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INTERNATIONAL NEWS

The world is in need of strong trade champions

World trade may not have done as badly under the current corona crunch as feared a few months ago. But the scenario is grim all the same. On Wednesday, the Geneva-based World Trade Organization (WTO) said that its Goods Trade Barometer, which offers real-time data on merchandise sales across borders, had hit a low of 84.5. This was well under its baseline of 100, 18.6 points lower year-on-year, and also “the lowest on record in data going back to 2007", as the WTO put it, “on par with the nadir of the 2008-09 financial crisis".

The WTO also said that the latest number was largely consistent with its statistics issued in June, which estimated an 18.5% drop in the second quarter of 2020, as compared to the same period a year earlier. Back in April, the organization had forecast that world trade in goods would contract by 13-32% this calendar year. Now it seems that the actual shrinkage will be nearer the lower end of that range.

Thankfully, there are signs of an uptick in some sectors. While component indices of the barometer such as automotive products, air freight and container shipping remain depressed, export orders point to a nascent recovery. Other indices such as electronic components and agricultural raw materials recorded only modest declines. Yet, optimism on trade remains at a premium for reasons that go beyond the covid pandemic. Unless action is taken, global commerce may yet recede behind thick domestic walls and leave us all worse off.

All portents suggest an L-shaped rather than V-shaped recovery in trade. The international movement of goods and people will likely stay restricted until a way out of the current crisis is found. More strikingly, too many countries appear to have turned their backs on the idea of free trade, with “beggar-thy-neighbour" mercantilist instincts awakened by nationalist rhetoric in large parts of the world. Notably, the US, once a stout supporter of globalization, has moved away from its economic rationale.

Having long argued that a planet free of business barriers would serve everyone’s interest, it has turned trade relations into a matter of give-and-take, with its own import tariffs either used as bargaining chips for market access or shaped by considerations that end up picking specific winners and losers within the US. This has been visible in its tit-for-tat tariff war with China, the overall cost of which would have exceeded any benefits it may have got. No less damaging has been its neglect of the WTO, which has more or less been in limbo, its dispute resolution mechanism especially.

So, how does the world extricate itself from this morass? Since adherence to the rules of a multilateral trading system is critical to the smooth flow of stuff across borders, a rescue of the WTO would have to be accorded priority. A bigger challenge would be to reverse the trend of nations trying to boost exports while curtailing imports. This is misguided. Trade policies should be win-win.

If the existing trade architecture needs to be tweaked to fix anomalies, then talks should begin. Above all, we need vocal champions of trade that understand and articulate the perils of a split-up world. The last major era of drawbridges being drawn up led to tensions playing a catalytic role in an outbreak of hostilities. Economic integration after World War II was meant to act as a guarantor of global peace and stability. Let’s not forget that lesson.

Source: livemint.com– Aug 20, 2020

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China commerce ministry says trade talks with US coming soon

Chinese and US trade envoys will hold a meeting by phone in the near future to discuss an agreement aimed at resolving a tariff war, a Commerce Ministry spokesman said Thursday.

The spokesman, Gao Feng, gave no details of the timing at a ministry news briefing. Chinese and US trade envoys will hold a meeting by phone in the near future to discuss an agreement aimed at resolving a tariff war, a Commerce Ministry spokesman said Thursday. The spokesman, Gao Feng, gave no details of the timing at a ministry news briefing.

Source: financialexpress.com– Aug 20, 2020

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US ends pacts with Hong Kong on extradition, shipping tax

Moves part of Trump administration efforts to pressure China over imposition of national security law

The US suspended its extradition treaty with Hong Kong and ended reciprocal tax treatment on shipping with the former British colony, the latest salvo in escalating tensions between Washington and Beijing.

The moves are part of the Trump administration's efforts to pressure China over the imposition of a national security law that has led to charges against pro-democracy activists. They follow up on an executive order to end preferential trading treatment for the city, which President Donald Trump and his team say is now essentially just another Chinese city.

The benchmark Hang Seng Index fell on Thursday for a second day as investors remained worried about tensions between the world's biggest economies. Hong Kong's government didn't immediately respond to a request for comment.

The US move follows a half-dozen other countries — including Australia, Germany and the UK — that have suspended extradition agreements with Hong Kong following China's imposition of the law in late June.

The Trump administration also sanctioned 11 senior officials who oversee Hong Kong, including the city's leader Carrie Lam, who has said she's had difficulties with credit cards. China responded with retaliatory measures against US senators and human rights activists, though avoiding senior White House officials.

Blame game

More broadly, the Trump administration has engaged in a seemingly endless clash with Beijing over everything from apps such as TikTok and 5G wireless technology to a blame game over Covid-19 and arms sales to Taiwan.

Tensions and rhetoric have escalated recently as the global pandemic worsened in the US, China ramped up pressure on Hong Kong and as the US election draws closer.

The agreements terminated on Wednesday covered the surrender of fugitive offenders, the transfer of sentenced persons, and reciprocal tax exemptions on income derived from the international operation of ships, State Department spokeswoman Morgan Ortagus said.

These steps underscore our deep concern regarding Beijing's decision to impose the National Security Law, which has crushed the freedoms of the people of Hong Kong, Ortagus added.

Source: thehindubusinessline.com– Aug 20, 2020

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Sri Lanka to increase production of batik and local garments

In the next five years, the newly elected Sri Lankan government aims to focus on increasing the production of batik, handlooms and local garments. State-owned textile trading institutions such as Lanka Salu Sala will facilitate market expansion for the industry, said Gotabaya Rajapaksha, President.

In a recent discussion, the President urged the public to remain the main stakeholders in its vision to create a public-centric economy. Rajapaksha named the garment industry as pioneer in employment generation and regional development, noting that exports from the garment industry account to 43 per cent of total exports accumulating an annual income of nearly $ 5 billion to the country.

He stressed that it is of utmost importance to further the local economy while the rest of the world recovers from a global pandemic. The discussion was attended by Minister of Industries Wimal Weerawansa, State Minister for Batik, Handlooms and Local Garments Dayasiri Jayasekara, Secretary to the President, P B Jayasundera, Secretary to the Treasury S R Attygalle and several entrepreneurs related to batik, handlooms and local garments.

Source: fashionatingworld.com– Aug 20, 2020

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Order dropped almost 40% in Vietnam's textile and apparel industry

The Ho Chi Minh City Textile and Garment-Embroidery Association said the number of garment business orders in the city has dropped to 40 percent compared to last year's same time.

Because of the effects of the COVID-19 pandemic, conventional clothing industry markets such as the US and Europe, which account for up to 70-80 percent of Vietnam 's clothing exports, were nearly paralyzed while the number of orders from the Asian region was small.

Many garment enterprises have not received high-value orders, including suits and high-class shirts, while face masks and protective clothes, which are considered as life-saver for many enterprises, have seen sharp decreases in their prices due to excessive supply worldwide.

If the situation doesn't change early, according to estimates, there will be about 60-70 percent of micro and medium-sized enterprises facing the risk of shutting down. Vietnam Textile and Apparel Association (Vitas) Chairman Vu Duc Giang said the COVID-19 pandemic has triggered a change in consumer culture as people have shifted spending on essential goods rather than placed too much focus on shopping as before. Most textile businesses are returning to the domestic market to maintain their survival, but domestic demand is also low because people are spending tightening up.

According to the Ministry of Industry and Trade, textile production rose by 1.8 per cent in the first seven months of the year, clothing production dropped by 4.6 per cent compared to last year.

Garment and clothing export turnover was reported at US$ 16.18 billion in the first seven months, down 12.1 per cent; fabrics and yarns of all kinds dropped 20.9 per cent during the same period last year. The industry's overall export turnover this year is expected to be around $32.75 billion , down 16 per cent from last year.

Source: textilefocus.com– Aug 20, 2020

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Bankrupt G-Star Raw Australia Leaves 200 Jobless in Closing All 57 Stores

Denim brand G-Star Raw Australia has shut down all 57 stores after the bankrupt jeanswear chain failed to find a buyer, casting roughly 200 workers onto the unemployment lines.

Ernst & Young, appointed as administrators when the business became insolvent in May, told news.com.au that G-Star Raw's inability to generate a viable buyer over the past many weeks reflects the "high level of uncertainty regarding the future prospects for the retail sector in Australia."

The U.S. arm of Dutch-owned G-Star Raw Retail Inc. filed its own voluntary Chapter 11 bankruptcy court petition in July in Los Angeles, listing its landlord at Manhattan's 475 Fifth Avenue, owed $426,007, as its largest unsecured creditor.

Shortly after the U.S. filing, a corporate restructuring sheared 10 percent of G-Star's headcount from payroll, including 150 in the Netherlands headquarters.

An L.A. federal bankruptcy court set the deadlines for when a reorganization plan will be confirmed. G-Star's U.S. arm still needs to solicit the support of its constituency group, and if all goes well, the denim brand could exit Chapter 11 proceedings by October or November.

The Aussie business's shutdown marks the latest devastation in denim and in fashion retail at large. Lucky Brand Dungarees was plucked from bankruptcy in a $191.5 million deal by the dynamic duo of Authentic Brands Group and Simon Property Group, though Stage Stores is liquidating stores and Stein Mart is too, while hoping to hand off its e-commerce and intellectual property to a buyer.

Source: sourcingjournal.com– Aug 20, 2020

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Australian wool prices depreciate across all types

Prices of wool depreciated across all types and descriptions at the Australian wool auctions this week. The eastern market indicator (EMI) dropped 5.9 per cent to 945ac cln/kg but the stronger AUD (+1.8 per cent) had the US prices faring better in comparison, but still 4.1 per cent was eliminated from that indicator to close at 685usc cln/kg.

"Wool prices expressed using the EMI as a guide have fallen to the levels of September 2012 in AUD, and to levels of August 2009 in USD," the Australian Wool Innovation (AWI) Limited said in its commentary for sale week 8 of the current wool marketing season.

During the week ending August 20, clearance rates were way down compared to the previous week with just 74 per cent of the offered quantity meeting the grower reserves.

"Chinese top makers dominated the Merino sector this week. The major European top maker dominated the crossbred segment. As prices retreated, more and more wool often sold under just limited top maker competition, particularly the dwindling supply of lower yielding drought-affected wools. The carding processors were also active as prices lowered and reasonable competition ensued with merchants of these types," the AWI report said.

"Local and foreign traders generally fled to safety with just sold orders needing completion or the easier traded types coming under their buying scrutiny. Some operators chose to sit out again and not compete due to their lack of holding firm orders and more-so that speculation is not part of the psyche of the modern-day trader currently," the report added.

Compared to last season at the same time, almost 7 per cent more wool has been sold to the trade even though prices are 37 per cent lower. The next three weeks has 31 per cent more wool forecast to sell than the same period last year.

Next week, wool auctions will take place only in Melbourne and Sydney, as the 'wool week' scheduled event in Western Australia is now cancelled due to COVID-19 restrictions.

Source: fibre2fashion.com– Aug 20, 2020

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Philippine garment exporters to furlough 30% workers

About 30 per cent of garments workers in the Philippines are forced to go on a furlough until the end of the year due to weak demand resulting from the COVID-19 pandemic, according to the Confederation of Wearable Exporters of the Philippines, which recently said garments factories are operating at marked downtime to comply with safety protocols.

“We are trying our best to maintain status quo within the work force. Since capacity for third quarter is projected to be down at 40 percent, we expect around 20 percent to 30 percent of regular workers may be on furlough until end-year,” Maritess Agoncillo, executive-director of the confederation, said.

Agoncillo said to cope with sluggish demand, several factories repurposed their operations to produce medical-grade personal protective equipment in response to the government’s request to locally produce the PPEs and save jobs.

She said other factories adopted rotational work basis, allowing workers to report to work for at least two weeks, according to a Philippine newspaper report.

She said of the factories still operating, most are at 40 per cent to 50 per cent of their capacity.

Agoncillo said the trade body is finalising its report on the costs of operating in the ‘new normal’ and its impact on operations and profitability.

She said factories that agreed to repurpose their operations had to compete with imports. The repurposing program attracted $35 million in investments and saved 7,450 jobs amid the weakening of the global economy, she said.

Source: fibre2fashion.com– Aug 20, 2020

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Bangladesh needs free trade agreement with the UK

Bangladesh needs to sign a Free Trade Agreement (FTA) with the UK if it hopes to increase bilateral trade and private sector investment between the two countries, according to various local businessmen.

The UK is Bangladesh's third-largest export destination with last year's shipments amounting to nearly $3.5 billion, of which garment items accounted for more than 93 per cent.

In fiscal 2018-19, Bangladeshi exports to the UK totalled $4.8 billion. However, the ongoing coronavirus pandemic has disrupted trade between the two countries.

Aside from being a major export destination, the UK acts as a hub for Bangladeshi shipments to other parts of Europe.

Besides, the UK provides a considerable about of foreign direct investment (FDI) for Bangladesh as more than 200 British companies currently have $2.5 billion invested in the country.

It is for these reasons and the significant historical relationship between the two nations that the UK is an integral part of Bangladesh's global trade.

More than seven lakh Bangladeshis now reside in the UK for education or business-related purposes if not as naturalised citizens.

Subsequently, a large number of citizens of Bangladeshi origin are involved in important business and political procedures in the UK and so, the island nation has turned into a very important trade partner for Bangladesh.

Since the Bangladeshi population in the UK is quite considerable, the demand for local food items like rice, fruits and fish has risen there.

And so, the time has come to sign an FTA with the UK so that Bangladesh can take full advantage of any potential business deals when Britain exits the EU trade bloc at the end of the year.

Although the British government has already assured that Bangladesh will continue to enjoy zero-duty benefits even after Brexit due to its status as a least-developed country, local businessmen want the two nations to sign an FTA to secure future benefits.

"We have to diversify our exports to the UK. Pran has been active in the UK and other foreign markets for many years now," said Ahsan Khan Chowdhury, chairman and chief executive officer of Pran-RFL.

The demand in the UK for his company's products such as bread, biscuits and other locally produced food items is on the rise due to the massive ethnic diversity present there.

Moreover, Bangladesh is the highest bicycle supplier to the UK, he said, adding that Pran-RFL exports 40,000 units to the UK every month.

"Therefore, we need signing an FTA with this vital market," he said at a virtual discussion on 'exploring trade and FDI opportunities with the UK', organised by the Dhaka Chamber of Commerce and Industry (DCCI).

Faraaz A Rahim, executive director of Rahimafrooz Storage Power Business, relayed his company's success story of exporting batteries to the UK.

"We have enough scope to widen our exports to the UK. Apart from apparel items, my company's success in exporting batteries is an example. So, we need to form a strategic partnership with the UK soon."

Besides, creating a platform for battery manufacturers and trading partners of Bangladesh and the UK is essential to increasing outgoing battery shipments.

As it stands, the global market for batteries is currently worth more than $59 billion, which leaves plenty of room for Bangladesh to grab a greater share, Rahim added.

Very few local companies export pharmaceutical goods to the UK even though the demand for cheap medication is very high there, said Abdul Muktadir, chairman and managing director of Incepta Pharmaceuticals.

Similar to other products, the UK could act as a bridge for Bangladeshi pharmaceuticals to reach other European countries as the country's Medicines and Healthcare products Regulatory Agency (MHRA) is well recognised in the region.

If Bangladesh's pharmaceuticals companies are registered with the MHRA, it will take Bangladesh's drug manufacturing sector to new heights.

After Incepta was registered with the MHRA, buyers in the UK paid $11 per pack for the same medicine that buyers from the UAE offered $3 for, Muktadir said.

Most of the generic medicines available in the UK is produced in India.

Therefore, Bangladesh could also benefit from the UK market if it builds a strong relationship with the country, he added.

Apart from apparel products, Bangladesh could export a lot of other items like jute goods, pharmaceuticals and footwear to the UK, said Hossain Khaled, managing director of the Anwar Group of Industries.

The UK's imports amounted to $692 billion in fiscal 2019-20 and so, as a leading export nation, Bangladesh can grab a greater share of this market.

Khaled also urged British entrepreneurs to invest in Bangladesh's automotive industry while adding that the country needs to improve its ranking on the World Bank's Ease of Doing Business Index.

In fiscal 2019-20, 13 per cent the country's total software exports were destined for the UK, said Syed Almas Kabir, president of the Bangladesh Association of Software and Information Services (BASIS).

While third in terms of overall export, the UK is the second-largest export destination for locally developed software.

But still, Bangladesh can export 10 times more than the existing trend to the UK.

Kabir also asked the government to provide British investors with the scope to establish industrial robotic software companies at the high-tech parks in Bangladesh.

Asif Ibrahim, a director of the Bangladesh Garment Manufacturers and Exporters Association, urged British investors to relocate their businesses to Bangladesh and establish more man-made fibre textile factories.

Investors from the UK could invest in Fintech, a listed financial services company of Bangladesh, he added.

Seeing as Bangladesh enjoys duty-free benefits with China, British investors could take advantage by setting up their factories here, said Abul Kasem Khan, chairman of the Business Initiative Leading Development.

This is why signing an FTA is very important for Bangladesh, he added.

Bangladesh needs to find out whether signing an FTA is indeed crucial at this juncture as the country already enjoys preferential duty privileges with several developing and developed countries due to its classification as a least developed country, said Sharifa Khan, additional secretary (FTA) to the commerce ministry.

Besides, these facilities will continue until 2027, the final year of Bangladesh's graduation to a developing country. The UK government also previously announced that tariffs would be cut substantially next year. The existing import tariffs will come down from a maximum of 20 to 10 per cent to 5 or 2 per cent depending on the product's nature.

"So, we need to take advantage of this change," Khan said.

The country has tremendous potential to do business with the UK, said Robert Chatterton Dickson, the British high commissioner to Bangladesh.

However, there is a wider issue at hand: Bangladesh's need to improve its ease of doing business ranking, he added.

In 2018, FDI from the UK to Bangladesh stood at $370 million, which is 10 per cent of the amount that flew in that year, said Selim Raihan, executive director of South Asian Network on Economic Modelling, while presenting a keynote paper.

Although FDI from the UK to Asia totalled £186.46 billion in 2018, Bangladesh's share of that amount was just 0.37 per cent, Raihan said.

Some of the obstacles for the country to attracting FDIs from the UK are its narrow export basket, inadequate policies and strategies, weak collective action from non-garment sectors, weak enforcement of intellectual property rights, high cost of doing business and slow implementation of infrastructural projects.

The chambers of commerce in Britain are not aware of Bangladesh's potential as a supplier, said Saida Muna Tasneem, Bangladesh's high commissioner to the UK.

She went on to call for the establishment of strong trade and investment-related relationship with the UK to address the issue as Bangladesh has the opportunity to export light engineering products and other value-added garment items to the market.

The UK is the second-largest foreign investor in Bangladesh, registering accumulated an FDI stock of about $2.45 billion as of March, said DCCI President Shams Mahmud, who moderated the discussion.

He also asked the concerned agencies of both the countries to undertake the necessary steps and dialogues to sign an FTA with a focus on comprehensive economic integration.

Md. Shahriar Alam, the state minister for Foreign Affairs, said that his government will soon form a Bangladesh UK (BG UK) Commission for holding a day-long business dialogue every year in a bid to boost trade and investment between the two countries.

Source: thedailystar.net– Aug 20, 2020

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Pakistan: Fallout of energy crisis on textile exports

Distortions and inefficiencies in Pakistan's energy sector and their consequential impact on consumers and businesses are not new to debates concerning sustained economic growth of the country.

The fallout of high energy tariffs and the circular debt crisis on the textile industry - Pakistan's single largest contributor to exports (60%), manufacturing sector employment (40%) and banking credit (40%) - needs immediate attention and addressal for sustainable growth in exports and employment.

This call to action was recently made by the All Pakistan Textile Mills Association (APTMA) to the Standing Committee of National Assembly (NA) on Finance, Revenue and Economic Affairs in a recent event with sitting officials, leading industrialists, manufacturers and journalists in attendance. The extremely harmful impacts of the energy sector crisis, circular debt buildup and the high electricity tariffs on the economy and textile sector were deliberated upon in detail.

The power sector has been a significant constraint on growth in Pakistan in recent years. While on one hand, transmission and distribution (T&D) losses of up to 30% create inefficiencies and bottlenecks in the system, arrears mounting in circular debt to the magnitude of Rs.2.22 trillion imply a perennially burdened national exchequer.

The vicious cycle of circular debt - whereby distribution utilities struggling to collect revenues and meet regulatory targets for transmission and distribution losses default on their payments to generators, and the government periodically bails out the sector once losses accumulate to intolerable levels - has severe implications for the Pakistani economy. This dynamic not only undermines incentives for utilities to improve their efficiency while discouraging investors from investing in new capacity to address supply shortages, but also comes at a high cost to the national exchequer and consumers and businesses to whom all inefficiencies are passed in the form of higher energy tariffs.

The result is reduced security of supply, access and affordability for consumers and investors, regionally uncompetitive exports and a crippling economy with high cost inflation and balance of payment problems. Furthermore, the DISCOs resort to ineffective solutions such as revenue-based load-shedding only means that compliant customers and industries bear the brunt of heightened tariffs. Not only this may be constitutionally improper but could also be termed a collective punishment a la 'FCR'. The Sustainable Development Goal (SDG) of universal access to power has been completely forgotten in the revenue based load shedding, and DISCOs now take the easy way out of suspending power supply to areas with high loss and collection - a situation not understandable in a country with excess power capacity.

So, what are the direct implications of energy inefficiencies on the textile sector and textile-export led growth? The plight of textiles vis-à-vis the power sector is underlined by at least three factors. Firstly, the implementation of unreasonable energy tariffs, coupled with the abolishment of tax subsidies for zero-rated companies, has resulted in increased cost of business and reduced profitability for businesses. The textile industry of Pakistan is burdened with the highest energy tariffs in the region - electricity at 13.3 cents/kwh and gas at $6.5 / MMBTU - which is significantly higher than other regional players such as India and Bangladesh (comparable values at 7.2 cents/kwh and 7 cents/kwh, and $3.2/ MMBTU respectively).

The potential economic impact of regionally uncompetitive tariffs on the Small & Medium Enterprise (SME) sector, the driving force of the economy, is particularly devastating. Between the existing and the regionally competitive power tariffs of 13.3 cents/kwh (~Rs. 18.5/kwh) and 7.5 cents/kwh (~ Rs. 12/kwh), the annual differential in tariffs for SMEs works out to Rs. 23 billion. This represents 30% of the conversion cost and 10% of final cost of the value of production, with a total worth of Rs. 230 billion.

Even by conservative estimates, this production is expected to feed intermediate products for exports valued at approximately $3.5 billion. By way of a simple cost-benefit analysis, the potential loss in exports worth $3.5 billion far outweighs the cost of decrease in tariff of Rs. 23 billion. Given the fierce competition in the international export market and Pakistan's dire need to sustain, if not expand, exports, the threat of higher electricity ring alarm bells. The SME sector is already grossly disadvantaged due to non-availability of subsidized credit, inaccessibility of import for re-export schemes and multiple duplicity of taxes, additional costs due to higher electricity tariff will price them out of the market.

Secondly, with the applicability of turnover tax on the textile sector and its multiplicity at every step of the supply chain, Pakistan's textile exports are losing international competitiveness. The tax also creates severe liquidity crunches for the industry. Thirdly, and relatedly, the absence of a long term, consistent and favorable textile policy implies that the business environment is unlikely to be viable for existing and new investors. Not surprisingly, the resultant impact of these factors combined is that textile companies in Pakistan have increasingly become regionally uncompetitive compared to counterparts in South Asia such as India and Bangladesh. It is worth noting that the current contribution of textiles to Pakistan's GDP is only 8.5% whereas the textile export contribution of India and Bangladesh in GDP stands at 20% and 15%, respectively.

The existing and potential economic losses accruing as a consequence of these factors are startling. Exports currently account for 8.79% of Pakistan's GDP whereas the exacting demand for a sustainable external account is for the ratio to nearly double to 15%. The textile industry, currently constituting 8.5% of Pakistan's total GDP at approximately $13 billion in exports has the capacity to double the latter to $26 billion, provided the afore-mentioned impediments to production and export are removed. On the positive side the country's textile manufactures recently reported revived export orders as the world gradually recovers from the COVID-crisis and surfaces back to normal.

According to statistics, textile exports in quantity terms had increased by as much as 30% during the pandemic and, with favorable policies and prices in place, have the potential to reach $30 billion in 4 years. This loss in potential exports and GDP is too large for Pakistan to ignore. The question remains: if favorable policies and tariffs can render the textile industry so lucrative, what can explain the government's lack of action on this front? If the argument is that policymakers and decision makers are not fully aware of the benefits accruing to such decisions or, alternatively, are not aware of exactly what needs to be done to save the sector from doom, perhaps the industry is not doing enough in communicating and emphasizing these issues.

The asks by the industry are clear: regionally competitive electricity and gas tariffs at 7.5 cents/kwh and $6.5/ MMBTU respectively for 5 years through a clearly vision-ed long term textile sector policy (already approved in principle by the Prime Minister), and waiver from turnover tax (minimum tax liability) to manufacturers on exhibiting a 10% growth in textile exports. It is worth noting that the entire benefit of a tariff of 7.5 cents/kwh will accrue to the SME sector, because even at the revised tariff, larger industrial units with RLNG connections will constantly use gas and not grid power to generate power as the former would still cost them $6.5/MMBTU or roughly 7 cents/kwh at an efficiency of 35%.

Alternatively, a very workable method of insulating SMEs from the adverse impact of high energy tariffs (while not contravening any World Bank and International Monetary Fund conditionalities for subsidies) would be to assign one of the new RLNG plants to the industry to ensure competitively priced energy through wheeling and relieving the government of the capacity payments to the extent of the power plant directly assigned. This can be expanded further by assigning one of the imported coal plants in Karachi to the industry to additionally relieve 200-300 MMBTU of domestic gas currently used in captive power plants.

While the response from the government so far has been one of promise and reassurance, we are confident that the Prime Minister and his team will surely prioritize sustained export-led growth for Pakistan and initiate a concerted effort to address concerns of the industry and implement the policies required for sustained export growth leading to a prosperous Pakistan.

Source: brecorder.com – Aug 21, 2020

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Pakistan: Highest ever cotton import: nowhere in sight

The curtain has been lifted on FY21's foreign trade opening act, and it appears that the import compression efforts are a thing of the past. Food, metal, and transport imports have made a comeback in a big way. But textile group imports are still slow to pick up, confirming suspicions of a slowdown in global demand for textiles.

Readers will recall that Pakistan was set to record its highest ever cotton import volume in history, until Covid-19 lockdown kicked in. Consensus market expectations were not based in thin air: for the first nine-months of FY20, Pakistan's home textile and made up garment exports staged a comeback led by currency devaluation, while domestic cotton output had touched a 30-year low.

Given this context, Pakistan's cotton imports had nowhere to go except north, as spinners flocked to book long positions on forward contracts anticipating increase in international prices. Imports volume in February 2020 vindicated those expectations, as the country marked its highest ever monthly import volume of raw cotton.

What followed is well-known: worldwide lockdown to mitigate the impact of pandemic disrupted global trade supply chain, as demand for textile exports also nosedived. That Pakistan's raw cotton import and consumption expectations would also witness a significant readjustment as a result was also a logical outcome. Yet, market players remained insistent and adopted a contrarian view.

First came the "delay" theory. Channel checks with spinning industry in May 2020 suggested that shortfall in domestic cotton output is so massive that even with the slowdown in global textile demand, demand for raw cotton import will stay put. Lower import numbers between March and May were only an indication of disruption at ports and transit, the theory went, and soon enough Pakistan would witness a massive inflow of cotton between June and July 2020.

The summer of 2020 has come and gone, but the “massive” raw cotton imports are nowhere to be seen. July-2020 cotton volume is half of last month’s, and lowest since January 2020 when tariff on imports were removed to fulfil demand from domestic spinning industry.

Then came the “contract renegotiation” theory. This version peddled that domestic spinners had booked long contracts back in August 2019 when international cotton prices were at a 3-year low. When import tariffs were finally relaxed in January, spinners were all set to reap in benefit of their foresight, except international prices suddenly crashed beginning February 2020 as Covid-panic gripped international commodity markets.

Could the spinners not have cancelled contracts? Not likely, according to insiders at the time. Instead, import contracts were to be negotiated, and highest ever volume to be still imported at favourable rates.

Yet, none of it has transpired. Since March 2020, average unit price of Pakistan’s monthly cotton import has been higher than the prevalent prices in the international market, a bizarre situation usually not seen for extended periods before. Whether importers cancelled orders also remains a mystery, although it does appeal to intuitive sense considering depressed demand for cotton consumption, along with higher prices.

But consider this: cotton import harvest season for marketing year 2021 is here, yet price of domestic cotton has remained on the down low in anticipation of “highest ever import volume” of better-quality foreign cotton. Which raises the question: has the high cotton import bill theory been peddled to keep domestic prices in check?

Source: brecorder.com– Aug 20, 2020

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NATIONAL NEWS

Cotton futures rise 0.48% to Rs 16,620/bale

Cotton futures rose to Rs 16,620 per bale on August 20 as participants widened their long positions. Cotton futures on the Multi-Commodity Exchange (MCX) settled with a gain of 0.4 percent on August 19, tracking recovery in international benchmark cotton contracts.

The premium on October contracts has reached Rs 1,260 (October-August) on higher minimum support prices (MSP) and the prospect of higher demand for the new crop by mills.

Cotton Corporation of India (CCI) plans to exports up to 2 million bales of cotton to Bangladesh in order to reduce domestic reserves in coming months.

In the futures market, cotton for August delivery touched an intraday high of Rs 16,650 and a low of Rs 16,470 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 15,610 and a high of Rs 17,040.

Cotton futures for August delivery gained Rs 80, or 0.48 percent, to Rs 16,620 per bale at 16:03 hours IST on a business turnover of 1,632 lots. The same for October delivery slipped Rs 20, or 0.11 percent, to Rs 17,780 per bale on a business volume of 201 lots.

The value of August and October's contracts traded so far is Rs 12.73 crore and Rs 1.24 crore, respectively.

Kotak Securities expects attractive Indian cotton prices and prospects of an increase in demand in coming weeks to keep cotton rangebound with positive bias for the near future.

Source: moneycontrol.com– Aug 20, 2020

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MSMEs: The growth engines of the Indian economy

Micro, small and medium Enterprises (MSMEs) are the growth accelerators of the Indian economy, contributing about 30% of the country's gross domestic product (GDP). In terms of exports, they are an integral part of the supply chain and contribute about 40% of the overall exports. MSMEs also play an important role in employment generation, as they employ about 110 million people across the country. Interestingly, MSMEs are intertwined with the rural economy as well, as more than half of the MSMEs operate in rural India.

To ensure that MSMEs continue to lead the country towards economic growth, the Government of India has from time to time announced various schemes to support the development of this sector. Recently, in view of the economic hardship caused by covid 19, the government has announced few schemes under 'Aatmanirbhar Bharat' i.e. Self-reliant India initiative.

Accordingly, the criterion for classifying MSME has also been revised. Under the revised criterion, the combined factors of 'Investment in plant and machinery' and 'Turnover' are required to be considered to determine whether a business should be classified as a micro, small or a medium enterprise. In contrast, earlier the classification of an MSME unit was based only its investment in plant and machinery; and also depending on whether the enterprise was in the manufacturing sector or in the services sector.

Classification of MSMEs

As per the new definition, various units will now be classified as below

- Micro enterprises - Investment of less than `1 crore and turnover less than `5 crore
- Small enterprises - Investment of less than `10 crore and turnover less than `50 crore
- Medium enterprises - Investment of less than `50 crore and turnover less than `250 crore

As a step towards ease of doing business in India, the government has decided that the export turnover will not be considered in the aforesaid turnover limits prescribed for MSME units.

'Investment in plant and machinery' would be calculated as per provisions under the Income-tax laws and the 'Turnover' would be considered as per the GST return. If an enterprise, which is classified in a particular category crosses the specified limits for either investment or turnover, it will be placed in the next higher category. On the other hand, an enterprise shall be placed in the lower category only if both investment and turnover fall below the ceiling specified for the relevant category.

Registration requirement

With effect from 1 July 2020, all existing MSMEs and the new MSMEs are required to obtain 'Udyam' registration which is a simple online registration based on self-certification. Aadhaar number is mandatory for obtaining the Udyam registration application.

The Aadhar number in case of a proprietor would be that of the individual. In case of a Hindu Undivided Family (HUF), the Karta's Aadhaar number would be quoted and in case of partnership firm, it should be that of the managing partner.

In case of a company, a limited liability partnership, a cooperative society, a society or a trust, the Aadhar number of the authorised signatory of the relevant entity would need to be provided.

On completion of registration, an e-certificate namely 'Udyam Registration Certificate' will be provided to the MSME unit. Though Udyam registration for MSMEs is optional, there are various registration-based benefits that an MSME unit is eligible for, thereby supporting the case for obtaining such registration.

Benefit of obtaining MSME registration

One of the key benefits of registration as an MSME unit is that in case of Micro and Small enterprises, the payment for invoices is assured within 45 days under the MSME Act. In case the payment is not made to the MSME within 45 days, the buyer is liable to pay compound interest with monthly rests to the MSME on the invoice amount at three times the bank rate notified by the Reserve Bank of India.

Government departments and public sector companies are mandated to procure 25% of their requirement from MSMEs; therefore, the registration gives them an edge while submitting tenders in such cases.

Other benefits provided by the government include, scheme related to collateral / guarantee-free loans, Interest subvention scheme, schemes for market support and export promotion, concession in electricity bills, reimbursement of ISO certification charges, etc.

Keeping in view the current economic scenario, new initiatives have been announced by the government to provide some support to the MSME sector. These include schemes related to emergency funding, providing equity support promoting procurement from MSME sector, etc. The key schemes are outlined below.

Access to credit

Access to credit has been one of the foremost concerns for the MSMEs. With an intent to address this issue, the government has announced an emergency credit line to businesses/MSMEs, wherein loans up to `3 trillion are proposed to be sanctioned by banks/financial institutions. Under this scheme, 20% of the outstanding loan as on the cut-off date of 28 February 2020 will be guaranteed by the government, and banks will be able to lend without additional guarantees.

Subordinate debt scheme

As the ongoing pandemic has added to the financial strain faced by the MSMEs, promoters are unable to bring in equity funding. In order to assist the promoters, the government has come out with other measures around subordinate debt. The subordinate debt scheme seeks to extend support to the promoters by providing a debt facility of up to 15% of the promoter contribution or `75 lakh, whichever is lower. Under this scheme, banks will be able to fund the promoter's contribution and the funding gets guaranteed by the government. This in a way is an equity support by the government, while banks are not taking any additional risk. The promoter, in turn, will infuse the amount in the MSME unit as equity and thereby enhance the liquidity and maintain debt-equity ratio.

Funds of Fund

The government has also announced a Funds of Fund Scheme with a corpus of `10,000 crore for providing financial relief and funding to MSMEs with growth potential and viability. This initial corpus of fund will be managed by a 'mother fund' to raise further corpus of `50,000 crore at levels of daughter funds.

Launch of CHAMPIONS portal

Launch of a new portal entirely dedicated to MSME sector is another positive step. The underlying objective is to help the MSMEs in terms of finance, raw materials, labour, permissions, etc. The portal also seeks to help MSMEs to tap into new opportunities including manufacturing of medical items & accessories combined with a long term view to identify the MSMEs with growth potential.

Faster clearance of payments by PSUs

In order to improve the liquidity status of MSMEs, the government has directed that the amounts due by the government and public sector units to be cleared within 45 days of acceptance of goods/services.

No global tenders up to `200 crore

The government has amended the General Financial Rules 2017 to disallow global tenders in government procurement up to `200 crore, as announced in the Aatmanirbhar Bharat package. This bold step is expected to create more opportunities for domestic players and will allow the local industry to gain from this initiative.

Recently, the World Bank has allocated about `5,600 crore ($750 million) emergency response funding to the MSME sector. This provides much-needed liquidity and supports the government's strategy of using NBFCs and small banks to channelize funds to the MSMEs.

The World Bank is also working with the GOI on different fintech platforms, Trade Receivable System (TReDS) and other initiatives to facilitate credit to as many MSMEs as possible. With continued focus on MSMEs by the government, the sector is expected to continue with its role as the growth engine of the Indian economy, and providing employment to millions of un-skilled and semi-skilled people across the country.

Source: livemint.com– Aug 20, 2020

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ECLGS: Loan disbursements cross ₹1 lakh crore

Loans sanctioned cross ₹1.50 lakh crore

Achieving a milestone, the aggregate loan disbursements under the ₹3 lakh crore 100 per cent Emergency Credit Line Guarantee Scheme (ECLGS) crossed the ₹1 lakh crore mark as of August 18. Cumulative loans sanctioned, too, hit a milestone touching ₹1.50 lakh crore as of the same date.

Also, private sector banks, which started late, have done some brisk business in the last fortnight and almost reached the level of public sector banks (PSBs) on both cumulative loans sanctioned and disbursed, As of August 18, the aggregate loans sanctioned under the ECLGS stood at ₹1,50,759.45 crore, of which disbursements stood at ₹1,02,245.77 crore.

While PSBs' aggregate loan sanctioned stood at ₹76,044.44 crore, that by private sector banks stood at ₹74,715.02 crore. Disbursements of PSBs and private banks stood at ₹56,483.41 crore and ₹45,762.36 crore, respectively, data tweeted by the Finance Minister's Office showed.

The ECLGS was rolled out as part of the ₹20 lakh crore Aatmanirbhar Bharat package.

It may be recalled that Prime Minister Narendra Modi had on May 12 announced a special economic and comprehensive package of ₹20 lakh crore — equivalent to 10 per cent of GDP — to fight the Covid pandemic in India. He had then given a clarion call for an Aatmanirbhar Bharat, or Self-Reliant India, movement.

Maharashtra continues to top the charts in terms of loans sanctioned and disbursed at ₹7,756.2 crore and ₹6007.32 crore, respectively.

Source: thehindubusinessline.com– Aug 20, 2020

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Not easy for MSMEs to be aatmanirbhar

MSMEs, hit by import duty exemptions on inputs, cost of credit and hard payment terms, cannot stand up to foreign players

Prime Minister Narendra Modi had announced policy support to make India aatmanirbhar or self-reliant. The package includes a rational tax system, simple and clear rules-of-law, good infrastructure, capable and competent human resources, and a strong financial system. Let us focus on issues that would act as an impediment to achieving this goal.

Take the case of a product supplied by three types of entities — foreign supplier, trader and MSME. For all three of them, the basic cost is assumed to be 100 units.

From the perspective of MSMEs, there are four policies that would have a detrimental impact on them.

Import duty exemption

The stated objective of import duty exemption is to help large industries reduce their input cost and promote manufacturing. This makes logical sense when there is no alternative MSME supplier and when the final product is made only for export.

Let's us assess how this policy discourages technology development and indigenisation

The foreign supplier sells the foreign goods. The trader merely imports them and sells to the industry. The MSME, following the Prime Minister's call for aatmanirbhar, is planning to indigenise the technology and supply to the industry. Naturally, the firm has to start with small level of indigenisation and eventually take it to 100 per cent. Let's assume the various stages as 10, 50 and 80 per cent. There is hardly a high-technology product that is 100 per cent indigenous. Let's see how large industry treats each of the suppliers.

Assume that all the three types of firms are equally productive and efficient and their input costs are same. For 100 units as input cost, let's look at the real cost due to this policy.

For a foreign firm selling to a large industry or shipyard, since the import duty exemption is in place, there is no additional cost and, therefore, the cost remains 100 units. For the Indian trader, again there is no effective import duty since the shipyard will facilitate high-sea sale and, therefore, the cost remains 100 units.

Now let's look at the MSME that has started with 10 per cent indigenisation and aims to reach 80 per cent. There is no import duty exemption for the components that are imported by this firm, hence 15 per cent basic duty as additional cost will add up on its 90 units (90 per cent is imported). The additional cost that this MSME has to bear is 13.5 units (15 per cent of 90 units). Assuming that the remaining 10 per cent cost is comparable, the real cost for this MSME is 113.5 units. This MSME would be wondering what would be the cost if it achieves 50 per cent indigenisation. Simple, it would be 107.5 units and the same cost drops to 103 units when it achieves 80 per cent indigenisation.

The above costs clearly shows how the incentive structure works. Shipyards would love a foreign supplier or a trader of a foreign supplier. The moment the MSME thinks of indigenisation its cost shoots up. This will eventually drop to the similar level of the foreign supplier or trader only if MSME achieves close to 100 per cent indigenisation. No doubt that 100 per cent is a great goal, but which firm will take this step if the start is so tough?

Payment terms

The second detrimental policy is payment terms. Policy-makers think that the biggest issue a start-up or MSME faces is getting clients. They think that by giving exemption on turnover criteria for start-ups to win a project/tender the problem is solved. They are mistaken. The biggest issue is financing of the project. The skewed payment terms, especially of Central government departments, defence establishments and PSUs, is the bigger problem.

Most of them under various ministries keep the payment terms such that supplier gets paid 100 per cent after delivery. This becomes an issue mainly when the product is custom built and when it takes time, say six months, to make.

In most cases getting banks to finance the project is an issue and this prevents start-ups/MSMEs from taking up bigger projects. Even if they manage to get finance, the Indian supplier stands to lose vis-a-vis the foreign one. The key factor is that the MSME get collateral-free credit at 15 per cent compared to 5 per cent or lower for foreign suppliers. The spread is 10 per cent.

Let's take the aforesaid case of a custom-made product, whose timeline for supply is six months. Now compare the different suppliers. For a foreign supplier, the cost of finance is 2.5 per cent of product cost (six months @ 5 per cent), i.e., 2.5 units.

A trader who merely acts as a representative of foreign firm is like a foreign supplier. An MSME with ownership of the product and taking the supply risk will have higher finance cost. For such a firm, the cost of finance is 7.5 per cent of product cost (six months @ 15 per cent), i.e., 7.5 units.

In comparison, most State governments follow stage-wise payments against milestone achievements and there are multiple milestones in a project. At every stage, the payment is slightly lower than the value of the product in that stage. This simple measure ensures that both the need for working capital as well as finance cost of the project is lower.

Difference in payment timing

It is strange how Central government and defence establishments get away with differential payment terms between foreign and Indian supplier.
For a foreign supplier, the Letter of Credit (LC) is made one month before the item is shipped from their factory.

The same product if it is made by an Indian MSME, the same government client would make the payment one month after the product is delivered.

For the product with six-month timeline for delivery discussed above, there is a three-month difference in timeline between payment to a foreign vendor/Indian trading company and an MSME manufacturer.

From the cost angle, the additional financing of three months @ 15 per cent is 3.8 units for MSME.

The MSME who thinks of aatmanirbhar is having its competitiveness against foreign suppler further lowered by this difference in payment timing.

Payment currency

A foreign supplier would be paid in euro, and the Indian MSME, in rupees. The MSME that is trying to indigenise would still have to import components. To cover the exchange rate risk, the MSME will have to resort to currency hedging. It is about 3 per cent for six months coverage.

At 10 per cent indigenisation, the MSME would be importing 90 per cent of the materials. So, the additional cost will be 3 per cent of 90 units — that is, 2.7 units. For an MSME with 50 per cent indigenisation, the currency exchange cost will 1.5 units and similarly for MSME with 80 per cent indigenisation the cost is 0.6 units.

Now if we add all the costs we get real cost for each supplier.

The total spread between a foreign supplier and an MSME who embarks on indigenisation is 25 per cent. Because of these factors, government departments and PSUs would prefer a foreign supplier or a trader of a foreign supplier. MSME cannot think of attempting bigger projects. Even if they do, the import duty exemption, payment terms, differences in payment timing and payment currency would kill their competitiveness. How will aatmanirbhar be achieved?

Source: thehindubusinessline.com– Aug 20, 2020

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India's Textile Hubs Reel as Laborers Stuck Home

The southern Indian state of Tamil Nadu produces madras cotton, the world-famous textile popular in 18th century Europe and the post-World War United States. Celebrities such as Ashton Kutcher and Jessica Simpson have been spotted in madras, with its unmistakable bright checks, in recent years.

The U.S. Federal Trade Commission says genuine madras cotton must come from Chennai.

Chennai, a city of 7 million, was called Madras until the colonial name was changed in 1996. About 290 miles southwest, though, Tiruppur was the real textile city for several centuries.

"Along with Coimbatore, about an hour's drive west, Tiruppur exported textiles worth INR 260 billion (about $3.5 billion) in the financial year 2019-20, claim local manufacturers," said Raja M Shanmugham, an exporter from Tiruppur. "This was about half of India's total textile exports. And out of this, about 35% went to clients in the US or Europe — including big names like Marco Polo and Tommy Hilfiger."

As the Covid-19 pandemic exacerbated the trade war between the U.S. and China, textile manufacturers in these towns hoped to cash in. And projections were that about 10% of China's share in the textile market could come to them.

But even if the orders came about, the stinging labor crisis affecting India will likely make it impossible to fulfill them.

"The industry here is mostly labor-intensive," Shanmugham said. "About 500 textile manufacturers in Tiruppur and Coimbatore employ about 300,000 people."

"In Tamil Nadu, most young people join colleges instead of working," said Prabhu Dhamodaran, an exporter and the convener of the Indian Texpreneurs Federation. "So, most of our labor force comes from the north."

This statement of Dhamodaran is supported by India's census data on migrants. Northern Indian states with weaker economies and lack of industry are the biggest sources of migrant workers who travel South in search of employment.

With the pandemic striking hard, India went into a nationwide lockdown in late-March. The police and paramilitary enforced lockdown to prevent the spread of the novel coronavirus. But one the other hand, the shutting of factories forced laborers to return home as they suddenly found themselves out of employment and facing starvation and homelessness.

The plight of millions of migrant laborers, who were left without jobs and food was reported widely. With trains, buses and flights having stopped without any prior warning, hundreds died in road accidents or succumbed to starvation and exhaustion as they tried to cover hundreds of miles on foot to get back home.

Non-government organizations such as Social Awareness and Voluntary Education tried to help them out in Tiruppur.

"These laborers were harassed and humiliated in Tiruppur," said Arockiam Aloysius, director of the organization. "They did not have food or water. Some spent nights in bus stands as they desperately tried to get home."

Now, even as the factories reopen—despite India recording the highest number of Covid-19 cases across the world for nearly two weeks—workers are refusing to return.

"We only have about 40 percent of our required workforce," Shanmugham said. "Our order books might improve by the end of August, but we do not have laborers to complete the orders."

Though the central government is gradually phasing out the lockdown, traveling between states requires one to apply for permission and the Tamil Nadu government extended the state's lockdown until the end of the month, so people can only travel for essential purposes. Those coming in are also required to be quarantined for at least two weeks.

Textile exporters feel that getting the workforce back will be a serious challenge as they are unable to provide quarantine or other facilities. Dhamodaran, who is based out of Coimbatore, said laborers who want to come back are demanding that their employers provide safe transport and quarantine facilities.

"Some of the larger companies are able to provide this. Others, particularly small and medium scale enterprises that comprise the bulk of employers, can't do this without help from the government," he said.

"The Tamil Nadu government is willing to help companies by issuing e-passes to these laborers," said Thivya Rakini, president of the Tamil Nadu Textile and Common Labor Union. "But these laborers were in such a bad condition that they would not want to come back. Some of them came only because they could not find a job back home."

So while India may dream of becoming the next big exporter in the textile industry and of reviving the lost glory of the Madras cotton, the reality of India's unorganized labor sector and systemic blindness to the working class are a wake-up call.

Source: sfltimes.com– Aug 20, 2020

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Is India inching closer to inclusion in the Global Bond Index?

Higher than expected domestic inflation is causing a section of the market to believe that we could possibly be at the bottom of the interest rate cycle. The Overnight Index Swap (OIS) markets are beginning to price out any further accommodation. Despite the sentiment in the bond index turning around post the Monetary Policy Committee (MPC) leaving rates unchanged and after partial devolvement of

The nervousness in the bond markets on account of higher inflation, larger supply of bonds in H2 and absence of RBI OMOs so far is evident. The 10-yr yields are now at 6 per cent. At the same time, RBI continues to aggressively mop up inflows in the forex (FX) market, thereby preventing the Rupee from appreciating, contrary to the broad global USD weakness theme.

A hypothesis linking its reaction in FX and bond markets is that India could possibly be closer to inclusion in a global bond index and that it could happen in FY21 itself. Inclusion in a bond index could result in inflow to the tune of $20 billion to $30 billion. This would mean the RBI would have to do fewer OMOs.

The Global Bond Index includes investment-grade and government bonds from around the world with maturities greater than one year. The Index is a market-weighted index of global government, government-related agencies, corporate and securitised fixed income investments with maturities greater than one year.

That said, aggressive FX purchases now would ensure that the Rupee appreciation on account of those flows would simply align USD/INR with the Dollar index, thereby preventing the Rupee from strengthening too much and resulting in Dutch Disease.

A steeper term structure in the absence of OMOs would also leave something on the table for foreign portfolio investors (FPIs) and make Indian bonds attractive. Also higher FX reserves would help retain FPI interest as it would offer a good carry amidst low volatility.

Of course, the other hypothesis could be:

1) The RBI is just shoring up its Reserves to keep the Rupee weak in relative terms amid broad USD weakness to aid exports and the domestic manufacturing sector.

2) The RBI is looking to shore up its economic capital in line with the Jalan Committee report; and

3) RBI is building up a cushion against a possible Rating downgrade.

However, considering the belligerent Reserve accumulation and the extreme intolerance the RBI has exhibited towards Rupee appreciation, the inclusion hypothesis seems plausible.

Source: thehindubusinessline.com– Aug 20, 2020

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UP Cabinet approves draft bill allowing MSMEs to start operations within 72 hrs of application, without wait for NOCs

To facilitate the setting up of more businesses in Uttar Pradesh, especially in the post-Corona times, the state's Cabinet has approved a draft bill that allows MSMEs to start operations within 72 hours after submitting their application, without having to wait for no objection certificates (NOCs) from various departments.

The Micro Small and Medium Enterprises (Infrastructure and Operation) Bill 2020, which would be tabled in the monsoon session of state legislature for approval, proposes to exempt MSMEs from various approvals and inspections that are required for their establishment and operations in the initial years.

At present, one needs to get clearances from 29 different departments before being allowed to establish an MSME unit in the state. Interestingly, until now UP did not have its own MSME Act and was working on the basis of the central Act.

Speaking to FE, additional chief secretary, MSME, Navneet Sehgal said henceforth anybody willing to set up a new MSME unit can submit an application on a prescribed format and would be given approval within 72 hours. “An application can be made through a “Declaration of Intent” at the District Level Nodal Agency (DLNA), which will have to issue an acknowledgment within 72 hours of receiving the application.

This acknowledgment certificate will remain valid for 1,000 days from the date on which it is issued. On the basis of this acknowledgement, one can establish their unit,” he said, adding that the investor will then have 1000 days to get the necessary clearances after the first go-ahead.

“The new law would help setting up of more MSMEs in the state, which in turn would help create employment opportunities. We have set a target to create about 15 lakh jobs in the next one year,” he said.

However, MSME units producing products like tobacco, gutka, pan masala, alcohol, carbonated drinks, fire crackers, plastic bags of 40 microns or less and other items that are banned by the government or marked by UP Pollution Control Board in red category will not be covered by the act.

Meanwhile, in another related development, MSMEs in UP will get a marketing assistance of up to Rs 5 lakh under the new start-up policy.

Addressing a virtual conference on “Role of Information Technology in transforming MSMEs’ future during Covid-19” organised by PHDCCI, additional chief secretary (Electronics and Information Technology) Alok Kumar said the government has notified the new Start-Up Policy 2020, which is aimed at extending support and encouragement to start ups and incubation centres in the state. “Under the new policy, there is a window of up to Rs 5 lakh as marketing assistance to MSMEs,” he said.

Source: financialexpress.com– Aug 20, 2020

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India emerges the second largest medical textile exporter: AEPC

Owing to the COVID-19 crisis, India has rapidly emerged as the second largest medical textile exporter, says Sakthivel, Chairman, Apparel Export Promotion Council (AEPC), at a webinar.

A part of technical textiles, medical textiles is also known as healthcare textiles. As reports state, the global medical textile market valued at $16,775.52 million in 2018 and is expected to reach $23,762.66 million by 2025.

Sakthivel further said due to Coronavirus, multinational companies are keen to divert their investments from China to India. This will open new dimensions for India and the country will get multi-million-dollar business from Europe, Australia and America.

Greg Ruggles, President, CEO for Multiple Product Companies agrees that due to the differences between the US and China, apparel companies are finding options to move from China to other countries.

According to him, India has the ability to manufacture different types of fabrics. The online business has given an international platform for everyone from small retailers to apparel manufacturers. Roopak Vasishtha, CEO & DG, Apparel Made Ups & Home Furnishing Sector Skill Council (AMHSSC) points out so far the council has skilled and employed 12 lakh persons in apparel industry across India and the work is still going on in this direction.

The council is trying to identify the migrant workforces that have gone back to their native places and is looking to skill and certify them with the Government's skill certification scheme.

Source: fashionatingworld.com– Aug 20, 2020

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EPFO: Subscriber base up by 8.47 lakh in April-June

The government on Thursday claimed that the subscriber base of the Employees' Provident Fund Organisation (EPFO) has gone up by over 8.4 lakh during the first three months (April-June) of the current fiscal.

An establishment with more than 20 employees is required to register with the EPFO. The increase in subscriber base means more jobs.

However, the current data is quite contrary to the one released by the Centre for Monitoring of Indian Economy (CMIE) which said over 1.39 crore salaried jobs were lost during the April-June period.

According to official data, the Covid-19 pandemic had adversely affected the enrolments in the months of April and May. Despite the lockdown, around 0.20 lakh and 1.72 lakh net new subscribers were added to social security schemes of EPFO in April and May respectively.

June saw an addition of 6.55 lakh net subscribers registering a 280 per cent month-on-month growth. The data published comprises all the new members who joined during the month and whose contribution was received.

"The subscriber base growth is on account of increased number of new subscribers, lower exits and higher rejoining by exited members," a statement from Labour Ministry said.

The new subscriber joining has increased roughly by 64 per cent from 3.03 lakh in May to 4.98 lakh in June. In addition, the exits from EPFO subscriber base declined by nearly 33 per cent from 4.45 lakh in May to 2.96 lakh in June.

Source: thehindubusinessline.com– Aug 20, 2020

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Surat textile factories fly in migrant workers from their home states

Textile industry businessmen in Surat are flying in their workers from Bihar, Uttar Pradesh and Odisha trained to operate Jacquard looms to meet the demands for the upcoming festive season, as trains are running packed from these states.

In the past one week, 40 migrant workers were flown to Surat and many more are coming, said a textile industry source.
Kaushal Padshala, owner of Raj Textiles at Sachin GIDC, who runs electronic jacquard machines power loom machines, booked six flight tickets — four from Varanasi in UP and two from Patna — to bring back technicians and operators.

"I came to Surat on Monday by flight… Our owner arranged for it as trains running from UP are running packed. He bought us flight tickets and also arranged taxi to pick us up from Surat airport," said Shivchander Chauhan, 42, from Varanasi in UP who has been working in Padshala's factory for five years.

Talking to The Indian Express, Kaushal Padshala said, "The electronic jacquard machines are costly and I have over 90 such machines in my factory. My factory was shut for five months and now we are facing problems with starting the machines. Hence we decided to spend on flight tickets to get back the migrant workers who are experts in operating them.

I have spent between Rs 6,000 to Rs 6,500 per head. Once the machine gets operational, I can bring in other workers. If the machines remains shut for a few more months, I may end up spending huge amount to repair them." A Jacquard loom can create patterns while weaving and thus add value to the product.

"We have started receiving orders from other states and to meet the demand, we have to get the machines operational. The total strength of migrant workers in my factory is 180 and at present I have 20 operators and technicians. Will first start all the machines and later bring in other workers," he added.

Textile and diamond industries in Surat were shut down since April due to the Covid-19 pandemic. The labourers in the textile industry are mostly from UP, Bihar, Uttarakhand and Odisha.

Federation of Gujarat Weavers' Association president, Ashok Jirawala, said, "At present only 30 per cent of the powerloom factories is operational in day shift, with 20 per cent production. The industry is looking to meet the upcoming demands and is putting in all efforts to bring back labourers to Surat. Over 10 lakh labourers left Surat when the industry shut due to the pandemic."

Hiren Mawani, who runs a textile factory at Pandesara GIDC, said, "I have 60 electronic jacquard machines in my factory and to restart them, we need experts. I bought six flight tickets from Patna to Delhi to Mumbai for machine operators and technicians who arrived two days ago. I also sent a car to Mumbai airport to ferry them to Surat. We have also given them Rs 5,000 each to buy rations for now."

Pointing out that out of the 350 dyeing and printing houses, only 125 are working now with 40 per cent production, South Gujarat Textile Procession Association president, Jitu Vakhariya, said, "The factories that are partially operational, are running on tremendous loss.

We have requested the central government to start free train services from UP, Bihar and Odisha to tide over the labour crunch in textile industry."

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