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NEWS CLIPPINGS

Currency Watch	
USD	81.71
EUR	88.68
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JPY	0.63

INTERNATIONAL NEWS	
No	**Topics**
1	China's industrial capacity utilisation rate dips to 75.7% in Q4 2022
2	US trade shifts on Covid and China tensions, but no 'decoupling' yet
3	Chinese ports see surging trade with SE.Asia during holidays, signaling robust growth in 2023
4	Cambodia-Australia trade surges 60.9% YoY in 2022
5	Prices of Australian wool continue to hold up this week
6	South Korea-Bangladesh bilateral trade crosses US $ 3 billion
7	Cambodia's CDC approves 3 garment & accessories projects worth $18 mn
8	Russia's share in extra-EU imports fall to 3.8% in Feb-Sept 2022
9	Bangladesh's Export Development Fund reduces by $1 bn

NATIONAL NEWS	
No	**Topics**
1	Innovation would be the strongest pillar that would help build a developed India in the Amritkaal: Shri Piyush Goyal
2	Cotton futures trading on MCX to restart soon: Textile secretary
3	India's PLI Scheme – Spell of manufacturing brilliance or a fallacy?
4	India-UAE trade deficit widens
5	Business confidence in India recuperates from earlier lows: NCAER
6	India Budget 23-24: Spinners want duty-free cotton, correction in GST
7	Tiruppur knitwear exporters flag concerns over Q4 export order trend
8	Overseas VSF manufacturers get time to get quality certificate
9	Diverse views on trade & investment at Davos
10	India to raise at WTO EU's plan to levy carbon tax on imports
11	Bangladesh textile manufacturers to display products at Rajkot trade fair

INTERNATIONAL NEWS

China's industrial capacity utilisation rate dips to 75.7% in Q4 2022

China's industrial capacity utilisation rate dropped by 1.7 percentage points year-on-year (YoY) to stand at 75.7 per cent in the fourth quarter (Q4) of 2022, as per the National Bureau of Statistics. However, the rate was up by 0.1 percentage points compared to that of Q3 2022.

For 2022, the East Asian nation's industrial capacity utilisation rate fell by 1.9 percentage points YoY to reach 75.6 per cent, according to local media reports.

The country's utilisation rate of the production and supply of utilities was marked at 74 per cent and that of the manufacturing sector at 75.8 per cent.

Source: fibre2fashion.com- Jan 29, 2023

HOME

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US trade shifts on Covid and China tensions, but no 'decoupling' yet

US trade flows are realigning on the back of pandemic shocks and tensions with China, but efforts to reduce interdependence between the superpowers have not brought a swift decoupling.

While security concerns have escalated and US imports from China fell after Washington and Beijing imposed tit-for-tat tariffs, trade has since climbed again.

The numbers could rise further when 2022 trade data is released next month, pointing to how interlaced the world's two biggest economies are.

But experts say tensions have left their mark in other ways.

"US imports from China are well below the trend that they were on before the trade war started," said Mary Lovely, senior fellow at the Peterson Institute for International Economics (PIIE).

"There is definitely a turn away from China in US imports, especially or primarily in those goods on which the US raised tariffs," she told AFP.
After the trade war started, the value of America's goods imported from China dropped from $506 billion in 2017 to around $450 billion in 2019.
Bilateral relations are not the only factors affecting trade. The pandemic took a heavy toll as well.

Last November, China saw its sharpest drop in exports since the start of Covid-19, with business activity slammed by a strict zero-Covid policy.

Also weighing on imports is an "ongoing shift in the US away from spending on goods," said Ryan Sweet of Oxford Economics.

Americans spent heavily on imported products during the pandemic, but "people are going back out and spending on services" as virus concerns ease, he said.

This cuts into demand for goods and can help explain why numbers have not surged more.

Diversification, not decoupling

For now, US government figures through to November show total US-China trade could approach or hit a high in 2022.

"Going forward, you're going to see more diversification," as opposed to a complete cut-off of shipments from China, said Sweet.

Auto manufacturers, for example, experienced supply chain problems during the pandemic.

Increasing climate-related disruptions are also "raising the risks of overconcentrated supply chains in one firm or one geographic area," said Robert Koopman, a lecturer at American University and a former World Trade Organization chief economist.

Meanwhile, the US is trying to be more self-reliant in specific sectors like semiconductors.

"The recent (Inflation Reduction Act) and Chips Act, and related sanctions are clear indicators of the Biden administration's efforts to decouple from China" in these areas, said Koopman.

Emily Benson, senior fellow at the Center for Strategic and International Studies (CSIS), added: "As companies reassess risk and review the current state of their supply chains, one consistent outcome is movement... away from China to other countries."

These could be countries in Southeast Asia or closer to the United States.

"While this trend is growing, it resembles sand leaking out of a bag more than it does a tsunami," she told AFP.

It is likely "too early" for definitive comments on industries, but US export controls "are going to force some decoupling" over time in technology or areas where semiconductors are key, Benson said.

Substitution

Lovely of PIIE noted that some business has moved from China to countries like Vietnam or Mexico.

"There's definitely been some substitution of suppliers," she said, adding that is fueled partly by Chinese investors who have opened factories outside their home country.

"In Mexico, it's a different story," Lovely added. "There has been some Chinese investment, but a lot of it is multinationals who were moving closer to the US."

But Koopman cautioned that countries like Mexico will need domestic reforms to boost competitiveness and lower implicit trade costs, to reap greater benefits.

US goods imports from the European Union are also catching up, with year-to-date numbers for 2022 reaching $504.4 billion in November. This was above the $499.5 billion worth of goods from China over the same period. But economists point to a post-Covid uptick in commercial activity worldwide to explain the trend.

"These figures are a small snapshot and are more likely representative of the global economy returning to pre-pandemic levels than any specific decoupling movement," said Benson.

As China recovers from an infections surge after easing Covid-19 rules, it too expects a noticeable rise in imports, said Vice Premier Liu He, speaking this month in Davos, Switzerland.

Source: economictimes.com- Jan 28, 2023

HOME

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Chinese ports see surging trade with SE.Asia during holidays, signaling robust growth in 2023

During the just-concluded Chinese New Year holidays, the first after China moved to resume normal operations at border ports, several major ports in Southwest China's Yunnan Province saw surging trade activities with various neighboring countries, including Myanmar, Laos and Vietnam, according to local officials and traders.

The busy scenes at the border ports are the latest sign that China's trade with Southeast Asian countries will likely continue to maintain high-speed growth in 2023 after a 15-percent rise in 2022, experts noted.

A truck loaded with raw materials for traditional Chinese medicine left Muse, Myanmar and entered Ruili, Southwest China's Yunnan Province on Friday, without switching drivers, the Global Times learned from the Ruili entry and exit border administration on Sunday, showing that cargo operations at the checkpoint have returned to pre-epidemic standards.

Ruili port is using a simplified customs clearance process, which has greatly lifted the speed, border crossing officials and traders said. Communication between joint inspection units and enterprises can help ensure "zero waiting" and "zero delays" in the inspection process.

Requirements for sectioned transportation, driver changes and static disinfection were removed at border crossings in Yunnan, which greatly reduced the time and costs for foreign trade companies, a manager surnamed Yang from Yunnan JieRui Freight forwarding Co told the Global Times on Sunday.

"Border crossings operated non-stop during the Spring Festival. It is a good start and we expect a significant lift in trade volume in late February," Yang said.

The Ruili port is one of the busiest China-Myanmar border crossings, and it's crucial to trade. In 2019, total cargo volume through Ruili port exceeded 17.45 million tons worth nearly 100 billion yuan ($14.74 billion), accounting for about 80 percent of the province's volume with Myanmar.

Cross-border trade with other Southeast Asian countries also increased during the holidays.

According to Customs authorities in Kunming, during the Spring Festival (January 21-27), Kunming Customs approved 68,400 tons of international freight via the China-Laos railway, up 237 percent compared with 2022.

Major Chinese exports include textiles, steel, hardware and small household appliances, while imports to China include iron ore, cassava starch and crude lead ingots.

The Hekou border crossing, the largest port on the China-Vietnam border in Yunnan, recorded its first peak of passenger and cargo trade this year, with streams of Chinese and foreign tourists buying Spring Festival goods, visiting relatives and friends, and conducting business negotiations.

The border station approved more than 9,000 passenger visits, 750 freight vehicles, 10 freight trains and more than 11,000 tons of cargo from January 21-26.

China's trade with Southeast Asian countries should be able to maintain strong growth in 2023, following a major role in stabilizing China's foreign trade last year, Huo Jianguo, vice president of the China Institute for World Trade Organization Studies, told the Global Times on Sunday.

"Chinese products may have relatively greater export potential to countries like Laos and Myanmar. As these countries enjoyed relatively good economic development in recent years, they need more daily consumer goods from China," Huo said.

China's foreign trade with the Association of Southeast Asian Nations (ASEAN) grew 15 percent year-on-year in 2022, the first year the Regional Comprehensive Economic Partnership was in effect, and the region remained China's top trade partner.

China's total trade with ASEAN came to 6.52 trillion yuan in 2022. Exports reached 3.79 trillion yuan, an increase of 21.7 percent, and imports made up 2.73 trillion yuan, up 6.8 percent, the General Administration of Customs said.

Source: globaltimes.cn- Jan 26, 2023

HOME

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Cambodia-Australia trade surges 60.9% YoY in 2022

Bilateral trade between Cambodia and Australia has surged by 60.9 per cent to reach $523 million from $325 million in 2021, according to data released by the General Department of Customs and Excise (GDCE). Exports from Cambodia to the partner country rose by 84.6 per cent to $379 million from $205 million, while imports increased by 20.3 per cent to $144 million from $120 million.

The surge in trade between the two countries can be attributed to the Regional Comprehensive Economic Partnership (RCEP) agreement which came into effect on January 1, 2022.

Cambodia's trade surplus with Australia amounted to $234 million in 2022, as per GDCE data.

Products like garments, footwear, travel goods and gold are majorly exported by Cambodia to Australia, while it imports machinery, coal, and cereal preparations among other things.

Source: fibre2fashion.com- Jan 29, 2023

HOME

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Prices of Australian wool continue to hold up this week

For the third consecutive week, prices at the Australian wool auctions continued to hold up. This is despite the pressures of the much stronger Australian dollar against the US dollar and other currency pairs used in the trading and purchase of wool. Slightly weaker levels in AUD were seen at the western centre, but largely due to the 2 per cent + adverse forex, rather than a weakening of the current steady demand from overseas.

"Prior to the sales commencing this week, the largest wool destination in China had settled into their Lunar New Year celebrations. Replies to offers from local traders were quiet and cautious in activity as per the normal operations every year. Some new business was written before they took the holiday, with many exporters considering this a small hedge against potential price and currency rises in the immediate future, which indeed happened on the forex, making those 'insurance' contracts worthwhile short term as one prominent exporter described," the Australian Wool Innovation Limited (AWI) said in its commentary for sale week 30 of the current Australian wool marketing season.

The trade is quite buoyant at the moment and a positive sentiment has been ruling for the past two months. Good steady enquiry with a generally firm market is a scenario not seen for a while and both sides of the trade are seemingly enjoying this stability. In fact, many participants at the first exchange of ownership part of the trade are hinting at better prospects for wool, but with the usual caveats.

"Sitting high on this list is the willingness of factory workers in China to return to work following their New Year holidays. After most workers visited their home provinces for the first time in many years, some may choose to alter career paths. The western world saw many changes after lockdowns ended in their countries so it is somewhat expected a degree of change will also occur, affecting mainly the eastern China seaboard located mills," the commentary added.

The Merino wools of all types sold largely within +/-10ac of their established basis from the previous week. Some odd good spinners/best top making descriptions at the finest end did add a few cents, but these lots were limited in supply. Crossbred wool and cardings were traded at a similar +/- 10ac movements, making it a rather mundane week as far as

AUD pricing goes. Forex rates did force US and other currency levels up by 2 to 3 per cent across the board. The big traders and first stage processors dominated buying.

About 43,000 bales of wool will be available for auctions on Tuesday/Wednesday.

Source: fibre2fashion.com- Jan 29, 2023

HOME

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South Korea-Bangladesh bilateral trade crosses US $ 3 billion

The bilateral trade between South Korea and Bangladesh which stood at US $ 2.19 billion in 2021 increased 38.71 per cent year-on-year to cross the US $ 3 billion mark in 2022.

This is as per reports which cited the data from the Korea International Trade Association in this direction while adding Bangladesh's export to Korea has been on the rise since it crossed US $ 100 million in 2007 for the first time before touching US $ 200 million in 2011 and then US $ 300 million in 2013 but after that remained somewhat stagnant for almost a decade and even went down in 2020 owing to the adverse impact of the COVID-19 pandemic before making a strong rebounded in 2021 and retaining the momentum well into 2022.

Readymade garments along with sports and leisure items and bronze scraps are the principal export items from Bangladesh to Korea even as apparel export grew more than 25 per cent year-on-year last year, accounting for 83.2 per cent of the total shipment to South Korea in 2022 while paper products and food exports surged 168.6 per cent and 165 per cent respectively and that of bronze scraps went up 41.8 per cent to US $ 17.76 million.

Source: apparelresources.com- Jan 29, 2023

HOME

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Cambodia's CDC approves 3 garment & accessories projects worth $18 mn

Three garment and accessory manufacturing projects valued at $18 million have been approved by the Council for the Development of Cambodia (CDC). The units will manufacture garments, footwear, and accessories for clothes, shoes, bags and hats, among other things.

The factories will be set up in Takeo and Kandal provinces and create over 5,000 jobs.

The companies setting up the factories are New Target Footwear (Cambodia) Co Ltd, Golden Island Garments (Cambodia) Co Ltd, and Jin Long Quan (Cambodia) Co Ltd, CDC said in a media release.

Source: fibre2fashion.com- Jan 29, 2023

HOME

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Russia's share in extra-EU imports fall to 3.8% in Feb-Sept 2022

Russia’s share in extra-EU imports fell from 6.4 per cent to 3.8 per cent between February 2022 and September 2022. Over the same period, extra-EU exports to Russia dropped from 2.3 per cent to 1.1 per cent, as per Eurostat, the statistical office of the European Union (EU).

The EU’s trade deficit with Russia, peaked in March 2022 at €19.6 billion. It then progressively decreased and in September 2022 stood at €9.7 billion.

EU trade with Russia has been strongly affected following Russia's invasion of Ukraine, with the EU imposing import and export restrictions on several products. The effects of these measures have been particularly visible in the latest months. Considering seasonally adjusted values, both exports and imports dropped considerably below the levels prior to Russia's invasion, according to Eurostat.

Source: fibre2fashion.com- Jan 29, 2023

HOME

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Bangladesh's Export Development Fund reduces by $1 bn

Bangladesh's Export Development Fund (EDF) set up to help exporters with foreign currency has dropped by $1 billion to $6 billion, a development that may ease pressure on forex reserves. Bangladesh Bank spokesman Mezbaul Haque said businesses were borrowing less from the fund as the central bank formed an alternative fund in local currency.

Set up in 1989 with a tiny amount of reserves, the EDF amount gradually increased to $7 billion. Exporters can pay off their loans from this fund from their export earnings. Exporters can borrow from the EDF at a 4 per cent interest rate.

The country, whose forex reserves were under pressure, largely due to the global economic crisis, reached an initial agreement with the International Monetary Fund (IMF) for a $4.5 billion loan to build a much-needed buffer.

The central bank was advised by the IMF to exclude illiquid assets, such as the EDF, from the reserves calculation, Bangladeshi media outlets reported.

Earlier in January, the central bank set up a Tk 100-billion Export Facilitation Pre-finance Fund, allowing exporters to borrow money at 4 per cent interest for 180 days.

Exporters, however, can't take loans from the EFPF if they have already borrowed from the EDF.

The country's reserves fell to $32.48 billion as of January 18 from $45.2 billion a year earlier.

Source: fibre2fashion.com- Jan 28, 2023

HOME

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NATIONAL NEWS

Innovation would be the strongest pillar that would help build a developed India in the Amritkaal: Shri Piyush Goyal

Union Minister for Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal called for the creation of an international network of mentors, investors and entrepreneurs to strengthen the global startup ecosystem. He said that this network must support and inspire startups, act as a team to facilitate exchange of ideas, best practices and funding mechanisms and promote collaborations in Research and Development. He was addressing the inaugural session of the Inception Meeting of the Startup 20 Engagement Group of G20 in Hyderabad today.

The Minister said that it is not just the role of individual nations to support innovation and added that it will have to be the collective responsibility of world nations to nurture a global effort to incubate startup ecosystems in all parts of the world, thus creating a global startup ecosystem that is inclusive, supportive and sustainable to address global challenges,

Shri Goyal said that India was proud to highlight the progress & potential of the global startup ecosystem as the host nation of G20. He noted that the Startup20 Group had been established under India's G20 Presidency for the first time, as part of India's special focus on innovation.

The Minister expressed confidence that innovation would be the strongest pillar that would help build a developed India in the Amritkaal. He said that innovation has been a catalytic force for the economy and social and public good. "Innovation in today's world goes beyond achieving mere economic objectives as it also considers societal inclusion and environment sustainability", he said.

The Minister observed that India had begun its startup journey with the foundation stone laid by the Prime Minister, Shri Narendra Modi in 2016 with the launch of the Startup India Initiative. He said that in the last 7 years, it had helped in fostering entrepreneurship and promoting newer and newer ideas, helping startups grow and flourish by creating an ecosystem that is conducive for growth. He added that the capabilities of our startups in different areas- be it energy, be it financial inclusion, where fintech played an important role, be it our fight against pandemic when remote healthcare and food delivery became very important, be in online learning which is today becoming very natural, be it our work in agri-tech, helped us face a number of challenges.

Shri Goyal noted that the world is facing a multitude of global challenges, from climate change to poverty and inequality. He expressed his firm belief that innovation can lead the way in solving these problems. The Minister said that in the Indian startup context, our entrepreneurs are using their creativity and ingenuity to tackle these challenges head-on. He cited the examples of digital public goods like Cowin, UPI and ONDC as means to tackle problems and ensure inclusive growth in India by redefining social innovation.

The Minister said that growing participation from Tier 2 & 3 markets that are swiftly embracing latest technology, has pushed envelope for local startups in India with new ideas to succeed. He said that through G-20, India was trying to transfer our expertise, so IndiaStack will be GlobalStack and transform the way people use technology, helping take technology to the common man. He added that developing nations must transform themselves from being destinations for low-cost, outsourced software and support services, to becoming global Tech and Innovation hubs. He also highlighted that India had climbed to 40th rank in the Global Innovation Index (GII) of WIPO taking a huge leap of 41 places in 7 years.

Shri Goyal noted that India has been nurturing the innovation spirit right from the school level onwards through Atal Innovation Mission. He said that India also has active programs for supporting startups with many nations around the world. “Some of the prime examples are the Indo-US, Indo-UK, Indo-Australia partnerships where we explore supporting deep tech startups, that contribute to circular economy, and address basic needs like health, water, agriculture, education, financial inclusion etc”, he added.

Shri Goyal gave the Mantra of ‘SENSE’ i.e. Share, Explore, Nurture, Serve & Empower for growth of startups. “When I see the enthusiasm all around us, I get a sense of changing mindset, I get a sense of urgency, I can sense that Startup 20 will become a very powerful body which will change the way that the world recognizes and respects startups”, he said.

He expressed confidence that the discussions in next 2 days would lay the foundation for strong actionable recommendations for G20 leaders to deliberate and start a Global Startup Revolution, helping us truly make a difference to the future of startups all around the world.

Startup 20 will see participation of delegates from G20 nations and nine special invitees from observer countries, representatives from multilateral organizations as well as the Indian startup ecosystem. The group formed under G20 after India assumed presidency is holding its inception meeting from January 28-29 anticipating a productive development of policy recommendations on entrepreneurship and innovation priorities of and across G20 countries for the years ahead. The meeting will create a global narrative for supporting startups and fostering synergies between startups, corporates, investors, innovation agencies, and other key ecosystem stakeholders.

G20 Sherpa Shri Amitabh Kant, CEO NITI Aayog, Startup20 India Chair Dr. Chintan Vaishnav, senior government officials and other dignitaries were present at the inaugural session.

Source: pib.gov.in- Jan 28, 2023

HOME

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Cotton futures trading on MCX to restart soon: Textile secretary

Cotton futures trading, suspended on the Multi Commodity Exchange of India Ltd (MCX) to curb excessive speculation, is set to resume after a five-month gap in relief for farmers reliant on the market for price signals.

After cotton prices rose to ₹100,000 per candy in August following unseasonal rain, speculative trading and a global cotton shortage, the Securities and Exchange Board of India shut cotton futures on MCX to cool prices. Cotton prices have now eased, in line with global prices, as demand softened this year.

“The advantage with MCX is that it helps in price discovery and also risk hedging, and we do feel that it should continue to function in that respect," textiles secretary Rachna Shah said in an interview. “While there were concerns on speculation, to address those, the product advisory committee was constituted with representatives of the industry.

The committee has engaged with Sebi in terms of contract specification and quality standards. I am very hopeful that future trading will be restarted very shortly. Most of the issues are now resolved, and it is really a matter of time," she added.

The committee was reconstituted under T. Raj Kumar, chairman of the Confederation of Indian Textile Industry (CITI), amid price volatility and the widening gap between Intercontinental Exchange Inc. (ICE) and MCX. “Negotiations with MCX are in the finalization stage, and the new restructured contract should be coming out shortly," Kumar said.

Industry representatives said that while the ban was necessary to curb speculative trading by a few large companies that drove prices to record levels, it also took away price indicators for farmers who rely on the futures trends provided by the exchanges. As a result, farmers have been hoarding cotton, and the actual volume in MCX warehouses has fallen.

“Farmers have been hoarding cotton as they are not sure of the price. The farmers give seed cotton to ginners, and ginners give lint cotton to MCX. So, at the moment, this cycle itself is not starting because of a lack of price discovery," a person aware of the development said. Ginning is the process of separating cotton from seeds and debris.

Another person aware of the development added that certain changes had been proposed, including incentives to ginners to put more cotton in the MCX warehouse. “So far, the actual volume on the MCX was less...largely for speculation, and not delivery. It has been proposed that there has to be some coverage of the logistics cost for the ginners to put cotton to the MCX warehouse," the second person aware of the development said on condition of anonymity. The lack of price discovery sparked protests by farmers on 23 January next to Sebi headquarters in Mumbai.

“Last year, when cotton prices surged, smallholder farmers, below 2 ha, did not benefit from the high prices. And now, they have realized that the futures market is one way to be informed. Futures are a price discovery mode for farmers," said Manish Daga, farmer representative in the product advisory committee and president of All India Cotton Farmer Producer Organization.

“There are several changes that have been proposed that would help boost liquidity. Sebi has opened up after the farmers‘ agitation on 23 January. Farmers had warned in December to sort out commodity futures. There were three months to sort out the issue, but now, there is a gap in the contract," Daga added.

Meanwhile, textiles secretary Shah said prices have eased, and the domestic and international prices are also more or less at par. While domestic prices compared to the minimum support price remain about 28% higher, cotton prices in the country have come down to about ₹62,000 per candy compared to international prices of ₹64,000-65000 per candy, she added.

“This committee which comprises the major ginners who supply quality cotton to MCX and the users of the cotton, have been working to improve futures contracts, and the sole purpose is to make the futures prices more representative and not speculative. Cotton prices have been speculative, and this has led to very high volatility," said Chandrima Chatterjee, secretary-general, CITI.

Source: livemint.com- Jan 30, 2023

HOME

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India's PLI Scheme – Spell of manufacturing brilliance or a fallacy?

How has this evolved and become more accommodative, and how does the PLI scheme feed into this?

PLI scheme right off the surface is progress, but how will the government make it a success, and what accommodations can we expect from the upcoming 2023 Budget?

In 2013, the contribution of the manufacturing sector towards India's GDP was 14%, and ten years later it remains near 14%.

Several policies were announced by the government and respective ministries to enrich this contribution to above 20%.

Make in India, Atmanirbhar, and the PLI Scheme initiatives are synonymous with the phrase 'India will be the next China'. Yet, these initiatives have been futile when we glance at the GDP data.

In 2020, the government realised the lacunas of the previous initiatives, came back to the drawing board alongside the ministries and drafted the Production Linked Incentive scheme in April 2020.

Lion's share of the PLI allocation journeyed to Large Scale Electronics (LSE) and applications were opened twice to entice mega manufacturers. As of date, 32 applicants have been approved, nearly INR 800 crores have been disbursed by the government, additional

investment of INR 4,784 crores flooded into India, and have resulted in job creation for nearly 41,000 workers.

These metrics are exclusive to only the LSE sector of the PLI.

When we consider the PLI schemes that were announced across the spectrum, 717 applications were approved under the scheme.

As we have progressed through time since the first announcement, new sectors were added to the list. In April 2020, only three sectors fell under the umbrella, progressing to 13 in November, and 14 in September 2021.

In contrast to the previous initiatives, we are witnessing tangible on-ground progress among many manufacturing firms which would subsequently translate into robust GDP growth from the sector and employment opportunities, let alone invigorate the domestic production and Atmanirbhar story.

We are seeing listed entities like Natco Pharma, Hero MotoCorp , Bajaj Auto and Frog Cellsat setting up their manufacturing facilities under the PLI scheme at the time of writing this note. These are firms from various industries and this goes on to highlight the pervasiveness of the PLI scheme.

Apple's major suppliers - Foxconn, Pegatron and Wistron – are setting up manufacturing units or already have set up manufacturing units under this scheme.

As I mentioned earlier, this is progress, yet distant from tagging it as a success given how the government initially had an ambition for manufacturing to contribute 25% to India's GDP.

Applications of a handful of companies we invest in were initially approved but had to amend their plans.

To cite a couple, Exide Industries had to pull out of the PLI due to the mismatch between their timeline of setting up their lithium-ion manufacturing unit with the timeline embedded in the PLI guidelines; Aarti Drugs decided to withdraw owing to the minimum capex threshold requirement when they could set up the manufacturing unit with one-fourth that cost.

Here are some of the impediments of the scheme which would be talking points of the upcoming budget. Resolutions in these areas at this juncture would be a stroke of brilliance:

Minimum Investment

The minimum investment under the Textiles PLI stands at INR 100 Crores and there are companies in this space who had their application approved while they do not even have one-fourth of this amount in liquid assets nor are they in a position to raise debt.

Similarly, for a domestic phone manufacturer, the minimum investment amount stands at INR 200 crore over four years.

The minimum investment amount eliminates a major portion of the population from participating in this scheme – when we consider the fact that we owe it to the SMEs for 40% of our country's exports – according to data from RBI.

Investment Outlay Criteria

The minimum investment irrespective of the sectors is to be executed over four years. Considering a major portion of the PLI scheme is dedicated to industries operating in cutting-edge technology – advanced chemistry cells, IT hardware, drones and electronics, companies will demand a long-term approach as technology is constantly evolving – the only thing constant is change – in these sectors.
This is not the case with textiles for example. Hence, a modification in this area would open the doors for several large and medium players who commit for the long term but modify in the short term.

As opposed to previous initiatives, the government has been receptive to on-ground developments, the subtle tepidness, and has been coming up with optimal tweaks.

We are seeing real on-ground developments in terms of capex, employment and production as the PLI scheme gain traction.

With the right skim at the right time, PLI will not only be India's success story but something African industrial regions would look up to in the decades to come.

Source: economictimes.com- Jan 29, 2023

HOME

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India-UAE trade deficit widens

While India's exports to the UAE grew by 11% during this period to $20.25 billion, imports climbed 24.4% to $36.23 billion

Bengaluru: Eight months into a free trade agreement with the United Arab Emirates, India's trade gap with the Gulf nation has widened by more than $5 billion, lifted by elevated global crude oil prices and increase in non-oil trade.

While India's exports to the UAE grew by 11% during this period to $20.25 billion, imports climbed 24.4% to $36.23 billion, data from the department of commerce showed. This caused a trade gap of $15.98 billion, compared to a deficit of $10.89 billion in the corresponding period last year.

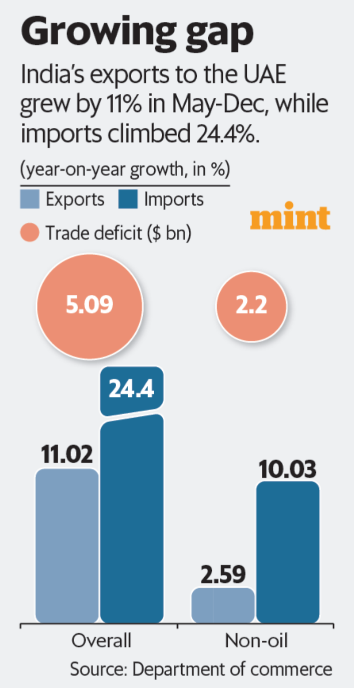
India's non-oil trade deficit more than doubled between May and December 2022 to about $2.2 billion from $1.01 billion a year earlier. The India-UAE comprehensive economic partnership agreement (CEPA) came into force on 1 May 2022.

India's non-oil outbound shipments to the UAE grew by 2.59% to $15.03 billion, while non-oil inbound shipments jumped 10.03% to $17.23 billion during the May-December period.

An official in the department of commerce said CEPA utilization is "on an uptrend" and is only likely to increase further. Pointing at the increasing utilization of the free trade pact by Indian exporters, the official said the issuance of preferential certificates of origin (COO) under the CEPA increased from 415 certificates worth $133.2 million in May 2022 to 6111 worth $1.11 billion in December 2022.

However, while the import surge was largely led by high-value petroleum products and raw material shipments, exports have been led by double-digit expansion in gems and jewellery, electrical machinery and equipment, automobiles, cereals, etc., where India gained duty free access under the agreement. That, experts pointed out, was a good start.

"Significant duty benefits are accruing to Indian exporters under CEPA. This is a source of competitive advantage for Indian exports to the UAE. Actual utilization of statistical significance started in June 2022.



Dedicated efforts have been and are being undertaken by the department of commerce to raise awareness. Regular industry interactions and continuous end-to-end handholding is being done to assist Indian exporters in leveraging CEPA...," said a commerce department official. He added that as the UAE is a transit hub, most Indian imports from the UAE happen under the World Trade Organization framework. Only limited products that fulfil the value addition criteria are sourced directly from the UAE under the CEPA.

The pact, negotiated in a record 88 days, was signed on 18 February. It is the first major free trade pact signed by the Narendra Modi-led government since it came to power in 2014 and is likely to benefit about $26 billion worth of Indian products that are subjected to 5% import duty by the UAE.

Ajay Sahai, DG and CEO, Federation of Indian Export Organisations (FIEO), highlighted that the rising trade deficit with UAE is primarily on account of large imports of petroleum and polymers. "In value-added segments of electronics, electricals, automotive, machinery, gems and jewellery, our exports growth has been remarkable. Of late, we have seen good growth in apparel, textile and leather footwear sectors," said Sahai. While imports of crude oil surged 60% in April-November to $20.12 billion, imports of polymers were up 30% to $1.09 billion.

"The trade deficit has widened largely because of higher oil prices. Last year, prices were much lower. But after the Ukraine war, prices spiked and one of our major imports is oil. However, we can see that the crude LPG that we are importing from the UAE, we are re-exporting half of that in terms of finished products to the UAE. It's contrary to intuition that oil and gas trade flows only one way," India's ambassador to the UAE, Sunjay Sudhir, said in a recent interview.

The pact immediately eliminated duties for 90% of India's exports in value terms to the UAE, covering sectors such as gems and jewellery, textiles, leather, and engineering goods among others.

Gems and jewellery exports to the UAE grew by 33% in May. It grew 18% during the June to December period to $3.38 billion. Electrical machinery and equipment exports expanded by 28% to $2.25 billion in the same period. While automobiles and cereals exports grew by 35% and 39%, respectively, that for machinery and electrical appliances expanded by 17% in this period.

Arpita Mukherjee, professor, ICRIER, said a high-tariff country like India will see a higher import bill once tariff is reduced. “However, we may gain through investment. Besides, the UAE is used as a transshipment hub. Exports may not be rising due to slowdown in key export markets," said Mukherjee.

Source: livemint.com- Jan 28, 2023

HOME

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Business confidence in India recuperates from earlier lows: NCAER

Business confidence in India has recovered from the lows of the pre-pandemic times (2019-20) and the two years of pandemic that followed, though sentiments continued to soften sequentially in the three quarters of this fiscal, according to the National Council of Applied Economic Research (NCAER). Sentiments relating to macro conditions remained relatively buoyant in the third quarter of fiscal 2022-23 compared to the second.

The NCAER-National Stock Exchange business confidence index (BCI) was higher at 126.6 in the third quarter of 2022-23 than the year-ago's level of 124.4.

The share of positive responses increased for the component 'overall economic conditions will improve in the next six months' and remained unchanged for the component 'present investment climate is positive'.

Sentiments pertaining to firms' own conditions, however, softened between the two quarters for the following components: ‘financial position of firm will improve in the next six months' and 'present capacity utilisation is close to or above the optimal level', the think tank added.

Source: fibre2fashion.com- Jan 28, 2023

HOME

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India Budget 23-24: Spinners want duty-free cotton, correction in GST

India's spinners are facing double pressure from costlier fibre and unfavourable tax regime, and are expecting that finance minister Nirmala Sitharaman would solve these two issues in the upcoming Budget 2023-24. Industry leaders say that inverted duty structure discourages new investment, while import duty on cotton makes the fibre costlier.

Sanjay Garg, Managing Director of Longowalia Yarns Limited told Fibre2Fashion, "There was no problem from import duty on cotton when ICE cotton was ruling 10-15 per cent higher than Indian fibre. But Indian cotton is currently hovering 15-20 per cent higher than ICE cotton which makes Indian spinners unviable in global market." He said that spinners have to pay around 11 per cent on cotton import. But yarn can be imported on zero duty. Finance minister should remove such anomaly for the growth of spinning industry.

T Bhaskara Rao, Deputy General Manager, GTN Industries Limited also echoed the same. He told Fibre2Fashion, "Import duty on raw cotton should be removed in the Budget. The government should conclude negotiations for India-European Union Free Trade Agreement as soon as possible." The industry feels that cotton price dynamics have changed in last two years. When Indian cotton prices were lower than ICE cotton, domestic spinners were able to export yarn to the world market. Domestic industry used to import cotton for its specified requirements after paying duty. Higher prices of cotton has created disparity for domestic spinners. If the government removes import duty, the industry will have better competitiveness in global market.

Nikhil Agrawal, Managing Director, Sruti Filatex Pvt Ltd told Fibre2Fashion, "Inverted duty structure is more painful for the industry. Upstream industry has to pay higher tax. But it cannot claim Input Tax Credit (ITC) due to the duty structure. The industry does not invest due to unfavourable tax regime." He said that fabric attracts 5 per cent GST, but yarn is taxed at 12 per cent and polyester chip at 18 per cent. The government should fix uniform tax structure at 8-10 per cent tax for the entire textile product range. He also underlined the need of new technology upgradation scheme after expiration of ATUFS (Amended Technology Upgradation Fund Scheme).

Anurag Mohota, Director of Gimatex Industries Pvt Ltd said, "Finance Minister needs to announce second version of Production Linked Incentive (PLI-2) scheme after changes as per industry's suggestion. There is an urgent requirement to bring ATUFS like scheme which expired in March 2022. At present, there is no scheme to encourage industry for technology upgradation. Skill development scheme is also needed as India is lagging behind on this front. Mohota also highlighted the need for removal of import duty on cotton and correction in Inverted Duty Structure (IDS) in man-made fibre (MMF) value chain.

Gurudas Aras, Strategic Advisor & Independent Director, and Former Director at A.T.E Group commented, "The finance minister should consider setting up a cotton price stabilisation fund so the industry can survive amid huge price volatility risk. Secondly, cotton yarn should be brought under Interest Equalisation Scheme (IES) in which the government provides 3 per cent subsidy." Presently, Indian spinners are facing disparity in global market due to costlier natural fibre.

Source: fibre2fashion.com- Jan 27, 2023

HOME

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Tiruppur knitwear exporters flag concerns over Q4 export order trend

Despite improvements in new orders from key markets, the current quarter is unlikely to bring any big cheer for knitwear exporters in Tiruppur, says an industry body that represents the knitwear capital of India.

Exporters say there was a contraction in demand in key markets such as the US and European Union during the December 2022 quarter despite buying seasons such as Thanksgiving day, Christmas, and New year.

In Q3, the overall decline was about 19 per cent at about $975 million for knitwear exports from Tiruppur.

“The order placement is gradually increasing and January 2023 has also seen some increases. But those are not promising and we feel that the declining trend would continue in Q4 also,” S Sakthivel, Executive Secretary, Tiruppur Exporters Association told businessline.

In dollar terms, knitwear exports from Tiruppur declined by 10.1 per cent to $393 million when compared with $437 million in December 2021. Overall, knitwear exports from India fell 2.9 per cent to $737 million during the last month as against $759 million in December 2021.
Inflation and war impact

The declining trend for Tiruppur exporters started in August 2022 as an impact of the Russian-Ukraine war. Tiruppur accounts for about 55 per cent of knitwear exports from India.

“High inflationary conditions and recessionary trends in key markets of the US and EU kept the textile and apparel demand subdued in 2022, especially the later half. Volume growth in most of the markets remained in negative to nil zone, with market size increase happening due to higher product costs,” according to Varun Vaid, Business Director, Wazir Advisors, a management consulting firm.

China has continued to lose its share in the global textile and apparel exports due to the rising cost of manufacturing and geo-political shifts. Bangladesh and Vietnam emerged as the highest gainers of China’s lost share, successfully catering to global fashion buyers looking for supply base diversification.

In its outlook for March 2023 quarter, leading textile company Arvind has said that the US/EU markets are seeing a lower-than-expected slow-down, though wholesale buying is yet to pick up.

The macro environment in the US/EU markets has started to show some improvement in the outlook, though the overall prognosis still remains cautious given still higher than target inflation in the US, continuing war in Europe, and the reopening of China.

The company's denim and garments exports dropped in Q3 FY23 as customers continued to postpone purchases.

As dwindling orders have caused some financial stress for exporters in Tiruppur, the industry has requested the Central government to increase interest subvention provided under the Interest Equalization Scheme (IES).

"What we are expecting is that there would be some positive announcements in the ensuing Budget and a support is given by increasing the interest benefit under IES from 3 per cent to 5 per cent to protect the garment exporting sector, particularly MSMEs," said Sakthivel.

Source: thehindubusinessline.com- Jan 30, 2023

HOME

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Overseas VSF manufacturers get time to get quality certificate

The Union government has given 60 days time for overseas viscose staple fibre (VSF) manufacturers to get quality certificate for fibre imported by India.

After a meeting on Friday, Minister Piyush Goyal tweeted, "Met stakeholders of the Viscose Staple Fibre (VSF) value chain to discuss issues faced by them. On the request of the industry, it was agreed to extend the implementation of the Quality Control Order by 60 days, ensuring adequate availability of high quality VSF in the country."

T. Rajkumar, chairman of Confederation of Indian Textile Industry, said India imports viscose fibre largely from Indonesia, China, and Europe. In a move to check the import of low-quality VSF, the Ministry of Textiles notified the VSF Quality Control Order (QCO) 2022 last month to be implemented within one month.

Considering the import dependency of India, specially for some nominated categories and various procedural issues faced by the user industry, industry associations, including the CITI, sought time to implement the quality control order.

Accepting this, the Ministry has also advised the Bureu of Indian Standards (BIS) to complete the registration process of the important VSF suppliers at the earliest, he said.

According to Ravi Sam, chairman of Southern India Mills' Association, the Minister has also directed the BIS to complete industry visits in a time bound manner and issue BIS certificate to the manufacturers that are located in different countries and export VSF to India.

Source: thehindubusinessline.com- Jan 27, 2023

HOME

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Diverse views on trade & investment at Davos

At the recent World Economic Forum (WEF) meet at Davos, Switzerland, five sessions were devoted to matters relating to the current state of global trade and investment. In the end, it was clear that the views are too divergent on critical issues.

In a panel discussion, Katherine Tai, the US Trade Representative called for a new version of globalisation that does not lose sight of the consumers, workers, family members and community members who want to benefit from the economic opportunities. She made it clear that labour standards will be a key element of trade policy of the Biden administration. Poorer countries do not want to go along with that view on the grounds that it is intended to deny them the natural advantage of cheap labour.

The European Union (EU) is committed to imposing a carbon tax i.e. a tax on goods entering the EU that according to its authorities are produced using less environment friendly processes. India and many other developing countries have always opposed restrictions on trade in goods based on the processes that are used to produce the goods. That rigid position may be softening a bit but not sufficiently to give up on the basic principle.

The panelists talked of significant growth in cross border delivery of services through digital medium. However, they expressed concerns also over imposition of restrictions such as data localisation by some governments on the grounds of national security, privacy etc. Besides, many governments are pushing for imposition of tax on e-commerce. Unilateral actions on such matters are likely to decelerate the growth in digital trade, said the panelists.

The session titled 'Tradetech meets Fintech' discussed how digitisation of all aspects of international supply chains and transactions is enabling more accessible and reliable trade, financing and payments. Trust-building, data sharing, nurturing risk-taking and innovation and capacity building to ensure everyone has access to the necessary technology emerged as key priorities.

A full session devoted to 'Indigenous Peoples and Trade' discussed the need to mainstream the topic of trade and investment helping indigenous people. Over 50 WTO members supported the 'Draft Investment Facilitation for Development (IFD) Agreement' at the WTO that aims to create a transparent, efficient and investor-friendly business climate. A coalition of over 50 trade ministers aimed to provide high-level political direction and guidance to bolster inclusive international cooperation on climate, trade and sustainable development.

Last year, global trade reached a record $32 trillion despite widespread inflation, lingering supply chain issues, geopolitical shocks (including Russia's invasion of Ukraine) and some degree of de-globalisation and geo-economic fragmentation. Now, there are concerns that various headwinds will lead to a significant global economic downturn this year. The problems cannot be solved without multilateralism, cooperation and trade, said Ngozi Okonjo-Iweala, the Director General of the WTO. If the world decouples into even two blocks, that would cost us 5% of real global GDP. Global economic fragmentation, including friend-shoring, is bound to be expensive because it will lead to inefficiencies and duplication and thus to inflation, she cautioned.

The theme of WEF 2023 was 'Cooperation in a Fragmented World'. Beneath the high sounding words during the discussions, willingness to co-operate on trade and investment issues was missing. So, a consensus on the way forward is more likely to elude the negotiators at the WTO.

Source: business-standard.com- Jan 29, 2023

HOME

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India to raise at WTO EU's plan to levy carbon tax on imports

India is likely to raise the issue of carbon tax, to be imposed by the European Union, in the WTO.

According to the minutes of a meeting held in December and chaired by senior officials of the Department of Commerce (DoC), it was decided that "DoC will raise the issue of CBAM (carbon border adjustment mechanism) in all appropriate fora of the WTO CTG / CTD / CTE / CMA."

The said taxation will be implemented in 2026, and the transition period will begin in 2023, when importers in the EU will have to report (every quarter) the related emissions on goods brought in. Short-term measures suggested by officials include "interventions in the Committee on Trade and Environment (CTE), Committee on Market Access (CMA), Committee for Trade and Development (CTD), Council for Trade in Goods (CTG), and coordination with like-minded members for responding to the taxation."

businessline has reviewed a copy of the minutes of the meeting.

India is also exploring the possibility of having its own carbon border adjustment mechanism "based on per capita emissions or per capita cumulative (historical) emissions." The Department of Revenue, in consultation with DEA, DGFT, and DoC, has been asked to look into it.

A representation by a law firm, present at the meeting, pointed out an impact on eight sectors: iron and steel, aluminium, cement, fertiliser, electricity, hydrogen, indirect emissions, and downstream products like screws and bolts. Apart from the Commerce Ministry, officials in attendance were from ministries like the Steel, Chemicals and Petrochemicals, Power, Mines, Petroleum and Natural Gas, Fertilizers, and Department of Economic Affairs, among others.

Iron and Steel Most Vulnerable

With 15 per cent of India's exports going to the EU, the proposed CBAM "could put Indian exporters in a spot." Exports of iron, steel, and aluminum products—the most vulnerable sectors—from India to the EU were around $8 billion and $ 2 billion in 2021–22.

The carbon emission intensity of Indian steel plants ranges between 2.3 and 2.8 tonnes of crude steel produced, which is higher than the global average of 1.8 tonnes.

In the December meeting, the Mines Ministry "expressed concern" at standards being imposed "unilaterally," while it quoted a study to say that "measures (like CBAM) will result in only a 0.1 per cent reduction in greenhouse emissions."

Similarly, the Steel Ministry officials said coking coal is used as a reducing agent and "not as fuel." "It is imperative to assess the carbon emissions industry-wise, entity-wise, and process-wise."

Incidentally, the DEA pointed out that an alternative was the Mineral Expropriation Adjustment Tax. It has been asked to re-share the tax paper with concerned ministries.

Officials also suggested raising the issue "particularly in FTAs," as the proposed mechanism "is certainly a market access issue."

A follow-up meeting on CBAM preparedness, ministry-wise, is likely in February.

Concerns on carbon tax

An office memorandum, circulated amongst the concerned ministries, likened CBAM to an environmental "tax" on imports that the EU was bringing in to prevent "carbon leakage" and also reduce the price gap between imported goods (from less stringent emission regimes) and their domestic produce.

"This would impose additional import duties on certain products," the note said, adding that "the step appears drastic," "could pave way for fractious trade negotiations," and "may bring back protectionism and bring back discretionary taxes."

Source: thehindubusinessline.com- Jan 27, 2023

HOME

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Bangladesh textile manufacturers to display products at Rajkot trade fair

In a first, textile manufactures from Bangladesh will display their products at the SVUM International Trade Show, 2023 to be organised in Rajkot next month while ambassadors of Venezuela and Cuba will also visit the show.

"This year, around 10 textile manufactures of Bangladesh who are members of the India Bangladesh Chamber of Commerce and Industry (IBCCI) will participate in the trade show and will also display their products," Parag Tejura president of Rajkot based SVUM (Saurashtra Vepar Udyog Mahamandal) said in a release on Friday.

Talking to The Indian Express, Tejura said that this will be a big plus for this year's show which will be organised on NSIC Ground near Amul Circle in Rajkot from February 11 to February 13.

"Members of the Agricultural Machinery Manufacturers Association (AMMA) of Bangladesh have been participating in the SVUM trade show for the past few years. But this year, they will be joined by their IBCCI also, giving them new opportunities," said Tejura.

The SVUM president said that more than 100 firms will display their projects at the trade show which will be visited by delegates from countries like Bangladesh, Nepal, Bhutan, Sri Lanka as well as a number of African countries, including Ghana, Sudan, Burkina Faso, Togo, Tanzania, Zambia, Zimbabwe, Uganda, Kenya, Senegal, Congo, Gambia, Gabon etc. "The Cuban and Venezuelan Ambassadors to India have also confirmed that they will visit the show," Tejura added.

Source: indianexpress.com- Jan 27, 2023

HOME

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