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INTERNATIONAL NEWS

Capitalising on the duty-free, quota-free market access to China

It's high time to work on increasing export competitiveness by focusing on China. A long-term comprehensive export development and promotion strategy for enhancing existing export competencies of the top exporting products is a must

Bangladesh has a huge opportunity to increase its exports to China, which is currently the world's second-largest importing country ($2.7 trillion). At the moment, bilateral trade between Bangladesh and China heavily leans towards imports of about $13 billion (25.3% of total imports, FY2021), followed by insignificant export of $683 million to China.

It was expected that exports would rise rapidly after the announcement of 97% DFQF benefits to Bangladesh from 60% (under WTO) in 2020, but it did not happen. According to the Export Promotion Bureau (EPB), exports to China reached the highest level in FY2017 at $949.41 million.

In the last couple of years, the export trend to China has fluctuated.

Disruption during Covid-19, an extended period of the 'Chinese Zero Covid policy', plus some stringent conditionalities for food and fisheries items, certification requirements, and quality control issues on processed food and meat. etc. have made the export process cumbersome.

BUILD analysed the extended 98% DFQF benefits announced in 2022 on top of 97% DFQF, and reviewed the status of the top 20 (considering 2-digit HSCode) exported products from Bangladesh to China in the 98% DFQF list.

Present import trends of China and comparator countries' export baskets focusing on China were also reviewed. Finally, we tried to identify the potential sectors with high import demand in China and considered how Bangladesh can maximise the DFQF benefits of China.

Under 97% DFQF, Bangladesh was enjoying benefits for 8,256 products (among 8549) from July 2020 to August 2022. The extended 98% DFQF benefit raised the product number to 8,930 from 8,256, effective 1 September 2022. It was seen that China allowed an additional 674 (8-digit HScode) products in the 98%, which includes apparel, fish, chemical products, nuclear reactors etc. to all LDC countries.

This has created an opportunity for Bangladesh to take advantage of additional DFQF for at least the next four years.

According to the ITC Trade Map, Bangladesh is the 87th importing country of China, exporting only $1.05 billion (0.04%) in 2021, while according to the EPB, export was $682 million in 2021.

As per EPB, export was $275 million during January-May 2022, while Chinese Customs claimed $410 million in import for the same period. It seems the information gap is huge between these two organisations; these issues and clarity can be sought from the commercial counsellor section.

China imports mostly from Taipei, South Korea, Japan, the United States, Australia, Germany, Vietnam, etc. Chinese top import products are electrical machinery and equipment, mineral fuels, mineral oils and products, ores, slag and ash, machinery, optical, photographic, vehicles, plastics, natural or cultured pearls, copper, organic chemicals, oil seeds and oleaginous fruits, iron and steel, pharmaceutical products, meat and edible meat offal, miscellaneous chemical products, etc.

While reviewing the export scenario of comparator countries like India, Vietnam, Malaysia and Thailand, it was seen that their exports mostly complement China's import demand.

Vietnam captured about 1.83% ($48.88bn, 2020) of China's imports, which is aligned with its import demand. India's share was 0.86% ($23.04 billion) in 2021.

While reviewing the export of Malaysia ($46.36bn, 2021) and Thailand ($36.69bn, 2021), both countries' export baskets were noted to be well-designed to capture the import demand.

Export of Bangladesh to China was mostly concentrated on RMG and textile (58%) and leather (14%) in FY22. China accounts only for 1.3% of the country's total export. Bangladesh exports to about 202 countries, yet it is heavily concentrated in a few markets like the US, UK and EU countries (Germany, Spain, France, etc).

Apart from RMG, textile, and leather products, Bangladesh also exports iron and steel, fish, plastics, copper, aluminium, etc. If Bangladesh can increase its export share to China by even 1%, it could generate more than $26 billion in export.

In FY2022, Bangladesh exported a total of 406 (considering 8-digit HSCode) products to China under a total of 57 HSCode (2-digit). While reviewing the top 20 (considering 2-digit HSCode) exported product line and their status in the newly extended 98% DFQF list, some interesting findings were outlined. Here it needs to be mentioned that China announced DFQF benefits on 8-digit HSCode products. Some of the findings have been elaborated on below.

In 2022, the top exporting product from Bangladesh was 'Other vegetable textile fibres (HScode-53)' which exported $169.6 million. In the 98% DFQF list, 43 products are listed under this HScode and with no new addition. Only five products were exported, and all are listed.

So, there is ample opportunity to increase exports from this segment, aligning with the 98% list. An estimate shows that by just increasing to 25% from the present level of 17% (BGD share in Chinese imports of the product, 2021) export can be $307 million.

The second largest exporting product is 'Articles of apparel..not knitted or crocheted (HSCode-62)' which exported $138.1 million in FY22.

Comparing both the 98% and 97% DFQF lists, it is seen that 155 products are included in the 98% list under HScode, with 12 new inclusion and 19 omissions from the previous list. It is also noted that Bangladesh exported 76 products under this HSCode in FY22, of which 35 products ($97.93 mn) are not listed in the new list. The inclusion of these products in the DFQF list can boost exports to China further.

The 3rd largest export product is 'Articles of apparel.., knitted or crocheted (HSCode-61)', which exported $84.2 million in 2022 by exporting 65 products of which six are not listed in the 98% list. Under this HScode, 132 products are listed with no new addition or omission. Bangladesh has also got potential in this segment to increase exports.

The fourth highest products are 'Raw hides.. and skins and leather (HSCode-41)' which exported 14 products ($78.7 million) in FY22 of which eight are not listed in the 98% list. Under this HScode, 60 products are listed with no new addition or omission.

The fifth largest item 'Prepared feathers..; artificial flowers; articles of human hair (HSCode-67)' which exported four products in FY22 ($31.4 million) and all are listed. Under this HScode, 11 products are listed with no new addition or omission. The sixth product is 'Iron and steel (HSCode-72)', which exported $20.5 million by exporting only 2 products in FY22, and one is not listed.

Under 'HSCode-64: Footwear', Bangladesh exported 10 products ($17.7 million) in FY22 of which three ($10.75mn) are not listed in the 98% list. Exports would surely escalate further if these products were included.

Another in-demand exporting product 'Fish and crustaceans' (HSCode-03) exported 16 products ($17.5 million) in 2022 of which six are not listed. 300 products under 'HSCode-03' are included with 20 new inclusion and 15 omissions from the previous list.

Another promising item 'Plastics (HSCode-39)' exported 13 products ($14.5 million) and all are listed. With no new addition, 129 products have been included in the 98% list. 'Cotton (HSCode-52)' is the tenth highest product which exported $14.1 million to China through 13 products (all are listed). Under this HSCode, 129 products are included with no new additions in the 98% list.

Similarly, the other ten products which accounted for only $73.5 million in export altogether in FY22, were reviewed and analysed. Though export is not much higher at present, Bangladesh can increase its export of these high-import-demanding products.

Out of a total of 8,930 products listed in the 98% list, around 3,260 products (8-digit HSCode) are included under the top 20 export items (2-digit HSCode). Altogether, 172 new products are included in the 98% list and 84 products are omitted from the 97% list under this top 20 export products line.

Based on an analysis, it shows that out of a total 406 (FY22) exported products, 294 (8-digit) products are exported from the top 20 (2-digit) export items, of which 100 products are not enlisted in the 98% DFQF list. Apart from the top 20 export segment, export of the other 112 (8-digit) products is insignificant ($121.73 mn, FY22) and only 58 products are enlisted in 98% DFQF list.

It is apparent from the analysis, that collectively 155 products from the current export basket are not included in the 98% DFQF lists such as Men's or Boys' Anoraks (62019300), Men's or Boys' Bib and amp (62034200), Shorts Of Synthetic Fibres (62034300), Aluminium alloys (76012090), Split leather (41041910), Zinc (28170000), Plastics (39081000) and more. A strong negotiation can be initiated to include these unlisted 155 products in the 98% DFQF.

Potential products such as iron and steel (China imported $43.57billion, 2021), plastics ($82.83 billion), nuclear reactors, boilers, machinery and mechanical appliances ($231.21bn), ores, slag, and ash ($272.76bn), inorganic chemicals ($14.89bn), copper ($66.09 bn), aluminium ($12.49bn), oil seeds ($60.17bn) etc. have high demand in China. Some of these products can be given emphasis for exporting to China.

DFQF benefit is not the only instrument for hiking export to a country. Demand and supply mismatch has been identified as one of the major constraints for exporting in China.

Now it's high time to work on increasing export competitiveness by focusing on one of the vital export destinations. A long-term comprehensive export development and promotion strategy for enhancing existing export competencies of the top exporting products is a must.

Source: tbsnews.net - Dec 27, 2022

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US sees manufacturing boost, ports upgrade, green initiatives in 2022

The year 2022 witnessed the US administration accelerate decarbonisation, promote sustainable environmental practices, strengthen international trade import laws, launch the 'Make More in America' drive to boost manufacturing and close critical supply chain gaps, initiate ports upgradation, and launch steps on sustainability in the textile and fashion sectors, writes Dipesh Satapathy.

Here is a peek into some of the major developments.

Policy

US House of Representatives Democratic Party member from Oregon state Earl Blumenauer, who is the chairman of the House Ways and Means Trade Sub-committee, unveiled in January new legislation to strengthen US international trade import laws to stop non-market economies and goods from exploiting the de minimis threshold that allows imports valued under $800 to come into the United States without paying duties, taxes or fees.

Standing up for workers' rights, supporting agriculture, promoting confidence in trade policy through enforcement, and broadly engaging with stakeholders to facilitate inclusive, durable trade policy and promote equity are some of the key elements of the 2022 Trade Policy Agenda and 2021 Annual Report, delivered by the Office of the US Trade Representative (USTR) in March. Engaging with key trading partners and multilateral institutions; accelerating decarbonisation and promoting sustainable environmental practices; and bolstering supply chain resiliency were key elements as well.

The USTR in March announced its determination to reinstate certain previously granted and extended product exclusions in the China Section 301 Investigation. The determination reinstates 352 of the 549 eligible exclusions. The reinstated product exclusions were applicable as of October 12, 2021 and extended till December 31, 2022. Products include textile items.

A nine-month extension to the 352 product exclusions was announced in December. The extension will help align further consideration of these exclusions with the ongoing comprehensive four-year review.

The US Export-Import Bank's board approved in April a new tool—the 'Make More in America' initiative—aimed at boosting US manufacturing, strengthening closing critical supply chain gaps and supporting American jobs. The initiative will create new financing opportunities that spur US manufacturing. It will allow companies to tap existing medium- and long-term loans and loan guarantees for export-oriented domestic manufacturing projects as part of President Joe Biden's push to bolster US supply chains.

With its coming into force on June 21, the Uyghur Forced Labor Prevention Act (UFLPA) requires US companies to prove that goods imported from China's Xinjiang are not made with forced labour; or else Customs and Border Protection can seize those. The act was signed into law by President Biden on December 23, 2021.

The president signed into law in August a $430-billion partisan bill, designed to address climate change, healthcare and taxation. It aims at cutting domestic greenhouse gas emissions and ensuring that corporations and the wealthy pay taxes.

The US administration is projected to achieve more than $1.5 trillion in deficit reduction this year due to the new Inflation Reduction Act (IRA) of 2022, after reducing the deficit by more than $350 billion last year. The act requires the super wealthy and large corporations to pay their fair share, while no small business or family making under $400,000 per year will pay any extra taxes. Small businesses can receive a tax credit that covers 30 per cent of the cost of switching over to low-cost solar power – lowering operating costs and protecting against the volatile energy prices that are currently squeezing small businesses.

Textile, Garment & Fashion

New York City mayor Eric Adams announced a partnership in February with the New York City Economic Development Corporation to create new jobs for New Yorkers, expand Brooklyn's footprint in the fashion industry, and provide a boost to New York's economy. The Made in NY Garment Hub was planned to serve as a space to grow jobs and expand workforce training in garment manufacturing, fashion design and other affiliated businesses.

In the same month, New York state governor Kathy Hochul announced a partnership with IMG to implement a $500,000 grant programme to assist small, independent fashion designers with grants of $50,000 each to offset certain costs of their New York Fashion Week show productions for the September 2022 season. The grant programme supported the vibrant return of the New York fashion industry post-COVID-19, attract and retain New York's fashion talent, and enable more small and independent New York-based designers to participate in recovery efforts.

The US department of agriculture (USDA) in April committed $50 million to assist eligible apparel manufacturers of worsted wool suits, sport coats, pants or pima cotton dress shirts; pima cotton spinners; and wool fabric manufacturers and wool spinners.

The Cotton and Wool Apparel (CAWA) programme was part of USDA's Pandemic Assistance for Producers initiative and the department's efforts to help US' food, agriculture and forestry sectors get back on track. CAWA supported entities that witnessed a decline of at least 15 per cent in 2020 gross sales or consumption of eligible products compared to the applicant's gross sales in any of calendar years 2017, 2018, or 2019.

In August, several North Carolina-based educational institutions joined hands with the Central American Technological University in Honduras to educate and train students for the next-generation textile workforce to meet a rising tide of nearshoring and onshoring in Honduras, Central America and the United States. The initiative was backed by the US department of state.

In October, New York governor Kathy Hochul signed a piece of legislation to support the state's textile industry through economic development programmes. The New York Textile Act helps connect farmers who produce plant or animal fibres with the textile industry in ways that support innovation, sustainable development and new marketing opportunities for plant and animal fibres grown in New York.

New funding worth $189,000 was announced in November for Delaware Valley Industrial Resource Centre (DVIRC), an economic development business consulting firm, through Pennsylvania's Manufacturing PA

Training-to-Career programme to address the need for sewing machine operators in south-eastern Pennsylvania's textile industry by creating a training collaborative.

Logistics

The US department of transportation announced in March making available $450 million under the Bipartisan Infrastructure Law for American ports, by far its largest investment ever. The funds under the Port Infrastructure Development Programme grants will make infrastructure upgrades, from constructing new berths and restoring docks to extending rail lines. This investment was also part of the government's Port Action Plan.

President Biden in June signed the Ocean Shipping Reform Act of 2022 that established additional requirements and prohibited conduct for ocean carriers; requires the Federal Maritime Commission (FMC) to issue rules related to certain fee assessments, prohibited practices and establishment of a shipping registry. The act also authorised the FMC under certain circumstances to issue an emergency order requiring common carriers to share information directly with shippers and rail and motor carriers.

Sustainability

The New York state senate passed a bill in May to prohibit the use of perfluoroalkyl and polyfluoroalkyl substances (PFAS), or 'forever chemicals', in apparel. The bill focused on 'intentionally added chemical' or those that serve an intended function in the product. The California state assembly too in August passed a bill to end the use of PFAS in new fabrics and textiles. It was signed into law in October.

New waste ban regulations that promote recycling and reuse, reduce trash disposal and foster recycling business growth took effect starting November 1 in Massachusetts state. The regulations will ban the disposal of mattresses and textiles in the trash. The state's department of environmental protection also announced a new grant offering to invest in expanding the infrastructure for collecting food waste, mattresses and textiles.

The California Air Resources Board approved in December the final proposed 2022 Scoping Plan, a road map to address climate change that cuts greenhouse gas emissions by 85 per cent and achieves carbon neutrality in 2045. The plan's transition away from fossil fuels will benefit residents of the state disproportionately burdened by transport-induced pollution.

By 2045, this economy-wide shift away from fossil fuels seeks to reduce fossil fuel consumption (liquid petroleum) to less than one-tenth of what we use today—a 94 per cent reduction in demand, cut greenhouse gas emissions by 85 per cent below 1990 levels, reduce smog-forming air pollution by 71 per cent, create 4 million new jobs and save Californians $200 billion in health costs due to pollution in 2045.

E-commerce

The US House of Representatives late this year passed three consumer protection and commerce bills, including the Integrity, Notification and Fairness in Online Retail Marketplaces (INFORM) for Consumers Act, which requires online platforms to verify the identity of high-volume third-party sellers by authenticating the seller's name, tax ID, bank account information and contact information.

This additional transparency will help combat the online sale of stolen, counterfeit and dangerous consumer products and enable consumers to contact and seek recourse from such sellers.

Source: fibre2fashion.com - Dec 28, 2022

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US outperformed Brazil in cotton export during this year so far

Cotton (HS Code 5201) export from the United States has registered impressive growth in value and volume during current year. The shipment during first ten months of 2022 already surpassed the export of year 2021. However, the export from Brazil may not touch the level of previous year 2021. An analysis of latest data shows that the US is outperformed in the trade.

An analysis based on data of Fibre2Fashion's market insight tool TexPro, cotton export from the US stood at $8.258 billion (3.131 billion kg) during January-October 2022. The country had exported $5.685 billion (2.964 billion kg) during 2021. The shipment was $5.950 billion (3.814 billion kg) in 2020, $6.140 billion (3.560 billion kg) in 2019, $6.550 billion (3.576 billion kg) in 2018 and $5.827 billion (3.252 billion kg) in 2017.

The shipment from Brazil was $3.342 billion (1.627 billion kg) during January-November 2022. The country exported $3.405 billion (2.016 billion kg) during 2021. The shipment was $3.226 billion (2.125 billion kg) in 2020, $2.640 billion (1.613 billion kg) in 2019, $1.686 billion (0.974 billion kg) in 2018 and $1.357 billion (0.834 billion kg) in 2017.

Quarterly shipment showed seasonal fluctuations as usual. The export from the US was $2.024 billion (0.729 billion kg) in Q3, 2022, $3.200 billion (1.192 billion kg) in Q2, 2022, $2.700 billion (1.087 billion kg) in Q1, 2022, $0.881 billion (0.379 billion kg) in Q4, 2021 and $1.136 billion (0.577 billion kg) in Q3, 2021.

Brazil has exported cotton $548.617 million (267.247 million kg) in Q3, 2022, $654.734 million (280.322 million kg) in Q2, 2022, $1,068.058 million (551.641 million kg) in Q1, 2022, $1,126.096 million (640.009 million kg) in Q4, 2021 and $427.726 million (251.959 million kg) in Q3, 2021, as per TexPro.

Source: fibre2fashion.com - Dec 28, 2022

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China's industrial profits drop 3.6% YoY in Jan-Nov 2022

China’s major industrial firms saw their profits decrease by 3.6 per cent year-on-year (YoY) during January–November 2022. Industrial firms, which earn an annual business revenue of at least 20 million yuan or around $2.88 million, gained combined profits totalling about 7.72 trillion yuan during the period, as per the National Bureau of Statistics (NBS).

“In November, industrial production slowed down, and the pressure on business operations increased due to factors such as the resurgence of the epidemic and weak demand, but the profit structure continued to improve,” senior NBS statistician Zhu Hong was quoted as saying by local media reports.

Moreover, 20 out of 41 major industries showed an increase in profits during the first 11 months of 2022 compared to 19 industries in the first 10 months. The combined revenues of China’s industrial firms surged 6.7 per cent YoY to 123.96 trillion yuan during the first 11 months of the year.

Source: fibre2fashion.com - Dec 27, 2022

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Trade turnover between Vietnam, CPTPP members at $88 bn in Jan-Oct '22

In the first ten months of this year, total trade turnover between Vietnam and member nations of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) reached $88.1 billion—a year-on-year (YoY) rise of about 19.2 per cent. Vietnam's exports hit $45.1 billion during the period—up by 22.1 per cent YoY, a top Vietnamese official said.

Trade revenue between Vietnam and other CPTPP member nations has witnessed double-digit growth every year in the three years after the pact took effect, according to Luong Hoang Thai, director of Vietnam's multilateral trade policy department under the ministry of industry and trade (MoIT). Thai was addressing a meeting in Hanoi to review the deal's implementation.

Impressive growth has been recorded in the import-export revenue between Vietnam and CPTPP countries that are yet to sign a free trade agreement (FTA) with the former, including Canada and Mexico, he noted. In the first 10 months of this year, Vietnam earned about $6 billion from exporting goods to Canada—a YoY rise of 24.1 per cent, while the figure was about $4.6 billion from the Mexican market—up by 9.9 per cent YoY.

However, Thai drew attention to a number of limitations of the deal, including a modest market share in the CPTPP markets and unequal chances for domestic firms and those having foreign direct investment, a news agency reported.

Bui Tuan Hoan, head of MoIT's American market division, said despite positive growth in exports, domestic businesses have still faced many difficulties, especially in logistics cost, while exporting to CPTPP markets, particularly American markets due to the long distance.

High requirements on products' quality and food safety in those markets have also been another challenge for Vietnamese exporters.

Source: fibre2fashion.com - Dec 27, 2022

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China's garment exports decline 14% in November '22!

China's garment exports have plunged by 14.10 per cent on Y-o-Y basis in November '22 to US $ 11.59 billion – as per statistics released by China Customs and analysed by Apparel Resources.

Though the exports of garments declined in November '22, the cumulative export values (from Jan.-Nov. '22) have increased by 5.82 per cent Y-o-Y. China shipped US $ 141.80 billion worth of garments in the first 11-month period of 2022, as compared to US $ 134 billion shipment values during the same period in the corresponding year.

As far as textile export is concerned, China shipped US $ 136.87 billion worth of yarns, fabrics and other textile products in January to November '22 period, outnumbering last year figures of US $ 130.94 billion.

The increase in textile and apparel shipment was recorded despite prevailing Covid-19 situation in China. The demand for apparel and textile products in 2022, till October month, kept the factories up and running across China, as per industry experts.

Source: apparelresources.com- Dec 27, 2022

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China's cotton output surges 4.3% YoY in 2022

China's cotton output saw a 4.3 per cent year-on-year (YoY) increase in 2022 with almost 5.98 million tonnes of cotton produced. Favourable weather conditions enabled a higher yield per hectare, as per data from the National Bureau of Statistics (NBS).

The country's cotton yield per hectare jumped by 5.3 per cent to 1,992.2 kg. The Xinjiang province, which is China's largest cotton-growing region, accounted for 90.2 per cent of the nation's total cotton output in 2022. The yield per hectare in the province rose by 5.5 per cent, local media reports quoted NBS official Wang Guirong as saying.

Furthermore, NBS data showed that the total area of cotton fields in China dropped by 0.9 per cent from 2021 to about 3 million hectares.

Source: fibre2fashion.com- Dec 27, 2022

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Japan's apparel import crosses US $ 20 billion till October '22

The apparel import values of Japan have touched US $ 20.77 billion in January to October 2022 period, noting 27.67 per cent Y-o-Y surge.

The data was recently released by Ministry of Commerce, Japan which was further analysed by Apparel Resources.

The demand for clothing products in Japan remained decent during the 10-month period of 2022 as imports grew up by 5.46 per cent, weight-wise; however, weaker yen – that has crossed 140 per dollar for the first time in almost a quarter century – is increasing the import cost.

Japan spent US $ 4.06 (yen 540) to import 1 kg of garments in January-October '22 period as against US $ 3.39 (yen 450) per kg in the same period last year.

China, India, Bangladesh, Sri Lanka and Vietnam remained positive in their apparel shipments to Japan both weight-wise and value-wise, while Pakistan and Indonesia declined in weight-wise exports on Y-o-Y basis.

China contributed US $ 11.61 billion (up 22.15 per cent on Y-o-Y basis), constituting nearly 56 per cent in total apparel import values of Japan.

The second top importing destination was Vietnam that grew by 41.62 per cent in its shipment on Y-o-Y basis to US $ 3.19 billion.

Imports from Bangladesh valued US $ 1.10 billion, up 35.30 per cent in January-October '22, whereas India contributed US $ 204.94 million in Japanese apparel imports during the review period, noting 23.15 per cent yearly increase.

Source: apparelresources.com- Dec 27, 2022

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Declining freight prices affecting South Korea's global order outlook

Decline in global freight prices is severely affecting South Korea's global order outlook, a country which heavily depends on overseas trade and 99 per cent of which is done by ship. The country is expected to have 42.9 per cent fewer global orders in 2023 than in 2022, according to an Export-Import Bank of Korea (KEXIM) report released last month.

The decline in exports and production rates is also hampering the country's job security, as per South Korean media reports.

The Shanghai Containerized Freight Index (SCFI), which is one of the most widely used indices for ocean freight rates, fell 16.2 points from December 16, 2022, to 1107.09 on December 23, 2022. The latter figure is its lowest since July 31, 2020, when the index fell to 1103.47.

South Korea recently unveiled its maiden container freight index to better reflect shipping rates on Asian routes, according to its oceans and fisheries ministry, which said the Korea Ocean Business Corporation (KOBC) Container Composite Index (KCCI) stood at 2,892 for the second week of November.

The ministry collaborated with the state-run KOBC in July 2020 to develop KCCI to better tackle rising uncertainties from global supply chain disruptions.

Source: fibre2fashion.com- Dec 27, 2022

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Vietnam to focus on improving logistics competitiveness: Top official

Vietnam will focus on improving its logistics competitiveness and make it a high value-added services sector to promote socio-economic development, according to a recent government decree. A top official noted that 2023 would be a difficult year as the global economy is in recession and inflationary risk would lead to a fall in trade and logistics activities.

Tran Thanh Hai, deputy director of the import-export department under the ministry of industry and trade (MoIT), urged enterprises to prepare for uncertainties in the context of the ongoing Russia-Ukraine conflict, natural disasters, diseases or unexpected incidents.

The logistics industry will be promoted through production, import and export. The drivers would come from transportation and information technology infrastructure development, enhancing the competitiveness of logistics companies and increasing linkages to make the country an important logistics hub of the region, a report in a top Vietnamese media outlet said.

Tax policies and fees would also be reviewed while customs procedures would be simplified to create favourable conditions for logistics services providers.

Green logistics, arising as an important indicator for the sustainable development of the logistics industry, will also be promoted.

An MoIT report found only 31 per cent of logistics enterprises used renewable energy in warehouses operation, 26.8 per cent did not have green development strategies and 35.2 per cent did not have activities related to environmental monitoring.

Source: fibre2fashion.com - Dec 27, 2022

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Sustainability runs high in decisions, policymaking across EU in 2022

Sustainability ran high in decisions, actions and policymaking across the European Union (EU) this year. The European Fashion Alliance and the Nordic Swan Ecolabel were launched; the £2-million Circular Textiles Fund in Scotland was unveiled to help reduce the environmental burden of textiles; and EURATEX planned fibre-to-fibre recycling for 2.5 million tonnes of textile waste by 2030, writes Dipesh Satapathy.

Here is a glimpse into some of the major developments in the bloc.

Policy

November saw business activity fall across the euro zone for the fifth consecutive month, according to flash purchasing manager's index data released by S&P Global.

Although the rate of decline remained the second strongest since 2013—excluding COVID-19 lockdown months—the intensity of the downturn moderated in response to a reduced rate of loss of new business, fewer supply constraints and a pick-up in business confidence about the year ahead. Business sentiment remained gloomy by historical standards, and demand continued to fall at a steep rate.

In April, European Commission (EC) President Ursula von der Leyen and Indian Prime Minister Narendra Modi agreed to launch the EU-India Trade and Technology Council at their meeting in New Delhi. The strategic coordination mechanism will allow both sides to tackle challenges at the nexus of trade, trusted technology and security, and deepen cooperation. The European Parliament and the EU member states reached a political agreement in June on the directive on adequate minimum wages proposed by the EC in October 2020.

The new legislation will apply to all EU workers who have an employment contract or employment relationship. The EU countries in which the minimum wage is protected exclusively via collective agreements will not be obliged to introduce it nor to make these agreements universally applicable.

In July, New Zealand and the EU concluded negotiations for a free trade agreement (FTA) that offers duty-free access on 97 per cent of the New Zealand's existing goods trade to the EU within seven years, and 91 per cent from day one. The FTA is expected to raise the value of New Zealand's exports to the EU by up to $1.8 billion per year from 2035.

The EC in October proposed an emergency regulation to address high gas prices in the EU and ensure security of supply this winter. In combination with already agreed measures on gas and electricity demand reduction, gas storage and redistribution of surplus energy sector profits, these new steps will improve stability in European gas markets this winter and beyond.

The regulation will aggregate EU demand and joint gas purchasing to negotiate better prices and reduce the risk of member states outbidding each other on the global market, while ensuring security of supply across the EU.

The EC and the European Bank for Reconstruction and Development (EBRD) signed an InvestEU guarantee agreement in December that will unlock EBRD finance of up to €2.1 billion for investments in green economy, sustainable infrastructure and digitalisation, as well as research and innovation in the EU. The agreement was worth up to €450 million.

The EBRD will use this guarantee to mobilise investments across a wide range of sectors, including energy, digital connectivity, circular economy, and low carbon technologies. It will also support investments in bioeconomy, research and digitalisation, critical raw materials value chain solutions, life science, and sustainable blue economy.

Early finalisation of India-EU FTA is among the priorities of Sweden when it takes over the rotating presidency of the European Council for a six-month period from January 1 to June 30 next year. The Scandinavian country will also work on the 18-month programme jointly drafted with its predecessors France and the Czech Republic.

EU member states in December reached an agreement to implement at the bloc level the minimum taxation component, known as Pillar 2, of the Organisation for Economic Cooperation and Development's reform of international taxation.

The profit of large multinational and domestic groups or companies with a combined annual turnover of at least €750 million will be taxed at a minimum rate of 15 per cent. The new rules will reduce the risk of tax base erosion and profit shifting and ensure that the largest multinational groups pay the agreed global minimum rate of corporate tax, the European Council noted.

Textile & Garments

The Technological Centre for the Textile and Clothing Industry of Portugal (CITEVE) in October launched a large collaborative project on bio-economy called Be@t, or Bioeconomy at Textiles, which will invest €138 million, including €71 million from the Portugal's Recovery and Resilience Plan approved by the European Commission. Be@t will boost the development of value-added products from biological resources instead of using fossil raw materials.

France's L'Union des Industries Textiles (UIT) and several other trade unions concluded an agreement, raising the minimum wages in the textile industry from May 1. The agreement provides for a 2.7 per cent increase in conventional minimum wages for all professional categories in the industry—workers, supervisors and executives. UIT represents 2,150 textile companies in France.

The Nordic Swan Ecolabel, the official ecolabel of the Nordic countries, launched in May, revised and sharpened requirements for clothing and other textile products certified with the label. More requirements for product design, increased emphasis on quality, longevity and a ban on dumping surplus clothing are some of the innovations.

The European Textile and Apparel Confederation's (EURATEX) ReHubs initiative in May announced its plans to pursue fibre-to-fibre recycling for 2.5 million tonnes of textile waste by 2030. The initiative brings together key European and world players to solve the European textile waste problem by transforming waste into a resource, and to boost the textile circular business model at large scale. Based on the ambitious European Waste law, all EU member states must separately collect textile waste in two years and half.

Zero Waste Scotland and the Scottish government launched a £2-million fund in June to help reduce the environmental burden of textiles. The Circular Textiles Fund goes directly to businesses across the textile industry in Scotland, from fashion to upholstery. It will support innovative projects in which resources are valued and made to last.

Potential business models include those that reduce demand for new textiles, such as clothing and textile rental, reuse and repair services; employ sustainable manufacturing processes; reduce in-life environmental impacts; and maximise the amount of textile waste that is captured and recycled.

The Fashion Council of Germany (FCG) and 24 other fashion institutions founded the European Fashion Alliance in June to unite to foster a sustainable and inclusive European fashion ecosystem. Just before that, FCG brought together leading European fashion organisations in Frankfurt to form a coalition of change with the support of Messe Frankfurt and its global Texpertise network.

Sustainability

The EC in April finalised its scoping assessment to identify the priority list of waste streams for the development of further EU-wide end-of-waste criteria, as announced in the Circular Economy Action plan. Plastics and textiles—separately collected clothes and other textiles prepared for re-use and cellulosic or mixed fibres recovered or recycled from textile waste—are the top two candidate streams.

EU transport ministers agreed in June on a range of legally-binding measures, including new binding targets in shipping, to reduce greenhouse gas emissions in the transport sector in the coming decade. The agreement includes new technical standards and mandatory targets for EU airlines' use of sustainable aviation fuels, and new binding targets for GHG reductions in shipping.

The measures were agreed under the EU's 'Fit for 55' package—the flagship suite of legislation announced in July 2021 to ensure the bloc meets its 2030 climate targets.

In November, the EC launched the 2023 European Semester cycle of economic policy coordination. The four priorities are promoting environmental sustainability, productivity, fairness and macroeconomic stability, to foster competitive sustainability.

The European Parliament and Council have agreed on a new law that fights global deforestation and forest degradation driven by EU production and consumption. The law, once adopted and applied, will ensure that a set of goods sold in the EU market do not contribute to deforestation and forest degradation in the EU or anywhere else in the world.

The EC has also proposed late this year new EU-wide rules on packaging to tackle this constantly growing source of waste. The new rules aim to stop the trend of rise in packaging waste, ensure reusable packaging options, get rid of unnecessary packaging, limit over-packaging and provide clear labels to support correct recycling.

In December, the EC adopted a proposal for a first EU-wide voluntary framework to reliably certify high-quality carbon removals. The proposal will boost innovative carbon removal technologies as well as sustainable carbon farming solutions, and contribute to the EU's climate, environmental and zero-pollution goals.

Source: businessdailyafrica.com - Dec 27, 2022

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NATIONAL NEWS

Global headwinds, a challenge to India's trade prospects in 2023

Successful implementation of FTAs, rupee trade, export schemes, PLI may provide relief

India's exports moved in tandem with the global trade in 2022, grew steadily till June, and then started to slow down. As Russia's prolonged aggression in Ukraine and resurgence of Covid infections in China started taking a toll on the world economy in the second half of the year, India's trade prospects, too, came under a shadow.

Going forward, 2023 is likely to be full of challenges for exporters, with the WTO revising its world trade growth forecast to just 1 per cent from the previous estimate of 3.4 per cent.

Rising interest rates globally, skyrocketing inflation and major economies facing the threat of sliding into recession, are some of the key reasons behind deceleration of demand.

The Indian government, however, is optimistic that its new free trade agreements signed this year, including ones with the UAE and Australia, will start delivering concrete results soon, helping Indian exporters make up for possible fall in demand from its traditional buyers.

New Delhi is also in advanced negotiations for FTAs with the EU, the UK and Canada, and there is hope it will be concluded in the new year, resulting in greater market access for Indian goods and services.

In fact, finalising trade pacts with developed nations is part of India's broader strategy to achieve the target of doubling exports of goods and services to $2 trillion by 2030.

But whether the new pacts, resulting in lowering of import duties in partner countries will be enough to help exporters gain more orders, remains to be seen. Some economists argue that with slowdown in global demand, it is very important for exporters to become price competitive.

The government's role in bringing down cost of operation through greater ease of doing business and by generous implementation of export incentive schemes could be crucial in building competitiveness.

The government's Production Linked Incentive scheme, too, could play an important role in making production efficient by building in economies of scale through large-scale manufacturing, but its success in most sectors is still to be tested.

Commerce & Industry Minister Piyush Goyal, at a recent media event, acknowledged that external headwinds such as high inflation in Western countries and declining growth momentum, will have some adverse impact on Indian exports. But exports of goods will still post an annual growth rate of 10-12 per cent, he had said.

Last fiscal, India's exports grew over 40 per cent to touch an all time high of $422 billion. Besides the slowdown in exports, other areas of concern for the government include India's rising imports, growing trade deficit and depleting foreign exchange reserves.

The 'Atmanirbhar Bharat' drive to reduce imports by promoting self sustenance is targeted towards bringing down the import bill. But the government has to walk the tight rope to ensure that the hit the user industry takes when import duties are increased or other restrictions imposed, should not end up hurting the economy more than the potential gains.

The rupee trade mechanism, rolled out by the RBI in July this year to enable invoicing of exports and imports in Indian rupee, could play an important role in saving precious foreign exchange.

The mechanism is in advanced stage of implementation with Russia, which is keen on rupee trade to avoid growing banking sanctions imposed by the West following its attack on Ukraine in February this year.

Successful implementation of rupee trade with Russia will serve a dual purpose. It will help India pay for its rising oil imports from Russia, which is now one of the top oil and gas exporter to India because of steep discounts offered. It will also help increase India's exports.

Russia, in fact, is in talks with India to source more products so that the growing trade deficit, estimated at about $23 billion in April-October 2022, can be narrowed and some of the rupee payment made by India for oil could be used up.

India is also in talks with neighbouring countries such as Sri Lanka, Maldives and Mauritius, to operationalise the mechanism.

While grappling with ways to deal with the uncertainties in the global economy, India will also have the opportunity to steer discussions on issues affecting the world as president of the G20 bloc for a year. In the various meetings planned through 2023, India must use its presidency to push forward the interests of the developing world and lend urgency to issues such as climate finance and inclusive growth.

Source: thehindubusinessline.com - Dec 27, 2022

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India's push for free trade negotiations: A status check of ongoing deals

Take a look at the status of the ongoing FTA negotiations by India

India has been on a free-trade agreement (FTA) signing spree from over a year now. Within April, two trade deals with the United Arab Emirates and Australia were signed and the next year and a half may see the inking of such pacts with a few more countries and trade blocs. Shreya Nandi takes a look at the status of the ongoing FTA negotiations by India.

Country/ trade bloc	When did the talks start	Scope of the deal	What has been achieved so far	Timeline for conclusion
United Kingdom	January	Comprehensive FTA to cover areas such as goods and services, including financial services and telecommunications, investment, intellectual property, Customs, sanitary & phytosanitary measures, technical barriers to trade, gender, sustainability, geographical indicators, among others	Six rounds of negotiations completed; the next round will take place early 2023 More than 16 of 25 policy areas have been closed Some of the contentious issues are: UK wants India to lower tariff on automobiles, and automobile components, scotch whisky; UK has interest in legal, financial, architectural services, which has been a problem for India; India wants easier movement of skilled professionals, audio-visual services in UK has been one of the key demands from India	Diwali (October 2022) was missed. Besides political tensions in the UK, elections in key states in India slowed the talks. India is hoping to finalise the deal by March 2023
Canada	March	Early progress trade agreement to include goods, services, rules of origin, sanitary & phytosanitary measures, technical barriers to trade, dispute settlement, any other areas mutually agreed upon by both sides	Fifth round of talks took place in November Apart from traditional areas, the early progress trade agreement/interim agreement will cover areas such as small and medium enterprise, trade and gender, environment, and labour	The earlier deadline was December 2022. India has reiterated that it will not chase deadline anymore and focus on the right deal that benefits both nations

Country/ trade bloc	When did the talks start	Scope of the deal	What has been achieved so far	Timeline for conclusion
European Union	June	Will cover separate agreements on trade, investment, and geographical indicators. Negotia-ting areas to inlude goods, Customs, sanitary & phyto-sanitary measures, trade remedies, services & investment, digital trade, government procurement, intellectual property, SMEs, sustainable food systems, among others	The third round of negotiations took place between November 28 and December 2 Negotiations on investment protections and geographical indicators took place earlier this month The aim of the third round of talks was to get into real negotiations, and begin consolidating texts The next round of negotiations will be held in Brussels from March 13 to17, 2023	End of 2023 or early 2024
Gulf Cooperation Council	Yet to begin	Not known	GCC had expressed its interest in the resumption of FTA negotiations Currently, both sides are negotiating the terms of reference of FTA Negotiations are expected to start between January and March 2023	Yet to be decided

Source: business-standard.com - Dec 27, 2022

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Government tweaks GST rules for claiming input tax credit

A taxpayer under Goods and Services Tax (GST) will be required to reverse the input tax credit (ITC) claimed by November 30 in case his supplier has failed to deposit the dues taxes by September 30, the finance ministry has said Tuesday. Also now PAN-linked mobile and e-mail can be used along with biometric authentication or GST Registration. The Central Board of Indirect Taxes and Customs(CBIC) has notified many decisions taken by the GST council in its 48th meeting held on December 17.

The CBIC has notified the new provision by inserting Rule 37A in Central Goods and Services Tax as recommended by the 48th GST council. The taxpayers can reclaim the ITC later following deposit of taxes by the supplier.

Experts said that businesses must take note of these changes.

"Insertion of Rule 37A merits attention as the same provides for the instances and the manner where ITC is required to be reversed in case of non-payment of tax by supplier, " KPMG in India, Partner Indirect Tax, Abhishek Jain.

The CBIC has also inserted a new rule, 88C, by amending the Central Goods and Services Tax Rules, 2017. Rule 88C lays down the manner of dealing with difference in liability reported in statements of outward supplies and that reported in return. This is likely to affect the taxpayers in case of any inconsistency in filings of GSTR-1 and GSTR-3B. The onus will be on the taxpayers to ensure compliance.

The centre also notified the amendments to the Central Goods and Services Tax (CGST) Rules, 2017, mandating the mobile number and email linked to PAN to be verified by One Time Passwords (OTPs).

It has also made necessary changes for allowing unregistered suppliers and composition taxpayers to make intra-state supply of goods through E-Commerce Operators (ECOs).

Experts say while this will plug the revenue leakage, this will also increase the compliance burden.

"The amendments made would further increase the onus of compliances on the recipient of goods / services.

It is advisable that industry should look at digitalising this process of compliance either through IRP or through ASPs in order to avoid undue leakages in the system," Saurabh Agarwal, Tax Partner, EY said. economictimes.indiatimes.com

Source: economictimes.indiatimes.com - Dec 28, 2022

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Atmanirbhar Bharat should not merely be a classical import substitution policy'

Given the slowdown in the world economy, what do India's global trade prospects look like?

India's external sector is expected to face considerable headwinds as the global economy is on a downward trajectory. This is especially because prospects of India's merchandise exports look grim, as negative growth was recorded in the July to November . More worrisome is the slowing down of manufacturing exports, implying that sectors contributing higher value added have been relatively more affected.

Q India has just formalised an important FTA with Australia and is negotiating several others. Can the country use them to its advantage?

India has not been able to exploit the additional market access opportunities offered through the tariff preferences in the FTAs. This is principally on account of two factors. First, in the contemporary world, it is not merely the levels of tariffs that determine market access. Non-tariff measures, especially product/process standards, have become increasingly important. This means that lowering of tariffs via FTAs is no guarantee for higher market access. In fact, Indian businesses will have to conform to the exacting product/process standards market access so as to increase exports.

Second, Indian businesses must become more price-competitive to increase their presence in the partner countries' markets. Ways need to be found to improve the competitiveness of Indian producers.

Q What role do you think the PLI scheme can play in pushing manufacturing and exports?

There is yet no clear evidence that the PLI scheme has benefited manufacturing exports in general. Of course, some industries have been successful. For instance, producers of mobiles have been able to increase exports, while imports of solar photovoltaic modules have declined due to enhanced domestic production.

Q What according to you should be the correct strategy to boost Aatmanirbhar Bharat?

Atmanirbhar Bharat should not merely be a classical import substitution policy that focusses just on increasing domestic production; the emphasis should be on producing globally competitive products domestically. Further, domestic production must be dovetailed with a strong innovation system, one which enables domestic producers to remain competitive.

Source: thehindubusinessline.com - Dec 27, 2022

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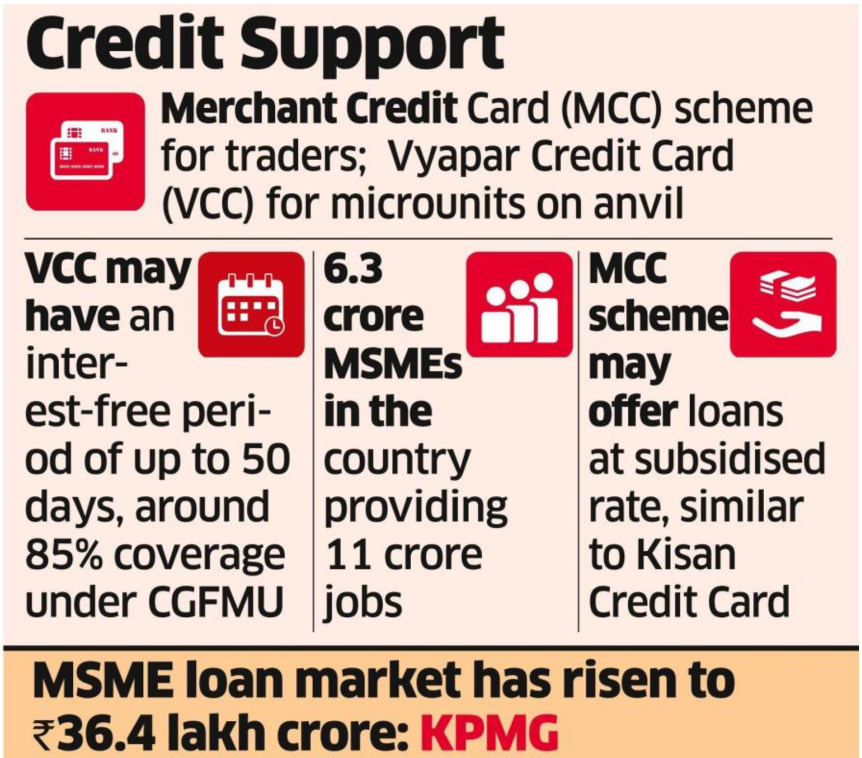
Credit card scheme soon for MSMEs

New Delhi: The government is giving the final shape to a Merchant Credit Card (MCC) Scheme for traders and a Vyapar Credit Card (VCC) for microunits, in a move aimed at giving them further credit support, officials in the know said. While the VCC may offer an interest-free credit period of up to 50 days and an around 85% coverage under the Credit Guarantee Fund for Micro Units, the MCC scheme may offer loans to merchants at a subsidised interest rate, similar to the Kisan Credit Card.

"The MCC scheme will provide flexibility to the banks to align their product with their board-approved policies," said a government official. Small Industries Development Bank of India is working out the details for the VCC, which is aimed as an incentive for units getting registered on the Udyam Portal, the official added.



Another official said the idea is to incentivise nano-MSMEs such as roadside vendors and kiranas, and help them enter the formal financial system. "There should be uniformity in card benefits for each group of MSMEs as the existing MSME cards vary in their terms," he added.

ET had reported in April that a parliamentary standing committee on finance headed by Jayant Sinha had pitched for providing a credit card to MSME entrepreneurs on the lines of the Kisan Credit Card.

The government plans to provide short-term credit at low interest rate to MSMEs for their working capital needs to ensure certainty in credit flow amid a slowing global economy. There are 63 million MSMEs in the country, providing 110 million jobs.

Source: economictimes.indiatimes.com - Dec 28, 2022

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GST officers to seek details of all invoices in case of ITC mismatch

GST officers will have to seek details of all invoices on which input tax credit (ITC) has been availed of by erring business in cases of mismatch in GSTR-1 and GSTR-3B before initiating recovery action for short payment or non-payment of taxes.

The Central Board of Indirect Taxes & Customs (CBIC) on Tuesday issued circular clarifying guidelines on recovery proceedings for the period 2017-18 and 2018-19. This is following the recommendations of the GST Council in its last meeting on December 17.

The taxmen should also check whether any reversal of ITC is required to be made by verifying certain aspects. For instance, if ITC claimed for the said financial year exceeds ~5 lakh, the officer concerned will ask the business to produce a certificate from the supplier certified by a chartered accountant. In case the credit is below ~5 lakh, a certificate from the supplier would work.

So far, under the GST law, show-cause notices were issued before a recovery process initiated in cases of mismatch in GSTR-1 and GSTR-3B. The mechanism for matching of ITC as per GST law is designed to be carried out by combined filing of Forms GSTR-1, GSTR-2, and GSTR-3.

“The discrepancies between the amount of ITC availed by the registered persons in GSTR-3B and the amount as available in GSTR-2A are being noticed by the tax officers during proceedings such as scrutiny/ audit/ investigation, etc. due to such credit not flowing to GSTR-2A of the registered persons,” CBIC said in the circular.

Such discrepancies are considered by the tax officers as representing ineligible ITC availed by the registered persons, and are being flagged by them seeking explanation from the registered persons for such discrepancies and/or for reversal of such ineligible ITC, it said while giving reason for the clarification. GST officers will have to seek details of all invoices on which input tax credit (ITC) has been availed of by erring business in cases of mismatch in GSTR-1 and GSTR-3B before initiating recovery action for short payment or non-payment of taxes.

The Central Board of Indirect Taxes & Customs (CBIC) on Tuesday issued circular clarifying guidelines on recovery proceedings for the period 2017-18 and 2018-19.

The guidelines followed the amendment the apex body issued on Monday, which said GST taxpayers will be required to reverse the input tax credit by November 30, claimed in the last fiscal year in case their suppliers fail to deposit the due tax by September 30. The taxpayers, however, can reclaim the ITC later following the deposit of taxes by the supplier.

Source: business-standard.com - Dec 27, 2022

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A $3.88 billion opportunity: How trade tech & trade finance can guide MSMEs through troubled macros

India's dream to become a net trade surplus economy could be closer than imagined due to the revolution led by trade tech and financing. 2022 was a year of transformation in how the world economies, including India, have embraced and adopted technology to further the urgent cause of democratic globalisation.

Statistics tell us that in November, India's overall trade deficit for goods and services fell to $11.11 billion vs. $13.19 billion last year. But, India's merchandise and service exports in November grew 10.97% (Y-o-Y) to $58.22 billion, and overall from April-November, the industry grew 17.72% (Y-o-Y) to $499.67 billion. This is a vital sign of resilience that exports are showing amid turbulent times at the back of intermittent global challenges.

However, for the trade sector to truly reward the economy, the country's medium, small and micro enterprises (MSMEs) must be given a free hand to expand and scale. This can only be achieved by eliminating the barriers obstructing their optimum growth, for which trade tech and trade financing could be the twin solutions.

The impact trade tech and trade finance created across 2022 The need to adopt immediate technology became more prominent in 2020 when most MSMEs were compelled to digitally transform their production and supply cycles.

Digitisation further changed the nature of trade for MSMEs when they began resorting to automating simple processes through artificial intelligence and machine learning. While on the consumer front, digital commerce and electronic platforms enabling purchases and e-payments have started taking centre stage.

On a global level, efforts towards ironing out significant hurdles, such as lack of technical know-how and understanding of trade tech and financial practices, started gathering attention from several economies. This resulted in many countries agreeing to implement the World Trade Organization (WTO) Trade Facilitation Agreement in effect from 2017 that covers reforms in various aspects of trade facilitation to enhance transparency, formalities, institutional coordination, transit facilitation, and paperless trade. Although significant improvements are still needed, it is at least a step in the right direction.

Scope for improvement and deeper penetration in 2023
According to a report by ResearchAndMarkets.com, India's trade finance market is expected to reach $3.88 billion by 2027, growing at a CAGR of 7.1%. Moreover, the same report suggests that about 80 to 90% of world trade relies on trade finance, including trade credit and guarantees. This shows the importance of how in 2023, trade finance can be utilised to help Indian MSMEs scale their business by leveraging trade tech avenues like factoring, invoicing, and price/consumer discovery.

All aspects of business processes, including documentation, verification, financing, and trade settlements, can be done much more securely and transparently at lower costs than before by facilitating seamless tech adoption at the business and business and government levels. Consequently, this will lead to an export boom and help MSMEs address key inefficiencies across business functions of finance, streamlining labour-intensive, document-heavy cumbersome processes, etc.

Technology adoption is critical for any market success, and the trade finance market is no exception. The global trade finance gap currently stands at $1.5 trillion, or 10% of merchandise trade volume, and is set to grow to $2.4 trillion by 2025, the Asian Development Bank calculates.

For Indian MSMEs to prosper, trade tech and trade financing need to be looked at as their shield for 2023 to steer through a near-recession awaiting the world.

Source: economictimes.indiatimes.com- Dec 28, 2022

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The Textile Department informs prospective investors in Tiruchi district on Mini Textile Park Scheme

Ease of Doing Business for MSMEs: The Textile Department reached out to entrepreneurs and investors in the district of Tiruchi to spread the word about the benefits of the Mini Textile Park scheme, as per a report by The Hindu.

Earlier in December, potential investors in Tiruchi district were briefed about the salient features of the New Integrated Textile Policy 2019. The policy provides incentives and subsidies to different sectors to develop the textile industry.

The department officials informed the participants that the policy is focussed on southern districts with the objective to grow the textile value chain and promote the technical textiles.

Subsidy worth Rs 2.5 crores or 50 per cent would be provided for establishment of each Mini Textile Park under various categories including – spinning, weaving, knitting, processing, garmenting and technical textile, the report added, citing a senior official of the Textile department.

Further, the prospective investors got to know about the other important aspects of New Integrated Textile Policy 2019 which offers 10 per cent capital subsidy for all new machines.

It also includes provision of 25 percent (with the ceiling of Rs 10 crores) for establishment of trade facilitation centre; 10 percent capital subsidy for wider width fabric processing; five percent interest subsidy for common effluent treatment plant; 15 percent capital subsidy for the individual effluent treatment plant, and Rs 1 crore Research and Development assistance for establishment of effluent treatment plant.

Meanwhile, in November, Tamil Nadu received 100 applications from representatives of textiles units to set up mini textile parks across the state and of these 43 are from Karur district, informed handlooms and textiles minister, R Gandhi, as per another report by The Hindu.

The union government in an attempt to bring the second edition of Textile PLI earlier next year, has invested Rs 1,536 crore so far and is left with Rs 4,000 crore of unutilised budget.

The second version of the scheme may cover bedspreads and textile accessories like lace, button, and zippers.

Source: financialexpress.com - Dec 27, 2022

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India@75, Looking at 100: India can be a world leader in the sustainable production of cotton textiles

The world today is looking for 'green' industries. So the handloom industry of India, particularly if it can use yarn made from cotton fresh from the field, might just have the last laugh over mass production after all.

Looking back at my 30-plus years working with Indian handlooms, I see both positive and negative trends. What is certain is that the craft world has changed, not in the slow-paced gradual way of changes in the past, but much faster than before.

The weavers of India have supplied the markets of the world with cotton cloth since at least the first century of the Common Era. In pre-industrial times, the many varieties of Indian cotton cloth — bafta, mulmul, mashru, jamdani, moree, percale, nainsukh, chintz, etc — were the source of India's fabled wealth. Until colonial times, the yarn for handloom weaving in India had been spun by hand. With the invention of spinning machinery in Britain and the import of machine-spun cotton yarn, this occupation vanished.

Since India was a British colony, the latter dictated its economic policies. Machine-woven cotton fabrics began to be imported, while raw cotton was shipped out to supply British industry.

But there was a problem: Though Indian varieties of cotton produced the finest fabrics the world has yet seen, the famous Dhaka muslins, they were unsuited to the newly invented textile machinery, while American cotton varieties that have a longer, stronger staple, were more suited to machine processing. The machines needed a uniform kind of cotton, so the hundreds of varieties of Indian cotton which had been bred over centuriesnow had to become uniform. Diversity, until then valued, became a handicap.

By 1947, mass production was well established, and India's own spinning and weaving mills took over the role of Lancashire. American cotton varieties and their hybrids gradually replaced native ones, so now, native varieties grow only in a few pockets.

What did this mean for Indian cotton farmers? Cotton in India is grown largely by small farmers, and the new practices have changed the nature of farm practices from sustainable, family-based agriculture to intensive commercial farming with severe and tragic consequences. Seeds come from large multinationals, rather than the farmer's own stock, and are expensive. While the desi varieties were rain-fed, the American varieties need irrigation, which increases humidity. Humidity encourages pests and fungi. A cocktail of chemicals — fertiliser, pesticide and fungicide— is used which adds to the cost of cultivation, but does not guarantee a good harvest. The farmer runs up huge debts hoping for a good crop, but India's weather is variable, groundwater is fast depleting. If the crop fails, the risks are entirely the farmer's. The distress of the cotton farmer has even led to suicides. The introduction of genetically-modified seeds has led to more severe problems.

Just as energy from fossil fuels ushered in the era of mass production in the 19th century, it will be clean, renewable energy that will take the small-scale environmental Indian industries to the top of the heap in the 21st century. As fossil fuels deplete, earlier notions of efficiency will change, and low-energy manufacturing processes will gain value. At the same time, markets are becoming saturated with look-alike products from factory-style mass production, and there are more customers for the individualised products dispersed production can offer. Small-batch handwoven fabrics will become desirable in the changing markets.

It is in this context that the malkha process has pioneered yarn spinning suited to the small scale of handloom production, using the different cotton varieties grown in various regions of India to provide an alternative to the mass production of cotton yarn. Malkha has also added natural dyeing of yarn to make its fabrics even more sustainable.

The world is looking for "green" industries. Over the next 25 years, as independent India turns 100, handloom weaving located close to cotton fields can make it a world leader in sustainable production. The handloom industry, particularly if it can use yarn made from cotton fresh from the field, might just have the last laugh over mass production after all.

Source: indianexpress.com- Dec 28, 2022

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Merchandise exports may drop 2.3% this year: CARE

Export-intensive manufacturing sectors to be hit hard from global slowdown, could impact employment in the economy

Slowing global growth and cooling demand are likely to shrink India's goods exports by more than 2% in 2022-23 and grow just 1.5% next year, CARE Ratings said in a research report on Tuesday, signalling a sharp drop in outbound shipments over the next quarter.

India's merchandise exports have grown 11.1% through the first eight months of the year to touch $295.3 billion, but the rating agency cited recent months' trend of moderating exports to reckon that the full-year figure would be 2.3% lower than the record $422 billion achieved in 2021-22.

With major economies likely to experience a sharp slowdown and global trade growth moderating, India's manufacturing sector, whose Gross Value Added to the economy contracted 4.3% in the second quarter, will feel the pain of lower external demand as is evident in the 4% drop in industrial output in October, economists at the rating agency pointed out.

"Sectors with high export intensity will specifically be hit hard by the ensuing global slowdown," they said, identifying gems & jewellery, ceramic & glassware, leather & leather products, drugs & pharmaceuticals, engineering & electrical goods, and textiles as the most export-intensive sectors in manufacturing.

"Some of these export intensive-sectors like textiles and garments, gems & jewellery, leather products are also highly labour-intensive. Hence, slowdown in these sectors will have implications for the overall employment scenario in the economy," they cautioned in the note.

India's average monthly trade deficit of $25 billion so far this year compares with an average of $16 billion last year. CARE said it expected India's overall trade deficit for the year to be $294 billion, or 8% of GDP, compared with $189 billion, or 6% of GDP, in 2021-22. This deficit could moderate to 6.9% of GDP in 2023-24 with easing commodity prices, it projected.

The current account deficit, which hit a 15-quarter high of 2.8% of GDP in the April-to-June 2022 quarter, is pegged at 3.6% of GDP for 2022-23, but may moderate to 2.2% next year, partly helped by lower commodity prices and partly by an expected easing in domestic demand, CARE said in the report.

"Region-wise analysis of trade balance data shows a worsening of trade deficit with China. Given that India has a large trade deficit with China, worsening growth prospects in China are worrying for the Indian economy. Moreover, with the U.S. and EU slowing down, India's trade surplus with these regions has also been falling," it pointed out in the report.

Source: thehindu.com - Dec 27, 2022

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Textile mills in Surat struggle to survive as lignite and imported coal price rise amidst Russia-Ukraine clash

Ease of Doing Business for MSMEs: Textile industry in Surat is seeing a tough time. Around 15 textile dyeing and printing mills have shut down due to their inability to survive high costs and short supply of lignite coal and imported coal as a result of the Russia-Ukraine war and lower production from Gujarat mines, as per a report by The Indian Express.

Textile association South Gujarat Textile Processing Association (SGTPA) urged the authorities of the lignite seller and mining PSU (Public Sector Undertaking) GMDC (Gujarat Mineral Development Corporation) to increase the supply and reduce the prices of lignite coal, the report added, citing association's president Jitu Vakhariya.

India's textile city Surat produces four crore metres of textile cloth on a daily basis that goes through various processes of production – dyeing, printing and packaging and is then sold across the country, he said.

A dyeing and printing mill owner in business for 25 years who runs three mills told IE on the condition of anonymity, "I have seen ups and down earlier also but this time it has become difficult for us to survive. I have shut down one of my mills in Pandesara area as there is no major demand in the market. This year, the Diwali festival sale also was not good."

Referring to the hike in the prices of lignite, imported coal, colours and chemicals, he said, "We could not manage to run all three mills so we shut down one. We also have to pay power bills, water charges and labourers' salaries. We are not getting good orders from the market as well… However, we have not laid off any employees… we took into the two running mills and a few were taken by other mills."

In Surat, around 350 textile dyeing and printing mills employ lakhs of migrant labourers.The industry gets lignite from GMDC mines at Rajpardi in Bharuch district and mines at Tadkeshwar in Surat district, the report noted.

"The price of lignite from Rajpardi was Rs 2,718 per tonne on March 16, 2021, which now is Rs 3,842 per tonne. Similarly, the lignite price of Tadkeshwar mines has gone up from Rs 2,137 per tonne to Rs 5,503 per tonne. Lignite price hike has affected the production cost of textile fabric at large as it constitutes around 25 per cent of the production cost to the industry. The GMDC has reduced supply to the industries, showing different reasons," Vakhariya told IE.

Citing the reason for lower supply of lignite, Roopwant Singh, Managing Director, GMDC told IE, "This time, due to extremely intense monsoon, the average allocation of 40 per cent of approved capacity (of lignite) went gone down to 20 percent."

Other than lignite, the cost of imported coal also shot up to Rs 8,000-Rs 9,000 per tonne in December this year from Rs 5,400 in June 2021, said Vakhariya pointing out the Russia-Ukraine clash.

The two significant resources needed in the textile production process – lignite and imported coal are put in the boiler to generate steam for colour and chemicals fixing in the fabric.

The increase in the price of these resources led to reduced production of textile by several dyeing and printing mills over the past three months, the report added.

"Fifteen such textile mills shut down after being sealed by bank authorities as the owners could not pay the loan amount... There is no major demand of textile goods in the market also," informed Vakhariya.

Meanwhile, the central government's is also planning to lay out the second edition of Textile PLI production-linked incentive scheme (PLI) early next year.

The proposed investment during the entire tenure of the scheme is Rs 19,789 crore out of which Rs 1,536 crore has been invested so far, according to a statement by the textiles ministry last month.

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