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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 225 of 2022 — November 23, 2022

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INTERNATIONAL NEWS

USA: Cotton Production, Pricing and Policy Trends

Among the factors currently shaping cotton sourcing—including pricing and production destinations—are regulations, retail demand and responsible agriculture. Two presentations at the United States Fashion Industry Association (USFIA) 2022 Apparel Importers Trade & Transportation Conference discussed the state of the global cotton market.

Lately, cotton pricing is lower than in 2021, but prices are all over the place. "We continue to see volatility up and down," said Mark Messura, senior vice president, global supply chain marketing at Cotton Incorporated. "Just in the month of November, we went from 89 cents to $1.04. So here in raw material planning and sourcing, this is the stuff that drives you nuts."

Cotton is grown in 77 countries, but three-quarters of the global supply comes from just five nations: Brazil, China, India, Pakistan and the United States. The crop is mostly produced in the Northern Hemisphere, with 90 percent of cotton agriculture following the same general time schedule, with planting starting in March and harvesting beginning in September.

Messura pointed out that unlike manmade fibers that can alter production to fit demand in a given week or month, cotton mostly comes on the market once a year and the yield is set.

Supply and demand dictate the cost of cotton, with the stocks-to-use ratio typically inversely proportional to price movement. Currently, prices are higher than would be expected, since the stocks-to-use ratio is in the 70s, and Messura anticipates that prices will drop if the ratio remains.

"Chinese yarn imports are backing off, orders to manufacturers worldwide are slowing down—that's going to ease demand for raw material," Messura said. "All other things being equal, with the world crop already produced this fall, slowing down demand means less demand for a big supply, and that's a recipe for fundamentally some weakness in price."

Import insights

Just as the production of cotton fiber is concentrated, so too is the manufacturing of cotton garments and textile products. As of 2019, just nine countries were responsible for 90 percent of cotton apparel units imported to the U.S.—including China, Vietnam, Bangladesh and CAFTA-DR nations.

As Sonja Chapman, director of international traffic and customs compliance, Golden Touch Imports, Inc. and associate professor in the Department of International Trade and Marketing at the Fashion Institute of Technology (FIT), described it, China is not only the world's largest producer of cotton fiber, but it is also the biggest importer of cotton and the leading exporter of cotton yarn and supplies fabrics to around 120 countries. Two major producing hubs that count on cotton yarn are Bangladesh and Vietnam.

Cotton produced in China came under more scrutiny starting in 2020 amid reports of forced labor in the nation's Xinjiang Uyghur Autonomous Region. Chapman noted China's export volumes shifted at the same time. "While they've had some ebbs and flows in their exports…in 2020, it basically fell off the map," she said.

China has retained its position as the leading source of cotton apparel imports to the U.S., and in a number of categories it produces at least twice as much as its closest competitor country. Overall, Bangladesh has risen to second place over the last three years, and Vietnam is third for cotton apparel imports.

Due to their China-based material sourcing, Bangladesh and Vietnam could potentially expose brands to "undesirable" cotton. Recently, Pakistan, India and Western Hemisphere manufacturers have grown production in certain categories.

For instance, Pakistan has made more coat units, India has grown its dresses and woven shirts, and the Western Hemisphere is expanding men's trouser and slack manufacturing. And in knit shirts—both for men and boys and women and girls—there is a strong diversification of production, which Chapman said almost resembles the time of quotas since no single country is "owning the market."

"In 2019, after we saw the 301 sanctions set in, the move out of China was into the areas of Bangladesh and Vietnam in a strong way," Chapman said. "But once we started with the withhold release orders and the Forced Labor Prevention Act, we saw a different type of movement where Pakistan and India are emerging strongly."

Sustainability solutions

Cotton may be thousands of years old, but the methods being used to cultivate the crop are constantly evolving.

Messura said that the U.S. cotton market has shown consistent advancements in areas like land use, soil loss, erosion and water use since Field to Market began gathering this data. Sustainability is about "continuous improvement," he said, and the industry is still working toward 10-year targets for 2025.

Precision agriculture, or using the minimal inputs necessary, is helping to reduce excess. For instance, insecticides can be applied as a coating on seeds rather than sprayed on crops, taking a more targeted approach to pest control, and variable rate irrigation allows for less water use. This tactic is needed in part because prices paid to farmers have stayed stagnant in the last half century. "In agriculture, the incentive is to use less, not more," Messura said.

Companies can also reduce the eco impact tied to product development through technology. Cotton Incorporated is working to help facilitate 3D design, including providing designers with digital cotton fabrics. Taking more of the development process to virtual tools streamlines sampling and cuts down on waste.

Cotton Incorporated is also collaborating with Accelerating Circularity, an organization aimed at closing the loop in fashion.

"Sustainability is not simply what a farmer does," Messura said. "She can do great things on her farm, but it's also what happens in manufacturing and what happens in consumer use and product disposal, so it's that whole life cycle."

Source: sourcingjournal.com - Nov 22, 2022

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Xinjiang Cotton Found in Shein Clothing Imports: Report

Two laboratory tests conducted for Bloomberg News found that apparel shipped to the U.S. by Shein was made with cotton from China's Xinjiang region.

The findings bring a major concern to the forefront: how the largest online-only retailer can skirt U.S. attempts to ban the import of cotton tied to forced labor by evading U.S. Customs and Border Protection regulations.

Imports of Xinjiang-made products into the United States have been generally banned since June under the Uyghur Forced Labor Protection Act (UFLPA), which prohibits any product made in whole or in part in the region from entering the U.S. unless importers can surface clear and convincing evidence that forced labor wasn't involved in its mining or manufacture.

"Exploiting loopholes is very much how the system works," Dr. Adrian Zenz, senior fellow and director in China studies at the Victims of Communism Memorial Foundation and a leading Xinjiang researcher, told Sourcing Journal. "Any feasible loophole is liable to be exploited by entities who will observe if this is working or not. I would say that's a significant problem, even if we are not fully aware of the scale of it."

Because Shein hauls typically fall under the $800 value minimum that requires reporting to customs, the fast-fashion giant isn't subject to the same kinds of inspections applied to retailers' mass imports, according to Bloomberg, whose findings are in direct contrast to Shein's claims of having a zero-tolerance policy for forced labor.

Shein countered the outlet's report by saying its audits haven't uncovered any "labor violations."

"Shein takes seriously any claims of forced labor," a spokesperson for the company told Sourcing Journal. "Our supplier code of conduct is aligned with International Labor Organization core conventions, and all local laws and regulations, with penalties that include the termination of business partnership for those suppliers and manufacturers who do not remediate their practices. Through the Shein Responsible Sourcing Program, we work with leading agencies to conduct ongoing, unannounced audits of our supply chain, which have confirmed no forced labor violations. Additionally, we are working with partners like Oritain, an independent and well-respected testing laboratory, to help us ensure continued compliance with local laws and regulations."

The Shein test results are the just tip of the iceberg.

Now, two Xinjiang-based joint ventures involved in chemical production show key indicators of the use of forced labor based on government advisories, according to an investigation by Los Angeles-headquartered Kharon, a risk intelligence firm. The two joint ventures are in an economic development zone, held by a state-owned entity that benefits from Chinese government labor transfers. The other owner is a European multinational company based in Germany, one of the world's largest chemical producers.

The research and data analytics company found that local owner Xinjiang Makor Chemical Co. Ltd. is indirectly owned by Xinjiang Zhongtai (Group), Co., Ltd., which is owned by the government of the Xinjiang Uyghur Autonomous Region (XUAR). The joint ventures sell and manufacture organic chemical compounds, including formaldehyde, methanol, and butanediol, with many industrial applications, including textile production.

"Xinjiang Zhongtai Group and the Korla Economic Development Technology Zone have both received government-organized transfers of laborers in Xinjiang, participating in so-called poverty alleviation programs and providing patriotic or Mandarin-language education," the Kharon report said. "The U.S. Government's Xinjiang Supply Chain Business Advisory has identified these practices as indicators of forced labor and other discriminatory practices targeting Muslim minority groups."

According to a report by the Chinese Communist Party-owned media group People's Daily, Xinjiang Zhongtai Group received more than 3,000 laborers from southern Xinjiang transferred through poverty alleviation programs between 2017 and 2019. Another report found that the workers transferred to the group underwent "centralized education training" to learn "gratitude" toward the state.

“What Zhongtai is doing is particularly egregious,” Dr. Zenz said. “It’s the maximum level of risk when it comes to labor transfers.”

The two joint ventures are in the Korla Economic Technology Development Zone, roughly 155 miles south of the regional capital Ürümqi. The zone accepted more than 1,000 laborers transferred from other areas of Xinjiang from 2017 through 2018. It uses “ideological education” as part of its “poverty alleviation” efforts and has set up national language night schools and cultural training to “change the thinking of transferred workers,” according to a 2018 press release. The Xinjiang edition of People’s Daily found that labor transfers to the zone continued into 2020.

“No evidence was found indicating that either joint venture has used forced labor, but each was founded in 2014 and doing business in the Korla Economic Development Technology Zone while it was known to be participating in programs associated with forced labor,” the Kharon report said.

But Zenz pointed to a “very clear ethical problem” with Kharon’s investigation.

“You’re working in an ethically, extremely problematic context,” he said. “[But] there’s not actually any link of these two joint ventures to forced labor; they’re not even named. There’s not actual evidence that those joint ventures are engaged themselves in forced labor.”

A Xinjiang Supply Chain Business Advisory from July of last year outlined the problems that could arise from doing business with the embattled Chinese region.

“Businesses, individuals, and other persons, including but not limited to investors, consultants, labor brokers, academic institutions, and research service providers with potential exposure to or connection with operations, supply chains, or laborers from the Xinjiang-region, should be aware of the significant reputational, economic, and legal risks of involvement with entities or individuals in or linked to Xinjiang that engage in human rights abuses, including but not limited to forced labor and intrusive surveillance,” it said.

A proposed European Union regulation to ban goods made with forced labor from the EU market would create additional risks for importers of products made by joint ventures and others in Xinjiang, according to Kharon. The draft EU regulation, proposed in September, would ban products made with forced labor in any country. Still, previous European Parliament resolutions denote forced labor in Xinjiang as the leading concern under an adopted rule. The June European Parliament resolution, however, called for a ban that explicitly covers Xinjiang.

The German Supply Chain Act (LkSG) will be enacted in January of next year, requiring companies with a corporate or branch presence in Germany to conduct due diligence into their supply chains for evidence of child or forced labor. Violating the LkSG could result in a fine of up to 8 million euros ($8.29 million), depending on the nature and severity of the infraction.

This finding comes just weeks after 50 countries in the United Nations General Assembly Third Committee issued a joint statement regarding the human rights situation in Xinjiang. And weeks before that, more than 60 human-rights organizations, civil society groups and trade unions signed a letter urging the European Commission to strengthen proposed legislation banning goods made with forced labor.

Considering the modern slavery practices in Xinjiang, brands have begun pulling operations from the region. Patagonia cut ties with Chinese cotton partners in July 2020, as did L.L. Bean, with promises to “be completely out of the cotton production process (farm to factory) in Xinjiang by 2021, a 2020 press release stated.

But other companies aren’t so quick to act. Though scientists say they have found traces of Xinjiang cotton in garments from Adidas, the company denied ever manufacturing products in the region. Nike has rejected calls to stop sourcing in China because it cannot guarantee it can keep forced labor out of its supply chain. Over the summer, Muji proudly peddled products produced with Xinjiang cotton.

The American Apparel and Footwear Association (AAFA) said Kharon’s report provides valuable intel for member brands.

"AAFA members continue to conduct their due diligence to ensure their supply chains have no nexus with Xinjiang and that they remain free of forced labor," Steve Lamar, AAFA president and CEO, told Sourcing Journal. "Detailed reports, such as this one, help our members in their due diligence."

But fashion brands aren't the first—or last—to use forced-labor products or services.

A new report by Hong Kong Watch and Sheffield Hallam University documents that leading investment funds, such as Vanguard and Fidelity, have invested in companies, such as Foxconn Technologies and Hoshine Silicon Industry Co. Ltd., that have been identified in research and media as using Uyghur labor through state-sponsored transfers.

"The brands called out in this report stand as a cautionary tale for what can happen when companies do business in opaque or high-risk geographies without appropriate and continuous human rights due diligence," Anita Dorett, director of the Investor Alliance for Human Rights, said. "Millions of Uyghur and other Turkic, Muslim-majority peoples are subject to egregious human rights abuses, and the financial and human rights performance of companies and their investors are put at risk. When it comes to respecting human rights, there can be no such thing as a passive investor."

The report, "Passively Funding Crimes Against Humanity," analyzed the component stocks of three major global indexes—Morgan Stanley Capital Investment (MSCI) China Index, MSCI Emerging Markets Index, and MSCI All-Country World Index ex-U.S.—and identified 13 companies listed in the indexes that had been engaged in placing Uyghurs in their workforce through state-sponsored forced labor transfers or have been involved in building internment camps or the system of surveillance and repression in the Uyghur region.

Reports in 2020 revealed that the forced labor of Uyghurs has expanded beyond the Uyghur region, with at least 80,000 people transferred to factories across China where they cannot leave, are under constant surveillance, and must undergo "ideological training" to abandon their religion and culture.

The report also identified workers' pension funds in the U.S., Canada, and the UK as holding equities linked to forced labor transfers of Uyghurs. "This report should be a wake-up call to every asset manager and pension fund.

Investors should require companies they are invested in to fully trace their supply chains and urgently divest from any links to the Uyghur region or to forced labor transfers from the region," Rushan Abbas, executive director of Campaign for Uyghurs, said. "Further, companies linked to forced labor transfers in this report should be delisted from the indexes so that average citizens do not need to worry that they are funding crimes against humanity."

Source: sourcingjournal.com- Nov 22, 2022

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US imports apparel worth $3.5 bn from Cambodia in Jan-Sept 2022

The US imported apparel worth $3.513 billion in the first three quarters of 2022. Trousers and shirts were the biggest contributors in Cambodia's shipments to the US with a share of 31.06 per cent ($1.091 billion) of the total imports during the period under review. Along with jerseys, trousers and shorts contributed more than half of the total imports.

The import of trousers from Cambodia by the US was around one third of its total imports. Jerseys contributed 21.62 per cent ($759.570 million) in the same period. Both products collectively made up for 52.68 per cent share of the total imports.

The other top items were babywear (8.31 per cent), nightwear (7.77 per cent), shirts (4.84 per cent), T-shirts (3.98 per cent), innerwear (3.52 per cent), dresses (3.26 per cent), coats (2.62 per cent) and swimwear (1.48 per cent), according to Fibre2Fashion's market insight tool TexPro.

The imports during the first nine months of this year reached $3.590 billion, thus surpassing the total imports of $3.522 billion in 2021.

US' imports from Cambodia have maintained a healthy growth year after year, which was not dampened by the COVID-19 disruption either. The imports were recorded at $2.164 billion in 2017, which grew to $2.447 billion in 2018 and $2.730 billion in 2019. They further increased to $2.953 billion in 2020 and jumped to $3.522 billion in 2021, as per TexPro.

Source: fibre2fashion.com- Nov 23, 2022

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CBI urges UK PM to focus more on growth for better long-term prospects

Despite the possibility of the recent austerity budget averting a deeper recession, the UK government must focus more on growth to improve the country's long-term prospects, according to the Confederation of British Industry (CBI), which recently called for unlocking private investment and changing rules ‘to overcome political barriers’, with more migration needed to fill vacancies.

The business lobby group's director general Tony Danker said Prime Minister Rishi Sunak cannot merely concentrate on taming inflation and businesses must also show "even greater ingenuity than during COVID."

“Aggressively getting inflation down is the right thing to do, especially after the market response to the mini budget. Market stability is a precondition to growth. And I pay tribute to the Prime Minister and Chancellor for taking the tough choices needed to achieve that,” Danker added.

Source: cottongrower.com- Nov 21, 2022

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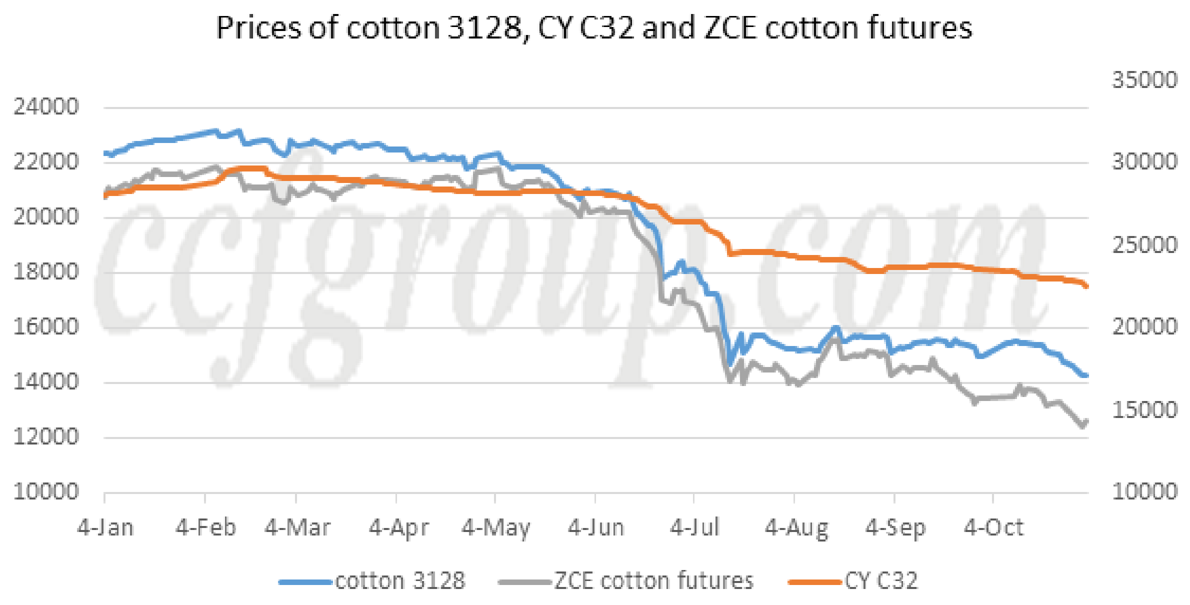
China: Rising cotton price and falling cotton yarn price amid slack demand

Since early-Nov, ZCE cotton futures gradually rebounded and 01 contract has already rebounded about 1,300yuan/mt compared to the low point at previous stage. Regardless of futures rebound, spot cotton prices didn't rise greatly, and cotton yarn prices even still dropped.

The rising of ZCE cotton futures this time was mainly because of good macro-situation, including the rumors about released epidemic control in China, the falling back of US inflation and the worry about the lack of new cotton ware house receipt. However, the basic condition of industry didn't change obviously. The reasons above caused the market with rising cotton price and falling cotton yarn price.



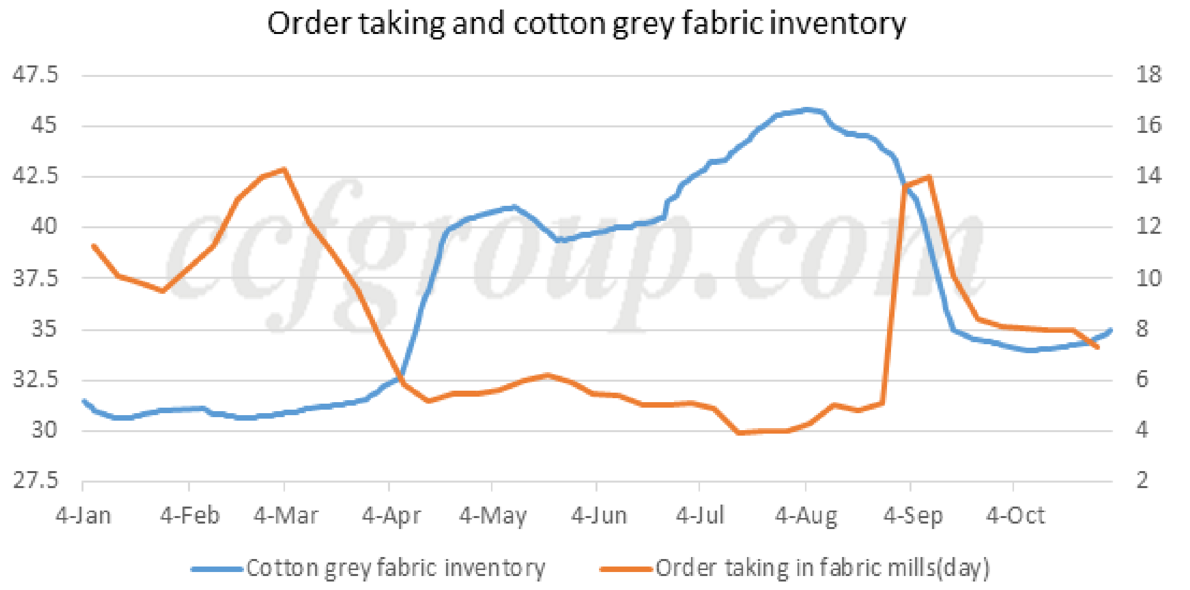
Orders lacked, and the market was not likely to improve greatly.

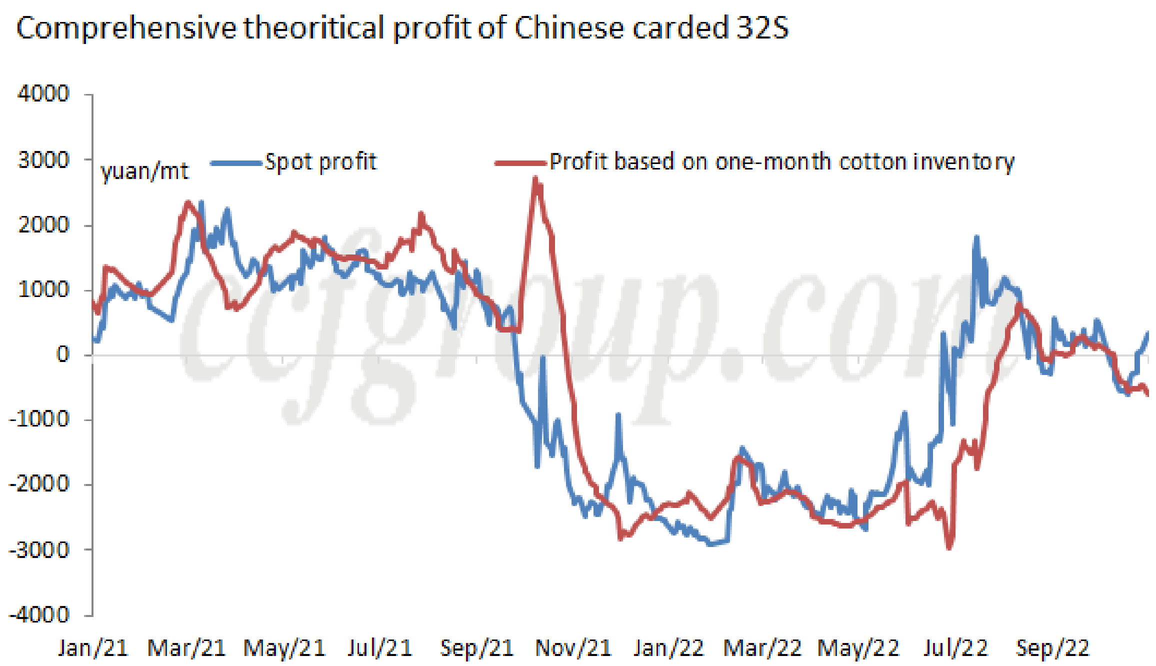
New orders in fabric mills decreased largely since the second half of Sep, and now orders of fabric mills were at low level. It was heard that export orders for autumn and winter next year began to be sold with few quantities, but domestic orders slipped further after Double Eleven.

The inventory in fabric mills moved up, and the operating rate slipped amid the lack of orders and high level of inventory. After entering into Dec, more fabric mills will gradually be on holiday in advance.

According to current condition, market was hard to improve largely. However, fabric mills may stock up few before New Year amid the expectation on released epidemic control in China.

Cotton yarn mills were at loss again, and more mills may reduce and suspend production.





Downstream fabric mills kept low operating rate or even gave holiday in advance amid epidemic and the lack of orders, making cotton yarn sales hard. Cotton yarn prices had to fall amid the rising inventory of cotton yarn mills, even though cotton prices didn't drop. Now the loss of conventional varieties reached 500-1,000yuan/mt.

The transportation of new cotton in Xinjiang was still slow, and more cotton yarn mills chose to reduce or suspend production as cotton prices were hard to decline.

The prevailing factor in cotton yarn market now is still demand. In short term, the demand in cotton yarn market is hard to improve greatly amid the lack of orders and bearish expectation in off-season.

Cotton yarn prices are expected to be easy to fall and hard to rise amid the accumulation of inventory.

Source: ccfgroup.com- Nov 22, 2022

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China to extend zero-tariff treatment to 98% of Ugandan goods

Starting from December 1, 2022, China will allow zero-tariff benefits for 98 per cent of taxable items from Uganda. This is with regards to China's decision to extend zero-tariff treatment to 10 least-developed countries (LDCs) who have diplomatic ties with it, in a bid to reach $300 billion in total imports from Africa in the next three years.

China had pledged to provide tariff preferences for LDCs at the eighth ministerial conference of the Forum on China Africa Cooperation (FOCAC) held in Senegal last year. The recent announcement to allow zero-tariff duties for 98 per cent taxable items from Uganda is the extension of China's commitment at FOCAC, said Zhang Lizhong, Chinese ambassador to Uganda, while speaking at the public unveiling of the special preferential tariff treatment of Ugandan exports to China.

The benefits will gradually be extended to all LDCs who have diplomatic relations with China, according to Chinese media reports.

Francis Mwebesa, minister for trade, industry, and cooperatives, has appealed to the African business community to take advantage of the Chinese market access.

The zero-tariff treatment will be applicable to 98 per cent of goods from the 10 least-developed countries, including Guinea-Bissau, Lesotho, Malawi, Afghanistan, Benin, Burkina Faso, Sao Tome and Principe, Tanzania, Uganda, and Zambia, according to Customs Tariff Commission of the State Council. China had also extended the same benefits to 16 LDCs back in September.

Source: fibre2fashion.com- Nov 22, 2022

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Bangladesh should pursue EU GSP+ facility for post-LDC era

Bangladesh should strive to avail the European Union's (EU) Generalised Scheme of Preferences Plus (GSP+) facility after the withdrawal of duty-free and quota-free market access facility in the EU under the Everything But Arms (EBA) scheme in 2029, a recent seminar in Dhaka organised by the Support to Sustainable Graduation Project (SSGP) of the Economic Relations Division (ERD) was told.

The country should simultaneously pursue with the World Trade Organisation (WTO) for continuation of international support measures (ISMs) for six years after a country graduates from the least developed country (LDC) status, experts at the seminar said.

As an LDC, Bangladesh is now availing duty-free and quota-free market access in the EU under the EBA scheme. However, it may not be able to avail this facility following a three years' transition period after the LDC graduation.

Bangladesh Bank governor Abdur Rouf Talukder said the enhanced capacity acquired through the LDC graduation process would also enable the country to attain other national development goals, according to Bangla media reports.

Source: fibre2fashion.com- Nov 22, 2022

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EU imports €137.8 bn worth of goods from Russia during Jan to July '22

European Union has imported €137.8 billion worth of goods from Russia in the period from January 2022 to July 2022, which is 3.4 per cent of EU's total imports, compared to 3.6 per cent in 2021, as per Destatis, Germany's federal statistical office. Germany's imports from Russia accounted for 2.6 per cent of its total imports in the same period.

In 2021, Germany's imports from Russia had been 2.4 per cent of its total imports. The fact that Russian goods accounted for a higher share of total German imports is due to the strong price increases for raw materials and energy products. Germany was also the most important exporter of goods to Russia in all of EU, said Destatis on the basis of data from Eurostat, the statistical office of the EU.

Bulgaria was the EU member state whose imports from Russia accounted for the largest share of total imports from January to July 2022. In that period, Russian goods accounted for 11.5 per cent (€3.6 billion) of total imports to Bulgaria. Estonia came second with a percentage share of 9.7 per cent (€1.4 billion) and Finland ranked third with 8.9 per cent (€4.8 billion).

In 2021, Lithuania had been the EU member state whose imports from Russia accounted for the largest share of total imports (11.9 per cent). This proportion fell to 8.5 per cent in the period of January to July.

Finland and Estonia also reduced their imports of Russian goods as a percentage of total imports. In 2021, these had accounted for 11.7 per cent in Finland and 10.6 per cent in Estonia. In contrast, the share of Russian imports increased sharply for Bulgaria (2021: 7.6 per cent of total imports).

Source: fibre2fashion.com- Nov 22, 2022

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Bangladesh: Textile sector has huge investment potential: Danish investors

There is a lot of investment potential in the textile sector of Bangladesh, where Envoy Textiles has set an example of sustainability, according to Danish investors.

The delegation from industry and employers' association Danish Fashion & Textile had come to take part in a recently-concluded "37th IAF World Fashion Convention" and "Made in Bangladesh Week" in Dhaka.

The events were jointly organised by the Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association and International Apparel Federation.

Marie Busck, head of corporate social responsibility and sustainability of the Danish Fashion & Textile, and Michelle Van Velthoven Utzon Frank, sustainability adviser, visited a LEED-certified denim factory of Envoy Textiles founded by Kutubuddin Ahmed, said a press release.

"Bangladesh's development partner for four decades, Denmark now wants to develop commercial ties with the country through investing in green and sustainable partnership," Busck said.

The BGMEA and the German state development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) presented an award to Envoy Textiles for water efficiency and textile waste recycling.

Tanvir Ahmed, managing director of Envoy Textiles, was present.

Source: thedailystar.net- Nov 21, 2022

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Bangladesh: Pharmaceuticals, textiles, blue economy potential areas of cooperation

South African Deputy Minister for Foreign Affairs Mashego Dlamini has said pharmaceuticals, textiles and the blue economy are potential areas of cooperation with Bangladesh.

She underscored the need for 2-way visits of business delegations between Bangladesh and South Africa.

Dlamini is on a bilateral visit to Dhaka as well as to join the IORA meeting.

She met State Minister for Foreign Affairs Md Shahriar Alam at the state guesthouse Padma in Dhaka yesterday with her delegation members comprising high officials of Foreign Ministry and South African High Commission in New Delhi.

The Bangladesh side comprised the Secretary (East) of the Foreign Ministry and other officials of the ministry.

The state minister suggested that South African entrepreneurs may invest in high tech parks and establish cooperation in agriculture, IT, and climate change areas.

He mentioned the supreme and lifelong struggle of Father of the Nation Bangabandhu Sheikh Mujibur Rahman and President Nelson Mandela for the emancipation of the common people.

The state minister mentioned that Bangladesh and South Africa are cooperating in common platform like impacts of climate change.

He said that Bangladesh is committed to social development agenda like women empowerment and is championing the agenda in international platforms apart from making dedicated efforts in Bangladesh.

Dlamini stated that South Africa is considering establishing a consular office in Dhaka, as State Minister Shahriar Alam urged the South African side to open a South African Consulate in Dhaka.

The state minister thanked the South African Minister for their support extended to Bangladeshi citizens living in South Africa.

He underscored the need for introduction of direct air connectivity and regular official contacts.

Earlier, the South African delegation visited the Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Museum in the morning.

The delegation also met with FBCCI officials and held discussions.

Source: thedailystar.net- Nov 23, 2022

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West cuts imports, Bangladesh heap clothes at stores: FT

Clothing is piling up at warehouses in Bangladesh as consumers tighten belts in the United States (US), Europe, and other big markets, according to a report published in the Financial Times (FT).

Quoting the clothing manufacturers, the FT report also said that orders in the world's largest ready-made garment (RMG) exporter after China had been slowing since July due to the war in Ukraine and sanctions on Russia, and their impact on inflation, interest rates, and mortgages across the world.

"Everything has gone up, so the clothing budget has squeezed," Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told the Financial Times. "That's why some of the brands, some of the importers have slowed down their orders."

Hassan also added that some retailers had asked Bangladeshi suppliers to stop making garments or to delay shipments for up to three months.

"That is having a huge impact because all our factories . . . have bought fabric to produce the garments, and now they are having a serious crisis," he continued in the report released by FT today.

John Reed, the FT's South Asia bureau chief, filed the report from Dhaka where he mentioned that the downturn in global clothing demand comes as Sheikh Hasina Wazed's Bangladeshi government, which faces an election next year, contends with higher prices for imported gas, leading to power cuts that have hit some garment producers.

The report also added that the opposition Bangladesh Nationalist Party (BNP) has staged large rallies in recent weeks in a bid to capitalise on discontent with a weakening economy ahead of the poll.

The FT report further mentioned that Bangladesh turned to the International Monetary Fund (IMF) this month for assistance, and secured a US$2.3 billion credit facility and another US$1.3 billion from its Resilience and Sustainability Facility, meant to help poorer countries address climate change and other long-term challenges.

"Unlike its regional neighbours Sri Lanka and Pakistan, Bangladesh has not faced a full-blown liquidity crisis. But its foreign exchange reserves have fallen this year against the backdrop of a strengthening dollar and pressures on prices and consumer demand," wrote John Reed in the report.

"Clothing and textile production is by far the biggest industry in Bangladesh, which profited from surging sales when Covid-19 lockdowns eased and consumers indulged in `revenge buying'", he added.

Quoting the statistics available with the BGMEA, the FT report mentioned that Bangladesh exported garments worth $42.6 billion and textiles worth $2.6 billion in the 12 months to the end of June, accounting for about 85 per cent of total exports.

"Making clothes for Walmart, Primark, H&M, Target, and other global chains is a cornerstone industry that has helped lift more than 160 billion people, primarily women, out of poverty," it added.

The report also quoted Ranjan Mahtani, chief executive of Epic Group, which has a factory in Bangladesh and a large business in the US, who said that clothing sales "really spiked post-Covid because there were so many stimulus cheques", but were now falling again, leading to "huge" inventories at retailers.

In the first months of the pandemic, Bangladesh's garment makers were hit hard when many retailers cancelled orders, said the FT report. Some responded by pivoting to making masks and personal protective equipment as demand for those products climbed rapidly.

"In a country that looks chaotic from the outside, everybody was really focused," says Vidiya Amrit Khan, director of the family controlled Desh Garments, while speaking to FT. The unit supplies brands including Calvin Klein and Tommy Hilfiger in the US, and Crew Clothing in the UK.

The BGMEA president told FT that in the latest slowdown, retailers were not cancelling orders outright. Instead, they were asking for discounts or factoring warehouse charges into what they paid manufacturers whose clothing they could not sell immediately.

He further added that the industry had asked the Bangladesh Bank, the country's central bank, to press lenders to defer suppliers' loan payments so that factories could give priority to paying wages and utility bills.

Power cuts have caused further problems at manufacturers. In this connection, Syed Naved Husain, chief executive of Beximco, told FT: "Energy is a problem and because of that, a very large section of the industry is going through terrible months.

Husain also said that he thought the industry should "buy energy at the cost it's available", even if it meant the cost of a garment shot up.

In a fiercely competitive industry with thin margins, clothing producers in Bangladesh are especially vulnerable to changes in global consumer tastes and demand, observed FT report.

As clothing chains respond to pressure from shoppers and shareholders to improve their sustainability practices, garment-makers have invested in machinery and equipment aimed at reducing the use of water, power and other resources.

"What's happening now is that fashion is under attack," said Husain, whose company has installed solar panels, new denim washing machines, and other equipment.

Tipu Munshi, Bangladesh's commerce minister, confirmed the slowdown in clothing exports, but noted that people would "still have to wear garments", even during leaner economic times.

"Maybe you buy two out of four [garments], but you still have to buy it," he told FT. "And no one can beat our price."

Source: thefinancialexpress.com.bd- Nov 23, 2022

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Pakistan: Govt mulls duty on man-made fabric

Pakistan Yarn Merchants Association (PYMA), a body largely representing the importers, has appealed to Prime Minister Shehbaz Sharif to intervene and stop the increase in tax burden.

The association has written to the premier that the imposition of 5% regulatory duty on the import of yarn, which is a raw material for the textile sector, on the pretext of discouraging imports will increase the cost of production.

A summary may soon be tabled in the Economic Coordination Committee (ECC) of the cabinet for seeking its approval for the regulatory duty.

Cotton has been replaced with yarn across the world and most of Pakistan's textile industry depends on the imported yarn.

About 500,000 power looms and knitting machines use yarn as a raw material for the manufacturing of textile products. Commercial importers also import yarn for consumption by such manufacturers.

The association claims that the demand for yarn for local consumption stands at approximately 450,000 tons per annum, of which 350,000 tons are imported, which shows a gap of 78%.

Yarn demand cannot be fulfilled in any way through local supplies, which raises questions over the motive behind imposing the regulatory duty to discourage imports.

The association also points out that the local yarn manufacturers are still using outdated machines, which are not energy efficient. Such energy losses are built into yarn prices.

Currently, there is a gap of at least 8.5% in the duty structure on the import of raw material of yarn and the import of yarn and any increase in the duty will give undue advantage to the local manufacturers.

Despite the huge gap in supplies, the yarn manufacturers could not tap the market due to the low quality of their product and high cost of production. Efforts should be made to increase the efficient production capacity instead of imposing the regulatory duty.

Textile products produced from the imported yarn are mostly used by the ordinary people due to their affordability. The duty imposition will directly impact the inflation reading and will further worsen the situation.

On the other hand, the yarn manufacturers will also increase prices in line with the landed cost of imported yarn which will, in turn, raise the cost of finished textile products. The impact on inflation will be twofold.

Moreover, the export of textile will be no more competitive due to the high cost, resulting in possible closure of small and medium enterprises (SMEs).

The association has appealed to the PM that in light of the facts and in order to save hundreds of thousands of power looms from closure, the existing duty structure may at least be left unchanged if the duty gap is not reduced.

It has also demanded that no regulatory duty should be imposed on the import of yarn to provide undue protection to the local textile industry that is not able to meet the entire consumer demand.

Source: tribune.com.pk- Nov 23, 2022

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NATIONAL NEWS

Australian parliament approves free trade agreement with India

The Prime Minister, Shri Narendra Modi has thanked Australian PM, Anthony Albanese as Australian parliament approves free trade agreement with India.

Shri Modi also said that Economic Cooperation and Trade Agreement (ECTA) will be greatly welcomed by our business communities, and will further strengthen the India-Australia Comprehensive Strategic Partnership.

In response to a tweet by Australian PM, Anthony Albanese, the Prime Minister tweeted;

"Thank you PM @AlboMP! The entry into force of IndAus ECTA will be greatly welcomed by our business communities, and will further strengthen the India-Australia Comprehensive Strategic Partnership."

Source: pib.gov.in- Nov 22, 2022

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Duties on 100 percent tariff lines to be eliminated by Australia under the landmark India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA): Shri Piyush Goyal

Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal said that duties on 100 percent tariff lines would be eliminated by Australia under the landmark India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA). He was addressing a press conference on the ECTA following the approval of the Agreement by the Australian Parliament today.

Minister expressed his gratitude to Prime Minister Shri Narendra Modi and said that the ECTA was made possible because of the bond that he had built with the leadership in Australia cutting across party lines.

Shri Goyal said that the ECTA would give a big boost to several sectors of the economy, especially textiles, gems and jewellery and pharmaceuticals. It may be noted that 10 lakh jobs are estimated to be created as the result of the ECTA. He noted that the Agreement would also open new opportunities for the service sector in India and would immensely benefit students by offering them an opportunity to work in Australia. Annual Visa quota of 1800 is to be instituted for India Yoga teachers and Chefs.

The Minister underscored that the Agreement was finalized after extensive and exhaustive stakeholder consultations and pointed out that it was unanimously accepted and supported by all quarters.

Shri Goyal observed that the Agreement reflected the confidence and trust between the two countries, and India's growing stature in the world. He said that ECTA would further deepen India's relationship with Australia, a vibrant democracy which shared several of India's interests.

IndAus ECTA which was signed on 2 April 2022, is now ready for ratification for its early implementation, with the Ind-Aus ECTA Bill and the DTAA amendment bill being passed by the Australian Parliament today and is being placed before Executive Council to get Royal Assent. The Agreement will enter into force shortly, on a mutually convenient date once both the sides have completed their domestic processes.

Australia is an important strategic partner of India and both the democracies are part of the four nation QUAD, Trilateral Supply Chain Initiative and the Indo-Pacific Economic Forum (IPEF).

The trade relationship facilitated through ECTA will open a new chapter on India-Australia Comprehensive Economic Partnership between two vibrant economies with shared interest and trade complementarities. This agreement initiated by the Hon'ble Prime Ministers of both the sides, is the cornerstone of our multi-faceted bilateral relations.

ECTA is the first trade agreement of India with a developed country after more than a decade. The Agreement encompasses cooperation across the entire gamut of bilateral economic and commercial relations between the two friendly countries. This will also connect with more than seven lakhs of Australia's Indian diaspora, second highest taxpaying diaspora, which makes a significant contribution to Australia's society and economy.

ECTA provides for an institutional mechanism to encourage and improve trade between the two countries. For the first time, decisions completely based on extensive stakeholder consultations with every industry, Ministries, trade associations etc unlike the previous FTAs was undertaken. It is expected that with this agreement, the total bilateral trade will cross US$ 45-50 bn in 5 years from existing US$ 31 bn. India's Merchandise Exports is likely to increase by 10 billion by 2026-27. Moreover, since the labour-intensive sectors will be benefitted, it is expected to create an additional employment of atleast 10 lakhs jobs in India, create ample opportunities for investment, promotion of start-ups. Similarly, it would provide enhanced job opportunities for Indians in Australia and increased remittance flows to India.

Around 96% of Australia's exports are raw materials and intermediate products which will allow many Indian industries to get cheaper raw materials and make them competitive. Investments will help increasing presence of higher value products of advanced technology, thereby promoting vertical Movement in the value chain (Engineering, Electronics, Pharmaceuticals & Medical devices). Another major gain is in Pharmaceuticals sector, where Drugs approved in other developed jurisdiction will get fast track approval for patented, generic and biosimilar medicines.

As regards trade in services, Australia has offered wide ranging commitments in around 135 sub sectors. which cover key areas of India's interest like IT, ITES, Business services, Health, Education, and Audio visual. Some of the key offers from Australia in the services space include: Quota for chefs and yoga teachers; Post study work visa of 2-4 years for Indian students on reciprocal basis; mutual recognition of Professional Services and Other licensed/regulated Occupations; and Work & Holiday visa arrangement for young professionals. Moreover, the long pending issue under Double taxation related to IT/ITES has been resolved under this Agreement which will provide a financial savings of more than US$ 200 million per year as per the estimates received from the Industry Associations.

As part of the commitments under ECTA, for the Comprehensive Ind-Aus ECTA, Chief Negotiators from both the sides will have a meeting shortly to finalise the Scoping document.

In a nutshell, the India-Australia ECTA will further cement the already deep, close and strategic relations between the two countries and will significantly enhance bilateral trade in goods and services, create new employment opportunities, raise living standards, and improve the general welfare of the peoples of the two countries.

Source: pib.gov.in- Nov 22, 2022

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India-EU FTA: Stock-taking meet to follow third round of talks next week

Negotiators from India and the EU are set to kick off the next round of talks on the proposed India-EU FTA next week focussing on multiple areas such as market access for key industrial and agricultural goods, intellectual property, digital trade, government procurement, data secure status and environment & sustainability issues including labour and gender.

The third round of negotiations, between November 28 and December 9, will also include separate discussions on an investment protection agreement and geographical indications, an official told businessline.

"The third round of negotiations will be crucial as it will be followed by a stock-taking meeting at the Commerce Secretary/Director General level next month or beginning of January 2023 to decide on the way ahead," the official said. About 75 sessions on 19 policy areas are scheduled in the third round, to be hosted by India.

Cause of concern

India and the EU re-started negotiations on an FTA in June this year after a gap of nearly nine years. Negotiations which started in 2007 were suspended in 2013 due to differences over several issues including import duty cuts for automobiles and wines and spirits, workers mobility and inclusion of new areas such as labour, environment and sustainability.

While India has now agreed to include several new areas as it already has efficient domestic laws, EU's demand for binding commitments could be of concern. "India is also open to brining down tariffs on wines and spirits and automobiles. But there has to be compatibility between the EU's expectations and India's comfort levels," said a source.

Similarly, in areas such as intellectual property, digital trade and government procurement, ambitions of India and the EU need to be matched. "In the third round of negotiations, both sides would try to bridge the existing gaps in key areas and by the end of it a clearer picture is expected to emerge on where things stand," the source added.

India may also press the EU to extend to it data secure status, as part of the FTA, as it would help the country attract more sophisticated data outsourcing business, the source said. The EU does not want to make deep concessions in the work visa regime, as it says that work permits are under the remit of individual EU states, but India may insist on some commitments.

India is hopeful of making gains in areas such as textiles, leather, sports goods and processed food as the proposed FTA could place Indian exporters at par with exporters from competing countries such as Bangladesh and Vietnam that already have preferential access into EU markets.

India-EU trade in goods posted a growth of 43.5 per cent to touch a high of $116.36 billion in 2021-22. India's export to the EU increased 57 per cent in 2021-22 to $65 billion, according to government figures.

Source: thehindubusinessline.com- Nov 22, 2022

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Maharashtra Govt forms panel to draft textile policy for next five years

The Maharashtra government has decided to create a new textile policy for the state for 2023 – 2028, and has appointed a committee of experts and government officials to study and draft the policy. The state department of cooperation, marketing and textiles issued a government resolution to this effect last week.

On February 15, 2018, the government had come up with Textile Policy 2018 – 23, to give impetus to and promote business in the textile industry. The policy will expire at the end of March 2023. "The textile industry holds a crucial position in the economy of the state. It has high potential to create employment, second only to agriculture.

Keeping these aspects in mind, the textile policy was formulated in 2018 for five years. A new textile policy cannot be formed without studying the latest needs of the industry and the reality of its present condition," the GR said.

The committee will comprise of 24 members, including textile commissioner, director from the Directorate of Marketing in Pune, director from the Directorate of Sericulture in Nagpur, representatives from Maharashtra Energy Development Agency, from Sasmira, from National Institute of Fashion Technology, from the Clothing Manufacturers Association of India, and wool manufacturers.

It will assess the impact of the Textile Policy 2018 – 2023, the Centre's policy, new avenues in the industry, and policies of neighbouring states. It will also suggest new measures to expand the silk cultivation in the state and propose new technologies that can be used in the textile industry.

Source: indianexpress.com- Nov 23, 2022

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Centre pushes for reviving export commissioner posts for boosting trade

The Centre will provide budgetary support to states that revive the scheme of export commissioners to make trade a key deliverable in their economic policies. It is also expected to help the Centre mobilise strong political support from the state governments when it cuts import duties and signs trade agreements to allow more imports.

Along with the ongoing expansion of the department of commerce at the Centre, pushing for a senior officer-led new department—an export promotion cell at state levels -- is therefore seen as crucial. Central government mandarins hope India's export of goods and services will jump from the current $700 billion to $2 trillion within the next five years.

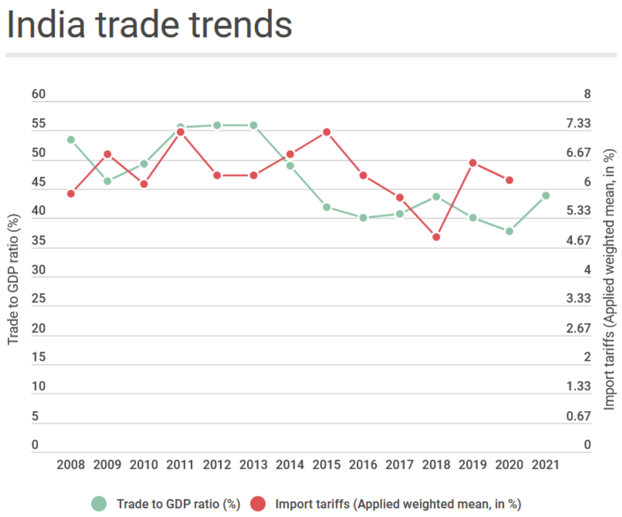
"The finance ministry has sanctioned the finance for the scheme for export commissioners in every state and it will travel to the cabinet, at some point, " said retired commerce secretary BVR Subrahmanyam. Another official aware of the developments said this would need an expansion of the role of the India Trade Promotion Organisation.

There is a past to the scheme. It was started in 2015 when 21 states appointed export commissioners as part of the Foreign Trade Policy 2015-20. As it turned out, these commissioners were mostly additional designations for their industry secretaries. Even then, 14 states also framed strategies for outward shipments, often assisted by the Centre. The appointment of these commissioners was expected to help India reach an aggregate export volume of $900 billion by FY20.

Export pessimism, however, soon set in, bringing the curtains down on the scheme. By FY18, the Indian government policies turned inward. Former finance minister Arun Jaitley, reversing a long-standing trend of cutting duties on imports, instead raised the duties on about 40 tariff lines. By November 2019, India had also walked out of the 15-nation Regional Comprehensive Economic Partnership (RCEP).

Subrahmanyam said there has been a turnaround in the government's trade policies, which recognises that "splendid isolation will not do". Instead, the country needs exports as an important engine for growth, for which there is a need to be part of the global value-added chain.

Speaking at the India @75 conference, organised by the Deepak and Neera Raj Center on Indian Economic Policies at Columbia University, New York, in late October, the former secretary said the revival of the post of export commissioners at each state was necessary for a "buy in" by them to the ambitious international trade expansion targets of India.



A study by the commerce ministry has found that only about eight states contribute to the export volumes from India, including services. As a political process, this narrows the support for policies to loosen trade rules.

Former commerce secretary Rajeev Kher who had spearheaded the earlier avatar of the scheme, said he welcomed the plans for its revival.

Kher had asked the chief secretaries of the states to push the agenda before he retired. "Most states were not aware of the details of trade policy, much less about what the WTO wanted. Among the few exceptions were Kerala and Karnataka", he said.

The export commissioners shall now be expected to operate under clear targets to expand exports from their states. While they had a target earlier, too, there was no risk if they missed it since there was no monetary outlay. Since they shall have a budget in the reframed scheme, this will be another centrally sponsored scheme with clear linkages between the spending and the outcome. This is the key difference under which the new scheme shall operate.

In essence, they shall mimic the role ambassadors of India to many countries have been assigned. These ambassadors have a dashboard installed on their tables that give data on how the exports from India to these countries have performed. The data is updated every week. A senior government official said the external mission has begun to show results because the Prime Minister's Office now monitors the data. Prime Minister Narendra Modi has told the ambassadors that trade, technology and tourism are what he expects them to pursue aggressively.

India has begun to reset its trade agenda at a time when the geopolitical wind has changed with a hardening of the position of many countries, vis a vis China.

Endorsing Subrahmanyam's position, finance secretary, TV Somanathan, said at the same event that the government shall push for trade expansion through several means.

Kher said the new proposal would need a revival of the Centre for Research in International Trade (CRIT), at the Centre. The CRIT would act on a hub and spoke model with the states as a multidisciplinary organisation to work on research issues on trade, a sort of federated structure. He agreed that the ITPO (India Trade Promotion Organisation) could take on this role. Surprisingly the commerce ministry had, in the past couple of years, moved to restrict this initiative, reducing their budget.

Subrahmanyam said as part of the shifting geopolitics, many countries have hardened their position on China. As part of the hardening, countries, including India, have begun to reset their supply chains. India has also realised over "the past three-four years that high import tariffs penalise exports".

Incidentally, data shows that two-thirds of India's total export basket of goods are commodities that account for less than 20 per cent of world trade. The government has realised that this means India is selling stuff with minimal demand in the global markets.

As part of the revamp, commerce and industry minister Piyush Goyal has recently introduced the Development of Enterprises and Services Hub (Desh) bill to replace the more than one-decade-old Special Economic Zones Act. It is meant to offer no tax concessions but instead creates a custom bonded manufacturing zone to expand the range of products that can be sold from India abroad competitively.

Source: business-standard.com- Nov 22, 2022

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India, EU hopeful of timely conclusion of negotiations on trade

India and the European Union on Tuesday expressed hope that there is a timely conclusion of negotiations on their trade and investment agreements, and agreed on the need for greater ambition in the implementation of their connectivity partnership. The 9th India-EU Foreign Policy and Security Consultations were held here co-chaired by Secretary (West) in the Ministry of External Affairs Sanjay Verma and Enrique Mora, Deputy Secretary General for Political Affairs, European External Action Service.

During the consultations, both sides were pleased to note the enhanced intensity and political momentum in the India-EU relationship, a start towards which was made during the 15th India-EU Summit held in July 2020 and which was further strengthened by the India-EU Leaders' Meeting in May 2021, a statement issued by the Ministry of External Affairs said. They took stock of key bilateral developments, including the India-EU Trade and Technology Council, announced by Prime Minister Modi and President of the European Commission Ursula von der Leyen during the latter's visit to India in April 2022 as Chief Guest for the Raisina Dialogue, the MEA said.

They also welcomed the progress in negotiations on the India-EU trade and investment agreements, in line with the decision taken during the Leaders' Meeting in May 2021, it said. They two sides expressed hope on the timely conclusion of negotiations, two rounds of which have already been concluded. They also agreed on the need for greater ambition in the implementation of the India-EU Connectivity Partnership, the MEA said.

The two sides reviewed the working of various institutional mechanisms between India and the EU, including on cyber security, counter terrorism, maritime security and disarmament and non-proliferation, and explored the possibility of further cooperation on security and defence aspects of the India-EU strategic partnership. The two sides exchanged views on regional and global issues of mutual interest and agreed to work closely towards the next India-EU Summit, the statement said.

Source: business-standard.com- Nov 23, 2022

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India, Myanmar explore trade in national currencies as FS meets junta chief

India and Myanmar have explored the possibility of trade in national currencies and establishing direct maritime connectivity when Foreign Secretary Vinay Kwatra called on PM and junta Senior General Min Aung Hlaing in Nay Pyi Taw.

“At the meeting, they frankly exchanged views on cooperation in security, peace and tranquillity at the border region of both countries, further promotion of cooperation, cooperation in defence measures, situations of further enhancement of bilateral relations, trade promotion and increase of investment, implementation of Kaladan Multimodal Project and prospects for direct maritime trade measures, further improvement of the border region, efforts for the rupee/ kyat direct payment in the bilateral trade sector,” according to a statement issued by the Myanmar government following Kwatra’s visit on Sunday and Monday.

The two sides also discussed efforts of Myanmar to improve relations with the international community including neighbouring countries.

Interestingly, the two sides, according to the Myanmar government, discussed strengthening closer collaboration in regional and multilateral contexts including the Shanghai Cooperation Organization and the United Nations. The visit by Kwatra happened when the Sino-Pak axis has developed defence industrial links with the Myanmar junta.

The MEA statement noted, “During his meetings with the senior leadership of Myanmar, Foreign Secretary discussed maintenance of security and stability in the border areas of India and Myanmar; raised the issue of human trafficking by international crime syndicates in the Myawaddy area of Myanmar in which many Indian nationals have been caught and reviewed bilateral development cooperation projects.”

Foreign secretary expressed India’s continued support to people-centric socio-economic developmental projects, including those along the India-Myanmar border areas, as well as India’s commitment towards an expeditious implementation of ongoing connectivity initiatives such as the Kaladan Multimodal Transit Transport Project and the Trilateral Highway," the Ministry of External Affairs said.

He also reiterated India's commitment to continue with the projects under Rakhine state development programme and border area development programme for the benefit of the people of Myanmar. India and Myanmar share a long land border of over 1600 km and a maritime boundary in the Bay of Bengal.

Myanmar is critical for India's Act East Policy and safeguarding security interests in the Northeastern states. The Indian military maintains strong ties with its Myanmar counterpart.

Source: economictimes.com- Nov 22, 2022

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India among few economies in Asia to witness growth amid global slowdown, says OECD

The Organisation for Economic Cooperation and Development (OECD) in its latest report projected India as one of the few growing economies in Asia amid a global slowdown triggered by a massive energy shock owing to the ongoing Russia-Ukraine conflict.

The Paris-based intergovernmental body that focuses on economic policy reports said that India is set to be the second-fastest growing economy in the G20 in FY 2022-23 after Saudi Arabia. The statement comes despite decelerating global demand and the tightening of monetary policy to manage inflationary pressures.

The GDP growth in the country will slow to 5.7 per cent in FY 2023-24 as exports and domestic demand growth moderate, but it would mean it would still be growing more than many other G20 economies including China and Saudi Arabia.

"After hitting 6.6 per cent in FY 2022-23, GDP growth is expected to slow in coming quarters, to 5.7 per cent in FY 2023-24, before reverting to around 7 per cent in FY 2024-25," the report said.

"CPI inflation will remain above the central bank's upper limit target of 6 per cent at least until early 2023 and then gradually recede as higher interest rates take effect.

Offsetting these forces, at least partially, some improvements can be expected as more contact-intensive services sectors normalise, including international tourism once borders are fully open and restrictions lifted," reported PTI citing the Economic Outlook report.

The OECD highlights India's "impressive progress" in recent years in extending access to financial services to a larger portion of the population, including disadvantaged socio-economic groups by leveraging the country's "competitive strength in ICT, the Unified Payments Interface (UPI) and other tools", which are easing the transition towards a cashless economy.

"There still remain considerable margins to improve efficiency, accountability, and transparency of public spending, devoting more resources to health and education and building fiscal space to enhance resilience," it said.

At a global level, the OECD projects that if the global economy avoids a recession, it would be thanks to some of Asia's biggest economies such as India. Global GDP is projected to grow by 3.1 per cent this year, and by just 2.2 per cent in 2023.

The UK is projected to be among the worst hit of all G20 nations, with only war-hit Russia registering a worse outcome.

"We are currently facing a very difficult economic outlook. Our central scenario is not a global recession, but a significant growth slowdown for the world economy in 2023, as well as still high, albeit declining, inflation in many countries," said Alvaro Santos Pereira, OECD Chief Economist, in his analysis.

"Risks remain significant. In these difficult and uncertain times, the policy has once again a crucial role to play: further tightening of monetary policy is essential to fight inflation, and fiscal policy support should become more targeted and temporary. Accelerating investment in the adoption and development of clean energy sources and technologies will be crucial to diversifying energy supplies and ensuring energy security," he said.

The OECD believes a renewed focus on structural policies is the need of the hour to allow policymakers to foster employment and productivity.

Source: economictimes.com- Nov 22, 2022

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Focus of India, UAE talks: Energy, food; Rupee-Dirham trade

India and the United Arab Emirates held wide-ranging discussions on Tuesday on strengthening energy and food security linkages amid geopolitical upheavals. They also discussed launching bilateral trade in the national currencies, rupee and dirham.

External affairs minister S Jaishankar met the foreign minister of the UAE, Sheikh Abdullah bin Zayed Al Nahyan, in Delhi. The meeting was also attended by the UAE minister of state for international cooperation, Reem Al Hashimy, and India's foreign secretary Vinay Kwatra.

The foreign ministers appreciated the progress in bilateral relationship, especially in trade, investment, consular matters, education and food security, and discussed expanding partnership in these sectors, said officials.

The ministers noted that bilateral trade has shown appreciable growth under the Comprehensive Economic Partnership Agreement (CEPA), which came into force on May 1. India's exports to the UAE from April-September increased 24% year-to-year to $16 billion while India's imports increased 38% year-on-year to $28.4 billion.

On food security cooperation under I2U2 (India-Israel-US-UAE), a delegation led by the CEO of ADQ visited India in October to take discussions forward with different stakeholders. IIT Delhi has held meetings with its Abu Dhabi partner, ADEK, for establishing IIT Delhi campus in Abu Dhabi.

Both sides have taken forward their discussions on other areas of cooperation, including energy, healthcare, defence, space, climate change, skills, fintech and startups.

On Tuesday, the foreign ministers also exchanged views on the global situation and various regional hotspots as well as cooperation between the two countries in the United Nations Security Council. Both India and UAE are currently non-permanent members of the UNSC.

Both countries are also discussing making use of UPI as a payment platform for remittances from the 3.5 million strong Indian community in the UAE.

Under I2U2, both countries are discussing investment of $2 billion from the UAE to develop food corridors in India and another $300 million for building a 300 GW hybrid (wind and solar) power plant. The UAE has been invited to attend the G20 Summit as a special invitee.

Source: economictimes.com- Nov 23, 2022

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India-UK trade pact a high priority; next round of talks slated next month, says Piyush Goyal

The proposed free trade agreement (FTA) between India and the UK is a high priority for both the countries and the next round of negotiations for the pact is slated to happen next month, commerce and industry minister Piyush Goyal said on Tuesday. He said that things are progressing well and it will yield good results.

"We are all very well aware that it was progressing very fast until we had a little bit of a blip because of political happenings in the other country. Fortunately, we have a stable government. I believe in office now (in the UK) and I am already in touch with my (UK) counterpart. We are working together to possibly have an in person meeting also very soon but our teams are already engaged. Next month, the next round of negotiations are slated to happen," Goyal said here at a steel industry event.

He said that industry support is required for the agreement and it should be a fair, equitable and balanced FTA.

He also said that there should not be any strict timelines to conclude negotiations for an FTA as such agreements have to be thought through and carefully calibrated and negotiated.
"With UK we are doing a comprehensive deal like the UAE ....I assure you that it is a high priority of both countries. It has been reiterated in the meeting of the G20," Goyal said.

India and Britain launched negotiations for the FTA in January with an aim to conclude talks by Diwali (October 24), but the deadline was missed due to political developments in the UK. There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

Reduction or elimination of customs duty under the pact would help Indian labour intensive sectors like textiles, leather, and gems and jewellery to boost exports in the UK market. The UK is seeking duty concessions in areas like Scotch whiskey and automobiles.

So far, five rounds of talks are already completed between the officials of the two countries till July.

The bilateral trade between the two countries increased to USD 17.5 billion in 2021-22 compared to USD 13.2 billion in 2020-21. India's exports stood at USD 10.5 billion in 2021-22, while imports were USD 7 billion.

There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

India's main exports to the UK include ready-made garments and textiles, gems and jewellery, engineering goods, petroleum and petrochemical products, transport equipment and parts, spices, metal products, machinery and instruments, pharma and marine items.

Major imports include precious and semi-precious stones, ores and metal scraps, engineering goods, professional instruments, non-ferrous metals, chemicals and machinery.

The UK is also a key investor in India. New Delhi attracted foreign direct investment of USD 1.64 billion in 2021-22. The figure was about USD 32 billion between April 2000 and March 2022.

In the services sector, the UK is one of the largest markets in Europe for Indian IT services.

Source: economictimes.com- Nov 22, 2022

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Exporters may have great festive season amid withdrawal of GST exemption on outbound international freight

There is a lot hue and cry happening in the exporter circle about the withdrawal of exemption of goods and services tax (GST) on international outbound ocean and air freight. Amid the looming threat of the global recession, most of the exporters are in fact assuming further squeeze in the margins, as GST exemption has become a thing of the past now. But contrary to the popular belief, exporters may in fact benefit from the move. Let us understand the arithmetic of the same.

The current scenario

The pandemic resulted in severe supply disruption across the globe, and as result the freight rates are much higher today than it was during pre-pandemic. The freight rates are yet to come back to pre-pandemic levels and needless to say, like other countries Indian commodity exporters too are struggling to cope up with the enhanced freight rates. Worse, the imminent global slowdown may hit demand as well.

Amid all these, non-extension of the period of exemption of GST on Outbound International Freight has come into effect from 1st October 2022. Now, Outbound ocean freight is taxable @5% subject to the condition that Input Tax Credit (ITC) on goods (other than on ships, vessels including bulk carriers and tankers) has not been taken; OutboundOcean freight is taxable @18% incase entire ITC is taken. International Air freight is always taxable at 18%.

The question is that whether exporters really need to be concerned or they need to see opportunity in the withdrawal of this GST exemption.

The likely relief

Assuming that Freight expenses are 20% of the Cost of Materials, the increase of GST element is commonly expected to hit the export prices of goods by 2% - 3%. However, the negotiating point for exporters is the Input Tax Credit (ITC), which will now be available to the Airline/shipping line. It is important to note that when GST was exempt, the Airline/shipping line was not getting any Input Tax Credit on the capital goods/ Inputs and Input Services received by it.

But now, they would be getting either a part or entire ITC of GST on capital goods/ Inputs and Input Services used by them for rendering their services. Hence the ITC would be available to Airlines/shipping lines on all or part of items like ships, vessels including bulk carriers and tankers, services of consultants and other service providers and goods used for their business.

Hence, to this extent the rates of freight may be negotiated. Even incase the cost of capital goods/ Inputs and Input Services of the Airline/shipping Companies is assumed as 50%, an exporter can benefit to the extent of 1%-1.5% of the cost of the goods from the deal.No mean deal by any standards in the competitive global market!

As far as GST charged by the shipping line or airline is concerned, the exporter can take Input Tax Credit (ITC) of the same and thereafter claim a refund of the same. The refund mechanism under GST isnow smooth and fast and generally refunds are processed within sixty days of the filing of the refunds.

Accordingly, exporters who negotiate with their airlines/shipping lines can actually gain from the lifting of the exemption, by getting necessary tweaks in the freight charged by them. Further timely application and processing of refunds would mean that the lifting of the GST exemption would serve its purpose which is to rationalize the tax structure and avoid cascading of taxes by reducing exemptions.

The above arithmetic can be understood by means of the following example

The conclusion

The exporters have no reason to worry about the impact of withdrawal of exemption. Rather, as a blessing in disguise, they may look forward to have a cracker of a Diwali this year, albeit a 'Ceteris Paribus'.

Source: economictimes.com- Nov 22, 2022

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Cotton export may be hit as domestic prices rule higher than global market

With domestic cotton prices continuing to rule higher than rates in the global market, traders see bleak prospects for the export of the fibre crop in the near term. This is even as cotton arrivals across agricultural produce marketing committee (APMC) yards are gathering pace across key producing regions. Farmers, however, prefer to hold back their produce, expecting higher prices.

Normal export period

Trade sources expect market arrivals to pick up from early December after the elections in Gujarat, the largest producer, and over the next few days in Maharashtra and Telangana.

“The Indian cotton rate is higher by ₹6,000 per candy (of 356 kg). So, we have no buyer for cotton and no such demand. There are no shipments happening at current prices due to unfavourable prices. said Atul Ganatra, President, Cotton Association of India (CAI), the apex trade body

Normally, the bulk of the cotton exports happens during the October–January period, coinciding with the peak market arrivals. “In these four months, we carry out 60 to 70 per cent of our exports,” Ganatra said.

CAI, in its estimates for the 2022–23 crop season (October–September), has pegged exports lower at 30 lakh bales (170 kg each), a drop of about 30 per cent 43 lakh bales in the previous season.

Unable to compete

“Exports are not taking place because Indian prices are 5–6 per cent higher than the international market. Buyers in Vietnam and Bangladesh are getting cotton from the US, which is cheaper than Indian cotton. Also, they are selling yarn at a lower price, which Indian mills cannot compete with,” said Ramanuj Das Boob, a sourcing agent for multinationals in Raichur, Karnataka.

He further said the demand is muted from spinning mills, which are buying on a need basis. Also, there is no demand for yarn exports, while fabric exports are slow.

Crop higher than estimate?

However, Origo Commodities believes that exports could be higher than CAI estimates. “We are hopeful that exports will be at least at last year’s levels or slightly higher at 45-48 lakh bales as we are expecting a crop size of 360 lakh bales, a bit higher than CAI estimates. As per our ground survey, the crop in Gujarat and Maharashtra is doing well at this point in time, and farmers are holding a lot of stock this year. Farmers are bringing cotton to markets in small quantities, and that’s the reason why arrival pressure is not yet seen in the prices,” said Rajiv Yadav, Senior VP, Origo Commodities.

On the consumption side, there could be a drop due to recessionary fears and the impact of interest rate hikes. However, the world stocks are at a bit lower level, and we feel that could drive the demand for exports, Yadav said.

The demand has been delayed this year, and so also the crop arrivals. However, with the expected pick up in arrivals in the weeks ahead, we could see some export enquiries, Yadav added. Prices are ruling at ₹31,863 per bale at Kadi. “Unless the prices go beyond the Rs 33,278 per bale levels, then they would trade bearish,” Yadav said.

CAI has pegged the 2022–23 crop size at 344 lakh bales, as also the Ministry of Agriculture.

Source: thehindubusinessline.com- Nov 22, 2022

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SIMA submits master plan to TN Chief Minister for increase of cotton production

Tamil Nadu textiles and clothing industry predominantly cotton based, accounts 1/3rd of the textile business size, 45% of the spinning capacity, 70% of the knitted garment capacity, 40% of the home textiles manufacturing capacity, 22% of the powerloom capacity, 12% of handloom capacity and the only State having presence of whole textile value chain. More than 80% of the MSME units, especially the spinning mills are located in the State.

The actual annual cotton requirement of the textile industry in Tamil Nadu is around 120 lakh bales (170 kgs per bale) while the State hardly produces 4 to 6 lakh bales.

Realizing the importance for increasing the cotton production to enhance the competitiveness of the industry and also augment the revenue of the cotton farmers, Tamil Nadu Chief Minister, Mr. M.K. Stalin, soon after assuming the charge as the Chief Minister, announced Sustainable Cotton Cultivation Mission with necessary funds and also removed Agricultural Market Committee Fee on seed cotton (kapas), cotton and cotton waste was that prevailed since 1959 with an intention to enhance the global competitiveness of the textile industry in the State and benefit the farmers.

SIMA Cotton Development and Research Association (SIMA CD & RA) is closely working with the Department of Agriculture and Government of Tamil Nadu in implementing various State and Central Government Schemes relating to cotton development.

In a press release, Ravi Sam, Chairman, The Southern India Mills' Association (SIMA), has stated that he met the Tamil Nadu Chief Minister at Secretariat, Chennai, and submitted a master plan for increasing the annual cotton production from the level of 5 lakh bales to 25 lakh bales in a period of five years.

The master plan suggests pilot projects with necessary funding support to showcase the capability of Tamil Nadu cotton farmers and replicate the same across the State, says Ravi Sam.

He has stated that the master plan has recommended to ensure adequate availability of quality cotton seeds of state-of-the-art technology capable of giving higher productivity and fibre quality matching international standards giving more thrust for Extra Long Staple Cotton, the dire need of the Nation.

He added that the master plan also recommends global based agronomy practices to be adopted, mechanized harvesting and water conservation to reduce the cost of cultivation, increase the productivity and meet the global sustainability norms. He said that the Chief Minister has assured to consider the master plan favourably and conduct meetings shortly in this regard.

SIMA Chief has also submitted memorandum appealing to the Chief Minister to strengthen the textile processing, the weakest link in the entire textile value chain with sustainable and competent technology.

He said that sustaining the processing manufacturing facility and enhancing the capacity has become a challenge in Tamil Nadu with zero liquid discharge technology that has no solution for sledge / mixed salt disposal and also to find a sustainable solution for water, a major raw material for textile processing.

He has said that the Association has requested the Chief Minister to personally intervene and resolve certain issues in kick starting the SIMA textile processing park and showcase a sustainable technology to the globe and also replicate the same along the coastal area with marine outfall technology, as the State is not able to find a solution for disposing the common salt. He has stated that the Chief Minister has assured to consider the memorandum favourably and do the needful.

Ravi Sam has stated that the United States Department of Labour (US DoL) has included cotton, cotton yarn / thread and cotton readymade garments under the TVPRA list that has a threat of bringing sanctions on the Indian cotton textiles exports to the USA, if not addressed properly.

He has said that certain NGOs have exaggerated few stray cases out of proportion alleging earlier the employment of child labour and now the forced labour.

He has pointed out that Tamil Nadu is one of the best industrialized States not only in the country, but also across the globe in terms of compliance relating to labour environment and other sustainability measures.

He has also appealed to the Chief Minister to recognize a competent agency and come out with a common code of conduct and reduce the cost of compliance certification and also mitigate the false allegations made by the NGOs.

The Chief Minister has assured to consider the memorandum favourably. Ravi Sam has stated that he also met the concerned Ministers and the officials on the detailed memoranda submitted to the Chief Minister and briefed them on the relevant subjects.

Source: indiantextilemagazine.in- Nov 22, 2022

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Cotton prices and waning exports put pressure on denim hub Ahmedabad

Export orders for denim clothing and textiles had experienced a boost in the wake of the Covid-19 pandemic in the 2022 financial year but continued global strain is taking a toll on Ahmedabad's industry, ET Bureau reported.

Factors including the Russia-Ukraine war, depreciating currencies, and rising energy costs among other expenses have caused demand from markets such as the US, Europe, and the Middle East to drop which has dented the pockets of Ahmedabad's denim businesses.

"Production in the European Union reduced dramatically due to the high energy costs," said an anonymous denim manufacturer based in Ahmedabad," TNN reported. "Moreover, wage inflation in the west is also very high in addition to higher fuel costs.

As a consequence, industrial capacities are grossly underutilised. This impacted procurement of denim from Gujarat... The second quarter is typically a dry season when the demand as such drops. Geopolitical factors, coupled with a lean season amplified the adverse effect on orders."

The premium segment of the market is faring better in the export market due to the fact that spending in the premium segment has not gone down, ET Bureau reported. The duration of the predicted recession in numerous countries will determine whether or not this trend continues.

Source: fashionnetwork.com- Nov 22, 2022

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Decline in cotton prices discourage south Indian yarn buyers

South India's cotton yarn prices remained stable today despite a fall in the prices of the natural fibre. According to trade sources, demand was not supportive, and regular but limited buying was unable to support market sentiments.

Fearing losses, buyers were discouraged after cotton prices fell. Disparity and unstable market conditions are the main causes for concern for the value chain.

The Mumbai market was stable as buyers remained absent. "Handloom owners were not interested in buying as they were not sure of the demand from the garment industry.

Mills want to raise the prices of yarn, but bearish market trend is not allowing the same to happen," a trader from Mumbai told Fibre2Fashion.

In Mumbai, 60 count carded cotton yarn of warp and weft varieties were traded at ₹1,720-1,770 and ₹1,650-1,670 per 5 kg (GST extra) respectively. 60 combed warp was priced at ₹360-365 per kg.

80 carded (weft) cotton yarn was sold at ₹1,540-1,580 per 4.5 kg. 44/46 count carded cotton yarn (warp) was priced at ₹318-323 per kg. 40/41 count carded cotton yarn (warp) was sold at ₹305-310 per kg and 40/41 count combed yarn (warp) was priced at ₹325-330 per kg, according to Fibre2Fashion's market insight tool TexPro.

Cotton yarn prices remained steady in the Tiruppur market as well. Weaving mills reduced buying after cotton prices declined. Traders said that the recent fall in cotton prices discouraged buyers as they might have to face losses if yarn prices come down after a fall in the natural fibre.

Today, 30 count combed cotton yarn was traded at ₹305-310 per kg (GST extra), 34 count combed at ₹315-320 per kg and 40 count combed at ₹320-325 per kg in the Tiruppur market.

Cotton yarn of 30 count carded was sold at ₹275-280 per kg, 34 count carded at ₹282-285 per kg and 40 count carded at ₹292-295 per kg, as per TexPro.

In Gujarat, cotton prices came down by ₹2,500-3,000 per candy of 356 kg since last week. However, the prices steadied as cotton found support at a lower level. cotton arrival improved during the last week.

The arrival is estimated to be between 30,000 and 40,000 bales in Gujarat. Cotton was traded at ₹66,000-66,500 per candy in Gujarat.

Source: fibre2fashion.com- Nov 22, 2022

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Welspun India expects revenue to cross over 60% to Rs 15,000 crore in FY26

Home textiles major Welspun India expects revenue to cross the Rs 15,000 crore-mark by FY26, growing around 60 per cent in the next three years, according to a regulatory filing.

The firm, which also operates in segments such as flooring solutions, advanced textiles, retail, hospitality, and wellness is looking at "multiple drivers for growth" in the domestic market besides strengthening the export market.

In an investor presentation, Welspun India said it is poised to grow at "3X of the market growth rate" in the domestic textile market.

Overall, Welspun India said, "FY26 expected to be upwards of Rs 15,000 crore at a CAGR (Compound Annual Growth Rate) of 24 per cent (over FY23 expected)."

Export is expected to play a key role in the company meeting its targets.

Welspun India, which is a prominent player in terry towels and sheets, said though the Indian cotton prices remained considerably out-priced against competing global peers for a large part of FY22, from October onwards it is observing a downward trend.

"We can expect demand pick-up in the next couple of quarters," Welspun India said in the presentation, which was shared with bourses on Tuesday.

The company further said it is strengthening its core business in the bath and bed sheet segment and is foraying into blankets and throws in North America (NA).

Besides, it is increasing its reach by expanding brand and license business share in key markets such as NA, UK, EU, SEA (South East Asia).

It expects overall domestic business to contribute around 11 per cent of its total revenue by FY26, rising from 3 per cent last fiscal, the company said.

The group is focusing on "emerging businesses" which include domestic retail, licensed and owned brands, e-commerce, flooring & advanced textiles.

Welspun India expects the top line of its flooring business to "grow by 40 per cent CAGR to reach Rs 2,500 crore by FY26 over FY22."

The company has an installed annual capacity of 27 million square metre and "expects full utilisation of annual installed capacity by FY26".

In the domestic market, the company is expanding its retail presence into the country "through TT/MT (traditional trade and modern trade) channels and E-commerce," it added.

An increase in urban population, aided by higher disposable income and consumers' shift towards organised retail are expected to be industry growth drivers.

Welspun, which owns the brands such as Christy, Spaces is a global leader in home textiles. It has 30 owned, licensed and ingredient brands.

Source: business-standard.com- Nov 22, 2022

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