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INTERNATIONAL NEWS

American-Made: Insiders Dissect 'Newshoring' and US Manufacturing Revival

Once upon a time, "Made in America" was a patriotic mantra, a salute to the blue-collar worker, a reason to spend a little more for a product of the same quality.

Nowadays, however, with globalization fully blossomed and fast fashion driving prices ever-downward, sentiment alone won't increase the demand for domestic apparel production.

Advantages in the supply chain, desire for American goods abroad and an ever-growing call for onshoring, nearshoring, reshoring and sustainability, however, may.

Gateway to rebirth

John Erruchio grew up in the Garment District of New York City back when that meant something; before skyrocketing real estate values drove factories out of the city and the lure of cheap labor drove manufacturing out of the country altogether. He was keenly aware that the second-biggest hub for apparel manufacturing in those days was St. Louis, so when he sought to open his own knitting factory after more than 35 years in the apparel business, the Gateway Arch was calling his name.

"Our vision was to have a central location," said Erruchio, who along with business partner Jon Lewis, opened Evolution St. Louis in February of 2020 with 30 Stoll knitting machines, along with 3D printers that allow it to produce everything from sweaters and socks to shoes, housewares and automobile parts. "The whole country is within two or three hours of here."

Opening when the pandemic hit proved to be a blessing in disguise of sorts for Evolution, as it gave the manufacturer a chance to hire and train up staff on new machinery, all the while filling a nearly bottomless need for facemasks.

"We have the latest Stoll ADFs and we're sort of proud we got serial number 0001," Erruchio said. "We have more to bring into this facility. We're negotiating for a second building at 130,000 square feet, so we're hoping to bring in another 220-plus machines over the next few years."

Erruchio said a trend that began taking shape just prior to the pandemics hasn't slowed since.

"Brands were starting to reimagine supply chains," he said. "It's amazing, the USA really starts to take on more resonance because there's a desire for a lot of brands to maneuver around problems in the supply chains. I think also a big driving factor is sustainability. To have true sustainability, you have to have a brand in the U.S."

His point is taken that when goods are being shipped from the center of the continental U.S., they're not traveling over oceans or rocketing through the atmosphere just to get on trains, then trucks.

And as American Apparel and Footwear Associated president and CEO Steve Lamar chimed in, "A lot of Made in the USA stuff is very popular overseas. We run into an interesting situation where what we Make in the USA we sell abroad; what we buy in the USA, we import. The U.S. customer does not value [Made in the USA] as much as a customer in Japan or Britain or the Middle East."

Lamar has coined his own term for the type of industry coming out of manufacturers like Evolution St. Louis.

"There is definitely a lot of interest and lot of that is converting into actual activities, both for nearshoring as well as onshoring, or what I often call 'newshoring,'" Lamar said. "The term I don't like is re-shoring, which is what's left is coming back and that's just not the case. But we're seeing people do new things with technology, with new production methods."

Savings realized in logistics and automation can somewhat recoup a labor cost three or four times what it would be in Asia, but for the foreseeable future these 'newshoring' factories will have to target brands with a clientele that can handle a higher price point.

"We're not interested in manufacturing for Walmart; that's not economically feasible," said Erruchio, whose company gets about 25 percent of its revenue from apparel. "For us, it's kind of like driving a Ferrari to the grocery store—not the best use of our equipment."

Family legacy

Some American factories are family legacies that have been around for decades. Andari Fashion Inc. is owned by the brother-sister tandem of Wei and Ilona Wang, whose mother opened the factory in El Monte, Calif. in 1991 where it's still rolling today, now with one of the largest sweater manufacturing locations in the country, and 70 percent of its energy consumption provided by solar.

"My mom knew somebody in El Monte that was doing sweater production and when she decided to emigrate to the U.S. [from Taiwan] she started a small company, basically subcontracting work for that other factory," Illona Wang said. "She started growing her own clientele and kind of became what we're doing right now."

Andari, too, winds up making higher-priced garments with Ralph Lauren as one of its top clients, but the Wangs have realized some material efficiencies by producing in the USA.

"If the program is right, depending on the sourcing of materials, you can save on lead time," Illona Wang said. "We also have smaller minimum orders than overseas factories so we're able to accommodate smaller units. Some clients starting new lines may have quantities that are hard to communicate with overseas factories, so we provide that kind of convenience for them—product development, communication, facilitate production, process support."

That's still not enough to make up for the difference in labor costs, but Wei Wang said there's still more sweetening factors.

"There's no inventory, so the brands are willing to take a higher cost knowing everything they sell is going to margin," he said. "A lot of our clients use Italian yarn and it's easier to sell Italian yarn through the U.S., instead of China, then shipping the finished good back to the states, so there's some savings there and also less [carbon] footprint. On some projects we work with clients who want it 100 percent made in the USA, including fiber-forward."

For brands on a budget, Andari offers clients the chance to print a test sample at their California plant and send the larger order on to their factory in China, a service they've been offering since the late 1990s.

Of tariffs and trade wars

Tariffs levied against China by the Trump Administration and continued by President Biden have incentivized some American brands to produce at home, but have also had a discouraging effect, Lamar says.

"It's also become anti-Made in the USA, because if you want to make it in the U.S. and import it to China, there will be a tariff, but if you make it in Canada or Mexico, you don't have to pay the tariff," he pointed out, adding that stringent guidelines for claiming Made in the USA have been a turnoff for some brands. "Companies that use the Made in the USA label have to know their entire supply chain is in the U.S., then get it made in the USA, but then if it has imported parts they can't get it, so it's a disincentive for companies because they've made getting the label so strict."

Lamar believes it might behoove the cause of domestic production to lighten the requirements to be Made in the USA.

"We want Made in the USA labeling to make sense, to support and encourage U.S. manufacturing. But the more restrictive the requirement, the less likely we'll see support," he said. "It doesn't help if labeling 'Made in the USA' is actively discouraging it. It seems like it's sort of taking us in the wrong direction. I certainly want to be accurate, but at what level accurate?"

Sucharita Kodali, VP analyst with the technology research firm Forrester, said an uptick in American manufacturing has been on her radar for a while.

"We're hearing about it because there's just been more of a push toward domestic production, or nearshoring, which I think dates back to the last presidential administration, so I do expect there to be more of it, but I don't know that anybody has resolved the pricing and the costs," she said.

"It seems like there should be more nearshoring in Central America, but I don't know the factories there are able to deliver high-quality goods."

In the meantime, trade wars will continue to be a factor.

"What's interesting is that both political parties are supporting it," Kodali said. "What's going to happen to all the business, all the free market people when both political parties are protectionist? Is that part of the reason we wind up having a third political party?"
American-made pride

Though globalization has made the bumper-sticker appeal for 'Made in the USA' seem like an antiquated, at times even xenophobic taunt from a bygone era, there is a still-vital urge for many brands to manufacture domestically for reasons at least in part patriotic.

"I truly wanted to keep the work in the United States and get supply from the U.S.," said Scott MacKenzie, a 62-year-old from New Hampshire, whose first foray into fashion yielded Delaine & Co., a knit-wool ski sweater brand. "Making [my sweaters] in America has been great—it's just taken me a little while to find the mill."

After some struggles trying to find a factory that could meet his demanding specifics, MacKenzie finally came upon Andari, which appears to be the right fit for both.

"Some companies do [care about being American-made]," Ilona Wang said. "I think the higher price point, more luxury brands definitely want that. But compared to the '90s, I think companies are going in two different directions—some don't care and will produce anywhere in the world and some will produce exclusively in the U.S. Rarely are there brands in the middle."

Lamar points out that for all the talk of buying American made and protecting jobs at home, U.S. consumers have never really put their money where their mouths are.

"Lots and lots of data over the years has shown that the 'Made in the USA' label doesn't necessarily translate into more purchasing. Consumers go for the product that has more features, whether that's price or quality or something else," Lamar said. "There are people with loud voices who say 'only Made in the USA!' and there's nothing wrong with that, but the vast majority of consumers make buying decisions on a variety of factors."

The stats bore out that truth in 2021, as even with supply chain issues and the trade war with China, U.S. apparel and footwear production accounted for just 2.8 percent and 1.9 percent of the U.S. market, respectively, according to the Coalition for American Partnerships in the Americas (CEPA).

Fast fashion for the troops?

For brands, finding the right fit for their specific needs can present a challenge. Robert Yturri was among the founding members of The North Face in the late 1980s and when he decided to take on head of product development duties for Forloh CEO Andy Techmanski in 2019, he decided 'Made in America' was the only way to go.

"With Forloh (For Our Love Of Hunting) and Andy's desire to make something different, you know, I pitched him the idea of Made in the USA," Yturri said. "I said, you're going to need a decent amount of money and you're gonna need some patience because this would be a project like no one's ever done because we're talking about the highest end product in a country that doesn't even know how to make it."

Last week, Yturri and Forloh announced the latest fruits of that dream, an 800-plus fill 90/10 power down, developed in partnership between Forloh and Downlite Outdoor, that the company said is the first of its kind that's Made in the U.S. In 2021, Forloh was first to market with its cooling technology collection SolAir.

"The real secret sauce in making stuff in the USA is down to the partnerships with your sourcing vendors—and your cutting," Yturri said. "If you don't have that, you're going nowhere. And so that's what we worked on for the first two years was getting all of these relationships dialed in."

Somewhat surprisingly, the first roadblock Yturri ran into was put there by the U.S. military.

"If there was a government order my stuff wouldn't get made," Yturri said of the challenge of working with a federally contracted factory. "So we had to shift gears a little bit and start thinking of joint venture partnerships with these factories instead, where we'd invest in, say, the machinery."

The JV move proved to be Forloh's "secret sauce."

"There was minimal risk on the factory side because we were doing the investment in materials. We did the investment in everything other than cutting," Yturri said. "All they needed to do is guarantee the output by a certain date. We started talking like that and that became our secret sauce. No one else. No other brand, from a competition standpoint, could come in and use our stuff."

Yturri quickly discovered that many U.S. apparel factories were all at once completely dependent on government uniform contracts, for which they were paid so little that there was no room for profitable margins.

"The factories are on edge because they don't want to lose their military contracts," Yturri said. "You just kind of sit there and wait on them, and I'll be honest, the stuff [the military] is wearing is crap. This is what we're giving to the people that defend us? It's just a joke; zero thought and design, so, you know, I'd be lying if I wasn't telling you the military's not on our radar."

Yturri hopes the success of Forloh's waterproof down jacket will inspire other companies to take a chance on Made in the USA.

"Hopefully, they will learn to take that needle out of their arm of Asian manufacturing," Yturri said. "If we can offer the same price 100 percent made in the USA, I'm pretty sure people are going to start leaning to Made in the USA. It was kind of why we launched it first, to sort of show everybody that USA manufacturing has made strides."

Red, white and green?

If manufacturing in the United States is more expensive, transportation within its borders leaves less of a carbon footprint and its factories subject to greater labor and environmental oversight, is it unreasonable to come to the conclusion that anything Made in the USA is necessarily sustainable?

Yes, says Chelsea Murtha, sustainability director for the American Apparel and Footwear Association.

"Made in the USA basically confers you might have higher environmental or labor standards, but it doesn't mean you're meeting full sustainable criteria. Made in USA only claims cradle to gate, not cradle to cradle—it doesn't reach the full life cycle," she said. "I have seen folks use [Made in the USA] as a proxy for sustainability claims… but I think consumers have really high expectations and I don't think Made in the USA gets you all the way there."

"We do not have any customer in fast fashion, large quantity," Ilona Wang said. "H&M, Gap, Zara are definitely not our clients. We're in a more niche area where customers care about sustainability, care about the country of origin, all those things for their brands. Most of our customers are in the sustainable route at this point, but they may not be able to advertise that they're sustainable as their message."

Erruchio sees his clients trying to close a generational gap, as well.

"The younger generation, especially, is very mindful that fast fashion is really disposable and the fashion industry is the largest polluter of landfills," he said. "There's a trend away from that for younger consumers."

Is there a trained labor force in the USA?

Not only are wage expectations higher in the U.S., there's a gap in experience working in clothing factories and in knowledge of how to use newer machinery.

Illona and Wei Wang see that first-hand as they head into their fourth decade at Andari.

"Fortunately, we're in the Los Angeles area and sometimes we're able to find maybe new immigrants with previous work experience, so they can basically start immediately, but it's been a challenge," Ilona Wang said. "Wei and I had a conversation recently how a lot of our employees have been with us 20 and some almost 30 years, but they're getting older and we have to think about how to train newer, younger people."

Evolution's Erruchio has been able to lean on consulting help from Stoll and a strong immigrant contingent from countries like Turkey, but the biggest problem he encounters is finding workers suited for the more white-collar work of product design and programming state-of-the-art machinery.

"What we're trying to do is challenge and teach designers what these machines are capable of. Their design mindset is still set to the old methodologies," he said. "We're slowly teaching them to do it this way and not that way… The knitting machines we have are really able to step up to the next generation. We should be producing three, four, five different structures within the same garments. In the past you had to layer each separate piece of fabric whereas now, you can knit it all in one piece."

Despite these advances, Wei Wang said, human labor is still needed at the end of the line.

"We are pretty much as automated as we can be. Everything is on a program and fully fashioned so when you're on a knitting machine, there is no cutting. All that's really left to do is assemble the pieces together," he said. "Basically, we can 3D print an entire knit sweater without assembly. I think we are at the forefront of trying to minimize finishing and labor work, but there are certain styles, certain settings where we're still in need of a labor force to do the work."

Source: sourcingjournal.com- Jan 11, 2023

HOME

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USA: Record production growth to control US gas prices in 2023, 2024: EIA

Anticipating growing US natural gas production that will top prior highs, the US Energy Information Administration (EIA) scaled back its near-term natural gas price forecasts, expecting Henry Hub spot prices will average $4.90/MMBtu in 2023, down from $6.42/MMBtu in 2022. In its January Short-Term Energy Outlook, EIA lowered its first quarter 2023 forecast for such prices by $1.18 to $4.99/MMBtu.

The Q2 2023 forecast also fell 25 cents from the previous month's estimates to $4.75/MMBtu.

"The natural gas market is particularly uncertain, but we expect that US natural gas production will establish new record highs in both 2023 and 2024, leading to lower domestic prices," said EIA administrator Joe DeCarolis, in a statement.

The EIA boosted its total natural gas marketed production forecast for 2023 by 2.36 Bcf/d to 109.11 Bcf/d on average and estimated production will grow further to average 111.24 Bcf/d in 2024.

For the first half of 2023, the agency lifted the Q1 production estimate by 980 MMcf/d to 109.58 Bcf/d, and the Q2 forecast by 340 MMcf/d to 108.6 MMcf/d.

"Increases in US natural gas production, relatively flat LNG exports, and declining domestic consumption in the electric power and industrial sectors will limit upward pressure on prices in 2023," according to the report.

Henry Hub natural gas prices were forecast to average $4.90/MMBtu for 2023 and $4.80/MMBtu in 2024, down from the previous month's estimates of $5.43/MMBtu in 2023.

In 2024, even as new LNG export facilities are slated to come online, the agency is expecting robust production will keep gas prices "relatively flat—with the possibility of lower prices".

As for the power sector, EIA said that after a 3 per cent rise in total US electricity consumption in 2022, US power use will fall by 1 per cent in 2023, and grow by just over 1 per cent in 2024. Softer demand reflects expectations of a milder summer in 2023, and trends in housing starts are seen resuming growth in 2024.

Coal-fired generation is expected to continue its slump, falling from 20 per cent of the US generating mix in 2022 to 18 per cent in 2023 and 17 per cent in 2024. Renewables, by contrast, will continue their ascent, according to the outlook, reaching 24 per cent of the mix in 2023 and 26 per cent in 2024, while gas declines to 38 per cent in 2023 and 37 per cent in 2024.

Source: fibre2fashion.com- Jan 13, 2023

HOME

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China's exports slump 9.9% in December as global demand continues to drop

China's exports fell further in December as global demand continued to drop off, adding to pressure on the economy as it charts a hasty, uncertain path out of Covid Zero.

Exports in US dollar terms fell 9.9% in December from a year earlier, the General Administration of Customs said Friday. That beat economists' estimate for a 11.1% drop, and compared with a decrease of 8.7% in the previous month. For the full year, exports rose 7% to a record $3.6 trillion.

Imports shrank 7.5%, better than the median estimate of a 10% drop. That left a wider trade surplus of $78 billion last month, the data showed.

For the full year, China still posted a trade surplus of $878 billion, a record high.

China's exports slump 9.9% in December y-o-y as global demand drops off

"Both the weakening global demand and the wave of Covid outbreak" likely contributed to the decline in December exports, said Zhang Zhiwei, president and chief economist at Pinpoint Asset Management. "The weak export growth highlights the importance of boosting domestic demand as the key driver for the economy in 2023."

Export growth was robust for most of 2022, providing some support for the world's second-largest economy as it was hit by a housing market slump and weak consumer demand.

However, the trend began to reverse in October as pandemic-fueled demand waned and central banks around the world hiked interest rates to curb surging inflation. Disruptions from Covid outbreaks in China also snarled supply chains, weighing on exports.

What Bloomberg Economics Says...

Disruptions from the virus surge following the end of Covid Zero were part of the picture. But the bigger issue is slowing global demand. This means domestic investment and spending will have to carry more weight. We think the damage from the current Covid wave will pass quickly and that

China's policy pivot toward reopening will allow domestic activity to pick up.

The customs administration said Friday that foreign trade will still face pressure in 2023 before the economic recovery solidifies. The downward pressure on the global economy continues to increase, said spokesperson Lyu Daliang at a briefing.

Automobiles and chassis were the country's top exports last year, with the value soaring 74.7%. That was followed by a 62.8% rise in exports of rare earths. Shipments of home appliances fell the most.

For imports, China's iron ore purchases slumped nearly 30% by value in 2022 — the most among the key items the country bought. The value of inbound shipments of crude oil surged 41.4%, although the actual quantity of the commodity edged down 0.9%.

Medicine imports by value dropped 4.3% for the year, though by volume those shipments jumped nearly 29%, more than any other key product.

Authorities have taken a slew of measures to support exporters, including sending officials on chartered flights to meet overseas clients.

Still, the downward trajectory is expected to continue through 2023. Net exports will probably account for a smaller portion of growth for the year, or may even become a drag.

The slump in imports is a sign of weak domestic demand as the economy reels from Covid — first because of strict movement curbs to contain the virus, and now because the rapid dismantling of Covid Zero has led to widespread infection and illness.

China's leadership has cited expanding domestic demand as a top priority this year, though confidence among businesses and consumers has yet to recover to pre-pandemic levels.

Source: business-standard.com- Jan 13, 2023

HOME

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Global sustainable cotton grew 39-40% CAGR between 2008 & 2019: IISD

Cotton produced in accordance with voluntary sustainability standards (VSSs) globally saw a 39 per cent to 40 per cent compound annual growth rate (CAGR) between 2008 and 2019, according to a report by International Institute for Sustainable Development (IISD). In 2019, about 92 per cent of VSS-compliant cotton came from Asia, led by India, China, and Turkey.

Cotton compliant with VSSs accounted for at least 14.1 per cent of total cotton production in 2016. Consumers and companies across the planet are increasingly choosing cotton produced in accordance with VSSs, such as Better Cotton or Cotton made in Africa, as per IISD's 'Global Market Report: Cotton Prices and Sustainability.'

Top cotton brands and companies reported that 85 per cent, or 720,000 tonnes, of their cotton was more sustainably sourced (VSS-compliant, in transition, or recycled) in 2020, up 300,000 tonnes from 2017.

Farmers can receive up to 50 per cent higher prices and 20 per cent higher crop incomes for VSS-compliant cotton compared to those selling conventional cotton, due to the increased quality and cost-efficient practices associated with compliance, the report further suggested.

Minimum prices and premiums associated with VSSs are still set below price levels in international markets or set by governments of producing countries.

"Sustainable cotton is in high demand as customers look to make responsible purchasing decisions and brands use sustainability to differentiate their products in the market," said Vivek Voora, senior associate, IISD. "Most of the demand is coming from Europe and North America. But awareness is rising in big developing and emerging markets that suggests the growth will continue."

Source: fibre2fashion.com- Jan 13, 2023

HOME

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China takes measures to expand cross-border RMB use by firms

China recently implemented several measures to support the expansion of cross-border use of renminbi (RMB) by firms. The move is aimed at further facilitating RMB utilisation in cross-border trade and investment to better meet the needs of foreign-trade related companies regarding transactions and settlement, investment and financing, and risk management.

A circular jointly released by the country's commerce ministry and the central bank called for efforts to facilitate RMB pricing and settlement in all types of cross-border trade and investment, and urged banks to provide more convenient and efficient settlement services.

Banks are also encouraged to extend overseas RMB-denominated loans and actively innovate products and services, a state-controlled news outlet reported.

The circular also underlined the importance of opening-up platforms in boosting cross-border RMB use, including pilot free-trade zones, the Hainan Free Trade Port and overseas economic and trade cooperation zones.

Source: fibre2fashion.com- Jan 12, 2023

HOME

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Brazil's retail trade increases 1.5% YoY in Nov 2022

Brazil’s retail trade in the seasonally adjusted series rose by 1.5 per cent year-on-year (YoY) and decreased by 0.6 per cent month-on-month (MoM) in November 2022. After a rise of 0.5 per cent in October, the quarterly moving average changed by 0.3 per cent in November.

Brazil’s textiles, apparel, and footwear sector showed a 16.1 per cent drop in sales in November 2022 compared to November 2021, according to figures by the Brazilian Institute of Geography and Statistics (IBGE).

For retail trade, the cumulative index in the year and in the last 12 months reached 1.1 per cent and 0.6 per cent, respectively. There were negative variations in the volume of retail trade sales from October to November 2022 for a number of surveyed sectors including the textiles, apparel, and footwear sector at -0.8 per cent.

Regarding extended retail trade, the volume of sales changed by 0.6 per cent in November and the moving average advanced by 0.3 per cent. For Brazil’s extended retail trade, cumulative index over the year was -0.6 per cent and the same index in 12 months was at -0.8 per cent.

Source: fibre2fashion.com- Jan 12, 2023

HOME

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Japan's Fast Retailing to raise employee pay up to 40% from March 2023

Japanese multinational retail holding company Fast Retailing has announced the increase in the remuneration level of grades assigned to each employee by up to 40 per cent from March 2023. With the strengthening of investment in personnel, Fast Retailing aims to increase its growth potential and competitiveness in line with global standards.

The company has already been advancing this revision in a number of markets where it operates around the world. In Japan especially, where remuneration levels have remained low, the company is significantly increasing the remuneration table, as well as re-examining its HR system, to better enable it to compensate individual employees based on their growth, ambition, and ability to contribute to the business. This will include employees from headquarters and corporate departments responsible for the functions of the company's global headquarters, as well as employees working in stores, the company said in a press release.

Fast Retailing also aims to establish a management that can better remunerate employees so that the resulting growth of individuals and the company will lead to even greater global competitiveness.

The company plans to take this opportunity to match the reality of its flat, highly manoeuvrable management structure. With this in mind, remuneration will comprise such elements as base pay and a bonus determined by performance results for each period, while position-based allowances currently existing in Japan will be eliminated.

As an example of increased remuneration in Japan, the monthly salary of a newly joining university graduate employee will increase from the current 255,000 yen ($1,945.85) to 300,000 yen ($2,290.85), an annual salary increase of approximately 18 per cent.

The salary of someone taking on a new role as store manager in their first or second year will increase from 290,000 yen to 390,000 yen (an annual salary increase of approximately 36 per cent). For other employees, the company plans to increase annual salaries by as much as 40 per cent.

Going forward, the new remuneration of each employee will be decided by globally aligned grade criteria. Factors such as work performance and results, ability to contribute to the business, ambition and growth will be defined once again, and a fair grade evaluation will be realised through meticulous performance evaluation from one's supervisor, and a thorough evaluation from upper management and the HR Department.

Prior to this forthcoming revision, the hourly wages of store staff in Japan were already amended in September last year, with the objective of paying appropriate compensation in line with the expectations, responsibilities, and abilities of staff who provide the utmost service to customers.

Additionally, Fast Retailing will reform the way its organisation works, so that the headquarters of each market can cooperate on both a global and local level to develop an organisational structure and workstyle that promotes problem solving.

Source: fibre2fashion.com- Jan 11, 2023

HOME

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Global online sales reach $1.14 trn in 2022 holiday season: Salesforce

Global consumers spent $1.14 trillion in online shopping, according to the 2022 holiday shopping recap of Salesforce. The total online sales for the 2022 holiday season in US were $270 billion.

Cyber Week deals and buy online and pick up in store (BOPIS) offerings were the main factors that helped retailers drive success in 2022 holiday season.

Nearly one out of every five online orders placed globally this holiday season were via BOPIS. Adoption of BOPIS by consumers peaked at 35 per cent of all orders on the Friday before the Christmas holiday as shoppers retrieved last-minute gifts.

When the ground shipping window closed on December 15, US companies that offered BOPIS grew their revenue nearly 7X faster than those without this fulfilment option, as per Salesforce.

Holliday returns spiked to record highs in 2022, as 1.39 billion orders purchased this holiday season were returned, accounting for 13 per cent of total holiday orders and a 63 per cent increase in returns year-on-year (YoY).

These numbers spiked in the six days after Christmas, with 16 per cent of orders returned over that week—a 5 per cent increase over last year.

Retailers got shoppers' attention with discounts in the runup to Christmas. After lacklustre deals early in the season, retailers increased discounts.

In the end, shoppers saw better deals than the 2021 holiday season—a 21 per cent average discount compared to 19 per cent the year prior. General apparel and handbags were the second most discounted categories at 27 per cent.

Social media referrals hit an all-time high. Shoppers were adept at finding the products they wanted through all forms of commerce, but social media proved to be a growing favourite in 2022.

Traffic referrals from social media hit an all-time high this holiday season, driving 12 per cent of all mobile traffic (up 23 per cent YoY). Belgium, Italy, and the US represented the countries with the most social media-minded shoppers.

"In 2023, retailers must double down on efforts to put the customer at the centre of their business with data-driven personalisation and efficient operations in areas such as fulfilment, service, and returns," said Rob Garf, VP and GM of retail, Salesforce.

Source: fibre2fashion.com- Jan 12, 2023

HOME

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RCEP unlikely to benefit Cambodian and Indonesian textiles

The Regional Comprehensive Economic Partnership (RCEP) is unlikely to benefit the textile sectors of Cambodia and Indonesia.

Even though both countries are members of RCEP, Cambodia and Indonesia are competitors in the world market in the textile sector and their current bilateral trade in apparel, fabrics and yarn is limited.

Cambodia's apparel imports from Indonesia are negligible. Cambodia's home textile exports to Indonesia ended up being negligible in 2021 and 2022. Its import of home textiles from Indonesia is also insignificant. Yarn imports from Indonesia to Cambodia have also showed a decline in recent years.

However, trade ties between Cambodia and Indonesia are expected to rise further and cross $1 billion this year. Cambodia's exports of goods to RCEP member countries in the eleven months of last year rose by five percent compared to the same period last year.

The RCEP agreement was signed in November 2020 by 15 countries including the ten Asean member states, Australia, China, Japan, Korea, and New Zealand.

The agreement is expected to increase competitiveness and strengthen the global production network, promote regional supply chains through better market access for exports of goods and services, reduce or eliminate trade barriers, and enhance transfer of technology.

Source: fashionatingworld.com- Jan 12, 2023

HOME

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Pakistan: Imported cotton shortages hit textiles' export orders

The country's textile industry has started turning away export orders on supply chain disruptions caused by non-availability of imported cotton, a statement said on Thursday.

"The industry is running out of cotton stocks and as a consequence, mills have either shut down or will shut down in the very near future if a decisive and urgent action is not taken," the All Pakistan Textile Mills Association (APTMA) said.

APTMA wrote a letter to Finance Minister Ishaq Dar, saying that the textile industry was in shambles as banks were not opening or retiring letters of credit (LCs) for cotton imports, which has caused supply chain issues locally.

"Exports have started declining and will clock in at below $1 billion per month for the rest of the year," the association said.

In the letter, APTMA patron-in-chief Gohar Ejaz argued that the raw material of any industry was the fundamental building block without which the process of manufacturing and subsequently exporting couldn't occur.

"The cost and ease of doing business are no longer relevant in the absence or shortage of raw materials."

APTMA also sought an urgent appointment from the finance minister to apprise him of the critical severity, calling for his direct intervention to ease imports for exporters.

"At present, exporters are turning away orders as they are not sure of the availability of raw materials to fulfill the orders. The damage to Pakistan would not only be lower exports this year but also the permanent shifts of the orders to other countries which would be very difficult to reverse," the letter read.

A US dollar spent on the import of cotton yields $3 in exports. The estimated cost of 10 million bales of cotton at today's price is $4 billion, which would translate to minimum exports of $12 billion, a gain of $8 billion, according to Ejaz.

“The import compression of exporting sectors which adds value and re-exports at a much higher value is counterproductive,” he said. The APTMA official stated that banks were only willing entertaining small and limited LCs for companies that were direct exporters. “This excludes 80 percent of the basic industry and ignores the fragmented structure of the industry. It is absolutely essential that the raw material (cotton) be available to the entire sector.”

Ejaz said the impact on employment of the shutdowns was already significant and would be catastrophic if the situation was not brought under control.

“The textile sector consumed 15 million bales in the last year which indicates that approximately 10 million bales would need to be imported in order to retain exports at the same level as last year of $19.3 billion.”

Pakistan’s economy largely depends on textile exports for foreign currency and employment. A dicey international economic situation and the catastrophic floods have pushed the country’s economy to the brink.

The textile sector last year exported goods worth $19.3 billion and has further expanded its capacity through an investment of $5 billion to increase exports to $25 billion.

The expectation and goal were to increase the exports to at least $24 billion this year, which doesn't seem accomplishable in the current scenario.

Source: thenews.com.pk - Jan 13, 2023

HOME

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Pakistan: Spot rate of cotton increased again

The Spot Rate Committee of the Karachi Cotton Association (KCA) on Wednesday increased the spot rate by Rs 500 per maund and closed it at Rs 20,000 per maund. The local cotton market remained firm and the trading volume remained low.

Cotton Analyst Naseem Usman told Business Recorder that the rate of cotton in Sindh is in between Rs 18,000 to Rs 20,500 per maund. The rate of cotton in Punjab is in between Rs 18,000 to Rs 21,000 per maund. The rate of Phutti in Sindh is between Rs 6,000 to Rs 8,500 per 40 kg. The rate of Phutti in Punjab is in between Rs 7,000 to Rs 10,500 per 40 kg. The rate of Balochi cotton is Rs 20,500 per maund.

400 bales of Mehrab Pur were sold at Rs 20,000 per maund, 400 bales of Dherki were sold at Rs 20,400 per maund (conditional) and 1310 bales of Dharan Wala were sold at Rs 19,400 per maund.

200 bales of Ghotki were sold at Rs 20,000 per maund, 200 bales of Fort Abbas were sold at Rs 19,000 per maund, 400 bales of Rajan Pur were sold at Rs 21,000 per maund, 200 bales of Khair Pur were sold at Rs 21,500 per maund, 400 bales of Bagho Bahar were sold at Rs 20,800 per maund and 400 bales of Bahawal Nagar were sold at Rs 19,800 per maund.

The Spot Rate Committee of the Karachi Cotton Association increased the spot rate by Rs 500 per maund and closed it at Rs 20,000 per maund. Polyester Fiber was available at Rs 285 per kg.

Source: brecorder.com-Jan 12, 2023

HOME

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NATIONAL NEWS

13th Ministerial-level meeting of the India-United States Trade Policy Forum (TPF) in Washington, DC

Union Minister of Commerce and Industry Shri Piyush Goyal visited Washington D.C. between 10-11 January 2023 to participate in the 13th Ministerial Meeting of the India-U.S. Trade Policy Forum. Before the delegation level talks, CIM also held a one to one meeting with USTR Ambassador Katherine Tai. The Ministers underlined the significance of the TPF in forging robust bilateral trade ties and enhancing the bilateral economic relationship to benefit working people in both countries. After the meeting a Joint Statement was issued.

Highlights of the 13th India – USA TPF 2023 discussions are as follows:

- Ministers appreciated that bilateral trade in goods and services continued to rise rapidly and reached about $160 billion in 2021 while recognizing that significant potential remains unfulfilled and expressed their mutual desire to further enhance engagement with the goal of continuing to increase and diversify bilateral trade.
- The Ministers reviewed the work done by various working groups which were activated since last TPF meeting and directed that work be maintained to advance those issues towards resolution, with regular stock-taking of progress by the Ministers and their senior officials.
- Ambassador Tai welcomed India's G20 Presidency and said the United States looks forward to working together in the Trade and Investment Working Group.
- The Ministers welcomed the intensified negotiations so far and further engagement on outstanding WTO disputes between the two countries to arrive at satisfactory outcomes in the coming months.
- India appreciated the resumption of inspections by U.S. Food and Drug Administration (FDA) and asked the U.S. side to also resume inspections of new facilities and non-priority areas at the earliest.
- The Ministers welcomed the finalization of the Turtle Excluder Device (TED) design. The collaboration between India and the United States to expedite the TED trials will ensure that the TEDs are effective in minimizing the impact of fishing on sea-turtle

populations and restore the market access for India's export of wild caught shrimp.

- India highlighted its interest in restoration of its beneficiary status under the U.S. Generalized System of Preferences program. The United States noted that this could be considered, as warranted, in relation to the eligibility criteria determined by the U.S. Congress.
- The Ministers acknowledged the constructive engagement of the Services Working Group under the Trade Policy Forum and noted that the movement of professional and skilled workers, students, investors and business travelers between the countries contributes immensely to enhancing bilateral economic and technological partnership.
- The Ministers acknowledged the ongoing discussions on a Social Security totalization agreement and supported intensifying the work to achieve early outcomes in the matter.
- They encouraged their regulatory bodies to engage in discussions on exchanges of knowledge, capacity building, and recognition of qualifications to further enhance trade in professional services. The Ministers also noted that greater co-operation in the Fintech sector. They also discussed the potential of digital health, particularly telemedicine services as an element in continuity of care during the health emergencies.
- The Ministers launched a new working group on "Resilient Trade" to deepen bilateral dialogue on a range of issues that can enhance the resiliency and sustainability of the trade relationship including on trade facilitation, benefitting workers and promoting sustainable and inclusive growth, and common sustainability challenges including mobilization of sustainable finance, scaling up of innovative clean technologies, circular economy approaches and promotion of sustainable lifestyle choices.
- Both Ministers also looked forward to working together to strengthen resilience in global supply chains, especially in the critical sectors that underpin the two economies and to look forward to work on these issues in coordination and cooperation with our trusted partners through the new working group.

During his time in Washington D.C., CIM also held a bilateral meeting with US Secretary of Commerce Gina Raimondo. In addition, CIM held one-on-one interactions with several leading industry figures, including the Chair of the Board of American Tower Corporation and CEOs of

Corteva and Lockheed Martin. In addition, CIM attended a reception hosted by US-India Strategic Partnership Forum (USISPF) which saw participation of several key figures from US industry. CIM also attended a dinner hosted by Ambassador of India to the United States, along with senior representatives from the US administration and US industry leaders.

As vibrant democracies, both India and USA are natural partners and have trade complementarities, long standing strategic and economic relationship, and people to people contact. The two countries are also collaborating under the QUAD, I2U2 (India-Israel/ UAE-USA) and IPEF (Indo-Pacific Economic Framework). Regular exchanges at the leadership-level have been an integral element of the expanding bilateral engagement.

The outcomes emerging from these visits have been instrumental in further strengthening the multifaceted ties between the two countries. CIM's visit served to further strengthen the existing deep ties between India and the United States.

Source: pib.gov.in - Jan 12, 2023

HOME

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Joint Statement on India – United States Trade Policy Forum

India and the United States held the 13th Ministerial-level meeting of India – United States Trade Policy Forum (TPF) in Washington, DC, on January 11, 2023. Indian Minister of Commerce and Industry Shri Piyush Goyal and the U.S. Trade Representative Ambassador Katherine Tai co-chaired the meeting.

Following the conclusion of the dialogue, the following joint statement was issued:

The Ministers underlined the significance of the TPF in forging robust bilateral trade ties and enhancing the bilateral economic relationship to benefit working people in both countries. They appreciated that bilateral trade in goods and services continued to rise rapidly and reached about $160 billion in 2021. While welcoming this increase, the Ministers recognized that for economies of their size, significant potential remains unfulfilled and expressed their mutual desire to further enhance engagement with the goal of continuing to increase and diversify bilateral trade.

The Ministers highlighted the work undertaken through the TPF working groups since the 12th TPF Ministerial. They reiterated the importance to India and the United States of specific trade issues enumerated in the 2021 TPF Joint Statement and directed that work be maintained to advance those issues towards resolution, with regular stock-taking of progress by the Ministers and their senior officials.

The United States welcomed India's participation in the Indo-Pacific Economic Framework for Prosperity (IPEF). Ambassador Tai and Minister Goyal fully support the IPEF initiative and believe that deepening economic engagement among partner countries is crucial for continued growth, peace, and prosperity in the Indo-Pacific region and that the IPEF will bring tangible benefits to the region.

The Ministers welcomed the results achieved at the WTO's Twelfth Ministerial Conference and expressed their shared intention to continue to work constructively at the WTO, including on WTO Ministerial Decisions, to achieve tangible, realistic, and meaningful outcomes. Recalling the foundational principles of the WTO, they noted that WTO reform should build trust in the multilateral trading system and enable the WTO to better advance its foundational objectives and respond to the needs of all of our people.

Ambassador Tai welcomed India's G20 Presidency and said the United States looks forward to working together in the Trade and Investment Working Group. She noted that the G20 can be a useful forum for initiating constructive dialogue and seeking to enhance coordination and cooperation among member countries on global trade issues.

The Ministers welcomed the recent intensification of work among their officials aimed at finding mutually agreed solutions on outstanding WTO disputes between the two countries. They further directed officials to continue this engagement with the view of arriving at satisfactory outcomes in the coming months.

Discussion on Bilateral Trade Issues

The Ministers expressed their intent to continue to work together on resolving outstanding trade issues and highlighted upcoming engagement on a select number of those issues.

The United States appreciated India's initial public consultation on the draft Drugs, Medical Devices, and Cosmetics Act and India noted that comments and suggestions on the draft bill are being examined as per standard procedures for introduction in the parliament. The United States and India acknowledged the importance of continuing to engage on relevant rules and regulations going forward.

The United States also welcomed India's commitment to provide public notice and comment periods as it considers new quality control orders and ensure that the measures shall not be more trade restrictive than necessary in line with the WTO TBT Agreement.

The Ministers welcomed the finalization of the Turtle Excluder Device (TED) design with the technical support of NOAA. The collaboration between India and the United States to expedite the TED trials will ensure that the TEDs are effective in minimizing the impact of fishing on sea-turtle populations. They highlighted that ongoing work to complete the TED trials in India will continue in early 2023.

The United States welcomed the efforts to streamline regulations on certain electronic devices under Mandatory Testing and Certification of Telecommunication Equipment (MTCTE) and Compulsory Registration Order (CRO) in order to reduce the compliance burden and facilitate the ease of doing business. Both sides highlighted their interest in exchanging information on the use of international standards, conformity assessment procedures, and the Common Criteria Recognition Arrangement (CCRA) in the electronics sector.

The Ministers welcomed continued engagement on intellectual property (IP) and reiterated that the protection and enforcement of IP contributes to the promotion of innovation as well as bilateral trade and investment in IP-intensive industries. They appreciated sustained work of the TPF IP Working Group and reviewed its recent progress on engaging on issues related to IP enforcement.

The United States welcomed India’s ongoing domestic consultations regarding the administration of its IP regime, including on the treatment of business confidential information related to working of patents, procedures for patent application oppositions, and streamlining of trademark infringement investigations. The United States and India underlined the importance of continuing to engage on the copyrights provisions in view of commitments under the World Intellectual Property Organization Copyright Treaty and World Intellectual Property Organization Performance and Phonogram Treaty.

The Ministers acknowledged the positive impact of Trade Margin Rationalization (TMR) on patient access to affordable medical devices during the Covid Pandemic. They also agreed to continue to exchange views on pricing issues for cardiac stents and knee implants that would facilitate access to cutting edge medical technology at affordable prices to the patients.

India appreciated the resumption of inspections by U.S. Food and Drug Administration (FDA) and asked the U.S. side to also resume inspections of new facilities and non-priority areas at the earliest.

India highlighted its interest in restoration of its beneficiary status under the U.S. Generalized System of Preferences program. The United States noted that this could be considered, as warranted, in relation to the eligibility criteria determined by the U.S. Congress.

The United States and India also exchanged views on potential targeted tariff reductions.

The Ministers acknowledged the remaining work to be done to finalize access for certain agricultural products of interest to both sides. The Ministers also intend to increase dialogue on food and agricultural trade issues in 2023 and to continue work to address bilateral issues in the relationship through the Agriculture Working Groups, as well as the relevant sub-groups.

The Ministers acknowledged the constructive engagement of the Services Working Group under the Trade Policy Forum and emphasized that issues of mutual interest in services sectors will continue to be pursued through the Working Group.

The Ministers noted that the movement of professional and skilled workers, students, investors and business travelers between the countries contributes immensely to enhancing bilateral economic and technological partnership. India acknowledged the steps being taken by the United States to augment processing of visa applications. Both sides decided to continue close monitoring of visa issues with the shared resolve to facilitate the movement of professionals, skilled workers, experts, and scientific personnel.

The Ministers acknowledged the ongoing discussions on a Social Security totalization agreement and, upon the receipt of additional information from India, encouraged further engagement in order to establish a stronger basis for a future agreement. The Ministers supported intensifying the work to achieve early outcomes in the matter.

Recognizing the key role of the digital economy in both the United States and India, the Ministers affirmed the importance of a conducive ecosystem for digital trade that supports economic growth and innovation. They also agreed to enhance engagement through the TPF and ICT Working Groupon policies impacting digital trade.

The Ministers noted the potential of enhancing trade in professional services between the two countries. They acknowledged that well-functioning pathways for recognition of qualifications in professional services, and deeper dialogue between the professional bodies of the two countries can facilitate this growth. They intend to encourage their regulatory bodies to engage in discussions on exchanges of knowledge, capacity building, and recognition of qualifications to further enhance trade in professional services.

The Ministers also noted that greater co-operation in the Fintech sector could contribute to further expansion of the bilateral trade relationship, and intend to continue engagement in this area. They also discussed the importance of electronic payment services to furthering the trade relationship and both sides expressed their intention to continue engagement in this area.

The Ministers recalled their mutual interest in the particular importance of resilient supply chains in fostering effective responses to health emergencies. Minister Goyal highlighted India's interest in the potential of digital health, particularly telemedicine services as an element in continuity of care during the health emergencies.

Creation of a new TPF Working Group on Resilient Trade

Reflecting their shared objective of deepening and broadening the U.S.-India trade relationship, the Ministers launched a new TPF Working Group on Resilient Trade. This new Working Group will enable officials to deepen bilateral dialogue on a range of issues that can enhance the resiliency and sustainability of the trade relationship so that it is better able to withstand current and future global challenges. The Ministers noted that, in advance of the next TPF Ministerial meeting, the Resilient Trade Working Group will initially focus on the following areas:

- Deepening engagement on trade facilitation, which is particularly relevant to the construction of durable and sustainable supply chains. The Ministers welcomed plans for a dedicated working session on trade facilitation in the coming months, including on digitization of customs procedures, and that officials will also identify additional areas for future cooperation;
- The importance of benefitting workers and promoting sustainable and inclusive growth, including cooperative engagement to promote labor rights and workforce development;
- Expanded dialogue on good regulatory practices and pursuing cooperation in areas of mutual interest with an initial focus on

respective procedures for developing rules and regulations in advance of the next TPF Ministerial meeting;

- The role that trade can play in contributing to environmental protection and responses to common sustainability challenges including issues related to mobilization of sustainable finance and scaling up of innovative clean technologies. Further, both sides may also engage on issues of mutual interest related to circular economy approaches and promotion of sustainable lifestyle choices;
- Additional means of strengthening the resilience in our global supply chains, especially in the critical sectors that underpin our economies, as well as further work on these issues in coordination and cooperation with our trusted partners.

The Ministers concluded by directing the TPF Working Groups to reconvene quarterly, either in person or virtually, and identify specific trade outcomes to ensure that trade relationship begins to reach its full potential. They also instructed senior officials to hold an inter-sessional TPF meeting by mid-2023 and agreed to reconvene the TPF at the Ministerial level before the end of 2023.

Source: pib.gov.in - Jan 12, 2023

HOME

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India may be in better economic shape to create a rupee trade zone

Before we examine the pros and cons of India's attempts to create a rupee trading zone to wean itself off the US dollar, it would be illustrative to take a walk down memory lane.

In the early 1990s, a young trader fresh out of college who had started out at state-run trading house MMTC had his first brush with the Indo-Russian rupee trade. Officials from the former Soviet Union wanted MMTC to supply packaging machinery made by Austria, Vienna-based Starlinger against rupee credit accumulated by the Russians.

MMTC would import the equipment to India, and re-export to Russia, for which the trading house got a big commission. This was a legitimate route Russia followed to use the rupee surpluses generated from supplies of arms and other materials to India -- then an economy in great distress, with little reserves, and less than a tenth of its current $3 trillion size.

There was an illegitimate way, too. With little to buy from India, in those days, the Russians, desperate to access their bulging rupee reserves, would give 15-20 per cent commissions to private trading houses to convert the rupees in India into dollars.

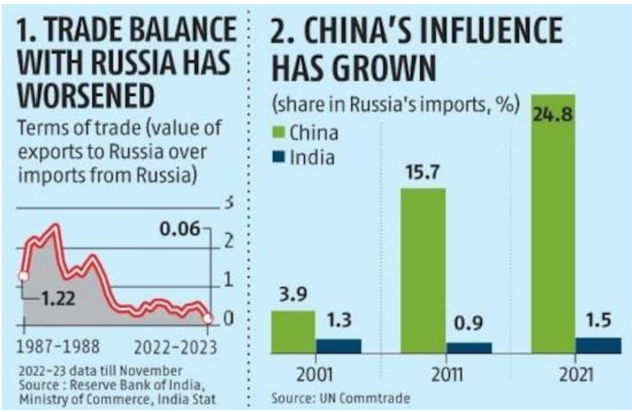
The modus operandi, one veteran trader explained, was to prepare export shipment documents from India in the name of Russian importers, collect the rupee payment in full in India from Russia's rupee reserves, switch the goods in Dubai or Singapore to some other destination, and then pay the Russians 70-80 per cent of the consignment value in hard currency. It was easy money, but as more traders piled in the commissions shrank to 5 per cent, and the trade fizzled out.

What's essential in a rupee-denominated trade is that you need to have something to sell -- so that the Russians, who supply billions of dollars in armaments and nuclear reactors, among others, and, in the past few months, over $21 billion in crude oil, can use their rupee reserves lying in India to buy Indian goods and commodities. India also plans to allow partner nations to invest their rupee surpluses in government securities.

That may be the only saving grace. A Business Standard analysis found that India's merchandise terms of trade—the value of exports over imports—from Russia has been worsening. In 1992, as the Russian Federation was rebuilding after the breakup of the Soviet Union, India was a net exporter of goods. The situation reversed in 2003-04, and terms of trade have worsened since.

While the ratio of exports over imports was 0.74 in 2003-04, it had declined to 0.25 by 2008-09 — the value of India's imports was four times its exports to Russia. The terms of trade improved to 0.54 in 2013-14 but have worsened since.

India's exports to Russia have tripled in the last two decades, but imports from Russia have grown faster. In 2021-22, the value of India's exports was a third of imports from Russia. And, with the crude oil dependence growing, for the first eight months of 2022-23, it was just 6 per cent of Russia's exports (see chart 1).



In the past, India did not make concessions on investment in government securities. Commercial contacts with the Soviet Union and the other Eastern European countries were established in the 1950s. Then, starved of foreign exchange, India proposed bilateral rupee trade agreements, such as countertrade, and technical credits, and a multilateral mechanism in 1975 called the Asian Clearing Union.

These agreements enabled India to import critical defence goods, often on easy rupee payment terms. Agreements concluded between 1953 and 1958 accepted the rupee as the unit of account, but imbalances were settled in sterling or convertible currency.

Trade with the East Europe bloc increased 75-fold in over a decade to $658 million in 1965-66 to 14.2 per cent of India's foreign trade but planned economies did not display the same enthusiasm for importing from India as for exporting to it, said C J Batliwalla in a Reserve Bank of India report.

From 1959, payments for all transactions were to be effected in inconvertible rupees, and contracting countries agreed to hold rupee balances. The value of the rupee was fixed in terms of gold for the purpose of these agreements until the devaluation of the rupee in 1966 created issues with Russia over the rate of the currency.

At that time, India was on the back foot with the Russians, and the bilateral arrangements were loaded against India, said V B Kasi, a Singapore-based veteran commodities trader. “Now, India is one of the world's biggest economies and a large buyer of Russian oil, and we are in a better position to negotiate,” he added. “So a rupee trading zone is a distinct possibility now."

Unlike in the past, India can supply many goods, commodities and medicines to Russia, which faces onerous Western sanctions, to better balance the rupee trade, said Sitaram, a Singapore-based fertiliser trader with over three decades of experience. “We have a lot more to offer to the world."

Such an arrangement may not be easy, given China’s growing influence. In 2001, China accounted for 3.9 per cent of Russia’s total imports, whereas India’s share was 1.3 per cent. In 2021, a quarter of Russia’s imports were from China, whereas India’s share had barely changed to 1.5 per cent (see chart 2).

An irony with India’s rupee trading arrangements was that in the mid-1960s' even officials in London and Germany considered accepting part of its repayment in inconvertible rupees to be used for expenditure within India as India had trouble servicing debts.

To canvass the advantages of rupee payment arrangements but insist that they be kept within modest dimensions, one British official argued with the Bank of England in March 1963, was to admit that as the barmaid said, “the child is illegitimate but will not be a nuisance because it is tiny,” Batliwalla recalled.

Source: business-standard.com- Jan 13, 2023

HOME

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Budget 2023-24: Scheme to settle export obligation defaults on cards

The Union Budget 2023-24 may propose a dispute resolution scheme for exporters, which will offer a one-time opportunity to settle past issues of disagreement involving export obligation defaults.

The scheme, in the works, may provide a window of three-six months for exporters to come clean. It could lower the interest to one-third on delayed Customs duty payment and may even waive penalties, two people privy to the matter said.

About 1,100 exporters, a majority of them from micro, small, and medium enterprises, are learnt to have failed to fulfil the stipulated export obligation, making them liable to pay the 10 per cent Customs duty, along with 15 per cent interest per annum to the Customs authorities.

The scheme, if it comes into effect, will benefit exporters who have defaulted on export obligations related to two schemes — the Export Promotion Capital Goods Scheme (EPCG) and Advance Authorisation (AA) Scheme — since 2010.

"The Directorate General of Foreign Trade (DGFT) has prepared the draft of the scheme in consultation with the Revenue Department. The terms of the scheme are under examination and could be proposed in the Budget," a senior government official told Business Standard.

He said talks had been held with several stakeholders and the departments concerned. The idea is to regularise default in export-scheme cases while unlocking tax revenue and providing relief to exporters, the official added.

Industry's rough estimates suggest that Customs duties payable are not high and could be about Rs 1,000 crore. However, interest on the dues could have swelled over the years.

"The scheme will benefit several exporters who are unable to meet export obligations mainly due to external circumstances. The last couple of years were difficult worldwide due to the pandemic and as the economy returns to normal, it is an opportunity for Indian exporters to settle any past unresolved export obligations amicably," said Bipin Sapra, partner, EY.

Exporters availing themselves of benefits under the EPCG scheme are required to achieve an export value equivalent to six times the Customs duties saved on capital goods. This has to be met in six years reckoned from the date of the issue of authorisation. Advance Authorisation (AA) is issued for importing duty-free inputs, against which prescribed export obligations (EOs) have to be fulfilled within 18 months of the date of issue of the authorisation.

The EPCG scheme enables importing capital goods used in pre- and post-production without paying any duty for it.

Some exporters are learnt to have requested the government to extend the time period for compliance. In the case of non-compliance, the DGFT has the powers to take action against licence holders.

“In a number of cases, the interest amount so far exceeded the customs duties payable by exporters. We are seeking relief from the interest and penalties because these liabilities will make businesses non-viable,” said Ajay Sahai, director general and chief executive officer, Federation of Indian Export Organisations.

RELIEF FOR MSMEs

- The proposed dispute resolution scheme may provide a window of 3-6 months
- Defaults mainly in two schemes — Export Promotion Capital Goods Scheme, and Advance Authorisation Scheme
- Exporters wanting to avail of the scheme may have to pay Customs duty along with one-third interest
- Penalty for non-compliance could be waived
- Pending Customs duty could be about Rs 1,000 crore, but interest could have swelled over the years

Source: business-standard.com- Jan 13, 2023

HOME

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Quick Estimates of Index of Industrial Production and Use-Based Index for The Month of November 2022

The Quick Estimates of Index of Industrial Production (IIP) are released on 12th of every month (or previous working day if 12th is a holiday) with a six weeks lag and compiled with data received from source agencies, which in turn receive the data from the producing factories/ establishments.

2. For the month of November 2022, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 137.1. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of November 2022 stand at 122.7, 136.7 and 166.7 respectively. These Quick Estimates will undergo revision in subsequent releases as per the revision policy of IIP.

3. As per Use-based classification, the indices stand at 132.5 for Primary Goods, 99.1 for Capital Goods, 145.6 for Intermediate Goods and 159.6 for Infrastructure/ Construction Goods for the month of November 2022. Further, the indices for Consumer durables and Consumer non-durables stand at 112.0 and 161.1 respectively for the month of November 2022.

4. Details of Quick Estimates of the Index of Industrial Production for the month of November 2022 at Sectoral, 2-digit level of National Industrial Classification (NIC-2008) and by Use-based classification are given at Statements I, II and III respectively. Also, for users to appreciate the changes in the industrial sector, Statement IV provides month-wise indices for the last 12 months, by industry groups (as per 2-digit level of NIC-2008) and sectors.

5. Along with the Quick Estimates of IIP for the month of November 2022, the indices for October 2022 have undergone the first revision and those for August 2022 have undergone final revision in the light of the updated data received from the source agencies. The Quick Estimates for November 2022, the first revision for October 2022 and the final revision for August 2022 have been compiled at weighted response rates of 91 percent, 93 percent and 95 percent respectively.

6. Release of the Index for December 2022 will be on Friday, 10th February 2023.

Note: -

This Press release information is also available at the Website of the Ministry – http://www.mospi.gov.in

Press release in Hindi follows and shall be available at: https://www.mospi.gov.in/hi/web/mospi/home

Click here for more details

Source: pib.gov.in - Jan 12, 2023

HOME

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FTA with Australia game changer for India: Industry stakeholders

India has high hopes from the recently concluded India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA). Industry stakeholders believe the agreement will be a game changer for multiple Indian industries including textile, jewellery, and leather. The ministry of commerce has been organising outreach programmes to help these industries make the most of the agreement.

Balaji, joint secretary of ministry of commerce, recently said at an event that India's exports would go up to $10 billion by 2025-26 against the present shipment of $7 billion. Under the agreement, Australia has allowed imports of 98.3 per cent items from India at zero duty. Earlier, Indian goods attracted tariffs of about 4-5 per cent, which was a disadvantage as China, Vietnam and Japan have been enjoying zero duty under such trade deals.

India's garment exports to Australia are expected to jump by 30 per cent in a year, as per Raja M Shanmugham, former president of Tiruppur Exporters' Association (TEA). "FTAs are very important between the trading countries in this Universal Market Era. The recently concluded trade deal with Australia can provide big boost for Indian textile exports. FTAs with developed world provide big opportunity for developing countries like India."

Sanjay Garg, president of North India Textile Mills Association (NITMA), commented, "It is the first FTA with any developed economy in recent memory. The agreement will have a significant positive impact on the labour-intensive textile and apparel industry. Indian textile industry, which is facing a shortage of cotton, will have access to duty-free import with certain quantity."

Industry experts feel that government should provide hand-held support to enable exporters to tap the opportunity. They said that exporters need support in the form of liquidity and more to secure export orders and execute them well within time.

Australia imported apparel worth $8.382 billion during 2021, in which India's share was just 3.88 per cent at $286.756 million. It was the fourth largest supplier for Australia, while China grabbed the lion's share with 62.82 per cent of the total, according to Fibre2Fashion's market insight tool TexPro.

Australia was the tenth largest market for India's apparel exports in 2021 when a share of just 1.83 per cent out of the total shipment of $14.943 billion. India's shipment of apparel to Australia recorded a mild growth in recent years. Exports increased to $217.489 million in 2019 from $183.797 million of 2018 but dipped to $191.152 million in 2020 due to the pandemic.

Source: fibre2fashion.com- Jan 13, 2023

HOME

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The return of industrial policy is welcome but it needs far more

The story of industrialization in India since 1991 is somewhat dismal, compared with the performance of other Asian countries

The story of industrialization in India since 1991 is somewhat dismal, compared with the performance of other Asian countries. Between 1990 and 2019, India's share in world manufacturing value added (in current prices at market exchange rates) increased from 1.3% to 3.1%, while that of China jumped from 1.3% to 28.7% and that of Asia (excluding Japan) rose from 8.3% to 45%. This outcome refutes the claims of market enthusiasts who argued that economic liberalization would increase efficiency and foster growth of the manufacturing sector.

In East and Southeast Asian countries, success at industrialization was driven by industrial policy implemented by governments, recognizing that economic openness, while necessary, was not sufficient. In India, the government abandoned industrial policy without creating the conditions or the ecosystem that could have enabled manufacturing to become competitive in world markets.

Strangely enough, it was not recognized that industrial policy was responsible for the three success stories of industrialization in India: pharmaceuticals (the Patents Act of 1970 eliminated product patents in medicines), automobiles (stipulation that Suzuki would produce a car with 70% domestic content within five years) and information technology (income tax exemption/concession for two decades). The dismantling of India's industrial policy, starting in the early 1990s, juxtaposed with increasing economic openness, had its consequences. The share of the manufacturing sector in GDP dropped from 17.5% in 1995-96 to 13.5% in 2019-20, suggesting a premature de-industrialization.

Reviving industrialization is an imperative for India. It is the only path to employment creation, as the jobs potential in agriculture is negligible, while the informal services sector is an employer of last resort with its low-income and poor-quality jobs. It is a potential source of economic growth, for it can provide employment at higher productivity levels than elsewhere, absorbing unemployed people, our most abundant yet underutilized resource. And manufacturing is the only means of creating capabilities in the Indian economy to organize and transform its productive activities, so essential for development. Thus, it is time to rethink and revive industrial policy.

In 2021, the government announced its production-linked incentive (PLI) scheme with a total outlay of ₹197,000 crore (roughly $25 billion) over five years, with specified allocations for 13 selected sectors. The largest shares are for automobiles and components (29%), mobile phones and components (20%), pharmaceuticals and ingredients (11%), advanced cell batteries (9%), telecom (6%). The remaining 25% of the outlay is divided between food products, textiles, specialty steel, white goods, electronic products, solar PV modules, and medical devices. The disbursements will be based on performance as a percentage of incremental sales (over base year): 4% in first year, 3% in second year, 2% in third year, and 1% in fourth year.

Such support related to production and sales, rather than exports, is admissible under World Trade Organization rules. It is provided to eligible firms in selected sectors, not selected firms, so that it is non-discretionary. The selection of automobiles, pharmaceuticals and textiles is possibly based on a revealed comparative advantage in exports, while the choice of mobile phones, food products and specialty steel could be based on an assessment of potential comparative advantage that may stimulate exports, but the choice of batteries, telecom, white goods, electronic products and medical devices probably seeks to replace imports.

This is a first step in reviving industrial policy, which is an important beginning. Even so, it must be recognized that industrial policy succeeds where there are effective governments, with the ability to coordinate economic policies across sectors over time in pursuit of national development objectives, using carrot-and-stick means to implement their agenda. It is simple enough to dangle carrots.

It is more difficult to enforce compliance so that incentives are contingent on performance, or to impose penalties whenever stipulated objectives are not met. It is just as important to ensure that the support is time-bound. Therefore, exports that can ultimately compete in world markets, in price and quality, are the real litmus test of success.

The PLI scheme has some obvious limitations. The selected sectors are largely capital, technology or skill intensive in production, so they are unlikely to create mass employment. Only some among the selected sectors will be subject to the price and quality discipline of export markets. Despite the sunset clause implicit in the scheme, there might be pressures to continue support beyond five years.

Beyond the PLI scheme, the wider context is far more important. The revival of industrialization in India requires, inter alia, calibration of trade policy, correctives in exchange rate policy, recognizing the critical role of interest rates and a rebirth of industrial finance. Strategic coordination of these policies in a long-term perspective, often described as industrial policy, which was at the foundations of success in Asia's industrialization, is essential.

For latecomers, catching up in industrialization is not simply about imitating, following and learning from leaders, because that is a moving target which becomes more elusive with technical progress. It is just as important to think ahead of the curve, anticipating technological changes on the horizon, and leapfrog though innovation to become a leader in some sectors, as South Korea did.

Going forward, effective industrial policy will require an ecosystem of human capital, institutional quality and innovative capabilities. It will also need imaginative and creative thinking—for example, about evolving synergies between manufacturing and services.

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