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INTERNATIONAL NEWS

Coronavirus won't spell the end for globalization - but change is unavoidable

The COVID-19 pandemic is now expected to trigger the worst economic downturn since the Great Depression. Many argue it could unravel globalisation altogether.

Globalisation relies on complex links – global value chains (GVCs) – that connect producers across multiple countries. These producers often use highly specialised intermediate goods, or "inputs", produced by only one distant, overseas supplier. COVID-19 has severely disrupted these links.

Although the global economy was fragile at the start of 2020, many hoped for increased international trade following the US-China Phase One trade deal. COVID-19 has scuppered those hopes, bringing the world's factories to a standstill and severely disrupting global supply chains.

China plays a key role in this. According to Chinese customs statistics, the value of Chinese exports in the first two months of 2020 fell by 17.2% year on year, while imports slowed by 4%.

This drop in Chinese trade impacted some markets more than others. Comparative figures between the first two months of 2019 and the first two months of 2020 reveal a collapse in Chinese trade with the EU and US. Chinese exports to the EU fell by 29.9%, while imports from the EU declined by 18.9%. Exports to and imports from the US tumbled 27% and 8% respectively.

These substantial declines are likely related to the strong interdependence between European and US firms and Chinese ones.

The scale of the shock

To understand the magnitude of the supply shock in China and its global propagation, the Lloyds Banking Group Centre for Business Prosperity (LBGCBP) at Aston University has mapped China's global trading networks using official Chinese data.

In 2019, the US had the highest trade dependence on China, followed by seven European countries and Japan. By 2020, European countries had moved even further up the rankings.

As the pandemic continues, the worst affected Chinese exports include capital goods such as nuclear reactors, intermediate goods like iron, and labour intensive final goods such as furniture.

The most disrupted Chinese imports include intermediate goods such as organic chemicals, a likely result of factory closures in China, and capital goods like electrical machinery. Hardest hit were precious stones and metals, highlighting the emergence of a sophisticated middle-class of Chinese shoppers and how COVID-19 has reduced their demand for luxury goods.

Interestingly, Chinese imports of meat and mineral fuels increased sharply in 2020. The first can be explained by China's weakened domestic supply of food during lockdown. The second highlights China's growing demand for crude oil.

Four product categories have been particularly hard hit as both imports and exports: nuclear reactors, electrical machinery and equipment, plastics, and organic chemicals. These categories include some commonly used intermediate goods (those that are used for producing other goods).

Under normal circumstances, such goods would be traded back and forth between China and other countries as part of the heavily interconnected global production system. This significant drop in their international trade highlights the devastating effect of COVID-19 on GVCs.

An uncertain future

But an unprecedented, synchronised and likely deep fall in demand is now developing. And China was again among the first to feel its impact.

Chinese workers returned to work in April but many no longer had jobs. Widespread cancellations of international orders and delayed payments have led to liquidity problems and mass closures of businesses reliant on global demand.

Investment also tumbled. During February and March 2020, official Chinese statistics report 24.4% fewer new foreign trade enterprises established in China compared to the same period last year. Meanwhile, 12,000 existing foreign trade enterprises closed down.

Agriculture, logistics and those producing raw materials, textiles and clothing have been hardest hit. But, on a more positive note, there has been a surge in demand for medical supplies. Many are now highlighting the dangers of relying on global value chains – and in particular, those linked to China – leading to talk of "de-globalisation".

The European Commission president, Ursula von der Leyen, for example, has called for the "shortening" of global supply chains because the EU is too dependent on a few foreign suppliers. Similarly, the French president, Emmanuel Macron, has argued for a strengthening of French and European "economic sovereignty" by investing at home in the high tech and medical sectors.

So is this the end of globalisation? No. But a reconfiguration of GVCs is inevitable.

A way forward

Global supply chains are extremely complex, and no sector or country is an island. But GVCs follow the principle of efficiency. They are the result of businesses sourcing the best possible inputs to meet their production needs at the lowest cost – wherever those inputs come from.

This is good news for globalisation's survival. While efficiency remains the main target, businesses will continue to shop globally. Concerns about an overreliance on complex GVCs are justified in the case of products related to national security, such as medical supplies. Many countries will now ensure they can produce such goods without relying on imports.

Nobody can predict the next crisis. But the most reliable and efficient insurance by far is to build a strong international cooperation network. As yet, global political consensus on this remains elusive. But that doesn't mean we should ever lose the ambition.

Source: weforum.org- May 24, 2020

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World merchandise trade to fall sharply in H1 2020: WTO

The volume of world merchandise trade is likely to fall precipitously in the first half of 2020 as the COVID-19 pandemic disrupts the global economy, the WTO Goods Trade Barometer released this week said. The index currently stands at 87.6, far below the baseline value of 100, suggesting a sharp contraction in world trade extending into the second quarter.

The current index value of 87.6 is the lowest value on record since the indicator was launched in July 2016.

The Goods Trade Barometer provides real-time information on the trajectory of world merchandise trade relative to recent trends. The current reading captures the initial phases of the COVID-19 outbreak, and shows no sign of the trade decline bottoming out yet. This measure is consistent with the WTO's trade forecast issued on April 8, 2020, which estimated that world merchandise trade could decline by between 13 per cent and 32 per cent in 2020, depending on the duration of the pandemic and the effectiveness of policy responses.

All of the barometer's component indices are currently well below trend. The automotive products index (79.7) was weakest of all, due to collapsing car production and sales in major economies. The sharp decline in the forward-looking export orders index (83.3) suggests that trade weakness will persist in the short-run.

Declines in the container shipping (88.5) and air freight (88.0) indices reflect weak demand for traded goods as well as supply-side constraints arising from efforts to suppress COVID-19. Only the indices for electronic components (94.0) and agricultural raw materials (95.7) show signs of stability, although they too remain below trend.

Trade had already been slowing in 2019 before the pandemic, weighed down by persistent trade tensions and weakening economic growth. WTO trade statistics show that the volume of world merchandise trade shrank by 0.1 per cent in 2019, marking the first annual decline since 2009, during the global financial crisis.

Trade was relatively weak in the final quarter of 2019, but this is unlikely to have been influenced by COVID-19, which was first detected very late in the year.

Like its counterpart for services, the Goods Trade Barometer aims to gauge momentum and identify turning points in global trade growth. As such, it complements trade statistics and forecasts from the WTO and other organisations.

Readings of 100 indicate growth in line with medium-term trends; readings greater than 100 suggest above-trend growth, while those below 100 indicate below-trend growth.

Source: fibre2fashion.com- May 23, 2020

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Global GDP to fall by 5.5% for 2020: IHS Markit

London-based information provider IHS Markit recently projected real global gross domestic product (GDP) to fall by 5.5 per cent for calendar year 2020. This is more than three times the contraction in the aftermath of the 2009 Global Financial Crisis. There is high likelihood that the near-term outlook will get worse before it gets better because of COVID-19.

The fastest the company expects output in key economies to return to pre-pandemic levels is early 2022, the exception being China, where the infections occurred earlier and recovery is now under way. In many economies, the recovery could be even more prolonged, it said.

China's real GDP plunged a record annual rate of 33.8 per cent quarter on quarter (QoQ) in the first quarter of 2020. On a comparable basis, IHS Markit estimates that US real GDP will plummet by a record 36.5 per cent or more in the second quarter. Modest recoveries are expected in subsequent quarters.

Nevertheless, attention is now beginning to shift from the depth of the recession to the shape and strength of the recovery. The massive uncertainty about the path of the virus makes any assessment about the economic outlook especially challenging.

According to the current IHS Markit baseline forecast, the world will be inching toward normalcy over the coming year.

Consumers remain ultra-cautious in economies that are opening early. While growth in the hardest hit economies may snap back briefly, the momentum will soon fade. This is sometimes called a 'square-root-sign recovery', HIS Markit said in a press release.

A combination of factors will make the post-crisis recovery unusually slow. A tidal wave of bankruptcies among small and large industries will make restarting the manufacturing sector more challenging than in typical recoveries.

Moreover, the damage to the finances of households and businesses will substantially delay any return to old spending levels. The fear of crowds will postpone any return to 'normal' in the travel and leisure industries. Even massive stimulus will only offset a small part of plunging growth (roughly 0.4 percentage point in 2020 for the US economy), said the company.

Crucially, any resurgence in the number of infections will only worsen these trends. The recent flare up of cases and re-imposition of restrictions in South Korea and parts of China are worrisome, it added.

Source: fibre2fashion.com- May 23, 2020

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COVID-19's impact on e-com long-term, positive: GlobalData

E-commerce is playing a critical role in the fight against COVID-19, with online retailers experiencing a flood of orders from customers confined to their homes, according to data analytics company GlobalData, whose recently-released report 'COVID-19 Impact on E-commerce' revealed COVID-19 will have a long-term positive effect on the e-commerce sector.

Even the most skeptical consumers are forced to abandon physical stores in response to restrictions on movement, the report noted.

Luke Gowland, thematic analyst at GlobalData, commented: "COVID-19 has given the e-commerce sector a boost, with online grocery retailers the biggest beneficiaries. Supermarkets are experiencing unprecedented demand for home grocery delivery. GlobalData expects the UK online food and grocery market to grow nearly 20 per cent in 2020 to £13.2 billion."

However, social distancing measures have dealt a significant blow to clothing and footwear retailers. GlobalData forecasts a drop in UK online sales of 7.9 per cent from 2019 levels. However, online retailers will still have an opportunity to grab market share from their high street rivals, the company said in a press release.

“Companies will be focusing on their supply chains and how technologies such as the cloud, 5G, IoT, and blockchain can help to improve their efficiency and robustness. Ultimately, ecommerce will benefit from COVID-19 with even the worst effected companies will begin to build momentum once more once lockdown restrictions have been lifted,” Gowland added.

Source: fibre2fashion.com- May 23, 2020

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China exporters look inwards as virus hits overseas markets

Cancelled shipments, returned goods and a dearth of new orders have left China exporters in crisis as the coronavirus hits its trading partners worldwide -- accelerating a long-standing push towards domestic consumption.

The world's second-largest economy is stirring back to life after virus cases dwindled from a peak in February, when activity came to a near-halt.

But recovery is now hampered by lockdowns and restrictions overseas as the coronavirus continues its deadly march across the planet, with exporters forced to look to domestic markets after years of selling overseas.

Chinese online marketplace Taobao said the number of foreign trading companies opening stores on its domestic-focused platform spiked 160 percent from February to May.

And policymakers -- who have sought for years to wean the country off cheap exports and government spending in favour of domestic consumption -- are welcoming the change.

"When there is no light in the west, there is light in the east," the commerce minister, Zhong Shan, told reporters at a briefing this week.

He said domestic sales from export businesses rose 17 percent in April, and the government was supporting trading enterprises that specialised in foreign sales to tap the home market instead.

Foreign sales used to make up nearly half of toymaker Shantou Beilisi's turnover, but this plummeted to just five percent after the virus struck.

General manager Chen Zhuoyue told AFP that orders from his largest export markets, the United States and Europe, are now "basically negligible".

"Many countries there imposed lockdowns and the global flow of logistics is another issue... these have affected our order volume," he said.

"There is also a rising number of unemployed overseas, and their purchasing power has fallen."

Faced with few new orders and cancellations of existing ones, Chen said the company is attempting more domestic sales by changing the packaging of products and working with platforms such as JD.com to sell online.

Still, gearing towards the China market may not yield immediate results as weak domestic demand was a key factor behind the country's poorest economic growth in around 30 years in 2019.

The push inwards comes from China's top echelons, with Industry and Information Technology Minister Miao Wei saying Wednesday that China aims to "rapidly activate domestic demand" to make up for the external shortfall.

Yang Shaohui of JD.com told AFP: "Before the epidemic, some exporters were already trying to expand their domestic market share as part of their business strategy to diversify, in order to protect themselves better against risks."

Kim Ng, managing director of kitchen gadgets producer Ko Fung whose factories are in China, said he is producing 30 percent to 50 percent less than pre-virus levels, with almost no new orders between mid-March and April.

He expects orders from the US -- a major export market -- to fall further, and is preparing to take part in a trade fair in China to boost sales within the country.

What previously was just five percent of his sales could increase to half the business, he hopes.

Ng said he had already considered expanding domestic sales in China when the US imposed tariffs on Chinese goods at the start of their still-simmering trade war which began two years ago.

"The pandemic has accelerated our plans," he said.

"It is a problem we have to solve eventually... the US is now saying it might introduce more tariffs."

Not all exporters in China can readily tap the domestic market, however.

Jason Lee, CEO of metal parts manufacturer Shanghai EverSkill M&E, is at a loss as he simply doesn't see equivalent demand for his products at home.

"Europe has started lifting (lockdown) restrictions recently, and we'll only know if this is a good or bad thing in a few weeks," he said.

For now, Lam Cheong Leung, creative director of household products manufacturer Green & Associates, has full warehouse space to contend with.

Shipments to the US -- which account for nearly half his production -- have slowed, he said.

As a result he has cut production, cancelled overtime, and has just two-thirds of his 300 or so staff at work.

"If shipment delays last a year, how will our factory continue operations?" he asked.

Source: economictimes.com- May 24, 2020

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Fashion house Burberry says luxury industry will need time to recover as half of its stores remain closed amid Covid-19

British fashion house Burberry said the luxury industry would need time to recover to pre-crisis levels, as half of its stores are currently closed amid the Covid-19 pandemic.

The company reported a 27 per cent drop in comparable sales for the final quarter of the financial year ending March 28, according to preliminary results released on Friday.

"It's going to take some time" for luxury spending to get back to where it was, said Julie Brown, chief financial operator of Burberry, in a media call.

With the health crisis destroying tourism, she emphasised the importance of attracting local clientele and ensuring a strong relationship with them.

"We are anticipating pressure on tourism destinations," said Brown. "I think there will be clearly more of an emphasis on the local consumer going forward. The people who were shopping Burberry before when they were abroad, I can imagine they will shop more in their local destinations."

The company said in the report that they had shortened supply chain lead times, and worked in collaboration with wholesale partners to control inventory levels as a result of the virus outbreak.

"We are proactively allocating current stock across channels and regions to meet demand, and we are strategically leveraging our clearance channels," said Brown.

"Instead of using our distribution centre in Italy, which was closed for a period, we were shipping directly from suppliers to our Asian countries to ensure there were no disruptions to demand."

The outbreak of Covid-19 first took its toll on the company's late January sales in China, one of its most important markets, which started to fall sharply amid store closures and reduced footfall in the region.

"Since then, the global health emergency has had a profound impact on the world, our industry and Burberry but I am very proud of the way we have responded," chief executive Marco Gobbetti said in the report.

"It will take time to heal but we are encouraged by our strong rebound in some parts of Asia and are well-prepared to navigate through this period."

Things have started to look up in Asia in the new financial year, which began on April 1. Year to date, Burberry's sales in mainland China and Korea have increased by double digits compared to the same period of 2019, and continue to improve, Brown said in the media call.

Overall, the company saw a 3 per cent drop in full-year revenue to £2.63 billion (US$3.20 billion) in the final quarter. Net profit dropped to £121.7 million, from £339.1 million a year earlier. Burberry said given the current uncertainty it had decided not to declare its final dividend and would review future payouts at the end of the 2021 financial year.

Source: scmp.com- May 24, 2020

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Amazon to buy JC Penney

Amazon plans to take over collapsed US department-store giant JC Penney in a move that could redefine the nature of US retailing. The retailer has a team of senior management and consultants at JC Penney's Texas headquarters going through the numbers and the store portfolio.

And while JC Penney is planning to permanently shutter 245 of its 846 stores across the country as part of a restructure under Chapter 11 bankruptcy protection, Amazon may take over as much as the entire fleet.

The Seattle-based company already dominates the US e-commerce market with a market share of around 49 percent. Small businesses across the US reportedly sell some 4000 items every minute on the platform.

However, as a digital-native company, Amazon has very little physical presence in the form of brick-and-mortar stores. It bought the upmarket Whole Foods grocery chain in 2017 which it has now expanded to 500 stores in the US and it also developed a high-tech, small-format hybrid grocery-convenience store model called Amazon Go which now numbers 26 outlets.

Source: fashionatingworld.com- May 23, 2020

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Vietnam: Meeting new consumption demand

Currently, most enterprises have not received new orders in May and June while many businesses are on the verge of bankruptcy. Vietnam's textile and garment industry are facing many challenges as the market is completely broken from supply chain to consumption due to the effects of the COVID-19 pandemic.

A bright spot is the flexible and creative response of some businesses as they have taken advantage of available domestic raw and auxiliary materials to produce medical masks and protective gear for epidemic prevention and control.

Statistics show that as of April 20, Vietnam's total mask exports reached more than 415 million, valued at more than US$63 million. The export of completely new products such as masks and medical protective equipment are achievements of the textile industry.

This is also considered a rare opportunity for businesses to hold on to opportunities to recover after the pandemic. However, US$63 million earned from the export of masks in the past four months is little compared to the US$40 billion earned each year from exporting traditional products.

Therefore, in order to increase operational efficiency, enterprises must be proactive in supplying raw materials and auxiliary materials; seek and develop new markets such as countries in East and South Asia, Eastern Europe, and countries under CPTPP, among others.

In addition, businesses need to research and invest in the production of trial orders on a small scale with higher standards regarding quality, model and fashion in order to meet consumption demand.

In the future, consumption behaviour in the world will see many changes. If, at that time, the demand for masks and medical protective products is no longer high, Vietnam's textile and garment industry may continue to suffer..

Therefore, in addition to manufacturing and supplying countries that with masks and medical protective gear, businesses need to change and innovate in order to meet consumption demand after the pandemic.

It is also necessary to focus on negotiating with suppliers to transfer the supply of raw materials and auxiliary materials to Vietnam to meet the various requirements of origin and benefit from tariff agreeements such as the EVFTA, CPTPP, etc.

Enterprises are also in need of support from the State and ministries, branches must accelerate disbursement of credit packages; exemptions from social insurance and trade union fees from May to the end of this year must be implmeneted and rescheduling of principal repayment debts must be facilitated, in order to create momentum for businesses to revive after the pandemic and strengthen the position of Vietnam's textile industry in the global supply chain

Source: en.nhandan.org.vn- May 22, 2020

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Bangladesh: Is RMG ready for the future?

No matter the future, Bangladesh needs to diversify its economy

The garment sector in Bangladesh has undoubtedly been the backbone of the country's export earnings. With 84% of the total export earnings contributed only through the RMG sector, Bangladesh's balance of payment is outright reliant on this mega-industry.

But what if this backbone plunges into the dust and renders the country vulnerable on international grounds?

Beyond a shadow of a doubt, the growth of the garment-manufacturing sector in Bangladesh has escalated rapidly. This is mainly because of competitive labour wages which function as an attractive investment haven for western clothing brands, markedly as China's labour cost rises in the garments export centre.

However, there are significant threats to our sole treasured industry.

Educational equity and women empowerment

The country is evolving both economically and socially, and through this, literacy rates have elevated to 73% in 2019 according to UNESCO. As studies have concluded a positive correlation between education and earnings, the educational rise in the country will also lead to a demand for higher wages.

This will certainly make the garment labour costs rise and will eventually revamp Bangladesh's image of supplying cheap labour. This will likely cut down investments in Bangladesh and contribute to the fall of the industry.

Moreover, as women empowerment rises, Bangladeshi women will become more aware of their rights and engage in protests to counter the common exploitation they face by their employers. Hence, labour unrest might come into action and further destabilize the industry.

Looming automation

Till now, we have been observing the industry dependent on human capital; now, bring in the inevitable epoch ahead of us where automation, robotics, and artificial intelligence will revolutionize the global industries.

Emerging automation and augmentation of artificial intelligence will beget a paradigm shift in the traditional labour-intensive production model. Sewing is the costliest and most labour intensive process in the business, and it accounts for more than half of the total labour input per attire.

However, sewing yet remains the most intricate function for a machine to operate given dynamic changes in fashion that require frequent changes in the algorithm of the machinery.

However, with the current advancement of automation, the Wall Street Journal reported sewing may make an entry in places with more-expensive labour, including the US. They also reported Yuho Sewing Machine and Co is automating the long-winded and convoluted sewing task.

Though the perceptible effect may take more than a decade to emerge in the country, it still holds a potential threat to the existing firms who are planning to be dependent on labour.

Besides, new technologies like gluing as a substitute for stitching fabrics are also progressing quickly; once the technology is finessed, automotive manufacturing of garments will leap forward.

If someday automation reduces production costs, nearshoring will be the most likely resolution of the global clothing brands. This might gradually divert the whole industry to the homeland of the respective brands.

Local entrepreneurs should take the break-neck speed of innovation more seriously to thrive in the global market.

Strategic incompetence and low labour productivity

With China losing market share, Bangladesh had a scope to expand its share in the international market. However, countries like Vietnam, Cambodia, Myanmar, and Indonesia have grabbed the stakes.

This is mainly due to Bangladesh concentrating only on a few items that China used to produce. Bangladesh produces mainly cotton-based products with low-diversity whereas China dominated on manmade fibres.

Secondly, Bangladesh has a strong currency against the US dollar, which is another reason for its low international price competitiveness. To add further, Bangladesh lags behind all garments-producing countries in terms of labour productivity per hour except for Cambodia, according to the APO database 2018.

The likely consequences of the downfall of the industry

With Bangladesh fully dependent on RMG for its export earnings, the GDP of the country is also dependent to a great extent on our country's RMG. Hence, the downfall of the RMG sector will directly affect the country's economic growth.

This might result in a cut down in FDI in the country and foreign investors taking back their investments. However, the most striking sequel would be the large rate of structural unemployment that would take place in the country.

Either way, even if the RMG sector doesn't fall, the structural unemployment of nearly 45% of domestic industrial workers is still a matter of great concern due to rising automation in this globalized world.

If Bangladesh cannot find plausible alternatives to reallocate the new unemployed, the country might have to go through huge geopolitical and economic repercussions.

Source: dhakatribune.com- May 24, 2020

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Bangladesh: Buyers tend to undo existing contracts with RMG producers

Bangladesh's apparel units have said many foreign buyers pushed them to an extra difficult situation by trying to undo existing contracts even after product shipments, though financial data suggest the COVID-19 pandemic could not affect much their businesses as speculated, BSS reports.

Several individual Readymade Garments (RMG) unit owners said many retailers were trying to unpick products already shipped or asking for payment discounts as high as 40 per cent saying the COVID-19 pandemic collapsed demand for new clothes.

Some exporters said they were shocked as a few buyers were telling them to cancel orders that were shipped even three months ago, visibly taking advantage of their upper hand in their relationships with manufacturers.

They said several buyers came up with an unexpected gesture while major brands earlier backed off from proposed deals, risking livelihoods of millions in supply chains.

International business and rights watchdog Business and Human Rights Resource Centre in a report earlier this week substantiated the RMG factory owners' outcry, saying that Bangladeshi clothing manufacturers lost out on more than US$3 billion in payments for garments "already produced or sourced" since March.

Several major western retainers and global financial data, however, suggested their business went well at least in the first quarter of the current year.

"I sent the shipment worth US$ 6.0 million for Transform Holdco LLC but the company suddenly called me for cancelling the order," Chattogram based Combined Apparels managing director Rakibul Alam Chowdhury told the state-owned news agency.

He added that the Transform Holdco LLC, a newly-formed concern of US-based Sears Holdings Management Corporation, also put some two dozen Bangladeshi garment manufacturers in deep trouble by withholding or cancelling orders.

"The buyer (Sears Holdings) is not paying us worth around $50 million," Chowdhury said.

Another reputed brand Debenhams of United Kingdom (UK) left about 35 Bangladeshi suppliers in big trouble as it already filed a bankruptcy petition.

Manufacturers said the brand has about US$69 million liabilities to its Bangladeshi suppliers as cost of shipped goods, ready goods and fabrics, plus accessories.

Of the amount, about US$26 million is worth of goods that have been released by now and about $6.0 million is worth of goods already unloaded at UK ports but not yet received by the buyer, they said.

And, of the rest amount, they said, about $7.0 million is worth of goods that are ready for shipment and about $30 million is worth of raw materials that have been procured by the suppliers.

According to Bangladesh Garment Manufacturers and Exporters Association (BGMEA), apart from Sears and Debenhams, other reputed brands, which scrapped or withheld orders or demanded discount, included H&M, GAP, JCPenney, Primark, Arcadia Group, Peacock, Topshop, Dorothy Perkins and Miss Selfridge.

BGMEA officials said Swedish retail giant H&M virtually made a U-turn from its earlier commitment of not cancelling any order while the company sourced apparel items worth over $3.0 billion from Bangladesh last year.

They said H&M cancelled order of 34,500 pieces of apparel items which it had given to Ananta Garments, which also faced order cancellations from US retailer Gap.

"Cancellation of orders after shipment appeared as an enormous trouble for us as now port and shipping lines are demanding demurrage," said Windy Apparels managing director Mesbah Uddin Khan describing actions of buyers like Sears Holdings' concern as "horrible" and "beyond business ethics".

Nafis Udoula of Impress Tex and Composite Limited said all buyers, however, “do not behave in similar ways and that is why some factories have been running well”.

“When 30 to 40 per cent buyers don’t comply with agreements, the manufacturing factories fall in trouble and that has already happened with many suppliers,” he said.

Udoula sought government supports to manufacturers in facing the buyers through legal means as they alone appeared helpless in pressurising them.

The manufactures wondered if the COVID-19 really affected their western retailers to an extent when they could not pay for the goods they had received.

US retail giant Walmart has reported an increase of US$10.7 billion in revenue, or 8.6 per cent, taking its total revenue to US$134.6 billion for the first quarter. Walmart’s US e-commerce sales grew 74 per cent.

The global financial data of first quarter demonstrated several other western brands like Target Corp also gained good amount of profits as its total sales grew by 10.8 per cent in the three months up to May 02, reflecting comparable digital sales growth of 141 per cent.

BGMEA, meanwhile, claimed the owners paid 97.5 per cent of workers for the month of April till May 22 though they were not paid by their buyers in many cases.

BGMEA said most of the apparel factories paid their workers ahead of Eid as Prime Minister Sheikh Hasina earlier announced bailout or stimulus package of Tk 50 billion (over US$5.3 billion) for export-oriented industries to help them out.

The RMG manufactures’ apex body said the factory workers already received their wages as banks disbursed loans for paying wages of April from the government’s stimulus package.

Source: thefinancialexpress.com.bd- May 24, 2020

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Pakistan: Punjab government introduces scheme to boost cotton production

The Punjab government has launched a subsidy scheme for using PB Ropes technology to control pink bollworm by the progressive farmers of cotton growing areas to increase cotton production.

The subsidy will be given at the rate of Rs 1000 per acre and will cover 200,000 acres during the current season. As per the provincial agriculture department's sources, male or female farmers from Multan, Bahawalpur, D G Khan, Sahiwal, Sargodha and Faisalabad division having 50 acres of land can apply for this subsidy individually or in the shape of a group. Applicants will be registered at their concerned assistant director of agriculture (extension) office.

The district committees will fully verify the application details and then names of the applicants will be included in the ballot to award subsidy. The employees of agriculture and revenue departments are not eligible to participate in this scheme. The department has sought applications till June 15.

Source: brecorder.com- May 23, 2020

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How surprise clothing boxes are keeping Bangladeshi garment workers from starvation

British fashion enthusiasts are helping to offload cancelled stock, paying laid-off Bangladeshi garment workers and getting a good deal into the bargain. After lockdown measures were imposed across the world and all but essential stores closed by coronavirus measures, international retailers including Asos and New Look said they cancelled orders with garment makers.

Factory owners in Bangladesh, the biggest garment producer in the world after China, shut down thousands of factories and sent home up to one million workers with little or no pay. But a new partnership between a Bangladeshi NGO and a British shopping app is enabling UK shoppers to buy a box of clothes personalised to them, for half the retail value, allowing wages to be paid to workers.

Mallzee, which lists clothes from 180 retailers on its app, is selling fashion boxes for £35 (Dh156.40) containing clothing worth twice that sum through its Lost Stock website. The sale of each box, which can be personalised by size and sex, feeds a family in Bangladesh for one week.

Bangladesh NGO the SAJIDA Foundation is overseeing the income from Lost Stock and ensuring the money goes straight to those who need it most.

The SAJIDA Foundation estimates more than $2 billion in orders were cancelled, leaving mountains of leftover stock. The Bangladesh Garment Manufacturers and Exporters Association said about 75,000 workers have not been paid for March and estimates tens of thousands more will not be paid wages owed to them.

The government has announced a $588 million aid package for its export sector to help pay employees. Garment manufacturers, which estimate they have lost almost $3 billion in exports since the start of April, said the funds were not enough. Foreign-owned firms and joint ventures are not eligible for payments.

“Cancelled orders have affected more than 1,000 factories and the lives of 2.27 million workers and their families,” said Muhymin Chowdhury, head of Challenge Fund and fundraising for SAJIDA, said.

“We are very pleased to partner with Lost Stock, whose approach helps redress the unfortunate failures of global brands to practise responsible sourcing. Every Lost Stock box sold will provide a food and hygiene package to support a family for a week. “Additionally, Lost Stock purchases garment products at a fair price from Bangladeshi factories helping support them longer term.

The initiative has proved extremely popular since its launch last Monday, selling more than 30,000 boxes of clothing to British consumers. The team is hoping to sell 100,000 boxes by the end of 2020.

“With no safety net available for some of the poorest workers in the fashion supply chain we couldn’t sit back and do nothing – leaving families to starve and new clothing heading to landfill,” said Mallzee Chief Executive Cally Russell.

“Through Mallzee we have a relationship with more than 1.5 million UK shoppers, so we have come up with a way to enable them to save lives as they shop.”

The International Labour Organisation issued guidance on Saturday for the return of employees to workplaces, stating that appropriate measures should be taken to ensure employee safety.

“Unsafe work practices anywhere are a threat to both health and sustainable business, everywhere. So, before returning to work, workers must be confident that they will not be exposed to undue risks,” said Deborah Greenfield, ILO’s Deputy Director-General for Policy.

Workers and NGOs have expressed fear that some of Bangladesh’s clothing factories are not protecting staff after deciding to reopen earlier this month, which could lead to an explosion in coronavirus cases.

“Its impact could be worse than Rana Plaza,” activist Kalpona Akter told AFP in April, referring to the collapse of a garment factory complex in 2013 that killed 1,130 workers.

Source: thenational.ae- May 23, 2020

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NATIONAL NEWS

Covid-19 effect: Time for Made-in-India tag to go global

China and its handling of the virus has impacted the economics of globalisation, fuelled anger in world capitals, and flamed anti-Chinese campaigns. Dependent on made-in-China goods and raw materials, nations the world over are today rethinking trade ties with the country.

India not only cancelled orders for 'faulty' rapid test kits, it revised FDI policy to curb 'opportunistic takeovers or acquisitions' of Indian companies, aimed at China. Not surprising, given how Indian brands like Paytm, Ola, BigBasket, Byju's and others heavily rely on billions of dollars from Chinese venture capitalists.

Common sense dictates the world look at alternate hubs of manufacturing and sourcing. While that may not be possible immediately, nations like India can step up to the challenge.

The Atmanirbhar Bharat scheme could give the much-needed fillip to the country's disrupted business operations by promoting Make in India manufacturing, encourage substitution of imports of low-technology goods from other countries, particularly China, and encourage local produce at lower prices.

The Rs 20-lakh-crore stimulus package announced by the government focuses on tax breaks for small businesses, as well as incentives for domestic manufacturing. The Rs 3-lakh-crore collateral-free assistance handed out to MSMEs will help crank up their operations. This move could help recover India's factory output, which plummeted to record lows in March, with the Index of Industrial Production contracting 16.7%.

Manufacturing sector output slumped 20% in March, while electricity generation shrank almost 7%, as per data. All categories of manufacturing industries showed a contraction in production in March, with the worst affected being auto (50% decline) and computer & electronic products sectors (fell almost 42%).

Anti-China, pro-India

China has been a growing influence on other developing economies through trade, investment and ideas. Practically every household—from electronic device, household product or consumer durables—consumes China-manufactured products. Be its investor-friendly policies or efficient manufacturing base, the nation began to reform its economy in 1978, and GDP growth has averaged almost 10% a year.

As the biggest supplier to the biggest retailers across the world, World Bank 2018 data suggests, China in 2018 had $14 trillion GDP growth, which was an increase of more than $2 trillion in comparison to 2017. But all this could change. “Today, a sort of fear psychosis is visible, as shipments have been denied entry into US ports. China’s agriculture and consumable items like tea, horticulture and floriculture could see a big downfall. So investment in the food processing sector could be a big opportunity for India as trade could move out of China,” says Ajay Sahai, director general and CEO, Federation of Indian Export Organisations.

India’s GDP will grow at 1.9% in FY2021, making it the only other major economy beside China estimated to grow. A lot of its growth could be a result of a post-Covid world with anti-China sentiment. Experts feel that the global economy could emerge from the slump towards the end of the year only if supply-side constraints ease and demand revives. Biswajit Dhar, professor, Centre for Economic Studies and Planning, School of Social Sciences, JNU, Delhi, says, “China is poised to rebound quicker than some of its G20 peers, and the rest of the world may have little choice but to continue to engage with Beijing because of its ability to supply.

As long as China is able to keep the prices of its products low and produce in volumes, it will continue to sell in the global markets. Only time will tell as to how the US and the rest of the advanced countries respond to China in the post-Covid phase.” For instance, Chinese suppliers account for 70% of Walmart merchandise. If the US-China trade war disrupts the supply chain, the US can look for alternatives in low-cost production areas like Bangladesh, Thailand or Philippines.

Global companies that thrived on the efficiency and low costs of Chinese production are likely to move their base in the aftermath of Covid-19. South Korean and Japanese firms have evinced interest in migrating towards production-conducive economies like India, Vietnam and Thailand.

Cambodia, Indonesia and Bangladesh have upped their game as suitable manufacturing hubs. Vietnam invested in transport infrastructure and special economic zones to offer manufacturers access to the ASEAN free trade area and preferential trade pacts with countries throughout Asia, the EU and the US.

Dhar says that in all these regions one of the key driving factors for industrial transformation is the promotion of industrial clusters, geographical agglomerations of firms and hubs of production, seen as a viable solution for economic growth.

As per the US-India Strategic and Partnership Forum, 200 American corporations had already sought to move their manufacturing bases from China to India in mid-2019. This could accelerate post-Covid. Around 100 US firms may shift base to Uttar Pradesh from China, among them Mastercard. UPS and Fredix showed interest to invest in Jewar airport by developing logistic centres. Boston Scientific has plans to set up a medical equipment plan.

As UP is home to more than 90 lakh MSMEs and skilled labour, the state could be among the frontrunners on the growth trajectory. Casa Everz Gmbh, the owner of Germany-based healthy footwear brand Von Wellx, will be shifting its entire shoe production of over three million pairs annually in China to India with an initial investment of Rs 110 crore, as per a top official of the company's licensee Iatric Industries. A new manufacturing unit will be set up in Uttar Pradesh through a collaboration with Iatric Industries as part of an understanding with the state government, as per PTI.

Where India can score

India Cellular and Electronics Association (ICEA) chairman Pankaj Mohindroo finds enormous opportunity in building India as an additional export base, and not just a producer for the domestic market. "Dependence on one geography and China's increasing wages have forced global value chains to look for other destinations.

India built its mobile phone industry primarily for the domestic market by increasing production during 2014-15 with mobile handsets worth Rs 18,900 crore, which increased to Rs 54,000 crore in 2015-16, to Rs 90,000 crore in 2016-17, and over Rs 2,10,000 crore in 2019-20," he says.

The Indian smartphone market surpassed the US for the first time, becoming the second-largest smartphone market globally, reaching 158 million shipments in 2019 with 7% YoY growth, according to Counterpoint Research. The market grew due to the expansion of Chinese brands with their aggressive pricing and promotional strategy. Though China still dominates and makes up for around 70% of the global phone exports, India has got 15% of this pie, with Vietnam fast emerging as a key player with around 10% of such exports and with key players like Samsung setting up facilities there.

But as per the ICEA, India's exports of electronics—leaving aside mobile phones—have remained more or less flat at around $5 billion since the beginning of the decade. Vietnam's exports rose nearly 10 times, from $3.6 billion in 2010 to $34.5 billion in 2018. The ministry of electronics and information technology (Meity) has planned for the newly-notified schemes worth over Rs 48,000 crore to promote electronics manufacturing, as it wants to utilise the opportunity in making India a suitable alternative to China.

Major brands have set up their manufacturing facilities and some companies have sub-contracted manufacturing to electronics manufacturing services (EMS) companies operating from India. Technology giant Apple plans to produce up to $40 billion worth of smartphones in India and move almost a fifth of its production capacity from China to reap benefits of the new production-linked incentives (PLI) scheme, which offers a 4-6% incentive for local production. Similarly, mobile player Lava International will shift its production and design centre for the export market from China to India within six months. In fact, threatened by the interest in India, US President Trump has threatened to slap taxes on companies like Apple keen on shifting manufacturing to India.

India has also experimented with high custom duty (5-10%) on imports of mobile phones and their parts. Chinese firms like Xiaomi, which had been importing products from China, were forced to establish manufacturing facilities in India after the government hiked import duties. But India's new FDI rules have brought disappointment to these players.

As the world eyes agri produce from China with caution, this is where India can score. As part of the Atmanirbhar scheme, a slew of incentives for the agriculture sector and allied activities have been announced which will help in building cold chains and post-harvest management infrastructure. The Centre will establish a legal framework that will enable farmers to engage with processors, aggregators, large retailers, and exporters in a fair manner. A Rs 10,000-crore scheme will help formalise micro food enterprises (MFEs). Funds have been allocated for dairy processing, herbal cultivation, and beekeepers.

India is a big exporter of rice, tea, meat, milk products, honey, horticultural and organic products, which will have to overcome the Covid challenge. Pre-Covid, the Centre identified 21 agricultural products, including honey, potatoes, grapes, soybean and groundnut, which India could export, taking advantage of the trade restrictions against Chinese goods.

Sahai says, “Post-Covid, countries are looking towards India for processed food, marine produce, meat, fruits and vegetables, tea, rice and other cereals as they are apprehensive to import edible products from China. An amendment in the Essential Commodities Act will not only enable better price realisation for farmers in respect of edible oils, oilseeds, pulses, onions, potatoes and cereals, but will also help exporters to stock for timely delivery. India is all set to be the world leader in marine exports and the current downfall is very temporary.”

When it comes to textiles, however, India has not been able to stand its ground in the export market. In 2000, its share in the global exports of clothing was 3%, while Bangladesh and Vietnam had relatively lower shares. However, in 2018, while Bangladesh and Vietnam had increased their shares to 6.4% and 6.2%, respectively, India’s share increased to only 5.8%.

The time taken to align to the new GST regime and revised export incentives in past years have clearly impacted exports, and the recent slowdown in global demand has increased competition in markets. As per CARE Ratings 2019, India is projected to lose market share to Bangladesh and Vietnam for readymade garment exports to the EU because of lower competitiveness, as Bangladesh has duty-free access to the EU. India’s apparel exports comprise mainly of cotton garments (51%), with man-made fibre (MMF) accounting for around 28%. India needs to diversify its fibre base, as global consumption is diversified and MMF holds a much larger share as compared to cotton.

Apparel Export Promotion Council (AEPC) president A Sakthivel identified measures to enhance apparel exports in India which has huge potential from markets like the US, Japan and South Korea. “Demand for MMF textiles all over the world is increasing as a substitute for cotton amid changes in global fashion trends. Currently, MMF dominates global textile fibre consumption, with 72% share for MMF and 28% for natural fibre. The share of MMF has been steadily increasing due to the inherent limitations of growth of cotton and other natural fibres. Hence, we plan to tie up with NIFT alumni to produce MMF garments. Also, the removal of anti-dumping duty on PTA (purified terephthalic acid) will promote the growth of MMF companies. Lower PTA prices will boost operating profits of polyester yarn makers by 15-20%," says Sakthivel.

The pharma sector is not self-reliant and is largely dependent on 60-70% of China's bulk drugs. "China is a leading supplier of basic chemicals and active pharmaceutical ingredients (APIs) by volume to the global market. Indian companies focus on formulations, but there's a need to reduce import dependence," says Ravi Uday Bhaskar, director general, Pharmaceuticals Export Promotion Council of India.

India exported pharmaceuticals to 202 destinations during FY20. Though Covid-19 impacted Indian pharma exports, bringing down growth to single digits, this has constituted almost 32.74% of our total exports.

As per strategies to reduce import dependence of APIs, the Cabinet approved a scheme on promotion of bulk drug parks of Rs 3,000 crore for the next five years to reduce manufacturing cost of bulk drugs in India and dependency on other countries, along with the PLI scheme to boost domestic manufacturing of critical key starting materials (KSMs), drug intermediates and APIs.

The challenges

If this crisis is seen as an opportunity, there is a need to introduce structural reforms like significant labour and land reforms, allowing businesses to hire and fire, handholding investors, direct tax benefit in SEZs and plug-and-play facilities. "Countries like Ethiopia and Kenya have sector-specific skills imparted to labour and have created world-class infrastructure to attract foreign investors to start production in a week's time.

The investor has many choices. Countries like Vietnam are proactive in approach and notify an officer to provide statutory clearances and authorisation for every investment in the country," says Sahai, adding that creation of new industrial clusters won't happen overnight.

"Vietnam offers cheap labour, but its 100-million population is small compared to China's 1.3 billion, and its roads and ports are already clogged.

India has the manpower, but skill levels fall short and government rules are relatively restrictive. The US-China tariff war has given India an opportunity to ramp up market access in commodities like steel and cotton," he says.

Source: financialexpress.com– May 24, 2020

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India's textile industry is crafting a future in global fashion mask market

The Covid-19 pandemic has cut the Indian textile and fashion industry into bits and pieces. While the export orders from the key markets- the US and UK started to dwindle since the beginning of the year, domestic sales were also badly hit by demand sluggishness and closure of retail showrooms across the country due to the lockdown.

But disruption is not something new to the fashion industry which needs to keep itself abreast with ever changing consumers tastes and preferences. With face masks becoming an inseparable accessory, the textile industry is crafting a special place for itself in the global fashion mask industry.

"Suddenly this (mask manufacturing) has come as a great opportunity for the industry, as a different product line, at this moment of crisis," Ram Bhatnagar, Vice President and Head - Sales, Raymond Ltd. said adding, "nobody could have ever imagined about this segment from a fashion perspective."

Raymond, known for its world-class suiting and fabrics, is producing a suite of safety products which includes disposable and reusable masks, PPEs and gloves under its 'Complete Care' initiative.

Estimating the market size for masks at around ₹10,000-12,000 crore, Bhatnagar said a bulk of this market is going to be for 'fashion masks' while the remaining will comprise of medical/surgical masks.

Creative minds never stop

Leading textile and fashion brands such as Shoppers Stop, Fabindia, VIP Clothing, Zodiac, and Aditya Birla Fashion and Retail brands such as Peter England, Allen Solly, Louis Phillipe and Van Heusen have all come up with creative designer masks to match with their collections.

The textile industry is gearing up and making variety of masks as people are increasingly becoming safety conscious and are seen wearing face masks as they step out, Prabhu Damodaran, Convenor of Indian Texpreneurs Federation (ITF) said adding that, “already around 75 of our member companies have started mask manufacturing.”

He also added that selling through retail stores and online channels are the two big opportunities for the industry in the domestic market.

Akhil Duggar Jain, Executive Director of Ludhiana-based fashion brand 'Madame', said that, while the production has been down by 30 to 35 per cent, the company is scaling up mask production and intends to produce and sell 40,000 masks in the next one quarter.

Export market

With mask consumption becoming a new normal across the world, the industry is seeing an even big opportunity in the exports market. A recent amendment to the mask export policy by the Centre, allowing export of non-surgical/non-medical masks, also came as a short in the arm for the industry, which lost close to ₹2,400 crore of summer exports due to the lockdown.

“We have 1,500 companies doing direct exports. All the companies, which have foreign contracts, are now required to produce masks because the buyer will ask for masks along with the garment order and this is the new normal,” Raja Shanmugam, President, Tirupur Exporters’ Association (TEA) said.

Tirupur, which is one of the largest textile manufacturing clusters in India, was worst hit by the pandemic as overseas orders came down crashing ever since the virus outbreak.

"In the first instance there will be a huge surge in mask requirement across the world and If India was able to grab a major share of mask requirements then that would be additional revenue," Shanmugam said.

He also added that if India was able to export 300 crore masks then it would fetch and export revenue of $1 billion. ITF's Damodaran also said that, if things are going in the same way and all exporters in India gear up on this particular front, the country could see an export revenue of ₹2,000-3,000 crore within this year.

Not just textile manufacturers, even home tailors, lifestyle brands and fashion designers are cashing on the rising demand for fashionable face masks. "There is going to be a huge market size. A large number of fashion companies will be involved in mask manufacturing and of course a huge play is going to be from the unorganised sector because every common man is going to wear that," Raymond's Bhatnagar said.

"Brands have to prioritise which segment they have to play depending on the distribution they have and how the brands are perceived in the market," he added.

Source: thehindubusinessline.com– May 24, 2020

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Future actions to stimulate economy will depend on how coronavirus crisis pans out: FM

A day after the RBI projected economic contraction in 2020-21, Finance Minister Nirmala Sitharaman on Saturday said that future fiscal policy actions to stimulate the economy will depend on how Covid-19 pandemic pans out.

The government has already announced a ₹20.97 lakh crore economic package, which includes Reserve Bank's ₹8.01 lakh crore worth of liquidity measures till May 17.

Sitharaman said making a "realistic assessment" of economic growth would be difficult at this point of time as there is no clarity on when the pandemic would retreat.

"I'm not closing the door at all. I want to keep getting inputs from industry, implement what we have announced, and depending on how things pan out, we have to respond accordingly. We are only two-month old in this year, we have 10 months to go," Sitharaman said in a conversation with BJP leader Nalin Kohli.

The Reserve Bank on Friday had said the impact of Covid-19 is more severe than anticipated, and the GDP growth during 2020-21 is likely to remain in the negative territory. It projected some pick-up in growth impulses from second half (October-March) of 2020-21 onwards.

Economic packages to fight Covid impact

Last week, the Finance Minister had announced an economic packages five tranches, which included a ₹3.70 lakh crore support for MSMEs, ₹75,000 crore for NBFCs and ₹90,000 crore for power distribution companies, free foodgrains to migrant workers, increased allocation for MGNREGA scheme, tax relief to certain sections and ₹15,000 crore allocated to the healthcare sector to deal with the pandemic.

The package was done in consultation with economists, academicians, ex-bankers, ex-finance ministry officials and industry, Sitharaman said, adding the idea was to make available more liquidity in the economy and revive demand.

"The package was designed keeping in mind that we are facing a situation which is exceptional and therefore whether the contraction is going to be this much or that much, we didn't have the luxury of data to guess-estimating them. However, the spirit of that thought has been kept in mind that we have to now look at complete contraction and if we have to stimulate the economy keeping that in mind what is that we have to do," she said.

Sitharaman said the approach has been to go through this route of stimulating the economy through companies, institutions, enterprises and businesses all getting assistance by banks or formulations through which businesses restart.

Kick starting the economy

"I'm sure the Indian entrepreneurs are also going to come out after they test the waters post the lockdown...We have come with measures which will get more liquidity in the economy, if there is more liquidity in economy people will get money in their hands and that will kick-start economy, bring more demand, she said.

Sitharaman further said that the government is working to further speed up FDI clearances by administrative departments, providing policy certainty and easing compliance burden for companies.

Covid-19, the disease caused by coronavirus, has claimed 3,720 lives in India while the number of infected stood at over 1.25 lakh.

Source: thehindubusinessline.com– May 23, 2020

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Yarn and garment exports declined up to 91% in April

The exports of cotton yarn and ready-made garments from India nosedived in April due to the Covid-19 pandemic and shutdown of national borders halting global trade.

“Overall, India’s yarn exports are estimated to have plummeted 80-90% in April and won’t revive in a hurry. Consequently, we expect yarn exports to slide 35-40% this fiscal from last financial year,” rating agency Crisil said on Friday.

The cotton yarn and textiles exports were already down before the pandemic struck because of competition from Vietnam, Chinese stock liquidation and lack of free trade pact support. Yarn exports contracted 30% in the quarter ending in March as imports by China and Bangladesh declined.

“Barely 10% exports of cotton yarn took place in Gujarat in April due to the lockdown. Majority of exports are made to China; however, owing to the covid-19 pandemic, the demand has reduced significantly,” said Bharat Boghara, chairman, All Gujarat Spinners’ Association.

Boghra also said that demand from Europe and Latin America has also taken a hit with several existing orders getting either cancelled or kept on hold.

Similarly garment exports declined by 16% in March quarter and the fall was drastic at 91% in April.

“The US and the European Union, which together account for 64% of India’s ready-made garment (RMG) exports, are staring at a recession. The US is the worst-infected country now, and the pandemic-driven lockdown has ripped many apparel retailers there.

Besides, a spike in unemployment and fall in personal incomes would cut spending on apparel,” stated Crisil, which expects ready-made garments exports to dive 30-35% in 2020-21.

Source: timesofindia.com– May 23, 2020

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Exporters need to identify niche mkts: Suresh Prabhu

Former union minister Suresh Prabhu has exhorted exporters to identify niche markets and key products for shipments at a time when the the global market is going through a severe crisis due to COVID-19.

In view of the present pandemic crisis, he said, the first and foremost work for exporters is to find the markets where demand support is given by their respective governments through a package, citing examples of the US and Europe.

“Both domestic and international markets are going through its worst-ever crisis, therefore the role of the exports sector becomes critical at this juncture. There is a need to identify niche markets and key products for exports which is the need of the hour,” he said in a virtual interaction with the Federation of Indian Export Organisations (FIEO) on May 22.

Elaborating on the issues and challenges being faced by the Indian exporters, he said easy access and availability of credit has been a key concern and the RBI needs to consider exports under private sector lending and ensure that the banking system properly caters to the sector.

“The RBI may create an external market sensitive credit facility for exporters through banks and ensure banks don’t charge at a higher rate for this service, which would further ensure access to low-cost finance,” Prabhu said. He also said that to increase export competitiveness, sectoral studies can be conducted to identify and address key bottlenecks in the economy.

Focus needs to be laid on redefining subsidies besides aggressively supporting merchant exporters in marketing their products in such globally competitive markets, said Prabhu, who is also India's Sherpa to the G-20 summit.

Sharad Kumar Saraf, president, FIEO said the COVID-19 pandemic has impacted both Indian exports and the economy on a larger scale. "Its repercussions on the country could well be felt now as trade and industry operations have yet not started at full capacity. With major economies including China, US, Europe almost fully operational now, India's trade and industry should be supported in a big way to start operations so that not only the country's exports are least impacted but also whole supply chain disruptions are overcome," he said.

Expressing concerns that global trade is under the element of uncertainty, Ajay Sahai, director, FIEO, said economies across the world are entering into a recession.

"As per WTO estimates, global trade may plummet between 13-32 per cent with further downward revision and recoveries in the trade will depend upon policy initiatives that the countries are adopting. With exports estimated to decline by 20 per cent or more during the current fiscal, we may see a reduction of USD 200 billion on the imports and remittances front," he added.

Latest information from the RBI reveals that, India's merchandise trade slumped in April 2020, with exports shrinking by 60.3 per cent and imports by 58.6 per cent respectively.

"While imports contracted in all 30 commodity groups in April, exports contracted in 28 out of 30 groups. The trade deficit narrowed in April 2020, both sequentially and on a year-on-year basis to its lowest level in 47 months," revealed RBI during its monetary policy committee meeting on May 22.

Source: navhindtimes.in– May 24, 2020

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Traders demand partial opening of textile markets in red zone

The textile traders of Surat have approached the Gujarat government demanding partial reopening of the markets falling under the red zone. Earlier, the Surat Municipal Corporation (SMC) had denied permission for reopening of the textile markets falling in the red zones.

The Vyapar Pragati Sangh (VPS) and many other textile market associations have urged chief minister Vijay Rupani to allow the markets to open for few hours to facilitate the traders to complete the pending works related to banks, GST and income tax.

Barring about 15 textile markets at Sahara Darwaja and Saroli, about 160 textile markets falling in the red zone of Limbayat and central zone have not been granted permission by the SMC to reopen. The Covid-19 positive cases from these two municipal zones are increasing day-by-day, compounding the worries of the textile traders.

President of VPS, Sanjay Jaganani told TOI, "Since last two months, the markets are shut. The traders should be allowed to partially open the shops for carrying out important works related to accounts, banking, income tax, GST return filing etc."

Jaganani added, "Majority of the textile markets are located in Limbayat zone, where the Covid-19 cases are on the rise. In this case, we won't be able to reopen the market for few more months."

Jay Lal, director of the Federation of Surat Textile Traders Association (FOSTTA) told TOI, "Without textile markets, the MMF (man-made fibre) sector can't reopen. We will have to learn to live with the virus and can't sit home without doing business. The government must revise the guidelines for reopening shops in the red zone."

Devkishan Manghani, chairman of textile committee of Southern Gujarat Chamber of Commerce and Industry (SGCCI) said, "Less than 5% textile shops in the 15 textile markets in Saroli and Sahara Darwaja have reopened. It is because, the textile markets on Ring Road are still closed. The administration need to allow the business activity to resume."

Source: timesofindia.com– May 24, 2020

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Connectivity provides a stronger foundation for exports: Harsh Shringla

He said, the pandemic has highlighted the global shortage of trained personnel in various sectors, especially in health care and the digital domain

Our diplomatic Missions, in collaboration with the Department of Commerce, are also exploring sourcing and export opportunities in various countries, and guiding our exporters by putting potential suppliers and buyers in touch with our Export Promotion Council (EPCs) and industry associations. Accordingly, lists of product lines where Indian exporters can fill in the supply gaps to the world have been identified, with the request to our Missions to arrange B2B meetings of the potential buyers, in these countries with our trade bodies.

The EPCs/industry bodies have also been requested to get in touch with our Missions directly and seek B2B meetings both to hedge the risks of supply disruptions and, wherever possible, to fill in the supply gaps. Support is also being sought through ministries and agencies of the government in expeditiously reaching out to their industry stakeholders and ramping up production in areas where we need to fill supply gaps, both in new markets and existing ones.

Needless to add, this is an ongoing exercise. The recommendations being made by our Missions are continuously taken into account by the Government, and our policies are adjusted accordingly. In addition, we are in the process of identifying industries and businesses looking for alternative manufacturing locations. The idea is to provide such industries with a compatible business environment and a robust domestic demand which will aid investments into the country and generate local employment.

Let me also share with you a few ideas which could aid in restoring economic growth in the medium to long-term:

Connectivity initiatives in the neighbourhood under our Lines of Credits can act as force multipliers to accelerate regional growth and development, promote people-to-people contact and encourage trade and commerce. Several cross-border connectivity projects in roads, railways, inland waterways, shipping, energy and aviation under Indian assistance are already under implementation, especially with Bangladesh, Myanmar, Nepal, Sri Lanka and Afghanistan. Enhanced connectivity provides a stronger foundation for pushing exports of goods, services, standards, and norms.

Our companies should participate in projects financed under Indian development assistance. These projects help successfully showcase India's expertise in project planning, design and execution, and assist Indian industry in projecting itself as viable and technologically sound partners of developing countries in diverse sectors.

The pandemic has highlighted the global shortage of trained personnel in various sectors, especially in health care and the digital domain. To promote employment opportunities abroad for Indian nationals, bilateral Migration and Mobility Partnerships and Social Security Agreements are important as they facilitate orderly migration of workers and ensure seamless social security coverage and avoid double payments by Indian workers abroad.

We are sharing details of skill sets of Indian expatriates returning under the Vande Bharat Mission with the Ministry of Skill Development.

We need to focus on the promotion of the 3Ts — trade, tourism and technology. I have already referred to the efforts to diversify our supply chains, promote foreign investment flows, and boost Indian exports. Growth in tourism in the current scenario depends on revival of confidence in travel. In the intervening period, we could proactively promote virtual tourism, so that there is a real market after travel restrictions are lifted and confidence is restored. There will also be an increased focus on promotion of medical, including AYUSH, tourism.

Identification and promotion of frontline technologies, linking our start-ups with the foreign markets, their registration on various stock exchanges etc. will be important enablers of innovation and economic growth.

The pandemic has pointed out the need to strengthen the existing healthcare infrastructure and systems in India. Building preparedness to deal with such pandemics in the future will necessitate channeling of our resources to the healthcare sector, in the near and medium to long term, for the development of hospitals, emergency rooms, provision of equipment and supplies (PPEs, ventilators, etc), and training of healthcare professionals. This will expectedly create opportunities for businesses and industries in this sector. Apart from this, we need to:

Utilise the ramping up of domestic capacity and production of PPEs, ventilators, masks, testing kits, etc. as a part of our export promotion efforts; these products can be customised and standardised as per the global standards and requirements;

Strengthen our position in the pharma sector for generics, APIs, biologics, clinical research and equipment, and ensure that our products meet global standards just as our pharma has done with numerous globally certified manufacturing facilities;

Facilitate a focused and concerted effort for collaborations in digital innovations in health (research, diagnostics, monitoring, epidemiology and insurance), in partnership with our industry, MSMEs and start-ups;

Renew our efforts towards regulatory clearances for modern and traditional Indian medicines;

Innovate to further consolidate India's commercial presence in vaccines — we currently lead the world in supply of vaccines;

Focus on consolidating our presence in the generics segment, and enhance resources and focus on new drug development;

Strengthen the diagnostics sector to bring it on par with our drugs/vaccines industry.

We have to proactively develop export markets for agricultural products due to disruption in supply chains and the intent of many countries to diversify supply lines for ensuring their food security. This will also require investments in supply and cold chain. Some significant steps in this sector have already been announced by the Finance Minister...

... We have repeatedly emphasised that every challenge comes with a hidden opportunity. This is not the first global disruption we are facing and this definitely won't be the last. Edited excerpts from an address by Foreign Secretary Harsh Vardhan Shringla on 'New World Order Post COVID-19' to the Federation of Indian Chambers of Commerce and Industry, in New Delhi on May 20.

Source: business-standard.com – May 23, 2020

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Retailers, small businesses not registered as MSME also to get guaranteed emergency credit

Eligible borrowers should have annual turnover up to Rs 100 crore, exposure to bank credit

Guaranteed emergency credit will be available for retailers and other businesses too even if they are not registered as Micro, Small and Medium Enterprises (MSME), a senior Finance Ministry official said.

This could mean 7 crore traders, as per number given by the Confederation of All India Traders (CAIT), could avail loans through Emergency Credit Line Guarantee Scheme (ECLGS).

During pre-COVID-19 regime, these retailers were doing a daily business of around Rs 15,000 crore. CAIT estimates that during first 40 days of lockdown, these traders incurred loss of over Rs 5.50 lakh crore and it is expected to rise despite relaxation in trading activities post May 17 in many parts of the country.

“First presentation of Atmanirbhar Bharat mentioned Rs 3 lakh crore collateral-free automatic loans for Businesses, including MSMEs. Here the term Businesses cover all eligible even retailers,” a senior Finance Ministry official told BusinessLine. Eligible means a business with turnover up to Rs 100 crore and outstanding up to Rs 25 crore on Feb 29, 2020. Also, outstanding should not be for more than 60 days.

Guaranteed Emergency Credit Line (GECL) facility

In its meeting on May 22,The Cabinet approved Guaranteed Emergency Credit Line (GECL) facility to enable additional funding of Rs 3 lakh crore. Since then, a press release issued post Cabinet meeting mentioned facility to be made available to ‘eligible MSMEs and interested MUDRA borrowers,’ there were some issues related to traders (both retailer and wholesalers) as June 2017 Office Memorandum of MSME Ministry mentioned eight activities including wholesale and retail trade “would not be included in the manufacture or production of goods or providing or rendering of services in accordance with section 7 of the Micro, Small and Medium Enterprise Development Act, 2006.”

In other words, wholesale and retail trade will not be categorised as MSME, thus making things difficult for these businesses to avail benefit.

MSME Minister Nitin Gadkari has already assured the trading community to look in to their demand to include traders under MSME sector, as service providers.

Finalising details

The official, quoted above, mentioned that Department of Financial Services (DFS) is finalising details of GECL facility which will help eligible businesses to avail guaranteed emergency credit. This issue came up for discussion during meeting of Public Sector Banks with Finance Minister Nirmala Sitharaman on May 22.

Banks were asked to start lending at a cheaper rate.
GECL enables 100 per cent guarantee coverage to be provided by National Credit Guarantee Trustee Company Limited (NCGTC). Interest rates under the Scheme will be capped at 9.25 per cent for banks and FIs, and at 14 per cent for NBFCs. Loan will be provided for four years with moratorium of one year on the principal amount.

As on date, various banks charge interest between 10.55 to 16.25 per cent, while for NBFC -rate of interest ranges between 10 to 30 per cent. The Scheme would be applicable to all loans sanctioned under new facility during the period from the date of announcement of the Scheme to October 31, or till an amount of Rs 3 lakh crore is sanctioned under the GECL, whichever is earlier.

Source: thehindubusinessline.com – May 24, 2020

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All nine mega textile plants MSME units resume operations in Bhilwara

Jaipur, May 24 (PTI) Industrial activities in Bhilwara have started gaining momentum, as all nine mega textile units have resumed production, state industry minister Parsadi Lal Meena said on Sunday.

Apart from textile units, production in 250 MSME units has also started in Bhilwara, he added.

Bhilwara is known as the textile city.

"Lockdown-4 is being taken as Opening-1 in the state. Efforts have been accelerated to bring industrial activities to a normal level in the state. The industrial activities in the state have increased, which is a good sign," he said.

Meena said the department has made it easy to start most of the industrial activities in permitted category and opened industrial areas, SEZ etc.

Production work has started with less number of workers to ensure compliance of advisories of the Centre and state government, health protocol and social distancing norms, he added.

Additional Chief Secretary Subodh Agarwal informed that the units of cement, edible oil, flour-pulse-gram, pharma, electronics, IT, among others have started functioning.

"In the textile sector, there is a chain of spinning, weaving and processing, and these works in MSME sector has also started," he said.

The officer informed that 25 per cent of the textile industries have started production in Balotra (Barmer) and 50 units in Pali.

He also said that production is being done in 34 cement units of the state, while edible oils are being produced in 700 oil mills.

Source: theweek.in – May 24, 2020

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Nod for 15% discount for Punjab exporters

Punjab Biotechnology Incubator (PBTI) has approved a 15% discount on all product testing facilities for registered Punjab-based exporters besides introducing special packages to support them further.

PBTI is providing testing services such as residue analysis, microbial analysis, adulterants and food additive analysis, which form an important part of the stringent export guidelines of European Union countries. During lockdown, Punjab exported rice, honey, milk and milk products to key markets in the European Union, UK and UAE.

Invest Punjab, the investment promotion and facilitation agency of the Punjab government, has conducted brainstorming sessions with government departments, industry, exporters and entrepreneurs in the agricultural and food sector to identify initiatives which can help Punjab-led businesses to capture the growing global demand for agri-products.

Source: timesofindia.com – May 25, 2020

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Weavers to access thrift scheme money ahead of lock-in period

KTR asks officials to ensure money reaches weavers as soon as possible

The State government will permit weavers access money accrued under the 'Nethannaku Cheyutha' thrift scheme immediately as a relief measure, in the face of COVID-19 pandemic, instead of them waiting for completion of a three-year lock-in period to do so.

About 26,500 weavers in the State stood to benefit from the decision of Industries Minister K.T. Rama Rao, said an official release on a review he undertook of the various initiatives of the department of handlooms and textiles on Saturday.

Under the scheme, weavers have a lock-in period of three years, from the time of their joining, before redeeming the money. "But considering the present situation, Mr. Rao decided to sanction the money to weavers immediately without waiting for three years," the release said.

Mr. Rao said the weavers have saved ₹31 crore and the government added ₹62 crore as its share in the scheme. Following the decision, each weaver now can access an amount ranging from ₹50,000 to ₹1.25 lakh. He instructed the officials to ensure money goes into the hands of weavers as soon as possible. The government will also release ₹1.18 crore to weavers under cooperative societies, which have enrolled and completed an earlier savings scheme.

Mr. Rao said that the Telangana government has been supporting weavers and not only allocated a major share in the budget but also initiated various programmes and schemes to create a demand for their products. He reviewed the status of the production of Bathukamma saris as well as work pertaining to Kakatiya Mega Textile Park and Hyderabad Pharma City.

He held separate review meetings with various wings of the industries department such as aerospace and defence. Industries secretary Jayesh Ranjan, handlooms and textiles director Shailaja Ramaiyer and TSIIC chairman Gyadari Balamallu and MD E.V. Narasimha Reddy were present in the meeting, the release said.

Source: thehindu.com – May 24, 2020

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Powerlooms in Malegaon's red zones allowed to operate

The state government has allowed the powerlooms and handlooms in the textile town of Malegaon to begin operations, including red zones, except for the containment zones.

"The decision to this effect was taken by the state government on Thursday. This would provide much relief to the people of the textile town where maximum residents are dependent on the looms," Collector of Nashik Suraj Mandhare said.

Malegaon is a densely populated city with maximum number of people directly dependent upon the powerlooms, besides plastic industries. However, due to lockdown, most people had lost their jobs.

Now with the relaxation in lockdown rules, the state government has allowed the powerlooms in the district to operate, except for the containment areas in Malegaon.

Also, the government guidelines state that those working in these powerlooms and handlooms must follow social distancing, among other norms. The powerloom operators have also been directed to look after the workers as well as the infrastructure.

“The clearance to restart powerlooms and handlooms is given on the condition that the operators will ensure that social distancing and cleanliness is followed. Also, no worker from the containment areas will be employed as of now,” Mandhare added.

A meeting to this effect was held between the collector and the powerloom owners/operators in which they were briefed about all the rules and regulations to be followed.

Source: timesofindia.com – May 24, 2020

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Some garment factory workers receive wages thanks to international pressure

If institutional support to workers has been mostly missing for the State’s workforce, a section of garment workers received wages thanks to pressure from U.S. and E.U.-based international agencies on apparel brands that have outsourced production to garment factories in India.

Organisations such as United Students Against Sweat Shops and the Workers Rights Consortium have brought intense pressure on leading global brands to ensure that workers are paid in factories in Bengaluru, said the Garments and Textile Workers’ Union (GATWU), which has worked on similar lines in the past to improve working conditions.

In the COVID-19 conditions, not only are factories forced to pay wages, international agencies have ensured that leading apparel brands do no cancel their orders, which in turn could harm the factories finances’ to pay wages.

"By our estimates, about 40% of the over four lakh garment workforce has received wages for the lockdown period. In some companies, wages have been paid only to those who came to work after May 4. Without public transport, it is impossible for rural women to reach their factories," said GATWU secretary K.R. Jayaram said. "Wherever possible, pressure has been brought through the International League of Brand Responsibility to ensure that workers get their dues. In fact, orders that were cancelled by at least eight leading brands to garment factories in India were withdrawn after intense pressure."

Anxious times

With three factories in Bengaluru having closed already in the past month, workers in the garment sector are going through anxious times. While the current work is related to previous orders, fresh orders for the city's garment sector, whose peak season starts from July, are still to come in. "So far, there is not much retrenchment. Many of the non-Kannadiga workers have left the city. If fresh orders do not come, the worst may start happening after mid-June. Factories without orders may close, leaving thousands without jobs," Mr. Jayaram said.

Source: thehindu.com– May 24, 2020

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Increase in cotton crop area to come with strict vigil

State government aims at 10.55 lakh acres for farmers to be able to access its investment support money

The State government's decision to increase crop area of cotton by 10.55 lakh acres for farmers to be able to access its investment support money through Rytu Bandhu in the ensuing agricultural season was likely to be implemented with a strict vigil on seed companies and dealers.

Apart from keeping a close watch on spurious seed, the government was said to be focussed on checking the sale of banned Bollgard 3 cotton seed which found its way to fields in the State a few years ago as an unbranded variety and promise of higher yield. A strict enforcement of provisions of Environment Protection Act, 1986, which laid down rigorous imprisonment up to seven years for seed dealers was on cards, sources said.

Against a cotton area of 54.45 lakh acres last year, the government has decided now to increase the acreage to 65 lakh acres. This was likely to spur seed companies and dealers to sell Bollgard 3 by dubious means as it appeared no different from its earlier version -- BG 2 -- which was permitted.

The BG 3 was an innovation in Bt cotton as it took care of weed problem at much lower cost compared to physical labour required for weeding. But, it required spraying of glyphosate, a highly hazardous herbicide to human health and biodiversity, to manage plant growth and ripen fruit. Steps will be taken to curb indiscriminate use of glyphosate, sources added.

The sale of BG 3 has grown over the years not only because of its merits but the vulnerability of BG 2 to pink bollworm pest attack. Taking this as an opportunity, the seed companies and dealers resorted to sale of BG 3 by online platforms and secret means.

The cotton area had steadily increased from 42.32 lakh acres in the first year of State formation (2014-15) to 54.45 lakh acres last year. At the same time, the minimum support price of the crop also went up during the period from ₹ 4,050 a quintal to ₹ 5,450 in 2018-19 and by another ₹ 100 last year. Also, the yields increased significantly due to good rains.

This raised hopes in farmers and, now, with government linking up Rytu Bandhu to 65 lakh acres of cropped area the demand for seed will go up substantially. It was estimated that 1.30 crore seed packets were required with a cushion of another 10 lakh packets.

Source: thehindu.com – May 24, 2020

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