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INTERNATIONAL NEWS

China's trade contracts again in Jan, Feb as Western demand weakens

China's trade contracted again in January and February as US and European demand weakened in the face of interest rate hikes, adding to pressure on official efforts to revive economic growth following the end of anti-virus controls.

Exports sank 6.8 per cent from a year earlier to USD 506.3 billion, an improvement over December's 10.1 per cent decline, customs data showed Tuesday. Imports fell 10.2 per cent to USD 389.4 billion, deepening December's 7.3 per cent contraction.

China's global trade surplus for the two months edged up 0.8 per cent over a year earlier to USD 116.9 billion.

Forecasters expected trade to weaken as the likelihood of a recession in Western economies increased following rate hikes by the Federal Reserve and European Central Bank to cool economic activity and record-setting inflation.

We don't expect exports to rebound, Iris Pang of ING said in a report.

That adds to complications for President Xi Jinping's government, which is trying to revive economic growth that sank last year to 3 per cent, the second-weakest rate since the 1970s. Beijing on Sunday set this year's growth target at around 5 per cent while the ruling Communist Party tries to encourage consumer demand to reduce reliance on exports and investment.

A revival in Chinese demand would be a boost to global suppliers at a time when US, European and Japanese sales are weakening. China is the biggest export customer for its Asian neighbours and a key consumer market.

Retail sales and other activity have started to improve after anti-virus restrictions that kept millions of people at home and temporarily shut down Shanghai and other industrial centres were lifted in December.

The economy also is under pressure from tighter controls on debt, which triggered a slump in China's vast real estate industry and the economy in mid-2021.

The government has announced no plans to stimulate the economy with higher spending on building roads and other public works, which would boost demand for imported construction materials and equipment.

Imports may take some time to recover, Pang said.

China reports January and February trade data together to screen out the effect of the Lunar New Year holiday, which begins at different times each year during those two months. Factories shut down for up to two weeks.

Exports to the United States tumbled 21.8 per cent from a year earlier to USD 71.6 billion following repeated rate hikes by the Federal Reserve to cool economic activity and surging inflation. Imports of American goods fell 5 per cent to USD 30.3 billion.

The politically sensitive trade surplus with the United States narrowed by 30.9 per cent to USD 41.3 billion.

Imports from Russia, mostly oil and gas, surged 31.3 per cent over a year ago to USD 18.6 billion. Exports to Russia rose 19.8 per cent to USD 15 billion.

China, the biggest global energy consumer, has stepped up purchases from Russia to take advantage of price discounts after Washington, Europe and Japan cut imports to punish President Vladimir Putin's government for its attack on Ukraine.

China can buy Russian oil and gas without triggering Western sanctions, but Biden has warned Beijing against helping Moscow's military. China bought about 20 per cent of Russia's crude exports in 2021 and increased that last year.

Source: business-standard.com- Mar 07, 2023

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China: CPPCC member proposes measures to enhance China's textile, apparel industry

There remains serious challenge in the global supply chain for China's textile industry, which is facing a nefarious crackdown from the US government and its allies, and at the same time growing market competition from Southeast Asian economies. Now it is high time for China to better ensure supply chain security, according to Shi Weidong, a member of the 14th National Committee of the Chinese People's Political Consultative Conference (CPPCC).

"We need to make the textile and apparel industry into the country's top-level design system for foreign cooperation," Shi, who is also the president of Nantong University, told the Global Times on Monday.

"We also need to encourage Chinese enterprises to carry out win-win cooperation via joint ventures, and provide financial support for key investment projects of textile and garment enterprises," he said.

Shi's remarks come against the backdrop of China's textile industry coming under rising pressure from Western countries and the competition from the Southeast Asian countries.

The US' so-called "Uyghur Forced Labor Prevention Act" has seriously impacted Xinjiang cotton and its products from entering the international market, Shi said.

The competition in the international market is becoming fiercer as the rapid development of the textile and garment industries in Vietnam, Bangladesh and other labor-intensive economies, which "tends to drive the leading edge of China's textile industry in the international supply chain weaker in the post-epidemic era," Shi said.

China's textile and garment industry output value hit a new high in export scale in 2022, with a trade surplus exceeding $300 billion.

Data from the General Administration of Customs of China showed that China's total textile and apparel exports hit $340.95 billion in 2022, a year-on-year increase of 2.5 percent. The export scale has remained above $300 billion for the third consecutive year last year, and China continues to be the world's largest textile and apparel exporting country.

However, the export of China's textile industry saw subtle changes amid a changing and complicated geopolitical background.

In 2022, China's textile and clothing exports to the US declined by 5.4 percent, followed by a drop of 1.1 percent to the EU and 0.2 percent to Japan, but the growth rate of exports to markets along the BRI, and RCEP partners reached 11.3 and 9.7 percent, respectively.

Currently, the advantages of China's textile industry are largely centered on its manufacturing process, and there is a lack of raw material, design and development and brand channels.

To maintain the advantages of Chinese textile industry, Shi said that in 2023, the country needs to promote the industry and ensure high-quality development among BRI economies to ensure overall stable supply chain.

Shi also suggests the government encourage domestic leading enterprises to actively integrate the raw materials, brands, R&D and market channel resources with the global fiber fashion industry through equity mergers and asset acquisitions.

Shi proposed that textile and garment projects could be included in the "national foreign aid projects" system. For example, foreign aid training for textile talents in Asia and sub-Saharan Africa could be enhanced.

Shi also said that it is necessary to encourage textile enterprises to take the initiative to build the brand image of China enterprises overseas.

Source: globaltimes.cn- Mar 06, 2023

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US' home textile imports at $22 billion in 2022, downtrend continues

The US imported home textiles worth $22.025 billion in 2022, marking the second year of a downward trend. After a steep rise in imports during the COVID year 2020, the home textiles segment is facing hurdles due to personal preferences and economic concerns. The Asia-Pacific region remained the largest supplier, accounting for 81 per cent of US imports.

Imports experienced record growth in 2020, reaching $32.569 billion from $18.757 billion in 2019, according to Fibre2Fashion's market insight tool TexPro. This was largely due to COVID-related lockdowns, which forced people to stay at home and led to a surge in demand.

However, imports have been on a downward trajectory since 2021. Imports dropped to $24.285 billion in 2021, and the sluggish trend continued in 2022 due to changing consumer preferences. Initially, consumers preferred to buy garments instead of home textiles as they began to venture out of their homes.

In the second half of 2022, high inflation and unemployment dried up their pockets, making discretionary purchases such as garments and home textiles less feasible. Brands also slowed down their sourcing as they struggled to clear their stock in showrooms, and some even postponed or cancelled purchase orders.

In 2022, the US imported home textiles primarily from the Asia-Pacific region, which accounted for $18.015 billion, or 81.9 per cent, of total imports. The country also imported products from North America (6.18 per cent), the Middle East (6.13 per cent), Europe (3.68 per cent), Central & South America (1.34 per cent), and Africa (0.77 per cent).

Source: fibre2fashion.com- Mar 08, 2023

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China's trade with ASEAN surges 9.6% YoY in first 2 months of 2023

China's trade with the Association of Southeast Asian Nations (ASEAN) has surged by 9.6 per cent year-on-year (YoY) during first two months of 2023, reaching a total value of 951.93 billion yuan (approximately $137.25 billion), accounting for 15.4 per cent of the country's foreign trade, according to China's official customs data. The country's total trade during the same period has seen a slight decline of 0.8 per cent YoY, with a total value of 6.18 trillion yuan.

During the first two months of 2023, China's overall exports increased by 0.9 per cent compared to the previous year, reaching a total value of 3.5 trillion yuan, while imports declined by 2.9 per cent to 2.68 trillion yuan. As a result, the country's trade surplus expanded by 16.2 per cent on a yearly basis, reaching 810.32 billion yuan, as per the General Administration of Customs.

The country's trade with the US, the European Union (EU), and Japan has decreased by 10.6 per cent, 2.6 per cent, and 5.7 per cent, respectively. The trade values in this regard were 702.98 billion yuan, 851.09 billion yuan, and 344.92 billion yuan.

Source: fibre2fashion.com- Mar 08, 2023

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USA: Fifth Grade Science Project Explores Impactful Cotton Research

The importance of science and technology is gaining mainstream attention.

The ongoing war in Europe and the supply issues related to semiconductor chips have created an awareness among different governments to increase support for research and development

As the United Kingdom unveiled its Science and Technology Framework-2030 on Mar. 6, I had the opportunity to interact with a group of fifth grade students at Roscoe Wilson Elementary School in Lubbock, TX, on research for saving the planet.

Six fifth grade students under the direction of Ms. Keegan Rodriguez are working on a science exhibition project to showcase the negative impacts of plastic pollution. While researching the subject, our Texas Tech research on cotton as an alternative to absorb toxic oil caught their attention, and they asked to interact with me to gain more information.

The young students prepared important questions on the need for sustainable materials as substitutes for plastic materials to protect the environment. As part of the 20-minute interaction, it was heartening to note that the questions focused on the motivation of research, commercialization of technology, and more.

Conall Bates, a fifth grader whose family farms in Hereford, TX, asked to explain how cotton is advantageous compared to synthetic materials in absorbing oil. Such questions clearly point to the fact that the students and the community in the High Plains of Texas are well connected with industries such as cotton, oil, and farming. It is important that research carried out in academia have translational impact and serve the society and the whole world.

Schools such as those in the Lubbock Independent School District are doing their best to cultivate much needed interest in science and technology in young children. The students are planning to present their study based on the interview and other research in an exhibition to be organized by the school on May 22, 2023.

Bio-based materials that can save lives and protect the environment need support from government funding agencies in addition to industry. Research conducted in our laboratory that is gaining attention among elementary school children and the public is indeed a good and impactful outcome.

Source: cottongrower.com- Mar 07, 2023

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Cambodia's apparel exports to Japan grow further in 2022

Cambodia's apparel exports to Japan have continued to grow for the second consecutive year in 2022, despite a dip in shipments in 2020 due to the COVID-19 pandemic. In 2022, the shipment increased to $1,201.698 million after a recovery in 2021. Notably, the exports recorded a remarkable increase in the third quarter (July-September) of last year.

The exports increased from $842.179 million in 2017 to $1,065.331 million in 2018, and further to $1,147.483 million in 2019 before slipping to $1,043.171 million in 2020. Cambodia managed to recover positively in 2021, and the shipment increased to $1,105.338 million, according to Fibre2Fashion's market insight tool TexPro.

Quarterly trade data shows an interesting aspect of the shipment, as it grew more than 60 per cent in the July-September 2022 period compared to the previous quarter. The trade increased to $380.611 million in the quarter from $237.491 million in Q2 2022. The shipment slipped to $280.554 million in the fourth quarter of last year. Cambodia had exported garments worth $303.040 million in Q1 2022, $296.524 million in Q4 2021, and $325.256 million in Q3 2021.

Trousers and shorts were the largest product segment exported from Cambodia to Japan, contributing 38.88 per cent to the total segment. Among the other top five products were jerseys (13.16 per cent), T-shirts (10.62 per cent), shirts (9.07 per cent), and innerwear (5.71 per cent), as per TexPro.

Source: fibre2fashion.com- Mar 07, 2023

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Bangladesh: BGMEA, BKMEA seek cut in RMG source tax at 0.5pc

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) have urged the government to reduce the tax at source on export of RMG items at 0.5 per cent from the existing 1.0 per cent and thus keeping it for the next five years.

The leaders of the two major associations also demanded of the government to waive the 10 per cent income tax on cash support against exports as well as making the corporate tax at 10 per cent for the green RMG factories.

The leaders of BGMEA, BKMEA and Bangladesh Textiles Mills Association (BTMA) raised such demands at a pre-budget meeting with the National Board of Revenue (NBR) held at the NBR Bhaban in the capital's Agargaon area on Tuesday.

Presided over NBR Chairman Abu Hena Md Rahmatul Muneem, leaders of BGMEA, BKMEA and BTMA attended the meeting, reports BSS.

Explaining the rationality of their demands, BGMEA President Faruque Hassan said that the foreign buyers have reduced the work orders due to the impacts of the COVID-19 pandemic and the Russia-Ukraine war.

He said although the exports have increased in terms of value, the volume of exportable items has reduced. Under the circumstances, Faruque proposed for re-fixing the tax at source at the previous 0.50 percent to face the evolving challenges and thus keeping such facility for the next five years.

Side by side, the BGMEA president demanded of the NBR to increase the number of authorized economic operators (AEO) to ensure speedy shipment and unloading of goods.

The other notable demands from BGMEA include giving VAT exemptions to some 12 RMG related firms to increase the export competitiveness, resolving the HS code related complexities, reduction of duty on import of washing dry machines and fire extinguishing equipments.

Echoing with the demand of BGMEA to reduce tax at source against exports, BKMEA executive president Mohammad Hatem urged the NBR to reconsider the issues related to tax at source.

Hatem also requested the NBR to exempt the RMG factories on mandatory submission of zero VAT returns, fixing the duty and VAT at zero per cent on import of chemicals for setting up solar panels and ETPs.

The leaders of BTMA proposed for waiving all types of duty and VAT at import stage on all types of fibres including recycled fibre and man-made fibre.

Source: thefinancialexpress.com.bd- Mar 07, 2023

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NATIONAL NEWS

India-UK free trade talks covered 11 policy areas in seventh round

The seventh round of India-UK free trade agreement (FTA) talks concluded following technical discussions across 11 policy areas over 43 separate sessions between negotiators from both sides here last month, the British government has said.

In an outcome statement released on Monday, the Department for Business and Trade did not give any further details on the policy areas covered, but confirmed that the eighth round of talks is due to take place in a few weeks' time.

On 10 February 2023, the United Kingdom and the Republic of India concluded the seventh round of talks for an India-UK FTA, the outcome statement reads.

Technical discussions were held across 11 policy areas over 43 separate sessions. They included detailed draft treaty text discussions in these policy areas. The eighth round of negotiations is due to take place later this Spring, it said.

As with previous rounds, last month's session was also conducted in a hybrid fashion, with a number of Indian officials travelling to London for negotiations and others attending virtually.

In keeping with the norm so far of alternating locations, the next round is expected to take place in New Delhi towards the end of this month.

Last week, UK Business and Trade Secretary Kemi Badenoch had reiterated her priority focus on pursuing a great trade deal with India.

A deal to cut tariffs and open opportunities for UK services, making it easier for British businesses to sell to an economy set to be the world's third-largest by 2050, she said in a speech to the Legatum Institute think tank in London.

It coincided with UK Foreign Secretary James Cleverly reaffirming Britain's commitment to conclude the FTA during his visit to India for the G20 Foreign Ministers' meeting last week.

According to official UK government statistics, the bilateral trading relationship was worth GBP 34 billion in 2022 growing by GBP 10 billion in one year.

The Confederation of British Industry (CBI), the country's leading industry body, estimates an India-UK FTA could boost trade with India by GBP 28 billion a year by 2035 and increase wages across the UK by GBP 3 billion.

Source: business-standard.com- Mar 07, 2023

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Slowdown in GDP growth late last year temporary: Moody's Analytics

Moody's Analytics on Tuesday said India's domestic economy, rather than trade, is its primary engine of growth and the slowdown in economic activity late last year will only be temporary.

The government data released last week showed India's gross domestic product (GDP) growth slowed to a three quarter low of 4.4 per cent in October-December,2022, mainly due to contraction in manufacturing and low private consumption expenditure.

While the manufacturing sector contracted by 1.1 per cent, private consumption expenditure slowed to 2.1 per cent in the October-December quarter of current fiscal.

In its report on emerging market outlook, Moody's Analytics said growth slowed substantially on a year-ago basis, with private consumption lagging overall GDP for the first time since the Delta wave of Covid-19 struck the economy in the second quarter of 2021.

"Our take is that the slowdown late last year will be temporary and even salutary, helping to wring some of the demand-side pressures out of the economy without stopping it wholesale. On the external front, better growth in the US and Europe's incipient recovery will propel India at the mid-year mark," it said.

The US and Europe are India's largest trade partners and are important destinations for exports of business services.

The slowdown in GDP growth in December quarter was stark when compared to 11.2 per cent growth in the same quarter of last fiscal.

In the current fiscal, the economy grew 13.2 per cent in April-June quarter and 6.3 per cent in July-September quarter.

Moody's Analytics said India's domestic economy, rather than trade, is its primary engine, in contrast to most other emerging-Asia economies. "With this in mind we observe India's fourth-quarter performance with caution," it said.

Sectors such as manufacturing and agriculture that are highly linked to private consumption spending either contracted or barely grew during December quarter of current fiscal.

The normally faster-growing construction and retail and wholesale trade sectors came in somewhat hotter, though both lagged gains from earlier this year.

"While high interest rates have slowed the domestic economy and curbed imports, external imbalances have widened, putting pressure on the rupee and adding to inflation," Moody's Analytics noted.

In the current fiscal (2022-23), the GDP is projected to grow by 7 per cent as per official estimates. This would require about 5 per cent GDP expansion in the fourth (January-March) quarter.

In 2021-22 the economy grew 9.1 per cent. In 2020-21 (Covid-impacted year), the economy contracted 5.8 per cent, while in 2019-20 the growth was 3.9 per cent.

Source: business-standard.com- Mar 07, 2023

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Businesses need to be aware of rules for modern FTAs: PricewaterhouseCoopers

PricewaterhouseCoopers (PwC) said businesses need to be aware of the regulatory barriers in climate change, labour protection, gender inclusivity and e-commerce, areas which were not part of India's earlier free trade agreements (FTAs).

It also said in a report that anticipating the impact of the upcoming FTAs on the supply chains can help businesses review sourcing strategies to design resilient supply chains.

India has inked trade pacts with the UAE, Australia and Mauritius recently, and is in talks with the UK, EU, Canada and Israel.

In the past, India was not keen to include aspects such as climate change, labour protection, gender inclusivity and digital trade or e-commerce in FTAs, it said.

"However, the country has demonstrated a willingness to negotiate these issues in modern FTAs. Thus, businesses need to be aware of regulatory barriers in these areas for the modern FTAs," said the PwC report titled 'Business imperatives of modern FTAs'.

Source: economictimes.com- Mar 08, 2023

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US Secretary of Commerce, H.E. Ms Gina Raimondo to visit New Delhi between 7-10 March

US Secretary of Commerce HE Ms Gina Raimondo will be visiting New Delhi, India between 7-10 March on the invitation of Shri Piyush Goyal, Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles.

During the visit, India - USA Commercial Dialogue and CEO Forum will be held on 10th March 2023 to discuss cooperation in various sectors that could unlock new trade and investment opportunities between the two countries.

The Commercial Dialogue is a cooperative undertaking encompassing regular government-to-government meetings to be held in conjunction with private sector meetings, with an aim to facilitate trade, and maximize investment opportunities across a broad range of economic sectors.

The last India-USA Commercial Dialogue was held in February 2019. Since then, due to pandemic and other factors it could not be held. It is proposed to re-launch the Commercial Dialogue with strategic outlook with focus on supply chain resiliency & diversification and new emerging areas, after a gap of three years.

Earlier, India-US CEO Forum was soft-launched by Indian Commerce & Industry Minister and US Secretary of Commerce on 9th November 2022 via video-conference for which identified key priorities were increasing supply chain resilience, enhancing energy security & reducing overall greenhouse gas emissions, advancing inclusive digital trade; and facilitating post-pandemic economic recovery, especially for small businesses.

Trade, Commerce and Economy had always enjoyed a place of prominence in the India-US multifaceted strategic bilateral relations.

Today, the two countries are leading trading partners of each other. India is the ninth largest trading partner for the US, while the US is India's largest trading partner and the largest export destination.

The bilateral trade in goods saw very robust growth during CY 2022, surpassing $131 billion in goods, thus doubling since 2014 (in 8 years) while total trade in Goods and Services is expected to cross US$ 180 billion.

US is also the third biggest source of FDI for India, and USA is one of the top five investment destinations for India. This visit will immensely contribute towards furthering trade and commercial ties between the two countries.

Source: pib.gov.in - Mar 06, 2023

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A new trade strategy: India's performance on exports is a result of policy interventions

India's robust export performance has made a critical contribution to its economic growth in recent times. Despite global economic woes, India's overall exports, merchant and services combined, grew at 17.33 per cent to $641 billion during April-January 2022-23 compared to $547 billion during the same period last year. This comes after India witnessed an unprecedented growth of 45 per cent with exports touching $422 billion in 2021-22, baffling most pessimistic trade theorists. During this period, India has demonstrated its capability to navigate successfully through the "storm" – of post-pandemic supply-chain woes as well as geopolitical factors — and its resilience has stunned the world.

The country's exports performance was not an accident but was the result of well-crafted trade policy interventions, their efficacious implementation and a host of other initiatives to create a conducive ecosystem to promote exports. Export facilitation ensured the effective conceptualisation and implementation of a bundle of export promotion schemes such as the Market Access Initiative (MAI), Remission of Duties and Tax on Exported Products (RoDTEP), Trade Infrastructure for Exports Scheme (TIES) and Interest Equalisation Schemes on pre- and post-shipment rupee export credit, among others. This export promotion strategy has led to a sustainable rise in India's exports. The focused approach to capitalise on the country's inherent strengths has led to a transformation of its export basket. For instance, toy exports from India rose to Rs 1,017 crore in April-December 2022 from merely Rs167 crore in April-December 2013.

The Production-linked Incentive (PLI) scheme has been a game changer. It has not only transformed India into a manufacturing hub but has also curtailed its burgeoning trade deficit in electronics and other manufactured goods. With an outlay of over Rs 2 lakh crore, the PLI scheme, launched in March 2020, initially targeted manufacturing mobile phones, electrical components and medical devices, and was later extended to 14 manufacturing sectors. As a result, electronics manufacturing attracted a massive investment and its exports have grown rapidly by over 55 per cent annually. Exports of mobile phones alone may reach $10 billion during the current financial year.

Logistics, a critical stumbling block in India's exports competitiveness, has been proactively addressed in the Union budget 2023-24. Capital expenditure allocation has been sharply increased by 33 per cent to a record Rs 10 trillion on the development of rail, road, air, and ocean infrastructure, which would go a long way to make export logistics efficient. It will also integrate Indian production systems with global value chains (GVC), boosting exports.

Fears of a slowdown and an imminent recession threaten the world economy. India's exports are expected to be adversely impacted by the global economic slump. The IMF has forecasted world trade to grow at 2.3 per cent through 2031, compared to projected global GDP growth of 2.5 per cent (based on BCG's global trade model). This requires India's trade strategy and policies to be forward-looking to overcome emerging challenges.

Earlier, trade policy announcements were largely confined to short-term measures, focused on a few incentives with little strategic intent.

Rationalisation of work allocation within the Ministry of Commerce and restructuring of its divisions and subordinate offices with futuristic objectives is likely to transform India's institutional mechanisms to promote exports. Adopting the latest technology in the collection, assimilation, processing of data and making available real-time information across stakeholders has bridged the information gap between the exporters and the various government departments.

In recent years, the Ministry of Commerce has been actively engaging with state governments and at the district level for speedy and effective implementation of policy measures to promote exports. Each of the Indian states was asked to prepare an export promotion strategy involving not only the identification of potential products and markets but also the bottlenecks in realising their full exports' potential. Moreover, the proactive involvement of Indian missions abroad not only in market identification but also in facilitating product entry has been a strategic transformation.

Most Free Trade Agreements (FTAs) signed by India previously became counterproductive. The Ministry of Commerce has re-examined all the FTAs and is in the process of engaging in newer ones to benefit India. Recently, India negotiated new FTAs meticulously with unprecedented speed and acumen with UAE, Mauritius and Australia and it is in the advanced stages of negotiations with the UK. It is also actively exploring new trade agreements with the EU and US. The trade policy is increasingly charting out the path to achieve $1 trillion in exports by 2030.

Source: indianexpress.com - Mar 07, 2023

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Allow organic textile products certified by CU India till March 3, says TASMA

The Tamilnadu Spinning Mills Association (TASMA) has urged IOAS (International Organic Accreditation Service), GOTS (Global Organic Textile Standard) and Textile Exchange to permit organic cotton or textile products of its members certified by Control Union (CU) India before its suspension from certification operations on March 3.

TASMA's plea comes on the heels of IOAS suspending the accreditation of CU India from testing and sampling of Indian organic textile products on charges of irregularities committed in its certification process. On March 5, businessline reported that CU India's accreditation was suspended on charges of irregularities in the certification process.

TASMA, an association of mills spinning yarn from cotton, said some its member mills had sourced organic cotton, based on certificates issued by CU India. They had already begun processing the cotton at their mills and despatching organic cotton yarn to various members.

The yarns have been further value-added into readymade garments, home textiles, made-ups, fabrics and hosiery items.

Concern over pre-March 3 situation

"While the transaction certificates (TCs) are issued, they contain details of the certificates granted by CU India, which functions as a certifying body, under the Authority provided to it, by GOTS," it said.

While the conversion of organic cotton sourced thus to yarn and further into other value-added products was being done at various levels without any hindrance, the member mills got information on the suspension of CU India accreditation.

The members were concerned over textile products that were sourced and produced before CU India's suspension would now be affected since the development covers certification before March 3 too.

Due to its suspension, CU India has now begun to seek documents from its member mills on transactions that have taken place, based on the TCs issued by it.

TASMA member mills had paid for every TCs from CU India, besides inspection charges. Thus, the suspension of its accreditation will affect the entire operations of mills, the association said.

It said its members will now try to find a new certification organisation to source organic cotton and get organic textile certification.

Source: thehindubusinessline.com - Mar 07, 2023

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Explained: What makes for a great export market for first-time exporters

Trade, import and export for MSMEs: Choosing the right market out of around 195 countries India trades with could be daunting for at least new exporters looking to expand their business internationally. Before jumping to pricing and sampling, understanding payment risks, knowing about labelling and packaging, export insurance, and finally shipping and invoicing, figuring out countries you would want to sell your goods in may make the entire export process look less complex.

There could be multiple factors for an exporter important to understand before shortlisting the right market for cross-border trade such as tradition – which countries are, traditionally, big buyers of products or service you offer; demand – which countries or regions are likely to seek your products; geopolitical climate – how favourable is the political environment of your selected market, etc. Moreover, it is important for the exporter to understand what different strategies are available to test the markets, how can products be adapted to meet the requirements of the new market, the risks involved and more.

"Since there is a lot of statistical information available today to see the trade flow, one can check where the product, which he makes, originates and where are that product's supply chain and where it is getting exported. You can see the trend of what has been happening with that product in the last four-five years and figure out areas difficult for you to go in for various reasons," said Vinod Sharma, Managing Director, Deki Electronics in a panel discussion at the SMExports Summit organised by Financial Express Digital recently. The company manufactures and exports film capacitors used in electrical or electronic equipment.

Sharma believed filtering this out will help an exporter understand his potential markets. The next step for an exporter, he said, should be building a network in such markets through agencies, consultants, and trade experts available there. "So, technology, network of experts, and statistics help us in finding the right market for exports."

According to Ajay Sahai, Director General and CEO, Federation of Indian Export Organizations (FIEO), a small exporter should look at top importing markets, top emerging importing markets, top markets for India's exports and top emerging markets for India's exports.

Moreover, "small exporters should look into the market-access issues such as whether the technical standards, packaging and labelling requirements, certification requirements are met by you. Also, look into the competitor's strength in the market. There the role of free trade agreements would come into play. India trades with around 195 countries and with 70 countries India has a free trade or a comprehensive economic partnership agreement. Focus on these countries."

Post Covid, India signed a free trade agreement with Mauritius followed by two ambitious deals – a Comprehensive Economic Partnership Agreement (CEPA) with one of its top export destinations the UAE and recently an Economic Cooperation and Trade Agreement (ECTA) with Australia in order to reduce or strike out trade barriers particularly import tariffs for MSMEs and other businesses.

Similar pacts are under discussion with the UK, the European Union, Canada, Israel and the Gulf Cooperation Council (GCC) – a political and economic alliance of six Middle Eastern countries viz., Saudi Arabia, Kuwait, Bahrain, Oman, Qatar, and the UAE.

India's overall exports including merchandise and services stood at $641 billion during the April-February period in the current financial year, growing from $546 billion during the year-ago period. In comparison, imports stood at $753 billion during April-February FY23 vis-a-vis $612 billion during the corresponding period last fiscal, according to the latest data from the commerce ministry. The government is now expecting to cross $750 billion in goods and services exports this fiscal.

According to the government, the growth has come on the back of measures undertaken to boost exports such as extending the Foreign Trade Policy (2015-20) till FY23, extending Interest Equalization Scheme on pre and post-shipment rupee export credit till FY24, schemes such as Rebate of State and Central Levies and Taxes (RoSCTL) scheme to promote labour-oriented textile export and Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, launching Common Digital Platform for Certificate of Origin to facilitate trade and increase Free Trade Agreement (FTA) utilization by exporters, identifying 12 Champion Services Sectors for promoting and diversifying services exports, and more.

However, before exporting, it is critical to explore the potential markets and create market linkages, said Sunil Tyagi, Sr. General Manager (International Cooperation), The National Small Industries Corporation Ltd (NSIC). “Once the competency is built for MSMEs to explore the markets, the MSME ministry offers the International Cooperation scheme to assist MSMEs in participating in international exhibitions. It gives you a chance to explore the market in a particular country. MSMEs get full reimbursement of the airfare and stall charges up to Rs 3 lakh along with freight charges and registration cost,” said Tyagi.

NSIC also organise MSMEs’ business-to-business (B2B) meetings based on their area of interest which create linkages, he added. NSIC also operates the B2B marketplace msmemart.com portal that gives information on trade leads from India and other countries to buy products while the fee is reimbursed up to 75 per cent.

While subsidies offered through such schemes help MSMEs scale up and export more with enhanced competitiveness and strength in order to achieve a level playing field in competing with exporters from other countries, they shouldn’t be at their disposal forever, according to Sahai.

“I believe subsidies should be for a limited period for a definite purpose otherwise they bring inefficiency into the system. Hence, whenever any subsidy is announced, I would like to have a sunset clause in it so that MSMEs know in advance they have that much time available to either scale up their production or achieve competitiveness else the scheme will not be there. So we will have to be on our own in times to come,” Sahai said during the panel discussion on identifying new markets for exports.

“Subsidy to an extent is good but it is not sustainable if an SME is not able to grow on its own. International markets are less of price and more of quality and India needs to move into the quality zone,” echoed Shekhar Bhandari, President, Global Transaction Banking, Kotak Mahindra Bank. Apart from the traditional window of exports, digital exports or exports via online e-commerce marketplaces has caught exporters’ attention due to much lower friction in the entire process. Through e-commerce, exporters are able to sell their produce directly to customers abroad without investing in a physical setup to reach the customers. Unlike in traditional exports, e-commerce enables even a micro or small exporter to showcase their products to customers, enhancing their visibility alongside large exporters and hence, providing a level playing field.

For instance, “the way we are encouraged to serve MSMEs at Amazon is simple: take the scale out of the equation and all the benefits that large players typically get should be available to the lowest common denominator. So when you list on Amazon, your products are available everywhere where Amazon is present. You don’t need to figure out who your buyers need to be. Your data can be listed in different languages because of technology,” said Bhupen Wakankar, Director, Global Trade, Amazon India.

Through its Fullfilment by Amazon (FBA) programme, Amazon allows sellers to ship their products. The goods are stored in the Amazon fulfillment center and available for quick delivery through the Prime shipping option. The programme also takes care of the returns. “In logistics, taking a shipment out takes 60-100 emails on average in the offline world. E-commerce from a B2C perspective is a lot more agile and efficient. You know exactly what the end consumer wants. Amazon currently has exporters out of 200 cities in India which are beyond metros and tier I cities,” said Wakankar.

Source: financialexpress.com - Mar 07, 2023

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Revise IES rate to 6%, say exporters

Exporters have demanded that the Interest Equalization Scheme (IES) rate be revised from 3% to 6% in view of the increased cost of funding. The average bank interest rate has increased by 3% because of the rise in repo rate since last year, leading to increased cost of funding.

The government provides pre- and post-shipment credit scheme to exporters to enable them get fund to cover the cost. MSME manufacturers and merchant exporters take benefit of this scheme to cover the packaging expense of pre-shipment. The current rate of IES is 3%.

Rajkot Chamber of Commerce and Industry (RCCI) vice-president Parth Ganatra said, “We have represented to the finance minister on behalf of all exporters to provide interest subvention of 6% instead of current 3%. We get loan for pre-shipment from the banks, the government provides 3% subvention which means the government bears the 3% interest.”

According to RCCI, around 80 per cent of exporters are taking benefit of this scheme. Utsav Doshi, an exporter of Rajkot, said: “The average interest rate increased to 11% from 8% before a year and that is why the cost for getting fund increased for exporters. The high cost of funding is making us non-competitive in international market and that is why it is necessary that government should revise IES rate.”

IES was introduced in 2015 in Foreign Trade Policy and lapsed in September 2021.

Source: timesofindia.com - Mar 07, 2023

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Russia-Ukraine war continues to cloud export prospects of Gujarat industry

With the global economy remaining vulnerable to the aftereffects of the Russia-Ukraine war, Gujarat's manufacturing industry exports have been under a cloud for almost a year. The global slowdown is led by advanced economies, especially the US and Europe, which are the largest export destinations for India.

A steep rise in energy prices and overall economic slowdown due to rising interest rates has brought consumption and industrial production down in Europe and the US, affecting manufacturing in Gujarat-based industries.

The scenario is true for sector s including gems and jewellery, textiles including yarn and denim, ceramics, and chemicals. Advanced economies are expected to bear the brunt as they aggressively pursue monetary tightening in 2022, according to a report by CRISIL.

"This has further impacted discretionary spending. Therefore, Gujarat's exporters in most sectors such as textiles, gems and jewellery, and chemica ls, among others, have witnessed a double whammy with both B2C and B2B demand going down in the US and Europe," said Pathik Patwari, president of Gujarat Chamber of Commerce and Industry (GCCI).

DYE EXPORTS DOWN 21%

Limited procur ements of dyes and intermediates by European textile manufacturers have significantly reduced exports. According to the data by Chemexcil, dye exports declined 21% from April to December 2022 due to the reduced demand in the international market.

"High raw material costs have made production unviable at a time when demand is less. Manufacturers cannot pass on costs to end-consumers at a time like this.

As a result, major manufacturing units are either shut or operational at minimal 30% capacity utilization," said Bhupendra Patel, chairman of Chemexcil (Gujarat).

DEMAND FOR DIAMONDS DOWN

The econo mic slowdown and recessionary trend in the US, the UK and the rest of Europe led to a significant decline in demand for cut and polished diamonds. Surat is the hub for polished diam onds. According to data from the Gems and Jewellery Export Promotion Council (GJEPC), the gross exports of cut and polished diamonds declined 10% between April 2022 and January 2023 to $18 ,070 million (Rs 1,47,828 crore approx).

Due to the rise in gold prices, even the growth of gold jewellery exports slowed during the period. Haresh Acharya, director of the India Bullion and Jewellers' Association, e xplained: "The UK, the US, France, Germany and Switzerland are some of the key consumers of cut and polished diamonds. Discretionary spending declined due to the economic slowdown in these countries due to the Russia-Ukraine war. As a result, the demand for polished diamonds – a luxury commodity – decreased too. "

200 CERAMIC TILE MAKERS SHUT SHOP

With the price of natural gas shooting through the roof since the RussiaUkraine war, ceramic tile makers are battling a steep rise in manufacturing costs. Rising input costs and declining demand in the e xport market are among the key reasons for capacity utilizations to plunge to 50% or less in many units.

KG Kundariya, past president of the Morbi Ceramics Association (MCA), said, "Last year , the price of natural gas exceeded Rs 60 per standard cubic metre. On the other hand, the demand from export and domestic markets has declined. Rising interest rates have impacted demand in the real estate sector, which has eroded the requirement for tiles. "

TEXTILE RAW MATERIALS, APPAREL PROCUREMENT DECLINES

Cotton yarn exports declined nearly 60% between April and December 2022 compared to the corresponding period, according to estimates provided by the GCCI textiles committee. "With gas and power prices incr easing nearly six-fold in Europe, industries in major textileproducing countries like Portugal, France, Spain, and Germany face viability concerns for fabric manufacturing.

As a result, raw material procurement from India has declined. This is mainly true for cotton and polyester yarn," said Rahul Shah, chairman of the committee. Meanwhile, rising interest rates have curbed discretionary spending, due to which overall demand for apparel has also declined.

"This has a huge impact on apparel makers and, in turn, fabric makers back home. The entir e value chain suffers in such cases, and many brands have reduced procurements, too," said another industry player. Even denim manufacturers reported declining third-quarter revenues due to eroding demand.

Source: timesofindia.com - Mar 07, 2023

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E-way bill generation dipped to 3-month low in February, GST collection may be impacted in March

E-way bill generation in February dropped to a three-month low of over 8.18 crore. It was over 8.24 crore and 8.41 crore in January and December.

Technically, data for February are for 28 days while preceding two (January and December) months' total numbers are for 31 days. However, during fiscal year 2021-22, number of e-way bill generated in December was 7.16 crore which dropped to 6.88 crore in January but rose to 6.91 crore in February.

An indication

E-way bill generation of a month gives an indication about GST collection in next month. This means, lesser number of e-way bills in February may end in lower collection. However, some experts say e-way bill generation is not directly linked to revenue collection.

E-way bill is an electronic document generated on a portal evidencing movement of goods. As per Rule 138 of the CGST Rules, 2017, every registered person who causes movement of goods (which may not necessarily be on account of supply) of consignment value more than ₹50,000 is required to generate the e-way bill. This needs to be generated by the consignor or consignee himself if the transportation is being done in own/hired conveyance or by railways by air or by vessel.

According to Prateek Bansal, Tax Partner with White and Brief, Advocates & Solicitors, looking at the positive side, decline in e-way bills generation appears to be testament of the stricter anti-evasion measures adopted by the GST mobile squad officials across the country. "While the lesser generation of e-way bills suggest that GST collection for March 2023 may see a downward trend, such reduction may prove to be beneficial in the long-run as the unscrupulous activities would be weeded out," he said.

Sanjay Chhabria, Director at Nexdigm (a business advisory), says e-way bill is an ancillary activity that determines the movement of goods, but the number of such permits raised in a particular period cannot be linked directly to the revenue collections, as instances like internal stock distribution or re-distribution within a company will need e-way bills but may not translate into revenue collections.

Festival push

However, having said that, “with the upcoming festivities in March and April, we could once again witness a hike in the consumption of goods which in turn should contribute to the high manufacturing growth,” he said.

GST collection, during 12-month period of March 2022 and February 2023, has been ₹1.40-lakh crore or more every month. In fact, April 2022 saw all time high collection of ₹1.68-lakh crore while second highest collection was ₹1.56-lakh crore plus in January this year. Now, the government expect over ₹1.50-lakh crore plus in coming months.

Source: thehindubusinessline.com - Mar 07, 2023

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Indian retail industry to reach $2 trn by 2032: Reliance's Subramaniam V

The Indian retail market is one of the fastest growing in the world and is expected to reach USD 2 trillion by 2032, according to Reliance Retail Director Subramaniam V.

The Indian retail market is estimated at USD 844 billion in 2022 with the unorganised retail market contributing around 87 per cent of the share, he said.

"The retail market is projected to grow at 10 per cent annually to reach a whopping 2 trillion by 2032 making it the fastest growing retail market of the world," Subramaniam said at an event organised by industry body FICCI here.

Talking about the unorganised retail segment, Subramaniam said it is highly fragmented and lacks modern day infrastructure and technology due to smaller volume and financial resources.

Subramaniam said there is a need to build an operating environment which promotes inclusive and sustainable growth for the sector and government policies and business practices of the big players must support the inclusive growth for the small players of the unorganized players.

"There is a need to build a sourcing ecosystem that supports small producers and manufacturers (SMEs) to modernise their operations to produce high quality products," he said.

Moreover investments are also required for developing the supply-chain infrastructure in India by linking all major sourcing locations through a scalable warehousing and logistics ecosystem, in a bid to reduce sourcing time and help in faster movement of goods.

Subramaniam said the sector is at the "cusp" of having Innovations in both physical and e-commerce through the use of new cutting-age technologies such as Artificial Intelligence and Machine Learnings.

"We are likely to see many more new cases aided by 5G in retail space," he added.

Highlighting the challenges faced by the retail industry such as licensing, Subramaniam said at present 10 to 70 licenses are required to open one retail store and suggested policy intervention in this space.

He suggested a "single license" for a business entity by the state government instead of multiple licenses.

Source: business-standard.com- Mar 06, 2023

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Government to bring retail trade policy to promote ease of doing biz for traders

The government is working to bring a national retail trade policy for brick and mortar retail traders with an aim to promote ease of doing business, a senior official said on Monday.

Joint Secretary in the Department for Promotion of Industry and Internal Trade (DPIIT) Sanjiv said that the policy would also help in providing better infrastructure and more credit to traders.

The Department, he said, is also working to bring an e-commerce policy for online retailers.

"We want that there should be synergy between e-commerce as well as retail traders," Sanjiv said at a conference on FMCG and e-commerce.

The Department is also in the process of formulating an insurance scheme for all the retail traders.

The accident insurance scheme would particularly help small traders of the country, he added.

"The government is trying to do policy changes not only in e-commerce but national retail trade policy which will be for physical traders which will be introducing ease of doing business, providing better infrastructural facilities, providing more credit and providing all sorts of benefits to traders," he said.

The Joint Secretary urged the industry to focus on producing high quality products.

Source: economictimes.com- Mar 06, 2023

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'Importers should ensure that certificate of origin is genuine'

We are starting a merchant exporting activity. We understand that we can source goods from domestic parties on payment of 0.1 per cent GST and export under LUT, but we have to give a copy of the shipping bill to our supplier. We are afraid this will reveal the name and address of our overseas customer to our local supplier. Is there any way to avoid that?

The DGFT Policy Circular no. 18/2006 dated September 4, 2006, says that in order to prevent leakage of confidential information, exporters are allowed to deface the name and address of foreign buyers in shipping bills and other documents when presented to the Regional Authorities for claiming benefits under various export promotion schemes.

In my opinion, the other authorities also need have no objection in accepting shipping bills with the name and address of the foreign buyers defaced. You can discuss this matter with your local supplier upfront.

We intend to import a machine on duty payment and re-export it after using it for the manufacture of some items for a few quarters. Can we take input tax credit of the IGST that we have to pay on the machine?

Yes. You can take input tax credit of the IGST paid, so long as the conditions required for taking such credit are met. There is no bar on taking the credit merely on the premise that you intend to re-export the goods after some time.

We import stainless steel coils and sheets from Asean countries under the FTA. The supplier provides the Certificate of Origin (COO) in Form 'A', on the basis of which we claim exemption of basic Customs duty. Are we obliged to verify the genuineness of form 'A', or is it incumbent on the Customs to check the authenticity of Form 'A' before allowing clearance? Does Customs (Administration of Rules of Origin under Trade Agreement) Rules, 2020 (CAROTAR) impose additional obligations on us to check the veracity of Form 'A'?

First of all, please note that you have no right to present any non-genuine document and say that it is the job of the Customs to verify its genuineness. The Customs usually will accept the documents presented by you as genuine in good faith, unless they have specific reasons to doubt the genuineness of any document, in which case, they may initiate necessary enquiries before clearing the goods. If the Customs discover, after clearance, that you have presented any bogus documents, they can initiate necessary action to recover the duties and also punish you.

Regarding the COO, CAROTAR clearly spells out the obligations of the importer at Rule 4, which includes the obligation to exercise reasonable care to ensure the accuracy and truthfulness of the documents and information that the importer is required to possess. Rule 8 of the said Rules allows the proper officer to request for verification of COO from the verification authority in the exporting country, either during the course of customs clearance or thereafter.

Source: business-standard.com- Mar 08, 2023

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