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INTERNATIONAL NEWS

USA: How Would a Biden Presidency Affect Trade Policy?

Be prepared for a major reset of U.S. trade policy if Democratic nominee Joe Biden is elected president.

As the first of three presidential debates gets set to kick off, experts see the former vice president softening President Trump's aggressive approach to international trade into a more multinational diplomatic strategy, while also turning the talk about Made in America into action with a true U.S. manufacturing plan.

"Between Biden and Trump, you have two almost diametrically opposed visions of the world," Julia Hughes, president of the United States Fashion Industry Association, said. "With Trump, its trade wars and criticism–none of our allies are doing enough–while what most people anticipate from a Biden administration is that the temperature is going to go down. He's not going to be as confrontational, although I am sure that any Democratic administration is still going to be focused on enforcement and on battles with our trading partners to protect American interests."

Striking a trade balance

Phil Levy, chief economist for logistics company Flexport, who oversaw international economic policy for the late Sen. John McCain when he ran for president against former President Barack Obama in 2008, said if elected, Biden would like to push the international trade issues aside.

"The campaign has said that they want first to do domestic investments and 'only after that, do we want to get to trade,'" Levy said.

The Democratic National Committee (DNC) and Biden campaign's platform on trade said Democrats will negotiate "strong and enforceable standards for labor, human rights and the environment in the core text of our trade deals."

"Future trade agreements should build on the pro-labor provisions added to the United States-Mexico-Canada Agreement (USMCA) by Democratic members of Congress," the platform states.

The Biden-DNC platform said Democrats will take aggressive action against China or any other country that tries to undercut American manufacturing by manipulating their currencies and maintaining a misaligned exchange rate with the dollar, dumping products like steel and aluminum on the U.S. markets or providing unfair subsidies.

“The problem for Biden, unlike for President Obama when he took office– he had all kinds of issues to deal with, but on trade it was a relatively stable situation,” Levy said. “Whereas, a President Biden would have a whole bunch of ticking time bombs that he would have to deal with pretty quickly. So, I think that would be the struggle. I don’t think it’s his core passion, he’s not a free trader. He’s voted in this direction, but he has deep sympathies for unions and if you look at his policy platforms, they’re chock full of ‘Buy American’ proposals, but he’s also all about, ‘we have to stand by our allies and reshape our alliances.’”

Buy (and manufacture) American

Chris Haynes, associate professor of political science and national security at the University of New Haven, said a lot of Biden’s trade policy is centered on his “empathy and concern for American manufacturing and labor.”

“It goes back to his Scranton roots and really does shape his understanding of how he wants to retool trade,” Haynes said. “One thing he does want to change from what Trump is doing is to take a much more multilateral approach to negotiating with our trading allies and confronting and corralling China. There’s a more realized understanding that China’s economic and political system is so different, their way of doing business is so different that by taking an approach like its 2004, China is able to outmaneuver the United States. What Biden seems to want to do is build a larger coalition of partners, Europe and Japan in particular, that are much more willing now in 2020, for a variety of reasons, to join up with Biden to confront China on intellectual property theft and access to their markets, likely under the auspices of the World Trade Organization.”

Haynes said Biden will aim to link boosting American manufacturing to sustainability and the Green New Deal. A Biden administration, he added, would try to build on the “bringing home” of supply chains such as PPE and raw materials. Biden has proposed a $400 billion investment in procurement and trying to build up infrastructure and “Buy America,” as opposed to a diversification strategy favored by some.

“Biden’s campaign agenda is focused on domestic preparedness and helping shore up our manufacturing base,” Kim Glas, president and CEO of the National Council of Textile Organizations, said. “That seems to be his real priority versus going out and negotiating a bunch of free trade agreements on Day One. His agenda is about how do we strengthen Buy American, how do we invest in strategic industries, what are the research and development tools that we need to enhance here in the United States.”

The DNC platform said Biden would likely eliminate Trump’s tax and trade policies that encourage big corporations to ship jobs overseas and evade paying their fair share of taxes.

“If companies shut down their operations here and outsource jobs, we’ll claw back any public investments or benefits they received from taxpayers,” it states.

Biden’s comprehensive manufacturing and innovation strategy will also marshal the resources of the federal government. Specifically, it follows six lines of effort that “will remake American manufacturing and innovation so that the future is made in America by all of America’s workers.”

It will first make “Buy American” real with a $400 billion “Procurement Investment” that together with the Biden clean energy and infrastructure plan will power new demand for American products, materials and services and ensure that they are shipped on U.S.-flagged cargo carriers. The plan calls for a retool and revitalization of American manufacturers, with a particular focus on smaller manufacturers and those owned by women and people of color, through specific incentives, additional resources, and new financing tools.

Biden’s plan would make a $300 billion investment in research and development and breakthrough technologies–from electric vehicle technology to lightweight materials to 5G and artificial intelligence–to unleash high-quality job creation in high-value manufacturing and technology.

Biden’s plan seeks to ensure that the major public investments–procurement, R&D, infrastructure, training and education–reach all Americans across all states and regions, including urban and rural communities, with historic investments in communities of color and an emphasis on small businesses.

It would also pursue a "Pro-American Worker Tax and Trade Strategy" to fix the "harmful" policies of the Trump Administration and give manufacturers and workers the fair shot they need to compete for jobs and market share, while also bringing back critical supply chains to America "so we aren't dependent on China or any other country for the production of critical goods in a crisis."

"In addition to bringing back the jobs lost this year, Joe Biden's plan to ensure the future is made in all of America will help create at least 5 million new jobs in manufacturing and innovation," the platform said.

Though to accomplish these initiatives, Biden would need Congressional cooperation.

Levy said Biden is certain to look to boost U.S. manufacturing, including apparel and textiles.

"I think he's been clear on it; I think it's been his instinct and I think it also follows the pattern," he said. "You certainly saw a decent amount of that in the recovery program that he helped oversee for the Obama administration. There's going to be a challenge to it because it's going to be seen as protectionist. There is a bipartisan support for industrial policy now and that will play into that."

China and the world

A Biden administration, said Hughes, would want to be playing a global leadership role that has historically been part of the DNA of American interactions around the world.

On China, Levy said there's going to be a "really big choice" that Biden would have to make fairly quickly of whether he does a reset or does he take what he inherited and work from there.

"He's criticized the China tariffs as ineffective, and that's true–it's damaging American consumers and farmers, which is also true–but there's also going to be huge pressure to show 'I'm tough on China,'" Levy said.

Nicole Bivens Collinson, president of international trade and government relations at Sandler, Travis & Rosenberg, said during a webinar Tuesday that Biden has said he may keep Trump's tariffs on China and has pledged to "insist on fair trade."

"Biden is far more likely to pursue a more multilateral approach and work with allies to try to come up with remedies against the bad actors in the world, the biggest of which, of course, is China," Collinson said.

Hughes noted that Biden has been "very careful" in policy language. She predicted that tariffs might not be lifted on Day One, but that there will be a "fresh look taken" on them and some or all will eventually be lifted.

For Glas, the presumption is that Biden won't look to get rid of the tariffs on China that have helped the domestic textile industry, at least not right away. The DNC and Biden campaign said it will "rally our allies in a coordinated effort to pressure the Chinese government and other trade abusers to follow the rules and hold them to account when they do not."

Experts and pundits agree that Biden is sure to take a more global approach to running the government and putting the U.S. back in a leadership position around the world.

Levy sees Biden going back to a more multilateral approach globally, such as working within the World Trade Organization and rejoining the Paris Climate Accord. He could see Biden joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which evolved from the Trans-Pacific Partnership, which never entered into force due to Trump's withdrawal on Day One in office, and helping to "force China's hand" that way.

He said Biden could also break the logjam on the WTO appellate body appointees and could cut some of the national security tariffs.

"I do see a reset on the WTO under a Biden administration, both on how it operates and on how we act within it, but also a recognition that it needs to exist and is needed," Hughes said.

On free trade agreements, she noted that the Biden campaign has "wisely" not said much about them because she thinks the administration would need to give some deep examination of "what is the U.S. interest in free trade agreements?"

Source: sourcingjournal.com– Sep 29, 2020

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U.S. moves could ban cotton products, other imports from China's Xinjiang region

Congress has taken a first step toward banning imports from factories in the Xinjiang region of China, and U.S. Customs is moving on specific cotton products and other categories.

The bipartisan bill targets goods made with forced labor from detained Uighurs and other ethnic minorities in China. It passed handily by a vote of 406-3. The bill would have to be approved by the Senate, then signed into law by President Trump to take effect.

Customs firm Meeks, Sheppard, Leo & Pillsbury noted even if the bill is not enacted, Customs and Border Patrol (CBP) still has the authority to issue withhold release orders (WRO) and has already issued WROs for imports from several entities. It has the authority to issue specific WROs or broader mandates, according to the firm.

Issued on Sept. 14, the pending WROs are specifically targeted and include:

- Cotton produced and processed by Xinjiang Junggar Cotton and Linen Co., Ltd. in Xinjiang Uyghur Autonomous Region, China.
- All products made with labor from the Lop County No. 4 Vocational Skills Education and Training Center in Xinjiang Uyghur Autonomous Region, China.
- Hair products made in the Lop County Hair Product Industrial Park in Xinjiang Uyghur Autonomous Region, China.
- Apparel produced by Yili Zhuowan Garment Manufacturing Co., Ltd. and Baoding LYSZD Trade and Business Co., Ltd in Xinjiang Uyghur Autonomous Region, China.
- Computer parts made by Hefei Bitland Information Technology Co., Ltd. in Anhui, China.

"These actions by Congress and [Customs] make it critical that importers from China should be sure that 1) their suppliers are aware of these actions and 2) will certify that their products are not from the applicable suppliers listed above or are products made with cotton grown, processed or manufactured in the Xinjiang Region," the law firm wrote in a memo to clients, who include the Home Fashion Products Association.

Meeks, Sheppard, Leo & Pillsbury speculated that the WRO petition filed by Customs is likely to be granted

Mark Morgan, Acting CBP Commissioner, said the WROs are intended "to send a clear message to the international community that we will not tolerate the illicit, inhumane, and exploitative practices of forced labor in U.S. supply chains."

Source: hometextilestoday.com– Sep 29, 2020

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China manufacturing data shows small rebound in September

Factory activity in China improved slightly in September, according to official data published Wednesday, showing a small rebound in the economy ahead of the week-long National Day public holiday.

The closely watched Purchasing Managers' Index (PMI) is a key gauge of manufacturing activity in the world's second-largest economy, which has largely bounced back after plunging in February because of tough coronavirus measures.

In September, the PMI figure increased slightly to 51.5 after slipping to 51.0 in the previous month. Any figure above the 50-point mark represents growth while below it signals a contraction.

Zhao Qinghe, a senior statistician at the National Bureau of Statistics (NBS), said that this month's figures, with increases in several key indices, demonstrated a "steady recovery" and a pre-holiday consumption boom.
But Zhao also noted that some industries, such as apparel, textile and wood processing, reported insufficient market demand.

"We also see that, although overall manufacturing demand has increased, industrial recovery is uneven... the global pandemic has not been fully and effectively controlled, and there are still uncertain factors in China's imports and exports," he said.

In February, the index plunged to 35.7 points after the coronavirus brought much of China to a standstill.

Non-manufacturing PMI came in at 55.9 points -- an increase of 0.7 percentage points from August, showing further signs of an economic rebound.

This month's new export order index and import index were both positive for the first time, at 50.8 percent and 50.4 percent respectively -- a rise of 1.7 and 1.4 percentage points from August.

Chinese business media group Caixin noted that "new business expanded at the strongest rate since January 2011" and employment stabilised in the manufacturing sector, while the easing of lockdown measures contributed to the momentum of recovery.

But the Caixin manufacturing PMI edged down from 53.1 last month to 53.0 in September.

The Caixin PMI mainly surveys SMEs, and is seen by some as a more accurate reflection of the economic situation than the official government figure, which more closely reflects the condition of large state groups.

"The latest PMIs show that economic activity continued to accelerate in September on the back of a broad-based improvement in both services and manufacturing," wrote Julian Evans-Pritchard, senior China economist at Capital Economics, in a note.

"In the near term, we think fiscal support and improving foreign demand will keep activity in industry and construction strong, which in turn should shore up consumer sentiment and household spending."

Business indices in the official measure for industries including railway transportation, air transport, catering and telecommunications were at 60 percent or above.

Source: au.finance.yahoo.com– Sep 29, 2020

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China: Seed cotton prices stay high, and new cotton quality triggers worries

In early Sep, hand-picked seed cotton in South Xinjiang starts to arrive and trade on the market, and around Sep 15, machine-picked seed cotton in North Xinjiang also kicks off its trade. Seed cotton prices have been constantly increasing after the arrivals of new cotton.

From Sep 25, prices fall down somewhat, but the prices face resistance to decrease later as ginning capacity in North Xinjiang has risen largely this year, and ginners are expected to seize the seed cotton actively. In addition, according to current inspection indicators, the quality of new cotton is unfavorable.

The ginning yield of machine-picked seed cotton is high, and the length and strength of lint has been affected. The quality in early period is mostly below 28mm and 28gpt.

Seed cotton prices

1. Hand-picked seed cotton in South Xinjiang

In early Sep, procurement of hand-picked seed cotton begins in South Xinjiang. In early period, the seed cotton is mainly for wadding, and prices have risen from 6yuan/kg in early Sep to 6.8-6.9yuan/kg, and the ginning costs of lint for wadding are about 14,000yuan/mt on theory.

Nevertheless, its selling prices are mostly at 14,000-14,200yuan/mt by Sep 24, so ginners that process the cotton for wadding can break even at least, and some ginners with low processing costs may have a profit of 500yuan/mt, which is better than the situation of cotton for spinning.

Later, the seed cotton for spinning is procured gradually around Sep 23, and the hand picking progress is slow, so the purchasing volumes are limited.

By Sep 24, its prices are lowly at 6.1-6.2yuan/kg, and ginning costs to lint are around 13,100-13,300yuan/mt on theory, which is much higher than the cotton futures, but close to the market price. However, the purchasing volumes remain limited, and prices have not been clear overall.

2. Machine-picked seed cotton in North Xinjiang

Machine-picked seed cotton in North Xinjiang starts to be procured successively around Sep 15, and in early period, prices are mixed, at 5.1-5.5yuan/kg with ginning yield of 40%. On Sep 19-Sep 23, prices move up quickly, at 6yuan/kg or above with ginning yield of 42-43%. The ginning costs to lint are highly at 13,500yuan/mt, much higher than the cotton futures and market prices.

From Sep 24, some ginners in North Xinjiang begin to set ceiling price of machine-picked seed cotton, to be no more than 5.65yuan/kg, and the moisture content is no more than 15%, some no more than 20%. Therefore, prices move lower slightly.

Nevertheless, as the ginning capacities have risen largely this year, the competition to seek for seed cotton is fierce. Prices may face resistance to fall down. Currently, prices of seed cotton with ginning yield of 40% is lowly at 5.4-5.5yuan/kg, and ginning costs to lint are around 12,800-13,300yuan/mt on theory.

New cotton quality

According to the inspection by factories, due to high ginning yield of machine-picked seed cotton, its cotton length and strength is affected, to be mostly below 28mm and 28gpt. The cotton quality is yet not stable at present. The quality of machine-picked cotton shall be paid high attention. If the cotton quality fails to improve later, then the quality cotton supply may tighten.

Currently, there is still old cotton to be digested, but if the new cotton costs are higher than the market prices and cotton futures for long time, the new cotton is easy to be not available on the market, and if the cotton quality fails to improve later, the quality cotton supply will tighten directly. Cotton users shall pay attention to the prices of seed cotton and new cotton quality.

Source: ccfgroup.com– Sep 29, 2020

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Yarn Expo helps fibre industry with online & offline event

The autumn edition of the Yarn Expo proved its importance to the industry as a vital business hub, and additionally this year as a chance to reconnect and recover both in-person and virtually. The leading first yarn & fibre industry event was held from September 23-25, 2020, at Shanghai's National Exhibition and Convention Centre with 15,707 visitors.

Around 419 exhibitors from six countries and regions including China, Hong Kong, India, Pakistan, the US, and Vietnam, took part in the fair. Yarn Expo answered the current and future needs of the industry, a number of themed areas and events featured at the fair. This included the China Fibre Fashion Trends Display Zone, China Knitted Fancy Yarn Trends Display Zone, New Fibre Horizon – Textile Material Innovation Forum, and Product Launch Conference, according to a press release by Messe Frankfurt.

"We are very pleased that we have been able to successfully hold the Yarn Expo and Intertextile Apparel fairs in both Shenzhen in July and now in Shanghai on schedule this year, as we know how many companies rely on these platforms to generate new business and foster existing relationships.

From the feedback from participants this week, it's clear these events have provided a real boost to help their businesses to make up some of the ground lost earlier in the year, and to look forward to the seasons ahead with some confidence.

What's more, the chance to reconnect in-person was widely acclaimed, while the new online platforms have been especially well-received by international exhibitors and buyers who were unable to be physically in Shanghai this year as a further increase to their outcomes from the fairs," Wendy Wen, senior general manager of Messe Frankfurt said.

"We always visit both editions of Yarn Expo to check out the new trends. This year, especially after the pandemic, we really needed to be here to see how the textile industry is going to evolve. I've attended a few seminars and they are very inspiring. Last year, we purchased a seaweed fibre that I learned about in a seminar.

I really prefer sourcing in a physical fair because it's much easier when I can meet face-to-face with the suppliers, as well as touch the products to feel the quality. Yarn Expo is the most professional fair of its kind in China, so I'm very glad the autumn edition went ahead as planned. It's been an effective sourcing trip," Maggie Lu, sourcing manager, Orkla Group Procurement Hub Shanghai, China said.

Yarn Expo Autumn 2020 was held concurrently with Intertextile Shanghai Apparel Fabrics – Autumn Edition, PH Value, and CHIC, providing a concentrated overview of the latest trends and developments in the textile sector.

Source: fibre2fashion. com – Sep 29, 2020

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Clothes and Footwear Import in January-July 2020: Cotton Fabric Export Up

According to the RF Federal Customs Service statistics, during January-July 2020 Russia imported 30.7 mn pairs of leather footwear, down 12.8% year-on-year. In terms of value, leather footwear import decreased by 20.1% year-on-year down to $706.7 mn.

Clothes import into Russia declined by 8.9% down to $3.7 bn.

Cotton fabric import during the first 7 months was down 3.8% year-on-year to 165.1 mn sqm. In terms of value it decreased by 5.1% down to $89 mn.

Cotton fabric export from Russia surged by 45.2% year-on-year up to more than 86 mn sqm worth $30.1 mn, up 8.7%.

In July, leather footwear import declined by 32.3% year-on-year and grew by 57.1% month-on-month making 4.4 mn pairs worth $117.8 mn, down 32.7% year-on-year, but up 98.9% month-on-month.

Clothes import was down 5.5% year-on-year and up 48.4% month-on-month to $766 mn.

Cotton fabric import in July decreased by 5.1% year-on-year and by 3.5% month-on-month amounting to more than 23.9 mn sqm. In terms of value, it made $12.8 mn, up 2.4% year-on-year and up 17.4% month-on-month.

Cotton fabric export surged 4.7-fold year-on-year and up 4.4-fold month-on-month to make more 37.4 mn sqm. In terms of value, it made $4.2 mn, up 40% year-on-year and down 12.5% month-on-month.

Source: seanews.ru– Sep 29, 2020

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Sri Lankan President urges local industries to commence production of high quality textiles

Sri Lankan President Gotabaya Rajapaksa today emphasized that it is imperative for local industries to commence the production of standard and high quality textiles immediately.

President Rajapaksa explored the possibility of assigning the larger percentage of supply of school and security forces uniform material to local industrialists following an inspection visit to textile mills in the Dankotuwa Industrial Zone today (September 28).

The President accompanied by the Minister of Industries Wimal Weerawansa visited the Dankotuwa Textile Mill, Dankotuwa, Vanguard Industrial (Pvt) Ltd, Kandana and Creative Textile Mill (Pvt) Ltd, Wattala today.

Numerous garment industrialists conveyed that following the uniform coupon system, they had to shut down a number of their production facilities which were built at a capital expenditure. A large number of employees were laid off as well.

President first visited the Creative Textile Mill (Pvt) ltd in the Dankotuwa Industrial Zone. The company which was an investment of Rs 2 billion remains shut down since 2015. Despite its discontinued production and income, the proprietor had to pay an interest of Rs 8 million to banks annually.

Creative Textile Mill has been importing threads from India, Pakistan and China to produce clothing material and managed to employ 500 people. The production capacity of the facility is expected to be increased to 100,000 meters per day while demand for annual school uniform estimated at 11 million meters.

President Rajapaksa encouraged the managerial level staff to recommence their apparel production and requested them to figure out a plan for the self-employed entrepreneurs to contribute to the demand for the school uniforms.

“We can reduce the import cost by 68% if we can boost the local textile production”, President pointed out. It was also revealed that with the purchase of local garments, Ministry of Education could save up to Rs 80 million annually.

The President also drew attention to the issues raised by the local political authority and the people regarding the Industrial Estate of Dankotuwa.

Vanguard Industries (Pvt) Ltd, Kapuwatta, Kadana, which supplied 40% of the school uniform requirement before 2015, is now engaged in producing bed sheets and towels. President Rajapaksa, who observed the overall production process of the company, encouraged the management to increase the capacity to meet the demand for fabrics in the local market. The management stated that their establishment has the capacity to supply 30% of the school uniform material requirement.

President Rajapaksa also inspected Creative Textile Mill pvt Ltd, Wattala, a branch of Dankotuwa Textile Mill (pvt) ltd. Fabrics for the uniforms of the tri-forces are manufactured there. The Company employs over 1500 people. One of the primary functions of the company is to dye fabrics as required by the security forces. The Management told the President that imported fabrics are not tested and that there is a high cost involved in testing local fabric products.

They pointed out that laundry detergents are not properly regulated and as a result of this a significant amount of damage can happen to the color of the fabric. The President urged them to take advantage of the assistance provided by the government to local industrialists and strive hard to win both local and foreign markets.

President Rajapaksa inspected the production of the National and Buddhist flags in the company and instructed the owners to increase the production to meet the local demand accordingly.

Source: colombopage.com– Sep 28, 2020

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Vietnam: FDI enterprises account for 70 percent of textile export turnover

The Vietnam Textile and Apparel Association on September 28 said that up to 70 percent of textile export revenue belongs to foreign direct investment (FDI) enterprises.

Accordingly, the export turnover of the garment and textile industry hit US$39 billion last year. It expects that this year, despite being heavily affected by the Covid-19 pandemic, the textile export turnover will still reach around $32 billion.

Currently, Vietnam's textile and garment industry ranks at the sixth place in textile exports in the world and ranks second after China among the largest textile exporters in the European market.

In the long run, when the domestic garment and textile enterprises can take the initiative in raw materials for production, they will be able to increase their export market share, especially in the European market, where they only account for 2 percent of the market share.

Many domestic garment and textile enterprises said that authorities need to attract foreign investment selectively in the garment and textile sector. Accordingly, it is necessary to prioritize investment attraction in the production of raw materials to create conditions for domestic enterprises to complete the garment and textile supply chain and make the most of the advantages of export tariffs.

At the same time, it will help domestic garment and textile enterprises to reduce the risk of antagonistic competition with FDI enterprises investing in Vietnam in the export market.

Source: sggpnews.org.vn– Sep 29, 2020

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NATIONAL NEWS

Textile Ministry data puts 2019-20 cotton crop at 357 lakh bales

In its official estimates for cotton crop and sowing, the Textile Ministry's Committee on Cotton Production and Consumption has projected India's cotton production of 357 lakh bales (each of 170 kg) for the year 2019-20, with a rise of about 2 per cent in the yield at 453.82 kg per hectare as against 444.74 kg last year.

The newly constituted Committee, formed after the abolition of the Cotton Advisory Body (CAB) vide resolution no. 1/23/2014-cotton dated August 3, 2020, officially projected India's closing stock for 2019-20 at 105.44 lakh bales following sharp dip in mills' and small scale industries' consumption.

The Ministry of Textiles had abolished CAB in consonance with the Government of India's vision of 'minimum government and maximum governance'.

The Committee, that met on September 14, reported a sharp jump in cotton yield in Maharashtra with over 11 per cent rise at 337.6 kg per ha, as against 304.29 kg per ha last year.

While the yield has declined in North India by about 14 per cent on average over the last year, the same has increased in southern India with an average about 15 per cent jump over last year.

Trade sources revealed that going by the official data released by the Textile Ministry, India's cotton cultivation for 2019-20 was recorded at 133.73 lakh hectares.

"So the current year's estimated kharif cotton sowing of about 129.5 lakh hectares is lower by about 3 per cent on year-on-year comparison. This is in contrast to the trade's estimation of higher sowing happening this year," a cotton trade source informed, indicating that the crop size may be lower than anticipated.

Source: thehindubusinessline.com– Sep 29, 2020

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India's cotton exports gains momentum; prices likely to go up

India's cotton exports have gained momentum as Indian cotton is currently the cheapest in the world. Cotton Corporation of India, which is holding the largest stocks in the country, has sold close to 5 million bales of cotton in the past two months, a lot of which has been shipped abroad by private traders.

"Cotton exports have been sharply up and hence we expect prices to move upwards in the coming week. Due to excess rainfall, there is more moisture in cotton and arrival of good quality cotton has been delayed, giving support to the prices," said Gnanasekar Thaigarajan, director, Comtrendz Research.

Cotton trader Dinesh Hegade said there is tremendous demand for organic cotton from Bangladesh. "Bangladesh has a huge requirement of both organic and non-organic cotton. But we will not have organic cotton available till the new crop is harvested," said Hegade.

Pradip Jain, president, Khandesh Ginners' Association, said: "There has been about 10% loss of the crop due to heavy rainfall. But it is likely to be recovered as higher moisture levels in soil will help to increase production during later pickings. The crop will be delayed by about 15 days more than the normal time."

Cotton Corporation of India was holding nearly a third of the cotton that had arrived in the country during the 2019-20 (October-September) season. However, it had refused to sell cotton at a loss. Hence it was carrying almost all of the cotton in May. It started offering heavy discounts and selling at a loss since June which helped it liquidate close to 50% of its stocks.

"We have sold 57 lakh bales of 170 kilograms each from the total stock of 115 lakh tonnes. We are confident that most of the remaining stock will be sold during the next couple of months," said Pradeep Agarwal, chairman, Cotton Corporation of India.

The state-owned company is trying to sign a government-to-government agreement with Bangladesh which is presently being cleared by different ministries.

Cotton Corporation of India is selling cotton at Rs 38,200 per candy of 356 kg each. Small traders and brokers have alleged that its discount scheme on bulk purchases has helped only the big companies and traders, who have benefited by selling this cheap cotton in domestic and export markets.

At the present, cotton prices are ruling much below the minimum support price (MSP), which has been fixed at Rs 5825/quintal. Private traders are likely to stay away from buying cotton when arrivals gather pace from the end of October. Cotton Corporation of India has said that it is all set to purchase cotton in the north while it will begin preparations from October 1 for MSP operations in southern India.

Source: economictimes.com– Sep 29, 2020

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'More than fractured attempts, need for enacting MSMEs' 'transformation trendlines' to shape future'

Transforming the small business ecosystem in India has become monumentally critical, and urgent need, more so in the past six months, due to a continuous slide in the GDP from 7.5 per cent in Q1 2019 to flirting with a near-zero growth in Q2-Q3 2020. The fact that small businesses contribute to 25 per cent to GDP and are a source of non-farm employment of two-third of the working population in India makes this problem acute. The underpinning drivers of the current state are several, and one of the important ones is the near-absent holistic lens to look at the small business ecosystem as a whole. While fractured attempts have been made, much more needs to be done. Here is the macro picture of the small business ecosystem's transformation trendlines that needs to be comprehended, enacted, performed and governed before we even attempt to look at transformations at the firm level.

The Actors, Transformation Experience, The Past and the Future:

The small business ecosystem has several actors, namely owners, employees, customers, suppliers, partners, regulators, funders and other stakeholders. The transformation experience starts with a goal, and the journey starts with a problem statement, hopefully ending with the desired outcome and impact. I have summarized the transformation trendlines for each combination of actor and the stage in the transformation experience/

journey, to describe what was the paradigm in the past and what could it be, in the future.

Owner: The small business owners have attempted to win alone, fiercely competing with each other due to scarcity of resources and a long tail of small businesses which lack formalization (only a small percentage of around 75 million MSMEs have credit access and several ones are unregistered) as the cost of formalization often exceeds the gains from business! With over a fifth expected to be out of business given Covid-19 situation, the battle for resources may get murkier.

The prudence is in recognizing the fact the small businesses need to win together not by fighting but by partnering with each other. If the goals are expressed to encourage them to partner, I see significant upside to increasing competitiveness and thereby improving the chances of profitable growth. This entails ideation adopting a collaborative approach to think of new business models, learning and unlearning together (What should MSMEs focus on: Upskilling, reskilling, learning or unlearning?) and defining commercially and socially relevant outcomes and impact.

Employees: Being loyal, spending even lifetimes in the same employment (especially oriental businesses in Japan, China, India, etc.) were much-touted paradigms in the past. This meant that employees looked at transformations to rise in the hierarchy, serve the master in a patriarchal command and control environment, finally to aim for being rich or being in the position of power. Tomorrow, the employees will undergo transformations that emphasize productivity not tenor in the organisations, skills and not power, partnerships with their owners and not loyalty and finally seek greater degrees of freedom to make their career choices and express what they want.

Asking employees to be entrepreneurial without giving their share of profits, is like expecting one to love someone else's child as much as one's! Noble in spirit but against nature in reality. Tomorrow's employees would be nomadic professionals united for some time to produce outcomes of mutual benefit, but not bound like yesteryear's laborer.

Customers, Suppliers, Partners: The old paradigm of internal and external customers is valid even tomorrow but a nuance. The past belonged to the era of hierarchy resulting in the dictation of the terms of engagement and power equation. Mostly experiencing win-lose situations one's position and control in the value chain defined its goal, engagement approach in the nature of transformations one sought, often with desired outcomes and impacts serving the purposes as a trade-off with each other. Tomorrow may be different. The scarcity of resources, changing economic and social structures globally will rewrite the paradigms of transformations.

Regulators, Funders and Other Stakeholders: The roles of these entities ought to change. In the past, scrutiny of businesses, focus on negative enforcements (penalties, fines, draconian restrictive laws), extractive tendencies and pursuit of power for those who held either an authoritative position or money to fund businesses, mattered. The future would witness the roles transitioning into catalyzing, being constructive, exercising positive reinforcement, and finally empowering businesses and powering them. Think of the government as the grand platform, not a regulator as we know today, think of a funding entity to a grand central non-executive financial institution and not as the one who calls all shots in the boardroom. Future holds promise. Should we not shape it?

Source: financialexpress.com– Sep 29, 2020

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GST e-invoicing: Gradual roll-out will ease the pain

The Goods and Services Tax regime, which was launched in July 2017, seemed to be settling down when the Covid-19 pandemic dealt a blow to the economy, bringing businesses to a standstill in April and May.

GST compliance also dipped in April and May, as seen in the adjacent graph, less than 10 per cent of GSTR 3B returns for March, April and May were filed until June.

Of the GSTR1 returns due for March, only around 50 lakh returns were filed up to June, compared with over 80 lakh returns filed at the end of every quarter.

It is quite clear that GST compliance has taken a knock during the lockdown as the movement restriction along with funds crunch made payment of tax difficult. The leeway given to businesses in tax filing also contributed to the lowered compliance.

Amidst all this businesses are questioning the need for the introduction of e-invoicing regime from October 1. E-invoicing involves reporting details about GST invoices, credit notes, debit notes for all B2B supplies and exports on a special government notified portal. This upload is besides the regular invoices created on their own accounting/billing/ERP systems.

That said, smaller businesses are unlikely to be hurt since only taxpayers with aggregate turnover exceeding ₹500 crore in a financial year have to generate e-invoices. There are almost 11 lakh entities with annual turnover under ₹5 lakh, that generate an average of just one invoice per day. At the other end of the spectrum are a handful of companies with turnover exceeding ₹500 crore, that generate over 5,000 invoices every day; these larger companies are the most affected as of now.

E-invoicing could, however, be introduced to all businesses, in a phased manner.

Not all are ready

So, are businesses ready for the e-invoicing regime? “Some of the taxpayers are ready; however, there are a few taxpayers who are still struggling due to lack of access to IT team and resources for implementing e-invoicing,” says Pritam Mahure, a Pune-based tax consultant.

He also points out that many countries had given around three years’ time for implementation of e-invoicing after the final format/schema was made available in public domain. In India, the final schema was made available on July 30 and thus taxpayers have got just less than 2 months for preparation during pandemic time.

“While the government has given time to businesses to prepare for the impending e-invoicing regime, the Covid pandemic has affected the readiness of businesses for the same,” concurs Tanushree Roy, Director, Nangia Andersen India.

“Given the various annual deadlines (GST Audit and Annual return FY 2018-19 and last date for availing credits/ raising of invoices/ debit/ credit notes for FY 2019-20) falling in September/ October 2020, it appears a tough time ahead for the businesses. However most appear to be in implementation mode/ stage.”

Additional work

The tax payer has to generate QR code/ IRN for every invoice from hereon. This will increase the workload on businesses, says Mahure. He also points out that those businesses who are not yet ready with their software updates for the transition may prefer to not make any supplies for few days, in order to be compliant with the new rules.

“E-invoicing is expected to create additional work load for businesses at least initially,” says Roy. “Till date, invoices were being raised by the businesses internally. Now given that raising of invoices would depend on generation of IRN through government portal, any glitches may result into delay in raising of invoices. Also the lack of trained staff engaged in such activity may also create initial impediments, thereby creating additional work load for businesses. This would particularly be a concern for businesses generating numerous invoices daily.”

Beneficial in the long run

E-invoicing could eventually help in improving GST compliance as well as in checking evasion. This was the primary intention of the government in introducing the e-invoicing mechanism and linking the same with the e-way bill mechanisms.

However, as e-invoicing is being made applicable to businesses having turnover exceeding ₹500 crore, matching/ verification of invoices raised by vendors not covered by e-invoicing provisions would have to be carried out in the present manner. So, a hybrid mechanism of matching/ reconciliation is likely to continue till e-invoicing is made applicable to all businesses.

Source: thehindubusinessline.com– Sep 29, 2020

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Tax collection at source: Ready for the new regime?

'Data is the new oil' may well sound like a cliché, but the amount of importance Indian tax administration is attaching to data collection is unparalleled. With a slew of measures taken in the recent times by the authorities towards e-administration powered by exchange of information between GST and income-tax authorities, the authorities have been gearing up for a future-ready tax administration, where common tax data pool, prefilled tax returns, comparison of various tax filings at click of a button would be the 'new normal'.

Come October 1, India Inc finds itself in the middle of one such measure called the Tax Collection at Source (TCS). The Finance Act, 2020, substantially expanded the scope of TCS provisions to include sale of goods, sale of overseas tour programme package and overseas remittance of funds under the Liberalised Remittance Scheme of RBI.

Specifically impacting India Inc is the inclusion of sale of goods, which a massive number of manufacturing and trading organisations need to consider given the low monetary thresholds for the applicability of the provision. The nominal TCS rate of 0.1% (reduced to 0.075% till March 2021) and wide applicability (on B2B as well as B2C transactions) underscores the government's focus on data collection.

Companies are bracing themselves to comply with new provisions that entail collection of taxes at a transactional level, followed by a host of compliances on a monthly, quarterly and annual basis. Based on a recent survey by EY-SAP, 80% of the respondents consider technical nuances of new TCS provisions and updating systems and processes as the biggest challenges.

The statistics are quite relatable since there are several technical nuances on the applicability of these provisions in case of sale of shares, securities, foreign currency, computer software products, electricity, actionable claims and interpretational issues around computation of sale consideration, transitional provisions and so on. While the pandemic has severely hit profit margins of many taxpayers, their ability to approach the tax authorities for obtaining a Lower Collection Certificate hasn't been enabled yet in the law.

The new TCS regime entails updating accounting packages and IT systems to ensure appropriate TCS levy on invoices/debit notes/collection. One of the biggest dilemma organisations are facing is whether to apply TCS on invoice or on receipt basis—while TCS on receipt basis is contemplated under the law, this is likely to add to the need for robust reconciliations given how the financial systems today are wedded to the concept of accrual.

Undertaking periodic TCS liability, ensuring accuracy and efficiency in compliances, being prepared with reconciliations and maintaining audit-ready back-ups is a humongous exercise, especially for large entities having innumerable transactions on a single day. It is not surprising that many organisations are viewing this as an opportunity to introduce technology and data analytics in tax compliance, as merely excel sheets will not suffice in the long term.

The EY-SAP survey also revealed that almost 65% of respondents recognise a need for a digital intervention to automate their TCS compliance and reporting life cycle, to keep pace with the government's increasing use of data analytics and intelligent automation.

While industry bodies have made representations for further pushing the expanded TCS regime considering that it also coincides with the e-invoicing timeline, there is no indication of the same.

One does, however, hope that regulators provide more clarity on the nature of reconciliations expected to be maintained by taxpayers and eventually garner support from India Inc in collecting data at source to identify gaps in compliances and combat tax evaders.

Source: financialexpress.com– Sep 29, 2020

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APSEZ to introduce train access charge at Mundra port from November 1

Adani Ports and Special Economic Zone Ltd (APSEZ) said that it will introduce a new access charge on all trains arriving at Mundra port-- the Ahmedabad-based conglomerate's flagship port and India's biggest commercial port by volumes handled.

The new charge, will be applicable from November 1, has been set at ₹7,500 plus GST per access (part/full), APSEZ said in a trade notice, adding that it is being introduced "for utilising the railway infrastructure at Mundra port for a safe and reliable operation".

The train access charge is applicable for all the container trains arriving at Mundra port. The charges will be levied on the container train operators (CTO) at the inward entry of train.

Besides, APSEZ said that the twist locks of container train wagons were found to be defective on many occasions leading to safety and operational concern while handling. To compensate for the exceptional handling in such cases, ₹5,000 plus GST per event will be payable by the CTO, it said.

Mundra port caters to the northern hinterland with multimodal connectivity. It provides nation-wide integrated connectivity between the container terminals at Mundra and various inland container depots (ICDs) in North-West India.

Container train operators said that they will recover the additional cost by passing it on to the exporters.

Source: thehindubusinessline.com– Sep 29, 2020

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As migrant workers return to work Tiruppur units buzz with industrial activity

With many of migrant workers returning to the state, Tiruppur is again buzzing with industrial activity. Tamil Nadu was under a strict lockdown until September 7. Though visitors still require e-passes to enter the state, the government has eased restrictions for inter-district travel from September 1.

Tamil Nadu has around six lakh power looms that employ around 10 lakh people directly, informs Velusamy, Secretary General, Tamil Nadu Powerloom Federation. Most of these laborers hail from the Southern districts of the state. They did not go back to their towns and villages during the lockdown.

Opening of transport aids laborers' return

Laborers employed in Tiruppur have starting returning to the city. Some workers are arranging buses while some are availing of the transportation services arranged by their companies. More laborers are expected to return once railways open up, says Raja Shanmugam, President, Tiruppur Exporters Association (TEA). Tiruppur district authorities issued e-passes to 274 companies to bring migrant workers back to the district.

Like Tirrupur, workers employed in spinning mills in and around Coimbatore have also starting returning to work. These mills employ around two lakh workers, of which, over 50 per cent hail from other districts and states, says K Selvaraju, Secretary General, Southern India Mills Association (SIMA)

Orders expected to spurt up

The apparent lack of demand has prompted fears of job losses in the industry. Powerloom weavers in Palladam expect a huge revenue loss due to a decline in demand. Many units have allowed their laborers to go home and come back when demand returns.

However, the knitwear industry expects a potential spike in orders as its busy season begins in September and lasts till April the next year. The industry expects huge diversion of orders from Vietnam, Bangladesh and Cambodia to Tiruppur.

Source: fashionatingworld.com– Sep 29, 2020

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Government in no mood to defer e-invoicing

Corporates, experts strongly advocate postponement

The government has made it clear that the October 1 date of operationalising e-invoicing in the country stands firm. This is even as the corporate sector and experts hope the proposed move will be postponed.

E-invoicing essentially involves reporting details of specified GST documents to a government-notified portal and obtaining a reference number. GSTN (the IT systems provider for GST) claims that there is not much difference between the present system and new one. Registered persons will continue to create GST invoices on their own accounting/billing/ERP systems.

These invoices will now be reported to the Invoice Registration Portal (IRP). On reporting, the IRP returns the e-invoice with a unique Invoice Reference Number (IRN) after digitally signing the e-invoice and adding a QR Code. Then, the invoice can be issued to the receiver, along with QR Code. A GST invoice will be valid only with a valid IRN.

The government in March had notified that a new system will come into operation from October 1. Initially, it will be mandated for registered persons with aggregate turnover of ₹500 crore or more in a financial year.

According to GSTN, use of e-invoicing will make filing the returns easier as all the information will be auto populated. E-invoicing will also facilitate standardisation and inter-operability, leading to reduction of disputes among transacting parties, improvement of payment cycles, and reduction of processing costs, thereby greatly improving overall business efficiency.

Though there is intense lobbying to defer the move, Finance Ministry sources told BusinessLine that no change is proposed on the timeline. However, experts feel that it should be deferred.

Mahesh Jaising, Partner at Deloitte India, says preparedness amongst corporates to go live on GST e-invoicing effective October 1 is sub-optimal. He quoted a survey by the US-India Strategic Partnership Forum (USISPF) amongst its members where it was found that 64 per cent of companies were not ready to go live on October 1. According to Jaisingh, the reasons for seeking deferment include incorporation and testing of recent changes, that is, changes in the accounting platform and validation parameters, upcoming festival season in October/ November, and manpower crunch as a result of Covid-19.

"The reform is an important one and the government should consider going live on a voluntary basis, and hence, the benefits of e-invoicing are available for companies that are ready. A mandatory roll-out could be considered in a few months, say, by January 1, 2021," he said.

Rajat Bose, Partner at Shardul Amarchand Mangaldas & Co, felt that the shift to the e-invoicing regime requires significant changes to ERP systems of companies, which is both time consuming and entails costs for the companies. Given the pandemic situation, industry is struggling with human and fiscal resource crunch, and therefore, this may not be an ideal time to implement such a major change in GST framework.

"Further, there are still some open issues, especially in B2C transactions such as requirement of static and dynamic QR codes on invoice, which haven't been resolved completely by the government," he said.

Source: thehindubusinessline.com– Sep 29, 2020

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ATDC to start apparel exporters Pro-Up programmes in Jan

The Apparel Training & Design Centre (ATDC) along with the Apparel Export Promotion Council (AEPC) is participating in the World Bank's Project 'STRIVE', beginning in Tamil Nadu, A Sakthivel, chairman of ATDC and AEPC, told the 17th annual general meeting of ATDC held virtually today. Professional upgradation (Pro-Up) programmes for apparel exporters will be started from January, vice chairman Rakesh Vaid said.

Members from Usha Fabs Pvt. Ltd., Jyoti Apparels, Monica Garments, Cheer Sagar, Goodwill Impex, Neetee Clothing, Trend Setters Intl., Madan Trading Co.(P) Ltd., SNQS Intl., P.S. Exports, K.G. Exports, Creative Garments Pvt. Ltd. and Twenty Second Miles were among the participants.

ATDC has been selected by the Delhi government through the Delhi Scheduled Caste/ Scheduled Tribe/ Other Backward Classes/Minorities and Handicapped Finance and Development Corporation (DSFDC) for training 1,000 candidates in programmes in apparel manufacture & technology and fashion design & technology, the AGM was told. The courses have commenced from September 21 at Dwarka, Okhla, Ayanagar, Dilshad Garden and Rohini centres of ATDC.

Amidst the COVID-19 crisis, ATDC has made a strong foray into online courses for all its verticals. The National Skill Development Corporation (NSDC) has renewed ATDC's membership as a non-funded partner for the next three years and as of March this year, ATDC had uploaded over 68,000 candidates through the NSDC portal, becoming one of the biggest vocational training providers in the country.

ATDC is also making efforts to rehabilitate migrant labourers and in Uttar Pradesh, with over 200 such people being trained at ATDC Kanpur, AEPC said in a press release.

Source: fibre2fashion.com– Sep 29, 2020

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