



**IBTEX No. 132 of 2023**

**July 20, 2023**

<b>Currency Watch</b>			
<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>JPY</b>
<b>82.06</b>	<b>92.12</b>	<b>106.24</b>	<b>0.59</b>

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## INTERNATIONAL NEWS

### **China's biz sentiment softens, but stays strong in June: S&P Global**

Chinese companies were highly upbeat regarding the 12-month outlook for output during June, according to the latest S&P Global China Business Outlook survey.

The S&P Global China business activity net balance fell from a ten-year high of 34 per cent in February to 23 per cent in June, signalling a softer degree of optimism regarding future output. The reading was the second-highest since February last year. This was despite the overall level of positive sentiment softening from the decade-high recorded in February.

Expectations around job creation, profitability, capital expenditure and research & development (R&D) spending also moderated in June, but remained positive overall.

At the same time, inflationary pressures are forecast to subside, with firms anticipating softer rises in both input costs and selling prices, S&P Global said in a release. Manufacturers in China signalled a more marked weakening in confidence than service providers. Notably, the net balance of goods producers forecasting higher output dipped from 30 per cent to 14 per cent.

Firms in China expect further improvements in customer numbers and demand as the economy continues to recover from the impact of the pandemic.

However, some companies expressed concerns over relatively sluggish market conditions at home and overseas, rising costs, exchange rate fluctuations, squeezed customer budgets and tough market competition.

Chinese companies foresee profitability growth in the coming year, though the overall level of sentiment softened from February.

Source: [fibre2fashion.com](http://fibre2fashion.com) – July 20, 2023

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## **China urges more irrigation for heat-stressed cotton crop**

China's agriculture ministry on Tuesday urged cotton growers in the world's top producer to irrigate and fertilise more to cope with scorching temperatures that have hit major growing areas during the critical flowering period.

Large swathes of China have experienced periods of record high temperatures since last month, and on Sunday a city in the northwestern region of Xinjiang broke records when the temperature reached 52.2 Celsius (125.96 Fahrenheit).

Xinjiang produces about 90% of China's cotton but acreage has dropped by about 8% this year, partly because of cold, rainy weather that killed off shoots in the spring, according to a China-based trader. The Ministry of Agriculture and Rural Affairs said in its monthly crop update last week that high temperatures had impacted cotton bud growth in some regions.

Farmers should water the cotton if there's no rainfall for over seven days or the daily average temperature surpasses 32C, and the top of the cotton plant shows signs of withering, the ministry said in a statement.

Whereas, China's Ministry of Agriculture on Wednesday cut its forecast for cotton imports in the 2022/23 crop year ending in August on weaker-than-expected demand from textile enterprises.

Cotton imports are expected to be 1.45 million metric tons, the ministry said in its monthly China Agricultural Supply and Demand Estimates (CASDE), a reduction of 400,000 tons from last month's forecast.

Source: breccorder.com – July 18, 2023

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## **OEKO-TEX Standard 100 can be extended to Organic Cotton: Hohenstein**

In April 2023, OEKO-TEX had officially launched its new Organic Cotton label. Textile companies whose products have been certified with the OEKO-TEX Standard 100 can now have their certificates extended to an Organic Cotton certificate after ensuring ecological production, Hohenstein has said.

"A combination with OEKO-TEX Made In Green is ideal," explained Ivonne Schramm, head of OEKO-TEX at Hohenstein. "This ensures environmental friendliness, transparency and socially responsible conditions in a single certification."

The new organic label ensures that all requirements for labelling as organic cotton are met. In addition to testing in accordance with OEKO-TEX Standard 100, it ensures that the cotton contains less than 10 per cent genetically modified material, complies with pesticide limits and guarantees its organic origin.

The certificate can be used for ready-made articles (eg T-shirt, bedspread, etc) as well as for textile intermediate products (eg raw fibres, yarns, etc). However, mixtures of organic and conventional cultivation are not permitted.

Source: fibre2fashion.com – July 20, 2023

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## **Low continental consumption hits East Africa's textile industry**

Africa, and especially the East African region, is the least consumer of textiles manufactured within the continent, a recent forum in Nairobi was told.

High cost of textile production, high intra-continent transportation costs and high import of second-hand clothing are the key barriers to overcome this trend, expert said at the forum organised by the African Union, the East African Community (EAC) and the private sector.

Cotton farmers in the continent face constraints like decline in seed cotton production, low quality of seeds and relatively high production cost, and therefore, cotton shortage continues.

Even East Africa, which has enough capacity to produce cotton textiles and apparel due to availability of adequate raw materials and human resources, scores relatively low in consumption of local textile products.

Over 70 per cent of apparel sold in East Africa is imported second-hand clothes, while apparel companies based in Kenya export a majority of their products, particularly to the United States, according to a report in a Kenyan newspaper.

Seventy per cent of Kenyan apparel firms sell about four-fifths of their products to US markets, according to the Kenya Institute for Public Policy Research and Analysis (KIPPRA), which noted that Kenya has become dependent on import of second-hand clothes.

Between 2017 and 2021, second-hand clothing imports averaged 160,638 tonnes per year in Kenya with 183,830 tonnes shipped in 2021.

Kenyan textile mills annually consume an estimated 8,000 metric tonnes (41,200 bales) and the ideal demand to meet national requirements is 26,000 metric tonnes (140,000 bales), KIPPRA said. These show that the high potential of the textile industry is curtailed by undersupply of cotton.

Jas Bedi, vice chairperson of the East African Business Council, Kenya chapter, said Africa's textile industry is highly fragmented and needs better coordination.

EAC partner states have been unable to protect their apparel sector against cheap second-hand imports even after heads of state resolved, in 2016, to phase out the importation of used clothes and encourage local production.

In Tanzania, second-hand clothes have dominated the clothing market after the collapse of local textile manufacturing. The country's 'Cotton to Cloth' programme has also been scrapped.

Source: fibre2fashion.com – July 19, 2023

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## **Economic uncertainties do not hamper luxury sale in Asia-Pacific**

Asia Pacific continues to patronize luxury brands despite economic upheavals worldwide creating waves of concern and uncertainties, says Euromonitor International's new report that focuses on the performance of the luxury market and outlines the top three trends visible in the present and perhaps in the near future. Besides Asia Pacific market the other trends identified include, the return of the extravagant Chinese shopper into international shopping destinations after stringent travel restrictions for nearly three years and the possibility of a new revenue stream for luxury fashion and beauty brands – authentic experiences at home and outside.

### Luxury is unfazed in Asia Pacific

The Asia Pacific luxury goods market size is expected to grow from \$136.29 billion in 2023 to \$166.30 billion by 2028, at a CAGR of 4.06 per cent during the forecast period of 2023 to 2028. The Asian luxury market is in flux, with consumers demanding luxury goods from different backgrounds and starting points. A steady economy, rapidly changing consumer trends, the growth of boutique luxury brands, and the massive shift from physical to digital channels are creating a new competitive landscape for the luxury goods market.

Younger consumers are driving change in luxury consumption and attitudes. They are heavily fixated on sustainability, and most luxury consumers say they prefer brands that are socially responsible. In this region, investment in luxury goods, particularly leather goods, jewellery, and timepieces, is anticipated to surge as an alternative asset. The top five luxury companies in Asia Pacific are Chanel SA, Hermes International SA, Kering SA, Rolex SA and LVMH SE.

### Return of Chinese luxury shoppers

The three-year-long pandemic saw Chinese nationals repatriating their luxury consumption and now it seems there is no going back. Even with international borders reopened, local shoppers are choosing to splurge at home.



According to sales compiled by alternative data provider Sandalwood Advisors, 62 per cent of luxury spending by Chinese consumers in April took place within the country, far surpassing the 41 per cent recorded in the same period in 2019. This is the main reason why luxury brands are not only rising and shining in China while developing their communication platforms and design concepts such that they are earn favor from local buyers.

Jonathan Siboni, Founder and CEO of Paris-based data intelligence firm Luxurysight, believes Chinese consumers are rethinking their lifestyles post-pandemic as they no longer want to spend three hours queuing outside a store in Paris in the rain. Rather they would connect with a local sales associate who knows them and can advise them better.

### Authenticity at home and about

The lockdown saw the emergence of a new home, the one that was also a professional work space, the gym and the only place for two-long years that was supposed to create an authentic living experience within its four walls.

This trend of luxuriously appointed homes has given a new lease of growth for luxury home furnishings and accessories which luxury fashion brands are eyeing as a new source of revenue as the trend seems to be here for a longer term.

Moreover, with everything back to pre-pandemic normal and travelling opening up, luxury hospitality sector worldwide is seeing a rise. Global sales of luxury hotels grew 27 per cent in 2022 with further real growth of 17 per cent expected by the end of 2023.

The Euromonitor report highlights, the global luxury market has experience three-long years of the unusual series of events that shook the whole consumption pattern worldwide. But today both, luxury consumers and luxury brands are looking at a new reality where consumers are realigning their wants and brands are trying to cater to the emerging behavior.

Source: fashionatingworld.com – July 19, 2023

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## **Kyrgyzstan and Italy ready to cooperate in textile industry**

Kyrgyzstan and Italy are ready to cooperate in the textile industry, Azernews reports, citing Kabar.

The press service of the National Investment Agency of the Kyrgyz Republic reported that this issue was discussed last week by Deputy Director of the National Agency Jalyn Jeenaliev and President of the Italian-Russian Chamber of Commerce Fernando Pelazzo at a meeting in Bishkek.

Pelazzo emphasized that Italian textiles are in great demand in the world, and expressed a desire to develop cooperation with the Kyrgyz Republic in this direction, creating joint ventures.

As a result of the negotiations, further steps were outlined for the development of partnership between Italy and Kyrgyzstan in the textile industry. Both sides expressed their intention to do everything possible for the successful development of one of the important sectors of the economy.

Source: azernews.az – July 19, 2023

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## **FDI in Cambodia rises by 9% YoY in Q1 2023 to \$45.8 bn**

Cambodia received foreign direct investment (FDI) worth 185.7 trillion riel (\$45.8 billion) in the first quarter (Q1) this year—a rise of 9 per cent year on year (YoY), according to the National Bank of Cambodia (NBC).

The main sources of FDI were China, South Korea, Singapore, Japan, Vietnam, Malaysia, Thailand and the United Kingdom, a Cambodian newspaper reported.

The major sectors that received the FDI included financial activities, manufacturing, real estate, accommodation, agriculture, hydropower and construction, NBC added.

Source: fibre2fashion.com– July 19, 2023

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## **Vietnam's June 2023 export turnover nearly \$29.3 bn; MoM rise of 4.5%**

Vietnam's export turnover is estimated to have reached \$29.3 billion in June—a month-on-month (MoM) rise of 4.5 per cent, according to the General Statistics Office.

This is an indication of the market gradually recovering, a news agency reported.

The ministry of industry and trade will speed up activities to promote exports this year. It will focus on completing legal documents on import and export, recommending additional financial and monetary policies to support businesses to raise supply, reduce costs and create more competitive products.

The import-export department under the ministry will implement programmes under the country's import and export strategy till 2030 and a strategy on development of several key commodities.

Efforts will be made to sign a free trade agreement with Israel and speed up negotiations on other deals with potential markets like the United Arab Emirates and the Southern Common Market (Mercosur), whose members are Argentina, Brazil, Paraguay and Uruguay.

Source: fibre2fashion.com– July 20, 2023

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## **Dhaka Set to Host BIGTEX 2023**

The highly anticipated 7th Bangladesh International Garment & Textile Machinery Expo (BIGTEX) 2023 is set to be held in Dhaka from October 26 to 28. In an agreement signed between the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Redcarpet Global Ltd, the former will serve as a partner for the event.

BIGTEX, targeting the entire garment and textile industry of Bangladesh, features three concurrent exhibitions: Bangladesh International Fabric & Yarn Expo, Bangladesh International Dyes, Pigments and Chemicals Expo, and Bangladesh International Printing, Packaging and Signage Expo.

These exhibitions provide valuable opportunities for visitors, buyers, exhibitors, and professionals in the industry.

Expo will have approximately 200 stalls featuring products from at least 12 countries, including Asia and Europe. Recognizing the apparel sector as the backbone of Bangladesh's economic growth, Ahmed emphasized the importance of networking platforms like BIGTEX in upholding the country's growth and economy.

Source: fashionatingworld.com – July 18, 2023

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## NATIONAL NEWS

### **Shri Piyush Goyal discusses roadmap to achieve the target of \$250 billion textiles production and exports of \$100 billion by 2030**

Union Minister for Textiles, Consumer Affairs, Food and Public Distribution and Commerce and Industry, Shri Piyush Goyal discussed the roadmap to achieve the target of \$250 billion textiles production and \$100 billion exports by 2030.

While interacting with the officers and staff during the Chintan Shivir organized by the Ministry of Textiles, Shri Goyal emphasized on holistic approach towards making the Textiles sector more vibrant so as to prepare to take on global competition.

He asked the officers to come up with innovative ideas and underscored the importance of streamlining the institutional structure for better service delivery.

The Ministry of Textiles organized Chintan Shivir on 18th of July to brainstorm on various issues relating to the sector.

The session was inaugurated by Union Minister of State for Textiles, Smt. Darshana Jardosh, who highlighted the importance of the textiles sector in the economic growth of the country and the need to collectively focus on promoting growth across all segments in the value chain.

She mentioned that the Chintan Shivir was a platform for collectively deliberating and finding solutions on important issues pertaining to the sector. It would also help in promoting better understanding and coordination among all offices within the fold of Ministry of Textiles.

Officers from the Ministry of Textiles as well as field offices from across the country attended the day long Chintan Shivir.

Group Brainstorming sessions were held on five themes namely - Promoting Exports; Investment- Building Size and Scale; Sustainability; Shift from Natural to Man Made Fibre and Improving Service Delivery.

Detailed presentations were made by the respective groups giving specific recommendations and solutions to the problems posed. Team Building session organized by the representatives from Capacity Building Commission also provided an opportunity in enhancing communication and interaction among the participants.

Shri Gaur Gopal Das, lifestyle coach and motivational speaker and Shri Vivek Sahni, CEO and Co-Founder, Kama Ayurveda addressed the participants and shared their perspective and experience.

Source: pib.gov.in– July 19, 2023

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## **Global headwinds start buffeting India's trade on all sides: CRISIL**

The headwinds of slowing global growth are beginning to buffet India's trade on all sides, according to domestic rating agency CRISIL. Merchandise exports fell by a massive 22 per cent year-on-year (YoY) in June to \$32.9 billion, marking the fifth straight month of decline.

While the large decline could be attributed partly to a high base effect, as exports had unexpectedly shot up in the same month last year, exports declined sequentially and on a seasonally-adjusted basis too, CRISIL said in a note.

Moreover, unlike in recent months when the fall in export of oil—one of India's top export commodities—was a major cause for decline in overall exports, June also saw a sharper contraction in core (non-oil, non-gold) exports.

The decline in India's exports mirrors a similar slowdown from the larger Asian region, suggesting reduced demand for goods from advanced economies where the focus has shifted to services consumption, CRISIL noted.

While the decline in commodity prices has played a big role in the fall in dollar value of India's exports, volumes have declined in many cases too.

For the April-June quarter this year, India's merchandise exports fell by 15.1 per cent YoY compared with an average decline of 2 per cent in the previous two quarters.

There was a strong decline in merchandise imports in June as well. Overall merchandise imports fell by 17.5 per cent YoY to \$53.1 billion, while core imports dropped by 14.5 per cent to \$33.3 billion in the month.

With imports declining sharply, merchandise trade deficit marginally narrowed to \$20.1 billion in June, from \$22.1 billion previous month and the year-ago period.

Source: fibre2fashion.com– July 19, 2023

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## **Sixth round of India-EU FTA likely in August**

The sixth round of discussions on India-European Union (EU) free trade agreement (FTA) is “likely” in August; talks may include specific opening up of the public procurement market and granting of access, as per details mentioned in a letter addressed to the Steel Ministry by the Commerce Ministry, and reviewed by businessline.

Discussions would “factor in the provisions of public procurement order” (giving priority/preference to India-made offerings) and existing policies of MSME preferences, the Commerce Ministry has assured.

Accordingly, the Steel Ministry has been asked to list goods and services, including construction services, that fall under of the Ministry’s government procurement list. The list will also cover requirement details of its central public sector enterprises (CPSEs) and sub-ordinate entities that are “not exposed to market forces”.

“In case there is any specific concern or issues on such inclusion, the same, along with appropriate justification, may kindly be communicated to this office (Commerce Ministry)...” the letter from a senior official of the Commerce Ministry states.

The Steel Ministry has also been asked to prepare the list, considering that trade negotiations on similar lines will be held with other countries including Canada, GCC nations, Israel, the US and Australia.

Government procurement

Regarding the ongoing negotiations between India and EU for an FTA, “five rounds have already been completed” and the “sixth is likely to be held in early August”, the letter states, adding that the proposed India–EU FTA, inter-alia, includes a chapter on Government Procurement.

The chapter on Government Procurement comprises taking on obligations in terms of related legislation, policies, rules and “offering Market Access”. In case of India’s market access offer, it “shall be restricted to entities of the Central level only” and will not cover any sub-central level entities, that include State governments, local governments and local bodies.

Interestingly, the EU is reportedly asking India for full liberalisation of the government procurement market of Central and State entities.

## Market access

“In the last round of negotiations, both parties (India and EU) have agreed to share their respective market access offer schedule by end-July,” the Commerce Ministry letter stated, adding that “the FTAs ensure that goods and services, including construction services and suppliers of such foreign goods and services receive national treatment in government procurement of FTA partners.”

The scope of market access under the government procurement will cover “all procurement of goods and services of all central ministries, departments and their attached sub-entities; all their public sector undertakings, subsidiaries, and JVs.”

However, the government procurement chapter will not be applicable to any CPSE “that is exposed to market forces in terms of competition from private sector or also when the goods/services of the CPSE is priced based on market forces”.

There would be specific carve-outs for any procurement connected with security, environment, human, plant and health-related aspects, the letter notes.

Source: thehindubusinessline.com– July 19, 2023

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## **What are the challenges in navigating the India-UK Free Trade Agreement negotiations?**

In this State of the Economy podcast, we delve into the intricacies of the proposed Free Trade Agreement (FTA) between India and the UK, shedding light on the current state of negotiations and the critical issues at play. With both the Indian and UK governments committed to concluding the FTA talks by year-end.

Biswajit Dhar, Trade expert and former professor at JNU, offers valuable insights into the objectives driving both nations in their pursuit of the FTA.

Despite momentum, several contentious areas demand resolution, including standard production for Scotch whisky and automobiles, rules on intellectual property rights, financial services, mutual recognition agreements, and services.

Highlighting the decline in trade relations over the years, with the UK slipping from India's third-largest trading partner to 14th place, Dr. Dhar emphasises the substantial market access both countries aim to achieve through the FTA.

For the UK, seeking to establish itself as a major trading power after leaving the European Union, the FTA with India presents a pivotal opportunity to secure significant market access.

However, as negotiations proceed, certain issues emerge as major hurdles. Tariff reductions, particularly in the automobile and alcoholic beverages sectors, prove to be sticking points.

The disparity in tariffs between the two countries necessitates delicate negotiations. Another area of contention revolves around rules of origin, where India's stringent Customs Administration of Rules of Origin (CAROTAR) raises concerns among trade partners, challenging concessions made in other areas.

In the realm of services, digital regulations surface as a challenge, considering the increasing digitalisation of economies. Addressing issues like free and trusted cross-border data flows, data localization, and transfer requirements for source codes and algorithms becomes crucial for

both nations. India's insistence on maintaining red lines in these areas reflects the significance of these regulations in the country's framework.

The podcast underscores the vital role of government procurement in India, specifically in protecting the interests of MSMEs (Micro, Small, and Medium Enterprises). The pandemic's impact on MSMEs amplifies the need to safeguard their interests during negotiations.

Furthermore, India's support for promoting generic medicines through intellectual property rights flexibility stands as a lifeline for the nation.

India's new model for bilateral investment treaties, placing the onus on foreign investors to exhaust local remedies before resorting to international arbitration, is met with resistance from developed countries.

Discrepancies exist in the exclusion of specific areas from investment protection agreements, particularly in cases concerning patents and compulsory licenses.

While efforts are made to focus on areas with common ground, some of the more challenging issues, such as rules of origin and dairy product tariffs, necessitate meticulous negotiations. As the talks continue, India's red lines on digital regulations and intellectual property rights for generic medicines remain steadfast.

With Commerce and Industry Minister Piyush Goyal's recent talks showing considerable progress on certain difficult issues, the endgame of the negotiations may come into focus by year-end. As negotiators persist in finalizing the India-UK FTA, the stakes remain high, and both nations are poised to navigate this crucial crossroads in their economic relationship. Tune in to stay informed on the latest developments in these significant negotiations.

Source: [thehindubusinessline.com](https://www.thehindubusinessline.com)– July 19, 2023

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## **Over two dozen Indian companies participating in Texworld trade fair in NYC**

Over two dozen Indian companies are participating in a prominent global trade fair being held here for the textile and apparel industry.

India's Ambassador to the United States Taranjit Singh Sandhu inaugurated the India Pavilion at the Texworld Apparel and Home Textile Sourcing Show here on Tuesday.

Over two dozen Indian companies from the apparel, fabric and home textile sectors are participating in the Texworld fair being held from July 18-20.

"Expanding India-US trade basket! Pleasure to inaugurate the India Pavilion at Texworld, Apparel and Home Textile Sourcing Show, #NY. Indian textile companies have on offer a wide range of world class products, in particular climate-smart, organic, and carbon neutral options," Sandhu tweeted.

India's participation in the Texworld fair is being anchored by the Handloom Export Promotion Council and the Cotton Textiles Export Promotion Council (TEXPROCIL), a press release issued by the Consulate General of India in New York said.

Majority of the Indian textile companies participating in the fair are from two main clusters in India – Panipat in Haryana and Karur in Tamil Nadu. There are several new-age products made of Bhagalpuri silk, bamboo, jute and 3D prints on display at the fair, the release said.

After the inauguration, Sandhu interacted with Indian companies and visited their stalls at the fair. He encouraged them to increase efforts to enhance India's textile exports to the US and, in this regard, noted that the Commercial Wing at the Indian Embassy and Consulates in the US stand ready to offer all possible support.

He further added that the world-class textile products from India already have a large presence in the US, but there was potential to do more, especially in areas of sustainable textiles and organic products.

India's textile exports to the US in 2022-23 stood at 10.4 billion dollars, accounting for about 9-10 per cent of the US textile imports.

The trade fair takes place biannually at the Javits Convention Centre in New York and is organised by Messe Frankfurt Inc, a leader in international trade fair sector.

Texworld USA brings together exhibitors from around the world who showcase variety of products and services, including fabrics and material combinations to diverse colour palettes and provides a networking platform for businesses, retailers, designers, buyers and industry experts.

Source: [economictimes.indiatimes.com](http://economictimes.indiatimes.com)– July 20, 2023

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## **In improving trade and connectivity, India and Bangladesh mean business**

India's Adani Group last week started selling electricity to Bangladesh, which allowed bilateral trade to be settled in Indian rupee. Bangladesh has scant foreign exchange (\$29.9 billion, end of May 2023) and India needs more partners for rupee trade, prompting them to step up trade ties at a rapid clip.

Gautam Adani, chairman of the Adani Group, posed for a photograph with Bangladesh Prime Minister Sheikh Hasina last week, after switching on power supply from his coal-fired plant in Jharkhand state of India. Abdur Rouf Talukder, governor of Bangladesh's central bank, said he expects to launch a taka-rupee denominated dual-currency debit card by September this year. It will ride on Rupay, India's home-grown card payment network.

Bangladesh developed earlier this year a standard operating procedure for Indian ships to sail through its rivers to reach northeast India. Cargo sails through the rivers of the two nations but there was no agreed rule for it till the National Board of Revenue, the tax department of Bangladesh government, passed an order in April. "We are ready for the start of transit and transshipment of goods between Bangladesh and the northeastern region of India through Chittagong," Khalid Mahmud Chowdhury, Bangladesh's minister of state for shipping, had said while outlining his expectations.

The developments will boost trade and connectivity in the region. Mercy Tembon, World Bank country director for Bangladesh and Bhutan wrote in a blog post in 2021, "While trade between India and Bangladesh has increased substantially over the last decade, it is estimated to be \$10 billion below its current potential." The numbers hold.

The agreements are also necessary for India to convince more countries for the internationalisation of the rupee. For rupee to be accepted as a possible tender in international trade, large parts of this subcontinent should be willing to do so. Effectively, it will mean that the rupee will be used by traders and the public in this region for a wide swathe of business. The next stage has to be for banks in the region to do business using each other's currency.

Of course, there will be an asymmetry. Given the high inflation rates in Bangladesh and Sri Lanka, it is unlikely that the rupee can be traded with local currencies easily. The US dollar will still be a mediator of sorts. The next stage is expected to be allowing Bangladesh banks to access the Indian debt market.

On ground, the knock-on positive effects on trade will take time. Border trade between India and Bangladesh increased as connectivity networks improved and India funded infrastructure development through nearly a creditline of \$ 9.5 billion. India's recent announcement that Bangladesh can have free transit access to its ports for export to third countries is also an important step in this direction.

An important reason is that Bangladesh does not allow transit of trucks by road through its territory between eastern and north-eastern India. There was a similar constraint on trade through water, too. Dhaka setting a standard operating procedure in April for ships and barges to sail to India's northeast using its waters is consequently a big deal.

Volumes have yet to pick up to take advantage of the ease of shipping. Despite the constraints, trade between the two neighbours is improving. Bangladesh is India's fourth largest export market. For Bangladesh, imports from India are the second largest. China is the two countries' largest trading partner.

This should be surprising when one considers that any item traded by either nation should cost more to exchange with China, just on the basis of logistics alone. Yet, decades of mistrust between India and Bangladesh have allowed layers of rules to accumulate on any consignment which travels between the two.

The two nations signed the Protocol on Inland Water Transit and Trade in 1972 and decided to renew it every two years. "Despite this (understanding), the renewal remained irregular," said Shahidul Haque, former foreign secretary of Bangladesh in a paper for CSEP.

Before relaxations announced this year, there was already an India-Bangladesh Coastal Shipping Agreement with a standard operating procedure. But evidently those have not worked since the procedures are strict. As an example the rules say "vessels engaged in the designated route will not engage in carrying transshipment cargo between the two ports of



another country, without written permission from the Competent Maritime Authorities”.

While trade and connectivity have received priority in bilateral relations, areas for further cooperation include coastal shipping, congestion at land ports and in cargo-handling capacities. The expectations are they will also soon be sorted out.

Despite the need, there are tensions in sharing of energy. "The general consensus is that no single imported source should be more than 10 to 15 per cent of our energy requirement," said Dr M Tamim, professor of petroleum and mineral resources engineering, Bangladesh University of Engineering and Technology, referring to the Adani-Bangladesh deal.

He acknowledged though that the choice of energy for Bangladesh has become clear now when the supply of domestic gas has begun to decline. "The extent of how much energy the country should import from the regional grid is, however, being debated," he said.

Source: business-standard.com– July 19, 2023

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## **Indian textile industry divided over polyester yarn QCO implementation**

India's textile minister Piyush Goyal consistently advocates for high-quality garments for both domestic and international consumers. Although industry leaders also theoretically support this view, interest-based disagreements from representatives along the value chain reveal a lack of consensus.

The recent implementation and subsequent extension of the quality control order (QCO) on polyester filament yarn have brought these disagreements to the fore.

Manufacturers of polyester filament yarn have expressed concerns about the piecemeal implementation and extension of the QCOs. However, the weaving industry opposes the current form of QCO implementation on polyester filament yarn and objects to the quality standards set by the Bureau of Indian Standards (BIS).

R K Vij, president of The Textile Association (India), spoke to Fibre2Fashion, stating, "The government has implemented the QCO on PTA, a crucial raw material for polyester filament yarn. While the country is facing a PTA shortage, the QCO has restricted imported supply. Conversely, the QCO on yarn is deferred, which will result in a surge of imports, placing dual pressure on yarn manufacturers." He has also expressed these concerns to Arun Barooka, secretary of the chemical and fertilizer ministry.

Vij cautioned that the prices of basic raw materials will rise, and the prices of partially oriented yarn (POY) and fully drawn filament (FDY) will fall due to increased imports after the QCOs' extension. This situation would encourage more imports of value-added products and fewer exports of costlier items. The association is preparing to formally address the government on this issue.

In contrast, weaving industry organisations advocate for a longer extension, calling for a revision of the standards themselves. They argue that the current standards were finalised without adequate consultation with the consumer industry.

Brijesh Gondalia, president of the Surat (Gujarat)-based South Gujarat Warp Knitters Association, has written to the Committee of Scope & Composition of Man-made Fibres about this issue. He argued that QCOs on various polyester yarns should be deferred for a more extended period and incorporate suggestions from the weaving industry. He also requested exemption for polyester mother yarn from BIS standards. He expressed frustration that overseas suppliers, seeking BIS licenses to export yarn meeting the standards, have been waiting for months for inspections and other formalities. He called for immediate action regarding these overseas applicants.

The weaving industry contends that domestic supply of polyester mother yarn is insufficient, and its quality is inferior compared to imports. With the implementation of QCOs, a significant gap between demand and supply will lead to an artificial price hike of polyester mother yarn in the domestic market, affecting production and efficiency in net fabric manufacturing. This situation might increase the import of net fabric and garments.

Ashish Gujarati, former president of the South Gujarat Chamber of Commerce and Industry (SGCCI), told F2F, “The weaving industry feels overlooked by the competent committee, as its representative was included only at a later stage due to resistance from the upstream industry. No subsequent meetings were held following this representation, leading to a perceived bias in the establishment of quality standards.” He said that the prescribed standards, as they stand, appear to favour the upstream industry. There is no assurance of dyeing quality, even with grade A and AA yarn, which adheres to global standards. Indian standards should align with these global benchmarks.

Source: fibre2fashion.com– July 19, 2023

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## **Retailers see moderate growth of 7% in June: Retailers Association of India**

Ahead of the critical festival season months, retailers in the country clocked a modest growth in sales in June. As per the latest survey findings released by Retailers Association of India, retailers clocked a growth of 7 per cent in June 2023 over June 2022. This growth was led by south India.

Sales growth levels in the retail sector have been hovering at 6-7 per cent since March as per the previous editions of the Retail Business Survey of the industry body.

Kumar Rajagopalan, CEO, Retailers Association of India (RAI), said, “Retailers witnessed a modest growth of 7 per cent in the month of June 2023. Food and grocery and footwear sector saw a growth at 15 per cent while jewellery segment has shown a 14 per cent growth.

As consumers are now getting into their normal business routines, we are witnessing moderate growth over previous year. We need to wait till the festival season to draw definitive conclusions.”

Retailers in south India clocked sales growth of 8 per cent, while those in the east clocked sales growth of 7 per cent. Retail businesses in west and north India recorded sales of 6 per cent and 5 per cent respectively in June 2023 compared to the same period last year.

In terms of categories, food and grocery, footwear and jewellery categories led the growth. Sports goods garnered 13 per cent growth. Beauty and wellness and QSR segments clocked growth of 7 per cent each.

Apparel and clothing clocked 7 per cent while the furniture and furnishing segment clocked a mere 3 per cent growth in June 2023 compared to June 2022.

Source: thehindubusinessline.com– July 19, 2023

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## **US at WTO: India allows GM cotton, mustard at home but blocks imports**

The US has raised concerns at India's approval for environmental release of genetically modified (GM) mustard and the "routine cultivation" of GM cotton by Indian farmers even as New Delhi mandates a non-GMO and GM-free status certificate from exporting countries for 24 food products, including apples, wheat, rice, tomato and potato.

In a submission to the WTO on Tuesday, it asked India to revoke the measure. "The United States continues to request India immediately revoke this trade restrictive measure," it said.

Last year, India approved the country's first ever environmental release of a GM food crop, DMH11 mustard. The approval was issued for a limited period of four years.

New Delhi has said told the WTO that the certification requirement is an assurance that food the crops exported to India for human consumption are of non-GM origin and GM-free while the US argued that compliance with the GM-free certificate requirement is inconsistent with the global trade norms for application of food safety and animal and plant health regulations, called Sanitary and Phytosanitary Measures in trade parlance.

"India has still not shared the requested scientific justification for requiring a GM-free certificate for the 24 products covered," the US said.

Source: [economictimes.com](http://economictimes.com) – July 20, 2023

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