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IBTEX No. 126 of 2023 July 12, 2023

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INTERNATIONAL NEWS

Import volume expected to peak at US ports in Aug 2023: Report

Import cargo volume at the US' major container ports is expected to climb toward an August peak this summer, as per a report. Ports in the country handled 1.93 million twenty-foot equivalent units (TEUs)—one 20-foot container or its equivalent—in May, the latest month for which final numbers are available. That was up 8.5 per cent from April but down 19.3 per cent year-on-year (YoY).

Ports have not yet reported June numbers, but 1.86 million TEUs have been projected for the month, down 17.5 per cent YoY. That would bring the first half of 2023 to 10.6 million TEUs, down 22 per cent from the first half of 2022, according to the Global Port Tracker compiled by the National Retail Federation (NRF) and Hackett Associates.

July is forecast at 1.94 million TEUs, down 11 per cent YoY, and August is forecast at 2.03 million TEUs, down 10.1 per cent YoY but the first month since last October to reach 2 million TEUs. September is forecast at 1.96 million TEUs, down 3.4 per cent; October at 1.97 million TEUs, down 1.8 per cent; and November at 1.88 million TEUs, up 5.9 per cent for the first YoY increase since June 2022.

Global Port Tracker has not yet forecast the full year, but the third quarter is expected to total 5.9 million TEUs, down 8.3 per cent from last year, and the first nine months of the year should total 16.5 million TEUs, down 17.6 per cent YoY. Imports for all of 2022 totalled 25.5 million TEUs, down 1.2 per cent from the annual record of 25.8 million TEUs set in 2021.

NRF vice president for supply chain and customs policy Jonathan Gold said: “We were relieved that labour and management at West Coast ports reached a tentative agreement last month but that doesn't mean supply chain disruptions are over. The port strike affecting Vancouver and Prince Rupert shouldn't have a major impact here but could affect some US retailers whose merchandise comes in through Canada and could have a potential ripple effect at other ports.

"Meanwhile, the ability to move goods from US ports to stores could be impacted if UPS and the Teamsters don't resolve their differences before their contract expires at the end of the month. We urge all parties in both negotiations to get back to the table and continue efforts to reach a final deal without engaging in disruptive activity. Seamless supply chains are critical for retailers as we head into the peak shipping season for the winter holidays."

Hackett Associates founder Ben Hackett noted that first-quarter gross domestic product growth was revised upward to 2 per cent, consumer demand is stable, and consumers have continued to spend while retailers and wholesalers have reduced their inventories.

"These numbers together point toward another quarter of economic growth, which should confirm that the prospect of a recession is looking less likely," added Hackett.

Canada's Vancouver and Prince Rupert aren't included in those totals and not all of their cargo comes to the US, but the two ports handled over 185,000 TEUs in May. That accounted for approximately 9 per cent of combined US-Canadian container imports at ports covered by the full Global Port Tracker report.

Source: fibre2fashion.com – July 12, 2023

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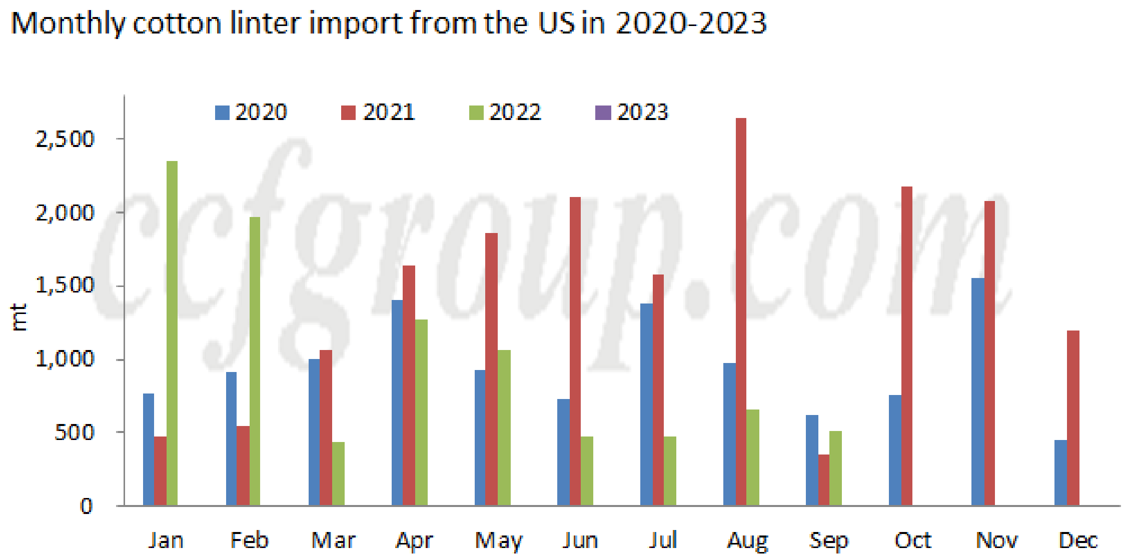
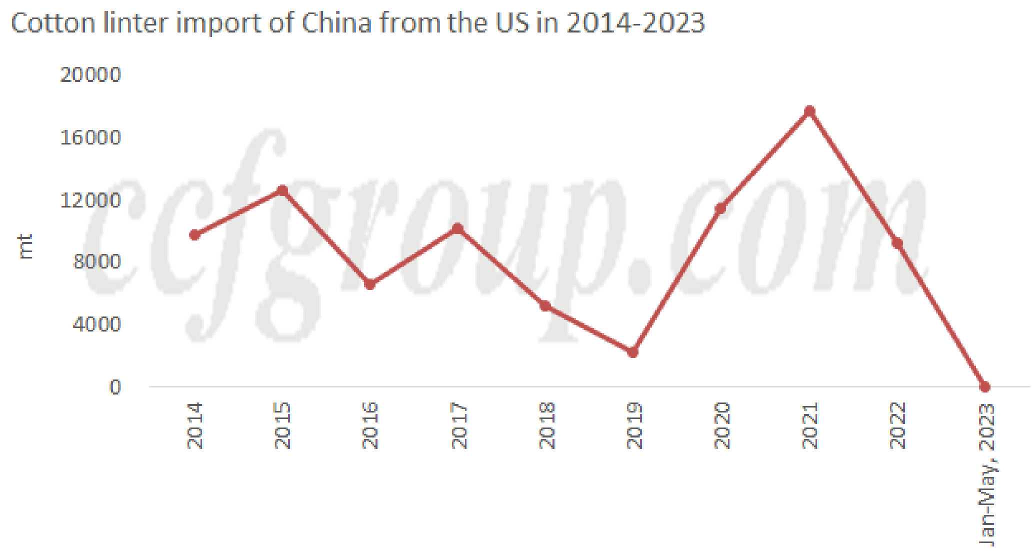
Why the import of US cotton linter declines sharply this year?

Due to various factors such as the poor relations between China and the United States and lower-than-expected downstream demand, the import of cotton linter from the United States has experienced a "cliff-like" decline this year, with import volume shrinking sharply to historically low level.

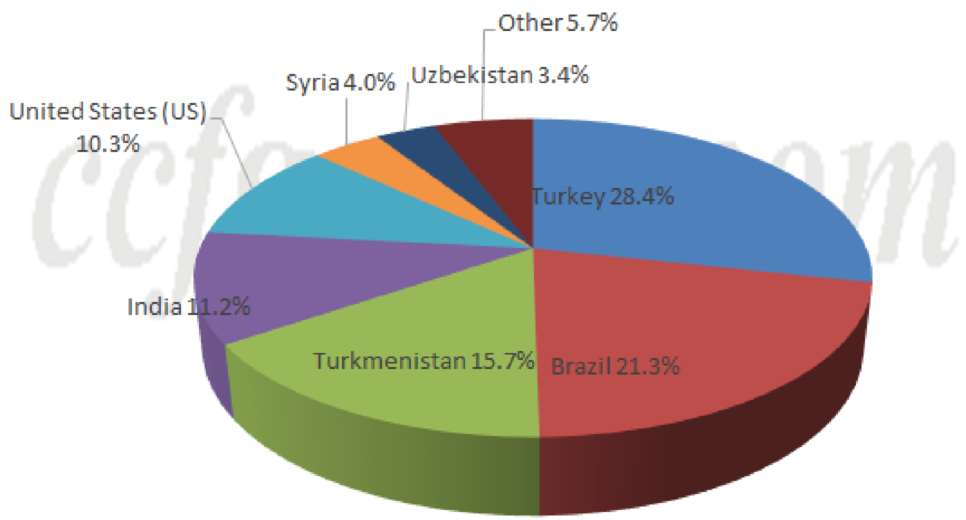


Given such as the disturbance caused by the China-US relations and ban on Xinjiang cotton, the import volume of US cotton linter has dived since June last year, showing a cliff-like drop.

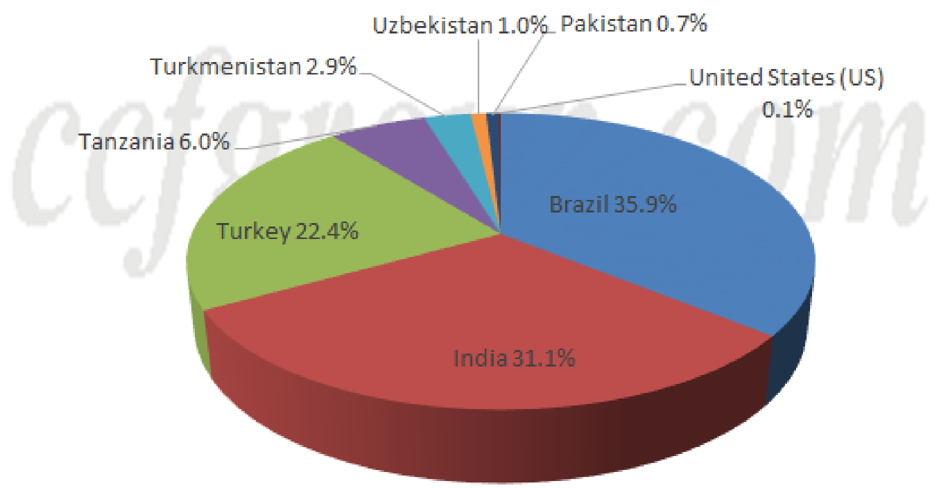


From Oct last year to Jan this year, the import volume remained at zero for four consecutive months. Since Feb this year, the import volume has only been in single digits (in tons). According to customs data, the import volume of US cotton linter in May 2023 was approximately 9.17 tons, a year-on-year decrease of 99.14%.

Cotton linter import of China in 2022 by origin



Cotton linter import of China in Jan-May 2023 by origin



Based on the cumulative data from the past decade, the average annual import volume of US cotton linter is around 9.4kt. Among them, the highest import volume was in 2021, at approximately 17.7kt.

It is expected that this year's import volume will be the lowest, and if the current trend continues, it may not exceed 100 tons for the whole year.

From Jan to May 2023, the import volume of US cotton linter was approximately 27.39 tons, a year-on-year decrease of 99.61%, reaching a historical low level.

In the past, US cotton linter has been favored by Chinese refined cotton and nitrocellulose companies due to its good quality and reputation. Over the past decade, the average import share of US cotton linter has remained stable at around 8%.

Among them, the import volume in 2019 was about 2.195kt, accounting for 2.5%, which was the lowest level. In 2020, the import volume was 11.485kt, accounting for 15.7%, which was the highest level. However, there has seen a rapid decline this year, with the total import volume of US cotton linter less than 30 tons in Jan-May, taking up only 0.1%.

In conclusion, the import volume of US cotton linter has experienced a drastic decline due to the disruptions caused by China-US relations and the ban on Xinjiang cotton, as well as the combination of factors such as poor downstream demand this year.

The import volume in May and the cumulative import volume in the first five months have both decreased by over 99% compared to the same period last year, reaching historically low level. However, following the visit of United States Secretary of State Antony Blinken in Jun, US Treasury Secretary Yellen recently visited China, making the future direction of China-US relations and cotton linter import market trends in the second half of the year worth noting.

Source: ccfgroup.com – July 11, 2023

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EU approves modified Dutch greenhouse gas reduction scheme

The European Commission has approved, under European Union (EU) State aid rules, the modification of a Dutch scheme to reduce greenhouse gas emissions. The scheme will further contribute to achieving the Netherlands' energy and climate targets and the EU's strategic objectives relating to the European Green Deal.

The Netherlands notified the commission of its plans to modify its Stimulering Duurzame Energieproductie (SDE++) scheme approved by the commission in December 2020 (SA.53525) and amended in December 2021 (SA.100461). The modified scheme will run until December 31, 2025, the European Commission said in a press release.

The SDE++ support scheme, with an overall budget of €30 billion, will contribute to the Netherlands' efforts to reduce its greenhouse gas emissions by 55 per cent by 2030 and to achieve climate neutrality by 2050, compared to 1990 levels.

The scheme supports a wide range of projects with different technological approaches, including projects based on low carbon and renewable gas, including hydrogen and transport fuels.

The Netherlands made several amendments to the existing scheme. In particular, these amendments will guarantee a certain budget for supporting projects in areas where decarbonisation is currently relatively expensive but that offer promising green potential.

A minimum budget of €750 million will be allocated in 2023 to projects in each of the following areas—low-temperature heat, including geothermal, heat pumps, and solar thermal; high-temperature heat, including mainly electrification options for industry via heat pumps and electric boilers; and molecules, which includes hydrogen production via electrolysis, production of biomethane, and advanced renewable transport fuels.

Beneficiaries will be selected through annual competitive, transparent, and non-discriminatory bidding processes. They will be selected based on the lowest subsidy required per unit of greenhouse gas emissions reduced.

The beneficiaries will receive support via a variable premium contract of a duration ranging between 12–15 years. The payments that the beneficiaries receive will be adjusted based on the evolution of the relevant market prices (for example of electricity, gas, or carbon) over the lifetime of the support contract.

The commission assessed the modification of the Dutch scheme under EU State aid rules, in particular the 2022 Guidelines on State aid for climate, environmental protection, and energy (CEEAG).

The commission found that the scheme is necessary and appropriate to support the reduction of greenhouse gas emissions and thereby contribute to the EU and national climate targets.

The scheme has an 'incentive effect' as potential beneficiaries would not carry out the activities without public support.

The scheme has a limited impact on competition and trade within the EU. In particular, the aid is proportionate and any negative effect on competition and trade in the EU will be limited in view of the design of the competitive bidding processes; bidding limits for cheaper technologies; and the wide range of eligible beneficiaries. These elements will ensure that the aid amount is kept to the minimum.

On this basis, the commission approved the Dutch scheme under EU State aid rules.

Source: fibre2fashion.com – July 12, 2023

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UK employment rate 76% in Mar-May 2023; unemployment rate 4%

The UK employment rate was estimated at 76 per cent between March and May this year, 0.2 percentage points higher than the figure between December last year and February this year. The increase was mainly attributed to part-time employees, the Office of National Statistics (ONS) said.

The unemployment rate for March-May increased by 0.2 percentage points on the quarter to 4 per cent, driven by people unemployed for up to 12 months. The estimate of payrolled employees for June this year shows a monthly decrease, down 9,000 on the revised May figure, to 30.0 million.

The economic inactivity rate decreased by 0.4 percentage points on the quarter to 20.8 per cent in that quarter, largely driven by those inactive for other reasons, those looking after family or home, and those who are retired.

All the rate increases and the decrease in the inactivity rate during the latest quarter were attributed to men, an ONS release said. Between April and June this year, the estimated number of vacancies fell by 85,000 on the quarter to 1,034,000. Vacancies fell on the quarter for the 12th consecutive period.

Growth in employees' average total pay (including bonuses) was 6.9 per cent and growth in regular pay (excluding bonuses) was 7.3 per cent between March and May this year.

In real terms (adjusted for inflation), growth fell year on year between March and May by 1.2 per cent for total pay and 0.8 per cent for regular pay.

A hundred and twenty eight thousand working days were lost because of labour disputes in May this year, the lowest number of days lost since July 2022.

Source: fibre2fashion.com – July 12, 2023

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Germany's inflation climbs to 6.4% in June 2023: Destatis

Germany's inflation rate, as measured by the year-on-year change in the consumer price index (CPI), has risen to 6.4 per cent in June 2023, marking a 0.3 per cent increase compared to May 2023, according to the figures released by the Federal Statistical Office (Destatis).

The increase in prices was particularly noticeable in the energy product sector, with prices 3 per cent higher than the same period the previous year, following a 2.6 per cent increase in May 2023. The rise in energy prices has been below average since March 2023, mainly due to a base effect from the previous year. The Russian attack on Ukraine had led to significant price increases.

Current energy price trends are also influenced by other factors, including a decline in prices at upstream stages in the economic process and the federal government's third relief package which included measures to cap electricity and natural gas, as per Destatis. Between June 2022 and June 2023, natural gas prices surged by 20.8 per cent, while electricity prices saw an above-average increase of 10.5 per cent.

Stripping out energy prices, the inflation rate for June 2023 stood at 6.7 per cent. When excluding both energy and food prices, the inflation rate dipped to 5.8 per cent. This core inflation figure, which stood at 5.4 per cent in May 2023, indicates that inflation also remains high in other product groups.

The prices of goods increased by 7.3 per cent in June 2023 compared to the same month the previous year. Non-durable consumer goods experienced a significant increase of 8.8 per cent, while durable consumer goods were 5.2 per cent more expensive compared to June 2022.

From May to June 2023, the consumer price index rose by 0.3 per cent. The prices of energy overall saw a slight dip of 0.2 per cent, with the costs of electricity and natural gas falling by 1.1 per cent and 1 per cent, respectively.

Source: fibre2fashion.com – July 12, 2023

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China's SMEs development index rises by 0.2 points MoM to 89.1 in Jun

China's small and medium enterprises (SMEs) development index rose by 0.2 points month on month (MoM) to 89.1 in June, following three consecutive months of decline, data from the China Association of Small and Medium Enterprises shows.

A reading below 100 indicates dented vitality in the survey of 3,000 SMEs.

Last month, the sub-indexes for industry, construction, transportation and storage increased, while those for wholesale and retail retreated from a month earlier, a state-controlled news outlet reported.

The confidence of SMEs in business development was reflected in the sub-index gauging sentiment towards the macro-economy, which edged up 0.1 points to reach 98.4 points in June, the association said.

High corporate costs and rising financial constraints are some of the challenges facing the SMEs. The association called for further expanding effective demand and improving the business environment.

Source: fibre2fashion.com – July 11, 2023

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Cambodia's apparel exports down 18.98% to $3,654 mn in Jan-Jun 2023

Cambodia's apparel exports decreased by 18.98 per cent to $3,654.411 million in the first six months of 2023, accounting for 31.87 per cent of its total foreign income of $11,464.480 million during the period, according to general department of customs and excise (GDCE) under ministry of economy and finance.

During the period under review, Cambodia's exports of apparel and clothing accessories (knitted) (Chapter 61) were $2,477.936 million, 21.5 per cent lower than the exports worth $3,157.623 million during the corresponding period of 2022.

The country's exports of apparel and clothing accessories (not knitted) (Chapter 62) dropped by 13 per cent to $1,176.475 million. In January-June 2022, the country exported apparel worth $1,352.481 million in this category. The decline in shipments reflects sluggish demand in the global market.

In June 2023, Cambodia's apparel exports declined by 0.81 per cent to $860.368 million compared to the shipment of $867.985 million in the corresponding month of 2022.

The shipment of apparel and clothing accessories (knitted) slipped 3.7 per cent to $622.428 million from $646.458 million during the same period last year. But the exports of apparel and clothing accessories (not knitted) gained 7.4 per cent to $237.910 million in June 2023.

As for imports, the country's knitted or crocheted fabric (Chapter 60) imports during January-June 2023 were valued at $1,329.329 million, 21.7 per cent lower than the imports worth $1,696.890 million in the same period of 2022.

Manmade fibre (Chapter 55) imports declined by 15 per cent to $689.878 million, against $731.942 million in the same period of 2022. Cotton and cotton yarn (Chapter 52) imports gained 2.6 per cent to reach $277.828 million during the period under review, compared to $270.839 million in the same period of 2022.

The significant drop in the initial months of the first half of the year marked a slowdown in apparel exports.

However, the decline was arrested to some extent as the year progressed. Last year, the country's apparel exports increased by 12.69 per cent to $9.035 billion.

Source: fibre2fashion.com – July 12, 2023

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Fabrics made of man-made fibres may outstrip cotton demand globally

Synthetic fabrics made from man-made fibres, such as polyester and plant-based cellulose, are expected to surpass the demand for cotton fabrics within the coming decades, as per a recent market analysis conducted by Fibre2Fashion. The factors influencing this paradigm shift range from population growth, limited cotton production, and rising cotton prices to industrial applications and growing consumer awareness of sustainability.

Noteworthy characteristics of man-made fibres, like their abundant availability, durability, affordability, superior mechanical performance, and higher stability compared to natural fibres, make them an appealing choice in the textile industry.

The global fabric export currently stands divided with cotton comprising about 26 per cent and synthetic fabrics such as polyester and man-made cellulosic fabric, accounting for around 57 per cent, as per the study. This indicates a significant shift from the scenario in 2003 when cotton accounted for about 38 per cent while synthetic fabrics represented around 42 per cent of the market share. This persistent decline in global demand for cotton fabric is an indicator of the growing preference for synthetic alternatives.

Asia, as the undisputed hub of fabric production, is home to a majority of the world's manufacturing capacity. In particular, China has secured its position as the leading global exporter of plant-based cellulosic fabrics.

The analysis predicts a robust increase in the export of synthetic fabrics, forecasting a compound annual growth rate of 3 per cent over the next five years. By 2027, the global market for synthetic fabrics is projected to reach a significant value of $87 billion, primarily propelled by the surging demand for plant-based cellulosic fabrics. With the global export value estimated at $75 billion in 2022, Asia's pivotal role in this growth story is undeniable.

Over the last two decades, consumption of fabrics made from man-made fibres has exhibited a steady annual growth rate of approximately 5 per cent on a global scale. This consistent growth has led synthetic fabrics to now command over half of the total global fabric market.

The shift towards man-made fibres seems to be an enduring trend, with Asia poised to fulfil the world's increasing textile needs. Given the continuous advancements in man-made cellulosic fabrics and Asia's unparalleled manufacturing capabilities, the future of the global synthetic fabric market appears promising, according to the study.

Source: fibre2fashion.com – July 11, 2023

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Vietnam biggest trading partner of Cambodia in ASEAN now

Vietnam-Cambodia trade reached over $2.8 billion over the first five months this year, rising by nearly 3 per cent year on year (YoY), the Cambodian ministry of commerce announced recently. Vietnam's export turnover to the United States reached $1.5 billion, while its imports from there stood at $1.3 billion.

This makes Vietnam Cambodia's biggest trading partner in the Association of Southeast Asian Nations (ASEAN) and the third among all trading partners of Cambodia after China and the United States, according to Vietnamese media reports.

Vietnam's minister of industry and trade Nguyen Hong Dien and Cambodian minister of commerce Pan Sorasak signed an agreement early last month to enhance bilateral trade in the 2023-2024 period.

The first such agreement was signed by both sides in 2006 and has been renewed every two years.

The agreement has contributed to boosting two-way trade turnover over the years, according to the Vietnam's ministry of industry and trade.

Source: fibre2fashion.com – July 12, 2023

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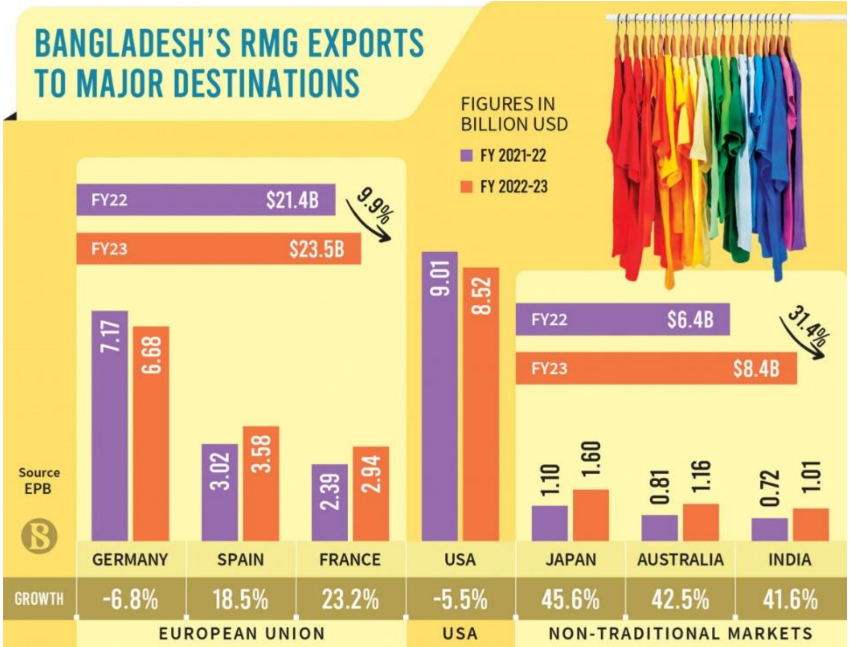
Bangladesh: Apparel exports to EU, UK jump big in FY23

Bangladesh apparel exports saw a big jump in European markets in the fiscal 2022-23 despite the economic slowdown driven by the Russia-Ukraine war.



Apparel exports grew by 9.93% year-on-year in the European Union countries to about $23.52 billion, while the earning was $21.40 billion in FY22, according to the Export Promotion Bureau (EPB).

Besides, the UK market also saw 11.78% year-on-year growth to over $5 billion in FY23, while the earning was $4.50 billion in the previous fiscal.

Exporters mentioned that the growth is due to an increase in exports of some high-value products and the high cost of raw materials and freight and forwarding.

This is attributed to the relatively stronger economic performances of these markets compared to their Western counterparts, which are facing challenges due to the ongoing Russia-Ukraine war, they added.

They also mentioned that non-traditional markets are also performing well following the Covid-19 pandemic shock but the overall apparel export volume remained low year-on-year in FY23.

The EPB data show, Bangladesh's apparel exports to non-traditional markets jumped by 31.38% to $8.37 billion in FY23, which was 17.82% of Bangladesh apparel shipments in FY23.

The Canadian market also grew by 16.55% to $1.54 billion in the last fiscal year, while it was a $1.32 billion market in FY 22.

However, apparel shipments to two major markets – the US and Germany – experienced a decline of 6.81% and 5.51% to $8.51 billion and $ 6.68 billion, respectively.

In FY22, exports to these two countries were $9.01 billion and $7.16 billion respectively.

The EPB data further show apparel export in Japan grew by 45.62% to about $1.60 billion, while the Australian market grew by 42.48% to $1.15 billion in FY23.

Apparel exports to India and South Korea have recorded 41.58% and 22.45% growth to $1.01 billion and $538 million respectively, in the July-June period of FY23.

Also, RMG shipments to China registered a growth of 30.32% to about $290 million.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association said Bangladesh apparel exports enjoyed this growth thanks to some high-value products.

He also mentioned that exports to markets, such as Japan, Korea, India are contributing a lot to the export growth in and non-traditional markets.

Faruque Hassan sought government policy support for further diversification of apparel goods, particularly non-cotton or man-made fibre items, as they are now dominating global markets.

The BGMEA president, however, expressed concerns about a potential decline in Bangladesh's apparel exports in the coming months, as most factories are operating below their full capacity due to low order volumes.

Echoing a similar view, Shahidullah Azim, vice president of the trade association, said the industry is facing an order shortage to feed its installed capacity.

Due to slow orders, some large factories are scheduled to reopen by 15-16 July after the vacation of Eid Ul Adha, he further said.

Most factories are currently operating at around 30% lower capacity, he said, highlighting that despite increases in utility prices, the shortage of gas and electricity supplies has also resulted in higher apparel production costs.

He said Bangladesh may not continue to grow in the coming months as most factories are facing order shortages.

On the other hand, some buyers are also cancelling orders or imposing up to a 25% discount, which is making the situation tougher for apparel exporters, he added.

Bangladesh's overall apparel export grew by 10.27% year-on-year to $46.99 billion in FY23, while the earning was $42.61 billion in FY22.

The apparel sector's export income contributed 84.59% to the country's total export earnings worth $55.55 billion in the just-concluded fiscal year of FY23, according to EPB data.

Source: tbsnews.net – July 10, 2023

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FDI in Bangladesh surges to US $ 3.48 Billion in 2022

The United Nations Conference on Trade and Development's (UNCTAD), World Investment Report 2023 shows that the foreign direct investment (FDI) from Bangladesh witnessed an increase with FDI rising by 20 per cent to US $ 3.5 billion as compared to FDI flow in 2021 of US $ 2.89 billion. Outward FDI from Bangladesh, however, declined by 42.7 per cent to US $ 53 million in 2022 against US $ 92 million in 2021, according to the report.

As per the latest data, the contracted amount for the year 2022 was US $ 53 million, showing a significant decrease of 42.7 per cent compared to the recorded figure of US $ 92 million in 2021.

There were noteworthy developments in FDI flows within South Asia. India experienced a 10 per cent increase in FDI, reaching US $ 49 billion, leading the country to become the third-largest host for green field project announcements and the second-largest for international project finance deals, according to the report.

Foreign direct investment (FDI) in developing countries in Asia remained flat at US $ 662 billion in 2022, about half of global inflows, according to UNCTAD's report published on 5th July.

The report identified Ethiopia, Cambodia, Bangladesh, Senegal, and Mozambique as the top five recipient countries for FDI, collectively accounting for approximately 70 per cent of the total FDI inflows.

Source: apparelresources.com – July 11, 2023

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Pakistan: 'Cotton growers to get quality inputs'

Secretary Agriculture Iftikhar Ali has said the chief minister is personally monitoring the implementation of Cotton Action Plan.

The cotton crop has entered a critical phase.

In order to achieve cotton production target, all Divisional Directors should pay special attention to the management of the crop, he said while chairing a review meeting on the cotton situation in Sahiwal, Faisalabad and Sargodha divisions at Civil Secretariat on Tuesday.

On this occasion, Director Agriculture (Extension) Sahiwal Division while briefing the secretary said 119 samples of pesticides have been checked and 20 raids have been conducted against the persons involved in the business of adulterated pesticides and 24 FIRs have been registered against them.

During this campaign, worth Rs5.87 million pesticides were seized, he said.

In the meeting, Director Agriculture (Extension) Faisalabad Division briefed the secretary that 19 raids have been conducted and 11 people involved in adulterated pesticides business have been arrested.

Source: thenews.com.pk – July 12, 2023

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NATIONAL NEWS

Piyush Goyal meets UK counterpart to discuss free trade agreement

Commerce and Industry minister Piyush Goyal met Kemi Badenoch, his counterpart in London to discuss the progress of the free trade agreement (FTA) between India and the United Kingdom (UK).

“ (We) discussed how both sides can add further momentum to the India-UK FTA negotiations for a mutually beneficial deal,” Goyal said in a tweet on Tuesday.

Goyal was on a two-day visit to the UK, which began on July 10, with India hoping that the visit will further propel the discussions and pave the way for a comprehensive and mutually beneficial agreement.

Till now, out of 26 policy areas , 14 were substantially closed for negotiations, while significant progress was made in other chapters. The 11th round of negotiation is currently underway in London.

Source: business-standard.com– July 11, 2023

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Targeting exports and FDI

A similar prospect is in store to raise Indo-UK bilateral trade to $100 billion by 2030 from current levels of $20.4 billion, with more two-way investments once the FTA is inked.

At a time when India's exports face adverse global headwinds, the commerce and industry ministry wants to boost shipments with a new trade-cum-investment promotion strategy. The ministry has identified 12 countries—the US, Brazil, Canada, UAE, Saudi Arabia, the UK, Germany, Sweden, Japan, Taiwan, South Korea and Russia—for pushing closer commercial ties through roadshows and marketing events.

As these 12 focus countries are also a big source of foreign direct investments, channels of communications would reportedly be opened with some of the biggest companies there to encourage them to deepen their engagement with India. Couple of years ago, there was a similar focused drive to fix targets for each of the top 30 markets instead of only setting a full-year-goal.

The commerce ministry followed it up with regular meetings with stakeholders and overseas missions for interventions to enable exporters to step up shipments to these identified markets. An identical template is being followed this time together with investment promotion. For perspective, these 12 countries accounted for 38-39% of India's exports, two-way trade and overall trade imbalance in FY 23. As for FDI, these countries accounted for 28% of foreign equity inflows into the country from April 2000 to March 2023 and 30.8% of India's outbound FDI outflows over this similar period, according to the department for promotion of industry and internal trade and department of economic affairs in the finance ministry.

While this country-specific drive will doubtless yield some gains, what will bolster these efforts manifold are free trade agreements, including deep ones with the powerful regional blocs like North America, the European Union, and the Indo-Pacific region. Of the 12 countries, India already has comprehensive economic partnership agreements with Japan, South Korea and the UAE. It is currently negotiating FTAs with the UK, Canada and the Gulf Cooperation Council. FTAs are a force multiplier for trade and investments.

For instance, there has already been a significant uptick in bilateral trade and investments since India's CEPA with UAE came into force on May 1, 2022. This aims to step up bilateral trade to $115 billion within five years, up from $84.5 billion in FY 23.

The UAE has invested $3.3 billion in India while India's outbound investments amounted to $1.2 billion in FY 23. A similar prospect is in store to raise Indo-UK bilateral trade to $100 billion by 2030 from current levels of $20.4 billion, with more two-way investments once the FTA is inked. Commerce and industries minister Piyush Goyal is hopeful of concluding the agreement within the next few months.

However, the most efficacious strategy to step up India's trade and FDI inflows—not just with the chosen 12 but with all countries—is a more open trade and facilitative business environment. Most countries that have gone from being developing to becoming developed nations, have done so on the basis of a manufacturing-led exports revolution.

But India's tariffs are higher than most of its trading partners and need to be lowered—a point underscored by the US ambassador to India when he mentioned that India continues to have the highest general barriers of any large economy in the world. Fewer barriers will improve India's prospects. In a similar vein, former Japanese premier Yoshihide Suga recently said that he would pitch for the improvement of the business environment while encouraging the private sector to invest more in India.

Source: financialexpress.com– July 12, 2023

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Free Trade Agreements: India and the World

Through his book Free Trade Agreements: India and the World, VS Seshadri, a career diplomat and an expert in international trade and economics, takes readers on a comprehensive journey through the origins and evolution of Free Trade Agreements (FTAs) globally and specifically in the context of India's economic policies. This insightful book delves into the intricacies of India's foray into FTAs and examines the underlying factors behind the much-debated question – have the FTAs delivered? Dr Seshadri has attempted to present a balanced view of their impact on the country's economy, the hits and misses in the FTA negotiations, all with a ringside view of the complex world of FTA negotiations.

Published by Oxford University Press, the book begins with a discerning overview of the historical origins of FTAs worldwide. Thereafter, Seshadri delves into the post-World War II era economics, which witnessed a surge in regional and bilateral trade agreements as countries sought to enhance their economic ties and foster regional integration. He carefully navigates the growth of FTAs over the decades, providing the readers with a reality check on the process and nuances involved, and highlighting the significance of these partnerships in today's overall global economic landscape.

The author initiates the India narrative by tracing its first FTA with Sri Lanka in 2000, a significant milestone in India's trade relations with neighbouring countries. He elucidates how this marked the inception of India's engagement with FTAs and highlights the country's subsequent journey of entering into such agreements with other nations, echoing the 'Look East Policy' that aimed to enhance India's economic integration with Southeast Asia and East Asia. In this context he has termed the period of 2000-2011 as one of active FTA engagement.

Low utilisation rates

One of the central issues addressed in the book is the low utilisation rates of Indian FTAs. Despite having entered into several agreements with different countries, India has struggled to make full use of the preferential trade benefits they offer. Seshadri carefully dissects the reasons behind this underutilisation, such as non-tariff barriers, complex rules of origin, and challenges in understanding and complying with the agreements' provisions. By doing so, he provides readers with valuable insights into the hurdles that hinder the effective implementation of FTAs and calls for strategic reforms to address these issues including improving our manufacturing competitiveness to take advantage of the inbound tariff concessions.

The book delves into the ongoing debate on whether FTAs are building blocks that stimulate economic growth or stumbling blocks that impede domestic industries. Seshadri presents a balanced analysis, considering both perspectives. He highlights the potential benefits of FTAs in terms of market access and discusses their impact on competitiveness of Indian businesses in the global arena. However, he also acknowledges the concerns raised by critics, particularly regarding the vulnerability of certain industries to foreign competition. Through this nuanced exploration, the author encourages readers to appreciate the complexities and trade-offs involved in FTA negotiations.

Seshadri doesn’t shy away from tackling technical aspects involved in FTAs, such as market access, Sanitary and Phytosanitary (SPS) measures, Technical Barriers to Trade (TBT), and Rules of Origin (ROO). At times the book borders on being a highly technical treatise, which no doubt would be a treat for a trade scholar but may find the not so cognisant grappling to fathom the nuances. The book sheds light on the challenges faced by negotiators and policymakers in navigating these issues, emphasising the need for well-structured agreements that take into account the unique needs of each partner country.

Intriguing insights

Having myself anchored the India-Korea and India Japan CEPAs for close to seven years in the Department of Commerce, I find his impact assessment of the three significant Indian FTAs: those with South Korea, Japan, and Singapore, well-founded. By examining the economic effects of these agreements, the author presents intriguing insights into the opportunities and challenges that arose from their implementation. The inclusion of data and case studies lends credibility to the assessment and enables readers to gain a deeper understanding of the complexities surrounding FTAs.

Going beyond just exploring bilateral agreements, Seshadri broadens the scope to discuss the mega pluri-lateral agreements which have been in the spotlight in the last few years such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). In this exploration, he masterfully navigates the nuanced aspects of these agreements and highlights their potential implications on global supply chains.

On the way forward for India, Seshadri lays stress on analysing some of the lessons learnt from past FTAs to build a foundation for pursuing negotiations of future FTAs. He also stresses on the need for improving domestic competitiveness to complement FTA strategies. However, one aspect which perhaps could have added to the richness of the book would be in a deeper examination of the role of public opinion and stakeholder engagement in shaping India's FTA negotiations and how to navigate these intricacies. In his concluding sections Seshadri also hints at a shift in India's geopolitical focus from Act East to the Indo Pacific and hints that our FTA priorities could align with this shift.

In conclusion, tis book stands out as a comprehensive and thought-provoking study of India's engagement with FTAs. VS Seshadri's expertise in the subject matter shines through as he deftly analyses the evolution of Indian FTAs and the complexities surrounding them. His meticulous research and nuanced analysis, coupled with the impact assessments and real-world examples, add depth to the narrative, making the book an essential read for policymakers, economists, and anyone interested in international trade dynamics.

Source: thehindubusinessline.com– July 11, 2023

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India, EU disagree over dispute settlement in proposed investment protection pact

India and the EU are at loggerheads over dispute settlement under the bilateral investment protection agreement being negotiated parallelly with the free trade agreement. New Delhi is opposed to the EU's proposal for an investor court model while Brussels is not comfortable with the exhaustion of local remedies clause in India's model BIT, sources tracking the matter have said.

"According to the EU's proposal, an independent and international panel or court should be permanently appointed to decide on an investment-related dispute for which both sides would need to pay. India is not prepared to give its consent to such a model," an official told businessline.

EU opposes arbitration model

The EU, on the other hand, is opposed to the arbitration model under the model BIT drafted by the Finance Ministry to check the rising number of investment disputes filed by foreign companies against the Indian government. "The EU is especially opposed to the exhaustion of local remedies clause which requires an investor to first submit its claim before the relevant domestic courts or administrative bodies and exhaust all judicial and administrative remedies for at least five years before initiating international arbitration proceedings," the official said.

It is important for the two sides to resolve their differences and arrive at a consensus on investment protection as the India-EU FTA has to be concluded together with the investment protection agreement.

India had discontinued almost all its Bilateral Investment Treaties (BIT), including those with EU countries, between 2016 and 2019, as the government faced several arbitration claims from investors due to the "excessively" investor friendly dispensation under the Investor State Dispute Settlement (ISDS) treaties.

A big blow to India was losing a claim in 2011 brought by White Industries of Australia alleging excessive judicial delays in enforcing a commercial arbitration award through the Indian courts.

According to Investment Duty Settlement Navigator of UNCTAD, as many as 29 treaty-based ISDS cases have been filed against the Indian government by investors by 2022-end.

The new model BIT was hence framed by the Finance Ministry in 2016, to be more protectionist and check the growing number of cases against the government. However, it has had few takers so far. This is mostly due to the proposed arbitration mechanism, the exclusions and the exhaustion of local remedies clause.

"While New Delhi is prepared to do some tinkering' in the model BIT's arbitration structure to take care of EU's concerns related to effectiveness and speed of the judicial process in India, it cannot give up on the exhaustion of local remedies clause. India has an independent judiciary and that cannot be questioned," the source said.

Investor Court System model

The EU, on the other hand, is insistent on the Investor Court System model of dispute resolution as it has already adopted this model in the four trade and investment agreement it has concluded in the recent years with Canada, Singapore, Vietnam and Mexico.

The EU is India's third largest trading partner, accounting for €88 billion worth of trade in goods in 2021 or 10.8 per cent of total Indian trade, after the US (11.6 per cent) and China (11.4 per cent), per EU figures. The EU is the second-largest destination for Indian exports (14.9 per cent of the total) after the US (18.1 per cent), while China only ranks fourth (5.8 per cent).

India is the EU's 10th largest trading partner, accounting for 2.1 per cent of EU total trade in goods in 2021, well behind China (16.2 per cent), the US (14.7 per cent) or the UK (10 per cent).

Source: thehindubusinessline.com– July 11, 2023

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43 new implementing partners empanelled under SAMARTH; additional training target of 75,000 beneficiaries

In a meeting of the Empowered Committee for Scheme for Capacity Building in Textiles Sector (SAMARTH) held today, the panel of implementing partners has been broadened with empanelment of 43 new implementing partners and additional target of training around 75,000 beneficiaries has been allocated to the training partners to enable imparting of skill to the workforce.

The Funding pattern has also been revised with an increment of 5% in cost norms, which will give much needed additional financial support to industries imparting skill under this Scheme.

With this, the Ministry of Textiles has partnered with 157 Textile Industries / Industry Associations, 16 Central / State Government Agencies and 3 Sectoral Organizations of the Ministry for undertaking training programmes under SAMARTH.

The scheme has penetrated across 28 States and 6 Union territories of the country and caters to all sections of the society including SC, ST, and other marginalized categories. Out of the skilling target of 4.72 lakh beneficiaries allocated so far, 1.88 lakh beneficiaries have been provided training. More than 85% of the beneficiaries trained so far under the scheme are women. More than 70% of the beneficiaries trained in organized sector courses have been provided placement.

SAMARTH is a demand driven and placement-oriented umbrella skilling programme of the Ministry of Textiles formulated under the broad skilling policy framework adopted by M/o Skill Development & Entrepreneurship.

The Scheme aims to incentivize and supplement the efforts of the industry in creating jobs in the organized textile and related sectors. In addition to the entry level skilling, a special provision for upskilling/ re-skilling programme has also been operationalized under the scheme towards improving the productivity of the existing workers in Apparel & Garmenting segments. SAMARTH also caters to the upskilling/ re-skilling requirement of traditional textile sectors such as handloom, handicraft, silk and jute.

Source: pib.gov.in– July 11, 2023

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Bangladesh, India launch trade transactions in rupees to lower dollar use

Bangladesh and India on Tuesday launched a much-anticipated trade transaction in rupees, a move aimed at reducing dependence on the US dollar and strengthening regional currency and trade.

This is the first time Bangladesh has done bilateral trade with a foreign country in addition to the US dollar.

Bangladesh Bank Governor Abdur Rouf Talukder described the start of trade settlement in rupees as the "first step in a great journey".

"The trade position between India and Bangladesh has seen remarkable growth, with both countries benefiting from their economic cooperation," he said at the launching ceremony here, which was also attended by Indian High Commissioner Pranay Verma.

The central bank governor said the transaction costs during trade with India would reduce with the introduction of the Taka-Rupee dual currency card which was "almost ready (to be) launched from September".

Bangladesh and India, however, stage frontier trading in certain areas called "border hut" in a semi-formal manner where both currencies are exchanged on a limited scale.

Officials said under the formal arrangement from now on initially, the trade would be transacted in rupee and then gradually in Bangladeshi currency Taka upon the trade gap between the two countries decreasing.

Banks in Bangladesh and India have been given permission to open nostro accounts, an account in a bank of another country for the purpose of foreign currency transactions.

Officials said the exchange rate will be determined in line with market demand and banks involved in the process.

According to the latest official data from Dhaka, exports from Bangladesh to India amount to USD 2 billion, while Bangladesh's imports from India are worth USD 13.69 billion.

Several economists, however, said Bangladesh may not be able to reap the benefits of the new system very quickly because of the trade deficit.

But Talukder said he was not just looking into this USD 2 billion export as when "we export and import in Indian rupees, it will have an effect on both countries' exporters and importers".

"We can increase our exports manifold, because customers in India will be buying things in their own currency, considering it as their own products...It will open a new window for us in a bigger way in this (Indian) market because India is a big market, Talukder said.

The Indian envoy said India-Bangladesh relations transformed significantly over the last decade.

"One of the most important manifestations of that transformation is our visibly growing economic and commercial ties and connectivity links," he said, adding Bangladesh is India's biggest trade partner in South Asia, and fifth largest globally.

He noted in the last five years, bilateral trade has more than doubled.

The country's exports to India have consistently crossed the one billion dollar mark consecutively over the last three years and crossed two billion dollars for the first time during the last fiscal.

India, with its diverse market, has emerged as the top export destination for Bangladesh in Asia.

Source: business-standard.com– July 11, 2023

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Limits of local currency trade

Some countries are increasingly getting uncomfortable with the US dollar's dominance. Concerns increased considerably because the US-led West weaponised the international financial system against Russia after the Ukraine invasion. Clearly, no country wants to be in such a situation. The idea of reducing dependence on the dollar thus has gained greater urgency.

China, notably, has been making significant efforts in this direction, which is perhaps consistent with its broader positioning as an emerging superpower. Saudi Arabia is reportedly considering settling some of its oil sales to China in yuan. Such an arrangement is said to pose a significant threat to the position of the dollar, which dominates the global petroleum trade. China is paying in yuan for imports from Russia.

The efforts to find an alternative to the dollar, however, are not limited to yuan, or a single national currency. Foreign ministers of Brazil, Russia, India, China, and South Africa, or Brics, met last month in Cape Town where one of the important talking points was the use of alternative currencies.

The idea, according to the reports, is to create a joint Brics currency. More clarity is likely to emerge after the August summit. Such a project, however, will have to overcome a variety of problems. For instance, what would be the weight of different member countries or currencies in the joint mechanism? Since China is by far the biggest economy in the group, it is likely to have a dominant position. The possible induction of other countries into the group might add complications.

Further, given the state of relations with China, it is not clear why India would want to be part of any such arrangement. If it decided to stay away from the "China-dominated" Regional Comprehensive Economic Partnership, why would it support a joint currency that will inevitably be driven by China? And if India doesn't participate, the project may not take off. Even if it does in some form, why would other countries use Brics currency? Since its use may remain very limited, it would not provide the same kind of "exorbitant privilege" that the US enjoys because of the status of the dollar to any Brics member. In any case, China's interest would be served better by promoting the yuan over any joint mechanism.

Having a currency that the world is willing to use and hold does bring benefits to the issuing country. It lowers transaction costs, for instance. US residents can trade in their home currency. It also reduces financing costs because the world is willing to hold dollar-denominated assets. In the given situation, the US dollar is likely to maintain its dominant position in the foreseeable future.

According to the latest triennial survey (April 2022) of the Bank for International Settlements, the dollar was involved in about 90 per cent of transactions in the foreign exchange markets, followed by the euro at 31 per cent. The euro's share, in fact, declined from the peak of 39 per cent in 2010. The yuan was at 7 per cent. Although the dollar's position in foreign exchange reserves has weakened in recent years, it still remains dominant with about 60 per cent share.

China is a trading powerhouse with the second-largest economy in the world, but the yuan is unlikely to pose a challenge to the dollar in the near future. It is nonetheless possible that some of its trading partners and debtors may use the yuan for settling bilateral trade and holding reserves. One of the biggest obstacles for the yuan is capital controls. Besides, the functioning of markets in China is significantly influenced by the government's interests. An open, stable, large, and liquid financial market in the US thus gives the dollar an unbeatable edge. The share of yuan in foreign exchange reserves is under 3 per cent.

India is also encouraging the use of the rupee in international trade. The Reserve Bank of India last week released a report by an interdepartmental group in this regard, which has proposed various steps, including considerable reduction in restrictions on the capital account. But given the policy and financial market constraints, the rupee is unlikely to travel too far for now. A significant opening up of the capital account would increase financial stability risks. As things stand, India runs a persistent current account deficit, and trade in the rupee will leave a surplus with trading partners, which will have to be converted into hard currency at some point. Most foreign businesses will be unwilling to take the currency risk. Russia, for instance, has accumulated large rupee funds and is reportedly looking to convert them into hard currency.

Source: business-standard.com– July 11, 2023

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Delayed festival season worrisome for south India's cotton yarn market

Cotton yarn prices continue to hold steady in south India amid average demand, as the market grapples with concerns about delays in India's festival and wedding season. Typically, retail demand for garments and other textiles begins to pick up in July in anticipation of the festival season in August. However, this year, the festival season will not commence until the last week of August. The textile industry, anxiously awaiting the onset of the season, is concerned about potential delays in the anticipated improvement in demand.

In Mumbai and Tiruppur, cotton yarn prices have remained stable, despite concerns of a delayed start to the festival season due to the additional Hindu month, Adhikmas. This delay is projected to postpone the uptick in domestic demand, normally seen in July, to late August.

The Indian textile industry, reliant on domestic demand due to slower export orders, is closely watching the extended Shravan month, which will continue till end of August instead of its usual end in the first half of August. “Purchases in the yarn trade should have increased in July. However, we anticipate any improvement to occur only by the end of this month. The retail demand for end products is expected to rise in September,” a trader from Mumbai told Fibre2Fashion.

In Mumbai, 60 count carded cotton yarn of warp and weft varieties was sold at ₹1,420-1,445 and ₹1,290-1,330 per 5 kg (excluding GST), respectively. Other prices include 60 combed warp at ₹325-330 per kg, 80 carded (weft) cotton yarn at ₹1,325-1,350 per 4.5 kg, 44/46 count carded cotton yarn (warp) at ₹254-260 per kg, 40/41 count carded cotton yarn (warp) at ₹242-246 per kg and 40/41 count combed yarn (warp) at ₹270-275 per kg, according to Fibre2Fashion's market insight tool TexPro.

Meanwhile, in Tiruppur, cotton yarn prices remained steady due to lacklustre demand and a stagnant weaving industry. "Market sentiment has remained bearish as buyers are refraining from making new purchases. Additionally, a slump in ICE cotton prices has negatively affected market sentiment. The purchasing activity from the consumer industry has not been supportive either," a local trader told F2F.

Prices in the Tiruppur market were noted as 30 count combed cotton yarn at ₹255-262 per kg (excluding GST), 34 count combed cotton yarn at ₹265-272 per kg, 40 count combed cotton yarn at ₹275-282 per kg, 30 count carded cotton yarn at ₹233-238 per kg, 34 count carded cotton yarn at ₹241-247 per kg and 40 count carded cotton yarn at ₹245-252 per kg, as per TexPro.

In contrast to the stability in Mumbai and Tiruppur, cotton prices in Gujarat have slipped further after weaker indications from ICE cotton, falling ₹300-400 per candy of 356 kg, traders said. Despite the drop, mills continue to buy the natural fibre, indicating low stock levels of raw material for the off-season. Cotton was traded at ₹55,200-55,600 per candy of 356 kg, with cotton arrivals well within 10,000 bales of 170 kg in Gujarat. All India arrival was estimated at 35,000-37,000 bales of 170 kg.

Source: fibre2fashion.com– July 11, 2023

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