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INTERNATIONAL NEWS

China has key role in industrial chain's evolution

The global industrial chain is facing huge uncertainties amid Sino-US trade frictions and the unexpected epidemic. In this context, the global industrial chain layout will give more consideration to the balance between safety and efficiency, and will present new features of diversification and block.

Meanwhile, the digital development of the global industrial chain is particularly worthy of attention. In this regard, China can leverage its advantages to seize such historic opportunities. There will be challenges from some attempts to cut dependence on China's supply chain.

The United States continues to tighten restrictions on China in the high-end technology sector. As of May, more than 300 companies and institutions in China had been included in the so-called entity list. At the same time, Chinese companies that want to invest in the US are subject to stringent and harsh scrutiny by the Committee on Foreign Investment in the United States.

The US is also exerting pressure on other countries through international networks and tightening its technical restrictions on China. Science and technology cooperation and personnel exchanges between China and the US have also been affected.

On the other hand, the country's industrial chain is facing mounting external competition. Owing to the rapid rise of domestic labor costs, the labor-intensive industries represented by the textile and apparel industry continue to move outward.

From 2007 to 2018, the clothing exports of Southeast Asian and South Asian countries rose from 2.9 percent to 18.5 percent in the global market share.

At the same time, regional trade agreements and bilateral trade agreements increased. Southeast Asian countries are at the intersection of important regional free trade zone agreements such as the CPTPP and the RCEP. In particular, Vietnam reached the EU-Vietnam Free Trade Agreement; thereby, its competitive advantage has increased significantly.

The above two aspects, coupled with the impact of uncertainties including the epidemic, have caused more and more concerns that the long-term diversified development trend of the global industrial chain will weaken China's position in the global industrial chain.

However, under the diversified development trend, China itself is also one of the options for the diversified layout of the global industrial chain. At the same time, China is also one of the world's largest consumer markets. Therefore, China will undoubtedly still occupy a very important role in the global industrial chain. Diversification may have a certain impact on China's industrial migration, but it is not equivalent to cutting dependence on China's supply chain.

It should also be noted that the transformation from "globalization with a single efficiency orientation" to "globalization with a balance between efficiency and risk" means that we have to withstand a higher cost of globalization and will lead to a slump in global economic growth. A lower global economic growth rate, in turn, will slow down the process of globalization.

It's safe to say that the industrial chain will become more digital and capitalized in the medium and long term, and will have an impact on the existing advantage pattern due to the following three reasons:

First, the epidemic will have an impact on production methods in the medium term and increase labor costs. The spread and duration of the epidemic have greatly exceeded previous common expectations, and there are concerns of a possible recurrence.

It means that the epidemic will continue to have an impact on existing production methods until a vaccine is successfully developed and popularized. In the manufacturing industry, the cost of daily epidemic prevention for workers will rise significantly. Even if their wages remain unchanged, the cost of using labor will rise.

Second, another consequence of the impact of the epidemic is that the capital cost will continue to remain in a low interest rate and stay there over the long term. In order to deal with the epidemic, major developed economies such as Europe, the US and Japan have generally implemented unconventional fiscal policies and cooperated with an unlimited amount of loose monetary policies.

As the industrial chain will move toward a balance between efficiency and risk, the potential growth rate of the global economy will also tend to slow down. Against this background, it is difficult for global fiscal situations to have obvious signs of improvement.

Third, rising labor costs (unlike rising wages) and capital costs will maintain a low interest rate environment. These two conditions will stimulate digital technology to develop at a faster rate.

The epidemic has changed the business model and directly promoted the development of the online economy and digital economy from the demand side. At the same time, the epidemic will also change the relative prices of labor and capital in the medium and long term, and have a profound impact on the global supply chain from the supply side.

From a technical perspective, most of the emerging technologies such as artificial intelligence and 3D-printing are skill-based, and it appears low- and medium-skilled labor force may find their current jobs at risk. Together with the marginal changes in the relative prices of labor and capital elements, the proportion of labor input in manufacturing production will decline, while the proportion of capital will increase accordingly.

Combining the three factors, the global industrial chain will show a more obvious trend of digitalization and capitalization. The application of emerging technologies will trigger more substitution of capital for labor, thereby changing the existing international comparative advantage pattern. In this process, countries that are catching up with the process will face higher thresholds.

Amid all this tumult, China faces opportunities in the digitalization of industrial chain. The digitalization and capitalization of the industrial chain is a medium-to long-term trend in the future. During this process, the comparative advantage pattern of global labor division will be redefined.

Although some countries have comparative advantages in labor costs, the development of the digital economy lags behind, or the construction of infrastructure required for the development of the digital economy faces bottlenecks. The comparative advantages of these countries need to be reassessed. For developed countries, the biggest obstacles to the development and realization of the digital economy are as follows:

First, their related public infrastructure construction is facing difficulties.

Second, the balance between personal privacy protection and business efficiency is facing more difficulties.

Third, most developed economies are already facing a certain industry hollowing, which means that they will also face higher costs to realize digital integration on the physical industry chain.

In comparison, China has obvious advantages.

First, China's digital economy has already achieved a very good foundation. The infrastructure is relatively complete, business innovation is at the forefront globally, and it has certain competitive advantages in emerging technologies. The number of unicorn companies is just behind the US and far ahead of many other countries.

Second, China has a complete industrial chain and a suitable production supporting network, which provides a good integrative foundation for the digitalization of the industrial chain.

It is undeniable that China's manufacturing sector still has a gap with developed countries, and it still has certain vulnerabilities in certain areas. However, China's current production capacity, transportation and logistics level, production supporting network and many factors all provide a solid foundation for the digitalization and capitalization of the industrial chain.

The digitalization of the industrial chain may change or even subvert China's labor cost disadvantage compared with other developing countries. Though China's capital cost is still higher than that in other major developed economies, Chinese companies can enhance their international competitiveness through overseas financing and the use of low-cost funds from overseas capital markets.

At the same time, the nation is also actively exploring ways to open up monetary policy transmission mechanisms to reduce corporate financing costs. Overall, the trend of digitalization and capitalization of the industrial chain is a historic opportunity that China can and must seize.

Another problem seemed remote but has to be considered in an early phase. If the digitalization and capitalization of the global industrial chain become a development trend, then the distribution of national income will also be more inclined to capital than laborers.

In this context, the income gap and even unemployment will become serious global challenges. China is expected to be at the forefront of the world during this process but will also face such a test first.

How to make the digitalization and capitalization of the industrial chain more inclusive? How can the government play a better balancing role in the redistribution process? These issues are worth thinking about.

Source: chinadaily.com.cn– Jun 22, 2020

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Global cotton demand to decline by 15%: Report

Economic Research Service's Cotton and Wool Outlook report suggests for June 2020, the developing global economic slowdown has significantly reduced world cotton demand for marketing year (MY) 2019 (August 2019-July 2020). Although June's global mill use forecast is at a 16-year low, the projected year-over-year decrease is nearly 15 percent.

The use of cotton mill across the world has declined more than 5 percent year-over-year in only 10 other years since MY 1920, with most of those reductions associated with global recessions, including the Great Depression.

More recently, uncertainty surrounding the global financial crisis significantly limited world cotton demand in MY 2008, while a dramatic run-up in MY 2010 cotton prices to levels not experienced since the U.S. Civil War hampered mill use in MY 2011.

While the overall severity of the COVID-19 pandemic remains unknown, the immediate shock to global cotton mill use has been historically significant.

Source: fashionatingworld.com– Jun 22, 2020

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Australia: What will the 'new normal' look like for the cotton industry?

We are almost halfway through the year and after months of global lockdowns, most countries are starting to ease restrictions and trying to get back to a 'normal' society.

Around the world life is somewhat expected to normalise however social distancing and some restrictions will remain in place for now.

There are still uncertainties as to how the global economic recovery will look, how humanity will respond to these changes, how this might impact the future of retail around the world and what this means for cotton consumption.

In history, every pandemic or crisis the world has faced leaves a permanent impression on the psyche of the population and changes the norms of society. The 1918 flu epidemic heightened hygiene standards, while the 2003 SARS outbreak provided a push for online shopping.

Similarly with this crisis, there will be macro-trends in most industries that could see a significant consumer shift. One noticeable trend is the remote workforce and already a few companies have announced they will look to close structured offices in the future.

Focusing on retail apparel and homewares, the last few years has seen a global trend towards more conscious spending by consumers and the COVID-19 pandemic is making localised production more important. The ongoing movement for transparency and sustainability will become more important for the retail industry.

So, it is not without question that the retail sector is facing challenges now and will into the future. Over the past few months, it has become evident that falling consumer demand, reduced spending and stay-at-home orders mandating certain businesses stay closed continues to take a toll.

Around the world retail spending during lockdowns has dropped significantly. In the US, apparel sales were down 89.3 per cent from a year ago in March/April. This has taken a toll on a few large US retailers such as J.C.Penney and Neiman Marcus who have filed for bankruptcy. This demand disruption is noticeable throughout the supply chain with retailers cancelling and delaying orders.

The latest USDA reports for cotton show consumption lowered more than 5 million bales last month and over 13 million bales since the March 2020 forecast. The consumption outlook for the 2020/21 season, with the start barely two months away, is difficult to predict.

However, the USDA outlined a rosy outlook which seems to be predicting a V-shaped global economic recovery with figures back to 116.46 million bales for the 2020/21 season. There is still a lot of uncertainty around the world and with the other challenges that the industry is facing, this remains to be seen.

But as with every crisis, the world will recover. There will be some changes to society with new trends developing and this may create opportunities for the retail industry - and the cotton supply chain.

Source: queenslandcountrylife.com.au– Jun 22, 2020

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Sub-Saharan apparel exports surge during Jan-April 2020: OTEXA

According to OTEXA, the Sub-Saharan region has seen an increase in its apparel exports to USA during Jan.-Apr. 2020 period both in volumes and values, according to OTEXA.

The region shipped 126.59 million SME of apparels to the US worth $462 million and noted a surge of 10 per cent and 6.10 per cent in volumes and values, respectively.

The growth of Sub-Saharan region has come at a time when OECD, NAFTA and ASEAN all fell in their value-wise apparel exports to USA in the same period by 23.37 per cent, 29.21 per cent and 1.92 per cent, respectively.

Kenya remained the top exporter to USA from Sub-Sahara with $153.36 million worth of exports, marking 11.82 per cent growth on Y-o-Y basis. Volume-wise, Kenya marked 6.20 per cent growth and shipped 40.13 million SME of apparels to the US in the mentioned period.

USA, however, fell in its import from second top African destination Lesotho by 2.68 per cent in values. The shipment from Lesotho to the US valued $90 million in the first 4 months.

Madagascar witnessed growth in both values and volumes by 9 per cent and 13.92 per cent, respectively. The country shipped 21.69 million SME apparels to USA in Jan.-Apr. '20 period which were worth US $ 81.52 million.

The most impacted destination proved to be Mauritius which drastically fell both in volumes and values of its apparel exports to USA this year. The country shipped 4.68 million SME of apparels (down 30.88 per cent) to USA clocking at US $ 35.49 million which is a whopping 30 per cent fall from a year earlier.

Source: fashionatingworld.com– Jun 22, 2020

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ICE cotton slips on favorable weather conditions

ICE cotton futures fell on Monday, as favorable weather and robust crop conditions in top cotton-growing regions in the United States weighed on prices.

* The most active cotton contract on ICE Futures U.S., the third-month December contract fell 0.07 cent, or 0.1%, at 59.74 cents per lb by 1:58 p.m. EDT (1758 GMT).

* "We had some pretty good weather over the weekend and the forecast is good for the Rio Grande Valley and for the Delta crops," said Rogers Varner, president of Varner Brokerage in Cleveland.

* Texas and other major cotton-growing regions in the United States have experienced a dry spell, raising concerns of crop damage.

* "The other influence on the market is that China now says that they are going to require inspections and affidavits of agriculture purchases, and traders are worried that grains, cotton and pork may get tied up in some sort of dispute," Varner added.

* Cotton prices have declined about 16% so far this year, hurt by the coronavirus pandemic that stalled economic activity and consumption, while concerns of increasing U.S.-China trade tensions also remained on the horizon.

* “Cotton may benefit from China’s attempting to fulfill the Phase One trade obligations, but is likely to find itself short of downstream buyers in a Covid-19 environment,” OCBC Bank said in a note.

* Investors now eye a weekly cotton planting progress report due later in the day.

* Speculators cut net long position in cotton futures by 3,330 contracts to 552 in week to June 16, data showed on Friday.

* Total futures market volume fell by 2,005 to 15,989 lots. Data showed total open interest fell 2,246 to 165,489 contracts in the previous session.

Source: af.reuters.com– Jun 22, 2020

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Indonesia provides tax relief to PPE manufacturers

The Indonesian Government declared a tax break for all manufacturers of PPE including N95 masks and gloves along with the makers of antiseptic hand sanitisers, ventilators, reagents for diagnostic tests of COVID-19 and disinfectants.

According to the country’s tax department’s website, manufacturers will be able to offset 30 per cent of their production costs for the months of March through September 2020 against their taxable income.

Earlier in March, the Indonesian Government had imposed a ban on exporting of 10 commodities, including antiseptics, PPE and raw materials to make surgical masks, in order to fight any paucity of necessity equipments in the country.

However, they received a lot of backlash as the export ban would not only block Indonesia’s potential for further growth but also negatively affect Indonesia’s trade partners’ capacity to produce raw materials.

The decision was relaxed into export licensing quickly after a G20 meeting in late March regarding the decision to support trade and global supply chains.

Source: fashionatingworld.com– Jun 22, 2020

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S. Korea to Launch FTA Talks with Cambodia in July

On June 15, Deputy Prime Minister and Finance Minister Hong Nam-ki said that South Korea would start negotiations for a free trade agreement with Cambodia in July. While South Korea has already signed an FTA with the Association of Southeast Asian Nations or ASEAN, the efficiency and the level of openness of the trade pact are rather limited.

Against the backdrop, expectations are running high for a bilateral FTA between South Korea and Cambodia. Here is Kim Hyun-su chief researcher at the Institute for International Trade under the Korea International Trade Association.

An FTA with Cambodia is part of the South Korean government's efforts to strengthen political and economic ties with countries in Southeast Asia. Under the so-called "New Southern Policy," South Korea seeks to elevate its relations with ASEAN to the same level as those with four major countries such as the U.S., China, Japan and Russia. In November last year, South Korea and Cambodia started a joint feasibility study on their FTA in line with the South Korea-ASEAN summit.

In fact, both countries have been subject to the South Korea-ASEAN FTA that took effect in 2007. A bilateral FTA between South Korea and Cambodia has the purpose of promoting greater market access with the existing FTA and further expanding economic cooperation. About half of South Korea's trade with ASEAN is concentrated on Vietnam.

The top three trading partners in the region, namely, Vietnam, Singapore and Malaysia, account for more than 70 percent of South Korea's total trade with ASEAN. For South Korea, it is essential to diversify its economic partners and explore a new consumer market and production base. Cambodia is a promising country that is believed to meet this demand.

South Korea and Indonesia signed a trade deal, known as the Comprehensive Economic Partnership Agreement, last year. Taking a step further, Korea is ready to embark on FTA negotiations with Cambodia this year so it will hopefully secure a new growth engine. Cambodia is indeed considered an attractive trading partner.

Cambodia is an emerging Asian economy that has posted high economic growth of around 7 percent annually. About half of the population is under the age of 25, so robust economic growth is anticipated. Demand for social infrastructure is high, as relevant facilities are inadequate in the country.

Cambodia has few regulations on foreign capital. In most sectors, investment is allowed simply upon reporting and 100 percent foreign ownership is permitted. Transactions are mostly conducted through the U.S. dollar, not the local currency, so the exchange risks are relatively small. Also, investment projects approved by the Cambodian government are exempt from corporate tax and import duties for raw materials and facilities for up to nine years. That's why Cambodia is regarded as an attractive investment destination.

Cambodia's per capita gross domestic product stood at 1,500 US dollars in 2018. But the country has world-renowned cultural attractions such as the Angkor Wat, abundant labor resources and friendly policies toward foreign investment. Thanks to these advantages, the Cambodian economy has grown more than 7 percent on average for the last 20 years. In Cambodia, wage levels are low, which is another strong point. Last year, the minimum monthly wage in the country's garment sector was 182 US dollars, about 60 percent of that of neighboring Thailand. Armed with young, plentiful labor, Cambodia has the highest labor force participation rate in ASEAN.

What is better, Cambodia is one of the beneficiaries of the Generalized System of Preferences. Under this preferential tariff system, goods imported from developing economies are granted reduced or zero tariff rates. Therefore, the country can enjoy tariff benefits when exporting products to the U.S., the European Union and Japan. It is little wonder that Cambodia is called the "hidden pearl of Southeast Asia." Researcher Kim now explains trade relations between South Korea and Cambodia.

Trade volume between South Korea and Cambodia in 2019 reached 1 billion dollars. Of that, South Korea's exports to Cambodia amounted to 700 million dollars and its imports from the Southeast Asian country came to 300 million dollars. South Korea mainly ships vehicles like used cars and freight trucks to Cambodia. Other export items include beverages and textile materials. South Korea mostly imports clothing and shoes from Cambodia. Some Korean garment manufacturers have set up factories in Cambodia to import the goods produced there. Lately, Cambodia produces a large amount of automotive wiring harness parts.

South Korea and Cambodia established diplomatic relations in 1970, but their ties were severed in 1975 when Cambodia was communized. Bilateral diplomatic ties were again established in 1997, and the two countries have since developed their cooperative relations.

Cambodia is the third largest beverage export market for South Korea. Dong-A Pharmaceutical's signature energy drink called Bacchus is by far the most popular energy drink in Cambodia. When the South Korea-Cambodia FTA is concluded, the Korean manufacturing industry is expected to see 100 percent tariff reduction, while consumer benefits are estimated to increase by 33 million dollars. However, the prospects are not entirely rosy.

Cambodia's GDP worth 26.7 billion dollars is less than one-50th of South Korea's. Cambodian Prime Minister Hun Sen has ruled for 35 years since he took power in 1985. He forcibly disbanded the main opposition party in 2018 to facilitate the ruling party's win. His dictatorship will continue through 2023. Corruption and an infringement on democracy and human rights in Cambodia have drawn ongoing criticism.

Another problem is the sharp rise in wages in recent years. The minimum monthly wage in the garment industry was 61 dollars in 2012. But it jumped to 140 dollars in 2016 and 190 dollars in 2020. In other words, it tripled in eight years. The soaring wages place a significant burden on South Korean companies that have already been doing business in Cambodia. Those who plan on entering the country should take this situation into consideration.

While Cambodia has great growth potential, its poor infrastructure, rampant corruption and low labor productivity are cited as stumbling blocks. The country was placed 133rd in labor market competitiveness in 2018, one of the lowest in the world. Yet, Premier Hun Sen has promised to raise the minimum wage to 250 dollars by 2023. South Korea should also note that other countries have already built their own business models in Cambodia.

South Korea is not the only country that shows interest in Cambodia, so it is necessary to carefully examine how its rivals have been doing in the country. China, in particular, is the largest importing market for Cambodia, accounting for more than 35 percent of Cambodia's total imports. The two countries have launched their FTA negotiations.

Japan, meanwhile, has already built production bases of cars and electronic equipment in the ASEAN region, including Thailand. Economic integration and tariff elimination within ASEAN have helped Japan raise its price competitiveness. South Korea should take these circumstances into account.

The envisioned FTA has both a hopeful future and investment risks. When the trade negotiations begin next month, the two nations should come up with smart and effective strategies of increasing opportunities and reducing risks so they can find a way to grow and prosper together.

Source: world.kbs.co.kr– Jun 22, 2020

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How the L.A. apparel industry became mask makers

Abdul Rashid Dadabhoy knew he had a critical problem when Orange County supervisors shut down all nonessential businesses on March 17 in response to the coronavirus, forcing him to halt production at AST Sportswear, one of the nation's biggest makers of T-shirts.

But he also had a nearly instantaneous solution.

After hearing of the critical shortage of face masks, Dadabhoy sat down with his three brothers the next morning and prototyped a cotton version, which workers at the company's vertically integrated Brea factory churned out 1,200 pieces of the next day. The company has made more than 10 million masks since.

"We kept doing that and we are still doing that," said Dadabhoy, chief operating officer of the family-owned business, which prides itself on its "Made in the USA" label and ability to fill orders faster than its overseas competition.

Indeed, demand isn't expected to wane anytime soon, especially now that Gov. Gavin Newsom issued an order Thursday making masks mandatory in most public settings.

The virus outbreak has slashed trade and devastated the economy, but it's also provided opportunities to some companies and industries that have maintained supply chains and production close to home — and a prime example is Southern California's shrunken but still vibrant apparel industry.

While other sectors remained closed for months, Southern California's apparel manufacturers, which employ thousands, turned on a dime to produce masks and other critically needed personal protective equipment. This nimbleness allowed local businesses to compete with low-cost overseas suppliers, but it also exposed employees to possible infection and reignited allegations that its low-income, largely immigrant workforce was being exploited.

More than 400 apparel companies have participated in L.A. Mayor Eric Garcetti's LA Protects initiative to produce 5 million masks, which is open to Los Angeles city and county businesses. AST joined a national PPE consortium of large apparel makers that includes Los Angeles Apparel and big outfits such as Hanesbrands.

The initiatives are highlighting the advantages of a domestic industry that is still standing even though it has been battered over the last several decades by the growth of international trade, including through the North American Free Trade Agreement in 1994 and China's entrance into the World Trade Organization in 2001.

By one estimate, employment in the L.A. apparel industry has shrunk since the early 1990s from roughly 150,000 to just 45,000 today as leading brands moved production out of the country to take advantage of lower labor costs in Mexico, Central America and Asia. Yet Los Angeles remains one of the country's top fashion centers, now defined by trendsetters such as Revolve and Fashion Nova, e-commerce businesses that have experienced skyrocketing growth off a vast base of Instagram influencers.

It's a segment of the industry where responding to rapid changes in taste is paramount, and where local production can give an edge over foreign factories with lengthy supply chains — and potential quality-control problems, something recently highlighted by Chinese mask imports.

One company that began making masks and other PPE is Lefty Production Co., a "one-stop" vertically-integrated shop that provides design consultation, pattern-making, cutting, sewing and other services to smaller brands. It was co-founded by Marta Miller and partner Emily Roiff in 2012, after realizing that up-and-coming designers needed help getting their clothes made locally.

"We don't knit the fabric, but besides that part of the supply chain we have everybody in one team under one roof doing all that," Miller said.

Lefty Production serves nearly 100 smaller designers who sell direct-to-consumer online or wholesale and want a batch of 300 to 10,000 articles of clothing — the kind of order that large-volume Asian factories either don't handle or for which they might charge too much.

Source: finance.yahoo.com– Jun 22, 2020

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Sri Lanka: Trade deficit widens in April; import expenses on personal vehicles up, no tourism earnings

Sri Lanka's trade deficit widened in April 2020 to US dollars 840 million, from US dollars 797 million in April 2019, as the decline in exports exceeded the decline in imports.

Expenditure on merchandise imports declined notably, on a year on year basis, by 29.6 percent to US dollars 1, 123 million in April 2020 mainly led by the significant declines in intermediate and investment goods.

Expenditure on non-food consumer goods such as telecommunication devices, clothing and accessories and home appliances, which were mainly subjected to import restrictions imposed during March/April 2020 decreased in April 2020.

However, a considerable increase (27%) on import expenditure on personal vehicles was observed in April 2020 compared to the previous month mainly due to the clearing of the backlog accumulated due to service disruptions with the spread of COVID 19 in the country.

In comparison to April 2019, earnings from merchandise exports declined significantly by 64.6 percent to US dollars 282 million in April 2020 continuing the year on year decline observed in March 2020 with all major export sectors recording significant declines.

Table 1: Summary of External Sector Performance (a)

Category	April 2019 US$ mn	April 2020 US$ mn	Change (%)	Jan-Apr 2019 US$ mn	Jan-Apr 2020 US$ mn	Change (%)
Exports	798	282	-64.6	3,954	2,932	-25.9
Imports	1,596	1,123	-29.6	6,412	5,625	-12.3
Trade balance (net)	-797	-840		-2,458	-2,693	
Earnings from tourism	315 (b)	-	-100.0	1,711 (b)	956 (c)	-44.1
Workers' remittances	554	375	-32.3	2,171	1,975	-9.0
Inflows to the CSE (net) (d)	10	-		-24	-28	
Inflows to the Government (gross)	135	138		3,239	961	
Treasury bills and bonds	29	1		267	84	
Long term loans	106	137		572	877	
Overall Balance				285	-290	

Sources: Sri Lanka Customs (SLC), Central Bank of Sri Lanka (CBSL), Sri Lanka Tourism Development Authority (SLTDA), Colombo Stock Exchange (CSE), Board of Investment of Sri Lanka (BOI)

(a) Provisional
(b) Revised based on survey results of SLTDA on average stay period and average spending per day estimates for 2019
(c) This provisional estimate may be revised once the SLTDA releases its survey results for 2020
(d) Include secondary and primary transactions

Earnings from the three major exports sectors; agricultural, industrial and mineral exports recorded significant contractions in April 2020.

Major export products such as textiles and garments (-81.8), rubber products (-54.2), petroleum products, gems, diamonds and jewellery, tea (-20.8), seafood and machinery and mechanical appliances mainly contributed to the decline in export earnings.

With some migrant workers returning to the country prior to the lockdown and reduced compensation and redundancies faced by some migrant workers abroad, a significant decline was recorded in workers' remittances during the month.

Workers' remittances declined by 32 3 percent in April 2020, year on year, amounting to US dollars 375 million.

Source: lankabusinessonline.com– Jun 22, 2020

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Due to low quality Bangladesh reduced cotton imports from India

Bangladesh ‘s cotton import from India declined further last year as local people switched to suppliers from North and West African countries to reduce their dependency on their neighbors.

In 2019, the Bangladeshi Association of Textile Mills (BTMA) imported 18 percent of its cotton from India. However, 41 percent of its cotton requirements were imported last year from the countries of East and West Africa.

The main explanation for that, according to BTMA, is the poor quality of Indian cotton. A group of Indian cotton traders also fails to maintain timely shipment and deliver the right amount as per agreements.
Because of this, Bangladesh ‘s primary textile sector has to suffer over $8 billion worth of. Such uncertainties have surfaced in the past several times. Therefore, BTMA urged India to reduce its problems around pollution.

Also, because Indian cotton prices are almost equal to other countries, importers in Western and Eastern African countries are looking for salesmen.

Source: textilefocus.com– Jun 22, 2020

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China Pumping Investments in Vietnam

The exercise is to check if these agreements are leading to preferential rates being lower on finished products than the intermediate or raw material.

Especially on the radar are the trade arrangements with South Asian countries under the South Asian Free Trade Area (SAFTA), the Asean group, and bilateral pacts with Singapore, Japan, South Korea and Sri Lanka, with a focus to plug gaps that aid imports from China. India suspects China is routing goods through these countries, taking advantage of the trade pacts.

The only operational trade agreement linking India and China — the Asia Pacific Trade Agreement, or APTA, (formerly Bangkok Agreement) — is also under scrutiny. South Korea, Bangladesh, Laos and Sri Lanka are also members of this grouping.

“There is a suspicion of circumvention of free trade agreements (FTA) and Chinese goods entering through these routes violating rules of origin norms,” said an official. Under-invoiced imports from China too will be scrutinised.

There was a sudden spurt in imports from Singapore, Japan and the Asean countries in 2017-18, and inbound shipments have been high since then. India’s trade deficit with China was around $47 billion in the first 11 months of FY20.“China has been pumping investments in Vietnam and its imports into India are coming unchecked, that too at low duty, through such countries,” said an industry executive.

Most of India’s exports to China have been of primary goods and raw materials including petroleum products, organic chemicals, iron ore, cotton and plastic raw materials, while imports have been mainly intermediate and finished goods such as telecom instruments, electronic components, consumer electronics, active pharmaceutical ingredients and machinery.

While correcting the inverted duty structure in dual-use products such as steel may be difficult, experts suggested empowering customs officials to detain unnecessary imports but paying demurrage in cases where import substitution is key, could be helpful.

“We are looking at ways to curb the import surge as this cripples the domestic installed production capacity,” the official said.

Source: pressreader.com– Jun 22, 2020

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Bangladesh: Manufacturing 24,860 RMG workers fired after Eid

The government on Monday once again urged the readymade garment factory owners not to terminate workers amid the COVID-19 pandemic as factory authorities started extensive retrenchment of labourers after Eid-ul-Fitr. State minister for labour Monnujan Sufian in a meeting with the representatives of factory owners at her ministry made the request, meeting sources said.

The ministry held the meeting against the backdrop of widespread retrenchment of workers in the RMG sector despite repeated calls from the ministry for not to do so during the pandemic. The state minister also instructed the factory owners to pay the workers their dues saying that the wages of May remained outstanding in many factories.

The Department of Inspection for Factories and Establishments has placed a list of 24,860 workers, who lost their jobs after eid, in the meeting, sources said. The ministry officials said that the workers were retrenched from 80 RMG factories from May 27 to June 20. The inspection department also placed a list of 103 RMG factories where the workers' wages of May remained outstanding till June 20.

According to a source, a total of 1,624 apparel factories in the country are making direct exports and 103 units of them did not pay workers their wages of May. All the factories are the members of Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Knitwear Manufacturers and Exporters Association, the source said.

In the meeting the state minister also instructed the factory owners to pay the arrears to their workers, DIFE inspector general Shibnath Roy told New Age after the meeting. 'The government does not want to see workers fired by the factories while we have requested the owners on several occasions not to cut jobs. But the coronavirus pandemic has created a difficult time for all and factory owners are failing to pay wages to workers due to lack of orders,' he said.

Labour secretary KM Abdus Salam, BGMEA representative Mansur Khaled, Sramik League president Fazlul Haque Montu and the representatives of different ministries and departments of the government attended the meeting.

Source: newagebd.net– Jun 23, 2020

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Pakistan: Uniform taxation vital for government to increase revenue: PBF

FPCCI's former chairman standing committee on textile and president Pakistan Businesses Forum (PBF), Sahibzada Mian Usman Zulfiqar has said that masses and businesses are struggling with rising inflation and high unemployment and the economic damage caused by the pandemic were at glance. In this regard uniform taxation could be vital for government to increase its revenue so that it can be injected in our economy.

Speaking to online seminar "a new trade order after post Covid-19", he said government may also take immediate and meaningful steps to increase credit to the private sector - such as through tax incentives. "Private sector credit in Pakistan is currently at just 18.8 percent of GDP, versus 50 percent in India". More credit to the private sector will have a multiplier impact on GDP growth.

Our exports have not changed much since the Indus Valley Civilisation; in those days cotton and grain were traded with Mesopotamian empires 5,000 years ago. Cotton, textiles and foods still account for over 70 percent of Pakistan's exports. We need specialised industrial zones based on manufacturing of new products and goods to export in new markets.

As Pakistan's economy had been teetering for sometime and the Covid-19 pandemic has made the situation even worse for its outlook. He suggested that in order to reshape the economic cycle, government may immediately find the new avenues to increase the tax collections so that government could also have a breathing space.

On the issue of IPP's, he said, "Change in few terms and conditions of the agreements signed with the Independent Power Producers (IPPs) in the past may be a good omen for the country as an amount of Rs4,700bn could be saved by giving IPPs in PKR currency instead of dollars."

Source: brecorder.com– Jun 23, 2020

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Exports improving, down by about 10-12% so far in June: Piyush Goyal

India's exports are showing signs of improvement as the contraction in outbound shipments in June so far has come down to about 10-12 per cent as compared with 60 per cent in April, Commerce and Industry Minister Piyush Goyal said on Monday.

Declining for the third straight month, India's exports dipped 36.47 per cent in May to USD 19.05 billion. "Currently we are about 10-12 per cent down in June. So in a sense, we have reached up to 88-90 per cent of the level of exports that we had in June 2019 in the current month in the first two weeks. I am awaiting the data for third week (of June)," Goyal said at a CII function.

The minister said that the focus is on sustainable growth and not on giving "handout" for exports. He said subsidies are never good for businesses and don't help domestic exporters in engaging with the world from a position of strength and power. When asked about foreign direct investment (FDI), he said almost all sectors are open for overseas investors, but the ministry is open to other ideas.

"We have some constraints in multi-brand retail because we have a large part of Indians dependent on small mom-and-pop stores," he said, adding that these shops have kept essential supplies available and played a key role during the ongoing coronavirus pandemic.

"In insurance, our expectations from insurance companies was much more and deeper, sadly we feel let down. So there are few sectors where we would like all of you tell us," he added. The minister said that the government has to balance security concerns and opening up of economy. "FDI is welcome, but we certainly have to take precautions that we do not get the wrong type of capital which is opportunist and which is not really good for the nation,"Goyal said.

The minister also said that the government is giving special focus to high quality standard products. "I think a lot of people have not appreciated that our government is giving priority to high quality standards….(But) India has finally evolved and has made up its mind that we are going to only accept good quality products," he added. He emphasised the need to bring back quality culture in the country.

Even if a domestic quality product is a bit costlier than imported one, it is sensible to buy Indian item, he said, adding that in the long run people could have to pay a "terrible price" if they would not buy quality Indian goods. Talking about reforms in states, he said 15-17 states have done game changing labour reforms recently and a lot of it will come in the public domain in the next few days.

Further, he said that certain people and eminent economists have expressed their views on television debates about distributing thousands and billions of dollars as a short-term measure, but "I do wish that people should understand that India has to use this crisis to prepare ourselves for a sustainable future".

Source: financialexpress.com– Jun 22, 2020

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India 'fast moving' economy, progressively taking steps to deepen trade ties: Australian minister

Describing India as a "complex market" but a "very fast moving economy", Australian trade minister Simon Birmingham has said that the government is progressively implementing the recommendations of a report to further deepen its trade and investment relations with New Delhi.

India is Australia's eighth-largest trading partner and fifth-largest export market, with two-way goods and services trade valued at 30.3 billion Australian dollars in 2018-19.

In a recent interview to a television news channel, Birmingham said, "India is a complex market". However, it is a "very fast moving economy" with "lots of different pieces with lots of different states".

"And that's why we commissioned an India Economic Strategy that has many recommendations to it, and we're getting on and we're progressively implementing those recommendations so that we can deepen our ties in areas like education, build new opportunities in areas such as agriculture," he told the Sky News.

Birmingham said the government is also pursuing to strenghten its trade ties with India in the resources sector.

“Pursue — especially in the resources sector — not just the sale of critical minerals and rare earths to India but also, increasingly, mining and engineering services going into India using Australian skills and Australian knowhow as part of the business operation there with India,” he said.

The India Economic Strategy, released in 2018, is an ambitious plan to transform Australia’s economic partnership with India out to 2035. It aims at bringing India into the inner circle of Australia’s strategic partnerships and make the country the third largest destination in Asia for Australian outward investment. It aims at making India the third largest export market of Australia.

The report contains 90 recommendations for Australia to reach the 2035 targets. It also highlights 10 sectors where Australia has competitive advantages with education as a flagship sector, three lead sectors that are agribusiness, resources and tourism and six promising sectors which are energy, health, financial services, infrastructure, sport, science and innovation.

The report identifies 10 states — Maharashtra, Gujarat, Karnataka, Tamil Nadu, Andhra Pradesh, Telangana, West Bengal, Punjab, the National Capital Region of Delhi and Uttar Pradesh — for expanding the opportunities.

Source: financialexpress.com– Jun 22, 2020

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Textile industry seeks govt support to stay competitive

The textile industry has urged the government for reimbursement of all the duties and taxes incurred during production to help enhance overall competitiveness of the sector.

Cotton textiles exports declined by 16.50 per cent during April 2019 to February 2020 to USD 9,405 million compared to USD 11,262 million in the same period of the previous financial year, the Textiles Export Promotion Council (TEXPROCIL).

Sharp declines were reported in major export markets like China (51 per cent), Bangladesh (23 per cent), Vietnam (18.5 per cent) and South Korea (28.46 per cent).

Importance of MSME sector in Indian Economy:

MSMEs play a significant role in the Indian economy contribute towards 29 per cent of the gross domestic product (GDP) and 48 per cent to India's overall exports.

At a time when, India's textile industry is passing through unprecedented times due to months of nationwide lockdown to prevent spread of coronavirus (Covid-19), the change in MSME definition would provide a major relief for recovery in both domestic and export fronts.

The distressed asset fund of Rs 4,000 crore created to help weaker MSMEs that are struggling through non-performing assets norms due to Covid-19 pandemic, will bring them back into the business and they can start activities afresh.

Revised MSME definition to help ease of doing biz, attract investments: Textile sector:

The textile sector welcomes the Centre's decision to revise the definition of MSMEs and says that it will not only help the sector grow but promote seamless expansion, ease of doing business as well as attract huge investments.

Increasing sales turnover limit to Rs 250 crore from the recently announced turnover of Rs 100 crore while excluding export sales turnover from this calculation would greatly benefit the highly labour-intensive and fragmented textiles, and clothing sector.

Manmade fibre textile industry would also be the major beneficiary as most of the textile units are under MSME.

Higher threshold will include more units now and will give a huge fillip to the production, domestic supply and exports of manmade fibres textiles. Apart from that spinning and weaving units will also get benefit of this revision.

The government also approved roadmap for implementing the remaining two packages for MSMEs, namely, a Rs 20,000 crore package for distressed MSMEs and Rs 50,000 crore as equity infusion through fund of funds.

Internal factors, more than competition, are responsible for the stagnation of India's textile exports:

Lack of scale: While India's spinning capacity is of a global scale, the same cannot be said about weaving and apparel making.

- In fact, apparel units in the country have an average size of 100 machines. Compare this with Bangladesh which has on an average of at least 500 machines per factory.
- Apart from lower labour cost and tariff benefits on account of it being a `least developed country', the better economies of scale makes Bangladesh imports highly competitive vis-a-vis India.
- The only way India can overcome this challenge is by setting up mega apparel parks close to ports with `plug and play' facilities and common infrastructure for effluent treatment, etc.
- This will help Indian players scale up faster at lowest cost and maximum efficiency in operations.

Bias towards cotton:

- Indian policymakers have always favoured cotton. Not surprising, as 5.8 million farmers are engaged in cotton cultivation.
- GST on cotton is uniformly 5 per cent for fibre, yarn and fabric. But not so for man-made fibres (MMF), which are taxed at 18 per cent for fibre, 12 per cent for yarn and 5 per cent for fabric.

- This inverted tax structure makes MMF textiles costly. This explains why it accounts for just $6 billion of the $39-billion textile exports.
- But what has complicated the situation is the global shift in fashion towards MMF. Today, 72 per cent of the global textile fibre consumption is MMF.
- From 48.2 million tonnes in 2010, end use of non-cotton fibre across the world is expected to increase to 94.3 million tonnes by 2025.

Lack of trade agreements:

- Preferential Trade Agreements, including FTAs, help gain duty-free access to large textile markets such as the EU, Australia and the UK which, otherwise, levy 12-14 per cent import duty.
- They will help Indian players counter Bangladesh which, as a 'least developed nation', gets duty-free access.
- Vietnam has just signed an FTA with the EU and its apparel exports will also suffer no duty from September.
- But India's FTA negotiation with the EU has remained suspended since 2013 after 16 rounds of talks. Wide differences, especially in opening up the automobile and wine sectors, is the reason.
- An India-Australia Comprehensive Economic Co-operation Agreement has been in the works for eight years (Australia wants greater access for its agri exports).
- The British government has indicated that the UK-India FTA post-Brexit (a $3- billion opportunity) is not a priority due to high-value trade disputes the two countries are involved in.
- The government should look through the prism of 'atmanirbhar' to adopt an appropriate 'give and take' policy and sign the FTAs.
- Job creation can be an important metric. Every $1 billion increase in textile exports adds 1.5 lakh jobs.

Way Forward:

- Cooperative societies must be promoted and strengthened in rural and semi-urban areas where there is large concentration of handloom weavers.
- During COVID-19, the textile firms produced personal protective equipment worth 10,000 crore from zero. Technical textiles further need to be promoted.

- Expanding Weaving Capacity: The weaving sector is the backbone of the textile industry.
- On the one hand, promoting the weaving industry gives impetus to the domestic spinning industry and on the other, it makes our garment' sector globally more competitive.
- Investing in Technology Upgradation: To ensure rapid transformation of the weaving sector in India, under Amended Technology Upgradation Funds Scheme (ATUFS) of the Government of India, the weaving sector may be considered to get capital subsidy at par with garmenting and technical textiles.
- These measures would encourage MSME segment to expand their horizons, strengthen them to be a bigger contributor to the economy and boost exports.
- All these measures will help exporters of cotton textiles to survive and sustain in exports which in turn also enable consumption of cotton, which has been procured and stocked by the Cotton Corporation of India in very large quantities.

Conclusion:

To be a serious player in the global market, India needs to have a fibre neutral tax policy. Also, there is an imminent need for an MMF Mission to upgrade the industry's skill when it comes to non-cotton textiles.

India needs a fresh blueprint for the textile sector. Once that is drawn up, the country needs to move into mission mode to achieve it.

'Atmanirbharta' will not be possible if the government fails those sectors that are already self-sufficient and capable of dominating the global market.

With focused interventions in this sector, we might enhance its performance in terms of more investment, employment generation and export earnings.

Source: insightsonindia.com– Jun 22, 2020

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CBIC launches paperless customs export processing

The Central Board of Indirect Taxes and Customs (CBIC) on Monday launched paperless customs export processing, a move aimed at trade facilitation.

"Chairman CBIC Sh. M Ajit Kumar and Members of the Board launched Paperless Customs Export processing under Turant Customs today through video conferencing. It is an initiative to promote Ease of Doing Business and enhanced use of technology," CBIC said in a tweet.

Under this initiative, a secure QR core enabled PDF LEO (Let Export Order) copy and Export Gatepass copy will be sent electronically to the exporters immediately.

As part of efforts to take India amongst top 50 countries in World Bank's Ease of Doing Business ranking, the CBIC had last year announced reform measure -- Turant Customs -- for speedy clearance of goods at air and sea ports.

The comprehensive package is being implemented in a phased manner.

Towards that, the Customs department plans to roll out pan-India faceless assessment by December 31 in a phased manner, and has started the same at Chennai and Bengaluru ports from June 8.

Faceless assessment (commonly known as anonymised or virtual assessment) enables an assessing officer, who is physically located in a particular jurisdiction, to assess a Bill of Entry pertaining to imports made at a different customs station, whenever such a Bill of Entry has been assigned to him in the customs automated system.

Source: moneycontrol.com– Jun 22, 2020

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Friction with India: China lures Bangladesh, Nepal with trade sops

Even as it clashes with India on the border, China has stepped up trade diplomacy with two of New Delhi's traditionally close allies — Dhaka and Kathmandu – by wooing them through greater trade concessions.

Beijing has now widened the scope of an existing trade agreement with Dhaka to allow about 97% of Bangladeshi goods at concessional duties. Bangladesh's foreign ministry said on June 19 that while the country already received tariff-exemption for 3,095 items under the Asia Pacific Trade Agreement (APTA), thanks to the latest announcement, a total of 8,256 goods would be exempted from the Chinese tariffs.

Similarly, China is also reportedly planning to lay a strategic railway network connecting Kathmandu and Shigatse in Tibet where it would join an existing railway line to Tibet's capital Lhasa. It has also offered Nepal four ports for supply of goods to reduce reliance on India.

Since India has been a larger importer from both Bangladesh and Nepal than China, Beijing's quiet trade diplomacy with these nations seems aimed at gradually undermining New Delhi's ties with its allies to bolster its own strategic goals.

Already, Nepal has ratified a new map, claiming certain Indian territories as its own by unilaterally changing the status-quo, thus, adding to New Delhi's discomfiture when it's engaged in a bitter border dispute with Beijing. Many have interpreted Nepal's latest action as the direct fall-out of growing Chinese clout in the KP Sharma Oli administration.

However, Indian exporters feel it will be tough for Bangladesh to ramp up supplies to China and improve trade balance, given Beijing's typical use of non-tariff barriers to scuttle tariff concessions to trading partners.

"For some time, maybe as long as the latest India-China border dispute stretches on, Bangladesh will have easier access to the Chinese market. However, they know how to control imports once political gains start to diminish," said a garment exporter, who didn't want to be named.

China exported goods worth $17.8 billion to Bangaldesh in 2018 while its imports stood at less than $1 billion. Indian imports from Bangladesh stood at over $1.2 billion in the first 11 months of FY20, while exports touched $7.5 billion. So while the China-Bangaldesh trade is already heavily tilted in favour of Beijing, New Delhi's trade ties with Dhaka are much more balanced.

In late 2018, India had proposed to Bangladesh to weigh a free trade agreement with it covering goods, services and investment. Currently, Bangladesh enjoys duty-free access to the Indian market on most goods under the SAFTA (South Asia Free Trade Agreement).

India is also part of the APTA, under which it had extended tariff concessions on 3,142 items to members, including Bangladesh, in 2018. Moreover, several Indian textile and garment companies, including Arvind Mills, have also heavily invested in Bangladesh.

As for Nepal, the trade ties with India have been much stronger traditionally. Nepal exports 55-60% of its goods to India and only 3% to China, but 90% of its imports are from India and only a negligible amount from China.

Source: financialexpress.com– Jun 23, 2020

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Use technology to explore possibilities, Smriti Irani tells Karur textile exporters

'*Government wants to partner with you to find solutions*'

Union Textiles Minister Smriti Irani on Monday assured handloom textile exporters of Karur that the Centre would support all sections of the textile industry in finding solutions to surmount challenges.

"We have faced challenges time and again. The government wants to partner with you to find solutions for every issue," she said during an online interaction with handloom textile exporters of Karur here on Monday.

Referring to certain issues raised by the exporters, Ms.Irani urged them to be specific so that she can help find solutions or follow up with the Ministries concerned.

Responding to an issued flagged by an industry representatives, Ms. Irani urged the exporters to come up with a base paper detailing specific problems faced by the exporters, country-wise so that holistic and long-term solutions could be found.

The industry representative had observed that small exporters were trying to find buyers in the United States and Europe but face a lot of certification and compliance issues. "The process is very expensive, which small exporters cannot afford," he said.

To a plea for establishing a design development centre and fashion institute in Karur, Ms.Irani urged the industry to explore ways to collaborate with the nearest National Institute of Fashion Technology, by going digital. "It is time to look at new possibilities, leveraging technology," she observed.

Convention centre

Responding to request for support to establish a convention centre in Karur, Ms.Irani suggested that the industry in South India could come together to create such a facility.

The Karur handlooms home textiles and made-ups exporters are free to form any organisation of their own, she said while responding to a complaint that Karur exporters voice often went unheard.

"We will engage with all sections of the textile industry," she assured.

When her support was sought in exploring possibilities for supplying to the Defence sector, she urged the industry representatives to identify specific products. She also requested the industry to identify the skill-level that would be required for its workforce, especially in comparison to their competitors from other countries, when a suggestion was aired to set up a skill development centre in the town to train unskilled workers.

'Atlas' M. Nachimuthu, president, Karur Exporters Association, said the Karur handloom home textile and made-ups industry has evolved into a modern textile cluster, with over 750 MSME units, from being just a cottage industry.

Exports from Karur, mostly to the USA and the Europe, was valued at ₹5000 crore a year. The integrated textile park was among the best and accounted for exports worth around ₹600 crore, he said and called for the Centre's support to the industry so that the town could move to the "next level".

Source: thehindu.com– Jun 22, 2020

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India explores export opportunities using missions abroad

India's commerce ministry has shared a list of over 1,500 products, including leather and textiles, with Indian missions to explore export opportunities in their countries for domestic firms. The move is aimed at involving Indian overseas missions in securing alternate supply chains and market opportunities for domestic exporters hit by the pandemic.

Different export promotion councils are in touch with about 15 missions that have responded for organising digital business-to-business meetings.

The ministry has analysed 1,054 major products of import from China and has identified 168 items where India has critical dependence on the neighbouring country. Similarly, 550 products were identified where both India and China are significant exporters, and where India could help fill gaps in global supply chain, according to a news agency report.

Commerce and industry minister Piyush Goyal urged Indian missions last month to play a key role in identifying business opportunities for domestic companies, exporters and make India a preferred investment destination.

The minister, along with external affairs minister S Jaishankar, have interacted with 131 missions from different geographies through video conferencing.

Meanwhile, to promote trade and the opportunities for Indian companies in the post COVID-19 era, the Indian Embassy in Guatemala is starting today a five-day Virtual Healthcare & Hygiene Expo 2020 targeting Central American nations.

The focus will be on critical sectors like pharmaceuticals, medical devices, medical textile, hygiene and sanitisation.

Source: fibre2fashion.com– Jun 22, 2020

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Buying Agents Association gets new governing body

Buying Agents Association (BAA), the apex body representing buying agents pan India from the MSME export sector, has announced its new governing body consisting of 14 members. The general elections for the vacant seats in the governing body were held on June 18-19, and new body was announced during the 3rd Annual General Meeting of BAA held on June 19.

The new members who won the elections for the vacant seats of Category 1 were Sanjay Khurana from Global Resources and Tanya Bhatia from Dymak India. For the seat in Category 2, Sanjeev Jain from TQM Buying who had been so far the Nominated GB Member since a year won the elections. For the vacant seat in the Institutional Category, Om Prakash Prahladka from HCSSC won the election unopposed, BAA general secretary Anchal Kansal said in a statement.

In a follow-up governing body meeting of the newly formed body, the new office bearers were decided. Having led the BAA strongly since its formation, first as the general secretary and then as chairperson, Christine E Rai, has been promoted to the position of patron-in-chief unanimously by the board.

The BAA team will now be led by Vishal Dhingra from Specialty Merchandising, who is nominated as the new chairman of the association. Sumit Chabbra of Creative Concepts continues his second term as a vice chairman. The board nominated Manoj Rana of RMS Associates and Michael Vinod of Made In India Sourcing as the other two vice chairmen.

Anchal Kansal of Indsource International continues her responsibilities as the general secretary of the organisation for a second term. Newly elected Tanya Bhatia of Dymak India took up the responsibility as joint secretary and Sanjay Khurana from Global Resources took up charge of being BAA's newly appointed treasurer.

The other members of the BAA governing body continuing their terms are Nitin Mohan of Triburg, Sanjeev Jain of TQM Buying, Deepak Joshi of MLine, Vishaal Sinha of Hermes Infraconsult. Export Promotion Council for Handicrafts (EPCH) represented by Rakesh Kumar and Handicrafts & Carpet Sector Skill Council represented by Om Prakash Prahladka are Institutional Members who will be bringing to the governing body their years of knowledge and experience in the industry and shall continue to guide the association in its endeavours.

During the same meeting, it was unanimously decided to nominate Mandira Malik of Something Else as the nominated member for the vacant seat of the FM category and also to invite Rohini Suri as a special invitee back on the board for their immense contribution to BAA in the last term.

Source: fibre2fashion.com– Jun 22, 2020

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Tirupur misses export target, domestic sales holds on

Garment exports from Tirupur dropped to Rs 25,000 crore for the year ended March 2020, from Rs 26,000 crore in the previous year as Covid pandemic wiped away most of March exports. The target was to export garments worth Rs 28,000 crore. Domestic sales were flat at Rs 25000 crore for the fiscal.

With nearly six lakh workers, Tirupur exports knitwear to global giants. With the Covid pandemic which started sweeping Western markets in February and March, shipments were impacted.

“We hardly did any business for March. Several key markets for us were locked down and hence we could not achieve the targets,” said Raja M Shanmugam, president, Tirupur Exporters Association (TEA), an apex body of garment exporters. The bright spot was domestic sales, which remained unchanged at Rs 25,000 crore, even as the country’s economic growth slowed down.

“Almost all global brands are now present in India and source from Tirupur. Our India business was flat,” Shanmugam added.

With the restart of operations post Covid lockdown, he said exporters were operating at 40% to 50% of their rated capacity now. “This is the lean season for us. With guest workers leaving Tirupur, operations too are yet to gather momentum,” he added.

The region employs nearly six lakh workers. Of these 2.5 lakh are guest workers who have since returned to their native towns fearing Covid outbreak.

“Our domestic workers, nearly 3.5 lakh from other parts of the state have returned to work. We are in touch with the guest workers too, We hope they will return once railways commences regular services,” he said.

Exporters aren’t too bothered about the present labour shortage. “We don't have many orders and since this is a lean season, it is not an issue. We will feel the labour pinch only by August or so, by which time, we hope they return,” Shanmugam said,

Once things fall in place, TEA will release export projections by September. “Orders are limping, we are yet to get hold of the business. We can't comment on the market for 2020-21 till September,” he said.

Source: timesofindia.com– Jun 23, 2020

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Rs 3-lakh-crore aid for MSMEs: Banks disburse Rs 32,895-crore loans, says FM Nirmala Sitharaman

Finance minister Nirmala Sitharaman on Monday said banks have sanctioned working capital loans of Rs 75,426 crore under the Rs 3-lakh-crore Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs, of which Rs 32,895 crore has already been disbursed.

The scheme, under which the government offers full guarantee on up to 20% additional and collateral-free working capital loans, was rolled out from June 1 to soften the blow to MSMEs battered by the Covid-19 outbreak.

Bankers say disbursement is picking up, as the lockdown curbs on the resumption of businesses have been eased over the past three weeks. The data are based on the statements by 16 private banks and all the 12 PSBs.

The minister's office said in a tweet loans of Rs 42,739 crore were sanctioned by public sector banks (PSBs) and Rs 32,687 crore by private lenders. Similarly, while PSBs have disbursed Rs 22,198 crore, private banks have released Rs 10,697 crore.

The scheme was a major part of the government Rs 21-lakh-crore relief package to help individuals and businesses tide over the impact of the pandemic. The government has earmarked a corpus of Rs 41,600 crore over the current and the next three financial years to implement this loan guarantee scheme.

Borrowers with up to Rs 25 crore outstanding as of February 29 and Rs 100-crore annual turnover will be eligible. Such loans will have a 4-year tenor with moratorium of 12 months on the repayment of the principal amount. The interest rate will be capped at 9.25% a year for banks and financial institutions and 14% for non-financial banking companies.

The scheme can be tapped until October 31 or until the Rs 3-lakh-crore limit is exhausted, whichever is earlier. As many as 45 lakh units can resume business activity and safeguard jobs, the government recently announced.

The scheme also aims at supporting stressed MSME borrowers who are not in default. So, borrowers with standard accounts (with timely repayment), SMA-0 (with overdue of up to 30 days) and SMA-1 (with overdues of up to 60 days) can also take advantage of this scheme.

Interested borrowers under the Mudra scheme, which supports budding entrepreneurs from vulnerable sections of society, will also be covered under the guaranteed emergency credit line.

Source: financialexpress.com– Jun 23, 2020

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Punjab cabinet approves fast-track clearance of MSMEs

To ease the regulatory burden on micro, small and medium enterprises and fast-tracking setting up of MSMEs, the Punjab cabinet, here on Monday, approved the Punjab Right to Business Rules, 2020.

The new rules have been drafted under provisions of the Punjab Right to Business Act, which was notified on February 6, 2020 after the Assembly''s approval on January 17.

The cabinet meeting, chaired by Chief Minister Amarinder Singh, gave the go ahead to the rules'' notification to ease the process of approval and clearances for setting up of MSME units.

Sanctions and approvals pertaining to building plan, completion certificate, trade licence registration, land-use change, factory building plan (except for industries involving hazardous process), as well as registration of shops or establishments, will be granted by the district-level nodal agency, headed by the Deputy Commissioner.

For setting up of units in the approved industrial parks, the certificate of in-principle approval would be issued within three working days after the submission of declaration of intent, a government statement said.

For other areas, such certificates would be issued within 15 working days, it added. The certificate would be valid for three and a half years.

These rules would help MSMEs start building construction and commercial production early, said an official spokesperson, underlining importance of enhancing ease of doing business and improving the business environment to spur growth and create jobs.

The cabinet took note of the role played by the MSME sector in providing jobs at comparatively lower capital cost. The MSMEs also helped in industrialisation of rural and backward areas, thereby reducing regional imbalances, the cabinet noted.

In Punjab, many factories are engaged in manufacturing processes that are continuous in nature. When workers seek holidays as per the Punjab Industrial Establishment (National and Festival Holiday and Casual and Sick Leave) Act, 1965, it leads to disturbance in the manufacturing process.

To overcome that, powers have been exercised under Section 13(2) of the said Act to exempt those industries from the provisions of this Act.

Source: outlookindia.com– Jun 22, 2020

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High rates, low demand: Stressed MSMEs can't tap into Govt relief

Banks have started disbursing funds to Micro, Small and Medium Enterprises under the 100% Emergency Credit Line Guarantee Scheme announced by Finance Minister Nirmala Sitharaman last month but for many firms, hit hard by the pandemic lockdown, credit is still a huge challenge.

Viable companies, with good credit history, are able to raise funds, but the most needy among the MSMEs are facing a double whammy: slump in demand and lack of finance.

Official data shows that as of June 18, state-owned banks sanctioned loans worth Rs 40,416 crore under the scheme of which Rs 21,028.55 crore has been disbursed.

This scheme categorically excludes first-time borrowers and those whose accounts have turned bad. A separate scheme for stressed MSMEs is yet to be operationalised.

Banks are not asking for fresh collateral on these loans under the scheme, but since it is extended only to existing borrowers running credit facilities with banks, their factory land, plant and machinery is mostly pledged with the banks.

One significant deterrent, sources said, is that the rate of interest charged by banks under the scheme is almost at par with market rates and does not offer any substantial concession.

Last month, the RBI had cut repo rate 40 basis points bringing it to a record all-time low of 4 per cent. This hasn't translated to any relief for borrowers.

For, under the scheme, interest rate of banks and financial institutions have been capped at 9.25 per cent per annum, while Non-Banking Financial Companies can lend at maximum of 14 per cent per annum. State-owned banks are lending at around 8 per cent, depending upon the credit worthiness of the borrower.

Industry sources say such high rates make credit unviable for stressed companies that need a working capital loan for a period that their units were shut.

Sources said that along with cheaper credit, MSMEs need government support in lowering fixed costs and short-term benefits like waiver of electricity charges. "Otherwise, not many will survive this onslaught and they will have to wind up," said Animesh Saxena, President of Federation of Indian Micro and Small & Medium Enterprises.

"These are issues we are talking to the government about… that this loan availability should not be only for existing borrowers. There is a lot of paperwork requirement in borrowing from banks…and most MSMEs fail on a lot of these parameters," he said.

Apart from exorbitant interest costs, raising loans under the scheme is not easy even for non-NPA companies.

"Borrowers are asked to provide utilisation document for the loan and banks directly disburse the loan amount for outstandings of government statutory payments (such PF and TDS dues), salary payments and settlement of suppliers – which practically leaves nothing with the borrower," said K E Raghunathan, Former National President, All India Manufacturers Organisation.

The government should make loans available even for stressed MSMEs (those which are Special Mention Account-2), and waive interest burden for loans up to Rs 2 crore which are largely for micro enterprises, he said.

K K Balli, President of East Delhi-based Association of Wholesale Readymade Garments Dealers said banks are calling up MSMEs with land, plant and machinery to extend loans. “Why would banks give loans to small players and garment traders if they do not have adequate collateral? These players can get overdraft and cash credit against hypothecation,” he said.

In a report released last week, CRISIL Rating said it expected MSME revenues and profitability to fall steeply, hitting micro enterprises the hardest.

Micro enterprises account for 32 per cent of the overall MSME debt. Consumer discretionary, construction, export-linked MSMEs and textile and ceramics players are being seen as the most affected.

“For MSMEs, the fall in revenue will be steeper at 17-21 per cent, while EBITDA margin will shrink 200-300 basis points to 4-5 per cent as weak demand gnaws away gains from lower commodity prices.

A sharp decline at the operating level will also impact creditworthiness, aggravating the liquidity stretch these units have been grappling with, particularly on the working capital front,” the report said.

Need for fresh loans among small and medium enterprises may also be low because there is no pick-up in demand. “We do not need additional working capital loans since there is not enough demand in market and interest keeps piling up on additional facilities,” said a Ludhiana-based MSME player manufacturing auto parts.

Source: indianexpress.com– Jun 22, 2020

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Export of 5 million PPE suits a month on cards

The Centre is likely to allow the export of nearly five million personal protective equipment (PPE) suits a month, officials aware of the matter said, as India moves from not making enough suits to making more than it needs, and global demand remains strong.

The suits are critical in the fight against Covid-19, preventing infections, especially in high-risk health care settings.

The textile industry has been seeking permission for the exports citing PPE surpluses in the country and losses it has suffered because of the pandemic. A Clothes Manufacturing Association of India survey of around 1,000 factories in May found the industry's mainstay--apparel sales--plummeted to a historic low of 84% because of the Covid-19 pandemic and the lockdown imposed in late March to check its spread.

PPE exports were stopped on January 31. This included all forms of protective equipment including suits made for firefighters and bulletproof jackets. The Directorate General of Foreign Trade (DGFT)on Monday lifted the ban on various kinds of cloth masks that were prohibited in March. However, government officials maintain that the ban on medical equipment is also likely to be lifted soon.

Officials from the textile and commerce ministries met the cabinet secretary on Friday to discuss the proposal. "Nearly 50 lakh [five million] PPE suits will be allowed to be exported, to begin with," said a government official familiar with the matter who asked not to be named. "The decision has been taken at the cabinet secretary-level. However, final orders will be issued by the commerce ministry."

A textile ministry official said several rounds of discussions between different stakeholders have taken place and the decision for allowing the exports is likely to made official before the end of the week.

Textile ministry officials acknowledged the PPE production has reached surplus levels and the 20.2 million PPE suits that the government placed orders for in March have been supplied.

They said there will be restrictions on the quantum of exports. “We will keep a close watch on the numbers to ensure there is no shortage for our country,” added the textile ministry official who spoke on condition of anonymity.

Officials added manufacturers will have to comply with international standards and acquire all required certifications to make sure their products are up to the mark.

South India Mills Association President K Selvaraju said there is no market presently for garments or knitwear and that textile companies have been requesting the government to allow them to export PPE kits. He added they have reached a point where they can produce nearly 10 million kits a month.

A member of the textile association who asked not to be named , said it would be “surprising if too many PPE suits were exported”.

Source: hindustantimes.com– Jun 23, 2020

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Exports ban now only on specified PPEs, says DGFT

The government on Monday decided to continue the exports ban only on specific personal protection equipment (PPE) such as medical coveralls of all classes and goggles.

Earlier on January 31, the Directorate General of Foreign Trade (DGFT) had banned exports of all PPE including clothing and masks.

The DGFT said it has amended the said notification "to the extent that only items described...are prohibited for export, as part of prohibition on personal protection equipment. All other items are freely exportable".

The PPEs which are still banned include medical coveralls of all classes/categories; medical goggles; all masks other than non-medical/non surgical (cotton,silk, wool, polyester, nylon rayon, viscose - knitted, woven or blended) ; nitrile/NBR gloves; and face shield.

These products are in huge demand on account of COVID-19 pandemic.

Hailing the decision, Apparel Export Promotion Council of India (AEPC) Chairman A Sakthivel said the notification has clarified certain points which the industry was seeking.

Source: cnbctv18.com– Jun 22, 2020

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FOSTTA bans delivery of finished, unfinished fabrics in market

With the cases of coronavirus on the rise in Limbayat zone, the the Federation of Surat Textile Traders Association (FOSTTA) has taken a decision for not allowing the finished and unfinished fabric parcels from the powerloom units and textile mills for one week starting June 22.

FOSTTA office-bearers stated that the representatives had organised a meeting with the municipal commissioner Banchhanidhi Pani, to discuss about the operational issues at the textile markets due to the spike in the Covid-19 cases at the Limbayat and central zone of the city on Saturday.

It has been decided to keep the markets operational from 9 am to 7 pm by strictly banning the entry of workers and others coming from the containment zones and hotspot areas. The traders will have to strictly follow social distancing rules and compulsory checking of the people coming into the market with thermal guns.

“A decision has been taken to ban the delivery of grey fabrics and finished fabrics from the powerloom units and textile mills into the markets. However, the parcels containing value addition of the fabrics will be allowed in the markets,” said Champalal Bothra, secretary of FOSTTA. “About 40% of the markets have become operational.

The chewing of tobacco and smoking has been strictly prohibited and that the market managements will be fixing fine amount for those caught in the markets,” added Bothra.

“The workers in the markets and textile traders arriving from other states will have to remain in the home quarantine strictly for 14 days. There will be no entry of children below 10 years and senior citizens above 65 years in the textile markets,” said Manoj Agarwal, president of FOSTTA.

Source: timesofindia.com– Jun 23, 2020

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Maharashtra government freezes three deals with China worth ₹5000 crore: Report

The Maharashtra government has put three MOUs with Chinese companies on hold amid the rising border tensions between the two countries according to media reports.

The Maharashtra government has put three Chinese deals worth ₹5000 crore on hold, The Times of India reported. The agreement also included a ₹3,770-crore deal for setting up an automobile plant in Pune with Great Wall Motors, as per the report.

The MOUs were signed as part of the recent ' Magnetic Maharashtra 2.0' held last Monday. It was also attended by the Chinese ambassador Sun Weidong.

The investor meet was held prior to the clashes between the armed forces of India and China at Ladakh's Galwan Valley which had led to the death of 20 Indian soldiers leading to a rise in anti-China sentiments.

The MoUs were signed by the State government hours before the clash between Indian and Chinese troops at the Galwan Valley. The decision has been taken after consulting with the Union government. The government has advised against signing any further agreements with Chinese companies currently as per the report.

Anti-China sentiments are on the rise in light of the ongoing border tensions. According to previous reports, the Union Government is likely to impose trade barriers and increased duties on Chinese products. India is preparing a list of imported items from China, for which it could likely impose trade barriers such as higher customs tariffs, stringent standards and licence requirements as retaliation per previous reports.

These items could include Active pharmaceutical ingredients (APIs), industrial chemicals, telecom equipment, leather goods, steel items, gems and jewellery, furniture, hardware and textiles as suggested to the Commerce and Industry Ministry, the report said.

Source: thehindubusinessline.com– Jun 22, 2020

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Kerala becomes the first State to adopt second level verification for new GST registrations

Move to curb benami registrations and claiming of fake input tax credit

In an effort to curb 'benami' businesses under the Goods and Services Tax (GST) regime, Kerala has become probably the first State to introduce second level verification of registration granted on or after June 1.

This verification will be done for both State and central assessees.

The rule says, every supplier of goods with annual turnover of ₹40 lakh or more will be required to register.

However, this threshold is ₹20 lakh in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand.

In case of services, GST registration would be mandatory for all businesses with turnover of ₹20 lakh or more, with the exception of Manipur, Mizoram, Nagaland and Tripura, where this threshold would be ₹10 lakh. Registration is done mainly on the basis of Permanent Account Number (PAN). As on date, there are nearly 1.22 crore registered assessees in the country.

A circular issued by Kerala's Commissioner of State Tax, State Goods and Services Tax Department said the Registering Authority has the primary responsibility of ensuring proper paper work.

"Considering the present situation, it is decided to conduct a second level verification by the intelligence wing," it said.

Details on portal

Further, it mentioned that once registration is granted, all details will be made available on the GST portal and the Deputy Commissioner (Intelligence) of each jurisdictional district will collect and assign the Enforcement Squad for verification.

Squads will conduct detailed enquiries and check the background of proprietor/partners/directors. They will also confirm whether the applicant is genuine or a benami. Then a report will be submitted to District Joint Commissioner with a recommendation whether the registration is to be cancelled or not along with giving reasons for that.

“This verification and furnishing report is to be completed within seven days of receiving the details by each squad,” the circular said. The same mechanism will be adopted for Central assessees but the report will be submitted to the Deputy Commissioner of Central Goods and Services Tax. The circular noted that despite the instructions issued for ensuring utmost care while granting new registration, bogus and benami registrations are being reported in the State.

This is very critical especially in the case of evasion-prone commodities such as lottery, iron and steel, flooring materials, glass, timber, hill produce, plywood, arecanut, cardamom etc. Since, the system automatically approves the application within three days of filing, many unscrupulous persons misuse the system. This is being done to claim fake input tax credit or taking and supplying credit through circular trade.

Interestingly, the Central Goods and Services Taxes (CGST) rules prescribe physical verification of the place of business of a registered person after the grant of registration, in case of doubt or incomplete Aadhaar authentication. Accordingly, a report is to be submitted within 15 days. However, as on date no such mechanism has been developed at the State level for re-confirming or verifying the credentials of applicants but now Kerala seems to have taken the lead.

This exercise is critical for all States as all administrative control over 90 per cent of taxpayers having turnover below ₹1.5 crore vests with State tax administration and the remaining with Central tax administration.

Further all administrative control over taxpayers having turnover above ₹1.5 crore shall be divided equally between the Central and State tax administrations.

Source: thehindubusinessline.com– Jun 22, 2020

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Craft exporters asked to participate in virtual fairs

In order to ensure business continuity amidst Covid-19 pandemic, the Handicrafts and Handloom Department, Kashmir, has urged exporters and businessmen from Jammu and Kashmir to participate in the Virtual Fairs being organized by Export Promotion Council for Handicrafts (EPCH) and Carpet Export Promotion Council (CEPC) in July and August this year.

According to statement, while EPCH is organizing the 49th IHGF Delhi Fair, Virtual Edition from July 13-18, the CEPC is holding India Carpet Expo, Virtual Exhibition from August 21-25, later this year.

While online registration for CEPC Virtual Fair shall close on June 30, the EPCH has extended the date of filing online applications for interested participants from Jammu and Kashmir, latest by June 26, 2020, which otherwise was closed.

The Virtual Fairs shall provide a great opportunity to businessmen and exporters to sell their world-famous hand-made products made by the finest craftsmen from Jammu and Kashmir. Virtual Trade Shows seem to be the only viable solution and marketing tool available to both seller and buyer to meet and interact online, understand each other's requirements and keep the business going.

The exporters and businessmen belonging to handicrafts and handloom sector are facing stiff challenges to showcase their products, services and capabilities to potential buyers affecting their businesses due to ongoing Covid-19 pandemic.

During 2019-20, J&K exported handicrafts products worth Rs.935.25 crore, thus generating a sizable foreign exchange.

For the 49th IHGF Virtual Fair, EPCH is using technology that will make communication and transacting business between buyers and sellers a pleasurable experience in the age of social distancing.

It is inviting overseas buyers representing chain of stores, retailers and e-commerce businesses to connect source to the exquisite range of hand-made products being offered by exporters from all over the country.

Similarly, for India Carpet Expo, Virtual Exhibition, CEPC aims to restart online business of handmade carpets to cater to the demand of the Indian handmade carpets post-pandemic. It will be the first of its kind initiative to bridge the gap between markets and demand of handmade carpets across the globe.

The Handicrafts and Handloom Department has assured the stakeholders of all support and facilitation in ensuring their participation in the two Virtual Fairs. In case of any queries, the interested participants are advised to call the Department of Handicrafts and Handloom, Kashmir during office hours on 0194-2472065.

Source: greaterkashmir.com– Jun 22, 2020

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