the partnership of industry, NGOs, unions, Congress, the rest of the U.S. government and other governments."

Lamar said AAFA has coalesced around a set of principles that highlight its "commitment and resolve to ending these despicable forced labor practices."

They include making sure the entities named in this week's WROs are not connected to member supply chains. AAFA also provides crucial intelligence to CBP to improve enforcement efficacy.

"The problem in XUAR is bigger than any one industry can handle," Lamar said. "Much is written about the economic leverage of the apparel and footwear industry and its ability to influence the Chinese government. I wish these assertions were true, but they are not. The situation in XUAR is of a scale, scope and complexity that is unprecedented in modern supply chains.

Moreover, forced labor, as horrendous as it is, is only one component of a much larger campaign of repression. These are state-sponsored programs and they are extensive. They require state-sponsored solutions. We can only end this terrible situation through sustained government to government pressure that is led by the U.S. government and involves our allies and all stakeholders."

In addition, he said to be most effective, WROs and other sanctions tools need to be targeted, transparent, clearly articulated, prospective and developed with the trusted industry partners that will ultimately enforce them.

Source: sourcingjournal.com– Sep 17, 2020

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What Experts Say Will Stymie Economic Recovery

The global economy is in the middle of an unprecedented rollercoaster ride caused by economic fallout from the Covid-19 pandemic that's about to improve before talking a turn for the worse, according to a pair of economic reports released Wednesday.

After an historic collapse in the first half of the year, economic output recovered swiftly following the easing of containment measures and the initial re-opening of businesses, but the pace of recovery has lost some momentum more recently, a report from the Organization for Economic Cooperation & Development (OECD) said. New restrictions being imposed in some countries to tackle the resurgence of the virus are likely to have slowed growth, the report said.

IHS Markit noted in its "Global Economic Flash" briefing that the second-quarter real gross domestic product (GDP) drop in most of the world's economies was one of the worst on record, while the third-quarter rebound is likely to be unusually strong. After that, IHS Markit expects recoveries in most of the world's largest economies to falter.

"One of the most troubling and challenging aspects of the current recovery is its glaringly unequal and inequitable allocation of pain across demographic and income groups, industries and economies," said Nariman Behravesh, chief economist, and Sara Johnson, executive director of global economics at IHS Markit.

"Although the unbalanced allotment of recession and crisis costs–sometimes called a K-shaped cycle–is not an unusual feature of recoveries, the difference in the prospects of the 'have nots', the 'haves', and the 'have much more' is especially stark in the post-Covid-19 world."

OECD's "Interim Economic Outlook" said with the Covid-19 pandemic continuing to threaten jobs, businesses, and the health and well-being of millions of people amid exceptional uncertainty, building confidence will be crucial to ensure that economies recover and adapt.

The strength of the recovery also varies markedly between countries and between business sectors. Prospects for an inclusive, resilient and sustainable economic growth will depend on a range of factors, OECD said, including the likelihood of new outbreaks of the virus, how well individuals observe health measures and restrictions, consumer and business confidence, and the extent to which government support to maintain jobs and help businesses succeeds in boosting demand.

The Interim Economic Outlook projects global GDP to fall 4.5 percent this year, before growing 5 percent in 2021. The forecasts are less negative than those in OECD's June Economic Outlook, due primarily to better than expected outcomes for China and the United States in the first half of this year and a response by governments on a massive scale. However, output in many countries at the end of 2021 will still be below the levels at the end of 2019, and well below what was projected prior to the pandemic.

"The world is facing an acute health crisis and the most dramatic economic slowdown since the Second World War," OECD chief economist Laurence Boone said. "The end is not yet in sight but there is still much policymakers can do to help build confidence…Without continued government support, bankruptcies and unemployment could rise faster than warranted and take a toll on people's livelihoods for years to come.

Policymakers have the opportunity of a lifetime to implement truly sustainable recovery plans that reboot the economy and generate investment in the digital upgrades much needed by small and medium-sized companies, as well as in green infrastructure, transport and housing, to build back a better and greener economy."

IHS said the reasons for fading growth include continued extreme caution on the part of consumers and businesses until an effective vaccine becomes widely available–not likely until mid-2021, a surge in layoffs and bankruptcies, rising levels of debt and financial stress, weaker fiscal stimulus going forward, and continued sizable increases in virus cases in some countries and pervasive flare-ups in others.

"The extremely uneven distribution of the pandemic's pain will leave economic and social scars, hampering the recovery of the global economy," the IHS economists added.

Source: sourcingjournal.com– Sep 17, 2020

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World services trade volume fell by 4.3% in Q1 of 2020: WTO

The services trade activity index of the World Trade Organization (WTO), which provides an approximate measure of the volume of world services trade, declined 4.3 per cent (year-on-year) in the first quarter of 2020 with passenger air transport taking the hardest hit owing to the Covid-19 pandemic, according to the latest reading from the WTO Services Trade Barometer.

Some signs of turnaround, however, have been shown by sectors such as container shipping, construction and the services Purchasing Managers' Index (PMI).

"Services trade growth had been slowing in the second half of 2019, and the recent contraction in services trade reflects a weakening pace of global economic growth as well as the early stages of the Covid-19 pandemic. While the index is expected to remain below trend into the second half of the year, a recovery in passenger air transport would make a powerful contribution to a turnaround," as per a statement put out by the WTO on Thursday.

The September 17 reading of 95.6 is the weakest on record for the index, and is significantly lower than its baseline value of 100. However, on the positive side, the barometer's measures are in aggregate outperforming recent trends in actual services trade, a gap that in the past has preceded a positive shift in trade momentum, the statement said.

The decline in the index is also smaller than those seen during the financial crisis over a decade ago, when services trade fell by 5.1 per cent in the first quarter of 2009 compared to the previous year before registering an even bigger 8.9 per cent slump in the second quarter, the statement added.

Most of the barometer's component indices remain below trend but some show signs of bottoming out. Passenger air transport, at 49.2, posted the biggest decline ever recorded for any of the barometer's components, reflecting the sharp drop in travel linked to Covid-19.

"The contraction in this sector has been sufficiently large as to weigh on total global services trade, though it appears to have stabilised recently," the statement said.

Signs of turning around

Indices representing container shipping at 92.4, construction at 97.3, and the global services Purchasing Managers' Index at 97 showed signs of turning around.

The ICT services index fell to 94.6 despite robust demand for such services during the pandemic. The financial services index at 100.3 was the only component index that remained on trend as of mid-September.

Readings greater than 100 in the index suggest above-trend growth while those below 100 indicate the opposite.

World trade in goods, too, have been posting record lows due to the effects of the on-going pandemic.

Source: thehindubusinessline.com– Sep 17, 2020

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Global economic recovery may take 5 years: World Bank chief economist

The global economic recovery from the crisis originated by the coronavirus pandemic may take as much as five years, the World Bank’s chief economist Carmen Reinhart said on Thursday.

“There will probably be a quick rebound as all the restriction measures linked to lockdowns are lifted, but a full recovery will take as much as five years,” Reinhart said in a remote intervention during a conference held in Madrid.

Rise in inequality

Reinhart said the pandemic-caused recession will last longer in some countries than in others and will exacerbate inequalities as the poorest will be harder hit by the crisis in rich countries and the poorest countries will be harder hit than richer countries.

For the first time in 20 , global poverty rates will rise following the crisis, she added.

Source: thehindubusinessline.com– Sep 18, 2020

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EURATEX calls for strong PPP to build sustainable future

The European Apparel and Textile Confederation (EURATEX), on behalf of its 160,000 textile and clothing companies, has called for a strong public-private partnership (PPP) to build a competitive and sustainable future. The call follows European Commission president Ursula von der Leyen's state of the union, presented yesterday in the European Parliament.

"The Commission President has touched upon a vast range of topics and shown great ambition for a forward-looking Europe. The question remains how to ensure effective implementation of those plans; EURATEX calls for a strong public-private partnership to build a competitive and sustainable future," EURATEX said in a press release.

"EURATEX welcomes an ambitious Commission, in particular when it calls to strengthen the Internal Market, to invest in digitalisation, to ensure free but fair trade, to enhance our industrial strategy and build up resilience, to insist on the level playing field in relations with UK, China or the US," the release added.

Such ambitions will help to sustain a competitive European textiles and clothing industry, including 160,000 companies and offering 1.5 million quality jobs. But the question remains how such intentions will be implemented effectively.

"In today's health and economic crisis, we need a strong European Union, which supports our SMEs to survive, to innovate, to become more sustainable, to grow international. That requires effective measures implemented today, not tomorrow. We have put our ideas on the table, and look forward to discuss how to make them happen," said EURATEX director general Dirk Vantyghem.

EURATEX presented its "Recovery Strategy" in June; it includes both short- and long-term measures, and concrete "flagship proposals" (e.g. building recycling hubs for waste textiles). Effective implementation will depend on a close dialogue between the EU, its member states and the private sector, and quick decision making.

Source: fibre2fashion.com– Sep 17, 2020

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China's textile & garment exports rise 5.62% in Jan-Aug

Exports of textiles and garments from China earned $187.41 billion during January-August 2020, registering year-on-year increase of 5.62 per cent, according to the data from the ministry of industry and information technology (MIIT).

Category-wise, textile exports shot up 31.99 per cent year-on-year to $104.8 billion, whereas apparel exports decreased by 15.74 per cent to $82.61 billion, the MIIT data showed.

In the month of August, textile exports soared 46.96 per cent year-on-year to $14.72 billion, while clothing exports rose marginally by 3.23 per cent to $16.21 billion.

The month of August showed the first increase in China's apparel exports since the beginning of the year.

Source: fibre2fashion.com– Sep 17, 2020

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FTA to make UK clothing export to Japan easier: UKFT

The UK-Japan Free Trade Agreement (FTA) will make it easier for UK clothing manufacturers to export to Japan, according to the UKFT. In particular, the FTA will allow clothing producers to undergo a single process in the UK and then export to Japan under tariff preference, as long as 50 per cent of the inputs are sourced domestically, the association said.

"This is a positive change from the EU-Japan deal which required several processes to take place in order to confer origin. The FTA also allows for a more streamlined process to register design right protection in Japan and customs provisions that aim to minimise costs and administrative burdens," UKFT said while commenting on the in-principle deal recently agreed between the UK and Japan governments.

The UK-Japan FTA has to be signed and the final text has yet to be seen but in many ways the UK-Japan deal will be a replica of the EU-Japan deal. The FTA will see tariffs eliminated or reduced and will also see a new, more beneficial, rules of origin regime.

The present MFN tariff of 9.1 per cent on UK trousers and coats will decrease to zero while exporting to Japan when the FTA enters into force. Leather footwear, which currently attracts 21.6 per cent while exporting to Japan, will see the duty reduce to zero from 2028 onwards.

Japan is the UK fashion and textile industry's third largest export market after the EU and the US. For many brands, especially those manufacturing in the UK, Japan is the number one export market and the first market to buy their products.

Source: fibre2fashion.com– Sep 17, 2020

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Bangladesh: RMG value addition drops by 7.83pts in FY20

Value addition in the country's readymade garments sector dropped by 7.83 percentage points year-on-year in the fiscal year of 2019-2020 amid supply chain disruption due to the global outbreak of coronavirus.

A Bangladesh Bank review on the RMG sector showed that the value addition in the RMG sector dropped to 56.49 per cent in FY20 in the context of raw material import from 64.32 per cent in FY19.

The country's RMG manufacturers imported raw materials worth $12.16 billion in the immediate past fiscal year against export worth $27.95 billion in the period.

The sector's value addition was 60.94 per cent in FY18.

Asked, Bangladesh Garments Manufacturers and Exporters Association director Asif Ibrahim told New Age that many appeal industries faced order cancellation due to the outbreak of coronavirus even after the import of raw materials against the export orders.

So, a significant portion of raw materials remained stuck at the backward linkage stage that resulted in a decline in value addition in the apparel sector, said Asif, also vice-chairman of Newage Group of Industries.

Policy Research Institute executive director Ahsan H Mansur told New Age, ‘If the raw materials remained stuck at the supply chain stage in the last fiscal year, the value addition in the RMG sector would increase in the current fiscal year.’

Mentioning the RMG sector’s 83 per cent contribution to the country’s overall export earnings, the BB report said, ‘We need product diversification in our export basket.’

‘During the worldwide coronavirus pandemic Bangladesh has been troubled with less RMG production and exports order from the buyers,’ the BB report said. ‘There seems to be a shuffle in global export chain in post-coronavirus period,’ it said, adding, ‘Countries like Bangladesh need to follow different strategies to grab the market share and lost customers with increased productivity and competitive pricing.’

‘To compete in post-coronavirus period, RMG producers should consider diversifying and converting their product range from low-end to mid- and high-end market,’ the BB report said.

The RMG sector imported raw cotton, synthetic or viscose fibre, synthetic or mixed yarn, cotton yarn and textile fabrics, and accessories for garments as inputs for the production.

In FY20, the import of raw materials represents 43.51 per cent of the country’s export value while the ratio was 35.68 per cent in the previous fiscal year.

RMG businesses, however, said that the situation would improve and the value addition in the RMG sector would grow when the global trade and business would become normal.

To support export-oriented industries including the RMG sector, the government immediately after the outbreak of coronavirus announced a special stimulus package for the sector.

So far, such businesses have received Tk 10,500 crore as stimulus loans for the payment of their workers’ salary at the cost of 2 per cent service charge.

In FY20, the country's export earnings declined by 16.93 per cent, or $6.86 billion, to $33.67 billion from $40.53 billion in the previous fiscal year.

As per the EPB data, the country's export earnings in FY20 were the lowest since financial year 2014-2015 when the earnings were $31.21 billion.

The situation, however, started rebounding gradually with the country's export earnings posting 2.17 per cent growth in the first two months of the current fiscal year.

The earnings increased to $6.88 billion in July-August of FY21 from $6.73 billion in the same period of FY20.

Source: newagebd.net– Sep 17, 2020

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NATIONAL NEWS

India must rejig its trade policy, make SMEs integral to export policy

Everywhere, the struggle to get over the unprecedented scenario arising out of the Covid-19 pandemic continues. As economies of the world are integrated and intertwined through global value-chains, none of the economies has remained unaffected; India is no exception. Let us weigh how India's global trade has fared during the pandemic, and the long, stringent lockdowns that have followed in its wake.

India's exports and imports (both merchandise and services), estimated at $141.82 billion and $127.76 billion, respectively, during April-July FY21, have contracted by 21.9% and 40.7% when compared to the same period last year. This unequivocally points to the saga of how badly the pandemic has impacted India's global trade.

A broader trade policy review is what India needs at this juncture, for speedy recovery amidst changing dynamics of trade policies globally.

The weakening of WTO is a clear signal that multilateralism is being overtaken by unilateralism, bilateralism and economic nationalism. Besides, stronger involvement of the state in the economy and weaponisation of trade policy to achieve economic and geopolitical objectives are weakening the global trade order—especially the multi-lateral rules-based order.

With this backdrop, a broad review of trade policy in India could be of immense value in reviving trade. The review may, inter alia, consider certain measures to catalyse global trade growth.

The trade policy framework could be made more resilient and strategic to strengthen internal and external dimensions. Dependence on imports for supply of fuels, electronic goods, cell phones, machinery, telecom equipment, pharma ingredients, chemicals, vehicles, etc, should be analysed to explore the possibility of import substitution through domestic production. Whatever India imports may not be produced domestically; however, self-sufficiency can be achieved for commodities of critical importance.

Also, the clarion call for 'Atmanirbhar Bharat' requires strategic engagement with trading partners to create synergy and reducing dependencies and vulnerabilities for critical supplies. To achieve this, supply-chains need to be robust and resilient.

With WTO's weak trade governance, India may look for bilateral and plurilateral trade alliances by carefully analysing the pros and cons.

SMEs in India are contributing significantly to employment generation, exports, innovation and inclusive economic growth. SMEs account for 45% of industrial production, 40% of total exports and also significantly contribute to GDP.

Therefore, it is of utmost importance that market access and better trade facilitation for SMEs are provided in the partner countries. Further, higher costs of trade be reduced by ensuring access to information on potential suppliers and overseas business partners, sectoral export promotion through export promotion schemes of the foreign trade policy.

The Covid crisis has turned a boon in disguise as it has accelerated the digital revolution. With no other option available, businesses are proactively using e-commerce, e-services, etc, for their functioning. Digital trade has taken a prominent position, and these trade practices will likely continue.

Notably, the contribution of digital trade in facilitating global value chain and developing innovative products and services cannot be undermined. India has provided a robust policy framework for effective data privacy and protection and regulating digital services. Besides, new technologies involving artificial intelligence, block-chain, 3D printing, etc, are rapidly influencing the way trade has been done.

While e-commerce negotiations are on in WTO, India has chosen to stay away. Nevertheless, India is formulating a revised e-commerce policy. Therefore, harmonising e-commerce policy for integration with a larger group of countries will mitigate the risk of isolation and promote e-commerce trade.

Fairness is one of the cornerstones that supports the edifice of trade. However, India has to be wary of possible abuse by unfair, hostile and uncompetitive trade practices.

The post-Covid-19 times may likely witness some countries resorting to unfair trade practices through state intervention. This will require a careful assessment of how they can impair our trade interest and what appropriate measures can neutralise such practices.

Source: financialexpress.com– Sep 17, 2020

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Attracting global investments during Covid-19

Almost overnight, the coronavirus pandemic changed the dynamics of global geopolitics and trade. One nation, China, was sitting atop the heap, holding a trade surplus with every nation and the tag of the world's manufacturing hub. Today, the scenario seems vastly different as a massive trust deficit is prodding companies and countries to seek alternative manufacturing destinations.

As one of the prospective alternatives, India could not have asked for a better opportunity in attracting foreign investments in diverse domains, including manufacturing. A developed economy such as Japan has announced a $2.2 billion fund to support Japanese companies shift their manufacturing bases out of China. Other countries are following suit with various measures to diversify their supply chains.

More work ahead

Yet, as the Bard quipped, "There's many a slip 'twixt the cup and the lip." India has its task cut out in attracting global investments on an unprecedented scale. Much will depend on the appropriate policy initiatives that address the needs of global investors.

India is making the right moves. At the India Ideas Summit 2020, Prime Minister Narendra Modi disclosed that the nation had received $20 billion in foreign investments between April and July during the ongoing pandemic. As the trade wars and war of words between the US and China escalate, there may be collateral benefits for India if it plays its cards well.

PM Modi has stated in multiple forums that India and US are natural partners who can play a pivotal role in ensuring the world bounces back more quickly from the corona-induced global recession. As trade deals between the US and China unravel, the PM is right in believing there couldn't be a better period for investments in India. Unlike China, India offers the perfect blend of opportunities, democracy, IP protection and talent.

For instance, a series of recent reforms in agriculture opened a plethora of investment avenues in areas such as supply chains, agri-inputs and machinery, food processing, fisheries and organic produce, to name a few. Reforms and opportunities in defence are also noteworthy. Another promising sector is healthcare, which has been growing at 22 per cent-plus annually. Significantly, India is the leading power in vaccine manufacturing. Almost 70 per cent of vaccines used worldwide are made in India.

The government could also provide additional incentives and benefits for foreign investors that align their plans with 'Make in India'. The SEZ policy could be crucial in increasing the presence of foreign firms. India has 231 operational special economic zones and about 355 notified SEZs. There are incentives to promote fast-track manufacturing in SEZs and FTZs (Free Trade Zones).

But one cannot lose sight of the fact that most of India's manufacturing happens via MSMEs, which depend on China for raw materials as well as semi-finished and finished goods. While supply chain disruptions due to Covid-19 have been painful for MSMEs, India can use this enforced opportunity to decouple and purge its dependence on imports from China.

The time is also ripe for a renewed push for 'Startup India'. With the focus on Atmanirbhar Bharat, startups will play a pivotal role in reducing the nation's dependence on foreign goods and services, especially in the tech-heavy space. As countries globally move away from Chinese origin apps, many emerging Indian startups have the potential to become global leaders in their fields. Providing the right regulatory and investment climate is essential to nurture these seedlings. India has 20 Unicorns (startups valued at $1 billion+) against 203 in the US and 206 in China, respectively. Only 6,400 (8 per cent out of 80,000 total startups) in India are funded.

Trade agreements and reforms

To encourage exports and attract allied investments, India must focus on trade agreements with other nations. India is among the leading Asian countries that have the most number of withheld FTAs (Free Trade Agreements) and PTAs (Preferential Trade Agreements). Whereas many are under negotiation, this is the perfect moment to negotiate, sign and implement these trade agreements because most nations are eager to break free from Chinese shackles. Without trade agreements, India won't be able to integrate with the world economy and benefit from global supply chains via economic cooperation with other nations.

Meanwhile, though India has been steadily rising in the Ease of Doing Business rankings, there are select sectors where reforms are long overdue. Land and labour laws continue being cumbersome. Although the Centre has taken commendable measures in addressing some concerns, more reforms are needed to enthuse investors, national or international.

The other issue relates to implementation. Consider the GST reform, meant to create a single-tax regime across India. Multiple GST slabs and hundreds of rule changes since its introduction in July 2017 have only confounded stakeholders.

No doubt, there is an unparalleled opportunity for India today to grab a lion's share of global investments. In the past few years, however, Thailand, Bangladesh, the Philippines, Vietnam and Malaysia, among others, have attracted some of these foreign flows.

The nation simply needs to get its act together and put in place a cohesive, comprehensive strategy addressing the varied concerns of foreign investors. Once this happens, Brand India will certainly emerge as the world's top investment destination.

Source: thehindubusinessline.com– Sep 17, 2020

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Ecommerce may bag big gains this festive season

The online retail industry is expecting strong growth in sales during the upcoming festive season, riding on the back of a surge in first-time shoppers from smaller towns, according to analysts and industry executives who expect the sector to also gain from the pandemic-induced slowdown in offline retail.

The season will be dominated by a fight for market share among three big online platforms — Amazon, Walmart-owned Flipkart and new entrant Reliance JioMart. Also expected to gain from the boom in online buying are e-grocers BigBasket and Grofers, furniture etailers like Pepperfry, beauty and grooming platform Nykaa, as well as baby care platform FirstCry.

"Ecommerce has seen a sharp revival from the lockdown days, trading at 1.8 times of January," said Anil Kumar, CEO at RedSeer Consulting. "This has largely come at the cost of organised trade and offline grocery buying. This trend is expected to have significant long-term impact, providing tailwinds to online buying behaviour," he said.

According to RedSeer, gross industry sales could grow by as much as 50% to about $4 billion during the main sales days that are dominated by Flipkart's Big Billion Days and Amazon's Great Indian Festival Sale.

Through the entire month leading up to Diwali in November, gross sales for the online retail industry could touch $7 billion, up from $3.8 billion in 2019, said RedSeer Consulting.

However, others such as Satish Meena of Forrester Research estimate the growth in the sector to be 20-25% over last year's $4.8 billion gross sales during the festive period.

"A 20-25% growth is healthy in this period. People who have kept their jobs, and have also saved much more by curbing transportation, eating out, entertainment and holiday spends would like to spend this festive period," Meena told ET.

A senior executive at a leading online marketplace told ET that while ecommerce will certainly cannibalise some offline sales, sales growth is forecast to be 20-25%. Shipment volumes could grow by 50% year-on-year during the upcoming festive season, the person said. Flipkart and Amazon did not respond to ET's queries on festive sale estimates.

Offline goes online

Eager to benefit from the anticipated boom in festive sales, several offline retailers have established an online presence. "Just like the SARS virus led to the growth of China's nascent internet sector in 2003, the Covid-19 pandemic has boosted India's internet sector," said Samir Sood, a partner at Venture Highway.

"We typically see a 60-90% jump in sales during the festive season. This time we are expecting a 100% jump at least, given the current trajectory of demand," Ashish Shah, cofounder of Pepperfry told ET.

Other high-growth categories include fashion, which is expected to contribute 15-20% of gross sales during the main sale period, compared with 17% last year.

Fashion portal Myntra said it expects sales to double during the festive period, while Nykaa anticipates a spike of 50% in omnichannel sales, compared with last year.

Logistics companies are ramping up operations. "Most brands have adopted digital strategies and have moved from organised offline to online, either directly or through ecommerce platforms, to make up for the lost opportunity. So, we are seeing a surge in demand for logistics from these players also, besides our ecommerce clients," said TA Krishnan, CEO, Ecom Express.

However, the share of mobiles in online retail sales could drop to 40-45% compared with 47% last year, said RedSeer, as first-time shoppers from tier II and III cities will primarily splurge on low-cost items.

Over 50% of online shoppers this festive season will come from beyond the metros, boosting sales and stoking expectations of the Indian online retail industry ending fiscal 2021 with gross sales growth of 40% at $38 billion.

Source: tech.economictimes.indiatimes.com– Sep 17, 2020

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Is rupee's flirtation with 73 over?

The rupee broke above 74 to the dollar towards the end of August and has been hovering in the 73-74 range since then, with a strengthening bias. Indeed, it flirted with 73 and, absent RBI action, it likely would have breached that level a couple of times so far.

Interestingly, the rupee started strengthening just as FPI inflows slowed down—since mid-August, the 7-day average of inflows has fallen from 585 million a day to near zero. During this period, the rupee strengthened by 2%, in the process breaking above RBI's earlier protected level of 74.50.

The driver for this was clearly that the market was getting increasingly concerned about inflation, reflected in the devolvement of three RBI auctions and rising yields. It would seem that this pushed RBI to loosen its ceiling for the rupee, perhaps in the hope that a stronger rupee may help contain inflation at least a little bit.

Many analysts see the uptick in inflation as temporary, as it is driven by supply constraints during the lockdown, and RBI may be counting on that. However, the noise on the ground indicates that inflation expectations are rising and it is critical not to allow these to get entrenched.

In all likelihood, supply constraints will ease, but a good monsoon and, hopefully, a sane government second package that puts money in peoples' hands could see the demand side of the inflation picture come into play. This suggests that it will be difficult for RBI to cut rates in the immediate future.

The trade figures for July just released show that imports are still nearly 30% down from last year; exports are also lower by 20+%, confirming that our recovery is slower than most of the rest of the world. This points out that the trade picture continues to fundamentally support the rupee. The larger issue is that the currently high bond yields multiplied several times by the Fed's open tap approach (which would broadly make emerging market assets more attractive) could see FPI flows pick up over the next few weeks.

While the stock market will love this, it would also make it harder for RBI to hold the line at 73, particularly as the huge amounts of rupee liquidity already in the system would make it that much more difficult for RBI to sterilise the inflows.

On the other hand, there is also increasing talk that the government and RBI may reach an accommodation on monetising any fresh support package—this would calm bond markets since this would manage its concerns about the still-to-come supply of government bonds. If yields were to fall back under this monetary management, we could see the rupee pause, and perhaps slip back towards—and, possibly, above—74.

Of course, in the larger scheme of things, these are minor movements. Exporters, who celebrated near-77 levels, are likely ruing that they did not hedge significant amounts—the forward rate for December has fallen by more than 5% since the rupee's plunge. But, the truth is that when the rupee is falling, it always looks like it will be better tomorrow—but that tomorrow never (or seldom) comes.

Tragically, many exporters are still waiting and watching. It is always possible that the rupee could again tank—if, say, the global markets tank—but a bird in the hand is worth (often much more than) two in the bush. With premiums still around 4% a year, exporters should ensure that they are never more than half exposed; in fact, we would recommend a structured process with a stop loss in place to ensure that a certain minimum value is achieved irrespective of what happens to the market.

Following this kind of approach—where a certain amount is hedged upfront, and a stop loss is set to protect against a bad market—would have resulted in a fully hedged rate of 77 for December exports (assuming the position was set in mid-April when the rupee was at its low) as compared to about 74.50 today.

Importers, of course, are enjoying the seemingly free ride. But, we all know that when the rupee turns, it is vicious. To my mind, it is worth paying as much as 50 paise for insurance—thus, I would certainly, hedge at least 50% of import exposures out to two months AND, critically, set a risk limit of, say, a further 50 paise, so, if the rupee turned sharply, I would hedge some more if/when the spot hits 74.

Source: financialexpress.com – Sep 18, 2020

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New seven-day rule for exporters at Chennai Port to ease congestion during peak hours

In a bid to reduce congestion during peak hours, Chennai Port is allowing seven days carrying time instead of the present five days for the two terminal operators -- DP World and PSA Singapore -- on a trial basis till October 15.

The decision was taken after authorities found that container movement to the port was not uniform on all days. A huge rush of export trailers was observed on certain days, while on other days the movement was in a trickle, a Chennai Port release stated.

The extension in carrying time is expected to facilitate more time for exporters who can move the trailers in advance to avoid the peak hour rush, a Chennai Port spokesman said.

The Chennai Port Chairman has requested the other stakeholders such as vessel operators, customs brokers and exporters to work round the clock in line with the functioning of port and terminal operators to avoid congestion during peak hours, the release added.

Source: newindianexpress.com– Sep 17, 2020

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COVID-19 Has Opened Up New Vistas For Indian Textile Industry In Global Markets

Ravi Capoor, Secretary, Ministry of Textiles, Government of India, stated that COVID-19 has affected the global market conditions but has also opened up new vistas for the Indian textile industry to gain market share of China in the developed world, especially the EU and the US.

Addressing the inaugural session of the three-day 'GLOBIZ - Global Textile & Home Furnishing Expo', organized by FICCI, Capoor said that this is the most promising time for the textile industry in India due to strong consumption in the domestic market as well as the growing demand for exports. Various countries are looking at Indian markets and it's the time to gear up supply chains, quality and deliver at the promised schedules, which will enable India to become a market leader, he added.

Capoor also urged the industry to work towards tapping the unexplored global markets. All stakeholders including FICCI should plan a huge outreach program in new areas like the LAC, Japan etc. There are challenges in the apparel industry, but the home furnishing sector has the potential to almost double its exports within two years, he noted.

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

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Covid disruption will hurt MSME recovery prospects says Moodys

The Covid 19 induced economic and property market disruptions will lead to higher delinquences by India's micro, small and medium enterprises (MSMEs) hitting their refinancing prospects, credit rating agency Moody's Investors Service said on Thursday.

The rise in delinquences will hit these companies' asset backed securities (ABS) over the remainder of the year and hurt their chances of a recovery, Moody's said.

The credit rating agency expects India's economy to contract 11.5% in the fiscal year ending March 2021. "As the economy slows, SME loan delinquencies – which have been on the rise since January – will continue to increase and property prices will face increasing pressure," said Dipanshu Rustagi, assistant vice president and analyst at Moodys.

"This will challenge SMEs' refinancing of loans against property (LAP) and hurt the recovery prospects for defaulted loans, in turn affecting the quality of the Indian SME ABS that we rate, which only entail LAP," Rustagi said.

Government of India's stimulus measures like guarantees on loans to MSMEs will partially offset rising risks and help alleviate liquidity pressures in the sector but will not fully shield the sector from a downturn.

Many SME businesses have stalled because of the coronavirus disruptions, while demand for SMEs' goods and services has fallen along with job and income declines, Moodys said.

"We expect the challenging operating environment for SMEs will continue for the rest of 2020, which will increase the risk of loan delinquencies. In the SME ABS we rate, the 90 plus days delinquency rate as a percentage of current balances rose to 6.59% in July 2020, from 2.16% in December 2019 before the coronavirus disruptions.

Given that 55%-65% of underlying loans were on coronavirus-related payment moratoriums between March 2020 and August 2020 and lenders do not report loans under moratorium as delinquent, the reported delinquency rate has understated the true extent of problem loans since April," the rating agency said.

Moody's expects the 1 ton30 days delinquency rate to increase materially in September, with the 90 plus days delinquency rate increasing a few months later.

The decline is property prices will also hurt recovery all the underlying assets in the Indian SME ABS Moodys rates are backed by loans against property (LAP), mostly secured by residential properties located in large cities and metropolitan areas, and in some cases by commercial property in these areas.

In the event of default, lenders usually rely on selling the mortgaged properties to recover outstanding debt amounts but this will not be possible amidst declining property prices. Lenders will also be more cautious with LAP lending, which will reduce refinancing options.

However, the non-amortizing cash reserves and substantial excess spreads in the Moody's rated portfolio will provide liquidity and some buffer against losses. The relatively low loan-to-value (LTV) ratios of the underlying loans will also limit losses from defaults.

Source: economictimes.com– Sep 17, 2020

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Almost 70% handloom households earn less than Rs 5,000 a month; govt doing this to promote handloom

A majority of households employed in handloom work earn less than Rs 5,000 a month, according to 4th All India Handloom Census 2019-2020. The total number of handloom worker households is nearly 31.4 lakh, Smriti Zubin Irani, Minister of Textiles, said in a written reply during Rajya Sabha session. The last survey was conducted in 2009-2010 and there has been a rise in handloom worker households since then from 27.8 lakh to 31.4 now. In 2009-2010, households were earning an average of Rs 3,042 per month and it was estimated that 99% of all weaver households earned less than Rs 5,000 per month.

Only 1.2% of handloom worker households are earning above 20,001 which is the highest income category. Upon being asked about the steps that the government has undertaken in order to promote the sector, it said that various schemes have been implemented to aid the sector's growth. This includes the National Handloom Development Programme (NHDP), Comprehensive Handloom Cluster Development Scheme (CHCDS), Handloom Weavers' Comprehensive Welfare Scheme (HWCWS) and Yarn Supply Scheme (YSS).

The government is providing financial assistance for raw materials, purchase of looms and accessories, design innovation, product diversification, and infrastructure development under the above mentioned schemes. Also, the financial aid will help with skill upgradation, lighting units, marketing of handloom products and taking loan at concessional rates.

Under the NHDP scheme Introduced in 2015-16, financial assistance upto Rs 2 crore per BLC for various interventions is provided. The proposals are recommended by the respective state government. Under the Weaver Mudra Scheme, credit at concessional interest rate of 6% is provided to the handloom weavers.

Further, the government is also promoting handloom sales via the help of e-commerce. "In order to promote e-marketing of handloom products, a policy framework was designed and under which any willing e-commerce platform with a good track record can participate in online marketing of handloom products," the minister said. Currently, 23 e-commerce entities are engaged for online marketing of handloom products.

Source: thehindubusinessline.com– Sep 17, 2020

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Employment Opportunities in Textile Sector

Textile Sector in India provides largest source of employment in the country with over 4.5 crore people employed directly and another 6 crores people in allied sector including large number of women and rural population through various schemes and public programmes such as:-

Amended Technology Upgradation Fund Scheme is being implemented to upgrade technology/machineries of textile industry with an outlay of Rs.17,822 crore during 2016-2022 which will attract investment of Rs.1 lakh crore and generate employment in the textile sector by 2022.

Under the Scheme of Integrated Textile Park (SITP), Government provides 40% subsidy with a ceiling of Rs.40 crore to set up Textile Parks for infrastructure creation and employment generation. 59 sanctioned textiles parks are under various stages of implementation, once fully operational it is expected to house about 5909 textile units and will generate employment for about 3,61,093 persons.

Under the Scheme for development of Knitting and Knitwear to boost production in knitting and knitwear clusters which provide employment to nearly 24 lakh persons.

Apart from the aforesaid programmes, Government has been implementing various schemes for promoting investment, production, employment generation in Powerloom Sector, Silk Samagra, North Eastern Region Textile Promotion Scheme (NERTPS), National Handicraft Development Programme (NHDP) and National Handloom Development Programme (NHDP) to provide direct job in rural India.

There is no specific scheme for branding of raw cotton. However, Government has launched Indian Handloom brand for high quality handloom product, with authentic traditional design with zero defect and zero effect on environment. Since its launch, 1590 registration have been issued under 184 product categories.

Under the broad objective of “Skill India” & “Make in India” initiatives, Government is taking many initiatives in addition to the above mentioned schemes such as:

(i). SAMARTH- Scheme for Capacity Building in Textile Sector and placement oriented programme targeting skill development of 10 lakh youth in the entire value chain of textiles, excluding Spinning & Weaving in the organized Sector. SAMARTH scheme include Training of Trainers (ToT), Aadhar Enabled Biometric Attendance System(AEBAS), CCTV recording of training Programme, dedicated call center with helpline number, mobile app based Management Information System (MIS) and online monitoring of the training process. Under this scheme, 18 State Government have been allocated a training target of 3.6 lakh beneficiaries for conducting training Programme in traditional programme in traditional and organized sectors.(ii). Under Technical Textiles interventions, it is poised to create high value jobs in the country for textiles sector workers.

Employment in the sector is expected to increase to 23 lakhs by 2024 from the present 16 lakhs. Interventions will help to achieve 40 Billion USD market size by 2024-25 from present level of 19 Billion USD and also to enhance target penetration level in domestic applications: Agro-textiles (10% – 40%), medical textiles (10% – 30%), Geo-textiles (20% – 60%), protection textiles (20% – 60%).

To promote development and application of these high quality raw material. The product range into 12 broad segments. In the long run we aim at achieving a share of 30-35 per cent of fibre consumption for applications in technical textiles. Besides these, Government is also providing training under Handloom and Handicraft sector for upgradation of skills through training to the workers and artisans in weaving, designing, dye and printing through to produce good quality products.

This information was given in a written reply by the Union Minister of Textiles Smt. Smriti Zubin Irani in Rajya Sabha today. Sectoral Organization of Ministry (DC-Handloom, DC-Handicrafts, CSB & National Jute Board) has been allocated a training of 43,000 beneficiaries for skilling/ up-skilling in traditional sectors.

Further, undertaking industry oriented entry level skilling programme in the organized sector a total of 76 industries have been empanelled under entry level skilling and allocated a training target of 1.36 lakh beneficiaries. For up-skilling programme 44 industries have been empanelled and allocated training target of 30,000 beneficiaries.

Source: indiaeducationdiary.in– Sep 17, 2020

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