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INTERNATIONAL NEWS

G20 nations imposed 59 import-restrictive measures in 7 months: WTO

The G20 countries imposed as many as 59 trade-restrictive measures such as import bans and stricter customs procedures during mid-October 2019 and mid-May 2020, according to a WTO report.

G20 members include India, Argentina, Australia, Brazil, Canada, China, France, Germany, Japan, Russia, the UK, and the US, among others.

“During the mid-October 2019 to mid-May 2020 review period, G20 economies implemented 154 new trade and trade-related measures, 95 of them import-facilitating and 59 import-restrictive. Of these measures, 93 (about 60 per cent) were linked to the COVID-19 pandemic,” it said.

Tariff increases, import bans, stricter customs procedures, export duties and other such measures introduced during the review period affected 2.8 per cent of G20 trade, it said.

Commenting on the report, WTO Director-General Roberto Azevedo said: “Historically high levels of trade-restrictive measures remain a source of concern, all the more so at a time when international trade and investment will be critical to rebuild economies, businesses and livelihoods around the world”.

He said that there are signs that trade-restrictive measures adopted in the early stages of the pandemic are starting to be rolled back.

“There is no room for complacency: building on these positive indicators will demand consistent efforts and leadership, starting with the G20. Exceptional circumstances require exceptional responses, and this is the time for G20 governments to work together to facilitate a rapid and inclusive economic recovery,” he added.

However, the WTO report also finds evidence of steps towards more open trade policies across sectors, including goods, services and intellectual property.

It said new import-facilitating measures, such as tariff reductions, the elimination of import taxes and the reduction of export duties, covered an estimated USD 735.9 billion worth of trade, excluding policies relating to the pandemic.

Source: financialexpress.com– Jun 29, 2020

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USA: Why the 90-Year-Old Tariff Act Needs a 21st-Century Makeover

In today's world of dramatic and powerful change, trade policy for footwear and apparel is still stuck in the 1930s. Ninety years ago this month, the Smoot-Hawley Tariff Act was signed into law, imposing tariffs on thousands of products across the U.S. At a time of economic uncertainty much like today, then-President Herbert Hoover and the U.S. Congress faced calls to protect declining industries. Their response, in the form of massive tariffs, not only deepened the Great Depression; it cast a lasting legacy on the shoes and clothes we wear today.

Smoot-Hawley resulted in unbelievably high tariffs for footwear and apparel. While most consumer goods that cross our borders are taxed at an average rate of only 1.5 percent, tariff rates in 2019 averaged 12.3 percent for shoes and 14.5 percent for apparel. These tariffs can reach rates as high as 43.7 percent for some of the clothes we wear. For some types of shoes, the rate is an astounding 67 percent.

Because tariffs act as hidden taxes paid by U.S. consumers, this burden hits working-class individuals and families the hardest. In fact, some of the highest rates in the entire Tariff Code fall on low-value shoes and children's shoes. The Code assigns a rate of 8.5 percent to classic leather loafers, the type of shoes that might be worn by Reed Smoot (R-Utah) and Willis C.

Hawley (R-Ore.), the authors of the infamous Smoot-Hawley Tariff Act. But hardworking American families pay a hidden tax rate of 20 percent when they buy a pair of textile upper shoes for their children. The disparity in the Tariff Code, in place for nine decades now, has a real and tangible impact on working-class individuals and families as they face the unprecedented financial hardships and challenges of 2020.

In addition to high tariffs, many of the concepts found in the tariff code belong to a bygone era. Women's leather dress shoes generally are taxed at higher rates than men's leather dress shoes, driving up the cost of women's shoes. Women and girls are referred to in numerous places of the footwear chapter as "other persons."

When it comes to apparel, we see similar outdated examples of clothing, mirroring an outdated trade policy. Does anyone wear breeches today? Men's/boys' dressing gowns? Petticoats? Waistcoats? Washsuits? Silk swimwear? Corsets or cravats?

Not only is the Tariff Code locked into out-of-touch descriptions, it also maintains the convoluted protection created to maintain the global quota system – even though that tax on consumers was eliminated 15 years ago. While the Tariff Code has been expanded for footwear and apparel throughout the decades, lawmakers have kept the code's antiquated structure and terms completely intact, like trying to repair an old house by adding room after room onto it.

As a result, today's designer has to navigate 1930s concepts while trying to create 21st century apparel and footwear technology. The current tariff code incentivizes designing shoes and apparel to meet lower tariff rates rather than focusing designs solely on what consumers want and need. Innovations like Flyknit, athleisure categories, breathable fabrics, high-tech water-resistant materials, and recyclable materials simply were not around in the days of Reed Smoot and Willis Hawley. With so many advances over the past 90 years, Congress and the president must rethink how trade policy impacts innovation in our industries.

The impact of keeping in place these ideas from the 1930s is staggering. Over 90 years, footwear and apparel companies and consumers have paid an incredible $309 billion in tariffs to the U.S. government. They have done so, even though the tariffs do not protect footwear and apparel jobs. Today's leading footwear and apparel companies have global supply chains that depend on international trade and support U.S. workers.

High tariffs negatively impact these American workers, and the U.S. footwear and apparel sectors have urged their removal for decades now. Yet today, President Trump has added more and more tariffs on top of our already-high tariff burden and continues to wield tariffs as his favorite negotiating tool.

As we mark the 90th anniversary of Smoot-Hawley, the president and lawmakers should remember its lasting legacy. Footwear and apparel serve as key examples of why Smoot-Hawley's idea of high tariffs on U.S. imports has not worked and fails to keep jobs here in the U.S. With the President's constant rhetoric of more tariffs, we must also remember one of the most unfortunate legacies of Smoot-Hawley: Once a tariff is in place, it is almost impossible to take it away.

Source: sourcingjournal.com– Jun 29, 2020

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U.S. May Impose Additional Tariffs on EU Products

On June 26, 2020, the Office of the U.S. Trade Representative announced that it is considering modifying the list of European Union products subject to additional tariffs upon importation into the United States and increasing the tariff rate up to 100 percent. The USTR is accepting comments whether specific products should be either added to or deleted from the lists and whether the rate on specific products should be increased. Comments are due by July 26, 2020.

The current rate of additional tariffs is 25% on EU products and 15% on aircraft and aircraft parts. Products of the United Kingdom are also included. In addition to aircraft, the current lists of products include olives, wine, Irish and Scotch whiskies, cheese, oranges, lemons, sweaters, pullovers, sweatshirts, suits, swimwear, blankets, bed linen, axes, tweezers, hand tools, knives, printed books, lithographs and self-propelled machinery. The lists are grouped by product category and country. Accordingly, not all covered products from each EU country are included, so importers are advised to review the current and proposed lists.

Products proposed by the USTR to be added to the tariff lists include certain helicopters and aircraft, fish, cheese, fruit, coffee chocolate, olive oil, beer, vodka, certain chemicals, polyester staple fiber, high tenacity polyester yarn, cotton twill fabric, carpets, glassware, and lifting machinery.

The additional tariffs on EU products stem from a long-running U.S.-EU dispute over subsidies to Airbus and is pursuant to Section 301 of the Trade Act of 1974, the same provision used to impose additional tariffs on products of China. The trade dispute dates to a 2004 U.S. challenge in the World

Trade Organization to EU subsidies of Airbus which had "adverse effects" on the U.S. According to the USTR, the tariffs will be applied until the EU removes the Airbus subsidies.

Interested parties may submit comments to the USTR; those should address whether maintaining or imposing additional duties on a specific product is appropriate to enforce U.S. WTO rights and whether maintaining or imposing additional tariffs would cause disproportionate economic harm to U.S. interests including businesses and consumers. Comments are due by July 26, 2020.

Source: natlawreview.com– Jun 29, 2020

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Euratex presents Covid-19 recovery strategy for textile and apparel industry

Euratex, the European Apparel and Textile Confederation, has come up with a strategy for the future that is supposed to turn the current coronavirus crisis into an opportunity.

Part of the strategy, which was endorsed by the last general assembly, is for the industry to become "more digital, sustainable and agile" and five flagship initiatives have been identified in critical areas.

The general assembly also re-elected Alberto Paccanelli as president and appointed Jean-François Gribomont, Gregory Marchant, Hadi Karasu and Bodo Bölzle as vice presidents.

While European textiles and clothing companies have been crucial in providing short-term relief in the crisis, such as converting their production or an increased production of PPE, now long-term goals need to be tackled that involve a renewal process of the sector and its value chain and a more competitive and greener future.

"Europe should endorse the strategic importance of the European textile and apparel sector, promote the development of an integrated ecosystem with the EU and its neighboring countries, invest in innovation and skills, and turn circularity into a source of competitiveness.

The deployment of these durable measures must be now," cautions an announcement made on Friday.

Euratex develops five flagship initiatives

The first initiative is to organise guaranteed supplies and build resilient value chains in Europe for critical PPE and other textile products to avoid an impact of this magnitude in the future. This includes setting up a strong European textile alliance. The second initiative is to make sure to upskill the existing workforce, which is growing older (35 percent is over 50 years old) to meet a rapidly transforming industry and attract well-qualified young workers and professionals to foster innovation and digitalisation.

The third initiative is about investing in innovative and sustainable textiles and turning circularity into a source of competitiveness through dedicated public private partnerships (PPPs) at EU level. "These PPPs will pool and accelerate research, innovation, pilot testing and demonstration in critical areas, like digital manufacturing and supply chains," foresees Euratex.

In addition and as a fourth initiative, Euratex wants to establish five recycling hubs in Europe near existing textile and apparel districts and therefore make raw materials by collecting, sorting, processing and recycling post-production and post-consumption textile waste.

The fifth initiative is about ensuring free and fair trade for textile and apparel companies and to promote an integrated ecosystem with the EU's long standing partners so that goods do not get blocked by national authorities at the borders again in the future.

"A first step should be to promote the Pan Euro Med as an integrated ecosystem, and exploit market opportunities resulting from other EU free trade agreements," suggests Eurotex.

"This crisis showed the importance of our industry and now, more than ever, it's essential to develop the competitiveness of the European ecosystem. The "EU Next Generation" package can play an important role and support the textile and clothing industry in its renaissance", commented Paccanelli.

As the voice of the European textile and apparel industry, Euratex represents about 170,000 companies (of which 90 percent are small ones) employing around 1.7 million workers.

In 2019, the industry generated exports amounting to over 61 billion euros but went through a difficult year as recent Eurostat data showed, with declining employment and a negative turnover evolution for the first time since 2012-13. According to forecasts, the sector could face a loss in turnover of 50 billion euros in 2020. Effective short-term access to liquidity, quickly re-opening shops and companies, targeted public procurement, well-functioning markets and supply chains and stopping additional regulatory burdens are quick recovery measures that Euratex deems essential for the industry.

Source: fashionunited.uk– Jun 29, 2020

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China's factory activity likely slowed in June on subdued global demand

China's factory activity likely grew for the fourth month June but the pace may be waning, as global demand stayed subdued while a fresh coronavirus outbreak in the Chinese capital and rising worldwide cases threaten to undermine a gradual domestic recovery.

The official manufacturing Purchasing Manager's Index (PMI), due for release on Tuesday, is expected to ease to 50.4 in June, from 50.6 in May, according to the median forecast of 29 economists polled by Reuters. A reading above 50 indicates an expansion in activity.

With travel bans finally lifted in April in Wuhan, the epicentre of the country's coronavirus crisis, China has largely managed to recover from strict lockdowns that had led to weeks of economic paralysis.

Yet export demand has remained weak with infections steadily rising across the world. Some fear a worldwide recession might turn out to be more pronounced than expected in the event a second wave of coronavirus cases force many countries to reimpose strict lockdowns.

Earlier this month a cluster that has steadily grown to more than 200 cases associated with a food market emerged in Beijing, underscoring the ever present economic threat posed by the virus.

"We received a stark reminder this week that the fight against COVID-19 is not over, as new cases globally thrice reached new highs," Morgan Stanley said in a note Monday.

'NOT MUCH ROOM'

The fallout from the global pandemic has left factories in China, and elsewhere, operating below strength amid slack demand. "China's work resumption has become stable. There is not so much room (for a rebound) compared to the previous months," said Hu Yanhong, a researcher at Yingda Securities.

In May, China's exports beat expectations with a 3.3% fall thanks to pandemic-related medical supply demand.

However, Capital Economics noted this boost is "unlikely to last as the transition to working-from-home reverses and stockpiling of masks and other protective equipment slows".

Underscoring persistent pressure on the manufacturing sector, China's producer prices fell by the sharpest rate in more than four years in May.

Beijing has announced a range of measures to bolster the economy and support jobs. The state cabinet this month flagged plans to further use monetary tools such as bank reserve ratio (RRR) cuts and relending to help firms secure cheaper loans.

The private-sector Caixin/Markit Manufacturing PMI, which analysts say focuses more on smaller export-driven firms, is expected to have also eased in June, slowing to 50.5 from the previous month's 50.7. The private PMI survey is due on Wednesday.

Source: financialexpress.com– Jun 29, 2020

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Chinese textile and apparel exports see a steep rise in May

China Customs Statistics (CCS) states, garment exports from the country grew 13.10 per cent to $7.63 billion as against April this year. The month-on-month surge indicates pick-up in apparel exports as retailers worldover are gradually opening stores and seeing consumers stepping out up for shopping.

However, the cumulative value of Chinese apparel shipment declined by 26.40 per cent on year on year basis to clock $33.37 billion revenue.

Exports of textile yarns, fibers and other products too increased on month on month basis by 41.30 per cent to clock $20.65 billion in May ’20. The cumulative exports, however, increased massively on Y-o-Y basis by 79.20 per cent and values stood at $57.95 billion.

Of all textile products, textile yarns saw a fall of 58 per cent and exports of the same were valued at $3.87 billion, while the export of textile fabrics tumbled by 46.50 per cent to clock $17.05 billion in Jan.-May ’20 period.

Probably the massive shipment of textile products such as masks and coveralls led China see staggering surge of 295.90 per cent on Y-o-Y basis and these textile products hit $38.13 billion revenue for the country.

Though China increased on monthly basis in its apparel exports and on yearly basis in textile exports, the upcoming months will only tell when will China be able to stabilize exports of both textile and apparels.

Source: fashionatingworld.com– Jun 29, 2020

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Field to Market & US Cotton Trust Protocol join hands

Field to Market: The Alliance for Sustainable Agriculture and the U.S. Cotton Trust Protocol have announced a new agreement that formalises a partnership to document and accelerate sustainable outcomes for U.S. cotton production. The two organisations will assess progress against the U.S. cotton industry's established environmental targets.

The new partnership strengthens the ability of cotton growers and the value chain to drive continuous improvement, combining two of the industry's leading sustainability assessment frameworks.

"Field to Market is pleased to join forces with the U.S. Cotton Trust Protocol to enable the industry to meet its sustainability goals and credibly communicate results," said Rod Snyder, president of Field to Market. "Through this collaboration, Field to Market is committed to scaling access to our sustainability tools and analytics and enabling growers and the broader cotton value chain to measure environmental outcomes while identifying opportunities for improvement."

In a memorandum of understanding, Field to Market and the U.S. Cotton Trust Protocol have committed to:

- Scale grower access to sustainability measurement by enabling farmers enrolled in the U.S. Cotton Trust Protocol to utilise metrics from Field to Market's Fieldprint Platform, allowing growers to analyse the connection between agronomic practices and sustainability outcomes;
- Track U.S. cotton's sustainability journey through continued publication of Field to Market's National Indicators Report, which will communicate progress against the industry's established environmental targets; and
- Foster an increased level of collaboration by participating in each other's meetings and work sessions.

Together, Field to Market and the U.S. Cotton Trust Protocol will assess progress against the U.S. cotton industry's established environmental targets. By 2025, the industry aims to achieve targeted reductions in soil loss, water use, greenhouse gas emissions, and energy use, alongside increased land use efficiency and soil carbon. The Trust Protocol completed a successful project pilot in 2019, and has begun fully implementing its programs in 2020, with a goal to enroll at least 500 producers by December 2020.

“Sustainability is a growing priority for the U.S. cotton value chain, from consumers, brands, retailers to textile manufacturers,” said Ken Burton, executive director of the U.S. Cotton Trust Protocol. “The U.S. Cotton Trust Protocol looks forward to collaborating with Field to Market to scale our collective sustainability impact, meet our industry targets and strengthen the sustainability of U.S. Cotton.”

Source: fibre2fashion.com– Jun 29, 2020

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H&M to close 170 stores

The brick-and-mortar side of the retail scene is set to worsen, with Hennes & Mauritz AB planning to add to the wave of store closures. The Swedish fast-fashion retailer, which owns Cos, Monki, Weekday and & Other stories, as well as its namesake chain, plans to close around 170 stores while emphasizing larger flagships — outfitted with state-of-the-art garment tracking technology. It aims to accelerate the integration of online channels, and is using RFID tracking technology in 20 markets.

The brand has increased its online customer base with many of its in-store customers now becoming multichannel customer. The group aims to adopt the omnichannel strategy in future to meet the customer wherever they choose to go.

H&M reported a first-half loss after tax of 3.06 billion Swedish kroner, or $328 million. Executives flagged a faster recovery rate in recently reopened stores.

The brand’s sales in June declined by 25 per cent in local currencies compared to the same period last year. Most of the label’s stores have reopened, but 350 units, or 7 percent, remain closed.

Earlier this month, the Swedish firm reported sales of 83.61 billion Swedish kronor, or $8.96 billion, for the first half, down 24 percent in local currencies, with the strongest impact from the COVID-19 crisis felt in the second quarter.

The group's inventory decreased 3 percent year-on-year in local currencies at the end of May, compared to a rise of 2.5 percent at the end of April, which was a positive surprise, noted analyst Chamberlain who had expected an increase due to delayed shipments from China and Bangladesh.

Source: fashionatingworld.com– Jun 29, 2020

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Euratex announces next generation package for the industry

Transforming the current crisis into an opportunity, the European textile and clothing industry (EURATEX) has announced the EU Next Generation Package to make the industry more digital, sustainable and agile.

The package indicates, the transformation of the industry will be driven by five flagship initiatives in critical areas including organizing guaranteed supplies and building resilient value chains in Europe for critical PPE and other textile products; upskilling existing workforce to meet a rapidly transforming industry and attracting well-qualified young workers and professionals; investing in innovative and sustainable textiles through dedicated Public Private Partnership (PPP) at EU level; establishing five recycling hubs in Europe near textile and apparel districts and making raw materials by collecting, sorting, processing and recycling post-production and post-consumption textile wastes and ensuring free and fair trade for its companies.

Source: fashionatingworld.com– Jun 29, 2020

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Advance Denim open new denim mill in Vietnam

Advance Denim has opened a new fully integrated denim mill in Vietnam with Advance Sico. Located in Nah Trang, Vietnam, Advance Sico is designed to efficiently manufacture and ship more products to fulfill growing demand throughout Vietnam and Cambodia.

With Vietnam emerging as a popular manufacturing alternative to China in recent years, Advance Sico believes the country will continue to grow as a global apparel powerhouse with its support.

Advance Sico aims to use 90 per cent sustainable fibers by 2023. Additionally, 100 per cent of all indigo used at Advance Sico will be Archroma aniline-free liquid indigo. This ensures that minimal sodium hydrosulfite will be used and no carcinogenic aniline will be present in the company's indigo dyeing process, ultimately eliminating hazards within the production process.

During typical denim production, some aniline stays locked into the indigo pigment and can be difficult to wash off the fabric. The remainder of the aniline impurity is discharged during dyeing. This poses concern as aniline is toxic to aquatic life, and elevated exposure levels can put factory workers at risk.

While Advance Sico aims to commit to pure indigo, the mill also operates its own state-of-the-art reverse osmosis water purification system on site to remove any harmful impurities from its effluent water supply. As Advance Sico grows and diversifies its manufacturing capabilities, the company isn't losing sight of its goal to produce the highest-quality denim with minimal environmental impact.

The manufacturer believes that crafting true indigo comes from rope dyeing, and it is already operating two indigo rope ranges designed to dye the highest-quality vintage shades. To replicate these shades, Advance Sico has a team of expert Japanese dyeing technicians that have been crafting rope shades for more than 30 years.

Source: fashionatingworld.com– Jun 29, 2020

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JCPenney releases fiscal YTD sales, loss figures

JCPenney's third quarter has gotten off to a difficult start.

The retailer was almost entirely dependent on e-commerce during the month of May as it did not begin reopening stores closed by the pandemic until May 28. The quarter began May 3.JCPenney's third quarter has gotten off to a difficult start.

The retailer was almost entirely dependent on e-commerce during the month of May as it did not begin reopening stores closed by the pandemic until May 28. The quarter began May 3.

In a filing Friday evening with the SEC, the retailer reported sales for the retail month ended June 6 of $266 million, nearly a quarter of the $1.0 billion in sales it did during the same period last year. Net loss for the month ballooned to $148 million compared to a net loss of $11 million last year.

For the four months that constitute the fiscal year-to-date, sales tumbled 60.8% to $1.35 billion from $3.44 billion during the same period in 2019. Net loss was $694 million vs. a net loss of $165 million in the year-ago period.

As of June 5, JCPenney had reopened 500 stores and secured $900 million in financing. It also began going-out-of-business sales at 136 units as part of the second phase of its store reoptimization plan. Ultimately, the company plans to shed roughly 30% of its physical store locations.

The chain closed all of its 850 units in response to COVID-19 mitigation efforts in mid-March and filed for Chapter 11 bankruptcy in May.

Source: hometextilestoday.com– Jun 29, 2020

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How Asia's clothing factories switched to making PPE

Personal protective equipment (PPE) has arguably become the most sought-after commodity in the world. The COVID-19 pandemic has led to a global shortage of this equipment. This has created an opportunity for garment factories across Asia, which have lots of spare capacity because their clothing is in much less demand than usual.

High street chains in the UK and elsewhere could have immediately paid their garment suppliers to make PPE rather than clothes, but did not. Many simply cancelled millions of orders, which ended up putting thousands of Asian workers out on the streets. Many garment workers didn't even receive monthly wages due to them. This was despite global campaigning by trade unions, such as those in Bangladesh.

Only a few western brands such as Barbour eventually started converting their supply chains to make PPE. In most cases, Asian manufacturers just took their own initiative.

Asia's big shift

China was already the largest PPE exporter before the pandemic, providing almost half of the world supply of face masks, protective gowns, gloves and goggles in 2018. In the first two months of 2020, China's PPE exports dipped by about 15% as its own demand for these products rose sharply, with the government preventing some consignments from leaving the country.

However, from March, Chinese PPE exports rebounded as the virus spread west. China was able to meet these orders with help from many garment manufacturers, in a bid to answer mounting calls from other countries for tighter quality control of PPE.

Elsewhere, Sri Lanka has secured a significant niche in the PPE supply chain, having won at least US$500 million (£402 million) in orders during the crisis. Notably, lingerie manufacturer MAS Holdings advertised a move into PPE production using its trademark slogan, "Change is Courage".

Malaysia has enjoyed a massive rise in rubber gloves exports. With as much as 65% of all medical gloves made in the country, the US embassy tweeted in March that “the world relies on Malaysia”. The country has also seen numerous garment businesses moving into PPE.

Meanwhile, India is now the second largest PPE producer after China, having only started making this equipment earlier in the year. India was manufacturing 450,000 PPE suits a day in May, and aiming to hit 2 million by the end of June. While Indian production has so far only targeted the domestic market, the government has just announced it will soon allow the export of 5 million PPE suits a month.

Bangalore is producing 50% of India’s PPE kits, thanks to a garment centre dominated by the Gokaldas empire, which employs thousands of women. Production has also risen massively in Tiruppur in Tamil Nadu state, normally a T-shirt centre. Over 600 Indian companies are now lab-certified for PPE, including top garment and textile exporters Alok Industries, JCT Phagwara, Gokaldas Exports and Aditya Birla.

With a population of well over a billion, and around 37,000 public health facilities, India needs a staggering quantity of PPE as the pandemic worsens. As it emerges from a tough lockdown that still threatens an economic crisis, the country should arguably make PPE for all workers in sectors that need to reopen, such as agriculture. This would get the economy moving, while employing even more people in PPE production.

Yet producing billions of PPE kits may be unviable – even the fast-fashion supply chain can only churn things out so fast. There are also serious issues about environmental waste and disposable equipment, both in India and around the world.

Beyond Asia, the PPE supply chain has also extended to garment factories in countries such as Kenya and Madagascar. This is being supported by the World Bank, again with a view to sustaining employment.

Job opportunities and abuses

On the positive side, this shift into PPE has protected and created jobs. In India, where global buyers like H&M continue cancelling orders and labour protests roll on, PPE production may mean re-employing at least some of the hundreds of thousands of garment workers who joined the exodus of migrant labour leaving cities early in the pandemic. In Sri Lanka, PPE is potentially providing a livelihood for 300,000 workers.

On the other hand, there's so much pressure to keep up with orders that it is possible that many factories are running sweatshop conditions and other abusive practices carried over from their usual operations. The PPE supply chain was already known for labour abuses. For instance, recent evidence indicated the use of child labour in surgical instruments production in Pakistan. In Malaysia, there are media reports of Nepali migrant workers in rubber glove factories being subjected to severe abuse.

In China, recent findings suggest the widespread use of Uighur forced labour in numerous sectors, potentially including PPE. During lockdown in India, some states have suspended existing legislation, making it possible for factories to use forced labour. Others have passed legislation extending the working day from eight to 12 hours. At the same time, it is worth pointing out that some countries such as Sri Lanka are known to impose more rigorous standards on their factories.

More generally, garment workers worldwide may not actually have access to the PPE equipment they make. They deserve to be included in the list of key workers in responding to the pandemic. We tend to think of the key workers helping us as only being in our own country, but this is clearly mistaken.

As such, we should be particularly concerned about labour abuses, and do whatever we can to oppose them. Those who are saving our lives should not themselves live their lives under threat. These workers, who were the backbone of the global economy, are now stitching its safety net.

Source: qrius.com– Jun 29, 2020

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Bangladesh banks on Canadian market despite fall in exports

Despite 47 per cent decline in apparel exports to the country in April, Bangladeshi garment exporters are hopeful of Canada as an export destination. As per the Canada Bangladesh Chamber of Commerce and Industry in Bangladesh (CanCam), Canada is one of the traditional markets for Bangladesh where the trade balance is heavily tilted towards the latter with products worth CAN $ 726 million going to Canada in 2019.

Bangladesh's exports to Canada grew 14.53 per cent year-on-year to CAN $1.97 billion in 2019, riding on the trade privilege extended by the North American nation. Further, in 2018, Bangladesh's shipments to Canada were worth CAN $ 1.72 billion, where more than 92 per cent were apparel items. However, Bangladesh's exports declined by 46.63 per cent in April this year as confirmed by the official custom statistics of Canada. The country exported $715.15 million worth of apparels in April '20 as compared to that of US $ 381.70 million in April last year.

The country also saw a drop of 33.17 per cent to clock just $68.92 million revenue from apparel exports to Canada in April this year, while the export value in the corresponding month of the prior year was $103.12 million.

Of all the exporting destinations, China remained the most affected country with over 54 per cent fall in its apparel exports shrunk to below $100 million. The Chinese apparel shipment to Canada valued at just $97.38 million in April this year as against $212.13 million worth of shipment in the same month of 2019.

Source: fashionatingworld.com– Jun 29, 2020

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Bangladesh seeks trade benefits from EU, US even as it moves out of LDC list

Bangladesh has sought trade benefits in the EU and the US. From EU, it has sought an extension to the current zero duty benefit even after its graduation to a developing country as the COVID-19 pandemic is taking a heavy toll on the south Asian nation's economy. Bangladesh has been enjoying zero duty benefits on export since 1973 under the EU's generous Everything but Arms (EBA) scheme, meant for the least developed countries (LDCs).

Officially, Bangladesh will become a developing country in 2024 and three more years will be given as a grace period for preparation. Normally, the EU does not give trade benefits under the EBA after a country's graduation. So, after 2027, Bangladesh will have to either be granted the GSP Plus or the extension of the current EBA to enjoy the zero-duty benefit to the EU, the destination for 64 per cent of Bangladesh's annual garment shipment of $34 billion.

In the US too, Bangladesh has demanded trade facilities as the government has already assigned a special committee to attract more American investment here. However, Bangladesh might not get zero duty benefit on garment export to the US, as the Trump administration gives zero duty benefit on export of garment items only to some African countries under the African Growth and Opportunity Act.

As a result, Bangladeshi exporters face 15.62 per cent duty while sending apparels to the US, the country's single largest export destination where over $ 6 billion worth of garment items are shipped a year.

Source: fashionatingworld.com– Jun 29, 2020

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Bangladesh to close 22 state-run jute mills, lay off 25000

Bangladesh recently decided to close all 22 state-run jute mills and lay off 24,886 workers. The step is the result of heavy losses incurred by the Bangladesh Jute Mills Corporation (BJMC), textiles and jute minister Golam Dastagir Gazi said at a virtual press briefing. The mills will be modernised and reopened under public-private partnership, joint venture or lease.

The laid-off workers will be accorded priority while the modernised mills are reopened, said the minister.

Financial benefits and wages of all workers—retired and currently working—will be paid in due course. A Tk 5,000-crore fund will be allocated for the purpose.

"These mills are run with machinery that dates back 50 to 60 years. The BJMC's management system is very old-fashioned and not suitable for managing modern factories," the textiles and jute ministry said in a statement.

Tens of thousands of workers have been protesting against BJMC's mismanagement for years, according to Bangla media reports. In the wake of this, the government on November 26 last year allocated Tk 100 crore to the BJMC for paying due wages and financial benefits of the workers.

Several conditions were attached to it. One of those was that the BJMC would not use the fund for any other purpose than disbursement of outstanding wages and financial benefits of the workers.

However, BJMC officials said the fund was too small to pay all the dues and asked for more. In the last 10 years, BJMC could do little to improve the state of its mills, spending thousands of crores of public funds.

Source: fibre2fashion.com– Jun 29, 2020

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Pakistan: Textile exports down 37% in May, unlikely to pick up any time soon

If you run an export-oriented company, you have to prepare for shocks. Perhaps you have to be on the lookout for other countries' import policies; your own country's subsidies; which potential new markets could open up etc. But the key assumption in each case is that there will always be demand; that at no point will the global economy collapse to the point that people will want to randomly stop importing your goods.

Well, tough luck: Covid-19 is one such unprecedented shock. And the Pakistani textile sector, which is so reliant on exports, has been very badly bruised.

Textile exports stood at $751 million in May 2020, or a 37% decline when compared to the exports worth $1.19 billion in May of last year. In a note issued to clients on June 17, analyst Ahmed Lakhani at JS Global pointed out that this was the second successive month of massive reduction in textile exports amid the global pandemic.

In fact, all categories of textile exports witnessed double-digit declines. Exports of cotton yarn saw the steepest decline, from $107 million in May last year to $52 million in May this year, or a 51% decline.

Highest value areas like garments (which stood at $252 million last May) and knitwear (which stood at $274 million last May), declined by 46% to $136 million, and 34% to $181 million this May respectively. The category of bedwear experienced the least amount of shock, but even that segment declined by 22% year-on-year from $188 million to $146 million.

In fact, the only silver lining the textile industry has is that at least the month of May was not as bad as April. That particular month, which saw exports decline by 65% year-on-year to $404 million, represented a historic, multi-decade low.

Most of that was aggravated by an extremely strict lockdown in Pakistan, but also global lockdowns around the world, which had begun to kick in in March and April. As a June 17 report from Taurus Securities pointed out, there was also a delay in shipments to major markets, such as the US and Europe, which were severely affected due to Covid-19.

One good thing that can be said is that the base level of April was so low, that May figures actually look like a solid rebound: exports in May shot up 86% when compared to April. Every single export segment showed a double-digit month-on-month increase, with segments like towels and garments increasing 127% MoM and 121% MoM respectively.

It is important to note that the actual share of the composition of segments has remained unchanged. So in May, knitwear remained at 24%, bedwear at 19%, ready-made garments at 18%, cotton cloth at 13% and others at 25%, respectively.

On a monthly basis, the share of textiles in total exports in Pakistan declined to 42% in April, and 53.8% in May.

However, if one looks at the period of the first eleven months of the fiscal year 2020, the share of textiles in total exports of Pakistan remained unchanged at around 59.5%, compared to 59% for the same period last year.

However, during that same eleven month period, textile exports were down by 6% year-on-year to $11.6 billion, with double digit declines in yarn and cotton cloth (13% and 12% respectively), while categories like knitwear and garments also stayed firmly negative.

According to Lakhani, textile exports are expected to recover gradually from the lows of April and May, but remain lower on a yearly basis over the next few months.

“To tap weak (but recovering) global demand, it is crucial to develop new channels amid a dynamic scenario (such as export of masks and PPEs), while simultaneously ensuring adherence to safety SOPs on the domestic front to ensure the situation does not worsen,” notes Lakhani.

Previously, on April 23, the Adviser to the Prime Minister on Commerce and Investment Abdul Razak Dawood had said that the federal government had allowed the export of textile masks, though it would not apply to surgical and N95 masks.

However, there is a slight problem with this logic. While the textile industry has somewhat reoriented itself towards exporting masks and creating PPEs, with varying levels of success, the orders are simply not enough to make up for the loss in other segments. In reality, most of these ‘new channels’ are often one time, non-repetitive, and have low margins.

Meanwhile, companies have to deal with other problems simultaneously, such as advance order books, which are usually booked for three to six months, have also been reduced to a few days. There is also quite a fair bit of backlog currently, as many clients cancelled unexpectedly due to a lack of demand.

The triple whammy of unprecedented weak demand, plant underutilization, and lower prices are going to severely affect the textile industry and its ability to export in the coming months.

No wonder then, that a few months ago, the All Pakistan Textile Mills Association Executive Director Shahid Sattar grumbled that the future outlook for textile markets is 'extremely bleak', and that the cash flow crisis was even more acute for indirect exporters.

That same organization released a press release on June 23, in which it rejected the recently announced budget, and asked the government to competitively price energy, lower sales tax, and have the turnover tax reduced from 1.5% to 0.5%.

Source: profit.pakistantoday.com.pk– Jun 29, 2020

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NATIONAL NEWS

Big breather for PPE suit manufacturers, India allows export under quota system

In a big win for the Personal Protective Equipment (PPE) suit manufacturers who were facing the danger of closing down their units due to huge shortage of local orders and drop in rates, the Directorate General of Foreign Trade (DGFT) on Monday allowed the export of PPE suits. However, as of now DGFT has restricted the monthly export quote to 50 lakh PPE suits/medical coveralls for which the interested firms will need to apply for export license.

The manufacturers from quite some time were upset with the government for not allowing them to export PPE even after lakhs of suits piling up in their units due to over production. An estimated 4.5 lakh to 5 lakh suits per day were being manufactured in India and country went on to become second largest manufacturer of PPE suits in the world within no time.

The development is very significant for Punjab's industry specially Ludhiana where from more than 110 manufacturers have got approval from the centre government laboratories like DRDO & SITRA to manufacture PPE suits. Notably few days ago Punjab chief minister , Captain Amarinder Singh too had shot off a letter to prime minister Narendra Modi for allowing the industry to export the PPE suits.

Source: timesofindia.com– Jun 29, 2020

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Centre allows 'restricted' exports of PPE coveralls

PPE producers want government to allow exports of N-95 masks as well
The Centre has removed the prohibition on the export of medical coveralls for Covid-19, allowing up to 50 lakh units to be exported every month against licences issued by the government.

While the move is in response to demands made by local producers of personal protection equipment (PPE) who had assured the government of surplus capacities, the domestic industry says that exports of N-95 masks, too, should be allowed.

As per a notification issued by the Directorate General of Foreign Trade (DGFT) on Monday, PPE medical coveralls have been shifted to the restricted category from the prohibited category. “A monthly quote of 50 lakh PPE medical coveralls for Covid-19 units has been fixed for issuance of export licences to the eligible applicants....as per the criteria to be separately issued in a Trade Notice,” the notification stated.

All items that are part of PPE kits and listed in the earlier notifications continue to remain “prohibited” for export, whether exported as individual items or as part of PPE kits, it added. The monthly quota will not be applicable on these items.

Apparel Export Promotion Council (AEPC) Chairman A Sakthivel on Monday thanked the government for lifting the ban on PPE exports. The monthly quota of 50 lakh will not only help health workers across the world but also support the revival of the apparel industry in the country, he said.

“This opens the entire global market for our domestic players who were fast enough to seize this opportunity of producing and supplying PPE kits as the world struggles to control the coronavirus pandemic,” said Sakthivel in an official release. The production of PPE is more than sufficient to cater to the needs of the country, the statement added.

The government should soon extend the export opportunity for N-95 masks as well, Sakthivel said, adding that the size of the global market for PPEs is more than $60 billion over the next five years.

Global competition

“India is in competition with countries like Bangladesh, Indonesia and Pakistan, as they have lifted the ban on PPE exports and are receiving huge orders from large buyers in the US and Europe,” he said.

From zero production of PPEs early March, the country now produces more than 8 lakh pieces per day — the second largest producing country in the world, as per AEPC figures.

Source: thehindubusinessline.com– Jun 29, 2020

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India may step up scrutiny of imports from Chinese cos in Asean countries

India is looking to increase the scrutiny of imports from Chinese companies or entities located in Association of Southeast Asian Nations (Asean) countries, said people with knowledge of the matter. New Delhi has information about China setting up new entities or acquiring defunct companies in countries such as Vietnam and using these shell enterprises to re-label and export goods to India, exploiting India's free trade agreement (FTA) with Asean.

The government has also sounded out industry and importers to identify such shipments that abuse the FTA as it contemplates actions such as enhanced checks on country of origin certificates by customs authorities. The FTA with Asean allows lower tariffs on most manufactured goods. "There are large quantities of imports that are being routed under the Indian-Asean, India-Singapore Free Trade Agreement," said a government official. "A number of these entities there are just engaged in re-labelling of goods for re-export to India."

India is seeking to lower its dependence on imports and, following border hostilities with China, looking for ways in which it can reduce trade and business ties with its northern neighbour.

Need to Take Effective Measures

The identification of such entities will help the government take effective measures to curb imports through stringent checks of country of origin certificates. These certify where an item has been manufactured and the amount of value addition in the country from which they are shipped. Moreover, verification that exports were being carried out by a shell entity will allow India to make a case for strict country of origin rules, said the people cited above.

India's imports from Asean rose 26% in FY19 against a 10% overall increase. Imports from Vietnam were up 43.3% to $7.2 billion. Customs and other revenue agencies can seek verification of country of origin certificates, which are issued by local trade bodies, from revenue authorities in the partner country. This was done in 2015 following a spurt in gold jewellery imports from Thailand.

“There are instances of round-tripping of imports in violation of the norms laid down in the FTAs,” said another government official.

Raising tariffs helps domestic industry only partially as importers resort to the FTA route that offers lower tariffs on 80% of goods. A Department of Economic Affairs study had earlier pointed out how FTAs with lenient rules of origin had benefited trading partners more than India.

The Manufacturers Association for Information Technology (MAIT), the lobby group for domestic electronics manufacturers, said it had flagged the issue of imports from Asean countries under FTAs, which primarily included electronic components, capital goods and inputs for other industries such as garments, fibre and yarn among others.

‘33% Value Addition’

“There needs to be a 33% value addition in goods coming from FTA countries, but if the sovereign in those countries (through customs) is validating that, verifying the origin of the products becomes a larger issue,” MAIT president Nitin Kunkolienker said.

The first official cited above said, “A comprehensive strategy is being drawn up as part of the government’s initiative to move to self-reliance.” New Delhi’s broad plan on self-reliance focusses on cutting unnecessary imports — essentially goods that can be manufactured in the country but continue to be imported.

A two-pronged strategy — fewer imports and greater domestic capability — is being drawn up. Industry has been asked to offer suggestions on how to enhance India’s manufacturing capability in the relevant areas.

Production-linked Sops

A list of products has been given to industry groupings to look at ways in which to cut imports from one country by diversifying the supply base and developing domestic base, said people aware of the matter. The government is willing to offer production-linked sops to some of the critical sectors.

"There is apprehension that a lot of Chinese companies are located in Asean countries purposely to take advantage of India's FTAs with these countries. The government is aware of it," said PHDCCI president DK Agarwal. "As chambers, we have represented that these are old FTAs, which are not to India's advantage. Our imports have only gone up because of these FTAs. Therefore, these should be relooked at, scrapped and enter into new FTAs where terms are favourable to India."

Source: economictimes.com– Jun 29, 2020

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What ails India's Model BIT?

India should attract FDI seeking alternatives to China. But its 2016 Model Bilateral Investment Treaty is protectionist in scope

Nandy The Covid-19 pandemic, which led to a protracted lockdown policy, has raised the spectre of an impending economic recession in India. Prior to the pandemic, key macroeconomic indicators were estimated to fall to multi-year and decadal lows anyway. The suspension of economic activities due to the unprecedented 82-day lockdown has accentuated the economic deceleration.

Members of the Monetary Policy Committee (MPC) of the RBI have expressed concerns that real as well as the nominal GDP growth may slip into the negative territory for the first time in 40 years, driven by worsening private consumption and investment demand. The severe impact on global incomes imply that external demand for India's products shall also remain muted in the times to come.

The fiscal and monetary measures have primarily aimed to ease the terms of credit for consumers and investors. The government's response has arguably been constrained by the lack of fiscal headroom to augment real budgetary support to households.

As household consumption expenditure drives almost three-fifths of the aggregate demand, and is now a necessary prerequisite to kickstart investment demand, the extent to which these measures might help revive domestic demand is uncertain.

Call for self-reliance

In the above context, notwithstanding the potentially ambiguous message conveyed to the global community by the Prime Minister's clarion call for self-reliance (Vocal for Local), India can ill-afford to lose the emergent opportunity to tap into foreign direct investments (FDIs) looking to relocate away from China.

The objective of making domestic firms competitive and upwardly mobile in the value chain, as envisaged in the Atmanirbhar Bharat package, will need to be complemented by a more welcoming stance on FDIs.

Though India ranked among the top 10 global destination for FDI in 2019, and has leapfrogged 79 places from 142 in 2014 to 63 in 2020 in World Bank's 'Ease of Doing Business' rankings, the inflows have remained at sub-2 per cent of GDP, despite the enormous resources expended on attracting FDI. FDI-equity inflows to India during 2019-20 were $49.9 billion, substantially lower than the annual flow of remittances of $83 billion in the same period.

One way to understand such sub-optimal flows is to look at the lacunae afflicting India's Bilateral Investment Treaties (BITs). BITs typically serve to protect investments made by investors on a reciprocal basis, specifying conditions on regulatory oversight of the host state and limiting interference with the rights of foreign investors. Since signing the first BIT in 1994 with the UK, India has inked 86 such bilateral treaties, the latest being with Brazil in 2020.

BITs have been one the major drivers of FDI inflows into India. A 2016 study by Niti Bhasin and Rinku Manocha suggests that by providing substantive protection and commitment to foreign investors, BITs indeed contributed to rising FDIs in the 2001-2012 period.

However, the penalty awarded by an Investor-State Dispute Settlement (ISDS) tribunal in the White Industries case in 2011, and subsequent ISDS notices served against India in a wide variety of cases involving regulatory measures (for example, imposition of retrospective taxes, cancellation and revocation of spectrum and telecom licences) led to a review of the BITs.

New treaty

India framed a Model BIT in 2016, moving away from an overly investor-friendly approach to a somewhat protectionist approach concerning foreign investments. Since its adoption, India has unilaterally terminated 66-odd BITs between 2016 to 2019, sending negative signals to the global investor community. This is evident as no country has shown an inclination to re-negotiate based on the Model BIT. Since 2016, India has signed just three treaties, none of which is in force yet.

So, what ails the Model BIT? First, it heavily narrows down the definition of “investment” needed to qualify for BIT protection — from an asset-based to an enterprise-based one. The definition contains vague criteria such as the requirement of enterprises to satisfy ‘certain duration’ of existence without specifying how much, or, investments having ‘significance for development of the party in whose territory the investment is made’ without specifying what amounts to ‘significant’ contribution. These render invoking BIT protection an arduous task for foreign investors, as well as leave room for uneven interpretation by judicial bodies.

Second, in what appears to be based on the White Industries experience, it contains a clause mandating exhaustion of domestic remedy prior to initiating international arbitration proceedings. According to the ‘Ease of Doing Business 2020’ report, India currently ranks 163 out of 190 countries in ease of enforcing contracts, and it takes 1,445 days and 31 per cent of the claim value for dispute resolution. This surely does little to evince confidence in foreign investors.

Third, the Model BIT has done away with the ‘Fair and Equitable Treatment’ clause and has included a detailed ‘Treatment of Investments’ clause with a broadly-worded undertaking that neither party shall subject investments to measures that are manifestly abusive, against norms of customary international law and to un-remedied and egregious violations of due process.

While this appears to have been designed keeping investors’ fears in mind, in the backdrop of the exhaustion of domestic remedy clause, having not specified the yardstick for assessment of violation of “due process”, or what amounts to “manifest arbitrariness” as well as the marked absence of a clause on “legitimate expectations”, the Model BIT simplistically assumes that a foreign investor shall have complete confidence on domestic judicial interpretations and mechanisms.

Need to attract FDI

The looming economic recession triggered by the Covid pandemic has made attracting FDI an urgent imperative for improving economic outcomes. While initiatives such as Make in India 2.0, and liberalisation of FDI caps across sectors are steps in the right direction, unless the Government adopts a more balanced approach in the 2016-Model BIT on the lines of the US-Korea BIT, CPTPP, CETA, MERCOSUR Protocol to name a few, no matter how many sectors are opened up for FDI, a rational investor would be reluctant to buy that one-way ticket for their investments into India.

Regulatory activism might not only repel any rational investor willing to invest in India, but being a reciprocal arrangement, can concomitantly reduce protection for Indian companies exporting capital abroad. As global companies contemplate moving their investments away from China, it is an opportune time to review and revise the Model BIT from the present inward-looking protectionist approach, to a more pragmatic one.

Source: thehindubusinessline.com– Jun 29, 2020

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Remarkable journey! How India became from an importer of medical coveralls to exporter — all in few months

In a first, the government on Monday allowed exports of medical coveralls, a key personal protection equipment (PPE), but capped the monthly shipment at 50 lakh units to ensure domestic supplies remain steady in times of the pandemic.

This marks India's remarkable journey from an importer of medical coveralls until the Covid-19 outbreak to an exporter now — all in a matter of few months.

Commerce and industry minister Piyush Goyal tweeted: "Boosting Make in India exports, PPE medical coveralls for COVID-19 have been allowed with a monthly export quota of 50 lakh." Even Prime Minister Narendra Modi had recently cited the turnaround in PPE manufacturing in India to highlight the "Atmanirbhar Bharat" initiative.

The export of medical coveralls was "prohibited" earlier but now it has been put in the "restricted" category. However, exports of other items that are part of PPE kits would continue to remain prohibited, the Directorate General of Foreign Trade (DGFT) said in a notification.

Last week, Apparel Export Promotion Council (AEPC) chairman A Sakthivel said the production of the PPE kits had reached a record level of eight lakh units per day from zero four months ago. The apparel industry is currently the largest producer of such PPEs.

Making a case for the lifting of the export ban on PPEs to enable Indian companies to take advantage of rising global demand during the pandemic, Sakthivel had said Pakistan, another major garment producer, recently got PPE orders worth $100 million. The US Federal Emergency Management Agency has created an 'air bridge' to quickly get medical supplies like 2.25 million PPEs exported from Vietnam, he added.

The DGFT on Monday said eligibility criteria of applicants wishing to ship out such products will be separately mentioned in a trade notice.

Source: financialexpress.com– Jun 30, 2020

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How Covid crisis is transforming India's logistics industry

The supply chain disruption triggered by Covid-19-induced lockdown has prompted the manufacturing industry to shift from 'just in time' manufacturing to the agile 'just in case' manufacturing.

Maintaining a buffer against disruptions is the new normal. Businesses are now looking at building resilience, chalking out contingency plans and bringing in agility.

During the lockdown, most businesses had no visibility of their stocks and inputs as goods were stuck across the country while in transit, in ports and on trucks. This was the period when the vulnerabilities were exposed bluntly to business organisations.

The CII Logistics and Supply Chain Leadership Conclave 2020 was based on ways to eliminate these bottlenecks.

Titled 'Reimagining Indian logistic and supply chain in the age of uncertainty', the session stressed on re-engineering processes, paperless and contactless documentation, capacity enhancement and multi-modal transport.

All major industry players maintained that the pandemic had accelerated transformation and digitisation of the manufacturing industry. They concluded that the way was ahead was to integrate technology into logistics. Supply chain is no longer just about moving packages. It has become a part of key business strategy, to be discussed at board meetings. Logistics now dictates production, sales and marketing plans.

Shohab Rais, chairman of the CII conclave and COO of Tata Chemical's Indian Chemical Business, said the Indian logistics market is presently valued at $160 billion and is expected to go up to $215 billion in two years. It will grow further with the upcoming national logistics policy.

Maharashtra transport minister Anil Parab said the government had signed 12 MoUs worth `16,100 crore and a significant part of these investments was to be channelled into supply chain and logistics sector in the Pune and Thane region. The state is planning to promote multi-modal connectivity, technology-driven accreditation and standardisation process to support the supply chain eco-system within the state, Parab added.

Source: financialexpress.com– Jun 29, 2020

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Lockdown tears into leather, apparel, handloom exports

Shortage of labour, disruption in logistics delay shipments to major markets

The lockdown has crippled leather, apparel and handloom exports due to shortage of labour and disruption in logistics, delaying shipments to major markets like Europe and US.

The leather industry had suffered nearly $1-billion export order losses due to the Covid-19-induced lockdown. Shipments for Christmas and New Year and crucial samples for the Spring (new) collection in Europe are being delayed, said industry sources.

April to August are crucial months during when shipments for the festival season, and for the new Spring collections are despatched. However, this has not yet happened, said Jay Kumar Singh, Managing Director of Chennai-based Shivam Apparels.

"Any further lockdown will be a disaster for the industry," he said. In Chennai, there are 75-100 units manufacturing leather products like garments, bags, and wallets, said Singh.

Echoing a similar view, Sanjay M Lulla, Managing Partner at SM Lulla Industries Worldwide, a Chennai-based exporter of leather garments, said orders have come from European clients but there is a shortage of labour. Several of them have left for their native places with no indication of when they will return. The lockdown restrictions have made it difficult for local employees to come to factories.

The government has allowed units to function, but the staff need to stay at the factory or nearby. This is not possible, given that over 85 per cent of employees are women, he said.

Many orders have been cancelled due to lockdown in Europe, followed by lockdown in India. Global clients work on dual sourcing policy. If Indian companies cannot supply, they will source from China or Taiwan, he said.

High freight cost

The lockdown restriction has also affected movement of goods by sea. "We are planning to ship goods by air to save time. However, this is going to escalate the operations cost significantly due to high freight cost, which has increased by three to four times," he said.

The lockdown has created so much uncertainty even as clients are demanding supply on time, said M Israr Ahmed, Regional Chairman (South), Council for Leather Exports, and Director of India Shoes Exports Pvt. Ltd. Any further extension of the lockdown will cripple the industry, he added.

Major markets of Europe and the US (to which 70 per cent of leather exports are sent), have now opened up and buyers have placed export orders. However, exporters need to ensure that the products are shipped per commitments. Else, further orders will be lost to China or Vietnam, he added.

Cancellation of orders

Prabhu Damodaran, convenor of Indian Texpreneurs Federation (ITF), that represents the textile industry of Tamil Nadu, told a news channel that a complete lockdown should be avoided at a time when exports are recovering. It will affect the economy badly. After two months, many factories are now working with half the employee strength, he said.

Nishanth Jain, Secretary, Apparel & Handloom Exporters Association, the industry body for over 400 MSME apparel exporters from Tamil Nadu, said during the lockdown from March till mid-May, the industry suffered huge losses on account of order cancellations by many international clients.

The current lockdown in Chennai, Kanchipuram, Chengalpattu and Thiruvallur districts has caused immense delays with the international clients not being able to get the deliveries of goods they were supposed to get by the end of June. This will now have a cascading effect on the deliveries of goods in July, August and September.

The goods being manufactured have to be exported between June and September so that they can be put up in the overseas shops overseas from August to November in time for the holiday season and Christmas, he said.

Any further lockdowns in Chennai and its surrounding districts will result in a very huge number of large-scale order cancellations (about $150 million) for exporters. Buyers will move to the competing countries to source their goods, said Jain.

Source: thehindubusinessline.com– Jun 29, 2020

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Indian apparel retail revenue to dip 35% in FY21: CRISIL

Revenue of the ₹1.7-lakh-crore organised apparel retail sector in India is set to plummet by 30-35 per cent this fiscal due to temporary store closures, restricted mobility and low income visibility for consumers, according to rating and analytics firm CRISIL, which recently said the absolute fall in operating profits will be much sharper, necessitating additional funding, mainly debt, by firms to make up for cash flow shortfalls.

This will affect credit metrics. Pent up demand, as well as the behaviour of consumers post lifting of lockdown, will have a bearing on the pace of recovery, the company said in a statement.

Among the apparel segments, sales of the departmental store format will be hit harder, with nearly 40 per cent decline in revenue, as half of these departmental stores are mainly located in malls and tier 1 cities.

For value fashion retailers, the impact will be lower at around 30 per cent, as these have higher presence in tier 2 and 3 cities, with over half of the stores located in these geographies. A higher proportion of standalone stores and expected benefit from down-trading with income levels decline will also benefit this segment.

Apparel retailers are also likely to see higher contribution from online channels this fiscal, driven by changing buying pattern of consumers amid the pandemic.

With cash flows being crunched, retailers are seen availing additional debt to make up for the near term shortfall in cash accruals vis-à-vis fixed obligations.

Apparel retailers with omni-channel presence, balanced mix of brands and private labels and sufficient liquidity, and those with access to support from strong parents or groups, will be placed better to counter the challenging business environment, CRISIL added.

Source: fibre2fashion.com– Jun 29, 2020

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Clearance of import shipments from China, Hong Kong should be fast-tracked at ports, say exporters

Seeking intervention of the commerce and finance ministries, exporters demand fast-tracking the clearance of containers coming from China and Hong Kong at all ports, saying delays impact their manufacturing operations.

They claimed that at all airports and seaports, including Mumbai, Delhi, and Chennai, Indian customs are opening and checking all containers coming from these countries, which is causing inordinate delays in clearance of import consignments.

"Domestic manufacturers who are importing their inputs of raw materials should get priority in clearance of containers. It should be fast tracked," Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said.

The development assumes significance in the wake of increasing border tensions between India and China. The Indian and Chinese armies are locked in a bitter stand-off at multiple locations in eastern Ladakh for the past six weeks, and the tension escalated manifold after 20 Indian soldiers were killed in a violent clash in the Galwan Valley on June 15.

Sharing similar views, Apparel Export Promotion Council (AEPC) Chairman A Sakthivel said the industry imports fabrics and accessories from the neighbouring countries and they are getting severely impacted due to the delay in the clearance of containers.

"If the things will prolong, we may face financial loss. I would urge the Central Board of Indirect Taxes and Customs (CBIC) and the commerce ministry to look into the matter and resolve it," Sakthivel said.

Another exporter said that consignments of countries like the US are getting cleared at a faster pace, it should be replicated for domestic manufacturers also.

Amid heightened border tensions with China, Indian customs officials are conducting physical inspection of all consignments coming from the neighbouring country based on intelligence inputs although there is no formal order on the same.

The move had resulted in a retaliatory action by China with Indian exporters complaining of shipments being held up in Hong Kong.

Source: cnbctv18.com– Jun 29, 2020

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Reusable upto 80 washes, Coimbatore textile firm develops PPE coveralls

A Coimbatore-based textile manufacturing company has claimed that they have developed personal protective equipment (PPE) coveralls which are reusable up to 80 washes.

Speaking to ANI, KG Denim, the company's Managing Director said, "It has the ability to recharge chlorine in fabric for nearly 80 washes. It has antimicrobial certification from SITRA."

"Disinfecting properties of chlorine is built in our fabric and is active on its surface for two weeks. On washing, chlorine is absorbed again by fabric giving it antimicrobial facility. Property available in the fabric in first wash is available even after 80 wash," he added.

The PPE kits which are presently being used for COVID-19 treatment in the area are not reusable and can be used only for one day. The used PPE should be destroyed using Incinerator daily and in many cases the used PPE kits are thrown away into garbage vans, which is a serious concern.

To combat this, the textile manufacturer says he has come up with this unique reusable PPE coveralls which can give protection to the medical staff.

"This technology binds chlorine with the fabric and kills 99.5 per cent of many common bacteria and virus. We have the capacity of producing 15,000 meters of these anti-viral fabrics," said Denim.

Source: business-standard.com– Jun 29, 2020

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Maharashtra govt ends up procuring 50% of cotton in Maharashtra

More procurement centres, gin and press units helped Maharashtra clock a five-year high in terms of government procurement of cotton. With over 92 per cent payment cleared for farmers, the government is confident of finishing the process in the next one or two days.

Maharashtra reported an all-time high 44 lakh hectares of cotton acreage and production of 407 lakh quintals (80 lakh bales each of 170 kg) of cotton. Since the start of the season, the fibre crop has been trading well below its government declared minimum support price (MSP) of Rs 5,500 per quintal.

Both the Cotton Corporation of India (CCI) and the Maharashtra State Cooperative Cotton Marketing Federation had waded into procurement of cotton to help farmers. Till March 2020 — that is before the lockdown was announced — both the CCI and the federation had effected payment of 145.06 lakh quintals of cotton.

The lockdown had seen cotton procurement process slowing down because of social distancing norms and restriction on movement. The process involves farmers registering their cotton with the local Agricultural Produce Marketing Committees (APMCs) after which it is taken to the procurement centres run by the CCI or the federation (the federation buys on behalf of CCI). Once the quality of the cotton is fixed, farmers are paid accordingly. The procured cotton is then processed into bales in the press and gin units, which are adjacent to the procurement centre with the bales transported later to the warehouses.

Anoop Kumar, principal secretary of animal husbandry, dairy development fisheries and marketing, said the impasse created by the lockdown was resolved by talking to individual district collectors to restart the process of government procurement.

Given the urgency of the matter, the number of both procurement centres as well as ginning and pressing units were increased substantially. Thus the federation, which had 74 procurement centres and 127 pressing and ginning units prior to the lockdown, increased it to 89 and 170 respectively. Similarly CCI, which was operating 84 procurement centres and 181 processing units, increased it to 85 and 231 respectively.

Data shared by the state marketing department shows that till date both the government agencies have effected procurement of 200 lakh quintals of kapas (unginned seed cotton) while private traders have procured 198 lakh quintals. Thus, only a small fraction of 407 lakh quintals still remain with the farmers which the federation and CCI says will be procured in the next few days.

"In areas where the procurement centres did not have water proof structures to protect the cotton, the APMCs had erected sheds," he said. Till date, of the Rs 10,463.25 crore to be paid to farmers in way of MSP, Rs 9946.46 crore have been paid. "The remaining amount will be cleared soon," he said.

This would be a five-year high. Back in 2014-15, the state saw procurement of 108.88 lakh quintals of cotton, which is almost half of the present year's procurement.

Source: indianexpress.com– Jun 30, 2020

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Covid-19 crisis: Govt allows PPE exports after prices crash over 65%

India opened up exports of personal protective equipment (PPE) or medical coveralls, albeit in a restricted manner, as supplies in the domestic market have picked up significantly, leading to a price crash.

Prices of some grades of PPE have crashed by over 65 per cent in the last one and a half months owing to glut in the domestic market.

The Directorate General of Foreign Trade (DGFT) in a notification on Monday said it is revising the export policy for medical coveralls to 'restricted' from 'prohibited'. The government has set an export quota of 5 million PPE every month.

The industry seemed divided in its reaction to the relaxation in export policy. Kulin Lalbhai, executive director, Arvind, said, "This is a great move by the government. Arvind has maintained earlier that India has an opportunity to become a leading player in technical textiles, including PPE.

The Centre has allowed the first step into exports. The industry will now have to prepare itself for the same."

As for Arvind, Lalbhai said it is working on getting requisite certificates and it hopes to be ready with all certification for exports in July. "The demand situation is very conducive. We see no reason why we should not ramp up (PPE) manufacturing. We can provide world-class quality," said Lalbhai.

Meanwhile, Rajiv Nath, forum coordinator of the Association of Indian Medical Device Industry (AiMeD), an umbrella organisation for all medical device makers in India, felt the process of exports is not smooth.

He added that manufacturers and exporters of PPE will have to apply online through DGFT's export authorisations. Applications received within the first and third day of the month will be considered for the quota of that month. The validity of export licence would be for three months only.

Meanwhile, prices have crashed in the domestic market. "A rough estimate is that around 500,000 PPE are being manufactured in India per day by small enterprises," said Nath.

There are different grades of PPE - prices for the basic variety have come down to less than Rs 150 per piece, from over Rs 500-600 a month ago.

The director of a diagnostic chain said he gets calls from suppliers almost daily. He said they quote a price of Rs 200 and are willing to negotiate. "We get calls daily and the negotiated rates come down to Rs 150. Some, however, do not provide gloves and goggles at this rate. We bought for around Rs 450 a piece (as part of a bulk order) in May. We have enough stock now, and have not placed any purchase order yet," he said.

Lalbhai maintained that the price slash in the domestic market is not a concern. "There are different players operating in different quality bands. It is not fair to say that prices have slashed overall. For a quality product, there is a certain cost to make it and a certain demand for it - whether in domestic or exports," he added.

Source: business-standard.com– Jun 30, 2020

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Cotton Corp cuts price by 300 rupees more to 36,300 rupees/candy

The Cotton Corp of India has lowered its reserve sale price of the fibre by 300 rupees a candy (1 candy = 355 kg) following a decline in spot prices. This is the second time that the agency, which has procured a huge stock of cotton this year, has undertaken a price cut this month.

"...we have further revised our price for 30-mm variety to 36,300 rupees per candy from 36,500-36,600 earlier," Chairman and Managing Director Pradeep Agarwal said.

Earlier this month, the agency had slashed prices from 46,500 rupees. Following the second cut, the current price is 22% lower from 46,500 rupees per candy. Further, the state-owned agency said it will allow discounts on bulk purchases of cotton bales procured in 2018-20 (Oct-Sep) marketing years.

Currently, cotton is being sold at 33,500-34,000 rupees per candy in spot markets of Gujarat and Maharashtra.
In the 2019-20 (Oct-Sep) season, the agency has procured over 10.0 mln bales (1 bale = 170 kg) of the fibre. Last season, it had bought only 900,000 bales as spot prices of the fibre were mostly higher than its support prices.

Cotton Corp is the government's nodal agency for procurement under the minimum support price scheme.

Though the price cut by Cotton Corp has made the fibre attractive for the industry, buying is likely to remain subdued due to ample stock in the market. Slowdown in business activity in wake of the COVID-19 pandemic has led to a fall in consumption, said market experts.

"Definitely, the price offered by Cotton Corp is attractive also the quality is good. However, buying of cotton from CCI will remain weak due to liquidity crisis," said K. Selvaraju, secretary general, Southern India Mills Association.

Mills are running at only 30-40% of their capacity and have sufficient stock for the next two months, said Selvaraju. Market experts see closing stock of cotton for the 2019-20 season at around 5.0 mln bales, higher from 2.4 mln bales in the previous year.

Source: cogencis.com– Jun 29, 2020

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19% of MSMEs eligible for govt guarantee in high-risk category

An analysis of MSME borrowers by TransUnion Cibil shows that 19% of those eligible under the government's Emergency Credit Line Guarantee Scheme (ECLGS) fall in the sub-prime or high-risk category. On the positive side, 81% of those that will receive these loans are considered to be structurally strong.

The credit bureau has been assigning Cibil SME Rank (CMR) to small businesses based on its credit history data on a scale of 1-10. CMR 1 is the best possible rank for the least risky MSMEs and CMR 10 is the riskiest rank for MSMEs. The lower the CMR, the lesser the risk of bad loans associated with the MSME.

According to TU Cibil analysis, 28% of the MSMEs have a CMR between 1 to 3 which makes them super-prime borrowers and the least likely to default. Bulk of the small businesses fall in the 'prime' category with a CMR rank between 4 to 6. The remaining 19% are the riskiest borrowers with a CMR of over 7.

The government as part of its Atmanirbhar Bharat relief package announced a credit guarantee scheme for MSMEs that would facilitate Rs 3 lakh crore of credit infusion into the sector. The package is sizeable considering that the total amount lent out by banks to MSMEs in 2019 was only Rs 2.8 lakh crore.

"In addition to the 100% credit guarantee, the fact that over 80% eligible MSMEs have a ranking of CMR 6 or better makes ECLGS guidelines inherently cater for risk containment.

However, in the rapidly changing market conditions, the dynamics of MSME businesses are evolving every day and therefore it's important to not only rely on original structural strength of MSME but to also regularly monitor borrower's behaviour," said TU Cibil MD and CEO Rajesh Kumar.

Incidentally, the percentage of sub-prime borrowers is least (18%) in the 'micro' loans category, while the 'medium' category of industries has the highest level of sub-prime borrowers at 38%, and the 'small' category has 23%.

According to RBI's March data, micro and small industries accounted for 4.3% of all bank loans, while the medium size category had only 1.3% of bank loans. The total amount of loans outstanding to the MSME industry stood Rs 4.87 lakh crore at the end of May.

Source: timesofindia.com– Jun 30, 2020

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Structural changes required to revitalise MSME sector, says report

The MSMER report demands an alternative strategic approach focussed on entrepreneurship as a critical national resource

The Institute of Small Enterprises and Development (ISED) has suggested consolidating and strengthening the country's decentralised manufacturing system to revitalise the MSME sector.

Against the dramatic slowdown of the economy and border disputes with China having far-reaching consequences on trade and investments, such a step is possibly the only option available to India today, said India Micro, Small and Medium Enterprise Report 2020 (MSMER-2020), prepared by the ISED Small Enterprise Observatory (ISED-SEO), and brought out by ISED.

The report, twenty-third in an annual Series, was release on Sunday in Kochi as part of the celebrations on the 'UN Micro, Small and Medium-sized Enterprises Day' at the Institute.

Making a review of the Covid-19 impact on the industrial system and labour market in India, the report examines the various counter-strategies followed at the international level; ie., relief packages (helicopter money) and "keep the lights on" strategy. While the latter strategy of keeping the MSMEs insulated through measures like a wage subsidy would have been more appropriate to the context of India, the compulsions of the country's democratic system did not make it possible.

'Enterprise security'

There has been a significant number of permanent closures of units across the country recently. However, the pandemic gives good lessons in terms of looking at 'enterprise security' as a critical issue that requires constant review and monitoring.

"Hard decisions would be required for rebuilding the MSME system of the country," said PM Mathew, Editor of both the series and of the latest report. It demands an alternative strategic approach focussed on entrepreneurship as a critical national resource. It also demands the setting up of a permanent 'National Small Enterprise Commission', mandated with vital roles such as inter-Ministerial coordination of knowledge, strategy development and policy coordination.

Source: thehindubusinessline.com– Jun 29, 2020

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Lockdown would have cascading effect on apparel industry: Association

Traders' body the Apparel and Handloom Exporters' Association representing around 400 micro, small and medium enterprises in the state on Sunday said the ongoing lockdown has caused a cascading effect on the deliveries of goods committed till September. The Association's honorary secretary Nishanth Jain said the workforce was largely affected due to the 12-day lockdown imposed in Chennai and neighbouring districts.

He requested the state government not to further extend the lockdown which ends on June 30 as traders were unable to serve their clients. The apparel and handloom export companies employ about 1.50 lakh workers with 90 per cent of them comprising women.

Due to the ongoing lockdown they do not have any other source of livelihood, he said in a statement shared with P T I. He noted the industry was already facing huge losses due to order cancellations by companies following the lockdown from March till May.

The goods that were made by the companies have to be exported between June and September and if the companies did not make proper deliveries to the overseas clients on time, the companies may tend to cancel the orders, he said.

Expressing concern that the overseas clients may shift to companies operating in China, Bangladesh, Vietnam, Sri Lanka, he said, "once the clients move out to other nations, it will be extremely difficult to bring them back..." The ongoing 12-day lockdown would have a "cascading effect" on the deliveries of goods that were already committed for July, August and September, he said.

With the state capital recording high number of COVID-19 cases among districts, the government had announced lockdown since June 19 in Chennai, Madurai, parts of Chengalpet, Kancheepuram and Tiruvallur districts till June 30 without relaxations that were available previously.

Source: retail.economictimes.indiatimes.com– Jun 29, 2020

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CBIC extends validity of e-way bills in new set of relaxations

The Central Board of Indirect Taxes and Customs (CBIC) extended the end-date till August 31 for several relaxations including issuance of order and appeals by tax authorities, including in case of refunds, and extended the validity of e-way bills issued before lockdown till September 30.

In notifications issued on Saturday, the Board further extended the time limit, till August 31, for authorities to issue orders or notices in case of rejection of full or partial refund claims.

"for the words, figures and letters 29th day of June 2020, the words, figures and letters "30th day of August 2020" shall be substituted; and for the words, figures and letters "30th day of June 2020", the words, figures, and letters "31st day of August 2020" shall be substituted," the Board said in one of the notifications, referring to an earlier notification dated June 9.

Separately, the Board also extended the due date of compliance related to assessment procedures, notices, orders, filing of appeals and replies among others, for authorities and tribunals – falling between March 20, and June 29, to June 30 – till August 31.

The Board also extended the validity of e-way bills till September 30, which were set to expire during the period of March 20 and April 15, issued before the lockdown period. This would be the third extension granted by the Board, which was first given till May-end and then till June-end, and would help in faster transportation of goods within the country.

Source: economictimes.com– Jun 28, 2020

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Skill ministry plans to train 300,000 migrants

The union skill development ministry has chalked out a plan to train at least 300,000 migrant workers who have returned to their home states since March in an attempt to help them upgrade their skills and possibly earn more, according to documents seen by Hindustan Times.

The training will be offered under the Garib Kalyan Rozgar Abhiyaan. The special job programme, kickstarted by Prime Minister Narendra Modi on June 20, primarily aims to provide jobs in projects worth Rs 50,000 crore but it also has a training component for unskilled daily wage workers.

At a meeting on June 16 and 17, the union skill ministry spoke to different states, asking them to identify 300,000 daily wage wagers willing to take two crash courses on skill development.

The training for unskilled workers will be given under two heads: “1.5 lakh migrant workers under Short Term Training (STT) and another 1.5 lakh in Recognition of Prior Learning (RPL),” said a skill ministry order on June 22.

While STT is typically 300-500 hours of training depending on the job role, RPL varies from 12 hours to 80 hours of training. In its bid to meet the target, the government has also allowed states to reduce the short courses and shift them to recognition programmes. The skill minister has told the states that “In such case, against surrendered target of 1 STT, 3 additional RPL targets may be taken.”

State and district administrations have been requested to identify and map the skills of "reverse migrants" and identify their interest in skilling courses. The states will also do survey of the eligible enterprises for apprenticeship at district levels.

Under the Garib Kalyan Rozgar Abhiyaan, the government will provide jobs across 116 districts—with at least 25,000 returnee migrant labourers—spread across 6 states.

A skill ministry official said the ministry is hopeful to meet these targets in the stipulated time (125 days) as considerable progress has been made on skill mapping of migrant workers, identification of job roles for training and survey of establishments for apprenticeship.

Former rural development secretary Jugal Kishore Mohapatra maintained, "I think if they are targeting skill upgradation of 3 lakh workers that's a modest and doable target. My guess is eventually 80-90% migrant workers will return to big cities but the rest would stay back. The skill programme will be helpful for all as a skilled labour can claim more wages."

Source: hindustantimes.com– Jun 29, 2020

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Strong execution of stimulus package must for reviving MSMEs, says GAME task force; suggests measures

Ease of Doing Business for MSMEs: A task force chaired by Dr KP Krishnan, former secretary, Ministry of Skill Development and Entrepreneurship and constituted by Ravi Venkatesan, founder, Global Alliance for Mass Entrepreneurship (GAME) has recommended measures to help revive MSMEs impacted due to the Covid.

To ensure higher adoption of the stimulus package announced by the government for MSMEs, the task force said that 30 per cent of the stimulus package should be released for micro and small enterprises while NPA classification should also be relaxed so that borrowers can repay loans in a longer timeframe and digitise the bank guarantee process.

The recommendation report asked for strong execution of announced packages through state governments and local industry bodies as according to a recent survey of 45,000 MSMEs by All India Manufacturers' Organisation, businesses are not clear about the eligibility, process and structure of the financial package announced by the government.

The task force, which has members including Persistent Systems Chairman Anand Deshpande, ITC chairman Sanjiv Puri, Apollo Hospitals joint MD Sangita Reddy, Teamlease chairman Manish Sabharwal and more, also asked for setting aside funds specifically directed at nearly 1 crore new-to-credit MSMEs with a condition to 'formalize' informal businesses. It also urged for enabling banks to support existing loans on MSMEs via a credit guarantee fund and ensure easy repayment options for higher recovery.

Due to Covid, 57 per cent of micro-businesses have left with no cash reserves while 65 per cent have had to depend on their personal savings to manage operations, according to the report. Moreover, close to 40 per cent of MSMEs have already tried to borrow money to survive even as only 14 per cent managed to get it from formal sources. Also, around 73 per cent MSMEs have reported a decline in orders and 50 per cent have indicated that inventory levels have increased by over 15 per cent.

In order to ease compliances and processes to start and run a business, the task force recommended the implementation of BRAP (Business Reforms Action Plan 2019) in states by creating implementation guidelines, metrics for success and increased ownership of the center on key recommendations. It has also suggested rationalizing compliances through "detailed assessment of associated laws (currently 58K compliances in India across sector, state, etc., leading to significant duplication and enhancing complexity, with 50 per cent of these being labor compliances)."

Source: financialexpress.com– Jun 29, 2020

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