



IBTEX No. 137 of 2020

June 25, 2020

US 75.71| EUR 85.17| GBP 94.00| JPY 0.71

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	Topics
1	In U.S.-China Trade War, New Supply Chains Rattle Markets
2	Drive for the World's Biggest Free-Trade Deal Hits Bumps
3	Global trade to shrink 18.5% in June qtr: WTO
4	Why did EU's 27 members' textile and apparel imports from China rise largely in Apr?
5	Egypt vs Coronavirus : Cotton's never-ending roller coaster
6	Functional apparel market to be worth \$550 bn by 2027
7	China: Impact of India to raise trade barriers on polyester products
8	Poland to gain USD 8 bln a year in production shift from China - report
9	Yarn Expo to be held in September
10	Cambodia: Garment sector struggles to maintain EU trade agreement
11	Italian Investment in Vietnam – How to Leverage the EVFTA
12	Bangladesh: Automation is not hurting RMG employment... yet

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify "the sender" by return e-mail and delete the message from "your system". Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any "information" in this message that does not relate to "official business" shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.

NATIONAL NEWS	
1	India-China trade ties 2,000 years old: Boycotting dragon not easy; India imports this much from China
2	'Historic low': IMF projects India's economy to contract by 4.5% this year
3	Exporters to submit origin certificates for shipments to Asean countries
4	Supply outstrips demand, PPE prices crash
5	Modi govt to allow PPE, ventilator exports as Indian companies are mass-producing them now
6	Exporters rue border trade rules
7	MSME sector gets another push from govt; distressed MSMEs to get Rs 20,000 cr guarantee cover
8	Govt's MSME credit scheme continues to roll with 800% jump in amount disbursed to small businesses
9	'Second level verification of new GST registrants welcome'
10	Amazon, Flipkart, Snapdeal, others now must show country of origin amid China boycott calls
11	New multilateralism will balance linkages between trade & development: CUTS International
12	All Chinese cargo being checked following nationwide risk alert
13	Beijing seeks clarity on imports stuck due to 100% inspection
14	Rising imports from Hong Kong: A new worry for India
15	Point of no return? China border row adds to India's unease over RCEP
16	Chennai Customs to check Chinese cargo based on 'specific intelligence'
17	Shutting India's doors to other countries will not help: CEA
18	E-com sector in India recovers by over 90%: Unicommerce

INTERNATIONAL NEWS

In U.S.-China Trade War, New Supply Chains Rattle Markets

With relations between Washington and Beijing in freefall, the future of global supply chains is uncertain. Even as inconsistent White House messages continue to raise questions about the direction of U.S. trade policy, trade war tariffs remain in effect. Meanwhile, the fallout from Beijing's proposed national security law, which threatens to constrain Hong Kong's autonomy, further imperils the already fragile phase one trade agreement between the two superpowers. This friction, paired with the race to secure medical supplies and develop a coronavirus vaccine, is provoking a reevaluation of just-in-time supply chains that privilege efficiency above all else.

A chorus of 're'-themed supply chain buzzwords—resiliency, redundancy, reshoring, restructuring, and regionalization, to name a few—is music to the ears of White House protectionists, who launched the trade war and who think China's global manufacturing role is long overdue for revision. U.S. President Donald Trump's strategy of reducing the United States' trade deficits and rejuvenating the U.S. economy stems from a nationalist view of supply chains. In this vein, Trump's trade adviser Peter Navarro signaled the country's \$2 trillion in spending on stimulus packages in part aims to bring more manufacturing jobs back to American shores.

Though the coronavirus's impact on supply networks could change the game, recently released trade data show the trade war's early impact on the world's two largest economies and the future of global commerce. Paradoxically, the results are largely the opposite of what the White House has been counting on. Tariffs have produced no real improvement in the United States' underlying trade balance, while China's trade surplus has increased and its export markets have become more diversified.

Trump's reduction of the bilateral trade deficit with China was quite costly, with a significant contraction in economic activity and an inadvertent increase in China's overall trade surplus. And, if not for a reduction in oil imports, the United States' trade deficit actually would have widened—calling into question the logic of a protectionist strategy designed to improve the country's trade balance.

Overall U.S. merchandise imports contracted by \$44.3 billion in 2019 compared with 2018 (see figure 1). A sharp drop in imports from China drove the decline, with tariffs in place on about \$370 billion in U.S.-bound Chinese goods. U.S. imports from China fell by \$87.3 billion year-on-year. This is the largest annual decline in U.S. imports from any trade partner, excluding the year of the 2009 financial crisis.

Yet imports from China only fell by 16 percent in 2019 compared to the previous year—a testament to the difficulty of shifting trade relationships in the short run. In fact, the reported data likely overstate the true decline. One major reason is transshipment, when traded goods have a layover in a third country en route from where they were manufactured to their final destination. This practice is sometimes used to sidestep tariffs. Such a tactic can cause U.S. customs officials to classify goods as coming from intermediary trade partners, such as Vietnam or Mexico, when in reality they are still coming from China.

Who Benefits From the U.S. Tariffs?

Regardless, a drop in imports from China only actually reduces U.S. reliance on China if companies manage to find viable substitutes. But last year, the United States was not able to fully meet the need for alternatives to Chinese merchandise. Strong overall GDP growth in 2019 suggests that total imports would likely have increased without tariffs.

In the short term, other countries that already make products affected by U.S. tariffs on China are most likely to benefit. Instead of buying from China, U.S. companies are looking to buy similar products from countries that are not impacted by the tariffs. In Asia, the undisputed winner is Vietnam, whose exports to the United States rose by 35 percent, or \$17.5 billion. Another standout, Taiwan, used its long-standing comparative advantage in hardware components to benefit from trade diversion.

Europe and Mexico filled in much of the gap, as U.S. imports from these economies rose by \$31.2 billion and \$11.6 billion, respectively (see figure 1). Also noteworthy, imports from Venezuela and the Middle East plummeted as a result of U.S. sanctions and increased energy self-sufficiency.

On the exports side, the United States was hurt by depressed demand due to retaliatory tariffs imposed by China and others in response to U.S. duties on steel and aluminum. Rather than increasing the competitiveness of U.S. producers, tariffs instead led to a net decline of \$23.1 billion in exports.

Moreover, despite Trump’s vision of a “blue collar boom,” U.S. domestic manufacturing did not pick up the slack. Instead, the industrial production index experienced a year-on-year decline for the first time since 2015 in response to supply chain interruptions and tariff-induced increases in production costs. This yielded an overall welfare loss in the form of forgone consumption due to higher prices for retailers and households, contradicting the president’s persistent claim that China pays for the tariffs.

[Click here for more details](#)

Source: carnegieendowment.org– Jun 24, 2020

[HOME](#)

Drive for the World’s Biggest Free-Trade Deal Hits Bumps

After weeks of trying to talk amid a rapidly deteriorating diplomatic and trade relationship, a senior Australian minister has finally been in close contact with a Chinese counterpart — albeit virtually.

The occasion was Tuesday’s meeting of ministers from 15 of the largest Indo-Pacific economies that are pursuing the Regional Comprehensive Economic Partnership, which will become the world’s biggest free-trade agreement if completed in November as planned.

Whether Treasurer Josh Frydenberg spoke directly with China Commerce Minister Zhong Shan wasn’t revealed in the RCEP’s subsequent joint statement. But still, baby steps. After all, Trade Minister Simon Birmingham admits he’s tried and failed to reach Zhong since at least mid-May amid a ministerial-level deep freeze.

Australia’s relations with its largest trading partner first nosedived in 2018 over Canberra’s ban of Huawei from building its 5G network and implementation of anti-foreign interference legislation aimed at halting Beijing’s “meddling.”

They plunged even further in April when Australia, a strong ally of the U.S., called for a probe into the origins of the coronavirus pandemic, urging independent investigators be allowed into Wuhan.

Since then, China has placed crippling tariffs on Australia's barley exports, banned beef from four of the nation's meat plants, and warned its students and overseas tourists they could be the subject of racist attacks Down Under.

Frydenberg said on Tuesday that he wouldn't be backing down to appease Beijing, pointing out that Australia viewed the trading relationship as "mutually beneficial" as it supplies more than 60% of China's iron-ore imports.

As for RCEP, maybe it isn't a done deal just yet. After Tuesday's meeting, Zhong urged member nations to quickly resolve remaining concerns, while Malaysia said that market access was among "the major outstanding issues," along with India's decision to bail from the agreement amid its own tensions with China.

Source: bloomberg.com– Jun 24, 2020

[HOME](#)

Global trade to shrink 18.5% in June qtr: WTO

After shrinking 3 per cent in the first quarter of 2020, global trade volumes are set to contract by up to 18.5 per cent in the second quarter due to the Covid19 pandemic, the World Trade Organization (WTO) said on Monday.

Initial estimates for the second quarter, when the virus and associated lockdown measures affected a large share of the global population, indicate continuing challenges across sectors. However, the WTO said global trade volumes in 2020 seem closer to contracting by 13 per cent and not the worst case scenario of 32 per cent indicated initially.

"Looking ahead to 2021, adverse developments, including a second wave of Covid 19 outbreak, weaker than expected economic growth, or widespread recourse to trade restrictions, could see trade expansion fall short of earlier projections," the WTO said.

In April, the WTO's annual trade forecast had stressed that volume of world merchandise trade in 2020 might contract by 13 per cent in a relatively optimistic scenario, while the fall might be up to 32 per cent in a pessimistic scenario.

Now, trade economists at the global body say trade would only need to grow by 2.5 per cent per quarter for the remainder of the year to meet the optimistic projection.



COVID-19 HITS INTERNATIONAL TRADE

Recent forecasts	2020		2021	
	2020	2021	2020	2021
WTO forecast (April, 2020)				
Optimistic scenario	-12.9	21.3		
Pessimistic scenario	-31.9	24.0		
IMF World Economic Outlook (Apr, 2020)				
	-11.0	8.4		
World Bank Global Economic Prospects (May, 2020)				
	-13.4	5.3		
OECD Economic Outlook (June, 2020)				
Single-hit scenario	-9.5	6.0		
Double-hit scenario	-11.4	2.5		

Source: WTO Secretariat, International Monetary Fund, World Bank, and Organisation for Economic Cooperation and Development

Global commercial flights, which carry a substantial amount of international air cargo, were down nearly three quarters (74 per cent) between January 5 and April 18, and have since risen 58 per cent through mid June.

Container port throughput have staged a partial recovery in June compared to May. Meanwhile, indices of new export orders from purchasing managers' indices also started to recover in May after record drops in April.

“The outlook for the global economy over the next two years remains highly uncertain. For output and trade to rebound strongly in 2021, fiscal, monetary, and trade policies will need to keep pulling in the same direction,” said WTO Director General Roberto Azevedo.

The World Bank's recent forecast would see global output decline by 5.2 per cent in 2020. Merchandise trade volume already fell by 0.1 per cent in 2019, weighed down by trade tensions and slowing economic growth.

Global merchandise exports in 2019 fell by 3 per cent to \$18.89 trillion, while the value of commercial services exports rose 2 per cent to \$6.03 trillion in 2019. International trade was already in a difficult position when the pandemic struck, and the aftereffects of trade tensions between the US and China were already expected to continue for a large part of 2020.

The WTO has warned that developing economies would require assistance given that the current crisis has hit almost all sectors. But trade will likely be affected more in sectors with complex value chains, particularly electronics and automotive products, it said.

However, globally services trade may be most directly affected by Covid19 through overarching transport and travel restrictions. India's exports contracted 36.47 per cent in May after a historic fall of 60 per cent in April, even as the lockdown eased and ports cleared cargo.

While the government says this offers hopes of recovery, exporters remain doubtful. Outbound trade has fallen for the third straight month.

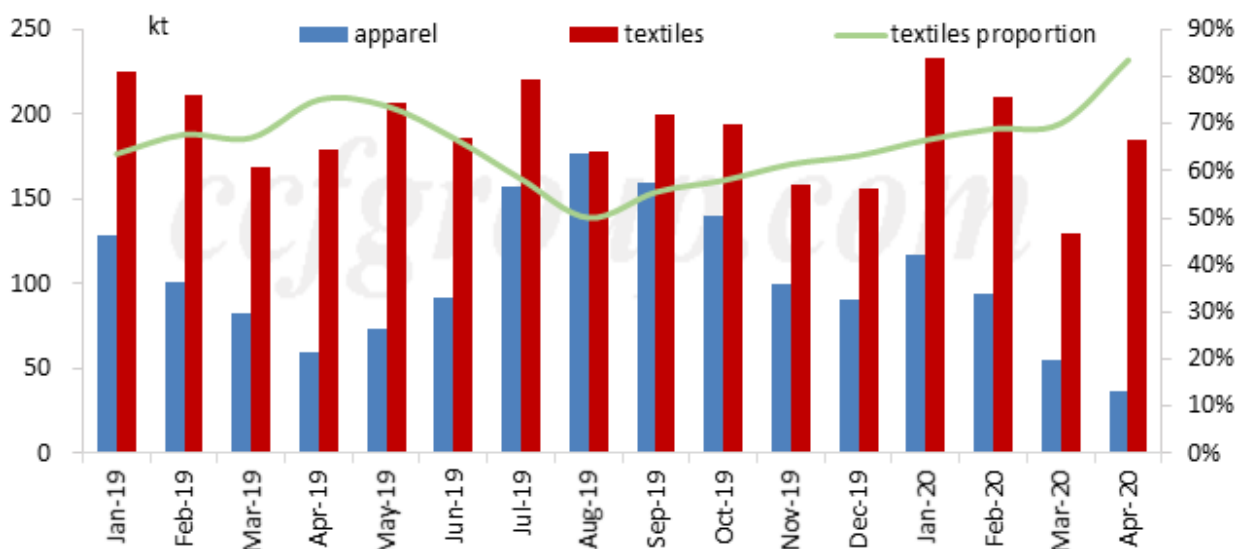
Source: business-standard.com– Jun 24, 2020

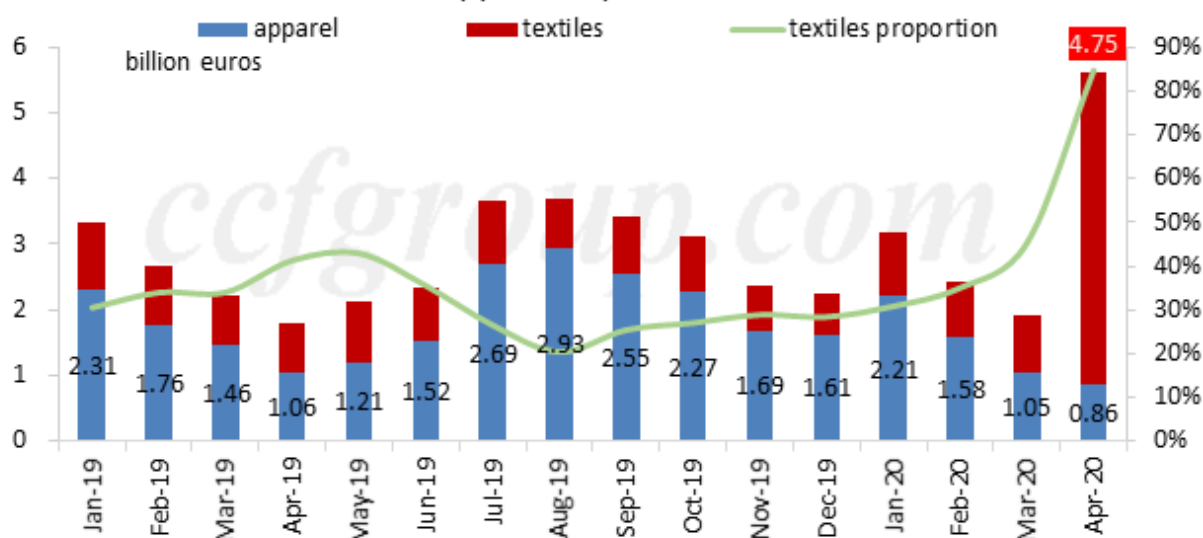
[HOME](#)

Why did EU's 27 members' textile and apparel imports from China rise largely in Apr?

The latest data showed that the EU's 27 members' textile and apparel (HS code 50-63, the same below) imported from China in April showed a significant month-on-month increase, especially the significant increase in import value.

EU's 27 members' textile and apparel imports volume from China



EU's 27 members' textile and apparel imports value from China


So what kind of variety is driving the increase in the import volume and value? EU textile imports value in April amounted to 4.75 billion euros, up 536.7% year-on-year and 447.8% month-on-month respectively; that of apparel amounted to 860 million euros, down 19.1% year-on-year and 18.2% month-on-month respectively.

	billion euros		year-on-year		month-on-month	
	value	kt	value	volume	value	volume
Jan-20	0.12	24.24	5.1%	2.8%	35.7%	31.3%
Feb-20	0.10	20.83	-2.7%	-3.6%	-15.3%	-14.1%
Mar-20	0.38	15.92	329.6%	-4.6%	266.4%	-23.6%
Apr-20	4.24	45.48	4971.8%	179.9%	1022.8%	185.6%
Jan-Apr 2020	4.84	106.48	1131.3%	36.3%	—	—

Textiles accounted for a relatively large proportion in EU textile and apparel imports volume and value from China, which accounted for more than 80%, indicating that the YoY improvement was mainly due to textile growth. As a result, the apparel import was still in a poor state, so what kind of product supports EU textile imports from China?

In April, COVID-19 spread outside China while the epidemic in China was controlled, and the situation of production resumption was tolerable. Therefore, export of prevention materials increased sharply, especially that of masks and protective clothing.

It was reported that the export of protective materials such as medical masks and medical shoe covers was counted in HS code 630790 which increased rapidly to 4.24 billion euros, 50 times than that in same period of last year and about 11 times than that in last month. It can be seen that both import volume and value increased rapidly, but the former speed was lower than the latter.

HS code 630790 imports volume and value proportion and monthly average unit price					
	proportion in textiles		Monthly average unit price		
	value	volume	euros/kg	year-on-year	month-on-month
Jan-20	12.4%	10.4%	5.0	2.2%	3.3%
Feb-20	12.1%	9.9%	4.9	0.9%	-1.5%
Mar-20	43.6%	12.2%	23.7	350.5%	379.3%
Apr-20	89.3%	24.6%	93.2	1712.0%	293.1%
Jan-Apr 2020	65.0%	14.0%	45.5	803.3%	—

Note: the proportion in textiles is HS code 630790 imports proportion in textiles imported from China.
Unit price=import value/the monthly average volume

It can be seen that the growth is rapid, especially the import amount. HS code 630790 accounted for 89.3% of the textiles imported from China in Apr, while the volume accounted for only 24.6%, indicating that the unit price contribution rate was large.

Unit price rose faster in April, with a big MoM and YoY increase. Although the epidemic outside China gradually eased in May and June, the situation is still grim, and the demand for epidemic prevention materials is still large.

China has a strong production capacity, so the demand for national defense epidemic materials continues, but with the production resumption overseas and the control of the epidemic, demand may somewhat weaken.

Source: ccfgroup.com– Jun 24, 2020

[HOME](#)

Egypt vs Coronavirus : Cotton's never-ending roller coaster

Egypt's exports in cotton contributed \$471.63m during 2019 to its GDP. But this 'white gold' for the country has taken a major hit, reducing production by 30% to 40%.

Even though Cairo has not imposed a full lockdown, as was seen in Nigeria or South Africa, its obligatory curfew and new health measures have affected cotton production and local demand. Egypt produces around 200,000 tons of cotton yearly and imports another 200,000 that it processes before exporting.

Cotton caught in the middle

The trade war launched in 2018 by US President Donald Trump, set tariffs and trade barriers on China against what was referred to as: "The greatest theft in the world". Since then, cotton has taken a drop in prices plummeting from 15 to 20% globally. "When things started to stabilise in January 2020, nobody knew it was going to last for less than a month, [after] the pandemic hit" says Dr. Mohamed Negm, of the Cotton Research Institute and General Coordinator of the 13th Inter- Regional Network.

The WSJ reports cotton sold at \$0.705 per pound of cotton on 29 January vs \$0.6684 on 3 February; a drop of 23%. "The market, after COVID-19, collapsed. The three main cotton consumers – Europe, the US and Japan – were all under lockdown, which means nobody bought clothes" explains Negm.

Hit from the pandemic

The International Textile Manufacturers Federation did a survey on 700 companies, and orders for cotton were cancelled from March, April, and May. This means cancellations in 2020 could reach 31%, a total loss of \$300bn for the global textile industry. "[The] summer is usually high for sales, but this summer will be different after COVID," says Negm.

Egypt's cotton industry was particularly hit hard by the pandemic given the government had just invested \$1.25bn to modernize spinning, weaving, knitting, dyeing, finishing, printing and cut-and-sew manufacturing of the textile industry of the public sector. "The first machinery was supposed to arrive in April 2020, as well as foreign staff who would help us install it and

train Egyptian employees by October 2020, but the pandemic halted everything. We will not be able to develop our production without a complete renewal of the whole supply chain” says Negm.

Uncertainty from the pandemic has left both farmers and consumers caught between a rock and a hard place.

After phase one of the partial agreement between the US and China, cotton growers around the world were hopeful that prices would reach previous heights. But with COVID-19, both farmers and consumers worldwide are now highly cautious: farmers are reducing cotton crops and are focusing on other products while popular retailers like Zara and H&M shut many of its stores worldwide from the fallout out of the pandemic, limiting consumers’ spending.

Not knowing how long the pandemic will last is another element creating anxiety for the industry. If the crisis keeps a minimal supply of cotton-based products for consumers, then farmers ultimately worry that the demand for cotton will continue to fall in parallel. “The timing couldn’t be worse, as the season to plant cotton begins in March and lasts until April” explains Mohamed Negm.

Visionary Egyptian farmers

Egyptian farmers also got hit with a 35% decrease in the amount of acres allotted for cotton plantation. So according to Negm, many farmers realised early on that they couldn’t ‘count on cotton this year, so they opted to prioritise food security.

Knowing that Egypt is a major food importer, cotton farmers have begun planting their fields with more food crops. The health crisis has also had a negative impact on the local currency the Egyptian pound, which – like other currencies worldwide- has inflated. That means production costs for farmers have risen.

“It is also a question of survival for these farmers...Some farmers did not have time to choose different crops but many of them looked ahead,” based on what was happening elsewhere. If the pandemic had hit in November or December, planting season for wheat, farmers would have faced the same issue.

But changing crops is not always easy. “Not all farmers in Egypt and worldwide have the time to change plans. The machinery used in planting and processing cotton is different than the ones used in different crops”. Moreover, if the Coronavirus comes back [in a second wave], all crops will be endangered.”

Bottom line: Egypt’s longtime cash-crop has been hit with a double punch in 2020: caught in a trade war and the economic fallout of the global pandemic. While countries worldwide are starting to ease lockdowns and encourage consumer spending to reboot economies, for this year, it may be too late for Egyptian cotton.

Source: theafricareport.com– Jun 24, 2020

[HOME](#)

Functional apparel market to be worth \$550 bn by 2027

The global functional apparel market size is expected to be worth around \$550 billion by 2027, growing at a compounded annual growth rate (CAGR) of 7.4 per cent between 2020 and 2027, according to a research report by a consulting firm, which said the stock shortage of raw materials by Chinese manufacturers has contributed to a significant demand deficit.

The report by US-based Acumen Research and Consulting expects suppliers to shift away from China with the intention of reducing potential market costs and growing the cluster in a given country to ease supply chain.

Increased awareness of healthy lifestyle led to a rise in demand for sportswear, which in turn will allow the global market for functional apparel to expand. Moreover, the growth of the target market is driven by a growing number of sports and other recreational events, including trekking, cycling, etc.

The increasing demand for convenient apparel and accessories, as well as the rising youth participation in various fields of sport, are two of the main factors for the growth of the target market, the company said in a press release. Another element expected to boost demand for medical wearing laboratory apparel is increased research and development activities in medical laboratories to propel growth of the world market.

Increasing mobile and Internet penetration boosts demand for many functional wear products like activewear, wear safety, etc., which, on the other hand, are projected to drive growth of the global market for functional wear over the anticipated period. A second aspect projected to impede growth of the target market is the emergence of replication goods at a lower rate.

North America represents the biggest market share in this segment led by United States due to the increasing need for luxury sports equipment. Further, the high affordability of young people's wages and willingness to pay more for designer clothes are some significant factors that fuel the development of the region's target market.

The Asia Pacific functional clothing market is expected to expand significantly because of the increase in understanding of the healthier lifestyle. The growing participation of young people in various sports such as marathons, trekking, sailing, and more is boosting the demand for sportswear, which is anticipated in turn to encourage regional market growth. The strong presence of a supply base, raw material quality and low-cost labour would create lucrative prospects for growth of the region's target market.

Source: fibre2fashion.com– Jun 24, 2020

[HOME](#)

China: Impact of India to raise trade barriers on polyester products

Previously, Vietnam initiated anti-dumping investigations on polyester filament yarn originating in China, India, Indonesia and Malaysia; Mexico also launched anti-dumping investigations on polyester yarns originating in China. Recently, India has also begun to set higher trade barriers on Chinese products.

An Indian government official said on June 18 local time that the government is working to reduce dependence on Chinese goods and promote the development of domestic manufacturing industry. Local media reported that India plans to set higher trade barriers and increase import tariffs on imported products valued at US\$8 billion to 10 billion from China and other regions. This plan involves about 300 products. Specifically, the

Indian government intends to increase import tariffs on 160-200 products, and impose non-tariff barriers on another 100 products, such as license requirements or stricter quality inspections.

The Indian government has pledged to revitalize and protect its manufacturing industry since 2014. The "Made in India" plan and the "India self-reliance" plan have been implemented successively. The first key industries identified at that time included 25 major industries such as automobiles, auto parts, aviation, chemicals, biotechnology, and food processing.

In the fiscal year of 2018/19, China was India's largest trade deficit country. The bilateral trade volume between China and India was 88 billion US dollars, of which India's exports to China were only 16.7 billion US dollars, while imports were 70.3 billion US dollars. Trade deficit between Indian and China was 53.5 billion US dollars. According to the latest data, the trade deficit between China and India remains. From April 2019 to February 2020, India's trade deficit with China was US\$46.8 billion.

China was India's second largest trading partner, next to the United States. In terms of categories, India's main imports from China included bulk medicines, APIs, electronic products, electrical equipment, organic chemicals, plastics and fertilizers. India imported raw material, auxiliary materials and intermediate goods to make its manufactured products competitive in the world.

In 2020, India raised 2 trade barriers to polyester products:

On May 21, 2020, the Ministry of Commerce and Industry of India announced that it had initiated an anti-dumping investigation on polyester yarn originating in China, Indonesia, Nepal and Vietnam. The English name of the product is Polyester Yarn (Polyester Spun Yarn), which mainly involved products under Hs code 55092100. According to customs statistics, under the customs code of 55092100 in 2019, China's polyester single yarn exports to India amounted to 21.1kt, accounting for 9.66% of total exports, ranking third.

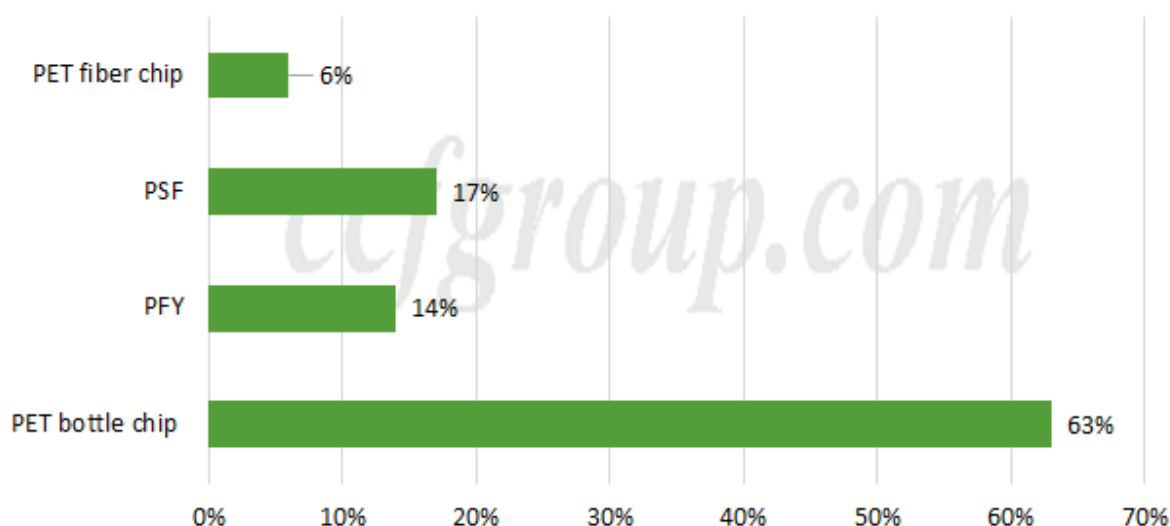
On April 15, 2020, the Ministry of Commerce and Industry of India issued an announcement stating that, in response to an application submitted by the Association of Synthetic Fibre Industry, the second anti-dumping sunset review case investigation on all fully drawn or fully oriented yarn/spin draw yarn/flat yarn of polyester originating or imported from China and Thailand

was made. The case involved products under Indian Customs Code 5402.47. The dumping investigation period of this case is from January 1, 2019 to December 31, 2019 (12 months), and the damage investigation period is from April 1, 2016 to March 31, 2017, April 1, 2017 to 2018 March 31, 2014, April 1, 2018 to March 31, 2019 and the dumping investigation period.

According to customs data, under the customs code of 54024700 in 2019, China's export volume to India was 817 tons with 1,628,180 US dollars, accounting for 0.2% of the total export volume under the tariff code, with little impact.

Polyester products exported from China to India				
Polyester products and tariff codes	Trade volume (t)	Trade value (USD)	Proportion	Ranking
Industrial yarn 54022000	24741	41004164	5.60%	5
DTY 54023310	3389	6001362	0.30%	39
POY 54024600	30505	30751588	5.40%	4
FDY 54024700	817	1628180	0.20%	33
Textured yarn 54023390	232	646957	0.50%	25
Other polyester yarn 54025200	101	313664	0.50%	25
Total PFY	59785	80345915	2.70%	11
PET bottle chip 39076110	272844	273760708	9.40%	1
PET fiber chip 39076910	26022	26840009	4.90%	7
Staple fiber 55032000+55062000	76237	80586234	7.70%	4
Total polyester products	434888	461532866	6.10%	3

Exports of polyester goods to India from China (by variety)



According to the detailed data of polyester products exported from China to India, the increase in trade barriers will have the greatest impact on PET bottle chip (Hs code at 39076110). The export volume in 2019 was 273kt. India was the first export destination, accounting for 9.4% . Followed by staple fiber (Hs code at 55032000, 55062000) and POY (Hs code at 54024600), the trade volume was 76kt and 31kt respectively. India was the fourth trade exporter for PSF and POY of China, accounting for 7.7% and 5.4% respectively. The next were industrial yarn (Hs code at 54022000) and PET fiber chip (Hs code at 39076910), with trade volumes of 25kt and 26kt respectively. India were the fifth and seventh trade exporter, sharing 5.6% and 4.9%, respectively. The impact on the export of FDY, DTY, textured yarn and other polyester yarns was relatively small.

India has about 10 million tons of polyester capacity, with the filament yarn taking a lion share, followed by PET bottle chip. The proportion of PSF and PET film was relatively smaller. In recent years, its supporting facilities in downstream twisting and fabric manufacturing market are accelerating, which is expected to exert great impact on the polyester industry in China in the future. In 2018-2019, the foreign direct investment of the Indian textile and apparel industry reached US\$3.1 billion; according to a research data, the Indian textile industry is expected to approach US\$223 billion by 2021; by 2024-25, the exports of textile and apparel industry are expected to be US\$300 billion, increasing India's market share from 5% to 15%.

Major products exported to India from China:

According to statistics from the Indian Business Information Agency and the Indian Ministry of Commerce, from January to September 2019, the import and export volume of bilateral goods between India and China was US\$65.32 billion, down 3.9%. Among them, India's exports to China were US\$12.60 billion, up 7.3%, accounting for 5.2% of India's total exports, an increase of 0.4%; India's imports from China were US\$52.72 billion, down 6.3%, taking up 14.3% of India's total imports, down 0.4%. India's trade deficit was US\$40.12 billion, down 9.9%. China was India's largest source of deficit. As of September, China was India's third-ranked export destination and largest source of imports.

Mineral products were the largest category of products exported by India to China. From January to September 2019, exports were US\$3.65 billion, an increase of 2.0%, accounting for 28.9% of India's total exports to China. Chemical products were the second largest category of commodities exported by India to China, with an export value of 2.85 billion US dollars,

up 11.4%, sharing 22.6% of India's total exports to China. Electromechanical products were the third largest category of goods exported by India to China, with an export value of US\$1.15 billion, up 14.8% and occupying 9.2% of India's total exports to China.

The top three major Indian commodities imported from China were electromechanical products, chemical products and base metals and products. Among them, the import value of mechanical and electrical products was US\$26.06 billion, down 9.1%, accounting for 49.4% of India's total imports from China. The import value of chemical products was US\$10.48 billion, up 3.9%, possessing 19.9% of India's total imports from China. The import value of base metals and products was US\$4.08 billion, an increase of 2.8%, sharing 7.7% of India's total imports from China.

Source: ccfgroup.com– Jun 24, 2020

[HOME](#)

Poland to gain USD 8 bln a year in production shift from China - report

Poland might benefit from a change in trade routes after the coronavirus pandemic, according to experts from the Polish Economic Institute (PIE) who believe the country might gain over USD 8 bln annually through production being moved from China.

A PIE report published on Wednesday entitled 'Trade routes after the COVID-19 pandemic' claims that the shift of some production away from China to other countries could result in China's GDP declining by 1.64 percent. Added value created in Poland could increase in that scenario by as much as USD 8.3 billion a year or by 1.87 percent in relative terms, expressed as an annual growth of added value created in Poland.

According to calculations by the World Trade Organisation, global trade in the wake of the coronavirus pandemic is set to shrink this year by 13-32 percent. "We can expect a fall in the volume of international trade, its regionalisation and a growth in protectionism as well as diversification of the supply chain," PIE analyst Jan Strzelecki of the foreign trade team said. "A natural step will also be increased pressure on supply security in strategic sectors of states' trade policy. China's importance in the global supply chain will also fall."

According to the calculations of PIE specialists, in the most optimistic conditions, European countries' national production could replace 10 percent of semi-products and end products from China and a further 10 percent of supplies from six new EU member states.

In 2019, Asia accounted for 35.3 percent of world exports and 33.8 percent of world imports. The greatest global exporters and importers remain the countries of Europe (with a share of 36.7 percent and 35.7 percent, respectively) however over half of that trade is intra-EU commerce.

Chinese co-production has a significant effect on global production. Materials coming from China account for 3.5 percent of materials used worldwide for production of industrial products. "The Chinese import charge had the greatest significance in the countries of Southeast Asia, East Asia and North America," the PIE report states.

In terms of sectors, the most dependent on supplies from China are global computer production, electronics and optical products, textile products and clothing. "The shift from China of parts of production of semi-products and finished products would mean a loss in added value to that economy that would stand at - depending on the variant - from USD 22.4 billion to USD 172 billion a year," explained Łukasz Ambroziak of PIE's foreign trade team.

In PIE's assessment, the most beneficial for EU member states would be a combination of national patriotism and strengthening of the new member states from Central Europe (the Czech Republic, Poland, Slovakia, Hungary, Romania and Bulgaria) in the role of the EU's factory. Apart from Poland (USD 8.3 billion) other countries of the region to benefit would be the Czech Republic (USD 4.9 billion), Hungary (USD 2.7 billion) and Romania (USD 2.6 billion).

Source: thefirstnews.com – Jun 24, 2020

[HOME](#)

Yarn Expo to be held in September

With continuous growth and delivery of genuine business outcomes each year, Yarn Expo has established its global reputation as a leading networking destination for worldwide visitors and exhibitors, with a wide variety of yarn and fibre products on offer.

Yarn Expo Autumn 2019 had a record breaking 543 exhibitors from 14 countries and regions, covering 26,000 sqm of exhibition space and attracted 19,155 visitors from 93 countries and regions.

This year, Yarn Expo Autumn 2020 returns to Hall 8.2, National Exhibition and Convention Center (Shanghai) from September 23-25, weaving the net for professionals from the yarn and fibre sector to meet, connect and exchange.

Yarn Expo Autumn 2020 will be held concurrently with Intertextile Shanghai Apparel Fabrics – Autumn Edition, PH Value and CHIC, giving you a concentrated overview of the latest trends and developments in the entire textile industry.

Source: fashionatingworld.com– Jun 24, 2020

[HOME](#)

Cambodia: Garment sector struggles to maintain EU trade agreement

The Kingdom's annual \$7 billion garment and textile sector, which has already been hard hit by the Coronavirus pandemic, is still struggling to make up for its partial loss of a preferential zero-tax trade deal provided by the European Union due to end in August.

The Garment Manufacturers Association of Cambodia (GMAC) and the Cambodia Footwear Association (CFA) on have again called on the European Union to postpone its partial withdrawal of what is known of the Everything but Arms agreement (EBA).

It refers to an analysis article authored by two academics from the University of Delaware in the United States that states once the withdrawal

becomes effective, the EU will shift out of Cambodia to other duty-free countries and the sector would collapse.

On June 2, the GMAC and CFA together with EuroCham (the European chamber of commerce had already sent a letter of appeal to the European Union asking to postpone the scheduled August 12 implementation of the partial suspension of EBA benefits for Cambodia because the COVID-19 pandemic has halted production and slowed global demand to a crawl, delivering a devastating blow to the country's apparel, footwear and travel goods manufacturers and workers. It's estimated the loss will cost about \$1.1 billion.

"We have already sustained hundreds of factory closures and the loss of hundreds of thousands of jobs. To proceed with the EBA withdrawal in this context, we explained in our letter, risks a devastating double blow to our sectors that could make the damage structural and permanent," the GMAC said. "We continue our appeal to the EU to postpone the schedule withdrawal and we are providing you a copy of the article for your reference," it added.

The article, which appeared in Just-Style newsletter, found that Cambodia garments are one of the few formal sector employment opportunities for Cambodians including for rural women. Cambodia competes with other EBA beneficiary countries and with the EBA withdrawal it could increase the perception of the risk of social responsibility by sourcing from Cambodia.

"Leading buyers may not only avoid the lines that have lost EBA benefits, but may avoid sourcing from Cambodia altogether, creating a further downward spiral that could collapse our sectors," the GMAC said. However, Chan Sophal, director of the Centre for Policy Studies (CPS) said that EBA is about tariffs and this will not lead to the country's main sector collapse.

"It could be some factories will collapse but the whole sector will not because Cambodia not only exports to the EU but also to the US and other markets.

Sophal said nonetheless the EU should provide an exemption because otherwise there will be a painful impact on hundreds of thousands of workers who are already effected by COVID-19. "If the EU wants to help Cambodia workers stay employed, they should postpone the withdrawal," he said.

Sophal said because of this experience, the government needs to diversify its production lines, looking into the country's agriculture, services, agro-industry and manufacturing to attract investors who are now turning away from China.

“I think the government also finds itself strongly dependent on garments and should tap others potential sectors while more investors turn away from China and move to Vietnam,” he said.

Source: khmertimeskh.com– Jun 25, 2020

[HOME](#)

Italian Investment in Vietnam – How to Leverage the EVFTA

On June 8, 2020, both the European Union Vietnam Free Trade Agreement (EVFTA) and the EU Vietnam Investment Protection Agreement (EVIPA) were ratified by Vietnam's National Assembly.

Expected to take effect by July or August 2020, the EVFTA will eliminate almost 99 percent of customs duties between the EU and Vietnam, as well as provisions on intellectual property rights, investment, and sustainable growth.

Why Vietnam?

Vietnam has experienced a 6-7 percent yearly growth in the last 20 years, successfully reducing the poverty rate from a worrying 49 percent in 1992 to only 3 percent according to the latest estimate.

According to the Global Competitiveness Index 2019 report by the World Economic Forum, Vietnam ranks 67 out of 141 countries and shows a largely stable business environment according to the World Bank's Doing Business 2020 report.

Today, with almost 100 million people – including about 55 million workers – and an emerging middle class, Vietnam is the EU's second trading partner in ASEAN and one of the most promising economies in the world.

Vietnam's economy is export-focused and labor-intensive, with key industries being smartphones and electronic products, textiles, footwear, and agriculture. It is likely the EVFTA will foster the expansion of such industries in terms of capital expenditure and employment.

EVFTA impact – Near-complete removal of custom duties

65 percent of duties on EU exports to Vietnam will be eliminated when the agreement takes effect, while the remaining will gradually be phased out over a 15-year period. On the other hand, 71 percent of duties on Vietnam exports to EU countries will be eliminated immediately, with the remaining being eliminated in seven years.

Investors can check whether and when specific products can benefit from customs exemption by checking the Harmonized System (HS) codes in the related documents of the European Trade Commission. The European Trade Commission classifies A-products (immediate duty exemption) and B-products (duty exemption within three to 15 years).

Textile

The Italian textile and footwear industry is of significant importance to the apparel and fashion industry, and strongly export-oriented. Vietnam's textile and garment leverages low labor costs to produce items with high competitiveness in the global market.

Most tariffs on textile and footwear will be eliminated when the EVFTA takes effect, while the remaining over a five-year period. It is likely that trade volumes will increase significantly if Vietnam is able to develop and expand its local supply chain to comply with Made in Vietnam rules (right now most of the fabrics are imported from China).

Vietnam's market is appealing for Italian manufacturers, which target different consumer segments compared to the local industry with fashion and luxury items. At the same time, Italian companies can find new incentives to relocate part of their manufacturing facilities to Vietnam to leverage low labor costs and tap into the local market, or restructure their global supply chain by including Vietnamese Cut-Make-Trim (CMT) subcontractors (or OEM subcontractors depending on the products and if Vietnam successfully develops a local supply chain for fabrics and raw material sourcing).

[Click here for more details](#)

Source: vietnam-briefing.com– Jun 24, 2020

[HOME](#)

Bangladesh: Automation is not hurting RMG employment... yet

The readymade garments (RMG) industry is vital to Bangladesh economy. It contributes 84 percent of the total exports—nearly 13 percent of the GDP—and employs some four million workers. The direct and indirect impacts of the RMG sector in the country are profound. Because it employs so much of unskilled labour, the sector looks particularly vulnerable to automation: will machines replace the workers and unleash mass unemployment?

The fear is not totally unfounded since robots are already common in manufacturing. In textiles, smart sewing machines, jacquard machines, smart sensors, big data, 3D printing, etc. are already in place. The automation of cutting, drawing patterns, spreading, and relaxation of fabrics has quietly begun, while some administrative tasks like maintaining attendance or working hours, which were previously carried out manually, have now become digitised.

However, the widespread perception that industrial robots will take over and automate everything is questionable. Globally, the share of industrial robots used in textile and apparel is minuscule at best. For example, of the 1.63m industrial robots used in 2015, only 1,580 were in textiles and apparel. The hype generated by the prospect of sewbot as a potential disruption in the apparel industry is unwarranted.

Much textile automation is about smoothing supply chains and reducing environmental strains rather than about replacing abundant cheap labour. As pointed out by The Economist in 2017, the unpredictable formations of fabric make it very difficult for a robot to keep track of what it is handling and where to apply itself. What is remarkable is that despite spinning being the first process to succumb to industrialisation in the early 19th century, textile and apparel activities still have to be guided by hand. The actual impact of automation is an empirical question.

In new research, we carried out a field survey to understand unemployment in the RMG sector by interviewing garment workers who have recently become jobless. The survey approached nearly 200 respondents (including garment officials) across ten areas in Dhaka. Regrettably, the last portion of the survey overlapped with the Covid-19 outbreak, and prematurely ended our survey.

To date, the early adopters of automation were the large apparel factories. Typically, these factories employ a large number of workers, operate from their own premises, and receive steady export orders from the buyers. By boosting efficiency, new technologies are permitting big factories to focus on greater product diversification. Despite automation, large factories have often kept displaced workers as more labourers are still needed to produce a much higher volume of output.

By comparison, medium and small units could not afford expensive automation. Today, they mostly survive on sub-contracting and, with limited bargaining power over western retailers, they often take orders at depressed prices. With the improved productivity and product diversity of other garment exporting countries in Asia, international buyers now enjoy multiple sourcing options. Some predict that with the passage of time many small factories will be forced to close down or consolidate, while some medium factories will continue to operate manually.

To get an idea of how automation impacts garments manufacturing, consider the initial stage—"pattern design". Before automation, pattern design needed 10-12 workers to complete a task; but after automation, with computers and 3D printers, the same task now requires only 1-2 workers. Similarly, the "spreading" section formerly needed 10-12 workers, but after the automation it requires only 2-3 workers.

The "cutting" section has been partly automated. Previously, cutting required 100-120 workers, but now 60-70 workers suffice. In making sweaters, an operator can supervise six jacquard machines at a time, greatly reducing the need for workers to perform repetitive manual tasks.

Hence, a good number of sweater factories were forced to terminate workers, whose jobs are being replaced by jacquard machines. Our analysis shows that it is certainly possible for automation to cause much unemployment, but has it actually done so?

Interestingly, garment workers displaced by automation were often not laid off but reallocated to other sections to boost production. Some factories are also providing on-the-job training so that employees become familiar with technology, yet others hoard labour with the expectation that they can be used on a just-in-time basis. The picture that emerges from our survey is that, if before the automation 50 workers were needed to produce 5,000 pieces a day, after automation a factory requires 30 workers to produce the same output while the remaining workers continue to work with the factory in a new line. As a consequence, with automated processes, 50 workers can now produce an estimated 8,000 pieces a day.

While automating an apparel factory can undeniably be expensive, several owners argued that it takes only 1-2 years to recover the purchase cost. In fact, factories that invested in high-tech manufacturing were able to secure new orders to fill up the extra capacity. Sadly, the small and medium factories could not exploit the scope of automation like their large counterparts. Automation is disrupting the entire sector on an ongoing basis. The small and medium factories are struggling to operate at break-even point by any means; the ghosts of Rana Plaza and the wave of automation weigh them down. Many have already shed redundant workers and kept only the skilled, multitasking, and experienced workers. Quite a lot of factories were closed down after encountering huge losses.

Another finding that came out of the survey was that the increase in the minimum wage has increased the unemployment of RMG workers. Factories that embraced automation and did not face difficulty in getting steady orders still laid off unskilled workers in the wake of a higher minimum wage. The combination of falling prices and higher minimum wage led to worker layoffs in some factories as they restructured to meet intensified global competition. Factories that were unable to compete or adapt to new technology laid off unskilled workers foreseeing a decline in economic activity.

In Bangladesh's RMG industry, automation has hitherto been a secondary reason for job loss. Unemployment rose more due to factors such as squeezed profit margins, higher minimum wages, and a slowdown in export orders. Automation has affected both skilled and unskilled workers and both high- and low-paying occupations. However, low-paid workers disproportionately bear the brunt of automation's impact as they lack the basic knowledge to operate advanced machinery and also are not often chosen for training to operate such machines.

The most worrying development is the prejudice that female workers are either physically or mentally incapable of handling machines and equipment. This prevents top management from encouraging female workers to receive the necessary training to upgrade their current skills. When the shortage of skilled workers is holding back RMG potential, the tendency to deprive female workers of upper-end work is short-sighted and wrong. While new technologies are creating new job opportunities, they should be geared towards females, since a plethora of research show that compared to men, women workers are less mobile and therefore less likely to switch jobs. Prejudice may be depriving Bangladesh of the profit-maximising option.

The clear conclusion that emerged from our survey is that it is not automation but rather falling export orders, rising wages and decreasing global prices that are behind the rising unemployment in the RMG sector. If these trends continue, textile manufacturers will have no option but to embrace automation and cut jobs in order to revive the business.

Source: thedailystar.net– Jun 25, 2020

[HOME](#)

NATIONAL NEWS

India-China trade ties 2,000 years old: Boycotting dragon not easy; India imports this much from China

While a rage runs across the country against Chinese products, and calls to boycott imports from China get louder, it is important to note why it might be easier said than done for India to snap trade ties with the dragon, which go as far back as 2,000 years. China accounts for a significant portion of India's overall trade.

More than 14 per cent of India's total imports come from China, from nuclear reactors, boilers, machinery, organic chemicals to mobile phones, decorative lighting and other household items. Out of the total import of \$442 billion, India imported goods worth \$62.3 billion from China during April-February FY20, according to the Department of Commerce.

Prime Minister Narendra Modi's Atma Nirbhar Bharat plan is still in infancy, and there remains a long road to go before India comes close to becoming a self-reliant economy; Finance Minister Nirmala Sitharaman too recently remarked that production cannot start on the very next day the project has been started. In such a situation, finding an alternative to Chinese imports remains a herculean task for the Indian industry, especially in the face of the cost competitiveness of Chinese imports.

While a rage runs across the country against Chinese products, and calls to boycott imports from China get louder, it is important to note why it might be easier said than done for India to snap trade ties with the dragon, which go as far back as 2,000 years. China accounts for a significant portion of India's overall trade.

More than 14 per cent of India's total imports come from China, from nuclear reactors, boilers, machinery, organic chemicals to mobile phones, decorative lighting and other household items. Out of the total import of \$442 billion, India imported goods worth \$62.3 billion from China during April-February FY20, according to the Department of Commerce.

Prime Minister Narendra Modi's Atma Nirbhar Bharat plan is still in infancy, and there remains a long road to go before India comes close to becoming a self-reliant economy; Finance Minister Nirmala Sitharaman too recently remarked that production cannot start on the very next day the

project has been started. In such a situation, finding an alternative to Chinese imports remains a herculean task for the Indian industry, especially in the face of the cost competitiveness of Chinese imports.

Source: financialexpress.com– Jun 24, 2020

[HOME](#)

‘Historic low’: IMF projects India’s economy to contract by 4.5% this year

The International Monetary Fund (IMF) on Wednesday lowered its growth forecast for the Indian economy in 2020 by 4.5 per cent, a “historic low”, citing economic slowdown due the two-month-long Covid-19-induced lockdown.

“India’s economy is projected to contract by 4.5 per cent following a longer period of lockdown and slower recovery than anticipated in April,” the IMF said, in an update to the World Economic Outlook it released in April.

IMF’s Chief Economist Gita Gopinath said, “We are projecting a sharp contraction in 2020 of – 4.5 per cent. Given the unprecedented nature of this crisis, as is the case for almost all countries, this projected contraction is a historic low.” The fund, however, also said that India is expected to bounce back in 2021 with a 6 per cent growth rate.

In 2019, India’s growth rate was 4.2 per cent. The IMF’s latest projection is -6.4 per cent less than its April forecast, where it had projected a GDP growth rate of 1.9 per cent for the country in 2020. The projected growth rate of 6 per cent in 2021 is -1.4 per cent less than its April forecast.

On global front, the IMF has projected growth at 4.9 per cent in 2020, significantly worse than the 3% drop it had estimated in its previous report in April. It would be the worst annual contraction since immediately after World War II, IMF said.

For the United States, the IMF predicts that the nation’s GDP will plummet 8 per cent this year, even more than its April estimate of a 5.9 per cent drop. China’s growth this year is projected at 1 per cent while oil-producing economies such as Russia and Saudi Arabia are expected to contract by 6.6 per cent and 6.8 per cent due to steep fall in oil prices.

In a blog post, Gopinath said that this global crisis like no other will have a recovery like no other.

“First, the unprecedented global sweep of this crisis hampers recovery prospects for export-dependent economies and jeopardises the prospects for income convergence between developing and advanced economies,” she said.

“We are projecting a synchronised deep downturn in 2020 for both advanced economies (-8 per cent) and emerging market and developing economies (-3 per cent; -5 per cent if excluding China), and over 95 per cent of countries are projected to have negative per capita income growth in 2020,” she added.

“The cumulative hit to GDP growth over 2020-21 for emerging market and developing economies, excluding China, is expected to exceed that in advanced economies,” Gopinath said.

She noted that a high degree of uncertainty surrounds this forecast, with both upside and downside risks to the outlook.

On the upside, she said the economic activity can see a quick resumption based on better news on vaccines and treatments, and additional policy support. On the downside, further waves of infections can reverse increased mobility and spending, and rapidly tighten financial conditions, triggering debt distress, she said.

“Geopolitical and trade tensions could damage fragile global relationships at a time when trade is projected to collapse by around 12 per cent,” Gopinath said.

Source: indianexpress.com– Jun 24, 2020

[HOME](#)

Exporters to submit origin certificates for shipments to Asean countries

The commerce ministry has asked exporters to submit 'Certificate of Origin' applications for shipments to all Asean countries, except Thailand. India has a free trade agreement (FTA) with 10-nation Asean (Association of South East Asian Nations) bloc. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam are the members of the bloc.

Indian exporters need to file the application to the offices of the designated issuing agencies - EIA (Export Inspection Agency), MPEDA (Marine Products Exports Development Authority) and Textile Committee, the Directorate General of Foreign Trade (DGFT), under the ministry, according to a trade notice by the DGFT. An exporter has to submit a 'Certificate of Origin' (COO) at the landing port of the importing country. The document is important to claim duty concessions under free trade agreements. This certificate is essential to prove the origin of the goods.

"The COO applications for exports under Asean-India FTA to all Asean countries except Thailand should now be submitted through the e-COO Platform by the exporters to the offices of the designated issuing agencies i.e. EIA, MPEDA and Textile Committee," it has said. These agencies (EIA, MPEDA and Textile Committee) will now issue the certificate online and provide on request the printed copy of certificate along with stamp and wet-ink signature of the issuing officer to the exporter.

The DGFT said that various representations have been received from exporters expressing difficulties in obtaining preferential access in Thailand and Vietnam based on the digitally signed electronic COO and manual applications for these countries were allowed.

"The given issue has been taken up and it is decided that one additional copy i.e. electronic copy along with the set of four copies shall be generated by the system. The electronic copy shall bear the image signature of the officer and stamp of the issuing agency," it added. It said that exporters may send the electronic copy to the partner country for any immediate clearance.

Source: business-standard.com– Jun 24, 2020

[HOME](#)

Supply outstrips demand, PPE prices crash

A spurt in production has resulted in a near 70% crash in prices of personal protection equipment (PPE) kits and RT-PCR or Covid test kits.

PPE kit prices of 100 GSM (gross square metre) have crashed in select markets to Rs 168 a piece from Rs 600 a few weeks ago, and those of RT-PCR testing kits have dropped to Rs 600 from nearly Rs 1,700 earlier.

“We are in a situation where supply is significantly more than the demand. There are multiple standards of PPE depending on their use. Kits are now being supplied to the government at around Rs 300 per piece while it was nearly Rs 850 to Rs 900 a couple of months ago. The price of high-quality products are down to Rs 800 a kit from Rs 1,200,” said Satyaki Banerjee, CEO, Kiran Medical Systems, Trivitron group.

Some large manufacturers, including Arvind group, are hoping that the government will open up exports. “This is a very good addition to the technical textiles segment and high quality PPE kits have a global market,” said Kulin Lalbhai, executive director of Arvind Ltd. “So far the procurement is mainly done by the government and the capacity is more.”

The Tamil Nadu Medical Services Corporation, an agency that purchases PPE kits for the state government, buys them for Rs 365-380. TNMSC managing director P Umanath said, “Many other suppliers came with a lesser quote but their kits did not include gloves and goggles.”

Starting at zero a couple of months ago, India has now become the world’s second-largest supplier of PPE kits. Nearly half-a-million pieces are made a day by more than 600 companies.

But some smaller manufacturers have shut down their units. “It’s not viable at these prices. Prices today are Rs 168 a kit from Rs 600 a few weeks ago for a non-woven wax coated 90 GSM kit,” said R Annandurai of Knitfab in Tirupur.

Ditto is the case with Covid test kits, which were imported for around Rs 1,600-Rs 1,700. These are now available for Rs 600 after local manufacturers started making them.

Tamil Nadu Medical Services Corporation, one of the largest customers, paid Rs 1,200 for the testing kits. The state government body purchased viral transport medium from another agency for Rs 200. In early May, the state paid Rs 1,550 for all the three components of the kit. In the latest purchase, the cost of the imported kit dropped to Rs 850.

“Most Indian test kits are now priced at Rs 400. The extractor and the viral medium will cost another Rs 200,” said Dr GSK Velu, Trivitron CMD.

Source: timesofindia.com– Jun 25, 2020

[HOME](#)

Modi govt to allow PPE, ventilator exports as Indian companies are mass-producing them now

The Modi government is likely to soon allow exports of personal protective equipment (PPE) kits and ventilators, two crucial components in the battle against coronavirus, ThePrint has learnt.

Over the past few months, since Covid-19 was first identified as a strengthening threat, the Modi government has ramped up India’s capacities to manufacture PPE kits and ventilators in collaboration with private players. According to government data, India is currently churning out an estimated 6 lakh personal protective equipment (PPE) kits and around 1,000 ventilators daily.

According to two sources, the government is now working on a proposal to allow manufacturers to export surplus equipment after the domestic demand has been taken into account. “The PPE kit-makers have informed us that they are getting demand orders from several nations, including the US, the UK, Nigeria, Germany, Spain, Russia and Uganda,” a senior health ministry officer said.

“Several ministries, including those of commerce and health, and the Empowered Group III are involved in drafting the proposal to allow exports,” the officer added. Empowered Group III is one of the high-level panels set up by the government to bolster its response against the pandemic. Launched by an order of the Ministry of Home Affairs, the group holds the mandate of ensuring the availability of essential medical equipment such as PPE, masks, gloves and ventilators, and oversees each

aspect in this regard, from production and procurement to import and distribution.

‘A growing list of exports’

Before February, India just had 20 PPE manufacturers, but the number has now risen to over 600. Similarly, for ventilators, the number has grown to over 50 from eight before February. The indigenous production of these products is being led by Empowered Group III under ‘Make in India’, a pet initiative of the Modi government to boost domestic manufacturing.

The group includes top officers from the ministries of textiles, external affairs, home affairs, and health & family welfare, besides officers of the Central Board of Indirect Taxes and Customs, the Defence Research and Development Organisation, the Prime Minister’s Office, and the Cabinet Secretariat.

As of now, Indian exports with regard to Covid-19 primarily comprise hydroxychloroquine and paracetamol. While the former is being explored as a treatment, the latter has been used to address Covid-19 symptoms such as fever and body aches. The two sources quoted above said the list will keep growing longer as India starts gaining self-sufficiency in the production of different Covid-19-related equipment.

“We have suggested that the export of PPE should be allowed first, followed by ventilators, masks and later RT-PCR (testing) kits, along with the reagents and swabs (both are components used in the testing process), among other products,” said the second source, who is part of the empowered committee.

However, the officer said exports “will only be allowed after considering the domestic demand and availability”. “The export could be restricted any moment, if India faces higher requirements,” the officer added.

Orders start arriving

In May, the empowered committee had identified local manufacturers of ventilators and placed orders. “We have started receiving the ventilators from the orders placed. The first lot of 10,000 ventilators has arrived, which are now in the process of being allocated to states,” the official said, adding that the “import orders issued earlier have started coming in as well”.

“However, in India, the use of ventilators in hospitals is not as aggressive as anticipated. Patients are responding well to oxygen therapy,” the officer said. The first lot referred to by the official has arrived from domestic players Bharat Electronics Limited (in collaboration with healthcare company Skanray) and AgVa (in collaboration with Maruti Suzuki Limited), which have been altogether asked to provide 40,000 ventilators.

Around 24 manufacturers of ventilators also applied for a tender rolled out by the health ministry in March. “The ministry has chosen one manufacturer whose production capacity is huge to meet domestic demand. The remaining others are demonstrating their products, based on which they will be certified for exports, if and when allowed,” the empowered group officer said.

Source: theprint.in– Jun 24, 2020

[HOME](#)

Exporters rue border trade rules

Exporters in India and Bangladesh are unhappy with the decision of the West Bengal government to allegedly suspend trade at the Changrabandha border with Bangladesh in Cooch Behar. In relation with the functioning of ports and port-related activities, the Chief Secretary of West Bengal had on 11 May directed authorities concerned to ensure smooth operations on the borders by maintaining the Standard Operating Procedure (SOP).

Traders on both the sides at the Panitanki border with Nepal near Siliguri in Darjeeling district had also alleged the same until a few days ago. However, matters have been sorted out at Panitanki and normal trade, however, resumed there from yesterday, sources said.

“I have received complaints from truckers, who are held up at the Indo-Nepal border in my constituency since 4 June, and apparently the West Bengal police have held up these trucks containing perishable materials owing to alleged verbal order from state government,” Darjeeling MP Raju Bista said in an email to Union home minister Amit Shah on 20 June.

Source: thestatesman.com– Jun 24, 2020

[HOME](#)

MSME sector gets another push from govt; distressed MSMEs to get Rs 20,000 cr guarantee cover

Credit and Finance for MSMEs: India's distressed MSME sector got another push from the government today with the launch of a Credit Guarantee Scheme to help the country's Micro, Small and Medium Enterprises. As Prime Minister Narendra Modi looks to make India self-reliant by bolstering manufacturing, Union Minister Nitin Gadkari on Wednesday rolled out a subordinate debt scheme to provide Rs 20,000 crore guarantee cover to two lakh micro, small and medium enterprises.

This also entails a sub-debt facility to the promoters of those operational MSMEs that are distressed or have become non-performing assets (NPAs) as on 30 April 2020. It also guarantees cover to the promoters who can take debt from the banks to further invest in their stressed MSME units as equity.

“It was being felt that the biggest challenge for stressed MSMEs was in getting capital either in the form of debt or equity. Therefore, as part of Atmanirbhar Bharat package, on May 13, 2020, Finance Minister (Nirmala Sitharaman) had announced this scheme of sub-ordinate debt to the promoters of operational but stressed MSMEs,” a statement from the Ministry of Micro, Small & Medium Enterprises said. The scheme was launched in Nagpur after securing approvals from the Cabinet Committee on Economic Affairs and consultation with the finance ministry, SIDBI and the Reserve Bank of India (RBI).

Under the scheme, promoters of the MSMEs will be given credit equal to 15% of their stake (equity plus debt) or Rs 75 lakh, whichever is lower. In turn, promoters are liable to infuse this amount into the MSME unit as equity. This is expected to enhance the liquidity and maintain debt-equity ratio. In this sub-debt scheme, 90% of the cover will be given while the rest 10% falls on promoters concerned.

The payment of the principal amount will be under moratorium for seven years. Maximum tenure for repayment will be 10 years. “It is expected that this scheme would provide much-required support to around two lakh MSMEs and will help in reviving the economic activity in and through this sector. It will also help in protecting the livelihoods and jobs of millions of people who depend on them,” the statement said. To avail this scheme, promoters can visit any scheduled commercial banks.

Source: financialexpress.com– Jun 24, 2020

[HOME](#)

Govt's MSME credit scheme continues to roll with 800% jump in amount disbursed to small businesses

Credit and Finance for MSMEs: The government's collateral-free loan scheme worth Rs 3 lakh crore continued to support MSMEs with emergency credit to cope up with the Covid impact. The amount sanctioned under the scheme crossed Rs 79,000 crore mark as of June 20, 2020, while the amount disbursed stood at Rs 35,000 crore, according to the data shared by the Finance Minister on Tuesday.

This is 799.2 per cent up from Rs 3,892 crore disbursed as of June 1, 2020. The government has been timely sharing the details around the amount sanctioned and disbursed along with the number of MSME accounts benefitted under the scheme. The scheme was part of the massive Rs 20 lakh crore stimulus package announced by PM Modi last month to revive the Covid-hit economy.

The top lenders under the scheme have been State Bank of India, HDFC Bank, Bank of Baroda, Punjab National Bank, and Canara Bank. MSMEs with an outstanding credit of up to Rs 25 crore as on February 29, which is less than or equal to 60 days past due as on that date along with up to Rs 100 crore in annual turnover are eligible to seek credit under the scheme.

On the other hand, SIDBI has sanctioned more than Rs 10,220 crore to NBFCs, Micro Finance Institutions and banks for lending to MSMEs under the RBI's Special Liquidity Facility announced in March-April 2020, Finance Ministry said in a statement. Moreover, the National Housing Bank (NHB) has sanctioned Rs 10,000 crore to Housing Finance Companies.

“This refinance by SIDBI & NHB is in addition to ongoing schemes through which over Rs 30,000 crore has been sanctioned,” the ministry added. NBFCs & MFIs are also supported under the Extended Partial Guarantee Scheme where approvals have crossed Rs 5,500 crore while transactions for another Rs 5,000 crore are currently going through the approval procedure. There are also “certain other deals currently under negotiation.”

Meanwhile, gross bank credit growth to micro and small enterprises (MSEs) by banks in the first month of FY 2020-21 stood at 3.3 per cent. The credit grew to Rs 11 lakh crore from Rs 10.65 lakh crore in April FY20, according to the RBI bulletin even as there was a contraction of 4.4 per cent from Rs 11.49 lakh crore in March (FY20).

Source: financialexpress.com– Jun 24, 2020

[HOME](#)

‘Second level verification of new GST registrants welcome’

But Kerala GST Department needs to be cautious, says expert

The move of the Goods and Services Tax Department, Kerala, to adopt second level verification of new GST registrants, as reported by BusinessLine, is an innocuous but significant move to plug tax evasion, says a public finance expert.

It becomes all the more appealing given that Kerala happens to be a den for tax evaders, says Jose Sebastian, former Senior Faculty, Gulati Institute of Finance and Taxation (GIFT), Thiruvananthapuram.

Kerala accounted for 4.54 per cent of the taxes collected by all States put together during the 10-year period 1957-58 to 1966-67. Its share marginally increased to 4.64 per cent during 2007-08 to 2016-17. This is despite the fact that it had climbed up from the eighth position in per capita consumer expenditure among major States in 1972-73 to number one in 1999-2000. “Obviously, there is a strong case for plugging loopholes in the tax administration system,” Sebastian told BusinessLine here.

Expectations mostly belied

“There was lot of expectation that with the implementation of GST, tax evasion would come down drastically since it is an IT-based tax system which allows minimum interface between taxpayers and tax administrators,” notes Sebastian. Voluntary tax compliance is the hallmark of GST.

The underlying assumption of any tax system relying on voluntary tax compliance is that the administration is in possession of details relating to the taxable transactions of taxpayers. ‘Comply voluntarily, or else you will be forced to comply with, often with a penalty’ is the dictum of tax administrations relying on voluntary tax compliance.

It was expected that the invoice matching provision of GST legislation would make tax evasion difficult, if not impossible, Sebastian said. Invoice matching entailed submission of several returns and it was this provision that created havoc in the initial months with GST implementation.

Too ambitious a target

Ultimately, the GST Council had to scrap the provision of submitting relevant returns at least for the time being. Invoice matching is an exceedingly demanding requirement, he observed. Not all developed countries could introduce foolproof invoice matching systems.

This being so, in a complex country like India, it is too ambitious a target to achieve in the short run. But, this has admittedly deprived tax administrators a major tool for preventing tax evasion. Unscrupulous taxpayers are now having a field day, being fully aware of this handicap.

There is a pressing need to identify fake and benami registrations, says Sebastian. But efforts to achieve this should not be a disincentive for genuine people to get registered. In fact, it is in the best interest of the tax administrators that as many businessmen as possible are brought within the tax network.

Fake registrations

It should be noted that the tendency to avoid getting registered is the rule and fake or benami registrations are the exceptions. “The effort to uproot the weed should under no circumstance lead to uprooting of the plant itself,” said Sebastian.

Empowering officers with discretionary powers to determine whether a registrant is genuine or benami may open avenues for harassment and corruption. “It is better to lay down objective criteria to identify benami or fake registration. A better way would be to visit those registrants in whose case the department has firm data and evidence to doubt the bona fides of the registrant.”

For this purpose, the department has to develop an information system independent of the details provided by the registrants. It is here that institutions like GIFT can play a constructive role, notes Sebastian. Researchers with years of experience here could be roped in to develop an information system.

Source: thehindubusinessline.com– Jun 24, 2020

[HOME](#)

Amazon, Flipkart, Snapdeal, others now must show country of origin amid China boycott calls

Horizontal and vertical online marketplaces such as Amazon, Flipkart, Snapdeal, Grofers, BigBasket, Pepperfry and others in a meeting with the Department for Promotion of Industry & Internal Trade (DPIIT) on Wednesday have agreed to display Country of Origin information for products sold online, multiple sources told Financial Express Online.

The meeting was called by DPIIT to discuss giving consumers the information on the origin of the products they are buying. The meeting was also attended by 1mg, Jio, Paytm, ShopClues etc. apart from the above, a source present in the meeting said. However, this is first in the series of meetings that the government will hold ahead on the subject, said another source.

“There was the industry-government alignment on giving the country of origin as the information to customers. There was an agreement with participants that they want to do this. Since the notice for this came in yesterday only, companies said they would discuss this with their tech teams and get back on the modalities,” another source told Financial Express Online.

Amazon, Snapdeal, Flipkart, Myntra declined to comment. Responses from Grofers and Bigbasket are awaited.

Among e-commerce players, Walmart-owned Myntra is already showing the Country of Origin under ‘View Supplier Information’ on the product page. The details also appear on many listings at Snapdeal wherever sellers have provided the information.

The meeting was held a day after the Finance Ministry asked sellers on public procurement portal Government e-Marketplace (GeM) to mention the same for products listed. While the move echoed the government's stand on promoting 'Vocal for Local' and Make in India goods, it came amid consumers' growing clamour to boycott import and use of Chinese goods following the recent border clash between the armed forces of the two countries.

“However, the government agreed that while platforms will do the technology enablement of this (update) but it will finally be sellers' compliance as they have to fill information in the fields provided and it is a lot of manual work for them,” the source added. The government, nonetheless, has not set any timeline marketplaces to enable the display of country of origin. “This was a preliminary meeting to understand the industry point of view.”

Meanwhile, traders' body Confederation of All India Traders (CAIT) had urged the Commerce Minister Piyush Goyal to make the Country of Origin provision applicable for e-commerce companies as well. “CAIT raised this demand on 15th June to Commerce Minister in the wake of the fact that mostly all e-commerce companies are selling Chinese goods in large percentages on their portals and in absence of Country of Origin provision, the customers are unaware about the origin of the Country which certainly influences the choice of the Consumers,” it had said in a statement.

Moreover, after chief ministers, political parties of all states, Bollywood and cricket celebrities, CAIT on Wednesday wrote to Reliance's chief Mukesh Ambani and 50 other industrialists of India for their support to its "boycott Chinese goods" campaign titling "Bhartiya Saamaan – Hamara Abhiman".

Source: [financialexpress.com](https://www.financialexpress.com)– Jun 24, 2020

[HOME](#)

New multilateralism will balance linkages between trade & development: CUTS International

International trade should not be looked in isolation and not just in terms of their volume and value but in respect to its linkages with developmental concerns, particularly in regard to access to basic needs, according to Pradeep Mehta, Secretary General, CUTS International.

He was moderating a webinar on Wednesday titled “What would happen to a world without the WTO?” with speakers representing various regions of Africa.

“It is time to take a closer and a more holistic look at the linkages between trade and sustainable development by putting equal emphasis on their economy, equity and environmental dimensions. It should not be a sanctions-based approach but should emphasise on arriving at a positive, forward-looking agenda with social safety nets as its central theme,” Mehta underlined.

According to Erastus Mwencha, Chairman, TradeMark East Africa and former Deputy Chairman of the African Union Commission, “We really need to interrogate the whole process of the functioning of the WTO. That will help us having a better understanding of why there are so much of systemic challenges.” “We need to reinvent the WTO through structural transformation so as to derive better values out of it through a more balanced but faster decision-making process. This is an imperative in the post-Covid world. We need a better global leadership,” he added.

Magda Shahin, Professor and Director of the School of Global Affairs and Public Policy at the American University in Cairo underlined the irreplaceability of the WTO as it is a rules-making and enforcing body. She reminded the audience that the rule-setting and adjudicating functions of the WTO are inter-linked. There are no other multilateral bodies of this nature.

“Following the conclusion of the Uruguay Round, a fundamental dis-balance emerged. While developed countries wanted to move too much and fast on new issues, developing countries placed excessive emphasis on deriving developmental benefits out of the multilateral trading system. The WTO as a whole system could not take forward new issues in a manner that they should have been. The result is an increasing dichotomy between real

and financial sectors of our economies, particularly in respect to trade in financial services” she added.

Talking about the importance of the multilateral trading system in fostering certainty and stability to international trade, Faizel Ismail, Director of the Nelson Mandela School of Public Governance at the University of Cape Town and former Ambassador of South Africa, he posed what type of multilateralism that we need today in a Covid-induced world.

According to him, “This crisis of globalisation is a result of inequalities as hyper-globalisation ignored the need of the marginalised and the poor. This led to populism in various avatars with shifting power dynamics within and across countries.” “The Covid crisis exposed the inherent contradictions in the WTO-led trading system, which was already asymmetrical in nature. As a result, we are seeing increasing instances of export restrictions and also re-shoring. The impact of this in Africa is and will be severe,” he added.

Therefore, for a more balanced trading system, we have to bite the bullet of managing the present form of globalisation by balancing trade rules and it should not become a convergence club. We have to also create the necessary space for a more inclusive development within and between countries. Countries need to re-industrialise through embedded liberalisation. Regionalisation or localisation should be looked at more from the angles of addressing non-traditional aspects of security, particularly health and food security.

According to Cheikh Tidiane Dieye, Executive Director of Dakar-based African Center for Trade, Integration and Development, “We should recognise that the challenges faced by the multilateral trading system are not new. While they may not be in the same form from the beginning, they have evolved over time with changing geo-economic and geo-strategic developments.”

“In order to find solutions to present challenges, we have to manage various perceptions and see how close or far they are from realities. The cotton subsidy issue, which is yet to be resolved is a manifestation of this difference. Going forward, it is important to recognise the needs of the least developed countries by focusing on their capacity to utilise the available policy space,” he added.

Chenai Mukumba, Director of the Southern Africa Regional Centre of CUTS argued that what the Covid pandemic has shown is a kind of a glimpse of a world without a rules-based system. As a result of stoppage of trade, commodity-dependent countries are facing huge difficulties and that is started getting reflected in other important areas such as food security.

This was the third of a series of webinars on this subject being organised by CUTS International, a global public policy think- and action-tank promoting consumer welfare through trade, regulations and governance.

Source: economictimes.com– Jun 24, 2020

[HOME](#)

All Chinese cargo being checked following nationwide risk alert

All shipments coming from China are being physically checked at ports and airports following a nationwide alert regarding enhanced risk weightage ascribed to consignments from that country, said people with knowledge of the matter. Some Indian exporters said retaliatory action is being taken against shipments to Hong Kong.

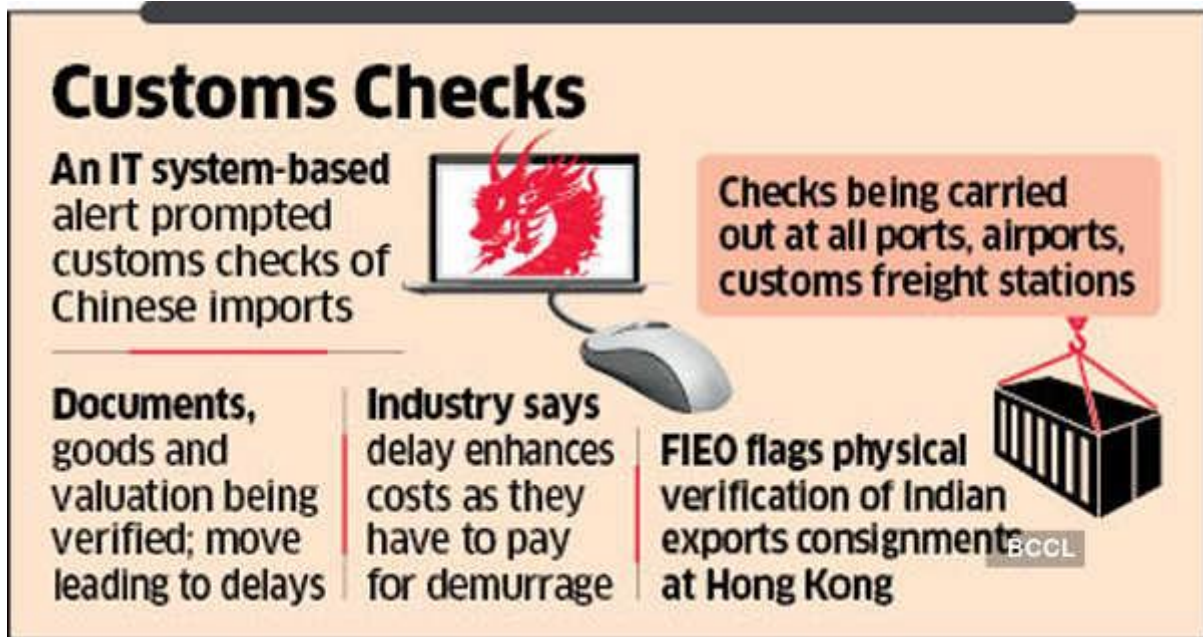
The India-wide 100% physical inspection of Chinese imports, which has been leading to delays in the release of cargo, was sparked by an IT system-based alert, said the people cited above. All ports, including Nhava Sheva, Mumbai and Kolkata, as well as airports have initiated physical checks since Monday midnight, customs sources said. Chennai port was the first to start inspecting all Chinese cargo and other ports followed suit.

Exporters said their goods were now facing inspections at Hong Kong. The Federation of Indian Export Organisations has conveyed the matter to the government, an official with the key exporters body said.

Even imports from China by authorised economic operators (AEOs) will be subject to physical scrutiny.

‘Checks based on Intelligence Alerts’

AEOs are usually allowed in without any checks.



Customs Checks

An IT system-based alert prompted customs checks of Chinese imports

Checks being carried out at all ports, airports, customs freight stations

Documents, goods and valuation being verified; move leading to delays

Industry says delay enhances costs as they have to pay for demurrage

FIEO flags physical verification of Indian exports consignments at Hong Kong

CCCL

The shipment curbs follow border hostilities between the two nations and moves to reduce India's business and trade ties with China. Government officials had on Tuesday sought to play down the physical inspections at Chennai port, saying there was no formal instruction to verify goods.

“There is an alert in the system... enhanced risk weightage requires closer scrutiny of papers as well as goods,” said a senior government official familiar with the directive. Another customs official said the checks were based on intelligence alerts and hence consignments of AEOs from China will also undergo inspection.

“Traded goods are being examined more closely while manufacturers’ cargo is being examined on priority,” said a source, suggesting urgency to ensure local supply chains are not restricted.

Typically, risk alerts are product specific and issued for sensitive commodities. However, in this case there is no specific item mentioned, prompting customs officials to check all consignments originating from China.

Import cargo is usually cleared based on the declaration. A physical verification implies a thorough check of all the papers filed -- bills of entry, invoices, valuation of the goods declared. Additional proofs such as calculation certificates will also be verified, which could delay clearance and add to costs of importers.

Given that China is India's biggest source of imports, this could mean delays for many items including electronics, mobile phones, chemicals and project goods. India imported goods worth \$62.4 billion from China in the April-February period of FY20 compared with \$70.3 billion in FY19.

“Customs clearing of Chinese imports is going on but is very slow due to limited manpower and need for physical examination of all cargo,” said the official cited above.

Goods flow at the key ports on the east coast—Chennai, Visakhapatnam and Kolkata — that receive the bulk of Chinese import cargo has been the most impacted most from the heightened scrutiny. Inspections of air cargo at key ports have also started with telecom, auto and medical devices sectors feeling the greatest effect. A large quantity of telecom components and medical devices come in via the air route.

Experts said there should be clear guidelines to prevent any disruption in the supply chain. “It seems that instruction is to examine all shipments, irrespective of the nature of products or status of importers,” said Pratik Jain, national leader, indirect taxes, PwC.

Jain said industry expects some guidelines on the process and timelines for such inspections so that they don't lead to supply chain disruptions.

EY partner Bipin Sapra said, “The government needs to look at the overall impact if the cost of the products being manufactured in India increases due to increase in logistics cost of imports from a particular country.”

Source: economictimes.com– Jun 24, 2020

[HOME](#)

Beijing seeks clarity on imports stuck due to 100% inspection

Beijing has sought clarity from Delhi on imports from China getting stuck as they were being subjected to 100% examination. Domestic industry lobby groups have complained that the resultant supply chain disruption comes at a bad time as companies are reopening after the lockdown.

“The Chinese government has communicated to the Indian side that Chinese companies are facing supply chain issues owing to the recent move,” said a person familiar with the matter. The development comes amid anti-Chinese sentiment in the wake of border hostilities. India, which is moving to bar Chinese firms from central and state government projects, had already been taking steps to cut dependence on imports from that country as part of a self-reliance drive.

Alarmed at the development, various industry associations such as Ficci, handset lobby ICEA, and MAIT, which represents IT hardware manufacturers, are reaching out to the government, including the finance and commerce ministries. Their contention is that the move to subject shipments from China to 100% manual examination will disrupt supply chains. Expensive components and mission-critical imports from China could be damaged, making things more difficult for the already stressed industry, they say.

Back-channel Talks

Some people with knowledge of the matter said back-channel talks have begun with the aim of preventing the matter from snowballing into a major trade dispute following recent border clashes between the two countries.

Electronics manufacturing industry executives are worried about manual examination, which they say is happening in the absence of written orders. The move will disrupt supplies of items such as high-end smartphones, laptops, watches and tablets, and possibly lead to damaged goods. Buyers may also not be too keen on unsealed packaging, they said.

The India Cellular and Electronics Association (ICEA), which represents smartphone manufacturers such as Apple, Foxconn, Xiaomi, Oppo and Vivo, has written to the secretaries of the revenue and commerce ministries, Department for Promotion of Industry and Internal Trade (DPIIT) and

Ministry of Electronics and IT (MeitY), saying New Delhi's latest move will hit local companies. "The industry is already in very deep distress having lost production of over ₹40,000 crore and has only recovered to less than 40% of normalcy," ICEA chairman Pankaj Mohindroo said in the letter.

ICEA said the government is looking to attract US and Japanese investment in manufacturing, drawing them away from China to India. But halting Chinese imports will throw the supply chains of such companies into disarray. A range of Indian companies are also entirely dependent on Chinese inputs in critical areas such as pharmaceuticals, automobiles, electronics, electrical machinery and several others, it said.

"In several cases, companies are also in the process of shifting plant and machinery worth hundreds of crores and such a disruption has left their corporate headquarters nervous about the reasons, duration and the process regarding such unannounced disruptions at customs," ICEA said.

It proposed that companies having Authorised Economic Operator (AEO) status, accorded after stringent conditions are met by international importers in line with guidelines of the World Customs Organization, should be exempt from such manual checks.

Inputs for exports should be X-rayed or checked by dog squads for suspected narcotics, it said. High-end finished goods such as tablets, smartphones and watches with cost net-freight price of ₹15,000 should be exempt from such checks as opening up the packaging will make them difficult to sell, ICEA said.

Manufacturers' Association of Information Technology (MAIT) CEO George Paul echoed the point that importers with AEO status should be excluded from such checks.

Rajan Mathews, director general of the Cellular Operators' Association of India (COAI), which represents telecom network operators, told ET that the members — Bharti Airtel, Vodafone Idea and Reliance Jio Infocomm — were studying the implications of the development and would lobby the government depending upon the outcome of the discussions.

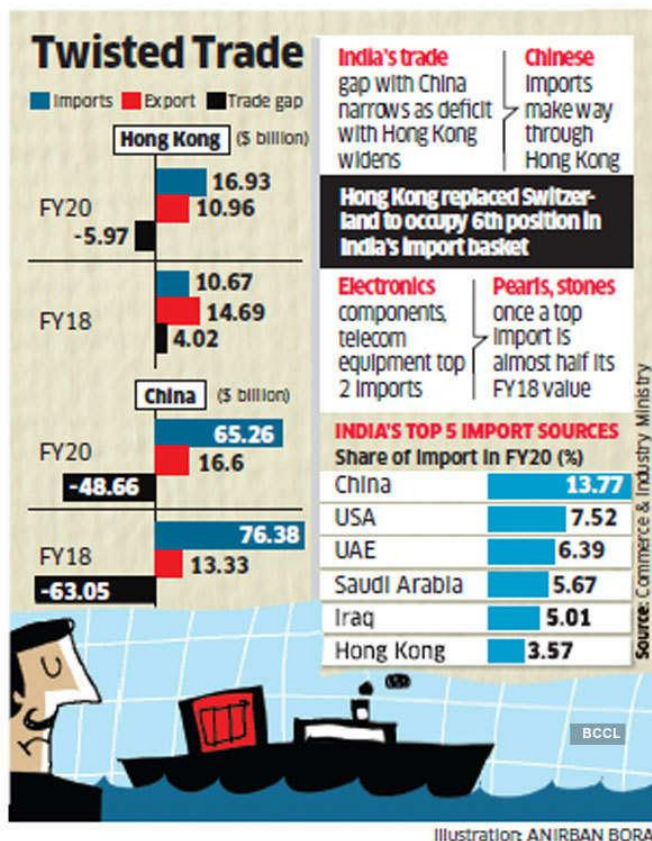
Source: economictimes.com— Jun 24, 2020

[HOME](#)

Rising imports from Hong Kong: A new worry for India

India is keeping a close eye on rising imports from Hong Kong after it emerged as the country's sixth largest import partner in FY20, a steep rise from its number 13 spot in FY18.

A government official said this sudden jump is under scanner as China is seen routing exports via Hong Kong.



India's imports from Hong Kong were \$17 billion in the previous fiscal, with electronics, telecom equipment and computer hardware being almost \$8 billion of the total.

This is a sharp rise from \$10.67 billion imports in 2017-18 and a worrying trend of China changing its export routes even as India seeks to reduce its import dependence on China.

India's trade balance, which turned deficit with Hong Kong last year, has widened in FY20. While India's trade deficit with China has been narrowing for

the last two years, the trade gap with Hong Kong was \$6 billion in 2019-20 compared to a \$4 billion surplus in FY18, official data showed.

"There have been import surges from many Asian countries including Hong Kong. This is under scrutiny," said an official in the know of the details, adding that commerce and revenue departments are looking at ways to check such imports.

While the government has already begun scrutinising its free trade agreements to check for diversion of Chinese imports, a watch on this new

route is crucial as this also hides the complete picture of India's trade deficit with China.

The official added that import surges have been noted through Bangladesh as well. India, China and Bangladesh are part of the Asia Pacific Trade Agreement or APTA (formerly Bangkok agreement), along with South Korea, Laos and Sri Lanka.

“Monitoring Chinese imports is not easy because they will take advantage of their enormous networks in East Asia. Even tightening rules of origin will not help because then the FTA route will be further misused,” said Biswajit Dhar, professor at Jawaharlal Nehru University.

New Delhi's import basket too has undergone a change as pearls, precious and semi-precious stones, which occupied the top spot in FY18, have now ceded that position to electronics components.

“It is leaking on all fronts. Curbing imports from China is a difficult task. India will have to look for innovative strategies to check circumvention,” said another expert on trade issues.

Source: economictimes.com– Jun 24, 2020

[HOME](#)

Point of no return? China border row adds to India's unease over RCEP

China's misadventure on the Ladakh border may have hardened India's intent to stay away from the Beijing-dominated Regional Comprehensive Economic Partnership (RCEP) and chances of New Delhi's return to the negotiating table for the mega regional trade deal seem all but over now.

A virtual meeting of the trade ministers of RCEP members was held on Tuesday. For its part, New Delhi has refrained from joining RCEP deliberations despite invitations from other members at least twice since its pull-out from the mega regional trade deal in November 2019, sources told FE. “Given its tumultuous relations with the US and India now, China is trying to clinch the RCEP deal at the earliest,” said one of the sources.

Earlier in February, India had skipped a meeting in Bali where its concerns on the mega regional trade deal were sought to be discussed. New Delhi had reportedly received another invitation in April to join the talks. India's decision to refrain from talks had come in the wake of China showing no flexibility in its negotiating positions.

India pulled out of the RCEP talks in Bangkok on November 4 last year and made its return incumbent on adequate redressal of its concerns. Commerce and industry minister Piyush Goyal had then said New Delhi was unwilling to budge on its demands for an "auto-trigger" mechanism for safeguarding its industry from dumping and strict rules of origins of imported products to check the abuse of tariff concessions, despite pressure from potential partners. Indian industry had apprehended massive dumping of cheap and sub-standard products by China once the trade deal was clinched.

Also, New Delhi was steadfast in certain demands, including credible steps and market access to address India's \$105-billion trade deficit with RCEP members, change in the base year to implement the tariff abolition from 2014 to 2019 and a more balanced deal on services.

Even without RCEP, India's merchandise trade deficit with China stood at \$53.6 billion in FY19, or nearly a third of its total deficit, and \$47 billion in the first 11 months of FY20, even without factoring in the deficit with Beijing-proxy Hong Kong.

Although the 15 other nations went ahead with the RCEP pact in November 2019, some of them (Japan and Australia, for instance) were keen to address India's concerns. However, China's willingness to consider its demands had fallen far short of New Delhi's expectations. RCEP, without a large market like India, remains far less attractive than what it was touted to be.

Some of India's demands, such as the one for tough rules of origin, could be too hard for countries like China to accede to. Upon India's insistence on the 35% value addition clause in the RCEP agreement, other partners, mainly China, wanted to limit the list of tariff lines with such a level of value addition to just 100. India had rejected such a short list.

New Delhi also feels without strict rules of origin, its different tariff concessions for different countries (the offers are least ambitious for Beijing) and safeguard/anti-dumping tools against any irrational spike in imports will be rendered meaningless. Even the Budget for 2020-21 reiterated India's intention to tighten such rules.

To protect its industry, India had decided to trim or remove tariffs on Chinese goods only in phases over a period of 20-25 years. Similarly, its tariff concessions were to be the least ambitious for China — it offered to reduce or abolish import duties on a total of 80% of imports from China, against 86% from New Zealand and Australia, and 90% from Asean, Japan and South Korea.

Source: financialexpress.com– Jun 24, 2020

[HOME](#)

Chennai Customs to check Chinese cargo based on ‘specific intelligence’

Goods of Chinese origin have been ordered to be released by the Customs department except for a few with ‘specific’ intelligence. This comes after an intensified vigilance from Monday night on all Chinese cargo that has come to Chennai port and airport, based on ‘suspicion,’ said industry sources.

Customs officials were tight-lipped and declined to give any information on the search and what the suspicion was all about.

S Nataraja, President of Chennai Brokers Association, said that its members can approach custodian (port, airport or container freight station) for delivery of goods for which ‘out of charge’ order — issued by the Customs offer to clear the goods after payment of duty — had already been granted.

Direct Port Delivery containers that are granted OOC are being released by the port/terminals from Tuesday night. The association’s members are involved in clearing of goods.

Further, Bills of Entry (B/Es) filed before June 24 and pending for OOC are being redirected to groups for Customs examination and all air cargo Customs goods are released on completion of Customs examination. B/Es filed on or after June 24 will not have any issue and will be cleared as per the system guidelines, he said.

Chinese cargo is treated on par with any other country of origin cargo. There is no special treatment except on specific intelligence items that are undisclosed, he said. Nearly 30 per cent of cargo, mainly medical and electronic items, handled at Chennai originates from China, he added.

Source: thehindubusinessline.com – Jun 24, 2020

[HOME](#)

Shutting India's doors to other countries will not help: CEA

Amid the current anti-Chinese sentiment triggered by the Sino-India border tension and talks of an import substitution policy, Chief Economic Advisor Krishnamurthy V Subramanian on Tuesday said shutting the doors to other countries will not help India. He said the country had followed the import-substitution model till 1991, and that approach has been discredited since.

Speaking at a webinar organised by MCCI, Subramanian said, "India has to compete with other countries and insulating itself from others will not help." "Having said that, there are, however, exceptions to this. I will not say that trade should continue with countries which are creating problems at the border," he clarified.

His comments came after the nationwide clamour for a boycott of Chinese goods is getting louder, following the fierce clash between the troops of India and China in eastern Ladakh that left 20 Indian Army personnel dead. Subramanian said it is still not certain when demand in the economy will pick up. "The prevailing uncertainty is purely due to health reasons and it will go probably when the vaccine is available to fight COVID-19," the chief economic advisor said.

Quoting Nobel laureate economist Joseph Stiglitz, he said that no measure will help create demand-push in the economy in these times of uncertainty. According to him, people will defer discretionary spending and only expend money on essential items. The same psyche applies to firms as well, he added. Regarding micro, small and medium enterprises, Subramanian said the government has announced a package for the sector to take care of their liquidity problems.

The Centre had unveiled a major booster dose entailing a series of initiatives for micro, small and medium enterprises, including Rs 3 lakh crore worth of collateral-free automatic loans for businesses. A subordinate debt of Rs 20,000 crore for stressed units, a fund of funds for equity infusion of Rs 50,000 crore, and revision in the definition of MSMEs are among the steps announced by the government to help MSMEs recover from disruptions caused by the coronavirus-related lockdown.

He said that the real estate sector is important for the economy as the construction industry creates lots of jobs. Subramanian said that the government is working on a concept like Full-Time Equivalent (FTE) where people will work on contractual terms with all benefits but not for lifetime.

Source: economictimes.com– Jun 24, 2020

[HOME](#)

E-com sector in India recovers by over 90%: Unicommerce

The novel coronavirus outbreak and the resulting three-month-long lockdown in India has thrown e-commerce businesses out of gear, with many such firms forced to evolve ways to stay afloat, according to a survey by e-commerce platform Unicommerce, which found the e-commerce sector has recovered at a much faster pace in the country than anticipated.

Though e-commerce players plied on essential products for the past two months, it was in June that they became fully operational. Unicommerce analysis shows the sector has recovered by over 90 per cent compared with its pre-lockdown order volume. The consistent growth indicates more and more customers are adopting online shopping.

According to Unicommerce's consumer trend analysis, the e-commerce industry is predicted to fully recover and achieve the pre-lockdown order volume by the end of June. The analysis notes that companies with a strong online presence and their own e-commerce websites have exhibited faster growth when compared to other brands. Companies with direct-to-consumer presence through their own websites have 25 per cent higher recovery as compared to other online selling brands.

However, the average cart size has decreased by around 5-10 per cent, as people ordered more low-value items required to operate from home, according to Indian media reports.

In terms of the online fashion sector there has been a 70 per cent recovery rate when compared to pre-lockdown levels. Although, the cart size has dropped by 25 per cent signifying that demand for high-value products has decreased as compared to affordable products.

Source: fibre2fashion.com– Jun 24, 2020

[HOME](#)
