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IBTEX No. 221 of 2022 — November 18, 2022

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INTERNATIONAL NEWS

US Cotton Trust Protocol's Annual Report Details Latest Wins

The U.S. Cotton Trust Protocol has published its second annual report, detailing the results for the 2021-22 period, running from Aug. 1, 2021 to July 31, 2022.

The farm-level, science-based sustainability program reported significant improvements in the sustainability metrics measured, an increase in membership across the value chain, the completion of nine successful pilots, and its growing international recognition by independent and government bodies.

During the period, the Cotton Trust Protocol was able to provide farm-level data that showed grower members demonstrating tangible results across six key metrics. Using peer-to-peer data sharing and aggregated sustainability data, these members recorded a 13 percent increase in land use efficiency and a 14 percent rise in water use efficiency.

In addition, they posted a 25 percent reduction in energy use, a 21 percent reduction in greenhouse gas emissions, a 78 percent reduction in soil loss and a positive Soil Conservation Index for 70 percent of growers.

Membership across the program has grown solidly in the U.S. and internationally. Enrolled areas of U.S. cotton production have doubled since the program's pilot year to 1.1 million acres, with all 17 U.S. cotton-producing states are now represented.

Mill and manufacturer membership has increased significantly, growing to 820 companies from 30 countries, an increase of more than 50 percent in the last year. The number of brand and retail members has grown to 40 and now include Ralph Lauren, J. Crew, Tesco, Levi Strauss & Co., Gap and Old Navy.

The Trust Protocol has been piloting, testing and scaling the technology solutions that record and track the movement of U.S. cotton and Protocol cotton through brand and retailer member's supply chains to their finished products. This allows for tracking cotton through complex supply chains in a way that has not been possible at scale before.

Nine completed pilots involving global brands and retailers with nearly 150 mills have been initiated and a further 15 pilots are confirmed to be conducted with 125 additional mills.

In 2022, the Trust Protocol received international recognition from two major evaluation bodies. In May, the Trust Protocol was approved by Siegelklarheit, an initiative of the German federal government that is a transparent, independent and comprehensive evaluation system that informs consumers about credible seals to allow them to make more sustainable purchasing decisions.

The Trust Protocol was accepted as an ISEAL community member in June. ISEAL community membership comes just 18 months after the program's launch, following a rigorous and meticulous approval process. ISEAL supports ambitious sustainability systems and their partners to tackle the world's most pressing challenges by defining credible practice for sustainability systems based on emerging global consensus.

"These results are excellent, and even more so given the challenges of the past year, from increased scrutiny brought by the changing regulatory landscape to U.S. cotton growers faced with rising production costs and weather extremes," Dr. Gary Adams, president of the U.S. Cotton Trust Protocol, said. "The past year has been one of perseverance, dedication and commitment. That has meant focusing on foundational growth and making thoughtful, innovative decisions."

"To continue this growth and ensure the program's success we need to maintain our unwavering commitment to, and support of, our growers as they work towards continuously improving against our six core environmental metrics," Adams added. "Maintaining a focus on innovation and implementation of the latest technologies will also be a key tool in helping them to improve our future environmental footprint."

Adams said as the organization continues to increase the number of growers participating, "we also expect that future environmental performance against our targets may change."

"Ultimately, to have the greatest impact requires both the broadest participation and the best environmental performance," he added. "We strive for both, but we also want to be transparent about our expectations for the future with our partners as we grow."

Launched in 2020, the U.S. Cotton Trust Protocol was designed to set a new standard in more sustainably grown cotton, ensuring that it contributes to the protection and preservation of the planet, using the most sustainable and responsible techniques. It is the only farm level, science-based program that provides quantifiable, verifiable goals and measurement in six key sustainability metrics as well as article-level supply chain transparency.

The Trust Protocol is overseen by a multi-stakeholder board of directors comprised of representatives from brands and retailers, civil society and independent sustainability experts, as well as the cotton-growing industry, including growers, ginners, merchants, wholesalers and cooperatives, mills and cottonseed handlers.

Source: sourcingjournal.com - Nov 17, 2022

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EURATEX identifies elements needed to implement full potential of PEF

Europe's textile and apparel association EURATEX recently identified several key elements necessary to implement and recognise the full potential of the Product Environmental Footprint (PEF) methodology and to break down the complexity of the term 'sustainability' into distinct, understandable and clear building blocks. These include optionality, accessibility, robustness and usability.

Making environmental claims using PEF should remain voluntary. The process to develop a sector-specific PEF needs to be fully transparent and easily accessible to all key value/supply chain actors, no matter the size, EURATEX said in a position paper.

Legislation fostering PEF must ensure a level playing field, avoiding the proliferation of different methods in order to improve comparability and avoid unfair comparisons among materials/products.

For a robust environmental claim, the use of PEF needs to relay on high quality and verified data. This is a continuous process to update and enlarge the database of materials, processes and products, and to avoid misleading results.

SMEs shall be able to process the necessary data without additional burden and without having to overly depend on (non-EU) dataset owners.

PEF needs to be scientifically sound and provide for periodic scientific and independent review.

The PEFCRs development process shall be open to new industries and product groups. The development timeline shall be flexible, with a continuously open call for applications and a more adaptable schedule, the position paper said.

The PEF is an essential step forward for EU harmonised life cycle assessment (LCA calculation, which currently still has some methodological shortcomings. Existing limitations can cause misleading results and information can lead to incorrect purchase decisions and wrong environmental strategies.

The European Commission is preparing different policy measures, such as Ecodesign requirements for textiles (ESPR), mandatory green criteria for public procurement, EU Ecolabel scheme and measures to substantiate green claims.

The PEF is visioned to support setting these policies, to improve comparability and prevent from greenwashing.

However, EURATEX is concerned that the current single PEF score method is not able to make enough distinction and fulfill the requirements set in other EU policy measures.

To be effective and fit for purpose, the PEFCRs must be regularly reviewed and updated in line with the unfair commercial practices directive, where companies are obliged to underpin the benefits of their products with adequate evidence, the position paper said.

Therefore, the European Commission should not exclusively adopt the green claims system based on PEF, the uncertainties on the underlying PEF rules shall be first addressed, it noted.

Source: fibre2fashion.com - Nov 18, 2022

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Bills and Notes Guarantee product eases UK SMEs' export finance access

UK Export Finance today launched a product to help support small and medium enterprises (SMEs) through challenging market conditions. Announced by minister for exports Andrew Bowie at UKEF's annual Finance Forum, the new Bills and Notes product is now open to guarantee payments by overseas buyers and will be available to more financial institutions with a simpler, more streamlined process.

"To deliver growth, level up the country, and future proof our economy, we need to export more. That's why UKEF helps businesses of all sizes to expand and start their exporting journeys....In the last year UKEF has provided record support for small and medium businesses across the UK and I am committed to building on this momentum," Bowie said in an official release.

Bills and Notes are a standard method of payment where money is due under bills of exchange or promissory notes. UKEF has now improved its offer to enable overseas buyers of UK goods to benefit from extended payment terms structured using these methods. It means small UK businesses can get paid more quickly and easily for their exports. This helps with crucial cash flow and liquidity.

As part of its wider package of support for SMEs, it is the latest announcement by UKEF in its mission to remove barriers to trade. Through partnerships with specialist lenders, UKEF can now support a greater range of UK exporters - including those with smaller transactions - by arranging tailored, deferred payment facilities for companies worldwide.

In 2021-22, 81 per cent of companies supported by UKEF were SMEs, a new record for UKEF, which offered support worth £27 million to ensure UK SMEs got paid upfront to fulfil export contracts.

Source: fibre2fashion.com- Nov 17, 2022

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US' Walmart registers 8.7% revenue growth in Q3 FY23 earnings

American multinational retail corporation Walmart Inc has reported 8.7 per cent growth to $152.8 billion in its revenue of the third quarter (Q3) of financial year 2023 (FY23) ended October 31, 2022, as compared to the corresponding period of previous year. The company's net sales also grew by 8.8 per cent to $151.4 billion in Q3 FY23, as compared to $139.2 billion in same quarter of previous year.

In Q3 FY23, the company's consolidated operating income was $2.7 billion, a decrease of 53.5 per cent, compared to Q3 FY22, while the adjusted operating income was $6 billion, an increase of 3.9 per cent. Furthermore, the consolidated gross profit rate declined 89 basis points, compared to Q3 FY22, primarily due to markdowns and mix of sales in the US and the timing of Flipkart's annual event, the Big Billion Days.

Consolidated operating expenses as a percentage of net sales increased 144 basis points in Q3 FY23, compared to corresponding period of previous fiscal, due to charges of $3.3 billion related to opioid legal settlements. Adjusted operating expenses as a percentage of net sales decreased 75 basis points in Q3 FY23, compared to Q3 FY22, primarily due to strong sales growth and lower COVID-related costs.

Walmart's adjusted EPS for Q3 FY23 was $1.50, while the adjusted EPS was $4.57 for the first three quarters of FY23.

The company's net cash provided by operating activities was $15.7 billion for the nine months ended October 31, 2022, which represents a decline of $0.6 billion when compared to the same period in the prior year. The decline is primarily due to the timing of certain payments and a decrease in operating income, partially offset by moderated inventory purchases.

Free cash flow for the first three quarters of FY23 was $3.6 billion, which represents a decline of $4.1 billion when compared to the same period in the prior year. The decline in free cash flow is due to the reduction in operating cash flows, as well as an increase of $3.5 billion in capital expenditures to support investment strategy.

In Q3 FY23, Walmart US' comp sales grew 8.2 per cent, compared to Q3 FY22, and the comp sales grew 17.4 per cent on a two-year stack. E-commerce growth was 16 per cent, compared to Q3 FY22, and e-commerce grew 24 per cent on a two-year stack.

In Q3 FY23, Walmart International net sales were $25.3 billion, an increase of $1.7 billion, or 7.1 per cent, compared to Q3 FY22, negatively affected by $1.5 billion from currency fluctuations.

The company's guidance for Q4 and fiscal 2023 is provided on a non-GAAP basis. Growth rates reflect an adjusted basis for prior year results. Fiscal 2023 operating income is adjusted for charges related to opioid legal settlements in the third quarter. The company's guidance assumes a generally stable consumer in the US, continued pressure from inflation and mix of products and formats globally.

For the fourth quarter of FY23, the company expects the consolidated net sales to grow about 3 per cent, negatively affected by approximately $1.3 billion from currency fluctuations.

For fiscal 2023, Walmart's net sales growth is expected to be about 5 per cent. Based on current exchange rates, the company expects a headwind of about $4.1 billion for the year. Walmart US' comp sales growth, excluding fuel, are expected to be about 5.5 per cent.

The company's consolidated adjusted operating income is expected to decline around 6.5 per cent to 7.5 per cent, which improved from the company's prior guidance of a decline of 9 per cent to 11 per cent and reflects better performance in the third quarter. Walmart's adjusted earnings per share is expected to decline around 6 per cent to 7 per cent.

Source: fibre2fashion.com- Nov 17, 2022

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Firms see stronger trade in textiles as China-Australia relations improve

Chinese and Australian companies see a stronger potential for cooperation in textiles, a major sector in bilateral trade, with a good number of deals signed at the China Clothing Textile Accessories Expo 2022 held in Melbourne from Tuesday to Thursday.

During the three-day expo, co-hosted by the China Chamber of Commerce for Import and Export of Textiles (CCCT) and Jiangsu Department of Commerce, 152 enterprises participated. The event drew up to 2,810 professional visitors, mostly Australian clients, during the first two days, CCCT said. Judging from the active participation of visitors who attended the expo and from the feedback from exhibitors, the event is deemed a success, Cao Jiachang, the chairman of the CCCT, told the Global Times.

Many deals were clinched during the expo, with more expected to follow. For example, a group based in Shaoxing, East China's Zhejiang Province, a textile industry hub, signed deals worth a total value of about $6.5 million during the first day. Ma Ying, general manager of HBT Garment, a domestic fashion and clothing company, was among the most active participants of the event.

As in previous sessions, Ma held many talks with Australian clients about possible deals. Most of the clients have been Ma's partners for years. While they didn't meet for three years due to epidemic, it didn't stop them from agreeing on orders, which Ma said shows the trust of Australian clients in China-made quality products.

"Chinese textile products have gained popularity among Australians, not only because we are leading the world in the innovation and usage of carbon-neutral and recyclable fabrics, but also because of the complete supply chain and efficient business operations in China, which is more competitive than many other countries," Ma said.

Strained bilateral relations will thaw following high-level meetings at the G20 Summit in Indonesia.

Frequent high-level interactions between the two countries have brought a significant change from the stalemate that has been in place since 2019, experts said.

"It marks a 'coming out of the cold' between Beijing and Canberra, as both sides have expressed their willingness to improve relations through dialogue," Chen Hong, president of the Chinese Association of Australian Studies, told the Global Times.

"China-Australia relations are stable and improving after falling to a low point, which gives strong confidence to the economic and trade circles of the two countries," Cao said.

Australia, with its vast land and sparse population, is a net importer and consumer of labor-intensive products. For example, Australia imports more than $10 billion of textile and clothing products every year. China is its largest source, accounting for about 60 percent of the total, much higher than China's 38-percent global market share by value, Cao said.

The trend didn't change much despite the pandemic. In 2021, Australia imported $6.82 billion worth of textile and apparel products from China, a year-on-year increase of 13.3 percent.

In the first three quarters of this year, Australia's imports from China stood at $6.02 billion, up about 22 percent year-on-year.

It is expected that this year's imports will far exceed those of 2021, Cao said.

Australia is also a resource-based country, with wool and cotton, the raw materials for textiles and clothing, among its main export commodities, which Cao said shows the high complementarity of the two countries in trade.

"It is always easier to break than to make. But as long as both sides are genuinely motivated to repair the relationship, significant improvement can be made quickly," Chen said.

With 50 years of mutually beneficial partnership, China-Australia relations are mature and resilient enough to recover quickly, the expert noted.

Source: globaltimes.cn- Nov 17, 2022

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Sri Lankan apparel workers hit by major jobs and wages cuts

Sri Lankan apparel manufacturers have responded to falling export orders, higher interest rates and energy costs by slashing wages, incentive bonuses and other payments and eliminating tens of thousands of jobs. The reduction in orders is a result of the disastrous impact of the COVID-19 pandemic and the US-NATO war against Russia in Ukraine on global supply chains and energy costs.

Making clear that these attacks would deepen, past president of the Apparel Exporter Association Felix Fernando told the Sunday Times last month: "Our gut feeling is that in the next four to six months orders will be down by 20–25 per cent."

This was echoed by Sri Lanka Chamber of Garment Exporters General Secretary Hemantha Perera, who told the Business Times that apparel orders had already dropped by over 50 percent. He said 35 of the 85 companies registered with the association were "in trouble" and almost 10,000 workers could lose their jobs.

Sri Lanka has about 300 apparel manufacturers, employing approximately 350,000 workers with an estimated 700,000 dependents. These companies produce for dozens of international corporations based in the US and Europe, such as Victoria's Secret, Marks & Spencer, GAP, Tommy Hilfiger, H&M and Zara.

Sri Lankan apparel factory owners have not just slashed jobs and salaries but closed down entire facilities without even paying the government-recommended compensation pittance. The basic monthly income of many workers, who are struggling to deal with hyperinflation, has fallen to around 25,000 rupees ($US69).

These attacks come as the Wickremesinghe government has started imposing International Monetary Fund-dictated austerity measures. This includes driving up the price of essentials, higher taxes on workers, slashing social expenditure and privatising the state-sector.

Trend Setters and Aura Garments closed their Sri Lankan factories early this year, destroying about 6,000 jobs. Smart Shirts, Star Garments, Next

Manufacturing, MAS Holdings, Brandix and many other companies have begun cutting wages and jobs.

Esquel closed down its two plants at Koggala Free Trade Zone (KFTZ) in the south, as well as at Ekala on the outskirts of Colombo and one in Kegalle, 85 kilometres from Colombo. The Free Trade Zone and General Workers Union compelled workers to sign a voluntary retirement agreement with only meagre compensation.

About 1,500 jobs were eliminated when Trend Setters shut down its factories at KFTZ and the Samanalawewa Industrial Zone. Aura closed its KFTZ factory in June, rendering 200 jobless. Neither company has paid salary arrears or redundancy compensation.

The Esquel group, once the world's largest woven-shirt maker with around 35,000 employees internationally, supplies textiles to Chinese companies as well as retailers in the US and Europe. With almost 30 percent of its sales revenue coming from China in 2020, the company has now been hit by US sanctions imposed in 2021.

Aura Garments started production at the KFTZ in February 2019. It manufactured woven and knitted garments, including shirts, blouses, trousers and lingerie, for GEMO, MK-Michael Korbs, New Look, M&S and VanHeusen in the US and Europe. Trend Setters began manufacturing and exporting clothes for men, women and children in April 2015 at the KFTZ and the Samanalawewa Industrial Zone.

Other major apparel companies in Sri Lanka include MAS with 35,800 workers and Hirdaramani Apparel, which employs a total of 54,400 people globally.

In July, the Daily Financial Timesreported increased revenue growth in Sri Lanka's apparel sector. The industry, it declared "has not only reverted to pre-COVID resilience but bettered it, with the first half [year] figure of $2.8 billion above the $2.62 billion achieved in the first half of 2019." These results, however, have been achieved through ruthless exploitation.

According to an International Labour Organisation (ILO) report released in October 2020, hundreds of thousands of garment and textile workers' jobs were destroyed in Asia. In Indonesia, 812,254 or approximately 30 percent of the workforce were gone by July 2020; in Myanmar approximately 22,000 lost their jobs; and in Cambodia over 150,000. Another survey by statists.com, from March 2020 and March 2021, calculated that 712,000 jobs had been eliminated in India, 438,000 in Bangladesh and 100,000 in Sri Lanka. Although a so-called recovery has occurred since these reports were released many companies failed to re-hire all those they had retrenched.

When COVID-19 began impacting Sri Lanka in 2020, the apparel manufacturing industry and other sectors demanded employees keep working, despite their objections to grossly inadequate safety measures. In October 2020, over 1,000 workers tested positive with COVID-19 at Brandix's Minuwangoda plant in the Western Province.

These criminal policies, which led to thousands of entirely preventable infections and deaths, were ruthlessly encouraged and endorsed by the former government of President Gotabhaya Rajapakse and the rest of the ruling elite.

At the same time during the first waves of COVID-19, factory owners moved to increase productivity while cutting workforces to maintain profits. In June 2020, for example, MAS Holdings, reduced its workforce by 4 percent through a voluntary retirement scheme.

The global fashion retailers that buy garments from Sri Lanka and other Asian countries are also cutting jobs in the US and Europe. Victoria's Secret, which employs 97,000 internationally, has just eliminated 160 management positions, as a part of a $40 million cost reduction program. GAP plans to cut about roughly 500 jobs, having slashed its workforce by 20,000 in 2021, with UK retailer Mark & Spencer planning to cut a similar number of jobs in 2022.

While apparel workers' wages in Sri Lanka and other Asian countries are far lower than those employed by the giant garment retailers in the US and Europe, the deepening global crisis is revealing that they all face the common problems of inflation, job and wage cuts and increasing workloads.

Like their counterparts internationally, the Sri Lankan trade unions are tied to the capitalist system and function as an industrial police force ruthlessly implementing government and business demands that the burden of the crisis be imposed on the working class.

That is why the Socialist Equality Party (SEP) calls for the building of action committees, independent of the trade unions, to defend their wages, jobs and working conditions. Such committees will coordinate united action by apparel workers across Asia and internationally.

Responding to the SEP, workers at the Koggala Free Trade Zone have formed an action committee and called on other workers in Sri Lanka and internationally to do the same at their workplaces. The SEP calls on apparel workers globally to take up this struggle as part of the fight to build the International Workers Alliance of Rank and File Committees, and for a socialist program.

Source: wsws.org- Nov 17, 2022

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China's fabric exports to US down, Australia steady

China's fabric exports to the US have been declining since June 2022. Monthly exports came down to $78.897 million in September this year. It is believed that the country is losing market share due to the US' ban on cotton originating from Xinjiang. However, China's exports to Australia have remained stable, reaching $18.312 million in September 2022.

The monthly exports of fabrics from China to the US was worth $120.755 million in June 2022, which slipped to $110.803 in July, $93.408 million in August and $78.897 million in September 2022. The exports came down to $283.109 million in Q3 2022 from $342.027 million in Q2 2022. They were at $332.126 million in Q1 2022, $376.557 million in Q4 2021, $382.965 million in Q3 2021 and $390.561 million in Q2 2021, according to Fibre2Fashion's market insight tool TexPro.

Annually, China's exports to the US were recorded at $1.432 billion in 2021, $1.294 billion in 2020, $2.484 billion in 2019 and $3.585 billion in 2018. The exports were at $0.957 billion in the first three quarters of this year.

China's monthly exports of fabric to Australia remained steady in June and July at $18.645 million each. They slipped to $15.811 million in August but improved again to reach $18.312 million in September 2022. The exports amounted to $52.769 million in Q3 2022 and $52.618 million in Q2 2022. China's exports were valued at $38.035 million in Q1 2022, $38.007 million in Q4 2021, $37.221 million in Q3 2021 and $35.604 million in Q2 2021, as per TexPro.

On an annual basis, China's exports to Australia were recorded at $138.804 million in 2021, $117.218 million in 2020, $155.056 million in 2019 and $199.897 million in 2018. The exports reached $143.424 million in the first three quarters of 2022.

Source: fibre2fashion.com- Nov 18, 2022

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Vietnam textile industry faces demand decline due to slowdown

Vietnamese textile and garment factories are currently in muddy waters as they are facing lower-than-expected orders from key trading partners along with a decline in cotton and yarn, fabrics and textile exports over the last two months of September and October.

The fluctuations are however slight and analysts expect a better turn of events in the next quarter of the new year coming up soon. As per China-based CCF Group's latest report, October 2022 stats point at Vietnam's cotton imports increasing 11.7 per cent year-on-year but there is a decline of 0.9 per cent month-on-month,. Fabric imports in Vietnam were lower by 3.3 per cent year-on-year and 5.8 per cent month-on-month. Vietnam's textiles and apparel exports increased 2.2 per cent year-on-year but dropped 0.8 per cent month-on-month.

"Uncertainties are running up to the end of the year, especially the Russia-Ukraine conflict and material price fluctuations. Enterprises are seeking ways to diversify material supply sources as well as export markets because when material sufficiency is ensured, they can boost shipments to many markets, thus helping guarantee production stability, supply chain, and sustainable exports," Le Tien Truong, chairman of the Vietnam National Textile and Garment Group, according to Vietnamese media reports.

Factory workers bear the brunt

The main countries showing a steep drop in exports are China, South Korea, Japan, US and Europe. This is mainly due to rising inflation and other uncertainties. Rising inflation in the West and frugal Christmas celebrations over Covid years are driving orders down.

The textile and garment makers in Vietnam have no control over this except reducing production costs by laying off some work-force. However, a devalued currency and cheap labour availability will enable global investors to snap up some bargains.

Meanwhile, Vietnamese textile manufacturers remain in hope for the tide to turn as the European Central Bank forecasts the current inflation of 8.1 per cent will decrease to 5.5 per cent next year and a further drop to 2.3

per cent in 2024. Indeed, the worst affected are factory workers because with a slowdown in orders, many workers have had their hours and pay reduced or have lost their jobs. With already low salaries of around VND 8 million ($321) per month, as per recent numbers from the General Statistics Office of Vietnam, the slowdown will further increase poverty levels.

Bumper sales of the last quarter affected

Less work and lower pay will translate into Vietnamese making fewer purchases and this could impact importers revenues as well. The sale of luxury goods and garments had seen a huge growth in Vietnam earlier but is facing difficulties in the last quarter of this year and more is expected in the first quarter of 2023 due to the impacts of global weakening demand.

It is a matter of concern that the entire garment and textile sector has seen a huge decline as Vietnam is known globally to be the second-large exporter of ready-made garments with the sector employing around 2.5 million workers.

The bumper sales in fourth quarter of the year with the onset of winter and the Christmas season have always seen the textile industry through leaner times. However, manufacturers remain in hope that the first quarter of 2023 will be a beacon of light with the global apparel industry finally recovering from the tighter consumer purse strings of Covid times.

Source: fashionatingworld.com- Nov 17, 2022

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Bangladesh targets to boost cotton production 5 folds by 2030

Bangladesh has set a target to increase five times the cotton production by 2030, introducing new varieties and expanding cultivation areas, since the country appeared as the second largest consumer of the industrial crop.

"Cotton could be a major cash crop as we need to spend US$3billion every year for its import to meet its expanding demand in the textile industry," Cotton Development Board's (CDB) additional director Dr Md Fakhre Alam Ibne Tabib said yesterday.

The country currently produces less than 0.2 million cotton bales (1 bale equals roughly 480 pounds) a year against the annual demand for 8.5 million bales, according to official statistics.

Against the backdrop of high demands, Bangladeshi textile and spinning mills and other users import cotton from India, the United States, several African and Central Asian nations, Australia, Brazil and Pakistan.

Tabib said they set the target to enhance the domestic cotton production to 1 million bales using newly invented high yielding and hybrid varieties and using the vast low fertile barren lands in the country's southeastern hill region alongside some plain districts.

Western Jhenaidah and Jashore are plain districts while parts of Bandarban and Rangamati are hill districts where the country currently witnesses cotton production.

The cotton board now runs 27 on-farm trials at 13 zones covering greater Jashore, greater Kushtia, Rajshahi, Bogura, Rangpur, Thakurgaon, Dhaka, Mymensigh and the three hill districts incorporating Khagrachari as part of their initiatives.

CDB officials said the trial of germplasm of 12 high yielding Turkish cotton varieties were now underway at research farms under a project called Enhancing Capability in Cotton Varieties Development.

"We are expanding (cotton) cultivation coverage on low-fertile regions of – Barind land (greater Rajshahi), drought-and saline-prone areas, shoals and hilly areas, keeping in mind the initiative does not affect the main crops," Tabib said.

He said the CDB scientists last year developed a new cotton variety naming it "CDB Cotton 19" alongside inventing two cultivation methods under a series of research projects in five cotton research centres of the country.

"Our researches simultaneously improved the cotton qualities alongside the varieties," Talib said.

Cotton is mainly sown in the July-August period and harvested in between December and January and currently its cultivation is spread over

45,000 hectares while the figure was 31,500 hectares in 2009-2010.

Over the past one decade the production volume nearly doubled since ity was less than 100,000 bales in 2009-2010.

According to CDB officials, raw or seed cotton production was about 2,000 kg per hectare in 2009-10 which now stands at 4,000 kg per hectare with introduction of high yielding and hybrid varieties.

Father of the Nation Bangabandhu Sheikh Mujibur Rahman established the Cotton Development Board (CPD) in 1972 to increase cotton production.

The CPD is enstructed with the task of conducting research, producing, distributing and marketing seeds, expanding cotton cultivation and distributing loans among farmers.

Source: dailyindustry.news- Nov 17, 2022

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Pakistan: Jul-Oct textile group exports down 1.34pc YoY

The country's textile group exports declined by 1.34 percent during the first four months (July-October) of the current fiscal year 2022-23 and remained at $5.941 billion as compared to $6.021 billion during the same period of last year, the Pakistan Bureau of Statistics (PBS) said.

The data of exports and imports released by the PBS revealed that the country's textile group exports witnessed a decline of 15.23 percent in October 2022 on a year-on-year basis and remained at $1.357 billion when compared to $1.1.6 billion during the same month of last year. On a month-on-month (MoM) basis, the textile group registered 11.13 per cent negative growth compared to $1.1.527 billion in September 2022.

Raw cotton exports registered 100 per cent growth in July-October 2022-23 on a YoY basis. Cotton yarn exports registered 27.73 per cent negative growth in July-October and remained $285.315 million compared to $394.765 million during the same period of the last year. On a year-on-year basis, cotton yarn exports registered 53.79 per cent negative growth, while on a MoM basis, it registered 35.30 per cent negative growth.

The country's overall exports during July-October, 2022 totaled $9.563 billion (provisional) against$9.460 billion during the corresponding period of last year showing an increase of 1.09per cent. The exports in October 2022 were $2.384 billion (provisional) as compared to $ 2.446 billion in September 2022 showing a decrease of 2.53per cent and by 3.25per cent as compared to $2.464 billion in October 2021.

Main commodities of exports during October 2022 were knitwear (Rs86,400 million), readymade garments (Rs60,778 million), bedwear (Rs47,895 million), cotton cloth (Rs37,407 million), rice others (Rs20,344million), towels (Rs17,553 million), made-up articles (excl towels and bedwear) (Rs12,758 million), fish and fish preparations (Rs12,057 million), rice basmati (Rs11,375 million), and cotton yarn (Rs10,819 million).

Source: brecorder.com- Nov 18, 2022

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NATIONAL NEWS

India's FTAs with EU, UK, Canada may not bring in significant gains, says report

Free trade agreements being negotiated by India with developed country partners such as the UK, the EU, and Canada may not bring in substantial benefits as no significant additional market access is expected for Indian exporters because of already low normal import tariffs in these countries, per a research report by a Delhi-based think tank.

Things are likely to move exactly along the lines of India's existing FTAs with Japan, South Korea, and the ASEAN, where India's exports grew at a rate much lower than its imports after implementation of the pact, resulting in its goods trade deficit with the three FTA partners increasing at a much higher rate than India's global trade deficit, according to the report titled "FTAs: Fabulous, Futile, or Flawed?" An evaluation of India's FTAs with ASEAN, Japan, and South Korea, brought out by former Indian Trade Services officer Ajay Srivastava, co-founder of the Global Trade Research Initiative, pointed out.

India's FTA partners benefited more from the pacts, as the lowering of India's high normal tariffs resulted in greater market access for their businesses.

More disadvantage

In the new FTAs being negotiated, there could be an additional disadvantage for Indian exporters, as the introduction of new issues, such as labour, environment, digital trade, and gender, could empower these countries to impose many non-tariff barriers to discourage exports from India, the report added.

On expectations that an FTA with a developed nation may result in a rise in India's labour-intensive goods exports, the report pointed out that it may not be always true, as was evident from India's unsubstantial increase in apparel exports to Japan despite the country bringing down import duties from the normal level of 10 per cent as part of the India-Japan free trade pact signed in 2011.

Little gain

"India's textiles and apparel gained little from the FTA with Japan. India's exports to Japan grew from $257.7 million in 2007–09 to $368.6 million in 2019–21, a cumulative growth of 43.1 per cent. India's global exports grew by 67.9 per cent during this time. So, even the modest increase in exports to Japan may be due to natural growth factors and not the FTA," the report said.

"Due to the noise created by FTAs, we forget that less than 20 per cent of world trade is preferential. Eighty per cent of world trade happens at non preferential MFN duties (import duties applicable to all countries). Hence, India needs additional strategies to promote trade happening outside of the FTAs' preferential route," the report suggested.

Proposing alternatives, the report pointed out that most large trading powers have grown by enhancing product-firm-country level competitiveness and reducing MFN import duties. India must focus on these, it said.

Source: thehindubusinessline.com- Nov 17, 2022

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Trade tumult: On shrinking exports

For the first time since February 2021, India's goods exports shrank this October, dropping 16.7% from last year (and 16% from September 2022) to slip below $30 billion after a 20-month-streak above that mark.

Most sectors were hit hard: engineering goods, pharmaceuticals and chemicals and employment-intensive gems and jewellery, textiles and handlooms.

Just six sectors recorded an uptick, with electronics goods being the only manufacturing segment. Imports grew 5.7% year-on-year, expanding the country's trade deficit over 50% to $26.9 billion. This is the fourth straight month of a $25 billion-plus goods trade deficit that hit a record $30 billion in July.

To be sure, imports have now been moderating sequentially for four straight months and dropped 7.3% from September to an eight-month low of $56.7 billion. But a marginal dip in petroleum imports, along with a 10.3% shrinking of non-oil, non-gold imports from September, can also be construed as a sign of slackening domestic demand.

India's trade deficit so far this year is now over $175 billion, from $94.2 billion a year ago. With high energy prices likely to escalate with winter's onset, a significant easing in deficit levels is not on the horizon yet.

While the Government acknowledged forecasts of a slump in global shipments growth to just 1% in 2023, it attributed the October trade blip to a seasonal Deepavali effect — production dips as workers go on leave and imports rise with festive demand.

Though the pre-Deepavali and Deepavali month exports did have a $5 billion gap in 2021, this was not the case in pre-COVID 2019. Officials conveyed there is no need to be 'overly depressed' as India has a very low share of global trade which can only grow.

But that growth will not accrue automatically — in a shrinking buyer's market, rivals such as Vietnam cannot be expected to simply wait out the slump.

In contrast, a new Foreign Trade Policy to replace the current policy from 2015, was recently deferred yet again till April 2023 for reasons that included waiting out the current global turmoil. If anything, the tumult in trade flows will be much worse by then.

Policymakers must stop dithering and be more pro-active in recalibrating their stance — for instance, the steel export duty amid lower global prices has triggered higher imports, while exports, including those of engineering goods, have collapsed.

The Finance Ministry recently identified external pressures as a key challenge — with a depreciating rupee making imports pricier and slowing global demand hurting exports. More actions are needed to match these concerns; waiting and watching is not an option.

Source: thehindu.com- Nov 18, 2022

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India-UK trade agreement: What is on the agenda?

India will soon commence the next round of talks over a free trade agreement (FTA) with the United Kingdom in the coming months. On the agenda is securing a patent regime against evergreening by pharma companies, seeking easier work visas as well as access to Indian movies in the region under the proposed FTA.

The move comes amid concerns that the inclusion of issues such as labour and environment may not be in the interest of the country, in the long run, reported TOI on Friday.

In a free trade agreement, two countries or regions either significantly reduce or eliminate customs duties on a maximum number of goods traded between them. Besides, they also ease norms to promote trade and investments.

Some civil society groups have argued the patent regime may be eased which will enable drug companies to get fresh protection by tweaking the composition.

Talks were reportedly derailed due to UK home minister Suella Braverman's comments over Indians overstaying their visas. Official sources said that they are not chasing a deadline as they want to secure a good deal. But, given the progress made, the agreement may be finalised over four-five months.

From the UK side, reduction in import duty on scotch and automobiles as also bringing labour within the ambit of the proposed treaty are focus areas.

FTAs may hamper exports

Taking binding commitments on new issues like environment, labour and sustainability in the proposed FTA, being negotiated by India, may hamper the country's exports in the future, according to a report by Global Trade Research Initiative.

India's already "weak" FTA outcomes may worsen if it takes obligations in the new issues, the report -- FTAs: Fabulous, Futile, or Flawed? An evaluation of India's FTAs with ASEAN, Japan and South Korea -- said.

It added that like many developing countries, India has an evolving regulatory framework on most new issues.

"International commitments must be taken only after the domestic regulatory framework is in place. And both must be in sync. New non-trade issues may serve as non-trade barriers and hamper our exports in the future," GTRI (Global Trade Research Initiative) report said.

Developed regions like European Union and the UK are pushing to include these new issues in the proposed trade pact with India.

The report said that in the FTAs under negotiations, India is discussing many new subjects not directly related to trade.

The subjects have been included at the request of developed countries and that include environment, labour, intellectual property rights, data governance, digital trade, gender, SMEs, anti-corruption, good regulatory practices, and sustainable food systems.

On the existing trade agreements of India, it said, the increase in trade deficit pattern as noticed in the FTAs with ASEAN (Association of South east Asain Nations), Japan and South Korea will continue in the new agreements.

"The key reason would remain higher import duties in India compared to new FTA partners," it said, adding that less than 20 per cent of world trade happens at concessional customs duties and because of that India needs additional strategies to promote its trade happening outside of such agreements.

"India's weak export performance with FTA partners should not surprise us. It happened because of high tariffs in India and significantly lower tariffs in its FTA partners," it said.

Source: economictimes.com- Nov 18, 2022

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Exports indicate degree of integration with the global economy and levels of competitiveness: Montek Singh Ahluwalia

“ Exports are not just meant to pay for imports, but indicate levels of integration with the global economy and demonstrate competitiveness”, said Montek Singh Ahluwalia, former Deputy Chairman of the Planning Commission of India, in his opening remarks at the second roundtable organised by CUTS International to discuss the trade policy India needs.

Ahluwalia outlined three broad determinants of trade policy which affect levels of India’s export competitiveness - how open the economy is, indicated by the prevailing levels of tariffs, the extent to which India is willing to be drawn in to Free Trade Agreements (FTAs), and its approach to Global Value Chains (GVCs). He also highlighted that good physical infrastructure and logistics is not just essential for exports, but for a well-functioning economy overall.

A number of distinguished experts and trade policy practitioners attended the two-hour long roundtable to deliberate on the direction in which India’s trade policy should move.

“India needs a trade policy which can increase its share of world trade, propel economic growth at home, and promote GVC integration. Our task is to provide concrete policy recommendations which can help achieve these objectives”, said Pradeep S Mehta, Secretary General, CUTS, who moderated the session.

There was a general consensus on the need for India to be more open to entering into mega-regional FTAs, particularly those in the Asian region, in order to better integrate into regional and global value chains.

The slow progress of multilateral trade negotiations, geopolitical fractures, the need to be located within FTA territories in order to attract investment, projection of India as an engaged Asian power, and the brighter economic outlook of the Asian region were some of the reasons mentioned in support of this view. Many speakers rued the missed opportunities by India not signing on to the Regional Comprehensive Economic Partnership (RCEP) agreement.

However, some, while recognising the need for greater trade liberalisation, cautioned about the depth and timing of it, emphasising that domestic constraints make it imperative that efforts are first directed at making India's domestic industry more competitive, before opening it up to global competition.

Interestingly, it was pointed out that historically, India's trade with countries with which it does not have any FTA (including the US and China, two of India's largest trading partners), has done better than trade with FTA countries.

On tariffs, while there were some differing views on details, there was a general sense that India needed to reduce its currently high average tariff levels, preferably to levels prevailing in other developing countries, and particularly matching those in the ASEAN region.

Further, regarding tariffs as a method to protect domestic industry, there was a recognition that this often becomes counter-productive, as MSMEs' access to imported inputs and intermediates becomes more expensive, harming their cost competitiveness.

Many attendees emphasised that improving competitiveness and achieving scale were the key factors in export performance, observing that any economy which is not competitive domestically cannot expect to be competitive globally and integrate with GVCs.

The need for a GVC-oriented trade policy, which looks at issues from a supply chain-wide perspective, and better logistics were identified as key factors which could help improve competitiveness for GVC integration. The recent National Logistics Policy was welcomed by many in the group as a positive development, and they called for its effective implementation.

It was stated that the role of the government needs to be that of an enabler and partner, rather than an overseer, and policy stability and regulatory certainty were important elements of this. The focus must also be to encourage firms to expand, particularly from micro to small and medium categories.

The related aspect of standards also came up for discussion. It was underlined that unless efforts towards harmonisation of standards (such as SPS and TBT), and entering into mutual recognition agreements were prioritised, market access commitments made by trading partners will remain unrealised, as Indian MSME exports will be denied entry on grounds of standards.

Many speakers pointed out that Indian industry and its associations need to take a greater interest in trade negotiations and commercial diplomacy, articulating their voice and positions on trade issues clearly.

In the context of trade negotiations and regulatory/institutional capacity, while it was noted that the capacity of Indian trade negotiators has improved tremendously over the years, experts felt that further capacity enhancement should remain at the heart of any restructuring initiatives in the trade policy administration.

The important role of India's foreign Missions in economic diplomacy as two-way channels of information between their host countries and headquarters was also highlighted prominently.

The discussion raised other important aspects, such as the need for a greater involvement of Parliamentarians in trade policy processes, as well as for more conversations between the industry and trade experts to ensure frank exchange of views and positions on trade policy matters.

Many former Indian trade negotiators, former Commerce Ministry mandarins, eminent economists and other top trade policy experts participated in the roundtable.

Source: economictimes.com- Nov 18, 2022

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FTAs don't weaken WTO, accelerate export growth, says think tank GTRI

Taking binding commitments on new issues like environment, labour and sustainability in the proposed free trade agreements (FTA), being negotiated by India, may hamper the country's exports in the future, according to a report by think tank Global Trade Research Initiative.

The report also claims to dispel eight myths surrounding these pacts such as FTAs weaken the World Trade Organization (WTO), lead to accelerated increase in exports, promote domestic manufacturing, and that countries are rushing to do FTAs and such agreements promote investment and lower price.

"FTAs have given rise to many myths, many of which have no connect with reality…It is erroneously believed that most world trade happens through the FTA route. In reality, less than 20% world trade is preferential," GTRI said in a report titled 'FTAs: Fabulous, Futile, or Flawed?'

As per the report, currently, developed countries are using FTAs to get partner countries to take WTO plus obligations in new issues like intellectual property, environment, gender, labour, sustainability, etc.
"The new FTA obligations will be WTO plus, leaving WTO weak and irrelevant," it said.

While FTAs are enthusiastically embraced mainly by East Asian economies or countries that have lowered their MFN tariffs close to zero, GTRI said that major industrial countries/regions do FTAs selectively.

It gave the example of the new Indo-Pacific Economic Framework (IPEF) which is under negotiation among India, the US and others, does not include Market Access through tariff elimination.

On claims that FTAs lead to accelerated increase in exports, it said that it is not true for India. Citing the share of ASEAN in India's export which was 10.4% in 2010, the year of the signing of the agreement and has remained almost the same even after over a decade, the think tank said that during this period, India's deficit with ASEAN has expanded to $24.2 billion. from $6.7 billion.

Former Indian Trade Service officer Ajay Srivastava, who was involved in the negotiations process of India's FTAs with Japan and Australia, is the co-founder of GTRI.

"Zero-duty imports of finished goods from the FTA partners may disrupt many domestic manufacturing programmes," it said, adding that immediate visible effect of an FTA is the transfer of money (otherwise charged as duty on imports) from importing country (India) customs to partner country exporters, with no gains to Indian consumers.

New issues

GTRI cautioned that India's "already weak FTA outcomes may worsen" if it takes obligations in the new issues.

"Like many developing countries, India has an evolving regulatory framework on most new issues. International commitments must be taken only after the domestic regulatory framework is in place. And both must be in sync," it said.

Moreover, new non-trade issues may serve as non-trade barriers and hamper our exports in the future. This assumes significance as developed regions like the UK and EU are pushing to include these new issues in the proposed trade pact with India.

In the FTAs under negotiations, India is discussing many new subjects not directly related to trade. The subjects have been included at the request of developed countries and that include environment, labour, intellectual property rights, data governance, digital trade, gender, SMEs, anti-corruption, good regulatory practices, and sustainable food systems.

"Commitments on these issues in FTAs may prove too onerous and would increase the cost of manufacturing and services," it added, stating if in case, India's exports fail to meet the stringent environment or labour obligations specified in the agreement, the country's apparel exports may become ineligible for benefits under the pact.

"Similarly, taking commitments in data flows and digital trade when the domestic policy frameworks are not ready may not be in India's best interests," GTRI added.

On the existing trade agreements of India, it said, the increase in trade deficit pattern as noticed in the FTAs with ASEAN (Association of South east Asain Nations), Japan and South Korea will continue in the new agreements.

“The key reason would remain higher import duties in India compared to new FTA partners,” it said, adding that less than 20% of world trade happens at concessional customs duties and because of that India needs additional strategies to promote its trade happening outside of such agreements.

“India's weak export performance with FTA partners should not surprise us. It happened because of high tariffs in India and significantly lower tariffs in its FTA partners,” it said.

Source: economictimes.com- Nov 17, 2022

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Finmin, commerce ministry in talks to ease payment issues for exports to Russia

Consequently, while sanctions-hit Russia has offered to buy a wide range of products from India, persisting payment challenges, on top of logistics challenges, have dragged down despatches from this country. (Representative image)

The commerce ministry is in talks with the finance ministry to address fresh payment issues with Russia involving Indian exporters, an official source told FE.

"While payments for Indian exporters are flowing in, efforts have been on to expedite the payment flow. All the issues raised by exporters are being looked into," he said.

In a meeting with commerce minister Piyush Goyal on November 7, some exporters had also flagged concerns about Sberbank, Russia's largest bank, charging a premium to settle trade payment, in addition to the delay in the flow of payments for supplies to Russia. Arun Kumar Garodia, chairman of engineering exporters' body EEPC India, had said Sberbank was "charging higher exchange rate than the market, leading to a rise in transaction costs". The meeting was convened to brainstorm ways to boost exports in times of a global turmoil.

At present, Indian exporters are getting payments in the dollar or euro through small Russian banks that have not yet been sanctioned by the US and its allies in the wake of the Ukraine war. But the process is very time-consuming and causes delay in the payment flow.

Consequently, while sanctions-hit Russia has offered to buy a wide range of products from India, persisting payment challenges, on top of logistics challenges, have dragged down despatches from this country.

India's exports to Russia dropped 19% in the first half of this fiscal to $1.3 billion, far underperforming a 17% rise in the country's overall merchandise exports during this period.

With key western markets facing a demand slowdown, Indian exporters are scouring for alternatives to divert their supplies. Russia could emerge as a strong buyer if logistics challenges, mainly caused by the reluctance of global shipping companies to carry goods there, and payment issues are addressed swiftly.

From farm and food products to pharmaceuticals and FMCG products, firms in sanctions-hit Russia have already evinced unusual interest in sourcing a broad range of items from India. But, as FE had earlier reported, shipping goods to Russia by taking advantage of the opportunities is easier said than done.

The latest firm to show interest in scaling up its imports from India was X5 Group, Russia's top food retailer. Similarly, in a communication to its members on April 7, state-backed pharma export body Pharmexcil has said the Indian embassy in Moscow has been approached by Russian firms.The Russian companies that have shown interest include New Technologies, Pharmstandard, Appolo, Pharmamed and Simkodent.

Source: financialexpress.com- Nov 18, 2022

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Relief to exporters: Centre lowers export obligation for 192 products under key scheme

In a relief to exporters, the government on Thursday reduced the export obligation under a key incentive scheme for 192 products whose exports declined more than 5% on-year in FY22.

These products include certain types of silver, precious metals and concentrates, revolvers and pistols, wrist watches, citrus fruits and some textiles.

In a notification, the Directorate General of Foreign Trade (DGFT) said that its regional offices will re-fix the average annual export obligations under the EPCG scheme, which allows import of capital goods for pre-production, production and post- production at zero customs duty.

“This implies that the sector/product group that witnessed such decline in 2021-22 as compared to 2020-21 would be entitled for such relief,” the DGFT said.

Spices such as ginger and turmeric, woven cotton fabrics, cheese and curd, paint varnishes, garments, and tomatoes are also among the goods identified for the relief.

The relief comes amid India’s merchandise exports contracting a sharp 16.65% to $29.78 billion in October with key sectors such as petroleum products, engineering goods and textiles.

India’s goods exports in FY22 were $422 billion as against $291.8 billion in FY21.

Source: economictimes.com- Nov 18, 2022

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Binding commitments on new issues in FTAs may hamper India's exports in future: Report

Taking binding commitments on new issues like environment, labour and sustainability in the proposed free trade agreements (FTA), being negotiated by India, may hamper the country's exports in the future, according to a report by Global Trade Research Initiative. India's already "weak" FTA outcomes may worsen if it takes obligations in the new issues, the report -- FTAs: Fabulous, Futile, or Flawed? An evaluation of India's FTAs with ASEAN, Japan and South Korea -- said.

It added that like many developing countries, India has an evolving regulatory framework on most new issues.

"International commitments must be taken only after the domestic regulatory framework is in place. And both must be in sync. New non-trade issues may serve as non-trade barriers and hamper our exports in the future," GTRI (Global Trade Research Initiative) report said.

Developed regions like European Union and the UK are pushing to include these new issues in the proposed trade pact with India.

Former Indian Trade Service officer Ajay Srivastava is the co-founder of GTRI. He took voluntary retirement from the Government of India in March 2022. He has a rich experience in trade policy making, and issues related to the World Trade Organisation (WTO) and FTAs.

He was involved in the negotiations process of India's free trade agreements with Japan and Australia.

The report said that in the FTAs under negotiations, India is discussing many new subjects not directly related to trade. The subjects have been included at the request of developed countries and that include environment, labour, intellectual property rights, data governance, digital trade, gender, SMEs, anti-corruption, good regulatory practices, and sustainable food systems.

Most of these subjects are important and are being discussed in the specialised multilateral and regional institutions where most countries, including India, are active participants, it said.

"Commitments on these issues in FTAs may prove too onerous and would increase the cost of manufacturing and services," it added.

Citing an example, it said, if India's exports fail to meet the stringent environment or labour obligations specified in the agreement, India's apparel exports may become ineligible for benefits under the pact.

"Similarly, taking commitments in data flows and digital trade when the domestic policy frameworks are not ready may not be in India's best interests," it added.

This report also claims to dispels eight myths surrounding these agreement such as FTAs weaken WTO, lead to accelerated increase in exports, promote domestic manufacturing, and that countries are rushing to do FTAs and such agreements promote investment and lower price.

On the existing trade agreements of India, it said, the increase in trade deficit pattern as noticed in the FTAs with ASEAN (Association of South east Asain Nations), Japan and South Korea will continue in the new agreements.

"The key reason would remain higher import duties in India compared to new FTA partners," it said, adding that less than 20 per cent of world trade happens at concessional customs duties and because of that India needs additional strategies to promote its trade happening outside of such agreements.

"India's weak export performance with FTA partners should not surprise us. It happened because of high tariffs in India and significantly lower tariffs in its FTA partners," it sad.

Source: economictimes.com- Nov 17, 2022

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India, GCC group to launch free trade pact negotiations on November 24

India and the Gulf Cooperation Council (GCC) are expected to launch negotiations for a free trade agreement on November 24 with an aim to boost economic ties between the two regions, an official said. GCC is a union of six countries in the Gulf region -- Saudi Arabia, UAE, Qatar, Kuwait, Oman and Bahrain.

"The FTA will be launched on November 24. GCC officials will be here to launch the talks," the official said.

India has already implemented a free trade pact with the UAE in May this year.

Commerce and industry minister Piyush Goyal had, on November 16, said that India will be launching a new free trade agreement (FTA) next week. This would be a kind of resumption of FTA talks as earlier two rounds of negotiations held in 2006 and 2008 between India and GCC. Third round did not happen as GCC deferred its negotiations with all countries and economic groups.

India imports predominately crude oil and natural gas from the Gulf nations like Saudi Arabia and Qatar, and exports pearls, precious and semi-precious stones; metals; imitation jewellery; electrical machinery; iron and steel; and chemicals to these countries.

India's exports to the GCC grew by 58.26 per cent to about USD 44 billion in 2021-22 against USD 27.8 billion in 2020-21, according to data from the commerce ministry.

The share of these six countries in India's total exports has risen to 10.4 per cent in 2021-22 from 9.51 per cent in 2020-21. Similarly, imports rose by 85.8 per cent to USD 110.73 billion compared to USD 59.6 billion in 2020-21, the data showed.

The share of GCC members in India's total imports rose to 18 per cent in 2021-22 from 15.5 per cent in 2020-21.

Bilateral trade has increased to USD 154.73 billion in 2021-22 from USD 87.4 billion in 2020-21.

Besides trade, Gulf nations are host to a sizeable Indian population. Out of about 32 million non-resident Indians (NRIs), nearly half are estimated to be working in Gulf countries.

These NRIs send a significant amount of money back home.

According to a November 2021 report of the World Bank, India got USD 87 billion in foreign remittances in 2021. Of this, a sizeable portion came from the GCC nations.

Saudi Arabia was India's fourth-largest trading partner last fiscal. From Qatar, India imports 8.5 million tonnes a year of LNG and exports products ranging from cereals to meat, fish, chemicals and plastics.

Kuwait was the 27th largest trading partner of India in the last fiscal, while the UAE was the third-largest trading partner in 2021-22.

Source: economictimes.com- Nov 17, 2022

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GST payers get communication to first show irreversible ITC and then reverse, experts advise caution in filing Nov GSTR-3B

In August 2022 this year, Central Board of Indirect Taxes & Custom (CBIC) issued a detailed clarification on reporting of information about reversal of ITC as well as ineligible ITC

States GST authorities have asked assessees to furnish correct and proper information of ineligible Input Tax Credit (ITC) and reversal. This is critical as last chance to avail missed ITC for fiscal year 2021-22 through filing of GST return form '3B' is November 20. Experts say non-compliance could result in penalty of ₹20,000 or more per return.

Form GSTR-3B shows summarised figures of sales, ITC claimed, and net tax payable. In August 2022 , Central Board of Indirect Taxes & Custom (CBIC) issued a detailed clarification on reporting of information about reversal of ITC as well as ineligible ITC. Now, total ITC (eligible as well as ineligible), is being auto-populated from statement in Form GSTR-2B in different fields of Table 4A of Form GSTR-3B.

Report reversal

The registered person is required to report reversal of ITC, which is absolute in nature and is not reclaimable, such as on account reversal of credit by a banking company or a financial institution, reversal on input and input services on account of supply of exempted goods or services etc, in Table 4 (B) (1) of GSTR-3B. They will also be required to report reversal of ITC, which is not permanent in nature and can be reclaimed in future in Table 4(B)(2). The net ITC available will be calculated in Table 4 (C), which is as per the formula (4A -[4B (1) + 4B (2)]) ,and same will be credited to the electronic credit ledger (ECL) of the registered person.

Based on this circular, communication have been sent. businessline has seen two communciation– one by Punjab GST Department and another by West Bengal. Notice by Punjab government informed the assessee about large portion of unclaimed IGST ITC and said "This has led to loss of revenue for Government of Punjab." With this, it asked to comply with the circular. Notice issued by West Bengal government too asked the taxpayer to do the same.

Ineligible ITC

Explaining the whole issue, Vivek Jalan, Partner with Tax Connect Advisory says the GSTR-3B filing process has gone through a complete overhaul. Now, the entire ITC reflecting in the GSTR-2B of a taxpayer (corresponding to GSTR-1 filed by its suppliers), has to be accounted for, in Table 4A of GSTR-3B when filed by the taxpayer. Thereafter, in case any of the ITC is ineligible, the taxpayer has to reverse it in Table 4B. Say, in case a taxpayer in Haryana takes a mediclaim policy for which ITC is ineligible, it has to first avail the ITC in Table 4A and then show it as a reversal in Table 4B.

“This is required because the revenue would be flowing to Haryana to the extent of the ITC shown as reversal of Table 4B of GSTR-3B of the taxpayer. In case the entire ITC is not recognised at all, this revenue would be distributed among the States in the ratio of their collections. Hence, the bigger States like Maharashtra would gain and smaller ones would lose out due to lower ratio of collections vis-a-vis the bigger states,” he said.

Source: thehindubusinessline.com- Nov 17, 2022

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Knots in India-China trade data

The trade data mismatch of India and China has attracted wide coverage from both electronic and print media. This mismatch is attributed to ‘under-invoicing’ by Indian importers for the imports originating from China.

There is mismatch of $12 billion with China reporting its exports to India over $103 billion. Indian agencies, on the contrary, are reporting their Chinese imports at $92 billion. This reflects significant asymmetries in international trade statistics, and they can occur for a variety of reasons. This needs understanding of not only the conceptual discrepancies across measurement standards but also of established norms of data collection, tabulation, curation and presentation, which may also lead to potential discrepancies in trade data.

Additionally, one needs to understand trading practices, logistics channels and cross-country trading patterns due to financial, operational and logistical ease of a particular country.

These discrepancies in international trade statistics can result in ill-informed policy decisions. Under-invoicing, as reported, can be only one reason among many others for trade data anomalies.

The reasons

Firstly, a large number of firms based in India have started the ‘Merchanting Trade’ business as allowed by RBI. In Merchanting Trade Transactions (MTTs) shipment of goods takes place from one foreign country to another without touching India’s customs water i.e. DTA area. To reap trading advantages of Chinese low cost goods in international markets, Indian firms buy goods from China and sell them in international markets under ‘bill to-ship to’ model wherein payments are made by Indian firms to a Chinese exporter.

But actually, these goods end up in a third country with a top-up margins for an Indian firm (re-exporter/re-router). This has been the common practice in Fast Moving Consumer Goods trade in India-China trade in recent years. Similar, to MTT, under ‘switch-bill of lading’, Indian firms buy goods from China and re-route them to third country, leading to trade data asymmetries.

Secondly, there can be instances of High Sea Sale (HSS) transactions, especially for standardised, speculative and bulk goods. For instance, an Indian trader buys chemicals and plastics from China and sells them on HSS basis to a third party in a third country, say in Australia.

In Chinese Trade Statistics, these are recorded as exports to India but the goods never enter India’s territorial waters as they are diverted to third countries on High Sea Sales (HSS) basis, thus this is not reported in India’s trade statistics. HSS transactions witnessed a jump due to supply-chain disruptions caused by Russia-Ukraine war and Indian firms are aggressively scouting for such trading opportunities.

Thirdly, Indian trading firms are leveraging Free Trade & Warehousing Zones to engage internationally. These firms buy bulk goods from China and maintain inventory at FTWZ locations and sell them in a piecemeal manner i.e. selling small quantities at higher profit margins.

For example, a unit located at FTWZ in Chennai buys metals from China, anchoring its business model supported by ‘bulk-price & logistical efficiency arbitrage’ model and subsequently re-export these goods in the third countries. Chinese Statistics will record it as exports, but for India it is not imports as the goods are kept at a FTWZ, a foreign territory, as defined under the SEZ Act, 2005.

In the statistical recording terms, it is known as intermediary merchanting transactions i.e. difference between ‘goods’ and ‘merchandise’ vis-a-vis reporting of re-importing, re-exporting, and re-routing.

Fourthly, the mismatch in trade statistics also happens due to maintenance of records of export statistics on ‘Free-on-Board’ (FOB) and that of import statistics records on Cost, Insurance & Freight (CIF) basis. Looking at the India-China trade statistics, this potentially is not the case as CIF values are always more than that of FOB values.

Fifthly, there can be trade data mismatch due to inconsistent attribution of trade partners; that is how the origin and final destination of merchandise established are dealt with in their Customs Administration. For instance, a country may record statistics on goods destined to claimed territories as ‘others’ instead of reporting it as an exports to an actual country.

Need for broad outlook

Additionally, as China has resorted to yuan-invoicing post Russia-Ukraine war fearing potential use of financial instruments as an economic weapon against it in future. But how are values converted from local currency units to the currency that is used to make the international comparisons most often the US dollar?

Moreover, there can be national differences on reporting of underlying records i.e. statistical norms and standards used to compile trade statistics. It is therefore, inappropriate draw the conclusion that there is wide scale under-invoicing of imports in India. Indian Customs have robust systems in place to safeguard the national interests and trade data mismatches are caused by many factors, under-invoicing only being one among them.

But there is always scope to improve and one can refer to guidelines of International Merchandise Trade Statistics Manual (IMTS). Beyond guidelines, it is important to distinguish between 'traded merchandise' and 'traded goods'.

A micro-level but a comprehensive overview at Indian Customs and RBI trade statistics can help us understand the actual reasons for mismatch of trade data.

Source: thehindubusinessline.com- Nov 17, 2022

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Guidelines for development of educational ecosystem and skilled workforce for technical textiles

The Government will soon be coming up with guidelines to support the creation of an education ecosystem and skilled workforce in the field of technical textiles with the development of new courses and laboratory infrastructure, amongst several other initiatives, to promote the growth of technical textiles in India. Technical textiles is a sunrise industry with a robust growth rate of 10 per cent annually. However, the sector is still small in size and there is a lot of opportunity for India to be a prominent player in this sector in the global arena.

This was one of the the major takeaways from the day-long 'National Conclave on Technical Textiles – Protech', organised by the Ministry of Textiles (MoT) in partnership with Northern India Textile Research Association (NITRA) and Indian Technical Textile Association (ITTA) in Delhi. The event also had an exhibition of companies encompassing wide range of protective textile products.

Inaugurating the Conclave, Rachna Shah, Secretary, MoT insisted that focus should be on indigenisation of technology and implementation of quality standards in niche Protech items, given the spur in global demand and usage for Protech products, she further added.

"India is poised to emerge as a powerful destination for manufacturing and exports. However, it is the need of the hour to focus on product diversification, design, aesthetics, as well as the need for training of the manpower involved," she said.

Protective segment, which is known for functional performance in the areas of protection, is one of the most prominent applications of technical textiles.

Roop Rashi, Textile Commissioner mentioned that there is a need to focus on outcome-oriented R&D in the sector, and given MoT's focus on R&D which is a major component of the National Technical Textiles Mission (NTTM), tremendous growth is anticipated in the coming years. She apprised about the Government's efforts on resolving issues in this sector in terms of credit support, subsidy support, facilitation of investment flow among others. She mentioned that the technical textiles industry will be a catalyst to fulfil India's vision of Industry 4.0.

Rajeev Saxena, Joint Secretary, MoT emphasised on the NTTM and its components including research, development and innovation; skilling, training and education; promotion and market development; and export promotion.

He highlighted on the various initiatives undertaken under the mission such as supporting R&D projects in niche and strategic Protech areas, QCOs on 12 protech items, amongst others.

Raj Kumar Jain, Chairman, NITRA, said that the market for technical textiles is expanding as the products are being put to use by an ever-increasing number of end users in various industries such as protective wear, agriculture, amongst others.

Amit Agarwal, Chairman, ITTA, highlighted that protective textiles are not only used in fire scenarios, but have wider usage in many hazardous-prone activities related to energy transmission, radiation energy, amongst others.

He emphasised that mandating the use of technical textiles by user industry would significantly drive the growth of technical textiles in India.

Dr. Arindam Basu, DG, NITRA, informed about the research facilities and projects being undertaken by NITRA in the field of technical textiles, especially protective textiles.

The event had thought-provoking discussion on the future of protective textile products in India, experience and expectations of consumers towards adoption of Indian protective textiles and market promotion and export opportunities for protective textiles in India along with global best practices.

Around 450 participants attended the Conclave including officials and representatives from Central Government, Indian forces, researchers, entrepreneurs and professionals related to technical textiles especially Protech.

Source: apparelresources.com- Nov 17, 2022

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Apparel exporters participating in Australian expo to push shipments: AEPC

Apparel Export Promotion Council of India (AEPC) on Wednesday said its members are participating in Australia's International Sourcing Expo to showcase their products and further push shipments. AEPC Chairman Naren Goenka said that the expo is a huge platform for the Indian garment exporters to showcase best apparel designs and styles in line with the latest fashion trends in a wide range of traditional cotton and MMF (man-made fibre) garments.

He said the council is focusing on pushing exports to Australia, New Zealand and other island countries in the Oceanic region.

"Australia has traditionally been the topmost trading partner for Indian garment with our exports occupying a share of about 4 per cent of total Australian garment imports. We foresee a stronger presence in the Australian market appreciating the recently concluded Indo-Australia trade agreement," he said. The free trade agreement would open huge business opportunities for Australian clothing brands to source from India considering the strengths of the domestic garment industry in terms of variety of raw material availability, Goenka said.

With total garment imports of USD 7.39 billion against India's exports of USD 0.29 billion, Indian garment industry has a huge scope for Australian companies to source from India.

"We are supported by the world's second largest spinning and weaving capacity, giving the industry an opportunity for a 95 per cent domestic value addition, India offers to the world a complete value chain solution from farm to fashion, giving us a competitive edge by shortened lead times to reach our buyers," he said.

India is one of the largest producers of cotton, silk and jute, technical textiles and viscose. It also produces all types of synthetic fibres, polyester, nylon and acrylic.

Source: economictimes.com - Nov 17, 2022

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Cotton yarn price up again in Delhi; disparity persists in north India

Cotton yarn prices further rose by ₹10 per kg in Delhi as spinning mills were not willing to sell at lower prices. Mills are facing a disparity of ₹10-15 per kg as higher kapas prices had led to a rise in cotton prices. However, cotton prices eased today as cotton future slipped due to macro dynamic change. Cotton comber prices also rose despite a fall in recycled yarn prices in Panipat.

Some mills in Delhi increased their selling prices but were still facing a disparity of ₹10-15 per kg. "Some buyers had to buy cotton yarn, even at higher prices as they had to fulfil their export commitments. Therefore, traders and stockists were quoting higher prices," a trader from Delhi market told Fibre2Fashion.

In the Delhi market, 30 count combed yarn was traded at ₹310-315 per kg (GST extra), 40 count combed at ₹340-345 per kg, 30 count carded at ₹290-295 per kg and 40 count carded at ₹325-330 per kg, according to Fibre2Fashion's market insight tool TexPro.

Cotton yarn prices in the Ludhiana market remained steady as mills were not inclined to reduce prices to lure buyers. They were slow in selling to avoid losses. Buyers were also not too keen on paying higher prices in the absence of demand.

"The entire value chain was facing a disparity. Cotton prices were ruling higher despite a muted demand. Consumer demand was not supporting the upstream industry," a trader from Ludhiana market told Fibre2Fashion.

In Ludhiana, 30 count cotton combed yarn was sold at ₹285-295 per kg (GST inclusive). 20 and 25 count combed yarn were traded at ₹275-285 per kg and ₹280-290 per kg respectively. Carded yarn of 30 count steadied at ₹260-270 per kg, as per TexPro.

Panipat recycled yarn market faced dual pressure. The prominent raw material cotton comber increased by ₹10 per kg to reach ₹135-140 per kg. Home furnishing value chain is facing an acute shortage as spinning mills are running at half capacity.

Mills are also slowing down sale of cotton comber to push prices up. On the other hand, consumer demand is weak, so the value chain is facing a decline in prices. Some counts and varieties of recycled yarn were saw a ₹3-5 per kg price cut. To add to it, costlier cotton has widened the losses for the value chain.

In Panipat, 10s recycled yarn (white) was traded at ₹90-95 per kg (GST extra). 10s recycled yarn (coloured - high quality) was traded at ₹105-110 per kg, 10s recycled yarn (coloured - low quality) at ₹80-85 per kg and 20s recycled PC coloured (high quality) at ₹105-110 per kg. 30 recycled PC coloured (high quality) ₹150-155 per kg. 10s optical yarn was priced at ₹100-110 per kg in the market. Comber prices were ruling higher at ₹135-140 per kg. Recycled polyester fibre (PET bottle fibre) was at ₹83-85 per kg.

North India's cotton prices eased today by ₹50-100 per maund of 37.2 kg after a decline in the domestic cotton futures and ICE cotton. According to local traders, cotton prices were driven by the futures' trend.

The natural fibre was ruling at higher prices as farmers were not too keen on selling their crop. However, demand in the downstream industry was not supportive. Cotton was traded at ₹6,800-6,900 in Punjab, ₹6,600-6,750 in Haryana, ₹6,950-7,000 per maund in upper Rajasthan and at ₹66,500-68,500 per candy of 356 kg in lower Rajasthan. The arrival was noted at 21,000 bales of 170 kg in north Indian region.

Source: fibre2fashion.com - Nov 17, 2022

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Baliyatra: Celebrating Odisha's ancient links with Indonesia and Southeast Asia

In his address to the Indian diaspora in Bali on the sidelines of the G20 summit, Prime Minister Narendra Modi mentioned the annual Baliyatra on the banks of the Mahanadi in Cuttack, which celebrates the ancient trade relations between India and Indonesia.

This year's Baliyatra, which concluded on Thursday, also found a place in the Guinness World Records for achieving an impressive feat of origami, the creation of beautiful paper sculptures.

Historical significance

Baliyatra, literally 'voyage to Bali', is one of the country's largest open-air fairs, which is organised every year to commemorate the 2,000-year-old maritime and cultural links between ancient Kalinga (today's Odisha) and Bali and other South and Southeast Asian regions like Java, Sumatra, Borneo, Burma (Myanmar) and Ceylon (Sri Lanka).

The origins of the festival, which begins on Kartik Purnima (full moon night in the month of Kartik) can be traced back more than 1,000 years. The Bay of Bengal region had several ports, and sadhavas (traders) traditionally began their voyage across the sea on this auspicious day, when the winds were favourable for the boats, known as boita, to sail.

According to historians, popular items of trade between Kalinga and Southeast Asia included pepper, cinnamon, cardamom, silk, camphor, gold, and jewellery.

Even today, thousands of people across Odisha sail decorative miniature boats made of banana stems, paper, or thermocol to celebrate boita bandana, or the worshipping of the boats.

Business of festivities

The festival is organised by the Cuttack district administration and Cuttack Municipal Corporation in association with several other government agencies. Lakhs of people from Cuttack and neighbouring districts throng the fair site by the Mahanadi through the nine-day festival.

Besides the cultural and historical aspects, Baliyatra has an important commercial dimension. It is a time when people purchase everything from automobiles and electronic devices to local artisanal products at prices that are comparatively low. The district administration allots more than 1,500 stalls to traders through an auction, and the fair is estimated to see business worth more than Rs 100 crore over its nine days.

In October, a delegation of ambassadors and heads of missions in India of ASEAN countries visited Odisha to explore business opportunities. During a business summit, Chief Minister Naveen Patnaik spoke of Odisha being a “gateway to the ASEAN region”.

Bigger after pandemic

Massive arrangements were made for this year’s Baliyatra after the Covid-People come to relish a range of foods and cultural evenings see performances from folk dancers as well as classical artists and celebrities, even as swings, Ram Dolis, and the sounds of toy trumpets lend the fair a rustic charm.

At a special event organised at the Barabati Stadium this year, over 2,100 students made over 22,000 paper boats at a single venue in 35 minutes, an achievement that was recognised by Guinness, and achieved the objective of getting global attention for the festival.

Source: indianexpress.com - Nov 18, 2022

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