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INTERNATIONAL NEWS

Brazil's cotton exports to China jump many folds; not linked to US ban

Brazilian cotton has gained a major market share in China, even though the latter is the largest cotton producer in the world. Trade data indicates that Brazil's cotton exports have soared in value and volume over the last five years, with a sharp increase between 2017 and 2020. The increase is not linked to the US' ban on Xinjiang cotton.

Brazil exported 82.953 million kg of cotton in 2017, valued at $132.393 million. The value and volume of exports more than tripled to 302.981 million kg ($523.495 million) in 2018, and further grew to 501.725 million kg ($820.445 million) in 2019, according to Fibre2Fashion's market insight tool TexPro.

Despite COVID-related disruptions, Brazil exported 658.752 million kg of cotton to China in 2020, valued at $1,016.738 million. However, the volume and value of exports slightly fell to 582.985 million kg ($983.141 million) in 2021, and further eased to 521.499 million kg ($1,082.756 million) in 2022, as per TexPro. Despite the decline in shipments over the last two years, the exports still increased more than three times in terms of volume and value.

The data suggests that the surge in exports from Brazil to China was not solely due to Chinese importers seeking alternative sources of cotton after the US ban on cotton originating from the Xinjiang region of China. The US banned cotton from the region in June 2022.

Source: fibre2fashion.com- Feb 20, 2023

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China's SME index recovers at 88.9 in Jan 2023

China's small and medium-sized enterprises (SMEs) have seen a boost in their activities in January 2023, as the country's economy continues to recover at a steady pace, as per industrial data. The SME Development Index rose to 88.9 last month, a reversal of the previous downward trend.

The index, which is calculated based on a survey of 3,000 SMEs, is 1 point higher from December 2022, marking the largest increase over the past two years. The sub-indexes for eight sectors all rallied in January, with sectors including transport and storage logging the biggest improvement, the China Association of Small and Medium Enterprises said.

The Chinese government has been providing support to SMEs through policies such as tax cuts, fee reductions, and improved access to financing. China's economy has been rebounding strongly, with its gross domestic product (GDP) growing 8.1 per cent in the fourth quarter of 2022, driven by a rebound in exports and increased consumer spending, according to local media reports.

Source: fibre2fashion.com- Feb 17, 2023

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German industrial products producer prices index up 17.8% YoY in Jan

The index of producer prices for industrial products in Germany increased by 17.8 per cent year on year (YoY) in January this year, according to the Federal Statistical Office (Destatis). The price rise at the producer level slowed down for the fourth time in succession. In December and November last year, the increases had been 21.6 per cent and 28.2 per cent respectively.

Compared with the December 2022, the overall index decreased by 1 per cent in January this year, Destatis said in a release based on the preliminary results of its survey.

The reason is the price brake on electricity and natural gas which is valid from January 2023 but will be realised only starting in March 2023. Prices rose significantly for non-durable consumer goods, intermediate goods, durable consumer goods and capital goods as well.

The development of energy prices is the main reason behind the decrease of producer prices on a monthly basis.

Energy prices in the month as a whole were up 32.9 per cent compared to January 2022. Mainly responsible for the high rise of energy prices were the strong price increases of natural gas (distribution) and of electricity.

Compared with December 2022, energy prices fell by 5 per cent in January this year, mainly caused by the decrease of prices for electricity.

Source: fibre2fashion.com- Feb 19, 2023

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Container Prices Are in Freefall

Container demand is sinking as cash-strapped consumers encounter persistent inflation, sending container prices plummeting as a result.

Freight rates on some shipping routes are now back to where they where before the pandemic. Container prices from Asia to the U.S. West Coast in 2023 were 11 percent lower than they were three years ago during January 2020, according to data from container logistics platform provider Container XChange.

In an example of the rapid decline in prices over the past year alone, January's Asia-to-U.S. East Coast container rates were 84 percent lower than in the same month last year, the firm said.

The rate declines extend to European shipping routes as well. A 40-foot high cube container headed for Northern Europe from Asia was approximately $823 in January, down from an average pickup charge of more than $3,000 in the year prior.

Demand dips are leading to more blank sailings than expected, as Ocean Alliance members CMA CGM, Cosco, OOCL and Evergreen have cancelled 53 Asia-Europe westbound sailings scheduled from Jan. 1-Feb. 17.

If demand falls further in the wake of the Chinese New Year, more such blank sailings can be expected. According to Container XChange, blank sailings in Northern Europe increased 715 percent when compared to the figures from 2019.

China feels brunt of trade speed bumps

The dropping prices and general slowdown in freight processed through global ports have broad implications on China's overall container trade market, which is expected to struggle in 2023.

According to the General Administration of Customs (GAC), an administrative government agency within China, December's exports from the sourcing powerhouse dropped by 9.9 percent from a year prior, the largest year-over-year drop since February 2020. That month, the country's imports fell 7.5 percent.

In fact, across 2022, China's shipments to the U.S. fell by 19.5 percent and to the E.U. by 17.5 percent, both as demand falls and as more companies seek alternative sourcing markets.

"Container trends are a crucial barometer of economic progress and global trade, and the current market outlook appears bleak. Container prices and leasing rates are plummeting, with the global shipping industry witnessing a freefall in container rates," said Christian Roeloffs, CEO and co-founder of Container XChange. "The blank sailings have not been able to control the sliding prices, and the mid-term outlook for the industry indicates a slowdown in container trade on the Asia-to-E.U. and Asia-to-America trade lanes. However, contract rates are closer to spot rates, indicating the lack of demand for long-term commitments, which can be attributed to market uncertainty."

When assessing the top-three most-trafficked ports of Asia, including Ningbo and Shanghai in China, as well as the Port of Singapore, Container XChange observed similar year-over-year declines in 20-foot container (TEU) rates across all three.

The average price in Ningbo decreased 48 percent from $2,460 to $1,290, while in Shanghai it fell 46 percent from $2,370 to $1,270 per container, and in Singapore it went down 49 percent from $2,410 to $1,240.

Container costs out of Asia have seen noteworthy decreases even in just the past few months, with average market prices of an individual TEU out of Northeast Asia dropping 9 percent from $1,873 in November 2022 to $1,701 in January 2023. Southeast Asian TEUs had a slightly larger 12 percent drop from $1,871 to $1,642 in that time frame.

"Intra-Asia trade is showing some resilience, with comparatively better demand for containers," Roeloffs said. "Nonetheless, the mid-term outlook does not project demand to rise to the heightened levels witnessed in 2020 and 2021, except for a possible inventory replenishment cycle that may bring about some demand for containers. The falling rates and increased availability of containers in certain regions of the world are indicative of weak demand and slower economic growth."

Container XChange predicted in its recent report, titled Where Are All the Containers?, that with the easing of port congestion in the U.S. and import volumes stabilizing, container rates should begin to normalize towards the latter part of 2023.

For now, as prices fall, so does the expectation that trade's trajectory will follow."The United Nations Conference on Trade and Development (UNCTAD) said that global maritime trade grew just 1.4 percent last year, and is expected to grow by 2.1 percent per year through 2027. This is down from an average of 3.3 percent recorded annual growth in the last 30 years. Russia-China trade activity escalates

While trade may be slowing down overall, one market may actually be an unlikely beneficiary, particularly as China's exports to the U.S. and E.U. decline. In 2022, Russia saw imports from China increase by 8.3 percent. The two markets are further warming up to each other as trade partners. According to GAC, the value of goods traded between China and Russia reached 1.28 trillion yuan ($190 billion) in 2022, a 30 percent jump from 2021, largely due to China's purchases of oil and coal from Russia.

The Container XChange leasing platform found that as of Jan. 17, the average pickup rate for leasing a container from Shanghai to Moscow was $832, down 66 percent from $2,425 in January 2022. Notably, much of the decline happened last year from January to September 2022, when each individual TEU was $898 on average. Since then, container prices from Shanghai to Moscow fell 7 percent.

Source: sourcingjournal.com- Feb 18, 2023

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U.S. Economy Is Squeezing the Cotton Market

It was bound to happen. So says economics, the first course. Once it was Guns or Butter. Today it is Congressional Mandated Gifts versus Guns and Butter. Past drunken spending and giveaways by Congress have caught up with the U.S. This week's U.S. Department of Commerce reports contained news of an economy spinning out of control, with comments cast to look as if the economy was booming.

Inflation continues at a pace above 6% so reported, but the good news was supposed to be that it was no longer exploding but climbing at only a snail's pace. That was followed by the supposed good news that retail sales were up sharply from January. That nugget failed to mention that credit card debt had soared to a record high near a trillion dollars – and some 5% of that was 90 days past due, simply meaning that the past interest was over 90 days past due. That delinquency is estimated to increase to an unstainable 10%. Remember, inflation has pushed interest on credit card debt to over 20% – typically 22-24%.

The "good news" associated with increased retail sales failed to mention the Fed indicated that they had miscalculated, that retail spending was out of control, and that its monthly interest rate increases would have to be reviewed – meaning they will have to return to half point monthly increases next month or at least continue with quarter point increases longer than planned.

The meaning? We cannot write off a recession.

Then, the Congressional Budget Office (CBO), the agency full of economists working directly for the U.S. Congress, publicly warned the Congressmen and Senators that their spending was not sustainable. That mere reprimand sent the equity market down, taking cotton down to the very bottom of its 81-cent support level – a many had felt would not be revisited.

It has now.

What is left on the table is a cotton market with the potential to fall to its first level of support, 78 cents, and that failing, down to 74.50 cents.

Ah, but there is good news. The new crop December has sustained itself at 82 cents and promises to take enough world acreage out of cotton production in 2023 to allow the December 2023 and/or the 2024 new crop contracts to move above 90 cents and challenge higher ground. The trading range for old crop is still much the same: 75-87 cents. However, it will now be a bit of a battle to climb above 85 cents, basis May. The range for new crop is 79-87 cents. Growers holding old crop are advised to take advantage of any move above 85 cents. New crop pricing is on hold.

Weekly export sales were particularly good on the week and occurred when the market was trading 84.50 to 85.50 cents. With current low prices, export sales will be booming the next two weeks. However, it is export shipments, not sales, that matter now. Vietnam, China, Pakistan, Bangladesh, and Turkey were the primary buyers. However, shipments, week after week, fail to meet the pace needed to reach USDA's 12 million bale export estimate. Most all Turkish spinning operations have been impacted by the earthquake as 80% of the Turkish cotton spinning capacity was in the hardest hit region.

Turkey and Pakistan have purchased 3.4 million bales of U.S. cotton. However, only 1.2 million bales have been shipped. Pakistani mills are having great difficulty in opening letters of credit, and that has significantly slowed U.S. exports to that country. The problems facing Turkey will require at least a year to even somewhat resolve in most cases. Thus, it is difficult to expect U.S. exports to excel 11.8 million bales and could fall as low as 11.6 million.

The January-based National Cotton Council grower survey revealed grower intentions of planting 11.4 million acres. Historically, the survey has been fully accurate. Recall the December-based survey conducted by Cotton Grower magazine suggested plantings of 11.6 million. Thus, the market should have good faith that planting will range between 11.3 and 11.6 million acres. Demand remains the bearish culprit that is directing market direction. The Pakistani economic problems coupled with the Turkish disaster have taken center stage in the demand picture.

I want to be wrong, wrong, wrong. But I remain a bear.

Source: sourcingjournal.com- Feb 16, 2023

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Indian spinning mills may benefit due to production hubs being hit in Turkey

Turkey's hub of spinning mills has been affected by the earthquake which is the reason many Indian mills and exporters are now receiving higher trade enquiries from Turkey as well as European nations which import yarn from the country. These increased enquiries may benefit the Indian exporters but there is a chance that this might go negatively for them as well.

MD, Square Corporation, a Punjab-based yarn manufacturing and export company was quoted as saying, "Indian spinners are receiving more trade enquiries from Turkish buyers. They need to source yarn from alternative sources, and India is in a better position to supply it." He also added that these enquiries are not just coming from Turkey but also from European nations which import yarn from the country. This may result in benefits for Indian spinning mills for the next few months. For price parity, he said that due to the abundance of stocks available in India, buyers will have to source their yarn from the country.

Some industry sources, however, feel that due to the disaster destroying Turkey's factories and transport infrastructure, the exports of textile products to the country may get affected. But according to Verma, as of now, the Indian mills are receiving better trade enquiries and there is no expectation that yarn exports will be affected. China might be affected since it was the major supplier to the Turkish consumer industry.

The largest textile product imported by Turkey from India is yarn. During January to November 2022, yarn worth US $ 765.475 million was imported by Turkey. In 2021, that number was US $ 534.392 million and it was US $ 380.587 million in 2020. Imports of fibres stood at US $ 106.57 million till November and was US $ 100.987 million in 2021 and US $ 87.234 million in 2020.

Turkiye's garment imports were US $ 50.165 million in 2022 (till November), US $ 25.913 million in 2021 and US $ 26.891 million in 2020. Fabric imports were US $ 28.180 million in 2022 (till November), US $ 25.260 million in 2021 and US $ 18.997 million in 2020.

Source: apparelresources.com- Feb 18, 2023

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Jordan's garment exports up in Jan-Oct 2022, US biggest buyer

Jordan’s apparel exports to the world were $1.827 billion during January-October 2022, up slightly from the exports of $1.807 billion in the year 2021. The export till December 2022 may surpass the figure of 2019 when the country’s exports were valued at $1.939 billion.

Jordan's apparel exports increased from $1.747 billion in 2018 to $1.807 billion in 2021, partially recovering from a slip to $1.640 billion in 2020 due to the impact of COVID-19 on economic activities in Jordan and worldwide, according to Fibre2Fashion’s market insight tool TexPro. It is anticipated that the exports will fully recover in 2022 as economic activities improve.

Jordan's apparel exports have seen impressive growth in recent quarters. In Q1 2022, the shipment increased to $433.289 million, up from $377.646 million in Q4 2021. In Q2 and Q3 2022, it further rose to $583.643 million and $660.395 million, respectively.

However, the monthly exports slipped in October 2022 to reach $149.702 million. In June, July, August, and September 2022, Jordan's exports stood at $243.464 million, $194.633 million, $267.373 million, and $198.399 million, respectively.

The US is the largest market for Jordan's apparel exports, accounting for more than three-quarters of its supply. According to TexPro, other major markets for Jordan's apparel exports are Canada, the UK, the Netherlands, Belgium, and Singapore.

Source: fibre2fashion.com- Feb 18, 2023

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Stronger FDI likely into Vietnam: JETRO chief representative in Hanoi

Though foreign direct investment (FDI) inflow into Vietnam is reducing, chief representative of the Japan External Trade Organisation (JETRO) in Hanoi Nakajima Takeo is optimistic that it will become stronger in future. Apart from Japanese companies, those from Singapore, South Korea and Taiwan are also eyeing the Vietnamese market.

The results of a survey conducted on 3,100 Japanese businesses found Vietnam ranks fourth in the world in terms of export destinations for Japanese firms, second only behind the United States in attracting Japan's foreign investment, and this shows the great interest of Japanese businesses in Vietnam, Takeo said.

In the JETRO survey on Japanese investment in Asia and Oceania in 2022 that received responses from 603 Japanese enterprises operating in Vietnam, three-fifths of the enterprises said they will expand their investment in Vietnam in the next one to two years—up by 4.7 points from the previous year.

It was the third highest among Southeast Asian countries after India (72.5 per cent) and Bangladesh (71.6 per cent).

Investment funds and investors from Singapore and Brunei too have confirmed their interest in investing in Vietnam, a news agency reported.

Red River Delta is the second largest FDI zone in the country, accounting for 31.4 per cent of the total FDI that Vietnam has attracted in the past 35 years. Hanoi, Bac Ninh, Vinh Phuc, Quang Ninh, Thai Binh and Hai Phong are the 'magnets' attracting investment in recent years in that region.

Source: fibre2fashion.com- Feb 19, 2023

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Pakistan: Textile exports post 3% decline in Jan

In rupee terms, exports clocked in at Rs309 billion, increasing by 2% MoM.

"Value-added textile exports fell by 3% MoM to $932 million mainly due to an 8% drop in the exports of readymade garments and knitwear and 5% drop MoM, said Nasheed Malik, Textile Analyst at Topline Research.

Towel and bed-wear exports, however, witnessed an increase of 11% and 1% MoM, respectively. Basic textiles also showed an increase of 5% MoM to $231million in January 2023.

Speaking to The Express Tribune, Securities Textile Textile Analyst, Ali Asif said, "Textile exports remained weak in January mainly due to the demand and supply challenges being faced by the sector. Global recession, which reduced the purchasing power in key export markets, also resulted in lower bookings of orders."

"Inventory piled up at large global retailers, while gas shortages and increased costs of working capital in the country also played a role in the decline," he said.

In volume terms, recovery was witnessed in value-added exports with knitwear, towels and bed-wear increasing by 13%, 10% and 8% MoM respectively, according to a Topline Securities report. Among basic textile, cotton yarn exports increased by 39% MoM whereas the export of cotton cloth declined by 6% MoM.

As compared to January 2022, Pakistan's textile exports dropped by 15% YoY, up 13% YoY in rupee terms due to a 13% YoY decline in value-added and 24% YoY in basic segment as global demand slowed down, the Topline Securities report added.

A YoY decline in value-added bed-wear, knitwear and readymade garments was recorded at 20%, 13%, and 11% respectively. In volumetric terms, bed-wear and knitwear declined by 16% and 10% YoY, respectively.

"A slump in global demand is the reason behind the continuous decline in textile exports and the trend is expected to continue in the coming months. The increase in gas and electricity tariffs will also make the country's

textile exports even more uncompetitive against regional countries," warned Arsalan Hanif, Textile sector Analyst."The mini budget and huge increase in gas and electricity tariff is disastrous for the economy and industry," said Faisal Moiz Khan, President of the North Karachi Association of Trade and Industry (NKATI). If the government does not withdraw the increase in taxes and tariffs made through the mini budget, industries will have to shut down. This will also render millions of workers jobless while exports will also be adversely affected, he cautioned.

The NKATI president said that the government has increased the gas and electricity tariffs and, at the same time, also indicated that the subsidy will be phased out, which will further increase the cost of production.

In the first seven months of FY2023, Pakistan recorded textile exports of $10.04 billion, down by 8% YoY and up 21% YoY in rupee terms.

Source: tribune.com.pk- Feb 18, 2023

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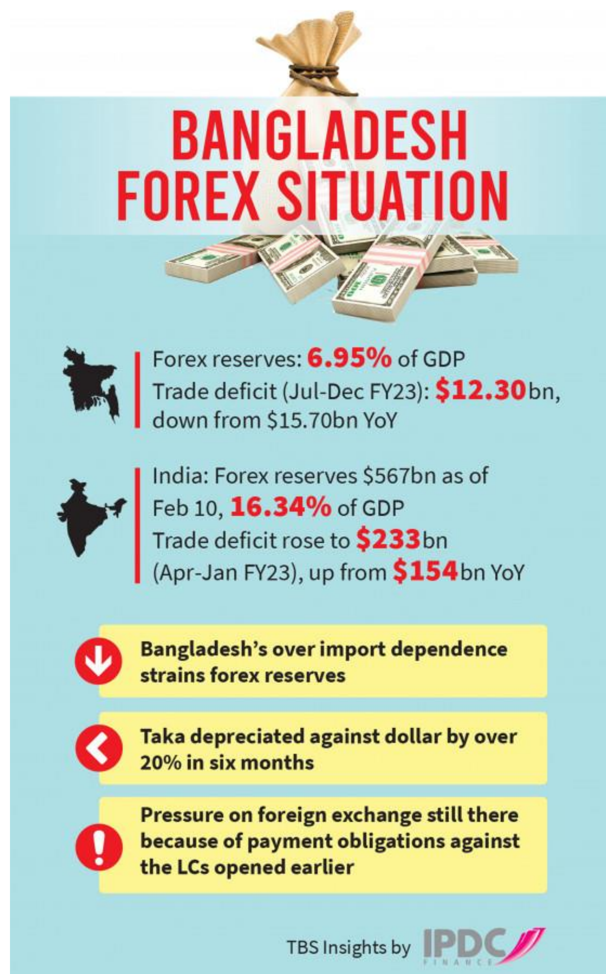
Why is Bangladesh facing a dollar crisis while others are not?

"Please give us dollars. We cannot open Letters of Credit to import raw materials." The statement was made by a top businessman who is involved in diversified sectors - from steel to cement, textile, financial institution and others.



The situation looks bleak when we see drug makers facing the same crisis and saying they won't be able to produce drugs if the situation doesn't improve soon. Consumer products giants, who are the most sought-after clients by banks in normal times, are struggling to import essential commodities.

Even importers of some crucial medical products such as blood bags are not getting dollars to open LCs. Why? It doesn't require tens of millions of dollars to import those. Bangladesh needs only nine lakh bags per year, with each bag costing less than TK100, for a total of less than TK10 crore, or approximately $1 million. But banks are unable to provide this paltry sum.

Hundred percent import-oriented businesses are in desperation as they are not receiving any dollars, making it difficult for them to survive. Apart from a few exporters who have enough dollars to meet their own needs, businesses have been suffering from the lack of greenbacks for the last six months. Businesses fear that the situation may not improve even in the next few months, as the International Monetary Fund has asked the Bangladesh Bank to increase its foreign exchange reserves. This means that the BB may not be able to supply enough dollars to meet the demand.

In comparison to Bangladesh, India is managing its financial situation better even though they have similar economic indicators such as per capita income, proportionate GDP, and comparable exports and imports. Why is Bangladesh facing these challenges, even though the situation is far better than that of Pakistan and Sri Lanka?

The ongoing crisis has exposed several weaknesses in Bangladesh's financial management. The country has seen a decrease in its foreign exchange reserves and the local currency, the taka, has depreciated against the dollar by over 20% in six months, causing difficulties for businesses and importers who are struggling to acquire the greenback.
Why Bangladesh is feeling the pinch and others aren't

One major factor contributing to Bangladesh's financial crisis is the country's overreliance on imports and the lack of local production of raw materials and goods, putting a strain on the country's foreign exchange reserves.

Bangladesh has to import almost everything – from food grains to sugar, edible oil, spices, petroleum products, fertiliser, cotton, yarn, chemicals, machines, raw materials for all kinds of manufacturing units, spices and more. When the Russia-Ukraine war began in February last year, prices of commodities skyrocketed along with a disruption of the supply chain.

Consequently, Bangladesh's import bills for FY22 surged to $82.49 billion, a 36% growth from a year ago. In comparison, import has gone down significantly this year – less than $6 billion per month from an average of over $7 billion last year - and the prices of some commodities are on a decline. So what is the problem now? Why is the situation not improving yet?

According to bankers, the pressure on foreign exchange is still there because of the payment obligations against the LCs they had opened several months ago.

Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh (SCB) and president of the Foreign Investors Chamber of Commerce and Industry (FICCI), said the good news is that new LC issuance has come down in recent months. But it may take a few more months to clear the payments against LCs issued before September 2022.

According to him, the next few months are crucial to ensure the stability in the foreign exchange market which will require maintaining the momentum of export growth in the face of the looming risk of recession in Europe and America.

Were BB measures enough and effective?

In May last year, the Bangladesh Bank first imposed restrictions on imports of some goods. It enhanced the margin for opening LCs at a minimum 75% for motor cars, home appliances, electronics and electrical products. For all other goods, the margin was set at 50% excluding baby food, essential food items and fuel, life-saving medicines, local and export-oriented industries and agriculture related products. Later, the LC margin was increased to 100% for some goods, such as motor cars.

Treasury bankers said the practice of restricting imports by increasing the LC margin is an old concept. In the past, some countries have used this policy with some success. For example, in the 1980s, India increased LC margins to curb imports and boost domestic production. The policy was successful in reducing imports and increasing domestic production, but it also led to a shortage of certain imported goods and higher prices for consumers.

But Bangladesh's present crisis is with the dollars and not the taka. Importers who are ready to import with even 100% LC margin are not getting the greenback from banks.

The 1997 financial crisis in Southeast Asia, also known as the Asian financial crisis, had a profound impact on the region's economies. To manage their exchange rates during the crisis, different economies in Southeast Asia employed different strategies.

For example, countries, such as Malaysia and the Philippines, had floating exchange rate systems, which allowed their currencies to fluctuate in response to market forces. To stem the outflow of capital and support their currencies, these countries intervened in the foreign exchange market by selling their own currency and buying foreign currency. They also implemented capital controls to limit the movement of funds in and out of the country.

At that time, Singapore adopted a basket peg for its currency rather than a single currency. This provided some flexibility for the country to manage its exchange rate during the crisis as it allowed the central bank to adjust the weight of different currencies in the basket to respond to market conditions.

Should Bangladesh go for a market-based exchange rate?

Bangladesh introduced floating exchange (market-based) rate in 2003, but it was never market-driven as the BB always controlled it.

While controlling the exchange rate can have benefits, such as competitiveness, stability and supporting the monetary policy stance, it can also have significant drawbacks, including depleting foreign exchange reserves and inefficiency.

Analysts and bankers have long been saying that the exchange rate should be left to the market, but the BB did not pay heed to their call until August last year when they felt that they could not supply enough dollars from the reserves to meet the market demand. But that was also a puzzling decision as BB allowed banks and foreign exchange dealers to introduce three exchange rates – one each for remitters, exporters and importers.

Should Bangladesh adopt a basket to peg its currency?

Bangladesh pegs its currency, the taka, to the US dollar, meaning that the value of the taka is fixed relative to the US dollar, and the Bangladesh Bank actively manages the exchange rate to maintain the peg. In practice, this involves buying or selling dollars in the foreign exchange market to keep the exchange rate within a narrow band. The single currency peg provided a stable exchange rate, which helped the country to reduce inflation and promote economic growth by providing a predictable environment for businesses and investors.

Advantages of pegging to a basket of currencies include reduced dependence on a single currency, which can help to mitigate exchange rate volatility, and improved diversification of the economy.

On the other hand, a basket peg can be more difficult to manage and can result in a less stable exchange rate if the currencies in the basket are not well-aligned.

Ultimately, the decision of whether to switch to a basket peg will depend on the specific economic and financial circumstances in Bangladesh, and the trade-offs between stability, diversification, and manageability of the exchange rate. It is important for policymakers to carefully consider the benefits and drawbacks of each approach before making a decision.

Did Bangladesh do enough to bring in remittance?

Bangladesh received nearly $25 billion from expatriates in the pandemic-hit FY21 and it came down to $21 billion in FY22 despite raising cash incentive to 2.5% from 2%. In the first seven months of the ongoing fiscal year (FY23), $12.45 billion came into the country.

Some 11 lakh Bangladeshis left the country for overseas employment only in 2022, but it is yet to be reflected in the inflow of remittances. Everyone – including central bankers, finance ministry officials, commercial bankers and economists – was talking about channelling remittances through banks instead of Hundi (informal channel). It seems we are serious about rhetoric not actions.

Take the cases of some countries that took initiatives to boost the inflow of remittances in a bid to manage their depleting foreign reserves and exchange rate volatility.

Mexico has implemented various measures to encourage the use of formal channels for remittances, including tax incentives for banks that offer remittance services. The Egyptian government has taken steps to promote the use of formal remittance channels and has established a remittance clearing house to improve the speed and efficiency of remittances.

The Central Bank of the Philippines has implemented policies to encourage the use of formal channels for remittances, such as banks and money transfer operators, to improve the monitoring and stability of the inflow of remittances. The Indian government has taken steps to streamline the remittance process, including simplifying regulations and reducing the cost of remitting money.

These measures have helped to increase the inflow of remittances and improve the stability of foreign reserves and exchange rates in these countries. However, it is important to note that each country's situation is unique, and the specific measures that work best will depend on the country's circumstances.

There should be a remittance campaign to bring in money from the overseas Bangladeshis, according to prominent businessman Kutubuddin Ahmed, founder chairman of Envoy Textiles and Sheltech.

He said in the 1990s India took several steps to make it easier for Indians living abroad to send money back to India, including offering incentives and simplifying the process. The aim was to increase the inflow of foreign currency and improve the country's foreign exchange reserves, which were depleted due to high trade deficits and the high demand for foreign currencies. The campaign was successful and India was able to shore up its foreign currency reserves, stabilise its currency, and address the crisis.

Source: tbsnews.net- Feb 19, 2023

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NATIONAL NEWS

CEPA with UAE gave boost to Indian entrepreneurs, deepened bilateral ties: PM Modi

Prime Minister Narendra Modi on Sunday said the Comprehensive Economic Partnership Agreement (CEPA) with the UAE has given a boost to Indian entrepreneurs and also deepened ties with the Gulf country.

India and the United Arab Emirates (UAE) inked a CEPA on February 18 last year to boost trade ties following a virtual summit between Prime Minister Modi and Crown Prince of Abu Dhabi Sheikh Mohammed bin Zayed Al Nahyan.

Tagging a tweet by Commerce and Industries Minister Piyush Goyal in which he shared an article jointly written by UAE Minister of State for Foreign Trade Thani bin Ahmed Al Zeyoudi and him on one year of CEPA, Modi said the CEPA with the UAE has given a boost to Indian entrepreneurs and has also deepened our ties with UAE.

The trade pact was signed last year by Commerce Minister Goyal and Economy Minister of the UAE Abdulla bin Touq Al Marri.

Source: thehindubusinessline.com - Feb 20, 2023

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India's economic activity cools in January amid slowdown fears

India's economic activity cooled off at the start of the year as higher borrowing costs tempered demand at home and abroad, signaling more pain ahead as the global economy slows down.

The needle on a dial measuring so-called animal spirits moved left and was back where it was for six straight months before showing momentum in December. Falling exports and a slack in manufacturing and services drove the weakness in business activity, offsetting improvement in consumption drivers reflected by tax collections and job growth, according to eight high-frequency indicators tracked by Bloomberg.

Domestic recovery, that has been driving momentum so far, is getting wobbly. The Reserve Bank of India, which has raised borrowing costs six times since May to 6.50 per cent, is seen increasing interest rates again in its April review amid inflation topping estimates and further tightening by global central banks.

Bloomberg's animal spirits barometer uses a three-month weighted average to smooth out volatility in single-month readings. Below are more details:

Business activity

"Although manufacturers received new orders from international markets, the increase was slight at best and moderated considerably to a ten-month low," said Pollyanna De Lima, economics associate director at S&P Global Market Intelligence.

Exports

Exports fell 6.58 per cent in January from a year ago to $32.9 billion, data released by the Trade Ministry showed, indicating lower demand for goods abroad. Imports dropped 3.63 per cent from a year earlier and that pushed the trade gap to the lowest in a year, fueling hopes of a significantly narrower current account deficit.

The sharp fall in imports reflects the moderation in discretionary demand in the goods sector and the decline in commodity prices, said Garima Kapoor, economist at Elara Capital.

Consumer activity

Liquidity in the banking system tightened, but credit growth picked up again, rising 16.33 per cent in January, from 14.87 per cent in December, Reserve Bank of India data show.

Goods and services tax collections, which help measure consumption in the economy, rose 10.5 per cent from a year earlier to 1.56 trillion rupees ($18.9 billion) — a feat achieved only once before in the history of the levy introduced in 2017. New vehicle registrations surged 14 per cent in the month, with passenger vehicle sales growing 22 per cent year-on-year, according to data from the Federation of Automobile Dealers' Associations.

Market sentiment

Electricity consumption, a widely used proxy to gauge demand in the industrial and manufacturing sectors, held steady, with the peak requirement last month rising to 173 gigawatt from 171 gigawatt in December due to increased heating requirements. India's unemployment rate dropped to 7.14 per cent, from a 16-month high of 8.30 per cent a month ago, according to data from the Centre for Monitoring Indian Economy Pvt.

Source: thehindubusinessline.com - Feb 20, 2023

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FinMin to meet heads of banks on Feb 22; to review progress ECLGS for MSMEs

The finance ministry has called a meeting of heads of public sector banks and top four private sector lenders to review the progress of the emergency credit line guarantee scheme (ECLGS) to help businesses affected by COVID-19.

The meeting is scheduled to be held on February 22 to review progress on ECLGS and Loan Guarantee Scheme for COVID-Affected Sectors (LGSCAS), sources said.

The meeting, to be chaired by Financial Services Secretary Vivek Joshi, would also see participation from top private sector lenders HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank.

Extension of ECLGS and LGSCAS beyond March 31 as well as challenges related to these would be deliberated.

ECLGS was announced as part of the Atmanirbhar Bharat Package in May 2020 with the objective to help businesses including MSMEs to meet their operational liabilities and resume businesses in view of the distress caused by the COVID-19 crisis, by providing banks, 100 per cent guarantee against any losses suffered by them due to non-repayment of the funding by borrowers.

The overall ceiling initially announced for ECLGS was Rs 3 lakh crore which was subsequently enhanced to Rs 4.5 lakh crore.

Subsequently, the Union Budget 2022-23 announced extension validity of the Scheme up to March 2023 and increase in the limit of guaranteed cover of ECLGS by Rs 50,000 crore to a total cover of Rs 5 lakh crore, with the additional amount being earmarked exclusively for the enterprises in hospitality and related sectors.

Finance Minister Nirmala Sitharaman in the latest Budget said, "Last year, I proposed revamping the credit guarantee scheme for MSMEs. I am happy to announce that the revamped scheme will take effect from 1st April 2023 through the infusion of Rs 9,000 crore in the corpus.

"This will enable additional collateral-free guaranteed credit of Rs 2 lakh crore. Further, the cost of the credit will be reduced by about 1 per cent." To ensure easy and softer repayment terms on the credit extended to the MSME sector, the government has capped the interest rate under ECLGS scheme at 9.25 per cent for Banks and Financial Institutions and 14 per cent for Non-Banking Financial Institutions. This scheme also offers a one-year moratorium on payment of the principle component.

According to a study, ECLGS has helped save at least 14.6 lakh MSMEs which benefited from Rs 2.2 lakh crore in additional credit. This additional credit flow has saved around 12 per cent of the outstanding MSME (Micro, Small and Medium Enterprises) credit from slipping into NPAs.

With the change in MSME definition, in 2020 the government mandated all the MSMEs to register under the Udyam portal, which according to the report, is the way forward for the sector.

A total of 1.33 crore MSMEs have Udyam certification now. As against this, the number of GST registration is only 1.40 crore.

Source: business-standard.com - Feb 19, 2023

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Calibrated trade policy generating export-led eco growth and create jobs imperative for India: Experts

A carefully calibrated trade policy which can generate export-led economic growth and create jobs will be an integral part of a future-oriented economic policy for India. Towards this end, global public policy and advocacy body CUTS International organised a closed-door meeting of a group of eminent trade and economic policy experts in New Delhi to deliberate on how to foster a narrative of trade optimism and counter trade skepticism in India.

This gains salience given that the government of India is looking to pursue an export-led growth strategy and Global Value Chain (GVC) integration, at a time when even globally, firms are looking to derisk and diversify. It is notable that growth in exports can translate into a significant boost in both GDP and employment.

Experts recognised the need to prioritise and consolidate the export potential of certain sectors, including those which have been India's traditional export strengths (garments, gems and jewelry, pharmaceuticals, marine products etc.). This should be accompanied by a focus on greater value-addition even within these product groups. While India is already undertaking policy measures to improve its performance in capital-intensive and skill-intensive exports, there was a sense that more needed to be done to enhance India's labour-intensive exports.

The need to bolster overall levels of competitiveness by upgrading logistics, involving state and local administrations, and entering into Free Trade Agreements (FTAs) was also highlighted. Experts also weighed in on the need to have in-built mechanisms for pursuing cooperation on standards, for example, through Mutual Recognition Agreements (MRAs) at the time of entry into force of FTAs itself, rather than leaving them to be dealt with later.

Many in the room raised the issue of the absence of evidence-backed, data-supported analytical studies which can support arguments and positions on India's trade policy. The corresponding need for rigorous studies based on an empirical orientation and precise calculations based on robust quantitative data, which can feed into the negotiating processes, was highlighted.

Overall, there was recognition that a lot more effort is required on the front of quantitative analysis in India, in terms of both data collection and modeling. The issue of approach and capacity also came up in the context of limited capacity on matters of international law. Experts observed that there was a tendency to consider economic affairs almost entirely from the lens of economic gains and losses, with lesser focus on ascertaining their potential legal and regulatory implications.

Another important theme that came up for discussion was the peril of overemphasising trade (in particular giving disproportionate attention to merchandise trade and tariffs) over services and investment-related aspects. The bifurcation of matters into 'trade' and 'investment', an approach which has come to be preferred by India in the recent years, rather than treating them as parts of a unified whole, may be to India's detriment given how inextricably linked trade and investment have become.

There was a sense that India's trade negotiating strategy, while adequately taking into account domestic producer concerns, needed to convey to its trading partners that India is genuinely interested in pursuing trade liberalisation and enhancing trading relations. Equally, trade agreements needed to reflect living realities, in sync with the concerns and priorities of firms who are actually participating in the international trade of goods and services.

Finally, the discussions touched upon questions of narrative-building, essentially underlining the need for stakeholders to disseminate information and supportive accounts of the transformative potential of international trade for India. Greater political buy-in may be realised through such reiterations, and this can stimulate further reform.

More efforts are required to publicise how much employment and growth can be generated, and how trade can help improve the standards of living for all in the longer term, even if there may be adjustment costs associated with trade liberalisation in the short term.

In sum, the aim must be to achieve an optimum messaging which takes into account both the numbers and the narrative, in order to achieve maximum societal endorsement for a trade-led economic growth strategy for India.

The session was chaired by Pradeep S Mehta, Secretary General, CUTS International. The participants in this closed-door, informal meeting included Abhishek Manu Singhvi, Montek Singh Ahluwalia, V S Seshadri, Surjit Bhalla, Sachin Chaturvedi, Sumanta Chaudhuri, Pritam Banerjee, Prabhash Ranjan, Gopal Agarwal and Sanjaya Baru, all of whom took part in their personal capacities.

Source: economictimes.com - Feb 19, 2023

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India-UAE Business Council launched to boost bilateral trade and investment

Marking the first anniversary of the India-UAE Comprehensive Economic Partnership Agreement (CEPA), the two sides have launched the UAE chapter of their joint business chamber to bolster economic ties and facilitate enhancing bilateral trade and investment. India and the United Arab Emirates (UAE) inked a CEPA on February 18 last year to boost trade ties following a virtual summit between Prime Minister Narendra Modi and Crown Prince of Abu Dhabi Sheikh Mohammed bin Zayed Al Nahyan.

The UAE India Business Council - UAE Chapter (UIBC-UC) was launched on Saturday by Thani bin Ahmed Al Zeyoudi, UAE Minister of State for Foreign Trade, in the presence of Ambassador of India to the UAE, Sunjay Sudhir, Consul General of India in Dubai Aman Puri and founding members of the UBIC-UC.

The two nations aim to increase bilateral trade to USD 100 billion and attract USD 75 billion in investment from the UAE to India.

The UIBC-UC is poised to play a crucial role in supporting both governments in achieving these objectives and maximising the potential of the UAE-India relationship.

By leveraging the strong bond between the two nations, the council brings together key partners and stakeholders from both nations and will serve as a valuable source of policy guidance, fostering innovative collaboration between Emirati and Indian businesses.

Speaking on this occasion, Minister Zeyoudi highlighted that the establishment of the UAE Chapter of the UAE India Business Council marks a significant moment in the deepening of the relationship between the United Arab Emirates and India.

He also mentioned that the Council will play a critical role in supporting the two governments in their joint mission to boost bilateral trade and investment. He expressed confidence that it will catalyse innovative collaboration between our two great nations.

Ambassador Sudhir said, "The launch today marks a significant milestone in the strengthening of the relationship between the United Arab Emirates and India."

The UIBC-UC will serve as the counterpart organisation to the UIBC India Chapter, which was established in New Delhi on September 3, 2015, by Sheikh Abdullah bin Zayed Al Nahyan, UAE Minister for Foreign Affairs and International Cooperation, and Sushma Swaraj, then Minister of External Affairs of India.

The UAE India Business Council - UAE Chapter (UIBC-UC) has been set up with the approval of UAE's Ministry of Foreign Affairs and International Cooperation and the Ministry of External Affairs, Government of India.

The UIBC-UC will operate under the supervision of the Federation of UAE Chambers of Commerce & Industry and has been registered as a legal and financial entity with the Dubai Chamber of Commerce. The council will have its office in Abu Dhabi and will be a pan UAE body focussing on promoting trade and investment relations between the UAE and India. Membership to UIBC-UC will be by invitation only, and institutional members will be invited over time.

Faizal Kottikollon, Chairman, of KEF Holdings, who has been appointed as the Chairman of UIBC-UC, said the council's focus will be to identify significant strategic projects that can be undertaken by both countries.

"This includes investments in large infrastructure projects in India, advancements in manufacturing and technology, and providing Indian manufacturers with the ability to use the UAE as a base for their global expansion," he said.

Rizwan Soomar, CEO & MD (India Subcontinent) at DP World, will serve as the Co-Chairman of UIBC-UC.

Major General (Retd.) Sharafuddin Sharaf, who serves as the Chairman of the UIBC India Chapter, will also hold the position of Vice Chairman of UIBC-UC.

The founding members of the UIBC-UC from the UAE side are Mubadala - Sovereign Wealth Fund of the UAE, Wizz Financial, DP World, EMAAR, Emirates Airlines, and Emirates NBD Bank.

From the Indian side, large conglomerates such as TATA, Reliance, and Adani as well as tech innovators like OLA, Zerodha, Udaan, and EaseMyTrip along with prominent Indian entrepreneur led Corporations based in the UAE such as KEF Holdings, Buimerc Corporation, Apparel Group, EFS and Lulu Financial are represented.

Source: economictimes.com - Feb 19, 2023

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Govt may bring 151 technical textile items under quality control order

The government is considering the inclusion of 151 technical textile items under the Quality Control Order, a move expected to curb substandard imports, an official said on Friday.

The move assumes significance as India has heavy import dependence on machinery and specialty fibre for technical textiles.

To deliberate upon the issue, stakeholder consultations will be held on February 28, Joint Secretary in the Ministry of Textiles Rajeev Saxena said, adding that "151 items now we are considering to bring under quality control order".

However, he did not specify these identified items.

Technical Textiles can be described as textile materials and products used primarily for their technical performance and functional properties rather than their aesthetics or decorative characteristics.

They can be classified into industrial, functional, performance, engineering, invisible and hi-tech categories.

Of USD 260 billion market size globally, India's technical textiles contribution was USD 20.5 billion in 2020.

Domestic exports from the technical textiles segment stood at USD 2.8 billion in 2021 as compared to USD 126 billion worldwide.

Source: business-standard.com - Feb 17, 2023

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Warning signals in new trade data

Trade data released last week showed that India's exports and imports have contracted for the second straight month in January. This persisting weakness in the country's trade data points towards slowing economic momentum across both the domestic and global economy. This is a worrying sign. The disaggregated data suggests that the fall since the second half of last year has been driven by both price and volume effects.

Though, as a consequence, the merchandise trade deficit has narrowed in January, falling to its lowest level over the past year. While the sharp rise in the current account deficit in the second quarter of this year (4.4 per cent of GDP) had raised concerns over its financing, the trends in goods and services exports and imports in the period thereafter suggest that the deficit is likely to have peaked.

Data released by the Ministry of Commerce and Industry showed that India's exports contracted by 6.6 per cent in January. As per a report by investment house Nomura, excluding oil, gold, gems and jewellery, core-exports fell by 7.5 per cent. Worryingly, core-exports have fallen in four of the last five months as per the report, signalling the sharp slowdown in global demand as central banks across the world have tightened monetary policy to tackle inflation.

Within core-exports, while exports of electronic goods were healthy in January, most other segments, including the labour intensive sectors such as textiles, witnessed a decline. In fact, a majority of the 30 major export segments witnessed a contraction in January.

On the other side, the latest data also shows that overall imports contracted by 3.6 per cent in January. While the 70.8 per cent fall in gold imports is indeed welcome news — high gold imports have contributed to the widening of the deficit in the past — the disaggregated data shows that imports, excluding oil, gold and jewellery, fell in January. This indicates a softening of domestic demand.

In its latest world economic outlook, the International Monetary Fund has pegged global growth to slow down to 2.9 per cent in 2023, from 3.4 per cent in 2022. The Fund has also projected growth in world trade volumes (in goods and services) at 2.4 per cent this year, down from 5.4 per cent the year before.

Slowing global economy and world trade suggest that the fall in India's exports can intensify further. This will imply that the boost from exports to the broader Indian economy that was observed over the past financial year is unlikely to materialise now.

With the other drivers of growth constrained in their ability to stimulate growth, at this critical juncture, the policy apparatus should be guided by the objective of facilitating exports and deepening India's trade relations.

Source: indianexpress.com - Feb 20, 2023

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Global majors finally return to Tiruppur after a long dry spell

Following a gap of several months, global brands like Walmart have started lifting orders from Tiruppur's garment makers, leading to growth in knitwear exports in January after five months. Knitwear exports from Tiruppur increased 1.5 per cent in dollar terms and 11.6 per cent in rupee terms in January.

According to the Tiruppur Exporters' Association (TEA), global majors have started placing more orders from the region.

At one point, suffering from the aftershocks of demonetisation and the implementation of the goods and services tax, the garment units in Tiruppur had fallen silent during the pandemic as high yarn prices spun trouble for them. But it's a different picture now. They have woven a revival story - are spinning dreams and have sewn the Covid wounds.

"Walmart has started lifting orders from January. We have seen orders of about Rs 80-100 crore," said Sivaswamy Sakthivel, executive secretary, TEA.

"We are now getting orders from all the big brands like Primark and Walmart," said K M Subramanian, president, TEA.

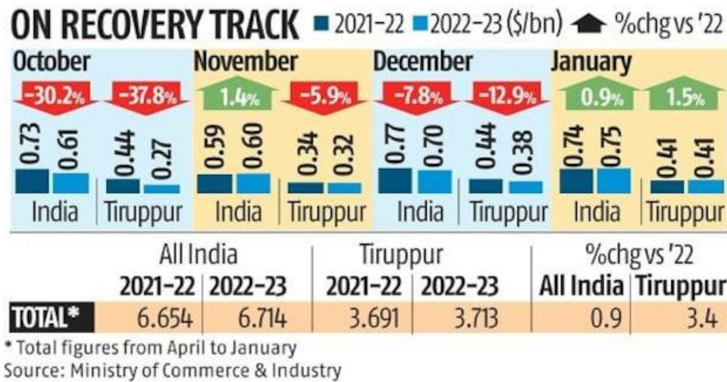
In January, exports from Tiruppur increased 1.5 per cent - from $407 million in 2021-22 to $413 million in 2022-23.

The rise in exports comes after a drop of 14.7 per cent in August, 30.7 per cent in September, 37.8 per cent in October, 6.9 per cent in November, and 12.9 per cent in December.

The dip in exports was mainly due to waning demand from Europe and the US because of recession, inflation, and the Russia-Ukraine stand-off.

According to industry experts, the pandemic created a tale of two economies: those who were able to save, and those who struggled to make ends meet. Personal health remained a priority, while fears over finances grew.

Purchases were largely centred on the most basic needs, shopping more consciously, buying local, and embracing digital commerce in the period under review. In addition, volatility in cotton and yarn prices and competing countries, such as Bangladesh, Vietnam, and Thailand, quoting lesser prices for their garments affected demand before January.



While exports saw a 0.9 per cent increase to $6.7 billion during the first 10 months of the financial year, notwithstanding the plunge in the last five months, exports from Tiruppur went up 3.4 per cent. The region's exports increased to $3.713 billion between April and January of 2022-23, against $3.69 billion during the same period in 2021-22.

Subramanian indicated that factories in Türkiye shutting down and a reduction in the inventory level of buyers, too, helped the region receive more orders. Of the total knitwear exports from India, 63 per cent goes to the US (34 per cent) and Europe (29 per cent), followed by 9 per cent to the UK.

"When demand hit a lean patch, the spinning mills were caught in a tight knot, running only four/five days a week. Now, they run seven days a week. This means there is a pressing need and international entities are evincing keen interest," added Sakthivel.

According to TEA, the Christmas season and New Year sales have pushed up exports that were seen careening downhill. "Prices have also started to taper off with yarn prices down," he said.

For the entire country, readymade garment exports during the month declined 3.45 per cent to $1.493 billion, compared with $1.546 billion last year.

Source: business-standard.com - Feb 16, 2023

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Technotex 2023 to attract over 150 technical textiles exhibitors, 250 buyers

To boost manufacturing and research in the technical textiles sector, the Textile Ministry will host `Technotex 2023' in Mumbai next week where more than 150 technical textiles exhibitors and over 250 buyers from 30 countries including Taiwan, Germany, Switzerland, South Africa, South Korea, Russia, and Luxembourg, are likely to participate, according to the government.

The three-day exhibition and meet,'Technotex 2023: Envisioning Indian Technical Textiles@ 2047', will begin in Mumbai on February 22 and focus on promotion of technical textiles, including textiles meant for specific purposes like medical, defence, industrial, agriculture, automotive and building, a release issued by the Textiles Ministry stated.

"Technotex 2023 would support in exemplifying the immense potential for trade and investment between India and foreign countries in technical textiles sector. Now that India has assumed G-20 presidency, the event would offer an excellent opportunity to foster our international connects in the global technical textiles industry," the release said.

Currently, Indian technical textiles market is the fifth largest in the world, sized at $22.5 billion in 2021-22., according to government estimates. The growth of technical textiles in India has gained significant momentum in the past five years, growing at 9-10 per cent per annum, the release said.

Source: thehindubusinessline.com - Feb 17, 2023

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Extra measures adopted to check irregularities in organic farming certification: Centre

The Commerce Ministry has begun adopting additional onsite measures to check field-level irregularities in organic farming certification. This includes verification of organisations that certify organic farming.

The development follows "various irregularities being observed in the certification activities", the Ministry said in response to a grievance lodged by Chennai-based service organisation Sri Sri Sri Swamy Vivekananda Trust (SSVT) with the Prime Minister's office (PMO).

On February 9, the SSVT wrote to the PMO urging that authorities should enforce organic cotton certification to protect consumers and weaker sections of farmers.

'Strengthening monitoring'

"Based on the severity of the non-compliances, action as per the catalogue of NPOP (National Programme for Organic Production), has been taken by the National Accreditation Board (NAB) against non-compliant operators and certification bodies," the Ministry said.

Further, the Agricultural and Processed Food Products Export Development Authority (APEDA) has worked on preventive measures to avoid the recurrence of similar incidents. "APEDA is strengthening the monitoring mechanism using IT-enabled tools and verification of information using validation services with the approval of the NAB," the Ministry said.

Trade sources said the response came "ironically" two days before Minister of State for Commerce and Industry, Anupriya Patel, told the Lok Sabha that the Ministry had got "no specific information" on the ongoing scam in organic certification where non-organic produce was being falsely certified as organic.

Loss of Organic India brand

In its representation, the SSV trust regretted that irregularities in organic cotton certification have resulted in the loss of the "Organic India" brand overseas.

Pointing out how organic cotton projects were being certified and how the registration changed many hands between May 2013 and January 2021, the trust said the number of projects so far, have remained unchanged. The certification then went to four agencies. Of these, two certification agencies were suspended in August last year. These are examples of how "the largescale organic cotton certification projects certification has been a "peculiar phenomenon".

The trust urged the Centre to come up with comprehensive statutory organic textile standards for the value chain.

Stating that the trade was promoting a German-based private label standards firm, it also called for a focus on "the weak organic enforcement" to strengthen the Organic India brand.

The trust also urged the Centre to make public the notice of suspension or termination of organic certification companies, in addition to curbs on organic trade in risky products such as cotton, basmati rice, sesame seed and turmeric.

Restoring consumer trust and the credibility of the Organic India brand as a "vibrant and honest" one is more important than losing income from the trade for some time, it said.

Source: thehindubusinessline.com - Feb 19, 2023

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Accessible, fair logistics set to be discussed at G20 trade track

At the upcoming meeting of the trade and investment working group under its G20 presidency, India will push the agenda of how logistics can be made 'fair and accessible' for developing nations, people aware of the matter said. The focus will also be on how logistics costs can be reduced, as far as international trade is concerned.

"Shipping costs have fallen as the pandemic-related supply chain disruption has eased. A large portion of its containers come from China. To increase container production, we also plan to launch a PLI (production-linked incentive scheme) on this," one of the people cited above told Business Standard.

Domestic manufacturing of containers will not only cut logistics costs but is also expected to reduce its dependence on China as far as shipping containers are concerned.

The commerce department is now gearing up for the trade and investment working group, where five priority areas, such as logistics, growth, World Trade Organization (WTO) reforms, MSMEs, and resilient global value chains have been identified. The department is the nodal department for trade and investment working groups under the G20 sherpa track.

Government officials said four working group meetings would be organised, the first one being in Mumbai in March-end, followed by meetings in Bengaluru, Kevadia, and Jaipur. The discussion assumes significance since India took over G20 Presidency from December 1. The summit will take place in September.

Under the topic of micro, small and medium enterprises (MSMEs), India will focus on initiatives such as government e-marketplace (GeM), Open Network for Digital Commerce (ONDC) and how these platforms can help small businesses. "We want to focus on how small businesses can play a larger role in trade, and how they can adopt technology.

With initiatives (in India) such as ONDC, we will try to bring focus on how these tools can be used, with specific focus on MSMEs," another official said.

Similarly, India will leverage G20 to initiate talks on WTO reforms since the member-nations are also gearing up towards the WTO's 13th ministerial conference in the United Arab Emirates in February next year.

For instance, India will push for developing a framework to address crucial issues at the WTO in circumstances such as Covid-19 pandemic.

Source: business-standard.com - Feb 19, 2023

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Russia-Ukraine war brings about structural changes in global trade

This Friday marks the completion of one year since Russia invaded Ukraine, sending the global economy into a tailspin for a while. The war has led to some structural changes in global trade that can only result in sub-optimal outcomes.

First, global trade has got fragmented with the United States and its allies refusing to trade with Russia. Hundreds of companies from Europe and the US have stopped operating in Russia. They have imposed a near freeze on import of oil, gas, and petroleum products from Russia. The carriers and insurers from Europe and the United States have been asked not to transport or insure Russian seaborne oil sold above $60 per barrel.

The exports of high tech items to Russia have been banned. Many Russian banks have been excluded from the SWIFT, the global electronic network through which transactions are put through. It is unlikely that these and many other measures taken against Russia will be reversed anytime soon. On the contrary, more stringent measures to cripple the Russian economy are likely.

Second, the high price of oil and gas last year in the wake of the Russia-Ukraine war has pushed many countries to look for alternative sources of energy. For a while, coal has come back in favour but that is likely to pass soon. Massive investments are flowing into solar and wind energy sources, which is very good for moving towards net-zero carbon emission goals in a few decades.

Third, massive amounts are now flowing towards making military equipment. Even Germany and Japan have now abandoned their passive stance and decided to invest more in military preparedness. There is no end in sight for the Russia-Ukraine war and demands from Ukraine for more equipment and ammunition to fight Russia.

The US and its allies are not in a mood to let down Ukraine and so, their diversion of funds to make more military hardware are only likely to grow. The belligerence of China is also forcing the western countries to invest more in defense expenditure. This trend is unlikely to be reversed soon.

Fourth, the US dollar dominates the global financial markets but the sudden freezing of the Russian reserves with central banks in Europe and the US has forced a rethink on the part of some countries, especially China and India, to look for ways to conduct more trade in their domestic currencies and also spread their reserves in different currencies. It is unlikely that the dominance of the US dollar will be challenged in the near future but the way some countries have started thinking of moving away from the dominant currencies is unlikely to change.

Fifth, more companies are thinking of locating the production facilities of strategically critical items at home or countries nearby or friendly countries, even if it means higher production costs. They are also diversifying the sources for supply of critical components.

Lastly, Russia is unlikely to recover from this war anytime soon. Even the western countries will find it difficult to absorb the costs of helping Ukraine fight Russia and rebuild its civilian infrastructure and host millions of refugees. China, meanwhile, is gaining through participation in regional trading arrangements. The trade and policy makers need to take note of the structural changes and respond suitably.

Source: business-standard.com - Feb 19, 2023

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