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INTERNATIONAL NEWS

US' apparel imports trend indicates shrinkage in first four months of 2023

The US's Department of Commerce released data analysis from its Office of Textiles and Apparel (OTEXA) that indicate the world's largest economy is slowing down its import volumes of textiles and apparel.

The analysis, which was released in the second week of June 2023, revealed since the last quarter of 2022, there has been a high level of unease in the market and amongst consumers as it became apparent that all was not well with the world's number one economy.

In following months, the fear was compounded with the financial institution crises and that the country's national debt factor and signs show that this may continue as the economic and political battles have entwined and not making much headway to the election run up next year.

The sharpest drop was in March when it fell by more than 40 per cent YOY, and by value a fall of 32.7 per cent YOY. Since then faltering improvement has been recorded.

Retailers want to diversify sources

As the Biden administration continues to curtail Chinese influence not only in the Indo-Pacific region but globally as well, American retailers are weary of further embargoes that could destroy supply sources and want to divest from their reliance on China as much and as fast as possible. In the first four months of 2023, the Herfindahl–Hirschman index (HHI) fell below 0.1.

Similarly, market shares of five largest suppliers (China, India, Bangladesh, Vietnam and Indonesia) fell below 60 per cent for the first time since 2018.

This drop suggests US textile and garment exporters are indeed looking towards diversification of supply sources and this strategy may become prevalent in the US fashion industry for years to come in order to deal with market uncertainties and mitigate supply chain risk exposures.

Near-shoring the new strategy for the US

In a new development, about 17.3 per cent of US apparel imports came from countries in Western Hemisphere in the first four months of 2023, up from 15.6 per cent in 2022. This indicates that in a world of supply chain disruptions continuing to cause issues, near-shoring is being actively pursued by US retailers.

US fashion committed to lessen Chinese imports

Despite the Xinjiang cotton controversy over the ban of cotton sourced from this region, China remains the largest supplier of clothing to the US. However, the top supplier saw a drop of 17.9 per cent in value and 30.6 per cent in volume in US imports for the first four months of 2023. For the first time in decades, less than 10 per cent of US cotton apparel imports came from China in March-April 2023, revealing a significant impact of the Uyghur Forced Labor Prevention Act (UFLPA) on US fashion companies' China sourcing strategies.

Vietnam has been affected in this scenario as it is perceived to be heavily reliant on Chinese cotton as its source for raw material and is therefore, exposed to the risk of buying banned cotton from the Xianjiang province. In value, Vietnam accounted for 17.3 per cent of US apparel imports in the first four months of 2023, down from 18.6 per cent a year ago.

India, a preferred alternative

India, alongside Bangladesh, Indonesia and Cambodia are gaining from US apparel importers turning away from China and seeking cost-effective alternate supply sources from Asia. While near-shoring is proving to be a safer option for US retailers, the cost factor of buying from European suppliers is only applicable for high-end clothing and cannot be exercised for mass retail. Leaving China aside, the top five Asian apparel exporting countries that includes India accounted for 44.7 per cent of US apparel imports in the first four months of 2023.

Source: fashionatingworld.com– June 20, 2023

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Where are China's exports going? Less and less to the US, the latest trade data confirms

An acceleration in supply-chain reshoring is the key reason for 10 consecutive months of declining Chinese exports to the United States, according to trade data, and analysts expect that the fall will continue – with lasting implications for overall exports from the "world's factory".

While weak demand caused by a slowing economy and high inflation have suppressed US imports in general, the decline of imports from China has been much more substantial compared with rising imports from countries such as Mexico, according to data from the United States International Trade Commission (USITC).

The drop has led to a sharper shrinkage of China's share across all major products that it has been the biggest supplier of to the US, since late last year, even after Beijing lifted its strict zero-Covid policy that once caused severe supply-chain disruptions.

The trend is particularly remarkable in textiles and apparel. In the first four months of this year, 20.9 per cent of textiles and apparel that the US imported were from China – down about 4 percentage points from 2022, and almost half of the total seen 10 years ago, according to figures from the Office of Textiles and Apparel under the US Department of Commerce.

Apart from Covid-related supply-chain disruptions and US-China trade tensions, the implementation of the Uygur Forced Labour Prevention Act last June has further discouraged US fashion companies from sourcing cotton products from China, according to Sheng Lu, an assistant professor of fashion and apparel studies at the University of Delaware.

For furniture and toys – two other low-cost consumer products that Chinese factories have long dominated the global supply of – China's share of US imports plunged well below 50 per cent in January-April – the first time they have fallen below that mark since 2001, figures from the USITC showed.

The assembly of finished goods in the furniture industry is now increasingly being done in Mexico, according to a report this month from Kearney, a Chicago-based management consulting firm.

“In several cases, this trend has been prompted by Chinese companies setting up operations in one of the China-focused industrial parks that have sprung up near Monterrey and other close-to-the-border cities,” the report said. For mechanical and electrical products and machinery, which account for more than 40 per cent of all Chinese exports to the US, the Chinese share also decreased to 26 per cent in the first four months of the year, down from 30.3 per cent in 2022.

The decline in sourcing from China was partially incentivised by various industrial policies from the US government to attract more companies to invest in the country, including the Chips and Science Act that went into effect in August, the Kearney report said. While no single country can entirely fill the void left by China, a variety of low-cost Asia-Pacific countries such as Vietnam, Cambodia and India, as well as Mexico, can benefit from the shift, it added.

The United States was China’s third-largest export destination in the first five months of this year, after the Association of Southeast Asian Nations and the European Union, China’s customs data showed. Last year, it was China’s biggest export destination. With the supply-chain-relocation trend intensifying, China’s exports to the US could continue falling in the short term, according to a report from Everbright Securities in March.

For manufacturing sectors that are also dominated by China, including textiles, the country can offset losses by redirecting exports to intermediaries, such as those in Southeast Asia, the brokerage house said.

But for industries in which the US and Europe dominate key technologies, such as some electrical and mechanical products, the US’ reshoring efforts will have persistent implications for the overall export sector in China, it added. “In the short term, the contribution of exports to the economy has weakened, and economic recovery should mainly focus on the recovery of investment and consumption related to domestic demand,” the report said.

“In the medium and long term, hi-tech products should be the key to maintaining China’s export advantage.”

Source: scmp.com – June 20, 2023

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UK simplifies trade rules, cuts tariffs on developing countries

The UK has announced that it will radically simplify trading rules and cut tariffs on products from developing countries, saving UK businesses and consumers millions of pounds a year. The country's new post-Brexit Developing Countries Trading Scheme (DCTS) covers 65 countries that are home to over 3.3 billion people, and over half are in Africa.

The DCTS removes or reduces tariffs and simplifies trading rules so that more products qualify for the scheme, making it more generous than the EU scheme the UK was previously a member of.

It will benefit developing countries looking to diversify and increase exports, driving their prosperity and reducing their need for aid, the UK's department for business and trade said in a press release.

The scheme will save UK businesses over £770 million per year by removing or cutting tariffs on over £9 billion of imports—increasing choice for UK consumers and potentially reducing prices on a wide variety of items including clothes as well as creating opportunities for UK businesses to trade internationally and grow the UK economy. Over time, were developing countries to increase trade with the UK under the scheme, businesses could save millions more on import costs.

Minister for international trade Nigel Huddleston launched the scheme while on a visit to Ethiopia's largest industrial business park, Bole Lemi. Ethiopia, which already has a trading relationship with the UK worth £838 million, pays zero tariffs on 100 per cent of goods exported to the UK. Under the new scheme, Ethiopia and 46 other countries will be able to produce goods using components from many more countries, growing their opportunities to trade with the UK.

"The UK's new trading scheme for 65 developing countries, DCTS, shows how we can use trade to deliver development. It will benefit traders around the world, including small and women-owned businesses which we are supporting through the UK Trade Partnership programme," said foreign, commonwealth, and development office minister for Africa, Andrew Mitchell.

While in Addis Ababa, Ethiopia's capital city and home to many international corporations, minister Huddleston will meet with UK and Ethiopian companies to discuss how they will benefit from the DCTS and new ways they can work with local businesses and other governments to grow trade.

The scheme benefits businesses all over the world and British companies that trade with these countries in everyday products.

"The revised rules of origin under the DCTS will be hugely beneficial for Least Developed Countries and companies who are sourcing products from them. Under the previous regime, many articles were precluded from benefitting from 0 per cent duties due to the complexity of the rules of origin," said Ben Price, head of international logistics and trade compliance at Halfords.

Source: fibre2fashion.com – June 20, 2023

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Thailand to push premium silk items to buyers in S Korea, Japan, Italy

Thailand is planning to promote its premium silk products to target young buyers in South Korea, Japan and Italy, government spokesman Anucha Burapachaisri recently announced.

The Thailand Textile Institute's Premium Thai Silk project aims at introducing newly designed silk products to export markets, he said.

Prime Minister Prayut Chan-o-cha feels the quality of Thai silk fabrics will boost the country's soft power standing in the textile market, he was quoted as saying by Thai media reports.

There have been 112 new Ikat silk and over 108 new products, including clothes, bags, shoes and accessories, since the government began promoting Thai silk with new designs among domestic buyers in 2019, he said.

The products brought 6.6 million baht to 1,618 silk entrepreneurs in the Northeast, he added.

Source: fibre2fashion.com – June 21, 2023

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Germany's producer prices rise 1% in May 2023: Destatis

Germany's producer price index for industrial products saw a rise of 1 per cent in May 2023 compared to the same month in the previous year, marking the smallest increase of 0.9 per cent since January 2021, according to the Federal Statistical Office (Destatis). This represents a significant moderation from April 2023 when the increase was 4.1 per cent. Compared with the preceding month, April 2023, the overall index decreased by 1.4 per cent in May 2023.

The largest contributors to the year-on-year (YoY) increase in the overall index were capital goods and non-durable consumer goods. Prices for non-durable consumer goods rose by 10.1 per cent in May 2023 compared to May 2022, with a 0.1 per cent increase compared to April 2023.

Durable consumer goods prices increased by 7.9 per cent YoY in May 2023, as per Destatis.

However, prices for intermediate goods saw a decline, decreasing by 2.3 per cent compared to May 2022, and falling by 1.1 per cent compared to April 2023.

Energy prices saw a notable decrease of 3.3 per cent YoY in May 2023, and a 3.5 per cent decrease compared to the previous month. Energy prices had soared following the Russian attack on Ukraine in February 2022 but have since dropped by 34.3 per cent from September 2022.

Excluding energy, the overall index was up 3.2 per cent on May 2022, though it was down 0.4 per cent compared to April 2023. The data shows a significant moderation in producer price inflation, likely reflecting the easing of supply chain issues and a cooling global commodity market.

Source: fibre2fashion.com – June 21, 2023

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Overview of Turkiye's Textiles and Apparel Industry

Textiles is one of the largest and best functioning sectors in the Turkish economy and has accounted for an average of 7 per cent of GDP over the years and 2.9 per cent of export earnings. The Gross Domestic Product (GDP) in Turkiye was worth $819.04 billion in 2021, according to official data from the World Bank.

Turkiye, the country which did not export textiles and apparel (T&A) until the year 1970, today is one of the significant suppliers in textile and apparel industry, worldwide.

The country is the 7th largest exporter of textiles and apparel in the world amounting to $34.86 billion in 2022 and the third largest exporter in Europe. Since Turkiye has written a bold export story of T&A, it commands a respectable global exports share1 of 3.9 per cent.

Turkiye's GDP and Economy

Turkiye occupies a unique geographic position, lying partly in Asia and partly in Europe. Throughout its history, it has acted as both a barrier and a bridge between the two continents. In terms of territory and population, Turkiye is among the larger countries of the region. Further, its land area is greater than that of any European state.

Turkiye is an emerging economy and is counted among newly industrial countries. The GDP of the country peaked at $1.029 trillion in 2023,2 while the nominal GDP per capita peaked to $12,489 in 20133.

During the period 2018-2022, Turkiye faced a currency and debt crisis leading to decline of Turkish lira and had a significant impact on the recent decrease in the country's nominal USD based GDP figures4. The GDP growth rate which was pegged at 11.4 per cent has now been revised5 to 5 per cent.

Turkiye is also listed as an upper middle income mixed market economy.6 According to Eurostat data, Turkiye's GDP per capita adjusted by purchasing power standards stood at 64 per cent of the EU average in 2018.7 Turkiye's labour force participation rate of 61.5 per cent is by far the lowest of the OECD8 states which have a median9 rate of 78 per cent.

The country is among the world's leading producers of agricultural products, textiles, motor vehicles, transportation equipment, construction materials, consumer electronics and home appliances. The total labour force of 32,618,920 in 2021 were mostly engaged in services sector (56.2 per cent) followed by industry (27.1 per cent) and agriculture (16.7 per cent)10.

Consumption Expenditure

The consumption expenditure of households on clothing and footwear gradually went up between 2009 and 2021 in Turkiye. In 2021, household spending on clothing and footwear peaked and totalled approximately 295 billion Turkish lira. Over time, expenditure on household textiles in Turkiye has increased considerably, with approximately 605 million Turkish lira per month being spent in 2019.

FDI and Ease of Doing Business

During 2022, inward foreign direct investment (FDI) flows to Turkiye was over $12. 8 billion. Data on the value of FDI inward flows in Turkiye from 2011 to 2022 indicate fluctuations during the period. FDI increased by $1.2 billion in April 2023. The Netherlands is Turkiye's largest investment partner and has invested $26.2 billion in various fields, including ports, logistics, real estate, construction, agriculture, aviation, food and electronics, automotive industry, and supply and medical tourism. Other countries which have invested in Turkiye are United States, United Kingdom, Austria, Germany, and Middle East countries12. UAE has invested $4.3 billion. The share of investment in Turkiye from European countries ranged from 60-87 per cent.

In recent years, Turkiye has seen improvements in the Ease of Doing Business Index. Its rank increased from 68th in 2017 to 33rd in 2020. As of 2021, it was performing better than countries like the Netherlands and Belgium (13, 14, 15).

In view of the emerging and upper middle mixed economy, strong industrial performance besides a sizable consumption expenditure, Turkiye's textiles and apparel production has not only been dominating the industrial landscape but also its exports, thus remaining an important contributor to the GDP of the country.

T&A Export Basket of Turkiye

The major exports of Turkiye are knitted, and woven apparels (HS 61, 62) followed by carpets and other textile floor coverings (HS 57), and home textiles (HS 63). Turkiye has made significant progress in apparel manufacturing and being close to Europe has been very successful in exporting to Europe and the United States. Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, and men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches etc are the most important export products in woven clothing sector.

Two other products of Turkiye which have shown exceptionally good performance are the carpets and other floor coverings, and home textiles. Traditional Turkish handicrafts include carpet-making, rug-making, sumac, cloth-weaving, ceramics and pottery, embroidery, leather manufacture, musical instrument-making, copper work, basket-making, felt-making, weaving, woodwork, cart-making etc. As regards to carpet and other floor coverings, Turkiye is ahead of many countries such as China, India, and Pakistan. Carpet weaving has been a traditional art form practised from time immemorial and has been well integrated into the cultural fabric of the country.

Home textiles, that also adorn the export basket of Turkiye, include bed sheets, bedcovers, designed pillow covers and curtains etc. Home textiles are the 4th largest export item in the export basket. Besides the above, the country exports fabrics knitted and coated (HS 60) etc and are the value-added product from cotton. Turkiye has been exporting products of man-made filaments; strip and the like of man-made textile materials (HS 54), man-made staple fibres (HS 55); and wadding, felt and nonwoven, special yarns, twine, cordage, ropes (HS 56) etc.

Turkiye is a very important cotton country, which is an advantage in raw materials, for the clothing industry. Turkiye is a traditional cotton producer with an average production of 800,000-900,000 tons per year.

Click here for more details

Source: fibre2fashion.com – June 20, 2023

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Italy records dip in exports, spike in non-EU imports in Apr 2023

Italy's seasonally-adjusted data, compared to March 2023, decreased by 1.7 per cent for exports and increased by 5.3 per cent for imports in April 2023. Exports towards European Union (EU) countries decreased by 1.5 per cent and declined by 2.0 per cent for non-EU countries. Imports increased for non-EU countries by 13.9 per cent and decreased slightly for EU countries by 0.6 per cent.

Over the last three months, seasonally-adjusted data, compared to the previous three months, dropped both for exports at 2.2 per cent and for imports at -6.5 per cent, the Italian National Institute of Statistics (Istat) said in a press release.

In April 2023, compared with the same month of the previous year, the country's exports decreased by 5.4 per cent and imports dropped by 12.3 per cent. Outgoing flows decreased by 5.7 per cent for EU countries and by 4.9 per cent for non-EU countries. Incoming flows decreased by 5.6 per cent for the EU area and dropped by 19.4 per cent for the non-EU area.

In April 2023, trade balance registered a surplus of €318 million, which was a -€921 million deficit for EU countries and €1,239 million surplus for non-EU countries. Excluding energy, trade balance surplus reached €6,047 million.

In April 2023, import prices decreased by 1.0 per cent on a monthly basis, which was at -0.3 per cent for the euro zone and -1.6 per cent for the non-euro zone. Over the last three months, compared to the previous three months, import prices decreased by 5.6 per cent, which was at -0.5 per cent for the euro zone and -10.1 per cent for the non-euro zone.

Import prices, compared to the same month a year ago, decreased by 6.2 per cent in April 2023, which was 1.3 per cent for the euro zone and -12.3 per cent for the non-euro zone.

Source: fibre2fashion.com – June 20, 2023

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US labour productivity dips 0.4% in retail trade in 2022

In 2022, labour productivity in the US fell by 0.4 per cent in 2022 in retail trade, as output fell 1.3 per cent and hours worked decreased 1.0 per cent. Productivity dropped by 1.2 per cent in wholesale trade, the largest decrease since 2009. Hours worked increased by 2.9 per cent and output jumped 1.6 per cent in wholesale trade.

The declines in productivity were the first since 2011 for wholesale trade and 2008 for retail trade. In wholesale trade, productivity increased 0.1 per cent for durable goods and decreased 1.8 per cent for non-durable goods in 2022, the US Bureau of Labor Statistics said in a press release.

In retail trade, productivity rose in six of the 12 industries studied. The largest productivity increases in 2022 occurred in non-store retailers at 11.1 per cent and miscellaneous store retailers at 7.9 per cent. The largest productivity decreases in 2022 were categories including home furnishings stores, which fell by 10.9 per cent.

Source: fibre2fashion.com – June 20, 2023

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Vietnam 2nd largest market for Brazil's cotton exports in Jan-Apr 2023

Vietnam was the second largest market for Brazil's cotton (code 5201) exports, trailing only Bangladesh, during the first four months of the current year. Between January and April of 2023, Brazil exported cotton valued at $117.003 million, representing 20.47 per cent of its total exports, which were valued at $571.658 million in the same period. In terms of quantity, Brazil exported 61.693 million kg of cotton to Vietnam.

While Brazil does import apparel from Vietnam, its share in total imports remains negligible.

However, the shipment volume was less than half compared to exports in January-April 2022, when Brazil exported cotton worth $268.486 million. The value of shipments was $252.048 million in January-April 2021, $176.878 million in January-April 2020, and $68.980 million in January-April 2019, according to Fibre2Fashion's market insights tool TexPro.

In previous years, exports were recorded at $546.795 million (269.463 million kg) in 2022, $570.426 million (339.613 million kg) in 2021, $518.792 million (339.240 million kg) in 2020, and $355.604 million (217.165 million kg) in 2019.

As a major cotton producer, Brazil exports the natural fibre to its trading partners and imports apparel from countries like Vietnam. In the first four months of this year, Brazil imported apparel worth $34.592 million. The inbound shipments were valued at $83.021 million in 2022, $58.886 million in 2021, $57.614 million in 2020, and $77.875 million in 2019.

Vietnam, however, represents only a small fraction of Brazil's total apparel imports. Brazil imported apparel worth $788.547 million in the first four months of this year, with imports from Vietnam comprising just 4.39 per cent of the total. Vietnam was the third largest market for Brazilian imports. Brazil is heavily reliant on China for its apparel imports, which account for a whopping 57.81 per cent of the total, as per TexPro.

Source: fibre2fashion.com– June 21, 2023

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Vietnam's garment industry struggles as global demand wanes

Vietnam's apparel export earnings dropped 17.8 percent to 12.3 billion U.S. dollars in the first five months of the year over slowing global demand, showed the latest statistics of the General Statistics Office.

Textiles and garments, Vietnam's second-largest export earner after smartphones and electronics, earned 44 billion dollars in 2022, helping the country's economy grow at the fastest annual pace since 1997.

But the industry has struggled so far this year as consumers in Europe and other big markets cut spending on clothing, Vietnam News Agency reported on Tuesday.

Vietnam is one of the world's largest textile and garment exporters. However, Vietnamese manufacturers are faced with a sharp decline in orders as the global textile market is forecast to shrink 8 percent this year to about 700 billion dollars, lower than the demand in 2020 at the onset of COVID-19 pandemic, according to a report by the country's largest textile and garment maker Vinatex.

Cao Huu Hieu, chief executive of Vinatex, said the slowdown in orders, on top of the fact that the manufacturer had to halve pricing for finished products without compromising on quality, has hit its profit margins.

Meanwhile, the weakening of the dong currency has made imports of raw materials more expensive, making it more difficult for garment exporters to honor their orders which are typically booked months before, said the Vinatex chief executive.

Rising interest rates in the first few months of the year also added to the difficulties faced by local manufacturers, he added.

Besides, Vietnam has lost the advantage of low labor costs as the average monthly wage for garment workers is currently around 300 dollars, higher than the global average of 200 dollars, according to Trading Economics.

The hit to the textile and garment industry is more severe because ongoing power shortages in northern Vietnam have curtailed production, said local manufacturers.

Textile and garment businesses are looking to the second half of the year with the hope that easing inflation pressure in major export markets like the United States and Europe, combined with benefits from new-generation free trade agreements, could lead to return growth of the demand side.

The country's textile and apparel association forecast exports to reach around 45 billion dollars this year.

Source: english.news.cn– June 20, 2023

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NATIONAL NEWS

Modi-Biden meet: India Inc's concerns on visas, social security, GSP scheme may be raised

Prime Minister Narendra Modi is expected to raise a number of trade-related concerns of Indian industry in his bilateral meeting with US President Joe Biden, ranging from non-immigrant visa issues and the pending social security pact to the restoration of preferences for exporters under the GSP scheme and revocation of "wrongful" penal duties on steel and aluminium, sources have said.

Biden, too, may talk about irritants in trade with India such as data localisation regulations, tariffs on ICT products such as mobiles, and the country's digital services tax. But his focus is likely to be on speeding up the conclusion of the Indo-Pacific Economic Framework and probably making India join the trade pillar, a source tracking the matter told businessline. IPEF is an alliance of Asia-Pacific countries initiated by the Biden regime to counter China.

Modi is visiting the US on June 20-24 at the invitation of Biden.

"While both leaders will talk about more cooperation in defense, trade, and technology and push for pacts on semi-conductor supply chains, there will be a stress on improving the current trade environment by removing various identified barriers," the source said.

Modi and Biden are also expected to reinforce the bilateral goods trade target of $500 billion. In 2022-23, the US was India's biggest trading partner at $128.55 billion with China at the second position.

In the services sector, Modi is likely to take up problems around non-immigrant visas as the current cap on H1B visas (that allows US-based companies to employ foreign workers in specialty occupations) and the time being taken for the issue of L1 visas (for intra-company transfer) are a major hindrance for Indian professionals and IT companies, the source said.

"The PM may also call for speeding up work on an India-US social security totalisation agreement that India has been demanding for a long time as it would allow Indian professionals working in the US to get back their social security deposits after their working visas expire. The savings could add up to $1 billion annually per some estimates," the source said.

A case could also be made by Modi for restoration of India's beneficiary status under the Generalised System of Preferences (GSP) program, withdrawn in 2019 by the Trump regime, that allows duty-free market access to identified products such as textiles, auto components, agriculture, and pharmaceuticals.

Expected persuasion

PM Modi could make a renewed plea for removal of 25 per cent tariff on Indian steel and 10 per cent on aluminium, imposed by former US President Donald Trump under the guise of security issues, which New Delhi says was "wrongful." In retaliation, India imposed tariffs on about 28 US products, including almonds, apples, and walnuts.

Biden, on the other hand, may make a case against India's data localisation regulations asking for the free flow of data between borders, call for the removal of import tariffs imposed by India on ICT products such as tablets and mobiles, and reinforce the need for moving from digital services tax regime to a global tax framework, the source said.

Biden may also try and persuade India to join the trade pillar of the IPEF being negotiated that New Delhi has avoided so far as it is not sure of taking up commitments in digital trade and linking trade with environment and labour. India is, however, actively negotiating in the three remaining pillars which include supply chains, clean energy-decarbonisation-infrastructure and tax and anti-corruption.

Source: thehindubusinessline.com– June 20, 2023

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India's trade dilemma with China

The fact that China has emerged as India's top source of imports and the share of China in India's total merchandise imports has steadily increased is by now well-known.

During the last decade or so, while India has signed many Free Trade Agreements with different countries, there has been no noticeable decline in China's market share in India's total imports.

Contrary to the global slogan of "China plus One", and India's initiatives towards boosting up its own manufacturing exports, trade deficit between India and China has been high and growing. For 2022-23 India's trade deficit increased to $83 billion, which accounts for 31.6 per cent of India's total trade deficit.

But what are the commodities that constitute the Indo-China trade basket? The Harmonized System (HS) of global trade is a standardised numerical method of classifying traded products. Using the dataset on international trade maintained by the Ministry of Commerce, we can see that at sectoral level (2-digit HS), 10 product groups account for about 80 percent of India's total imports from China.

Import basket

Among these, the top three product groups, make up for more than 60 per cent of India's total imports from China (Figure). These product categories include products like electronic goods, mobile phones, semiconductors of different types, electrical appliances and machinery and organic chemicals including pharmaceuticals and organic chemicals used as intermediate goods.

In each of these three product categories, China's share in India's total imports varies between 40 and 50 per cent. And for the last 10 years these top three product categories have remained unchanged.

At a more disaggregated HS 4-digit level, we see a similar picture. India's top 10 imports from China are mostly value-added manufacturing products. These are electrical goods and machinery, electronics and semiconductors, organic chemicals and pharmaceuticals.

However, among the electronic goods and semiconductors, imports of some products show high volatility, which is possibly due to the chip-shortage that happened in China since the Covid crisis. The disaggregated data also show that among India's top imports from China, a few are final goods, but the others are mostly intermediate goods which are used as inputs in Indian industries. For some products like Antibiotics (HS 2941, last five-year average), and Semiconductors (for certain years) more than 80 per cent of India's total imports come from China.

On the other hand, India's exports to China have been more volatile. The latest data show that in 2022-23, India's exports to China has declined in absolute terms. Consequently, China's share in India's export basket came down to 3.4 per cent in 2022-23 from 5.04 per cent in 2021-22. The lopsided nature of trade between India and China can also be gauged from the fact that in 2022-23 India's merchandise imports from China was more than six times of its merchandise exports to China. To put the magnitude of India's exports to China in perspective, in the 2022-23, India's merchandise exports to the US was of $76 billion.

Top export items to China *(in $ million)*

HS Code	Commodity	2019-20	2020-21	2021-22	2022-23	Average
2601	Iron Ore	2,134.16	4,245.45	2,485.72	1,396.83	2,565.54
2710	Petroleum products other than crude	2,098.44	1,017.58	1,830.28	1,907.02	1,713.33
2902	Cyclic Hydrocarbons	1,409.53	956.97	988.29	268.39	905.8
306	Marine Products	911.52	602.87	822.69	924.34	815.36
7403	Copper Unwrought	242.82	734.18	1,068.32	378.71	606.01
5205	Cotton Yarn	585.01	666.55	776.04	204.53	558.03
7601	Aluminum unwrought	54.32	399.18	1,268.29	213.53	483.83
1515	Vegetable Fats	339.34	422.02	513.85	525.67	450.22
2516	Granite	429.56	454.32	499.28	378.66	440.46
904	Pepper	308.8	425.61	420.94	422.97	394.58

Source: DGCIS

A more disaggregated look at India's exports to China show that in the last few years, refined petroleum products have become India's most important export item to China. Other than that, India's exports to China have been mostly dominated by agricultural goods and metals. Iron ores, semi-finished products of iron, copper and copper products, cotton and cotton yarn, fish and marine products, vegetables, vegetable oils and rice are India's major export items to China.

Such trade pattern reveals that trade is not only highly unbalanced between China and India, but India is also primarily exporting low value added products. While India mostly imports value-added manufacturing goods and intermediate goods from China, its exports are mostly resource intensive primary or semi-processed products which are mostly at the lower end of the value chain.

In international trade, it has been observed that countries which operate at the lower end of the value chain tend to gain much less from trade as gains from exports depend to a large extent on domestic value addition and export sophistication. While China has emerged as a big export market for India, if India ends up exporting low value-added goods to China, then its gains will be limited.

These issues are well known to the Indian authorities. The Indian Embassy in Beijing mentions categorically, “The growth of trade deficit with China could be attributed to two factors: narrow basket of commodities, mostly primary, that we export to China and second, market access impediments for most of our agricultural products and the sectors where we are competitive in, such as pharmaceuticals, IT/IteS, etc” (https://www.eoibeijing.gov.in/eoibejing_pages/MjQ).

Manufacturing gains

It can be argued that certain manufacturing sectors in India may be gaining from Indo-China trade as availability of cheap intermediate inputs from China has possibly helped them stay competitive in the domestic and international markets. But it is also true that some sub-sectors of Indian manufacturing may have been adversely affected because of imports from China, but such inter-sectoral tradeoffs are inevitable in international trade.

Overall, there is no economic logic suggesting that in international trade, each pair of countries needs to have balanced trade. Depending on the country’s comparative and competitive advantage, trade will take place in different dimensions and different product categories — qualitatively and quantitatively. But if India wants to make a mark in the global value chain and at the same time emerge as a manufacturing giant, then Indian exports need to move up the value chain.

Over the years, quality, complexity, and sophistication of exports all over the world are growing rapidly. India is no exception. The renewed emphasis on manufacturing in India should further improve the quality of Indian exports. Given that China is the world's second largest economy, it is a huge market and India must look to break into the higher value-added segments there.

India's trade strategy needs to be linked up with China in a more organic manner and come out from its current pattern.

Source: economictimes.com– June 20, 2023

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Export turnaround may take longer: Analysts

The World Trade Organisation has forecast 1.7 % growth in global merchandise trade volume, down from 2.7% in 2022 and 9.4% in 2021.

The next three to four months would be tough for India's merchandise exports and a return to growth will depend on recovery in major markets like US and Europe, according to people tracking trade. They also feel that, any significant improvement in demand conditions in the key markets may not materialise before the end of this financial year.

The view in the trade circles is somewhat at variance with the recent statements by government officials that by September, the outbound shipments will turn around, as stocks with overseas buyers would have dried up by then.

"World exports are going through a tough time and the government is taking various steps to deal with that. Return to growth in exports would greatly depend on economic growth recovery in the US and Europe," professor at Indian Council for Research on International Economic Relations Arpita Mukherjee said.

"June exports may not be that great but exports will be in positive territory in July-September quarter as the global economy improves with inflation falling and financial tightening easing," Director General and Chief Executive Officer of Federation of Indian Export Organisations Ajay Sahai said.

In April-May, the first two months of this financial year, exports were down 11.41% on year to $69.72 billion dollars. He said that the last two quarters of 2023-24 could see export growth rising and for the full year 10% year-on-year growth is expected. In value terms merchandise exports may touch $ 490-500 billion.

However, former vice-chancellor at Indian Institute of foreign Trade Manoj Pant feels that this financial year the merchandise exports would contract as compared to last year as the windfall of the last two years offered by the Ukraine war in terms of cheaper crude oil and markets for agricultural products like wheat fades away.

The Ukraine war started in February 2022 and in the financial year 2022-23 the exports grew an unprecedented 44.62% on year to touch $422 billion. The war enabled sourcing of cheaper crude oil from Russia and the displacement caused in the markets for agriculture products enabled India to export from its accumulated wheat stocks.

The World Trade Organisation has forecast 1.7 % growth in global merchandise trade volume, down from 2.7% in 2022 and 9.4% in 2021. The high growth in 2021 came after a contraction of 5.1% in world trade in 2020, the pandemic year. So trade is facing major headwinds all over the world.

The petroleum product and engineering goods which account for 45% of total exports have contracted during the first two months of the financial year. Only positive sectors for exports are electronic goods, pharma and rice.

Sahai said fall in crude oil prices has led to a 6% drop in exports in value terms in April-May. He said for labour incentive sectors of export like garments the US market is still showing growth, the only concern is Europe. “Orders are still coming from Europe but they are 30% down in value terms,” Sahai said.

Pant said trade would not be adding much to the country’s GDP but the opening emerging in the electronic and mobile phones sector should be utilised to shift some of the supply chains to India. “If we manage to get 10% of the supply chainsfrom China to shift to India then going to 25% is not too difficult,” he said.

“Smartphone exports from India began last year and in 2022-23 they stood at $10.96 billion. In April itself smartphone exports increased 114% on year to $ 1.06 billion,” according to a senior Commerce and Industry Ministry official.

Pant said if infrastructure, logistics and other ecosystems including manpower availability can handle the shift of supply chains over the next two-three years then India can emerge as a trading power. “The reverse of it is also true. India missed joining the value chain for garments some 20-25 years back. It must draw the benefits of shifting supply chains to itself.” He also suggested using the global political environment also to engineer the shift of supply chains to India.

Mukherjee said that the deals that are being talked about and may be signed during the ongoing visit of the PM to the US can also help India become part of global high-technology trade. She said some part of the exports are not being captured in the reported data and could add another $5-6 billion to total exports.

Mukherjee also stressed on also providing benefits to exports by express cargo and removal of Rs 10 lakh limit on a single consignment that can be exported through courier. Exports through traditional channels and e-commerce get export incentives but goods sent by express courier do not. "The limits on value on every consignment acts as an export barrier, nowhere in the world it happens. For a large order exporters have to make multiple consignments that adds to costs,", Mukherjee said.

She commended the FTA policy of the government and said that small and medium enterprises should be trained for export markets.

Source: financialexpress.com– June 20, 2023

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88% of MSMEs credit GST for cost reductions along with optimised supply chains: Deloitte

With large companies giving thumbs up to Goods & Services Tax (GST), nearly 88 per cent of Micro, Small and Medium Enterprises (MSMEs) have credited the reduction in cost to GST, a survey by Deloitte said on Tuesday.

There is also a 10 per cent increase among all business leaders on positive reliance towards GST.

As GST is entering into seventh year of its existence, the survey has been done to access the acceptability and gauge the usefulness of GST among all sizes of industrial units.

It took place in May this year collecting responses from 612 senior leaders across industries and companies and tracking the impact of GST across industries, including consumer, technology, media and telecommunications, energy resources, financial services, life sciences, and government and public services.

Growth in GST revenue

Talking about finding, Mahesh Jaising, Partner and Leader, Indirect Tax, Deloitte India said that the 22 per cent y-o-y growth in GST revenue is testimony to the overall economic development and tax-payer-centric administration.

“The survey indicates a positive impact on businesses of all sizes with MSMEs being the biggest beneficiary of the simplified tax regime,” he said.

He suggested that to boost economic progress and create a conducive business environment, the government could introduce additional measures for MSMEs, granting them an opportunity to avail input tax credits on invoice receipts and relaxing corresponding requirements to further reduce the cost and compliance burden.

Presenting a broader picture, the survey found that India Inc feels the time has come to unleash the next phase of reforms in indirect tax administration to enhance EoDB (Ease of Doing Business), resolve legislative ambiguities, and give new impetus to India’s growth story.

Need for introducing an amnesty scheme

Respondents to the survey acknowledged the need for introducing an amnesty scheme, essential for resolving existing tax disputes that had tied up business capital and government revenue.

Jaising further added that while the sentiment towards the GST regime remains positive across businesses in India and better than the survey taken last year, there is a push to dispel legislative ambiguities around input service distribution (ISD) vs. the cross-charge mechanism, self-supplies, and deemed valuation to ensure uniformity in the taxation system.

“We also found an inclination towards export rule liberalisation under the GST law with 78 per cent respondents citing it as the most-needed impetus, followed by unlocking working capital, removing ITC restrictions, and the removal of ‘deemed supply’ provisions,” he said.

Additionally, taxpayers and authorities have struggled to gauge the complexity of the law, align internal systems, and train professionals, leading to inadvertent slippages.

Resolve current issues

The government could deliberate on introducing a one-time amnesty scheme to resolve existing disputes, many of which have arisen due to interpretation issues or minor non-compliances during the initial years of the GST regime.

Business leaders across industries appreciated user-friendly tech engines, such as GSTR 2B, sequential return filings, the timely transition of e-invoicing data, and the GST portal.

However, “the government must resolve current issues and demands, particularly those that are revenue neutral, to fully realise the benefits of the GST regime in India,” respondents said.

Source: thehindubusinessline.com – June 20, 2023

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Poor productivity

India's cotton revolution, triggered by the introduction of transgenic Bt-cotton in 2002, seems to have fizzled out. Not only has production been stagnating at 34-36 million bales (one bale is 170 kg) for the past several years, the crop yields, too, have stopped growing. Average productivity is only around 500 kg a hectare, which compares poorly with the global average of over 800 kg. Worse still, while India leads the world in cotton acreage, it ranks 38th in productivity.

The cause for this worrisome downturn is not elusive, though not enough is being done to redress it. While the old Bt-cotton hybrids, responsible for lifting output, have become outmoded, the new ones to replace them are not forthcoming. The ill-advised moratorium on testing genetically modified (GM) crops, imposed by the United Progressive Alliance government in 2010, is thwarting the development of new Bt-cotton seeds to suit the present agro-ecological conditions.

The highly vocal anti-GM lobby, and dissent from some outfits of the government's ideologue, the Rashtriya Swayamsevak Sangh, the Swadeshi Jagaran Manch, and the Bharatiya Kisan Sangh (BKS), are also impeding progress on this front.

No doubt, the government has, of late, shown some resolve to defy these pressure groups, as indicated by the approval for the environmental release of the genetically engineered Dhara Mustard-11 in October last year, but whether it would be able to do the same thing in the case of new variants of Bt-cotton is still unclear. The response to the couple of new Bt-cotton strains, brought before the biotechnology regulator, the Genetic Engineering Appraisal Committee (GEAC), for clearance, does not hold out much hope on this count.

The specific cases in point are the BG-2 RRF, a second-generation variant of the Bt-cotton seed, developed by well-known seed company Mahyco, and the Bt-cotton strain containing the pink bollworm-resistant Cry2Ai gene, developed by Hyderabad-based Bioseed Research India.

While in the first case, the GEAC has sought to delay the permission by seeking additional data, in the latter case, state governments are putting up hurdles in the field-testing of the new seeds. Three states — Maharashtra, Telangana, and Gujarat — have not even allowed field trials of the new seeds. Haryana, the only state that has agreed to permit testing, is under pressure from ginger groups, including the BKS, to retract its move.

This, obviously, does not augur well for the future of the country's economically vital cotton sector, which supports the livelihood of 45-50 million people, including 6 million cotton farmers. True, some increase in crop yields is possible through agronomic means, such as expansion in plant density and improvement in input-use efficiency, but these cannot save the crops from diseases and pests, which are turning more virulent. None of the present Bt-cotton hybrids is capable of withstanding the onslaught of pink bollworm, which has become the major nemesis of this crop now.

Farmers have little option but to spray pesticides repeatedly, with grave environmental implications. It would, therefore, be prudent for the government, as also the biotechnology regulator, to effectively counter the disinformation being spread by some anti-GM activists about the gene-altered crops. The state governments, too, need to appreciate the merits of modern technology and facilitate the advent of new strains to sustain the cotton revolution.

Source: business-standard.com – June 20, 2023

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...And, then, there are yoga pants

The world, India included, will be reminded of the importance of keeping the mind-body union shipshape through yoga today. But what about the less ancient invention, yoga pants? True, this athleisure apparel may have less spiritual or mental aspects to it, and there is no separate World Yoga Pants Day. But its growing popularity can't be overstretched in a market that was valued at $31.3 billion in 2018. It is, however, in the expanding mindspace that the legwear has grown in stretches and bounds.

Yoga pants first appeaed in the cosmos in 1998 courtesy not some ancient Vedic design but when Canadian yogawear retailer Lululemon opened its first store in Vancouver, Canada. Taking the 80s aerobics 'uniform' of the Lycra spandex to its next 'yogic' level in North America, Lululemon founder Chip Wilson invented yoga pants apparently after attending a yoga class in 1997, where the instructor was wearing a comfy 'slinky dance attire'.

Today, yoga pants are no longer confined to yoga. By 2014, US teenagers were found to prefer them to jeans. Since the 2010s, they have also moved from yoga sessions to casualwear, at least in the West. So, today, even as folks 'celebrate' yoga, spare a thought for the 25-year-old stretchy-feely invention that has piggybacked - piggylegged, actually - on the Big Y and made an asana for itself.

Source: economictimes.com – June 20, 2023

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For first time, cotton acreage in Pb may fall below 2L ha

Bathinda: Back-to-back pest attacks, unpredictable weather patterns and unavailability of canal water for sowing have brought the cotton cultivation in Punjab to almost naught. It is for the first time in decades that the area under the white gold has shrunk below 2 lakh hectares. Though the exact data is yet to emerge, it is estimated to drop to 1.75 lakh hectares this season.

The downward trend had started after the first big whitefly attack on the crop in September-October 2015, but after 8 years, the interest of farmers towards this alternative to paddy is seen fast diminishing. So much so that the area under cotton cultivation in Punjab has reduced to one third in the last 15 years – from 5.28 lakh hectares in 2008 to 1.75 lakh in 2023.

Not only cotton, even the area under the cultivation of moong – viewed as a step towards diversification – has come down to less than half as compared to the last year.

Interestingly, Punjab chief minister Bhagwant Mann, in his very first year in office, had made efforts to promote moong cultivation and had even announced to purchase the crop at the minimum support price (MSP). Though over 80% of the crop was sold below the MSP, the state had compensated the farmers with over Rs 40 crore for the shortfall.

Cotton is mainly grown in semi-arid districts of Bathinda, Mansa, Fazilka and Muktsar. It is also grown in small quantities in Faridkot, Moga, Barnala and Sangrur districts. As compared to Punjab, the cotton is grown on a much larger area in adjoining

Haryana and Rajasthan. Both these states have also witnessed pest attacks, but it did not affect the area under the crop. We started losing interest in the cotton crop after suffering huge losses in 2015 pest attack and then again in 2021, said Gursewak Singh, a farmer from Sangat block in Bathinda district.

In 2022, we reduced the area (under cotton cultivation) from earlier 5-6 acres to only 2 acres, and no sowing in the ongoing season, he said. An agriculture department official said the damage to the crop due to pest attack and other issues seemed to have shaken farmers' faith in the crop.

Source: timesofindia.com – June 21, 2023

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