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Currency Watch			
USD	EUR	GBP	JPY
82.66	90.53	105.87	0.58

INTERNATIONAL NEWS

NATIONAL NEWS	
No	**Topics**
1	Union Commerce and Industry Minister to visit UK for FTA negotiations; to review progress on TEPA with EFTA
2	Textile Ministry initiates plans to make India a global hub for circular textiles
3	How India has transformed its international trade strategies
4	India to be 2nd-largest economy by 2075: Goldman Sachs Research
5	3rd Trade and Investment Working Group Meeting to be held in Kevadia from 10th–12th July, 2023
6	DPIIT announces One District One Product Awards; application process remains open till 31.07.2023
7	E-way bill generation declines in June, may impact GST collection in July
8	Bangladesh moves beyond dollar to settle trade with India in rupee
9	Advance cargo info system in works
10	India and Tanzania started trade settlements in local currencies: S Jaishankar

INTERNATIONAL NEWS

Global trade facilitation soars amid challenges: UN survey

In the face of the ongoing COVID-19 pandemic, geopolitical instability, and high inflation, countries across the globe are demonstrating resilience by pursuing an efficient trading environment. They are achieving this through the simplification and digitalisation of international trade formalities, according to a new survey from the United Nations (UN).

The implementation rate of both general and digital trade facilitation measures has risen by over six percentage points between 2021 and 2023. The global average implementation rate now stands at 68.7 per cent, according to the fifth UN Global Survey on Digital and Sustainable Trade Facilitation, which included 161 countries.

Developed economies are leading the way with the highest implementation rate (85.3 per cent), followed by South-East and East Asian countries (76.6 per cent). The Pacific Islands have the lowest implementation rate (42.3 per cent).

In the Asia-Pacific region, implementation has seen an increase of approximately three percentage points since 2021. Australia and New Zealand, along with East and North-East Asia, recorded the highest rates. The most significant progress over the last two years was observed in North and Central Asia and the Pacific Island Developing Economies.

The World Trade Organization's Trade Facilitation Agreement measures have been widely implemented, with the most improvements seen in paperless trade facilitation measures. This development signals the region's readiness to modernise trade processes, encourage efficiency, and promote international collaboration.

Key to this global progress are regional and subregional initiatives such as the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA), the expansion of the ASEAN Single Window Agreement, and the African Continental Free Trade Area (AfCFTA) Agreement.

However, the 2023 survey also underscored the insufficient adoption of sustainable trade facilitation measures and inadequate support for vulnerable groups such as the agricultural sector, SMEs, and women traders.

The survey was jointly carried out by several UN bodies, including the Economic Commission for Africa, the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Western Asia, and the United Nations Conference on Trade and Development.

Through these efforts, the initiative supports the implementation of the WTO Trade Facilitation Agreement and encourages emerging regional and global initiatives on paperless trade or e-trade, like the recent CPTA. The survey further recommends paperless and cross-border trade facilitation measures, along with more inclusive and sustainable trade measures, particularly for sectors and groups with special needs.

"More concerted international collaboration is necessary. I call upon countries to actively implement sustainable trade measures highlighted in the Survey to foster inclusive and sustainable trade and development," said Armida Salsiah Alisjahbana, United Nations under-secretary-general and executive secretary of ESCAP.

Source: fibre2fashion.com – July 10, 2023

HOME

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US' textiles & apparel exports ease 3.75% to $9.9 bn in Jan-May 2023

Exports of textiles and apparel from the US declined by 3.75 per cent in January-May 2023, reaching $9.907 billion, compared to $10.292 billion in the same period last year, according to data from the Office of Textiles and Apparel (OTEXA), US department of commerce.

Among the top ten markets, textile and apparel shipments to the Netherlands increased by 23.27 per cent to $206.623 million in the first five months of 2023. Exports also increased to the United Kingdom (14.40 per cent) and Dominican Republic (4.15 per cent). However, shipments to Canada, China, Guatemala, Nicaragua, Mexico, and Japan experienced a decline of up to 35.69 per cent. The US supplied $2,884.033 million worth of textiles and apparel to Mexico during this period, followed by $2,240.976 million to Canada and $559.200 million to Honduras.

Category-wise, apparel exports increased by 4.35 per cent year-on-year to $3,005.094 million, while fabric exports decreased by 4.68 per cent to $3,553.589 million in January-May of this year. The exports of yarn and made-up and miscellaneous articles decreased by 7.67 per cent to $1,760.141 million and 10.71 per cent to $1,588.458 million, respectively, during the same period.

US' textile and apparel exports increased by 9.77 per cent to $24.866 billion in 2022 compared to $22.652 billion in 2021. In recent years, US textile and clothing exports have remained in the range of $22-25 billion per annum.

In 2014, they stood at $24.418 billion, while the figure was $23.622 billion in 2015, $22.124 billion in 2016, $22.671 billion in 2017, $23.467 billion in 2018, and $22.905 billion in 2019. The value dropped to $19.330 billion in 2020 due to the pandemic.

Source: fibre2fashion.com – July 10, 2023

HOME

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New Zealand to soon sign FTA with EU; PM Hipkins to visit Brussels

New Zealand Prime Minister Chris Hipkins will soon travel to Brussels to witness his country sign a free trade agreement (FTA) with the European Union (EU). New Zealand will also sign the Horizon Europe Association Agreement, the EU's main research and innovation framework and funding platform.

"I said trade would be a key focus for me this year and securing this deal will be a major boost for our economy," Chris Hipkins said about the FTA.

"This long-awaited deal will unlock access to the world's third biggest market and deliver immediate tariff savings on New Zealand exports to the EU of around $100 million a year when it enters into force – more than any past New Zealand FTA," Hipkins was quoted as saying in an official release.

"Modelling suggests exports to the European Union will increase by up to $1.8 billion per annum and add up to $1.4 billion to New Zealand's GDP [gross domestic product] per year once fully implemented," he said.

The minister for trade and export growth Damien O'Connor will join Hipkins in Brussels to sign the agreement. EU executive vice president and trade commissioner Valdis Dombrovskis will sign the FTA on behalf of the EU, alongside EU President Ursula von der Leyen.

"Associating to Horizon Europe will provide new opportunities for New Zealand scientists to collaborate with European partners on research to address major global challenges such as climate change, energy and health," Hipkins said.

Thereafter, Hipkins will meet his Swedish counterpart Ulf Kristersson in Stockholm.

Source: fibre2fashion.com – July 08, 2023

HOME

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Declining EU Apparel Imports: Analysis

EU apparel imports from the world experienced a significant decline of 7.62% during January-April 2023, reaching a total of US$29.83 billion. The quantity of clothing imports also saw a steep downturn of 15.45%.

Winners and Losers in EU Apparel Imports

Among the top ten sourcing countries for EU apparel, Vietnam and India demonstrated positive growth, while imports from other countries declined notably.

Bangladesh: Decline in Imports

In terms of EU apparel imports from Bangladesh, there was a 6.25% decrease in dollar value, amounting to US$7.06 billion from January to April 2023, compared to US$7.53 billion during the corresponding period in 2022. The quantity of imports from Bangladesh also declined by 12.48% during this period.

China and Turkey:

Decrease in Imports EU imports from China witnessed a dip of 17.07% in dollar value and 21.05% in quantity. Similarly, during January-April 2023, the EU's imports from Turkey, the third-largest apparel source, declined by 13.68% in value and 24.66% in quantity.

India and Vietnam:

In contrast, the EU's imports from India and Vietnam experienced slight growth of 0.45% and 3.41%, respectively, in value terms. However, imports from both countries declined by 8.17% and 7.26% in quantity, respectively.
Decline in Imports from Other Sourcing Countries

Simultaneously, the EU's imports from other top sourcing countries, such as Cambodia, Pakistan, Morocco, Sri Lanka, and Indonesia, decreased by 5.59%, 7.52%, 16.61%, 17.16%, and 7.99%, respectively, in value terms.
Unit Price Analysis

Analyzing the unit price (USD value/kg), the EU's cumulative unit price of imports from Bangladesh increased by 7.12% (from US$16.98 to US$18.19).

This rise reflects higher raw material and production costs, ignalling progress towards the higher price segment. Average unit prices of imports from other countries also experienced an upward trend during the mentioned period.

Source: fashionatingworld.com – July 08, 2023

HOME

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German manufacturing new orders rise 6.4% in May 2023: Destatis

Germany's real (price adjusted) new orders in manufacturing witnessed a significant month-on-month increase of 6.4 per cent in May 2023, following seasonal and calendar adjustments, according to provisional data from the Federal Statistical Office (Destatis).

Following a revision of April 2023's provisional results, a marginal increase of 0.2 per cent in new orders was reported compared with March 2023. The revised figure corrected the initial estimate of a 0.4 per cent decline. Despite this adjustment, a less volatile three-month comparison showed that new orders from March to May were 6.1 per cent lower than in the preceding three months.

In May, new orders excluding large-scale orders were also up, showing an increase of 3.2 per cent compared with the previous month, as per Destatis.

New orders in the intermediate goods sector were slightly down, registering a 1.1 per cent decline compared to the previous month. Consumer goods orders also decreased by 0.8 per cent during the same period.

Domestic orders rose by 6.2 per cent, and foreign orders increased by 6.4 per cent. Within these foreign orders, those originating from the euro area showed a significant increase of 6.5 per cent, while orders from the rest of the world grew by 6.2 per cent.

In terms of turnover in manufacturing, provisional figures indicated a 2.7 per cent increase in May 2023 compared with the previous month, following seasonal and calendar adjustments. Following a revision of provisional data for April 2023, a minor decrease of 0.2 per cent was reported from March 2023. The calendar-adjusted turnover for May 2023 was 4 per cent higher than in May 2022, indicating a positive long-term trend.

Source: fibre2fashion.com – July 08, 2023

HOME

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Vietnam expected to resume rapid growth over medium-term: S&P Global

Vietnam is expected to resume rapid economic growth over the medium term as exports rebound despite the near-term downturn in exports, according to S&P Global.

The country's gross domestic product (GDP) growth rate fell to 3.7 per cent year on year (YoY) in the first half this year after a rapid growth of 8 per cent YoY last year. Goods exports fell by 12.3 per cent YoY in the first five months this year.

Rising headwinds were faced by the country's manufacturing export sector due to slowing growth in the United States and the European Union (EU), its two key export markets accounting for over two-fifths of its goods exports.

The S&P Global Vietnam manufacturing purchasing managers' index (PMI) posted below the 50 no-change mark for the fourth month running in June, signalling a sustained deterioration in the health of the sector.

Although rising to 46.2 in June, up from 45.3 in May, the latest reading still pointed to continued contractionary operating conditions for Vietnam's manufacturing sector, S&P Global noted in a release.

Severe power outages have added to the near-term challenges facing the country's manufacturing sector. Manufacturing production in industrial parks in northern regions of Vietnam have been particularly badly impacted, notably in Bac Ninh and Bac Giang provinces.

The pace of GDP growth in the second quarter this year was 4.1 per cent YoY compared with 3.3 per cent YoY recorded in the first.

In the first five months this year, merchandise exports to the United States fell by 21.3 per cent YoY. Exports of textiles and garments to that country fell by 27.1 per cent YoY.

Exports to the EU were also weak, declining by 9.7 per cent YoY during the same period. Exports of textiles and garments to the EU fell by 6.2 per cent YoY.

Exports to mainland China declined by 6.7 per cent YoY during the five-mopnth period—significantly better than the 12.9 per cent YoY decline recorded in the first four months.

Industrial production contracted by 1.2 per cent YoY in the first six months this year compared with a strong positive growth of 8.5 per cent YoY in the first six months of 2022. Vietnam's industrial production rose by 7.8 per cent YoY in 2022, with manufacturing output up by 8 per cent YoY.

New export orders decreased more quickly than total new business amid declining demand in international markets. Demand weakness fed through to a further reduction in manufacturing production, while there were also a number of reports that power outages due to the heatwave in Vietnam had restricted output, the PMI survey results showed.

The consumer price index-based inflation rate moderated to 2 per cent YoY in June this year compared with 3.4 per cent YoY in March and 4.3 per cent YoY in February. Core CPI inflation was higher, rising by 4.3 per cent YoY in June and was up by 4.7 per cent YoY for the first six months this year.

Source: fibre2fashion.com – July 10, 2023

HOME

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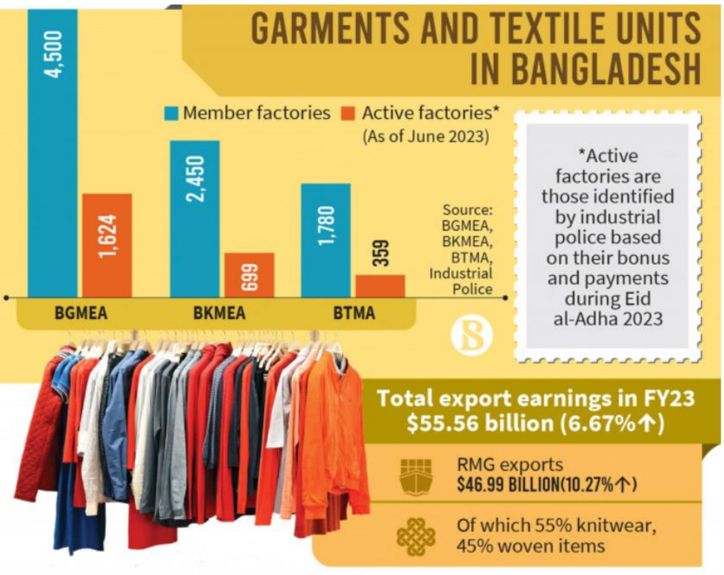
Bangladesh: Why garment owners desperate to lease out factories

It's now a battle for survival for garment and textile factories as they are finding it hard to stay afloat with the harsh reality of diminishing orders, high energy price and mounting bank liabilities amid a challenging economic climate and ongoing war. In the face of impending losses, owners are now considering an alternative solution: leasing out these factories.



Insiders have said this strategic move to survive the declining demand in Western markets is turning into frustration as the owners are struggling to find anyone willing to lease or purchase these factories.

For instance, Mahfuzur Rahman, owner of Rose Garden, an Accord-approved medium light woven garments factory with six production lines located on Birulia Road in Savar, has been trying to sell the factory for the past eight months. Despite reducing the selling price by 25% to Tk3 crore, he is yet to find a buyer.

In Narayanganj, a 12-storey factory launched just two years ago during a period of rapid recovery from the Covid-19 pandemic, is now desperately seeking a lessee to stem losses.

Some owners have been advertising in national newspapers to either sell or lease out their factories.

In early May, a spinning mill with 63,120 spindles located in Vannara of Mouchak in Gazipur advertised a monthly rental price of Tk3.10 crore, but has failed to attract any lessees.

These are just a few examples among dozens of garment and textile factories that are seeking to sell or lease out their operations as they struggle to survive during these challenging times, according to sector insiders. Some owners have even been forced to close their factories and lay off workers, they said.

Take, for instance, the case of Dird Group, a global conglomerate of garment, textile, engineering, software, and agriculture companies. In recent months, they have shut down three factories, with the most recent closure occurring just a few days before Eid-ul-Azha, resulting in over 8,000 workers losing their jobs.

Industry players said although they do not have the exact data on the number of factories that want to sell or lease out, it has now become a common query that they receive every day.

"Many factory owners want to rent or sell their facilities, but there are no buyers because almost every manufacturer and exporter, be they big or small, is struggling for survival," said Fazlul Hoque, managing director of Plummy Fashions, one of the country's top green factories, and former president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

He further noted that the number of active factories in the woven and knitwear sector has dwindled to approximately 2,000, down from 4,500 in previous years.

Syed M Tanvir, managing director of Pacific Jeans Group, which has managed to weather the ongoing challenges better than many other factories, also confirmed getting calls from factory owners desperate to sell or lease.

"Renting out factories is often the first step before closure. Even factories in export processing zones are reducing production lines and laying off workers. It's an alarming situation," Tanvir told The Business Standard.

Mohammad Hatem, executive president of the BKMEA, highlighted that it is not only small factories looking to lease out or sell their operations, but some previously thriving large factories are also seeking lessees.

Shahidullah Azim, vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), pointed out that the declining orders have severely impacted the sector with no new job creation over the past few months.

Faruque Hassan, president of the BGMEA, admitted that the overall business situation is gloomy as the global market has been in a downturn for a prolonged period.

He emphasised that when factory management fails, owners attempt to lease or sell the unit, but bank liabilities often present a major obstacle for entrepreneurs.

Why this situation?

High inflation in Western markets amid the growing geopolitical tensions and the Russia-Ukraine war are major reasons behind the decline in orders, according to exporters.

Garment exports to some key markets plummeted in fiscal 2022-23. For example, exports to the USA which is the largest market for Bangladesh, went down by over 5% to $7.7 billion year-on-year in the July-May period of the just concluded fiscal year, according to BGMEA data.

During the same period, apparel exports to Germany, the second biggest market for the country, went down by 7.22% and in Russia by 29%.

Also, the screw was further tightened by the government's decision to significantly increase gas prices earlier this year. The sudden jump, ranging between 88% and 179% depending on the industries and their sizes, has been the final nail on the coffin for some entrepreneurs, prompting them to consider exiting the industry altogether.

For example, U-Sun Knit Composite Mill in Sonargaon upazila under Narayanganj district has been shut down recently after failing to pay gas bills. As the bank liabilities balloon, any buyers are leery to take over the mill, said BKMEA Executive President Mohammad Hatem who had shown interest in buying the mill but changed his mind afterwards.

Shahidullah Azim of the BGMEA said apparel makers' overhead cost has gone up and is pushing them out of the business because of a hike in utility prices, especially for gas and electricity.

Also, there is an energy shortage, which is affecting the industry's ability to meet on-time delivery commitments. Consequently, exporters are being compelled to ship by air as an alternative solution.

On top of this, buyers are insisting on discounts, taking advantage of the difficulties faced by manufacturers and exporters, he added.

Why there's no interested lessee or buyer

According to industry insiders, one of the primary obstacles to the sale of garment and textile factories is the substantial loan and interest liabilities with banks. This factor drives away potential buyers or leads to minimal response.

Even Chinese buyers who initially showed interest ultimately withdraw their consideration upon seeing the balance sheets.

Mohammad Hatem informed TBS that he had initially expressed interest in acquiring the U-Sun Knit Composite Mill in Narayanganj primarily because of its existing gas connection. However, upon further investigation, he discovered that the mill had a big chunk of bank liability amounting to Tk126 crore, which greatly exceeded his valuation of the mill at Tk45 crore. As a result, he did not proceed with his decision.

BGMEA President Faruque Hassan highlighted the complications that arise when bank liabilities exceed the value of assets for entrepreneurs.

He stated that during challenging times like the present, banks typically attempt to share some of the losses to provide a way out for factory owners. However, when the market situation is unfavourable, the risk of investing in such factories becomes unattractive to potential investors.

Faruque also emphasised the absence of an exit policy in Bangladesh to navigate such complex situations.

He noted that the implementation of an exit policy by the government would greatly assist entrepreneurs facing these challenges.

When things may improve?

AK Azad, managing director of Ha-Meem Group – one of the largest exporters in the country, has recently visited the USA, the number one export destination of Bangladesh.

Speaking to TBS, he expressed a sense of concern, indicating that the situation may not show signs of improvement until the middle of the next year.

"Factors such as the ongoing war, high inflation, and rising interest rates are taking a toll on consumers in the US," he said.

Syed M Tanvir from Pacific Jeans echoed the sentiment of uncertainty in the industry.

He mentioned that previously they could predict the situation in around 95% of cases for the upcoming months, but now the scenario has become entirely unpredictable. With the added complexity of an election year and the potential threat of visa restrictions imposed by the US, buyers are becoming hesitant and unsure.

Tanvir shared his perspective on the recovery timeline, stating that it will require some time for the industry to rebound. He believes that improvements may start to happen from the last quarter of this year.

Source: tbsnews.net – July 09, 2023

HOME

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Vietnam urges small firms to move to official cross-border export path

Vietnam's industry and trade ministry (MoIT) is collecting opinions on amending and supplementing a number of articles of the decree on border trade activities to accelerate shifting small businesses engaged in informal exports to the official cross-border export channel.

Customs clearance activities are recovering this year after a long pandemic-induced hiatus.

Cross-border trade and export, especially with China, will face many difficulties and challenges. Therefore, encouraging businesses to shift to the official exports channel will help small businesses meet the requirements of the Chinese market, experts feel.

A project to shift small-scale export firms to official cross-border trade with China is still in the drafting process, according to a news agency report.

Businesses are being advised to proactively partner with larger traders and distribution chains in China.

A strategy needs to be formulated for the industry to develop concentrated and large-scale specialised production areas in response to market signals.

Source: fibre2fashion.com – July 09, 2023

HOME

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Bangladesh's garment exports rise 10.27%, hits $46.9 bn in FY22-23

Readymade garment (RMG) (Chapter 61 and 62) exports from Bangladesh increased by 10.27 per cent to $46.991 billion during the fiscal 2022-23 (FY23) compared to exports of $42.613 billion in fiscal 2021-22, as per provisional data released by the Export Promotion Bureau (EPB). Knitwear exports grew at a faster pace than woven garment.

RMG exports from Bangladesh were 0.41 per cent higher than the target of $46.800 billion for the fiscal 2022-23, as per EPB data. Exports of knitwear (Chapter 61) increased by 10.87 per cent to $25.738 billion in the fiscal, as against exports of $23.214 billion during the previous fiscal 2021-22.

Exports of woven apparel (Chapter 62) increased by 9.56 per cent to $21.253 billion during the period under review, compared to exports of $19.398 billion during July-June 2022, as per the data.

Home textile exports (Chapter 63, excluding 630510) decreased by 32.47 per cent to $1,095.29 million during the period under review, compared to exports of $1,621.93 million during July-June 2022.

At the same time, woven and knitted apparel, clothing accessories and home textile exports together accounted for 86.55 per cent of Bangladesh's total exports of $55.558 billion during FY23.

In 2021-22, Bangladesh achieved an all-time high in the value of its RMG exports, reaching $42.613 billion, which represents an increase of 35.47 per cent compared to the exports of $31.456 billion in fiscal 2020-21. Despite the global slowdown, Bangladesh has succeeded in achieving an impressive growth in garment exports in FY 2022-23.

Source: fibre2fashion.com – July 09, 2023

HOME

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NATIONAL NEWS

Union Commerce and Industry Minister to visit UK for FTA negotiations; to review progress on TEPA with EFTA

Union Minister of Commerce and Industry, Consumer Affairs, Food & Public Distribution and Textiles, Government of India, Shri Piyush Goyal, is scheduled to visit the UK from 10th-11th July 2023.

The Minister's visit will not only be focused on the ongoing Free Trade Agreement (FTA) negotiations between India and the UK but he will also be meeting with ministers from the European Free Trade Association (EFTA) member countries to discuss the progress of the Trade and Economic Partnership Agreement (TEPA) with EFTA.

The visit comes at a crucial juncture, as both India and the UK are committed to expanding their economic ties and exploring avenues for enhanced bilateral trade.

With the FTA negotiations gaining momentum, the visit aims to further propel the discussions and pave the way for a comprehensive and mutually beneficial agreement that would drive economic growth and strengthen ties between the two nations.

During the visit, the Commerce and Industry Minister will engage in high-level meetings with his UK counterparts, including the Secretary of State for International Trade, as well as representatives from various sectors and industries.

These meetings will provide an opportunity to discuss the key priorities and objectives of the FTA negotiations, with a focus on addressing trade barriers, promoting investments, and fostering greater cooperation in areas such as technology, innovation, and intellectual property rights.

Furthermore, the Minister will also meet with ministers and officials from the EFTA member countries, (Switzerland, Norway, Iceland, and Liechtenstein), to assess the progress made in the ongoing negotiations of the TEPA with EFTA. The TEPA aims to enhance trade and economic cooperation between India and the EFTA member countries, fostering an environment conducive to increased investments, reduced trade barriers, and greater market access.

The visit of the Commerce and Industry Minister underscores the commitment of the Indian government to actively engage with its international partners and explore opportunities for economic growth and development.

It reflects the determination to forge strong and mutually beneficial trade relationships that will not only benefit the economies of both India and the UK but also contribute to the overall prosperity and welfare of their respective citizens.

Source: pib.gov.in– July 09, 2023

HOME

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Textile Ministry initiates plans to make India a global hub for circular textiles

Not wanting to be caught napping as key textile markets, specifically the EU, begin to adopt strategies to shift to sustainable and recyclable textiles, the government has initiated work on drafting policies to make India a global hub for sourcing sustainable and circular textiles and garments.

“The Textiles Ministry is set to start the mapping of the textile waste value chain in India with the aim to position the country as a global hub for circular textiles.

It seeks to do so by establishing textile recycling clusters, and has floated a request for proposal (RFP) to hire a consulting agency for the same,” a source tracking the matter said.

The study, to be carried out by the selected consulting agency, will provide an overview of the regulatory framework on circularity in major export destinations and competitor countries that could have an impact on India’s exports of textiles, according to the RFP.

It is estimated that the extent of textile-to-textile waste recycling is less than 1 per cent.

Circularity aims to shift from the “take-make-dispose” linear value chain into a circular system, where materials are not lost after use but remain in the economy, circulating as long as possible at the highest possible value, according to the United Nations Environment Programme.

The EU, one of India’s largest markets for textiles and garments, has come up with the `EU strategy for sustainable and circular textiles’ under which by 2030 all textile products placed on the EU market have to be durable, repairable, and recyclable.

They will, to a great extent, have to be made of recycled fibres, free of hazardous substances, produced in respect of social rights and the environment, as per the strategy.

Other developed markets, including Japan, too, are examining the enforcement of circularity in textiles.

“If India does not make plans for a gradual shift to circular textiles, it may lose its well-established markets in the near future. The proposed mapping of textiles waste value chain in India is aimed at encouraging recycling so that the demands of the future can be met,” the source said.

The government hopes to more than double India’s textiles exports to $100 billion over the next 5-6 years.

Source: thehindubusinessline.com– July 09, 2023

HOME

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How India has transformed its international trade strategies

India has seemingly remodeled its approach to international trade in the last three years, revisiting strategies as it looks towards deeper bilateral trade agreements with its allies through Free Trade Agreements (FTAs).
India's international trade policy

Ganeshan Wignaraja, Professorial Fellow in Economics and Trade at Gateway House, commented, "India has definitely changed its FTA approach from passive to active after its withdrawal from RCEP in 2019. Although India opened up to trade in 1991, signing multiple agreements with other countries, there was some trade skepticism leading up to 2019, with strong trade protectionism seen. There was concern about the utility of these early agreements, with domestic businesses underutilising them. Worry about a growing trade deficit was therefore an issue."

Following India's withdrawal from RCEP in 2019, there was an influx of FTA endeavors, with India signing FTAs with Australia and the UAE in 2022, Mauritius in 2021, alongside ongoing negotiations with UK for a possible FTA in 2024.

"There was a worry that following the withdrawal from RCEP, India would be left behind in international trade. Trade is a quick way to create jobs, and a means of establishing India as a manufacturing hub in Asia, competing directly with China. The geopolitical tensions between the USA and China following the Trump, and now Biden administration is something India hopes to capitalise on," added Wignaraja.

India's international trade successes

"India loosening protection of its market will be a key driver in attracting investments in the global market. India has the potential to play an important role in the global value chain as it opens its market access significantly," said Ajay Sahai, CEO and DG, FIEO.

The India-Australia Economic Cooperation and Trade Agreement (ECTA) came into effect December 2022, and is now looking to be expanded into a Comprehensive Economic Cooperation Agreement (CECA).

Surendar Singh, Associate Professor (International Business Area) at FORE School of Management, said, “India is at the downstream side of value chains while Australia is at the upstream. This naturally creates possible opportunities for both countries to foster bilateral value chains. Tariff reduction under India-ECTA in key sectors such as garment, engineering, and leather products will improve market access for India’s exports.

“Additionally, the India-Australia ECTA covers new areas of services trade, allowing Indians to explore work opportunities in Australia. There is also a geostrategic angle. India and Australia want to reduce their dependence on China for trade. Moreover, India, Australia, and Japan have already taken a supply chain resilience initiative to diversify their supply chains from China.”

However, expansion from the current interim ECTA to a CECA might pose a challenge as the focus expands beyond goods and services tariff negotiations. “India’s existing foreign trade policy focuses at an aggregate level and hardly captures nuances at the firm level given divergent needs and economic goals. It is therefore important for Indian trade policymakers to recognise that trade policy moves closer to where the action is and benefits more from firm-level data and associated developments. India needs a trade policy that creates opportunities for domestic firms to plug in global trade networks. Policymakers need to identify areas of reforms that actually shape productivity and competitiveness of firms.” added Singh.

Contentious negotiations in the India-UK FTA

While India has found success in its trade negotiations with Australia, the UK poses as a larger issue. “The UK wants India to liberalise its highly protected services markets in telecommunications, finance, and legal services. But India remains apprehensive due to powerful domestic lobbies,” said Wignaraja.

Singh added, “The UK is seeking strict disciplines in core areas of the digital trade chapter which include data localisation, cross border flow of data, prohibition on using open-source code and elimination of customs duties on digital products. However, India is yet to formulate its e-commerce policy. Any commitment in these areas will have far-reaching implications for India in a data-driven global economy. India wants to protect its domestic regulatory space without undertaking any legally binding commitments. India will find it challenging to negotiate labour and environment standards suitable to them as well."

That being said, both India and the UK will hugely benefit economically if the trade agreement pulls through. Wignaraja wrote in his blog, "Prime Ministers Narendra Modi and Rishi Sunak agreed to a reciprocal Young Professional visa scheme that will offer a place to degree-educated young Indians the right to live and work in the UK (and vice-versa) for up to two years. Indian professionals in the UK under the inter-company transfer (ICT) visa could be afforded access to long-term settlement in the UK, similar to the skilled worker visa category."

India's international trade in the next 10 years

With India rapidly gaining a significant role on a global forum, the future of Indian trade is optimistic. Ajay Sahai said, "India's movement into the technology sector suggests that in the next 10 years, while the labour sector will remain an important export source of India, technology will be the real driver of exports. The next five years will be key for India in terms of manufacturing as the government rolls out Production Linked Incentive (PLI) schemes to save in imports and gain from exports by increasing domestic production."

Achieving this will not be easy, however, requiring active initiative by the Government. "Concerns that the PLI scheme may not account for high duties on imports may make it difficult for these sectors to source raw material. The government of India has set up an ambitious export target of 2 trillion by 2030. To achieve this, India needs to overhaul its trade and investment policy to mobilise export-oriented foreign direct investment, which is critical to enhance its participation in global value chains," said Singh.

As India moves towards increased foreign trade and measured liberalisation, there are formidable challenges lying ahead as it continues to navigate its way around redefining its international trade policies.

Source: thehindubusinessline.com– July 08, 2023

HOME

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India to be 2nd-largest economy by 2075: Goldman Sachs Research

Goldman Sachs Research recently projected that India will have the world's second-largest economy by 2075, with a dramatically expanding gross domestic product (GDP).

India's population has one of the best ratios between its working-age population and its number of children and elderly. "So that really is the window for India to get it right in terms of setting up manufacturing capacity, continuing to grow services, continuing the growth of infrastructure," says Santanu Sengupta, Goldman Sachs Research's India economist.

But demographics is not going to be the only driver of GDP. Innovation, increasing worker productivity and capital investment are going to be important drivers as well, he says.

Productively using the labour force remains a challenge though, he noted.

This is also the appropriate time for the private sector to scale up on creating capacities in both manufacturing and services, he said in an interview on the company's website.

The main downside risk would be if the labour force participation rate, which has declined over the last 15 years, does not increase, he said.

Growth upside can come through higher productivity growth.

Ultimately, transitioning to green energy is a large investment opportunity, but it'll take time. In the interim fossil fuels are going to be the majority share in energy needs until India transitions to green energy, he added.

Source: fibre2fashion.com– July 09, 2023

HOME

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3rd Trade and Investment Working Group Meeting to be held in Kevadia from 10th–12th July, 2023

After the successful completion of two Trade and Investment Working Group (TIWG) meetings, the 3rd meeting will take place from 10th–12th July 2023 in Kevadia, Gujarat. The three-day meeting will be attended by more than 75 delegates from G20 member countries, invitee countries, regional groupings and international organisations. The focus of the meeting would be to build consensus on accomplishing action-oriented proposals put forward by the Indian Presidency on global trade and investment-related issues.

On the first day, a seminar on Trade Infrastructure will discuss the Role of Logistics in Expanding Global Value Chains (GVCs) and MSMEs Going Global: Integration with GVCs. The seminar will be followed by a guided tour of the Statue of Unity and a dinner hosted by the State Government for the G20 delegates.

The five priority issues namely (i) Trade for Growth & Prosperity, (ii) Resilient Trade and GVCs, (iii) Integrating MSMEs in World Trade, (iv) Logistics for Trade and (v) WTO Reforms were extensively discussed among the G20 member/invitee countries during the first and second TIWG meetings. Moreover, presentations outlining each of the subjects and outcomes emanating from them were made by the Knowledge Partners during these meetings. Based on the opinions/suggestions expressed by the G20 member/invitee countries in these discussions, Indian Presidency has formulated action-oriented concrete proposals on each of the priority issues.

These proposals relate to developing High-Level Principles for Digitalization of Trade Documents, Action Plan to Create Meta Information Interface for MSMEs, Generic mapping framework for GVCs, G20 Regulatory Dialogue and preparing a Compendium on best practices for Mutual Recognition Agreements (MRAs). In this backdrop, during the third meeting, the Presidency is now striving for consensus-building among the G20 member countries for eventual adoption of these proposals.

Accordingly, on 11th & 12th July, technical sessions will be conducted during which specific inputs/comments of the G20 member/invitee countries will be solicited on the Presidency's proposals. These inputs will be suitably incorporated while drafting the Ministerial Communique which will be adopted during the G20 Trade and Investment Ministerial Meeting scheduled at Jaipur from 24th to 25th August, 2023.

The working agenda has been prepared keeping in mind the clarion call given by the Prime Minister, Shri Narendra Modi that the G20 outcomes should be action-oriented and address the challenges faced by the Global South. In this backdrop, the outcomes from the 3rd TIWG Meeting would pave the way for building a shared understanding of the challenges being faced in accelerating global trade and investment, and develop tools that could leverage existing opportunities to make growth inclusive and transparent.

Source: pib.gov.in– July 08, 2023

HOME

****

DPIIT announces One District One Product Awards; application process remains open till 31.07.2023

In its continued dedication to advancing the vision of the Prime Minister, Shri Narendra Modi for balanced regional development, Department for Promotion of Industry and Internal Trade (DPIIT) proudly launched the One District One Product (ODOP) Awards on June 15th on the Rashtriya Puraskar portal. These prestigious awards aim to recognize and honour those who have demonstrated exceptional accomplishments within their respective Districts, States/UTs, and International Missions abroad in achieving economic development through the ODOP approach.

The Awards focus on the following: (i) Encouraging constructive competition, innovation, and efficient public service delivery in successful ODOP interventions; (ii) Promoting replication and institutionalization of best practices through experience sharing and (iii) Recognizing innovations done for successful identification and solving bottlenecks in the supply chain of ODOP products.

The application process for these awards commenced on 25th June 2023 and the applications will remain open till 31st July 2023. All States/UTs, district administrations, and Indian Missions abroad are eligible to participate and are strongly encouraged to apply.

District administration, State Administration, and Missions Abroad are encouraged to actively apply for the awards so that an example could be set which could fuel innovation and effective public service delivery under ODOP.

In line with the Prime Minister's vision of AatmaNirbhar Bharat, numerous initiatives have been undertaken by various Ministries of the Government of India. One such initiative is the One District One Product (ODOP) program, spearheaded by the Department for Promotion of Industry and Internal Trade (DPIIT).

The ODOP initiative aims to foster socio-economic development of all districts of the country. The idea is to select, brand and promote One Product from each District of the country, to identify and solve problems associated with each of the chosen ODOP products at all points in their respective supply chains to increase their market accessibility and harness their export potential.

With an objective of enhancing the product, bettering the life of the producer and improving the process, the interventions undertaken by the ODOP team encompass the development of all aspects of the district.

Link to apply for the award is:
https://awards.gov.in/Home/AwardLibrary

Source: pib.gov.in– July 08, 2023

HOME

****

E-way bill generation declines in June, may impact GST collection in July

E-way bill generation came down to 8.60 crore in June as against 8.81 crore in May, but still higher than in April. This may have some impact on GST collection in July, for which data will be out on August 01.

Goods on the go

	E way bill (in crore)		Collection (in ₹-lakh cr)
June, 2022	7.45	July, 2022	1.49
July, 2022	7.55	August, 2022	1.44
August, 2022	7.82	September, 2022	1.48
September, 2022	8.40	October, 2022	1.52
October, 2022	7.69	November, 2022	1.46
November, 2022	8.07	December, 2022	1.49
December, 2022	8.41	January, 2023	1.57
January, 2023	8.24	February, 2023	1.49
February, 2023	8.18	March , 2023	1.60
March, 2023	9.09	April, 2023	1.87
April, 2023	8.44	May, 2023	1.57
May, 2023	8.82	June, 2023	1.61
June, 2023	8.61	July, 2023	TBA

Source: GSTN, Finance Ministrty

E-way bill is an electronic document generated on a portal evidencing movement of goods and indicating whether tax has been paid. As per Rule 138 of the CGST Rules, 2017, every registered person who causes the movement of goods (which may not necessarily be on account of supply) of consignment value more than ₹50,000 is required to generate an e-way bill. This is required for movements between two states as well within a state. However, a State or UT with the legislature, can decide the threshold for the value of goods to be applicable for movement within its boundary.

Data from GSTN (the IT backbone of indirect tax levy) shows e-way bill generation crossed over an all time high of 9 crore in March, resulting in the all-time collection in April at ₹1.87 lakh crore. In April, the generation came down to 8.44 crore; subsequent collection in May was ₹1.57 lakh crore. In May, e-way bill generation rose to 8.82 crore and collection in June was over ₹1.61 lakh crore. Keeping this in mind, moderation in collection of July is expected. Now the expectation is the collection in July could be between ₹1.55 lakh crore to ₹1.60 lakh crore.

Monthly tax collection reflects goods, consumers and services availed during preceding months. It is also possible that the movement of goods might have taken in the same month of consumption or even a month before that, which is why e-way bill generation may have an impact on collection spreading over two months.

The first indication of the movement of goods and e-way bill generation can also be seen in Purchasing Managers' Index (PMI) for Manufacturing, released by S&P Global. The S&P Global India Manufacturing PMI dropped to 57.8 in June 2023 from May's 31-month peak of 58.7. A similar trend was observed in e-way bill generation too.

Though collection may come down from June, experts still believe buoyancy in the economy will positively impact collection. Gautam Mahanti, Business Head with IRIS Business Services, said gross GST collections of 1.61 lakh crore for June, registering ab 11.7 per cent YoY growth, is consistent with 11.5 per cent growth in May 2023.

The domestic transactions have grown by a healthy 18 per cent YOY, which is also corroborated by the e-way bill transactions for the same period (8.81 crores in May 2023 vs 7.36 crores in May 2022) to compensate for the falling collections in import of goods. "The buoyancy in the state of economy is expected to continue giving a fillip to the increasing collections in the coming months," he said.

Abhishek Jain, Partner & National Head - Indirect Tax KPMG in India, said: "With the approaching limitation period for 17-18 and continued focus on anti-evasion measures, the increasing trend in collections is expected to continue."

Source: thehindubusinessline.com– July 09, 2023

HOME

****

Bangladesh moves beyond dollar to settle trade with India in rupee

Bangladesh to perform foreign trade with India to the tune of USD 2 billion, equivalent to its current annual export receipts from the country. Bangladesh is all set to settle trade with India in Rupee from Tuesday, a move to cut their reliance on the American currency, which was involved in nearly 90 per cent of global forex transactions in 2022, The Daily Star reported.

Bangladesh Bank and the Indian High Commission are expected to announce the news regarding the Indian currency at an event at Le Meridien Hotel in Dhaka tomorrow.

The central bank governor and the Indian high commissioner will also join, a Bangladesh Bank (BB) official said.

The BB has already given permission to three banks - Sonali Bank, Eastern Bank and State Bank of India (SBI) in Bangladesh - to open nostro accounts with their counterparts in the neighbouring country.

The nostro account is an account that a bank holds with a foreign bank in the currency of the country where the funds are held. It is used to facilitate foreign exchange and international trade transactions involving foreign currencies.

This new move will open the letters of credit in the rupee to source a portion of the products from the neighbouring country and thus cutting the use of the US dollar to some extent, according to The Daily Star.

The government has toughened import rules due to the shortage of American greenback, driven by higher import bills, with a view to stopping further depletion of the foreign currency reserve, which has fallen by nearly 30 per cent from a year ago.

The private commercial bank, Eastern Bank and the country office of SBI have already opened nostro accounts with Indian ICICI Bank and SBI, the BB official said, adding that state-run Sonali Bank will open the account in the quickest possible time.

Both the BB and the Reserve Bank of India (the central bank of India) have given permission to the two Indian banks to start settling the bilateral trade in the Indian rupee (INR), he added.

The new arrangement will allow Bangladesh to perform foreign trade with India to the tune of USD 2 billion, equivalent to its current annual export receipts from the country. Last month, BB Governor Abdur Rouf Talukder said that if the trades through the unofficial channel are added then the imports can go up to USD 27 billion, as per The Daily Star.

As per plans, ICICI Bank and SBI will settle imports with Bangladesh in the rupee. And the amount will be deposited with the Bangladeshi banks' nostro accounts with the two.

In the second phase, the Bangladeshi banks will settle the import payments on behalf of the local importers by using the rupee deposited with the counterparts.

The dominance of the US Dollar is declining in the last few decades. At the ASEAN finance ministers and central banks meeting in Indonesia in March, policymakers also discussed the idea of cutting their reliance on the USD, the Japanese yen and the euro and "moving to settlements in local currencies" instead.

The dollar accounted for more than 70 per cent of global reserves at the turn of the century. The share declined to 59 per cent in 2011 and 58 per cent last year, International Monetary Fund data showed, reported The Daily Star.

Source: economictimes.com– July 10, 2023

HOME

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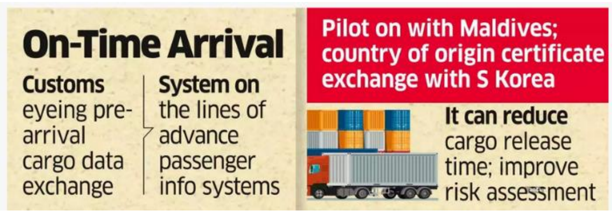
Advance cargo info system in works

New Delhi: India is working on an advance cargo information system on the lines of the advance passenger information system put in place by the US after 9/11 that will allow immediate customs clearance of imports with scrutiny limited to a risk-based assessment of shipments.

Such a system would allow customs authorities to know beforehand the contents and arrival time of cargo. The information can then be used to pre-clear the consignments or keep them for further checks based on the contents and the information thrown up by the risk-assessment system.



Various agencies that are involved in vetting import cargo such as plant quarantine can also carry out their checks on the basis of data.

A pilot to test pre-arrival cargo data exchange is already on with the Maldives and discussions are now on with countries including South Korea to expand this system. New Delhi has already inked an agreement for the pre-arrival exchange of country-of-origin certificates with South Korea.

"Pre-arrival data exchange is being examined," a senior government official told ET. Such an exchange could become part of future trade agreement talks.

The Central Board of Indirect Taxes and Customs is working on the initiative as part of customs facilitation to further improve the ease of doing business in the country. Pre-arrival data exchange could form part of a future revamp of the country's customs framework to boost trade facilitation.

Such a system is expected to not just aid expeditious identification and tracking of suspicious goods but also come in handy in verification of country-of-origin certificates with countries with whom India has a trade agreement.

Source: economictimes.com– July 10, 2023

HOME

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India and Tanzania started trade settlements in local currencies: S Jaishankar

External Affairs Minister S Jaishankar on Saturday said that India and Tanzania have started trade settlements in local currencies and this new initiative will help in promoting commerce between the two countries. Addressing industry leaders at a function, the minister said India-Tanzania bilateral trade has seen very strong growth, and stood at USD 6.4 billion in 2022-23.

"Now, bear in mind, this is not only a very substantial bilateral trade, but it's also actually a bilateral trade, which is getting increasingly balanced. Many new products are being added to the trade basket...India remains the biggest destination for Tanzanian exports," he said.

There's also an issue which has been brought up from time to time, which is the possibility of trade settlements in our own currencies, Jaishankar said.

"And I want to share with you that the India central bank has cleared such a possibility. So the three Indian banks, which are here, have that ability to do trade settlements in each other's currencies.

"I am told few transactions have already taken place in Indian rupees and Tanzanian shillings, and certainly this will provide an additional mechanism to promote trade between our two countries," he said.

Bank of India, Bank of Baroda, and Canara Bank have operations in Tanzania.

Last year, the Reserve Bank of India and Indian finance ministry asked the top management of banks and representatives of trade bodies to push export and import transactions in rupee. They want banks in India to connect with their foreign counterparts for opening special rupee vostro accounts to facilitate cross-border trade in the Indian currency rather than the popular mode of the US dollar.

About 18 countries have already opened special vostro accounts with Indian banks.

On India-Africa economic ties, the minister said India's trade is USD 98 billion with Africa.

"India's investments are USD 75 billion, and we are expecting both this trade with Africa and investments in Africa to grow, and I certainly, so agree with what you said, which is that now that there is a pan-African larger continental free trade arrangement in the making, as it unfolds, I think it makes it easier to both trade with Africa and invest in Africa," he said.

Jaishankar also stressed on frequent exchanges of business delegations to promote economic cooperation between the two countries.

He noted that in 2022, eight big exhibitions in different sectors took place in Tanzania.

Earlier in the day, Jaishankar inaugurated a bust of Swami Vivekananda at India's cultural centre in Dar es Salaam.

Source: economictimes.com– July 08, 2023

HOME

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