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IBTEX No. 125 of 2023 July 11, 2023

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INTERNATIONAL NEWS

China-Europe freight train services grow 16% in H1 2023

China-Europe freight train services saw a 16 per cent annual growth during the first half of 2023 (H1 2023), according to the China State Railway Group Co, Ltd. The number of freight train trips witnessed an increase from the previous year, reaching a tally of 8,641.

During the same period, freight train services carried approximately 936,000 20-foot equivalent units (TEUs) of goods, marking a 30 per cent increase.

As of the end of June, the services have expanded their reach to a total of 216 cities across 25 European nations. Cumulatively, these services managed a total of over 6.9 million TEUs of goods through 73,000 train trips, according to Chinese media reports.

Source: fibre2fashion.com – July 10, 2023

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Euro area's retail trade volume drops 2.9% YoY in May 2023

Volume of retail trade was down by 2.9 per cent year-on-year (YoY) in the euro area and by 3.0 per cent YoY in the European Union (EU) in May 2023. For the same period, the seasonally adjusted volume of retail trade remained unchanged in the euro area and decreased by 0.1 per cent in the EU, compared with April 2023.

In April, the retail trade volume remained stable in the euro area and increased by 0.1 per cent in the EU, Eurostat, the statistical office of the EU, said in a press release.

In the euro area in May 2023, compared with April 2023, the volume of retail trade decreased by 0.3 per cent for automotive fuels, while it increased by 0.1 per cent for non-food products.

In the EU, the volume of retail trade remained unchanged for non-food products and increased by 0.3 per cent for automotive fuels.

Among member states for which data are available, the largest monthly decreases in the total retail trade volume were registered in Slovenia at -5.3 per cent, Luxembourg at -4.5 per cent, and Poland at -3.7 per cent. The highest increases were observed in Romania at 3.3 per cent, Portugal at 3.2 per cent, and Sweden at 1.6 per cent.

In the euro area in May 2023, compared with May 2022, the volume of retail trade decreased by 2.2 per cent for automotive fuels and by 2.1 per cent for non-food products.

In the EU, the retail trade volume decreased by 2.5 per cent for automotive fuels and by 2.4 per cent for non-food products.

Among member states for which data are available, the largest yearly decreases in the total retail trade volume were registered in Slovenia at -13.4 per cent, Hungary at -12.3 per cent, and Estonia at -9.6 per cent. The highest increases were observed in Spain at 7.3 per cent, Cyprus at 6.1 per cent, and Malta at 3.3 per cent.

Source: fibre2fashion.com – July 10, 2023

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Australian cotton industry cuts pesticide hazards

The Australian cotton industry showed a 52 per cent improvement in water use efficiency since 1997 and reductions of 91 per cent and 66 per cent respectively in the hazard of pesticides to bees and algae since 2004, as per an industry update.

An increase was noted in the proportion of female and indigenous workers since 2016, while annual data showed a decrease in yield and increase in greenhouse gas emissions from 2021 to 2022, according to the 2022 Sustainability Update released by Cotton Australia and Cotton Research and Development Corporation (CRDC).

Cotton Australia CEO Adam Kay said: "The 2022 Sustainability Update provides evidence of an industry seeking to give its stakeholders a transparent and balanced review. Since becoming the first Australian agricultural industry to independently assess its environmental impacts in 1991, the Australian cotton industry is proud of long positive trends in many areas but also knows it needs to keep looking at ways to improve.

"Our latest update clearly shows what we're doing well, but just as importantly it shows what challenges we have and what we're doing to address areas where we can better manage risks and opportunities.

"The data shows we have more to do in reducing greenhouse gas emissions, and while we have witnessed a significant decline in the negative impact of herbicide use since 2004, there has been an increase in herbicide hazard over the past two years and as an industry our goal is to minimise the environmental impact of herbicide use."

The 2022 Sustainability Update also revealed that the five-year average irrigated yield of Australian cotton increased by 55 per cent from 1994 to 2002, compared to an 8 per cent dryland yield increase in the same period.

This highlights how efficient use of irrigation water, within sustainable river and groundwater system limits, can meet a growing global call for sustainable intensification of agriculture—to produce more food and fibre while reducing negative impacts and increasing positive impacts on people and nature, added the release.

CRDC executive director Dr. Ian Taylor said: “Collaboration and coordination were key parts of the cotton industry’s work to deliver sustainable intensification. The Planet. People. Paddock. framework is the Australian cotton industry’s tool to deliver sustainable intensification by improving the resilience and productivity of farming systems while maintaining nature’s contributions to people.

“Collaborating with others inside and outside the industry to get the environmental, social, and economic balance right is absolutely essential, and we are investing time and money to make this happen.

“Working with Natural Resource Management Regions Australia to develop regionally appropriate native vegetation targets, supporting the work of the National Soil Strategy to improve soil health, and advocating for a whole of agriculture approach to promoting human rights on Australian farms are examples of the collaborative approach the industry is taking.”

Source: fibre2fashion.com – July 08, 2023

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China's e-commerce logistics see 6th consecutive surge in June 2023

China's e-commerce logistics index has climbed for the sixth month in a row in June 2023, according to industry data compiled collaboratively by the China Federation of Logistics and Purchasing and online retail giant JD.com.

The index, which provides a gauge of e-commerce logistics activities, witnessed an uptick of 1.1 points from May 2023, culminating in a total of 110.6 points in June 2023.

Similarly, the specific index for e-commerce logistics business volume displayed an upward trajectory, rising 2.3 points on a month-on-month basis. The index tracking rural business volume saw a surge of 3.3 points from May.

Majority of sub-indices used to measure various aspects of e-commerce logistics activities exhibited growth in June. Eight out of the nine significant sub-indices recorded a rise last month.

Source: fibre2fashion.com – July 11, 2023

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European firms' biz confidence in Vietnam drops in Q2 2023: Report

European business confidence towards the Vietnamese market has dropped 4.5 points to 43.5 in the second quarter (Q2) of 2023, according to a recent report released by EuroCham Vietnam, the voice of the European business community in the country.

There was a 2 per cent rise in the number of businesses expecting the economy to stabilise or improve. This increase brings the total to nearly one-third of respondents maintaining a positive outlook.

Despite the optimism, there was also a 10 per cent hike in negative feedback regarding the current business landscape and a 6 per cent surge in pessimistic sentiment for the upcoming quarter. In line with these challenges, a 9 per cent increase was observed in business leaders who express a positive outlook for their business prospects in Q3 2023 compared to Q2, as per EuroCham Vietnam's Q2 2023 Business Confidence Index (BCI).

In light of the challenges, businesses are focusing on maximising revenue and orders, anticipating a potential decline in these areas. There was a 7 per cent increase in businesses planning to manage investments cautiously in the next quarter. Interestingly, workforce planning remained stable, reflecting companies' determination to maintain stability amidst prevailing conditions.

Over 80 per cent of surveyed businesses reported difficulties in securing visas and work permits for foreign workers, with extended processing times and justification for hiring foreign workers among the significant concerns. Moreover, the report threw light on the perceptions of European business leaders towards Vietnam's infrastructure development, with 53 per cent considering it as either ‘very inadequate’ or ‘lagging behind.’

Despite the challenges, the 48 per cent of respondents anticipate an increase in their company's foreign direct investment (FDI) in the upcoming quarter. Yet, 40 per cent of businesses have no plans for increased FDI, marking a 4 per cent increase from the previous BCI.

Approximately 40 per cent respondents expressed unease about the forthcoming global minimum tax implementation and about 42 per cent reported insufficient understanding of Vietnam's Personal Data Protection Decree.

Over half of the businesses surveyed reported benefits from the agreement, with tariff reductions as a significant gain. However, administrative procedures and a lack of understanding remain as the main barriers to fully capitalising on the agreement.

Source: fibre2fashion.com – July 11, 2023

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Renew AGOA for 10 years, restore Ethiopia's benefits in 2024: AAFA

The American Apparel & Footwear Association (AAFA) recently urged the office of the US trade representative (USTR) to renew the African Growth Opportunity Act (AGOA) this year for at least another 10 years—or maybe longer—so that US companies will have the necessary certainty and timeframe they need to grow a vertical, responsible and competitive industry in Africa up to and beyond 2025.

AAFA vice president for trade and customs policy Beth Hughes, in a letter to USTR's trade policy staff committee chair William Shpiece, said the drop in AGOA utilisation rate can be addressed if Ethiopia's AGOA benefits are restored next year.

Ethiopia's AGOA benefits were revoked on January 1, 2022, due to the humanitarian crisis in Tigray and nearby regions.

"In 2021, 93.1 per cent of all apparel from AGOA countries entered under the AGOA programme. Although the utilisation rate dropped to 68.3 per cent in 2022, most of that decline was due to Ethiopia's exports entering the US outside of the AGOA programme. While it will not happen overnight, we believe the utilisation rate will rebound if Ethiopia's benefits are restored in 2024," the letter, containing AAFA comments to USTR on the annual AGOA review, said.

If Ethiopia cannot regain its benefits, the costs to do business there will 'eventually become too great for many', AAFA noted.

"As more companies are beginning to utilise AGOA, and specifically the third-country fabric provision, the quota fill rate will be significantly increasing in the coming years. Therefore, we also suggest raising the existing 3.5 per cent limit to at least 4.5 per cent, with a growth provision, so that it not be a constraint going forward," the AAFA letter added.

Source: fibre2fashion.com – July 10, 2023

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Australian cotton spins export success in Indonesia

Australian cotton is reaching more markets than ever before, thanks to the work of the Australian Cotton Shippers Association (ACSA). The association has worked hard over the past 3 years to find new buyers and markets for Australia's sustainably grown cotton.

A growing market for Australian cotton is Indonesia. Australia's competitively priced, high-quality product is stealing market share from the US and Brazil. A long trade history, strong in-market relationships and geographic proximity are also competitive advantages.

'Indonesia is now our second largest cotton export market after Vietnam,' says Rob Cairns, ACSA's Export Marketing Consultant. 'With support from Austrade, we're continuing to build relationships with Indonesian spinning mills and making new connections in the textile industry.'

Diversifying into new markets

ACSA is an association of 14 cotton merchants. They buy cotton from growers and sell it to spinning mills and the textile supply chain. Members are involved in the entire cotton supply chain, from field to processing at the gin, and cotton classing, warehousing, shipping and delivery.

Cairns' job is to help diversify export markets for Australian cotton. 'In 2022, Australia shipped a record crop of 5.7 million bales globally, thanks in part to ACSA's work,' he says.
Export journey to Indonesia

Australia's cotton trade with Indonesia is several decades old but the market is still growing. Indonesia accounted for 12% of total raw cotton bales exported in the 2022 season. This is up from 9% in 2019 (Source: ABARES, data to 28 February 2023).

Australian cotton is well regarded in Indonesia for its high quality, consistency and contamination-free status.

'Indonesia is consistently one of Australia's top 3 cotton export markets,' says Cairns. 'It is a reliable, solid market. The Australian cotton industry has longstanding, trusted relationships in-market.'

Australian cotton a top choice for Indonesia

One of these relationships is with Indorama, one of Indonesia's top 3 spinning mills. The company exports its cotton and polyester yarn to Europe, the US, Bangladesh, China and India. 'Indorama is a long-time, highly valued customer of Australian cotton,' says Cairns. 'We have visited their factory twice in the past 12 months. Indorama staff also joined us in Australia in May for 'Camp Cotton', where we showcased Australian cotton and the industry.'

Indorama has been buying Australian cotton for more than a decade. Twenty-eight per cent of the cotton it purchased in 2022 came from Australia. This is up from 5% in 2020. 'We buy Australian cotton because its quality is consistently outstanding,' says Gaurav Aggarwal, Commercial Head, Indorama. 'The fibre quality is everything we require to make a high-quality yarn.'

Aggarwal also likes the fact that an increasing amount of Australian cotton is sustainably farmed. In May 2023, he joined a "Cotton Camp" organised by ACSA and Cotton Australia. Six spinning companies from India, Indonesia and Vietnam visited cotton farms and gins, and met with farmers, suppliers, industry, fashion brands and retailers.

'It was a wonderful experience seeing how Australian cotton is grown,' says Aggarwal. 'It was remarkable to see the many sustainability measures the Australian cotton industry is adopting such as reducing the use of pesticides and improving water efficiency. 'Indorama aims to incorporate sustainability across our business,' he says. 'That includes sourcing from suppliers who follow sustainable practices, such as those in Australia's myBMP program.'

The future is bright for Australian cotton in Indonesia. The country is one of the fastest-growing economies in Southeast Asia. Its textile industry is expanding and demand for natural fibres is rising. 'Australia can fill Indonesia's demand for high-quality, sustainable cotton,' says Aggarwal. 'We prefer to buy cotton from Australia than from any other country.'

Growing cotton exports with Austrade's help

Cairns agrees that there are opportunities to increase cotton exports to Indonesia.

‘We would like to continue to take market share away from the US and Brazil,’ he says. ‘Our cotton is of a higher quality and competitively priced. We are close to Indonesia, so shipping is quick, easy and affordable. We can ship to Indonesia within 14 to 28 days, compared to months for the Northern Hemisphere.’

Austrade is working with ACSA to promote Australian cotton and its competitive advantages with local spinning mills and textile manufacturers. Austrade has been supporting the Australian cotton industry with seminars and other outreach activities in Indonesia for almost 2 decades.

Most recently, Austrade organised and co-hosted a lunch with ACSA and Cotton Australia in Indonesia. The event gave ACSA and Cotton Australia the opportunity to showcase Australian innovation, sustainability, traceability practices, and unique value propositions to senior representatives from the Indonesian textile and fashion industry.

‘This was the first time Australian cotton representatives had met with the Indonesian textile industry,’ says Cairns. ‘The attendees were very interested in our sustainability story and safe working practices. We made some valuable new connections. The continued support of Austrade is vital for our future ambitions and growth.’

Supporting the 12,000-strong Australian cotton industry

ACSA’s export diversification benefits growers and other businesses in the cotton supply chain. Approximately 90% of Australia’s cotton businesses are family farms. These farms employ over 10,000 people, excluding on-farm contractors. The wider cotton industry employs around 1,700 people in marketing and export, cotton classing and in the 41 regional gins. It also supports jobs for agronomists, rural suppliers and other input providers.

‘Cotton is one of Australia’s top 3 commodity exports, worth around $2 billion annually,’ says Cairns. ‘The industry supports thousands of livelihoods in the supply chain. For these reasons, we will continue to build relationships and look for export opportunities globally.’

Source: austrade.gov.au– July 10, 2023

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Cambodia: International trade tops $23 billion in H1

International trade for Cambodia amounted to $23.69 billion in the first six months of this year, a 13% decrease compared to the same period last year, the General Department of Customs and Excise report showed on Monday.

From January to June, Cambodia exported a total of $11.46 billion worth of goods, inching up 0.8%, read the report.

The Kingdom's imports saw a decrease by 22.9% to $12.22 billion, the report said.

The U.S. remained the biggest market for Cambodia, importing $4.23 billion worth of products, a year-on-year decline of 8.9%, followed by Vietnam which imported $1.42 billion Cambodian products, up 21.7%.

The Kingdom's other main trade partners during the period were Thailand, Japan, the European Union, and China.

Despite the decline in exports, Cambodia's trade growth is expected to be higher this year and beyond as the country receives orders from buyers in its major partner countries, said Penn Sovicheat, Under-Secretary of State and Spokesperson of the Ministry of Commerce.

"The Regional Comprehensive Economic Partnership (RCEP) agreement, free trade agreements with China and Korea have played important roles to promote Cambodia-made products and making Cambodian products attractive in the long term," he said.

Cambodia's main exports are garments, textiles, footwear, machinery and electrical equipment, bicycles, leather goods, grains, furniture, rubber, fruits, vegetables, pearls and toys.

The garment, footwear and travel goods industry are the largest foreign exchange earner for Cambodia. The sector consists of roughly 1,300 factories and branches, employing approximately 840,000 workers, most of them female.

Source: khmertimeskh.com – July 11, 2023

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NATIONAL NEWS

India-EU leaders discuss zero duty policy, standardisation for textile cooperation, proposed FTA

Gathered at the annual EU-India Leaders Conference 2023 in Brussels, government representatives, industry heads, and business leaders discussed new avenues of collaboration, especially under textile cooperation and the proposed EU-India Free Trade Agreement (FTA).

Experts discussed the inclusion of a zero-duty policy for textiles within the proposed FTA to foster mutual growth. Further, industry leaders emphasized that a policy alignment in industry-related laws will help create a level playing field and reduce discrepancies.

Talking to ETRetail, Pratik Gadia, founder and CEO, The Yarn Bazaar, who was a speaker and co-moderator for a panel discussion on EU-India textile cooperation shared that the Indian side of representation presented their concerns with respect to multiple certification requirements at different textile companies in the EU, which amplifies the cost for an Indian company to take multiple registrations. On the other hand, EU representatives highlighted the challenges associated with BIS standards for textile products in India.

Some of the other representatives included Dr Amit Lath, CEO of Sharda Group of Companies, Sanjay Jain, Chairman, ICC Textile Committee and MD, TT Limited, and Bhadresh Dodhia, Chairman of the Synthetic & Rayon Textiles Export Promotion Council and Director Dodhia Group, among others.

Noting the respective strengths of each nation in textiles, experts discussed the possible policy alignments. “We discussed what kind of policies can be bought in to encourage R&D and technology transfer between the two nations in the field of textile design and innovation,” Gadia said. Further, he shared that the panel discussed how collaboration can be done to empower textile companies from both the EU and India to capture a larger share of the global textile market.

Source: economictimes.indiatimes.com– July 11, 2023

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India-EU can leverage textile strengths for win-win situation

India and the European Union are engaged in discussions regarding a Free Trade Agreement (FTA). Both sides' textile sectors are actively working to carve out an agreement that ensures mutual benefits. Indian textile leaders have advocated for a zero-duty policy and barrier-free bilateral trade. They have emphasised that by leveraging their complementary strengths, both sides can form a powerful supplier block in the global supply chain.

After the EU-India Leaders Conference 2023 held in European parliament in Brussels last week, Sanjay Jain, chairman of the ICC Textile Committee/CMAI North Region and managing director of TT Limited told Fibre2Fashion, "India and EU have unique strengths in the textile Industry. They can turn into a global winner if an FTA is established between them. EU is stronger in technology, design, and brands, while India has its own unique strengths. These strengths can be leveraged for a win-win situation for both."

The discussions also addressed the hurdles faced by European companies in the Indian market and mapped out a strategy to ensure mutual benefit through the FTA negotiations. EU and Indian industry leaders strongly advocated for the implementation of a zero-duty policy in the proposed FTA, specifically for textiles. There was a call for broader market access for European textile products in India, along with addressing issues related to standards, customs procedures, and misconceptions. The industry proposed the elimination of non-tariff barriers that currently impede European companies in India, such as standards, customs procedures, and information gaps. Jain pointed out that currently, the Quality Control Orders (QCOs) of raw materials pose significant non-tariff barriers for European suppliers.

Industry leaders stressed that policies, especially those related to industry-specific laws, should be harmonised between the EU and India to ensure a level playing field and reduce discrepancies. The panel discussion on EU-India textile cooperation was co-moderated by Dr. Amit Lath, CEO of Sharda Group of Companies, Poland, and Pratik Gadia, CEO of Yarn Bazaar. Esteemed panel members included Dirk Vantghem, director general of EURATEX, Dr. Lalit Shyaam Tekchandani, co-founder of Buffering.in, and Bhadresh Dodhia, chairman of the Synthetic & Rayon Textiles Export Promotion Council and director of Dodhia Group.

In order to expedite progress and foster trust between the EU and India, the conference examined the potential for an 'early harvest' approach. This method would allow for quicker agreements and noticeable results in specific areas, paving the way for increased cooperation and stronger trade relationships. The conference underscored the vital importance of nurturing a robust and cooperative partnership between these regions, with the potential to not only transform the global textile market but also drive change across a range of sectors.

The conference was organised through the collaborative efforts of the Europe India Centre for Business and Industry (EICBI) and Morten Lokkegaard, Member of the European Parliament from Denmark and chair of the European Parliament Delegation for Relations with India. Industry leaders from Europe and India were invited to the European Parliament to discuss the advantages and disadvantages of an FTA in relation to the textile and clothing industry.

Source: fibre2fashion.com– July 10, 2023

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Trade Ministers' meeting in London to help resolve sticky issues in proposed FTA

Trade Ministers' meeting in London to help resolve sticky issues in proposed FTA

India is hopeful of substantial progress in resolution of the handful of sticky matters remaining in the proposed India-UK Free Trade Agreement (FTA) as Commerce and Industry Minister Piyush Goyal and UK Secretary of State for International Trade Kemi Badenoch engage in discussions over two days in London starting Monday.

The areas where complete understanding is yet to be reached include tariff reduction on some key items such as Scotch whisky, automobiles and auto parts, rules on IPRs, visa issues, mutual recognition agreements in services and financial services, a source tracking the matter told businessline . Differences over the proposed bilateral investment treaty also need to be ironed out.

"An estimated "four-fifths" of the pact was sorted out at the tenth negotiating round last month. On the remaining contentious issues there is an understanding on about half the items. Officials have been busy ironing them out since the tenth round. That's why there is a lot of positivity about the minister's visit," a source tracking the matter told businessline.

The negotiations cover 26 policy areas which include, goods, services, investments, government procurement, accounting and auditing, legal, sustainability, and intellectual property.

"As many as 14 chapters are substantially closed for negotiations while there has been significant progress in other chapters," per the Commerce Department. Both sides are hopeful that the proposed FTA would double bilateral trade to $100 billion by 2030.

Higher commitments

While India has agreed to substantial reduction in tariffs for both whisky and automobiles–two areas where the country has many sensitivities–the UK is hoping for higher commitments, the source said.

“The UK industry has not only asked for steep tariff cuts in whisky and automobiles, but it also wants relaxed rules of origin to let them benefit from the cuts. India needs to tread area carefully to ensure that third countries don’t benefit from the pact,” the source said.

British officials have earlier said that the FTA negotiations would also include liberal rules on business mobility, which would make it easier for highly skilled professionals to deliver services in each other’s markets on a short-term and temporary basis, but terms of work visas and proposed mutual recognition agreements are yet to be finalised, the source added.

In the area of IPRs, some issues still need ironing including data protection and rules related to production of generic medicines, he said.

“During the visit, Goyal 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,” per an official statement issued on Sunday.

Source: thehindubusinessline.com– July 10, 2023

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National cotton brokers peg crop at 329.72 lakh bales

The National Cotton Brokers Association (NCBA) has pegged the crop estimated for the current season (October 2022-September 2023) at 329.72 lakh bales (170 kg each) compared with 312 lakh bales last season.

The estimate is based on arrivals until June-end and was finalised at the association's meeting over Zoom on Saturday, according to Ramanuj Das Boob, a key member of NCBA. The association projected total cotton arrivals till June-end at 295.65 lakh bales compared with 300 lakh bales.

Higher than ICA estimate

According to Anand Popat, a Rajkot-based cotton, yarn and cotton waste trader, arrivals till June-end are estimated to be 290 lakh bales. Another 35 lakh bales are expected to arrive in markets over the next three months.

The NCBA crop estimate is higher than the Indian Cotton Association's projection of 298 lakh bales, a figure that has been hotly contested by a section of traders.

According to the Committee on Cotton Production and Consumption, a panel of various industry stakeholders including growers, the crop production will likely be 343.47 lakh bales.

The cotton production picture has been hazy this year resulting in the crop estimate varying from 298 lakh bales to 360 lakh bales. This is because growers tended to hold back their produce this year after they were unable to fetch the high prices witnessed last season.

Last season, cotton prices topped ₹1 lakh a candy (356 kg) but when the crop arrived in October, prices had dropped to levels of ₹70,000. In terms of kapas (raw cotton), prices this season ruled below ₹9,500 a quintal against nearly ₹12,000 witnessed last year.

Current prices

Currently, cotton prices have dropped to ₹56,700 a candy, while kapas prices are quoted a little over ₹7,000. On NCDEX, kapas is quoted at ₹1,482 a maund (20 kg), while on MCX August cotton contracts is ruling at ₹56,460 a candy.

Last year, prices increased as global prices ruled high on demand rebound and speculators building positions on June contracts. This was mainly in view of the speculators building up “unfixed on-call sales” in which the prices are not fixed.

Prices increased to an 11-year high of 158.40 US cents a pound (₹98,500) on the InterContinental Exchange (ICE). Currently, cotton futures on ICE are quoted at 81.20 cents a pound (₹53,075 a candy).

Source: thehindubusinessline.com– July 10, 2023

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Exempt small suppliers making inter-state supplies on e-commerce platforms from GST registration: GTRI

Think tank Global Trade Research Initiative (GTRI) said small suppliers on e-commerce platforms should be permitted to undertake inter-state supplies without GST registration if their turnover does not exceed the threshold. The GST Council has exempted small businesses making intra-state supplies through e-commerce platforms from taking GST registration if their turnover is below Rs 40 lakh in case of goods and Rs 20 lakh in case of services. The rule will kick in from October 1.

Ahead of the 50th GST Council meeting on Tuesday, GTRI has recommended that similar registration rules should be applicable for inter-state supplies done by micro and small businesses through e-commerce platforms.

Giving example, GTRI Co-Founder Ajay Srivastava said that a small village artisan with less than Rs 10,000 annual turnover selling metal-ware craft through her website must enrol for GST pay tax and file regular returns despite low turnover. However, if the artisan restricts business within a particular state, she/he does not need to pay GST.

"India is poised for big jump in e-Commerce exports in next few years. Enabling easier interstate sales will be the first step in that direction... The GST provision should be the same for within and across states' supplies," Srivastava said.

GTRI has also suggested doing away with the requirement of state-wise Goods and Services Tax (GST) registrations. Today, if a firm has a presence in 10 states, it must obtain 10 GSTINs and maintain a separate account for each.

"Since all supplies are captured online by GSTN, the GSTN can extract precise state-wise records from the PIN Code of the place of supply without seeking information from the firms," Srivastava said.

GTRI also recommended allowing inter-state use of State GST (SGST) credit. Currently, if a firm has a surplus SGST credit in one state, it cannot be used to pay SGST in another state or to pay Central GST (CGST) dues.

"Restricting utilisation results in capital blockage... Allowing interstate use of SGST credit will not dilute the tax due to a state," Srivastava said.

These changes would provide greater flexibility and efficiency for businesses operating in multiple states, encouraging inter-state trade and investment and promoting economic growth, he added.

Source: economictimes.indiatimes.com– July 10, 2023

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How China's latest export curbs could hurt India

Last week China announced export curbs from August on gallium and germanium in retaliation to the US barring the export of high-end microprocessors and chipmaking equipment to China. The Chinese want to make it clear that they will fight back against attempts to curb their rise as a global power.

Gallium and germanium are used in semiconductors, and if their availability shrinks as the superpowers vie for supremacy, all electronic products will become more expensive. The narrowing of the digital divide in India would slow down, and the expansion of 5G networks could take longer as consumers struggle to buy 5G-capable handsets. If hostilities are not contained, the energy transition will also take longer and cost more, with disastrous consequences for climate change.

The Biden administration's National Security Strategy 2022 identified China as a systemic rival while downgrading Russia to a regional nuisance. China is the world's second-largest military spender, behind the US. China's navy is the world's biggest, and growing quickly. With single-minded determination, the Chinese are building up the missile, cyber and space arms of their defence forces and bringing them under unified command while reducing the absolute size of the People's Liberation Army. This leaner, meaner military machine is backed by plenty of resources. China's economy is already second only to America's – in fact, by some measures, it's larger.

Russia may bristle with nuclear weapons but China is the second-largest publisher of serious research in science and technology. American experts reckon that China is almost on par with the US in artificial intelligence and probably ahead in some aspects of quantum communications and quantum computing. This explains the concerted US move to rein in Chinese power, including through geopolitical moves such as revival of the Quad grouping.

In 2021 the Biden administration passed the Infrastructure Investment and Jobs Act, and followed it up with the Inflation Reduction Act in 2022. Apart from other things, these laws seek to promote – with hundreds of billions of dollars of subsidy and tax credits – the development and manufacture of materials and technologies relevant for national security and energy transition either within the US or in countries deemed friendly.

These measures are meant to counter the sheer dominance China has acquired in the supply chains of nickel, cobalt, lithium and copper, which are used to manufacture batteries; rare-earth elements used for permanent magnets in electric cars; and photovoltaic cells.

The threat to curb exports of gallium and germanium should be considered a warning shot. If the US persists with its curbs on high-tech exports, China could expand its export curbs to include all the metals for which it dominates mining, refining and trade.

Export curbs by either side does not mean a crippling halt to progress on the other side. China is energetically promoting indigenous development of microprocessors. A Chinese startup recently started commercial production of 20-nanometer chips. This is some 17 nanometers from the cutting edge, but once the Chinese ecosystem masters 30 nanometer chips, progress towards ever-smaller circuits is a matter of time and money.

Similarly, the West won't be starved of critical minerals just because the Chinese think it fit to restrict supply. Alternative sources will be identified and developed. Some Chinese-owned mines in America's 'friendly countries' could be forcibly nationalised or sold to non-Chinese owners. But development of mines and commercial extraction of minerals and their refining would take several years to complete. In the interim, the disputed materials could turn scarce, and thus expensive. This would hurt the entire world, not just the duelling protagonists.

India's interests lie in the continued, uninterrupted supply of critical minerals, and materials for the energy transition and further progress in computing and communications. This means India would like the US and China to moderate their export curbs and come to agreements that address their security concerns.

Source: livemint.com– July 11, 2023

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India must recalibrate its product exports

India's merchandise exports have grown from $303.5 billion in FY2018 to $451 billion in FY2023, an average annual growth rate of 9.7 per cent. Though the rate seems satisfactory, when compared with that in developing East Asian economies like Malaysia and Vietnam, the country needs to be more dynamic.

India's share in global exports has been below 2 per cent for a significantly long period. There is little doubt that the export market for Asian economies is going to remain extremely competitive with changes in supply chains. This makes the task of pushing up Indian exports globally more daunting.

For long, the market for Indian export products has remained concentrated. The share of the top two exported items — both commodities, namely, petroleum products and gold — stood at 23 per cent in 2022; and it refuses to budge below 20 per cent. Ideally, India should reduce this to around 15 per cent by the end of this decade, while shifting to tech manufacturing.

Crude oil products are highly capital-intensive, and do not hold much potential for export-led employment generation. More so when both crude and gold are imported.

This anomaly in India's key exported items becomes more apparent when compared with Vietnam and Malaysia which have diversified away from commodities to medium- to hi-tech products. India, too, needs to focus on these products.

In 2021, India's share of high-technology exports as a percentage of manufactured exports stood at 10.2 per cent as compared with 41.7 per cent in Vietnam and 51.7 per cent in Malaysia. This shows significant headroom for growth for India in this space vis-a-vis its peers.

Building production capabilities to become export ready in areas like aerospace, computers, electronics and telecommunications, pharmaceuticals, scientific instruments and electrical machinery are a must for India to compete with the East Asian economies.

The largest market for India's exports continues to be the US, with a share of more than 18 per cent. The US absorbs around 7.3 per cent of India's refined petroleum products, and 37 per cent of the pearls and jewellery.

The East Asian economies have a huge market in the US as well, but their key exports are not commodity-centric. India has the opportunity to diversify towards products which have a ready acceptance globally.

It is important for Indian companies to be adequately informed about the opportunities arising out of the new FTAs (free trade agreements) with developed markets. By integrating into the global value chains, Indian MSMEs can enhance their competitiveness, and capture higher value-added opportunities in the global marketplace.

FDI investments have the potential to play a key role in boosting exports. Greater FDI, especially from developed countries, will enable Indian companies align their products with international standards, and address sanitary and phytosanitary issues which have often been a deterrent in getting greater market access.

However, FY2023 saw FDI decline 22.7 per cent. The Production Linked Incentive scheme will hopefully bring in FDI into industries that have export potential. It is well known that FDI has been one of the key aspects in boosting the export capabilities of East Asian economies.

The Government has set a $2 trillion export target by 2030, which means a 2.6-fold jump in exports between 2023 and 2030. To achieve this, India's global export share should be consistently about 2 per cent to begin with.

Source: thehindubusinessline.com– July 10, 2023

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Here's how India can turbocharge e-commerce exports

Amazon has shown the potential of India's e-commerce exports segment, especially from non-metros, and the company has doubled its 2025 exports target to $20 billion. It has said it will be able to help ship $8 billion in cumulative exports from India by the end of 2023, up 60% from $5 billion last year. Exports growth during a year in which global demand has been hobbled is good news – more so as it comes from small towns and tiny firms.

Amazon launched its Global Selling Programme in 2015 to help lower the entry barrier for small Indian businesses that find it difficult or unaffordable to expand their exports business using the conventional modes of sales and distribution. The company now has 125,000 Indian exporters from more than 25 cities and towns tapping into its global network. In 2022 more than 1,200 of these crossed ₹1 crore in exports.

Toys, ayurveda, home and kitchen products, and furniture are among the best-selling categories. The company says it expects to see many niche micro, small and medium enterprises (MSMEs) grow into global brands. There's a big market to be tapped for Make-In-India offerings: the handloom fabrics, handcrafted shoes, artisan jewellery and toys.

India must actively facilitate this development. It isn't just important for creating jobs and sustainable GDP growth but also for preserving India's art and heritage by unlocking new markets for these products. Eliminating middlemen and improving price discovery for artisans will help integrate these traditional products into global markets.

Recognising the promise of e-commerce exports, the Foreign Trade Policy (FTP) 2023, unveiled by the government in April, gave special attention to its specific needs. The policy declared four new towns of export excellence: Faridabad for apparels, Moradabad for handicrafts, Mirzapur for handmade carpets and daris, and Varanasi for handloom products and handicrafts.

But more is needed. For one, easing the value limit restrictions on exports through couriers could help. The FTP 2023 proposed to double the value limit for exports from ₹5 lakh to ₹10 lakh per consignment. This isn't good enough. The countries that these exporters typically face competition from do not have any limits at all. So, it would be better to do away with this.

The limit especially restricts high-value consignments of gems and jewellery, handicrafts, handmade carpets and electronics.

Similarly, there's a need to review the framework of norms under which licences of authorised couriers are suspended pending investigation even when there's no wilful non-compliance with rules. Streamlining the archaic know-your-customer (KYC) management rules could also go a long way in freeing exporters and courier service providers from red-tape.

There's a need to shift the onus for KYC management to government authorities instead. The various government agencies involved in managing the Goods and Services Tax (GST) and other such interfaces are better placed to do this. It will also reduce compliance costs for exporters and courier companies.

Tax reforms also remain incomplete, hampering the ease of doing business, especially for tiny firms. Eliminating the need for separate GST registrations in each state is one reform that could drastically reduce compliance costs.

The Central Industrial Security Force (CISF) and the Indian Central Armed Police Force, under the Ministry of Home Affairs, has special training for staff deployed at airports, keeping passenger convenience top of mind. Similarly, staff in government agencies who interface with exporters and all other categories of business must be trained to help improve ease of doing business, expand exports, and shed the old 'Licence Raj' mentality that the bureaucracy still carries traces of.

Source: livemint.com– July 09, 2023

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NITI Aayog assessing impact of climate change, labour issues on exports

The government is assessing the country's preparedness to counter the impact of non-trade related issues such as labour, gender balance, deforestation, climate change and sustainable development being used by many countries to impose restrictions or additional tariffs on exports.

NITI Aayog is holistically looking at these issues and their implications on exports and will soon firm up its recommendations to ensure India maintains its export growth momentum, a senior government official told ET. India has set a target of exports of $1 trillion each in goods and services by 2030. The aim is to raise the country's share of exports in global trade to 3% by 2027 and 10% by 2047 from the current 2.1%.

However, the Aayog is of the view that these targets have not factored in the impact of non-trade related issues which are increasingly becoming important. "Going forward, the non-trade issues will play a significant role and the current set of growth projections in exports is largely based on demand for primary products and intermediates. Hence, the Aayog will come up with suitable recommendations to minimise their impact," said the official, who did not wish to be identified.

Citing the example of the US Inflation Reduction Act, which aims to establish green technology industries and the EU's Carbon Border Adjustment Mechanism (CBAM), under which tax is levied on certain imports into the region, the official said there is a need for India to prepare itself for such challenges to avoid missing its long-term export targets.

India and the EU are discussing the CBAM in the bilateral Trade and Technology Council and New Delhi has sought a mutual recognition agreement for carbon credits and a carve-out for its micro, small and medium enterprises under the mechanism.

India has maintained that the World Trade Organization should not negotiate rules on non-trade-related issues such as climate change and gender, which legitimately fall within the domain of other intergovernmental organisations. It has already made submissions to the multilateral trade watchdog saying such issues are trade barriers.

Source: economictimes.com– July 09, 2023

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