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Currency Watch			
USD	EUR	GBP	JPY
83.16	90.57	105.89	0.57

INTERNATIONAL NEWS

NATIONAL NEWS	
No	**Topics**
1	Momentum in Indian economy in Q2 FY24, inflation concern: RBI article
2	G20 Trade and Investment Ministerial Meeting to begin in Jaipur from August 24, 2023
3	India plans to hold FTA talks with UK, EU, Canada on sidelines of G20 meet: trade secy
4	India–Bangladesh Trade Settlement in Indian Rupee
5	E-commerce policy almost final, with clarity now on data localisation rules
6	Uniqlo to open second store in Mumbai on October 20

SAYING NO TO CHILD LABOUR

G20 भारत 2023 INDIA

INTERNATIONAL NEWS

US industrial production up by 1% MoM, down by 0.2% YoY in Jul 2023

Total US industrial production increased by 1 per cent month on month (MoM) in July this year following declines in the previous two months, while it declined by 0.2 per cent year on year (YoY), according to the US Federal Reserve (Fed).

The production of textiles rose by 3.6 per cent MoM and dropped by 3 per cent YoY during the month.

Manufacturing output rose by 0.5 per cent in the month; however, the growth rates for the previous three months were revised down. Altogether, the index for manufacturing in July was 0.7 per cent below its year-earlier level.

At 102.9 per cent of its 2017 average, total industrial production in July was 0.2 per cent below its year-earlier level. Capacity utilisation moved up to 79.3 per cent in July, a rate that is 0.4 percentage point below its long-run (1972–2022) average.

Most major market groups recorded growth in July, barring construction supplies.

In July, the indexes for durable and non-durable manufacturing increased 0.8 per cent and 0.1 per cent, respectively. Within the latter, a modest decline was seen in the index of apparel and leather.

Capacity utilisation for manufacturing edged up to 77.8 per cent in July, a rate that is 0.4 percentage point below its long-run (1972–2022) average.

Source: fibre2fashion.com – Aug 19, 2023

HOME

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H&M 'Phasing Out' Myanmar Sourcing

H&M Group is exiting Myanmar.

"We have been monitoring the latest developments in Myanmar very closely and we see increased challenges to conduct our operations according to our standards and requirements," the Swedish giant said in a statement obtained by Sourcing Journal. "After careful consideration, we have now taken the decision to gradually phase out our operations in Myanmar. During this process, we will continue to engage with our stakeholders as part of our enhanced due diligence process."

The news, which was first reported by Reuters, comes a day after the Cos and Monki owner said it would be investigating 20 alleged instances of labor abuse at its supplier factories in the beleaguered Southeast Asian country, which has descended into chaos and violence since the military ousted the civilian government in 2021, placing companies in a quandary about whether to stay or go.

The Business & Human Rights Resource Centre, which published a report this week identifying the alleged incidents, of which there have been 212 over the past two years, found that reduced wages and wage theft continued to be the most frequently reported rights violations since the takeover, followed by unfair dismissal, inhumane work rates, forced overtime and harassment, intimidation and abuse.

Other brands named in the report include Adidas, Bestseller, Guess, Mango, Marks & Spencer, Moschino, Primark and Zara owner Inditex.

"Our data reveals an alarming image of abuse and indignities for garment workers in Myanmar—and it is only right the fashion brands relying on them for their profits come under pressure to further interrogate human rights risks in their supply chains," said Natalie Swan, the human rights advocacy group's labor rights project manager, said in a statement.

"Where any business sources from a country where armed conflict or widespread violence is taking place, it is that business' responsibility to demonstrate how they are meeting this specific challenge."

Swan said that it's crucial that brands ask themselves whether they can protect garment workers against exploitation, as well as guard against employer-military collusion, particularly as conditions seem to be deteriorating despite claims of oversight.

"Brands, as well as their investors, who fail to do this while benefiting from the low cost of production in Myanmar can no longer avoid being complicit with a regime that is associated with brutal rights violations and repression," she added.

Inditex revealed in June that it was dropping out of Myanmar. Aldi South, C&A, Mango, Primark, Marks & Spencer, Tesco, Uniqlo owner Fast Retailing and Muji parent Ryohin Keikaku have also withdrawn or are in the process of withdrawing from the country.

A watershed Ethical Trading Initiative report, which concluded last September that it "wasn't possible" for responsible businesses to apply normal human-rights due diligence, precipitated some of the departures, including Primark and Marks & Spencer's. A number of brands, including Adidas and Bestseller, however, have said that they will double down on enforcing compliance. Next has said that it considered withdrawing from Myanmar but was concerned about the "huge damage to local communities and workers, depriving them of desperately needed investment and wages."

Vicky Bowman, director of the Myanmar Centre for Responsible Business, an initiative to encourage responsible business activities in the country, said that she regrets H&M's decision as "it will have a negative impact on thousands of women workers in Myanmar."

"But I am not surprised by their decision in the light of the increase in arrests by the military of trade unionists and labor rights activists from Action Labor Rights whose input has contributed to H&M's heightened human rights due diligence," she told Sourcing Journal, referring to the Yangon-based union.

"I hope that H&M's exit will be transparent, and gradual over at least a year, and like that of Primark, accompanied by ongoing support to workers and factories on the ground."

Earlier this month, an Italian civil society group called Italia-Birmana Insieme filed an Organisation for Economic Co-operation and Development complaint against Moschino sub-brand Love Moschino and OVS. It charged the companies with breaching the intergovernmental organization's guidelines for responsible business conduct by multinational enterprises, including respecting the right of workers to organize and collectively bargain.

H&M Group lists nearly 40 Burmese factories on its public supplier list. Swan said that it was crucial that it now ensures it exits responsibly, without causing greater harm to workers in its supply chain.

“This means ensuring to the greatest extent possible that worker layoffs are limited, final wages are paid and any outstanding grievances are remedied,” she told Sourcing Journal. “This will require continued oversight of facilities producing garments for H&M, up to and beyond final orders. As our report highlights, meaningful engagement with workers is particularly difficult in the context of Myanmar.

Nonetheless, companies exiting the country must ensure that workers and their families are at the heart of the process and that they engage, where possible, with trade unions locally and internationally as per their human rights commitment to freedom of association.”

Source: sourcingjournal.com – Aug 18, 2023

HOME

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USA: Survey: 66% of Americans Would Back Pro-Tariff Presidential Candidate

Brands and retailers calling for an end to the Trump-era Section 301 tariffs may be out of step with the views of the typical consumer. New data shows that two-thirds of Americans believe the U.S. government should slap more tariffs on China-made goods.

Americans on both sides of the aisle support higher duties, and believe the U.S. should prepare for military threats from China, according to a Reuters/Ipsos survey released this week. A two-day poll that closed on Tuesday showed that people are concerned about China's global influence, especially as ties with the U.S. fray.

The nationwide poll, which amassed responses from 1,005 adults including 443 Democrats and 346 Republicans, revealed that 66 percent would be likely to back a presidential candidate who supports new tariffs on Chinese imports.

This runs counter to the fashion and retail trade associations calling to reverse the punitive tariffs on goods imported from China. Last month, the Retail Litigation Center led the filing of a brief signed by several industry trade groups calling for the U.S. Federal Court of Appeals for the Federal Circuit to reverse the U.S. Court of International Trade's ruling that kept the duties in place.

American consumers are wary about China's aggression. Two-thirds of survey respondents (including 58 percent of Democrats and 81 percent of Republicans) said they wanted to see the U.S. do more to guard against possible Chinese military threats. Most Americans (75 percent) have a negative view of China, and 84 percent view President Xi Jinping at least slightly unfavorably. Nearly two-thirds (65 percent) said they believed China's government was trying to influence the U.S. election.

China has developed a reputation as a bad actor. The U.S. has denounced its anticompetitive practices like intellectual property theft and currency manipulation. Forced labor in China's manufacturing and raw materials sectors is another area of concern. China's recent aggression toward Taiwan, which it views as part of its territory, only adds to the global tension.

Only 38 percent of Reuters/Ipsos survey respondents approve of deploying U.S. troops to defend Taiwan if it comes to that, despite White House support for the roughly 24 million-strong populace. Beijing's recent saber-rattling includes ocean and air military drills and propaganda videos this week showing soldiers preparing for battle in the Taiwan Strait. CIA director William Burns believes Xi is preparing to invade Taiwan by 2027.

Late last month, the Biden administration said it would send Taiwan $345 million worth of U.S. weapons, a move that aligns with the survey takers, about half, who approve of America giving Taiwan military equipment. President Joe Biden has recently stepped up his stance on China, calling Xi a "dictator" at a June campaign fundraising event. Though Beijing fired back, Biden said the pointed jabs are "just not something I'm going to change very much."

In the lead-up to the 2024 presidential election, Republican frontrunners are doubling down on their own anti-China rhetoric. Former President/future hopeful candidate Donald Trump, as well as U.N. Ambassador Nikki Haley and Florida Governor Ron DeSantis, have promoted ending permanent normal trade relations with China.

Source: sourcingjournal.com – Aug 18, 2023

HOME

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Does the UFLPA Cover Recycled Cotton?

Is recycled cotton content in textiles and apparel scrutinized under the Uyghur Forced Protection Labor Act (UFLPA)? The short answer is yes.

"This has been a question being asked by the trade for quite some time now," Jim Snider, manager at U.S. Customs and Border Protection (CBP), said at a Cotton Inc. webinar on forced labor on Thursday. "And the truth of the matter is we don't have a very good answer other than most of the time recycled [cotton], where in apparel, is going to be detained and ultimately excluded because there really is no way for us or the importer to prove that forced labor was not being used."

Cotton is a high-priority sector for enforcement under the nearly two-year-old law, which imposes a rebuttable presumption that any merchandise made in whole or in part in China's Xinjiang Uyghur Autonomous Region is the product of forced labor and therefore inadmissible into the United States. The northwestern province supplies 90 percent of Chinese cotton, which in turn accounts for some 25 percent of the world's share. The virgin stuff is already tough enough to trace. Ginned cotton fibers from disparate sources are frequently lumped together before they're spun into yarn, obfuscating their points of origin. Throwing post-industrial or post-consumer waste into the mix only invites further complications if there isn't a strict chain-of-custody system in place.

CBP, Snider said, is on the case.

"We understand the importance of recycled fibers both for the economy as well as for the environment," he said. "And so internally we are having discussions to kind of figure out what are the best ways to handle it. It is a topic of great concern to us."

Retail's major trade groups, including the American Apparel & Footwear Association, banded together last year to request a carve-out for recycled content. The U.S-China Council argued for the same, saying that since companies often do not have contractual relationships with upstream suppliers, they must rely on their relationships with first or second-tier suppliers for information to obtain documentation.

“Supply chain mapping and due diligence challenges are only amplified for SMEs,” it said, using an acronym for small and medium-sized enterprises. “While importers are making efforts to improve supply chain transparency, this takes time and cooperation across many stakeholders.” But Snider said that if someone were to bring in a recycled cotton article of suspect provenance today, “most likely you’re going to have that detained and ultimately excluded.”

Right now there are only two ways to dispute this: either admit to a nexus to Xinjiang but plead an exemption by proving that no forced labor was involved in the product’s manufacture, or demonstrate that it doesn’t have to ties to the region, rendering it inapplicable under the UFLPA’s purview. The former is far more challenging than the latter.

As a result, traceability has gone from nice-to-have to table stakes. While CBP hosted a tech expo earlier this year that showcased the latest technologies in supply chain transparency, from isotopic testing to DNA markers, the agency doesn’t endorse any particular platform. And for the foreseeable future, it isn’t likely to, though it’s exploring opportunities to partner with industry to pilot some of them.

“We are really interested in utilizing those technological innovations to trace the supply chain back to the origin because otherwise, we’re going to have a really tough time enforcing these laws that we need to to the best of our ability,” said Jeff Franz, international trade analyst at CBP. “And, of course, for something like forced labor, it’s a bipartisan issue, it’s a moral issue.”

CBP dropped its latest numbers on Friday. In July, the agency stopped 388 shipments valued at more than $107 million for further examination based on the suspected use of forced labor. Of these, 69, valued at more than $2.9 million, had to do with apparel, footwear and textiles.

Source: sourcingjournal.com – Aug 18, 2023

HOME

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Germany extends support to Philippines-EU FTA negotiation

Germany has extended support for the relaunching of negotiations for a Philippines-European Union (EU) free trade agreement.

“That was… what we in Germany really pushed for. We pushed the information to do this and our business people here are very keen on really exploring new possibilities and new ideas and new business opportunities both ways, of course, not just for the German industry here but also for the Philippine industry in Germany,” new German ambassador to the Philippines Andreas Michael Pfaffernoschke, who presented his credentials to President Ferdinand R. Marcos Jr. recently, said.

“So, I think there is a real promising path that lies ahead. And as you said, people-to-people relations are already strong and they might become even stronger once we exchange even more skilled workers from the Philippines to Germany, also Germans coming to the Philippines.

So strong ties we already do have, we might even foster in the years to come. And I think that is the basis for good relations,” he was quoted as saying in an official release.

Apart from cooperating on trade and investment, the President and the German ambassador agreed to collaborate further on climate change mitigation and adaptation.

Germany remained the Philippines’ 12th largest trading partner, 10th export market and 15th import supplier (January-October) last year.

The Philippines’ total trade with Germany reached $4.7 billion last year, with $2.8 billion in exports and $1.9 billion in imports. It is also the country’s top trading partner in the EU.

Source: fibre2fashion.com– Aug 19, 2023

HOME

****

80% consumers in UK, France, Germany see downturn lasting over a year

More than 80 per cent of consumers in the UK, France, and Germany expect the current economic downturn to last more than 12 months, and more than 90 per cent of shoppers are changing their spending habits in response to higher prices and interest rates, as per a recent survey.

Fifty-four per cent of consumers are spending less, 49 per cent are eating out less, and 51 per cent are purchasing fewer non-essentials, while 44 per cent are shopping with less expensive brands, according to a survey conducted in May 2023 by Centiment.

Moreover, 54 per cent are spending less on apparel, footwear, and accessories, and they are inspired to purchase from retailers who create an emotional connection while providing price relief. When asked about motivation to try a new brand, 63 per cent indicated 'an exclusive discount for my community' as the preferred option, beating general discounts and other incentives.

The survey revealed that 89 per cent of students, 81 per cent of healthcare workers, and 73 per cent of teachers would be motivated by special discounts for their communities. Over 60 per cent of all surveyed feel more connected to brands that provide exclusive offers, leading to tremendous brand loyalty.

More than 70 per cent, including 79 per cent of teachers, 76 per cent of healthcare workers, and 75 per cent of students, would likely join a loyalty programme for an exclusive offer. Seven in 10 consumers in identity-based communities are more loyal to brands providing exclusive offers, and more than nine in 10 would share such an offer with others eligible for it.

Source: fibre2fashion.com– Aug 19, 2023

HOME

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Foreign retailer giants look for Vietnamese suppliers

The event aims to support domestic firms to engage more deeply in global production and supply chains.

According to the MoIT - the organiser of the event, many foreign supermarkets, distributors and retailers are making their shopping list for products from Vietnamese suppliers at the event, which is expected to connect foreign importers and domestic manufacturers and exporters.

It will offer a good chance for foreign firms to seek suppliers across fields from foods, textiles, footwear, housewares, furniture and support industrial products.

Christian Merizalde Aguilar, in charge of business strategy at Grupo Merica Foods, stated that the firm is currently shifting its business operation from Thailand to Vietnam.

The company planned to import around 110 cargo containers from Vietnam in 2023, a significant increase compared to 77 last year.

According to Aguilar, the quality of Vietnamese goods is continually improving and becoming highly competitive. In the future, Grupo Merica Foods will collaborate directly with Vietnamese producers to jointly develop production and supply plans of products that align with the demands of the international market.

Vietnam's joining in 16 free trade agreements is a significant attraction for potential buyers, he said.

Nguyen Duc Trong from Walmart Group said Vietnam will become a key outsourcing hub in Southeast Asia and Asia of the firm.

By 2027, Walmart’s purchasing market share in Vietnam is expected to increase, not only for clothing and footwear but also for various other products, and not only foreign-invested firms but also local companies, Trong said.

Vietnam is among the top five countries exporting the most goods to the Walmart system, with key products including textiles, warehouse products, electronics and processed foods.

The US retailer will focus on buying products in six groups at the Vietnam International Sourcing 2023, including clothing and accessories, footwear, textiles and accessories, electronics and furniture, foods and consumer goods.

Meanwhile, Aeon Group from Japan announced that representatives from its systems in China, Japan, Thailand and Malaysia aim to seek producers in Vietnam that can meet Aeon's standards to become sustainable suppliers of the Japanese retailer.

The stability in Aeon's supply chain is ensured to by various suppliers in Vietnam.

Vietnam has been undergoing a robust transformation to become a global production hub, which is capable of supplying a wide range of products with competitive pricing and continually improving quality.

To join the billion-USD value chain of Walmart in the international market, Vietnamese businesses need to pay attention to building strategies with long-term target, solutions for supply chain and logistics, and the ability to design and develop products.

Walmart also takes note of important factors when evaluating suppliers in Vietnam, including supply capacity, financial stability, sustainable development, and adherence to environmental commitments.

Source: vietnamnet.vn– Aug 18, 2023

HOME

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Pakistani Exports to EU Decline in FY23

Pakistani exports to the European Union (EU) declined by more than 4.41% in the fiscal year FY23. The decline was attributed to decreased demand for Pakistani goods in key markets such as Germany and the Netherlands.

Despite the implementation of the Generalised System of Preferences Plus (GSP+) scheme, which provides preferential market access for Pakistani exports to the EU, the decline in exports persisted.

Some product categories, such as garments and hosiery, saw growth in exports, while others faced challenges.The United Kingdom was previously Pakistan's primary export destination, but after Brexit, exports to the UK dropped by 10.63%.

Germany took the lead as the top export destination for Pakistani goods in FY23, followed by the Netherlands, Spain, Italy, Belgium, France, Poland, Denmark, Sweden, and Ireland.

The decline in exports to the EU was a complex issue with multiple causes, and it is likely that the situation will continue to fluctuate in the coming years.

Source: fashionatingworld.com– Aug 17, 2023

HOME

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Pakistan: Textile exports drop 11.44pc in July 2023

Pakistan's textile exports for July 2023 registered a significant decline of 11.44 percent, reaching $1.31 billion compared to the corresponding month in the previous year, which saw exports totalling $1.48 billion. This downturn marks the tenth consecutive monthly decrease in the country's overseas sales of textile products.

Over the previous month's exports of $1.47 billion, its exports dipped by 10.9 percent, the latest data from the Pakistan Bureau of Statistics (PBS) revealed on Friday.

A cursory look at the data showed that export earnings from this major group are continuously dropping in double digits. In October 2022, exports dropped 15.23 percent, November 18.15 percent, December 16.47 percent, January 14.8 percent, February 29.9 percent, March 22.6 percent, April 29.1 percent, May 19.57 percent, June 13.7 percent and now in July 2023, it dwindled 11.44 percent over the corresponding months of last year.

In the previous fiscal year (July-June 2022-23), total textile exports declined by 14.6 percent to $16.5 billion compared to the record high of $19.35 billion achieved in FY2021-22. In FY21, exports were $15.4 billion.

In July 2023, sales of mostly all major components of the group declined. This includes cotton cloth, knitwear, bedwear, towels, and readymade garments.

In July 2023, exports of cotton cloth decreased by 22.6 percent to $140.9 million, knitwear fell by 16.1 percent to $364.5 million, bedwear by 14.6 percent to $217 million, readymade garments by 9.8 percent to $274.7 million, and towels by 2.9 percent to $72.8 million; however, cotton yarn exports increased by 35.96 percent to $97 million compared to July 2022 exports.

Exports of food groups during the month decreased by 7.56 percent to $329.2 million compared to $356.1 million recorded in July 2022. Rice exports were $117 million, showing a 15.8 percent decrease from July 2022 exports.

Basmati rice exports decreased by 13.6 percent to $39.35 million, while other rice exports decreased by 16.9 percent to $21.85 million. On the other hand, exports of fish and fish preparations increased by 2.2 percent to $18.98 million, fruits went up 4.6 percent to $35.75 million, and meat and meat preparations sales abroad also increased by 37.2 percent to $34.9 million.

Sports goods exports declined 10.8 percent to $26.1 million, of which, football exports went down 1.5 percent to $15.6 million. Exports of surgical goods went up 3.0 percent to $40 million, chemicals and pharmaceuticals up by 25.7 percent to $103.4 million and cement exports also increased 187 percent to $16.1 million in July 2023 against July 2022.

Imports

Petroleum group imports in July 2023 increased 44.9 percent to $791.4 million against $1.44 billion in July 2022. Of this, crude oil imports dropped by 88.5 percent to $49.7 million from $431 million in the same month last year.

Similarly, import of petroleum products reduced by 51 percent to $356.6 million and liquefied petroleum gas (LPG) went down 1.96 percent to $45.5 million. Whereas, liquefied natural gas (LNG) imports increased 47.3 percent to $339.6 million in July 2023.

It is to be noted that in FY23, imports of the petroleum group experienced a notable decrease, shedding 27 percent compared to $17.0 billion against $23.3 billion in FY22.

Crude imports were down 11.6 percent to $4.95 billion, petroleum products by 36.8 percent to $7.63 billion, and LNG 24.6 percent to $3.76 billion. However, LPG imports were high by 2.2 percent to stand at $675 million over FY22.

Machinery imports in July 2023 witnessed a year-on-year decline of 21.4 percent to 493.5 million compared to $627.5 million in July 2022.

Of this group, imports of textile machinery decreased by 63.5 percent to $13.74 million, power generation machinery by 29.7 percent to $28.3 million, agriculture machinery by 26.4 percent to $4.15 million, construction and mining machinery down by 44.4 percent to $4.25

million, and electrical machinery and apparatus imports also reduced by 28 percent to $173.6 million.

On the other hand, telecom machinery imports increased by 32.2 percent to $90.7 million. Of this, imports of mobile sets experienced a substantial increase of 75.6 percent, reaching $68.1 million compared to $38.8 million in July 2022.

The transport sector's total imports in July 2023 declined by 32.2 percent to $140.2 million against $206.7 million in July 2022. Of the transport sector's total imports, spending on road motor vehicles (built units, CKD/SKD) stood at 124.4 million which was 21.8 percent less than $159 million in the same month of last year.

Under completely built units (CBU), imports of buses, trucks, and other heavy vehicles experienced a decline of 83.45 percent to $2.9 million, while motor car imports increased by 12.6 percent to $11.2 million compared to the same month last year.

Regarding CKD/SKD models, imports of buses, trucks, and other heavy vehicles decreased by 32.9 percent to $17 million, while motor car imports increased by 4.77 percent to $70.6 million. Motorcycle imports stood at $2.7 million, and parts and accessories imports stood at $29.2 million.

Source: thenews.com.pk– Aug 19, 2023

HOME

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NATIONAL NEWS

Momentum in Indian economy in Q2 FY24, inflation concern: RBI article

Though India's economy is gathering momentum in the second quarter (Q2) of fiscal 2023-24 in a stressed global environment, inflation would continue to average above the Reserve Bank of India's (RBI) comfort zone of 6 per cent, an article in the latest RBI monthly bulletin said.

The consumer price index-based retail inflation witnessed a significant rise in July to 7.44 per cent from 4.87 per cent in June.

"While core inflation witnessed a moderation, headline inflation is expected to average well above 6 per cent in the second quarter," the article, authored by a team led by RBI deputy governor Michael Debabrata Patra, said.

With industrial production and trade weakening, the global recovery is slowing after a robust Q1 FY24 performance.

Domestic drivers such as private consumption and fixed investment are offsetting the drag from the contraction in exports, it added.

Source: fibre2fashion.com– Aug 18, 2023

HOME

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G20 Trade and Investment Ministerial Meeting to begin in Jaipur from August 24, 2023

The G20 Trade and Investment Ministerial Meeting TIMM will be held in Jaipur on 24th and 25th August, 2023. The meeting will be preceded by the 4th and last Trade and Investment Working Group TIWG meeting under India's G20 Presidency which will take place on August 21 and 22, 2023 in Jaipur. The first three TIWG meetings were held in Mumbai, Bangalore and Kevadia respectively. Both the meetings will be attended by more than 300 delegates, including trade ministers/secretaries and heads of delegations from G20 member countries, invitee countries, regional groupings and international organisations. The deliberations will focus on building consensus on global trade and investment-related issues, along with accomplishing action-oriented proposals put forward by the Indian Presidency.

During the 1st and 2nd TIWG meetings, five Priority Issues PIs, namely Trade for Growth and Prosperity, Resilient Trade and Global Value Chains GVCs, Integrating Micro, Small & Medium Enterprises MSMEs in World Trade, Logistics for Trade and World Trade Organisation WTO Reforms were extensively discussed among the G20 member/invitee countries.

In addition, Knowledge Partners made presentations during these meetings, outlining each of the subjects and outcomes emerging from them. Based on the opinions/suggestions expressed by the G20 member/invite countries in these discussions, Indian Presidency has formulated action-oriented concrete proposals on each of the priority issues reflected in the Ministerial Statement and its annexures.

Amidst the global headwinds that international trade growth is facing, it is opportune for the G20 to reaffirm that the rules-based multilateral trading system, with the WTO at its core, is indispensable for advancing our shared objectives of inclusive growth, innovation, job creation and sustainable development.

Technology has profoundly impacted the way cross-border trade is undertaken. Paperless trading system will further reduce transaction costs, make smaller shipments more cost effective, and will enable internationalization of operations at a lower cost, ensuring trade competitiveness in a rapidly digitalizing world and in G20 this issue has been taken up prominently.

It is also critical for the G20 to remove bottlenecks that impede integration of Micro, Small and Medium Enterprises (MSMEs) in international trade. Since MSMEs are vital for job creation and boosting GDP, it is apt for G20 to address three critical dimensions of inadequate access to business and trade-related information, finance and markets that hinder participation of MSMEs in global trade. Further, as 70% of the world trade manifest through Global Value Chains (GVCs), it is imperative for the G20 TIWG to deliberate on developing mapping framework that could make GVCs resilient towards future shocks. The G20 TIWG has also embraced the priority on WTO Reform to build consensus among countries for standing together to support the ongoing reform process and work constructively to achieve meaningful outcomes at the upcoming Thirteenth Ministerial Conference (MC13).

The interventions and suggestions made by the member countries on each of the Priority Issues immensely assisted the Presidency in preparing draft text for the Ministerial Statement and its annexes. The deliberations during the TIWG meetings have led to a good level of refinement in the drafts, and clearly reflect the commitment of G20 TIWG to make global trade inclusive. It is expected that TIMM will pave way for trusted collaboration amongst G20 members to accelerate global trade and investment. It aims to co-develop tools that could leverage existing opportunities to make growth inclusive and transparent for all, resonating with Indian Presidency's G20 theme of Vasudhaiva Kutumbakam.

Knowing the importance of the interlinkage of the five proposed Priority Issues, Indian Presidency had also organized Side Event Seminars on Trade Finance, Trade and Technology, and Trade Infrastructure in Mumbai, Bengaluru and Ekta Nagar respectively. The aim of these seminars was to bring together the stakeholders across all layers of governance and brainstorm on collective actions that are needed to build a robust global trade ecosystem.

During TIMM, an experience zone to showcase the wide variety of Indian tea, coffee, spices and millets will be set up for the delegates, and an exhibition on Jaipur Experience will be on display to showcase the rich cultural heritage of the Pink City.

Source: pib.gov.in– Aug 18, 2023

HOME

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India plans to hold FTA talks with UK, EU, Canada on sidelines of G20 meet: trade secy

India plans to hold bilateral talks on free trade agreements with the United Kingdom, the European Union and Canada on the sidelines of a G20 meeting next week, a top trade official said on Friday.

The trade ministers are likely to discuss trade and World Trade Organisation reforms during their meeting next week, trade secretary Sunil Barthwal told reporters.

Source: economictimes.indiatimes.com– Aug 18, 2023

HOME

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India–Bangladesh Trade Settlement in Indian Rupee

The initiative aimed at facilitating bilateral trade between India and Bangladesh through the use of Indian rupees initially, and subsequently Bangladeshi Taka, is set to benefit both countries. The integration of the INR into trade transactions enables Bangladesh to minimise currency-related expenses and capitalise on the stability and potential advantages offered by the rupee's exchange rate dynamics.

India–Bangladesh relations have strengthened since January 2009, following the assumption of power by the Sheikh Hasina government. Presently, both nations share an unprecedented level of mutual trust. This dynamic has yielded not only improved political relationship but also economic progress. Trade and commerce have flourished, fostering prosperity for both populations. Bangladesh, which exported goods valued at a mere US$ 498.42 million in 2011–12, has now increased its exports to US$ 1990 million in 2021–22.1 Similarly, Indian exports to Bangladesh have also increased from US$ 4743.30 million in 2011–12 to US$ 13690.00 million in 2021–22.

Interestingly, the disruptive impact of the COVID-19 pandemic on global trade and commerce has engendered a closer bond between these neighbouring countries. Both parties deftly seized the crisis as an opportunity, opting to transport goods via railway. This innovative approach not only curtailed transportation costs but also streamlined business processes. Moreover, it ensured the timely availability of essential commodities to the Bangladeshi populace and sustained local industries.

Nonetheless, the subsequent deceleration of the global economy has uniquely affected the Bangladeshi economy. Presently, the nation confronts a crisis stemming from dwindling foreign exchange reserves. With India and Bangladesh agreeing to settle the payments for their international trade partly in Indian rupee, it can reduce pressure on Bangladeshi dollar reserves.

Shift in Global Currency Dynamics

The dominance of the dollar has gradually declined over the last few decades as the role of the US in global trade has diminished. At the turn of the century, the dollar accounted for more than 70 per cent of global reserves. According to IMF data, this share declined to 65.46 per cent in 2016 and further to 59.02 per cent in 2023.2

The move accelerated after the United States aggressively raised policy rates to control a record surge in inflation caused by the prolonged pandemic and the Russia–Ukraine conflict. This monetary tightening in the US prompted investors to withdraw their funds from Asian economies, triggering currency depreciation in most of these economies.

Sharp currency depreciation typically leads to higher inflationary pressures due to increased import prices for food and energy. It also worsens the current account balance and can result in countries facing difficulties in paying for essential imports or servicing external debts. Bangladesh is currently grappling with such a situation, with its currency having depreciated by 25 per cent since last year.

The dollar accounted for nearly 90 per cent of global foreign exchange transactions in 2022, making it the most traded currency. All members of the Asian Clearing Union, including South Asian countries, Iran and Myanmar, have reached a consensus on 6 July 2023 to settle trade in local currencies, such as the rupee, to reduce dependence on the US dollar and the euro.3

China is actively participating in this movement due to its dominant position in global trade and its status as the world's second-largest economy. In 2022, China was the largest trading partner for 61 countries in terms of combined imports and exports. In contrast, the US held this position for 30 countries. In the wake of sanctions on Russia, China has pushed to conduct more trade using the yuan with the objective to reduce its reliance on the dollar.4 During a state visit to Beijing in April 2023, Brazilian President Luiz Inácio Lula da Silva reportedly called for reduced reliance on the US dollar in global trade.

Malaysia's Prime Minister Anwar Ibrahim also suggested the establishment of an "Asian Monetary Fund" to reduce dependence on the US dollar during a recent visit to China. At the ASEAN finance ministers and central banks meeting in Indonesia in March 2023, policymakers discussed the concept of reducing their reliance on the US dollar, Japanese yen, and euro, and instead transitioning to settlements in local currencies.

As countries seek alternatives to the US dollar and negotiate bilateral trade settlements, this shift is reflected in the declining share of the dollar in global foreign exchange reserves. According to the International Monetary Fund, the global foreign exchange reserves stood at US$ 11.96 trillion at the end of 2022, with the US dollar's share at 58.36 per cent, marking a 26-year low.

India's foreign currency assets (FCA) totalled US$ 514 billion on 7 April 2023, with approximately 40 per cent estimated to be non-dollar assets. This suggests that around US$ 310 billion of India's foreign currency assets are denominated in US dollars.5

Indian Initiative to Elevate Rupee as a Global Currency

In July 2022, India embarked on a significant initiative by allowing foreign trade settlements in INR. This move was facilitated by the Reserve Bank of India (RBI), reflecting a strategic shift towards international trade conducted in the Indian rupee. In March 2023, India announced that the RBI had granted permission to banks from 18 countries to establish special rupee nostro accounts, enabling them to execute transactions in Indian rupees. The prominent countries included in this list are Sri Lanka, Israel, Russia, Germany, Singapore, the UK, and recently, Bangladesh.

The decision to broaden the list of eligible countries aligns with India's vision to elevate the status of the rupee as a global currency. The RBI has established a mechanism to facilitate international trade settlements in INR. The initiation of trade settlements with Bangladesh in the rupee signifies a positive stride in this direction.

Expanding the utilisation of the rupee in trade transactions is poised to contribute to India's aspiration of positioning its currency as a potential reserve currency, alongside established reserve currencies such as the US dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling.

India–Bangladesh Bilateral Trade

India is the second-largest import source for Bangladesh, trailing only behind China. Dhaka's exports to India reached a total of US$ 1990 million in 2021–22, whereas imports from India amounted to a US$ 13.69 billion in the same period.

In FY23 (until February), Indian exports to Bangladesh tallied at US$ 10.63 billion, equivalent to 2.6 per cent of India's total exports. Conversely, Bangladesh's imports from India during the same period totalled US$ 1.86 billion, constituting 0.28 per cent of India's overall imports.6 Furthermore, if we take into account trade transactions conducted through unofficial channels, the volume of bilateral trade between the two nations expands even further. In this scenario, shifting towards trade settlements in Indian rupees is anticipated to alleviate the strain on Bangladesh's foreign exchange reserves.

Bangladesh Takes Steps to Reduce Over-Reliance on Dollar

In its effort to lessen its reliance on the US dollar for foreign trade settlements, Bangladesh has commenced the use of the rupee to conduct bilateral transactions with India starting from 11 July 2023. Both the Bangladesh Bank and the RBI have granted permission to two Indian banks to facilitate bilateral trade settlements in Indian rupees (INR). The Bangladesh Bank has authorised three banks—Sonali Bank, Eastern Bank, and State Bank of India (country office) in Bangladesh—to establish nostro accounts7 with their counterparts in India. On the Indian side, SBI and ICICI Bank are participating in this initiative.

Under the new arrangement, Bangladeshi exporters will receive their earnings in rupees, which will be deposited in their nostro accounts with ICICI Bank and SBI. These funds will then facilitate Bangladesh's import transactions with India. Initially, trade settlements will occur in INR, with a later transition to BDT (Bangladeshi Taka) once the two Indian banks establish nostro accounts with Bangladesh's EBL and Sonali Bank. Sonali Bank and Eastern Bank Limited will establish Rupee Nostro accounts with India's ICICI Bank and SBI. Once this system starts functioning smoothly, other banks from both countries will be allowed to participate in this process.

Bangladesh Adopts Rupee Trade: Benefits

The commencement of cross-border trade settlements between Bangladesh and India using the INR marks a significant milestone in the expanding bilateral commerce, with particular implications for Bangladesh. Prior to the inclusion of the rupee as a currency for cross-border transactions, Bangladesh predominantly settled trades in the US dollar, followed by the pound sterling and the euro.

However, the Russia–Ukraine conflict in February 2022 brought about disruptions in international payments for goods and services due to scarcity of the US dollar in various nations and the imposition of a ban on the employment of the global payments network, SWIFT, for transactions involving Russia.8

Bangladesh's foreign exchange reserves have also dwindled due to heightened import expenditures in contrast to relatively moderate remittances and export earnings. Bangladesh is now struggling to pay for imported fuel because of the dollar shortage.9

As of 6 July 2023, Bangladesh's foreign exchange reserves have decreased from US$ 41.8 billion in 2022 to US$ 29.97 billion, a decline of about 28 per cent. Confronted with this foreign exchange crisis, the Bangladesh Bank (BB) has responded by adopting the practice of settling bilateral trade utilising the currency of its neighbouring country. BB Governor Abdur Rouf Talukder had previously expressed the country's intention to engage in trade with India using the rupee, up to an extent that corresponds to the nation's export earnings. This new arrangement enables Bangladesh to conduct foreign trade with India amounting to US$ 2 billion, which is equivalent to its current annual export proceeds from India.

The inclusion of the INR among the currencies for cross-border trade marks a significant transition for Bangladesh. According to the central bank of Bangladesh, the country's total imports stood at US$ 75.60 billion in 2021–22. Hence, the strategic shift towards trade settlement in rupee will not immediately reduce the dependence of Bangladesh on dollar. Initially, the scope of import payments would be limited to approximately US$ 2 billion, equivalent to Bangladesh's export earnings from India. As a result, an immediate surge in Bangladesh's foreign currency reserves is not expected. Over the past year, these reserves have declined by about 28 per cent due to elevated import expenditures juxtaposed with lower-than-projected export and remittance earnings.

Trade analysts in Bangladesh view this development as a positive stride, one that will foster stronger trade bonds between neighbouring countries, decrease reliance on the US dollar, and reduce business expenditures.10 Lower trade costs will contribute to improved competitiveness, potentially attracting a larger customer base and, consequently, boosting Bangladesh's exports to India. The ongoing challenges related to the country's forex reserves have somewhat constrained Bangladesh's ability to open letters of credit. Settling letters of credit in the rupee could alleviate this predicament to some extent.11 The full benefits of rupee-denominated trade could materialise if Bangladesh manages to augment its exports to India. Historically, India has extended lines of credit to Bangladesh, which could potentially ease pressure on forex reserves in the future.

Opting for a market-based exchange rate could prove advantageous for Bangladesh. Over the past year, the taka has experienced a steep depreciation against the US dollar, while the rupee has not witnessed such a drastic decline. The taka has depreciated by around 10 per cent against the INR within the past year, whereas it has weakened by about 25 per cent against the US dollar. Therefore, the practice of settling trades in rupees stands to benefit Bangladesh.,

The rupee and the taka have not exhibited parallel fluctuations against the US dollar, implying that a more substantial depreciation of the Bangladeshi currency could work to its advantage. However, it's important to acknowledge that the rupee itself might fluctuate in future.

Engaging in INR trading offers cost-efficiency as it eliminates the need for currency hedging. Conversely, trading in US dollars involves expenses associated with hedging against currency fluctuations.

In essence, the integration of the INR into trade transactions offers a strategic avenue for Bangladesh to optimise its trade operations, minimise currency-related expenses, and capitalise on the stability and potential advantages offered by the rupee's exchange rate dynamics.

A Dual Currency Card in the Offing

The shift to settlement of bilateral trade in Indian Rupee has made both India and Bangladesh to also think of a dual currency card. The issue of dual currency cards was discussed during a meeting of Bangladesh's National Economic Council, presided over by Prime Minister Sheikh Hasina.

In this meeting, Bangladesh Bank Governor Abdur Rouf Talukder reportedly mentioned that this initiative could alleviate strain on foreign currency reserves, considering the substantial amount spent on various expenses in India.

Each year, Bangladeshi nationals spend approximately US$ 2 billion on medical care, tourism, and education in India. Moreover, India ranks among the top three import destinations for Bangladesh. BB Governor Talukder stated that a dual currency Taka–Rupee card could be introduced in September 2023. This card will enable travellers to conduct transactions in both Bangladesh and India, providing a convenient solution.12 Apart from local transactions, users of this Pay Card will also enjoy the convenience of being able to spend up to US$ 12,000 worth of rupees when traveling to India.13

In contrast to the current practice, which necessitates acquiring US dollars before entering India and subsequently converting them to rupees upon arrival, this card's utilisation would effectively help travellers mitigate potential exchange rate losses.14

Conclusion

The new initiative aimed at facilitating bilateral trade between India and Bangladesh through the use of Indian rupees initially, and subsequently Bangladeshi Taka, is set to benefit both countries. This arrangement will not only be advantageous for businessmen on both sides, but also for the general populace. Particularly, it will prove to be of great assistance to Bangladeshis who frequently travel to India for purposes such as trade, tourism, education, and medical treatment. Additionally, it will be beneficial for certain Indians employed as experts in Bangladeshi companies.

However, it is important to note that this initiative will not replace the US dollar, rather, it will complement it. Trading in Indian rupees offers several advantages, including a decrease in the overall demand for the US dollar, reduced costs resulting from currency conversions, and a shorter processing time required for trade transactions. The success of this endeavour will also hinge on the participation of the private sector. Exporters must be willing to receive their earnings in local currencies instead of the US dollar.

Source: idsa.in– Aug 18, 2023

HOME

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E-commerce policy almost final, with clarity now on data localisation rules

The passage of the Digital Personal Data Protection (DPDP) Act in Parliament this month has expedited the finalisation of the national e-commerce policy, which seeks to establish a well-defined regulatory framework for online retail. The newly passed DPDP Act has brought clarity to cross-border data flows, which were earlier an area of contention, official sources have said.

"There will be no more drafts of the proposed e-commerce policy put up for public comment as all stakeholder consultations are over. There will be a final presentation on the e-commerce policy and the consumer protection rules made to the Commerce and Industry Minister and PMO officials.

Clarity in roles

Both the Department for Promotion of Industry and Internal Trade (DPIIT) and the Department of Consumer Affairs will have their own roles in the new e-commerce dispensation, as the former will come out with the policy and the latter will come up with the set of rules for consumer protection, the official said.

'Level playing field'

"The new e-commerce policy, with its well-stated rules, is likely to ensure a level playing field between local players and foreign companies with deep pockets. No e-commerce player with foreign investments will be allowed to hold stakes in sellers on their platform or sell their own private labels. Provisions against flash sales are also likely," the official said.

A draft of the e-commerce policy shared by the government in early 2019 had proposed to place several restrictions on the cross-border flow of critical data of Indian users collected by e-commerce platforms and social media sites. This had led to protests from several e-commerce majors as well as the US government, which had said that the provisions on data localisation were trade-distorting and discriminatory.

Later, it was decided by the Commerce and Industry Ministry that the provisions on data localisation would be handled by the Ministry of Electronics and Information Technology (MeitY), which was, at that time, working on the data protection bill. Traders, represented by the Confederation of All India Traders' (CAIT), had insisted that the provision of data localisation be clearly spelled out in the e-commerce policy.

Data localisation

"On data localisation, the e-commerce companies will have to follow the law of the land, and we now have an Act in place," the official said.

Since the rules on cross-border data flows are "relatively liberal," with the DPDP Act allowing data flows to all countries except those on the negative list, it will help to make the new e-commerce policy more acceptable to foreign players as well.

The new e-commerce policy is likely to have a strong grievance redressal mechanism so that consumers complaints are handled more efficiently and quickly. Provisions are also expected on the government's Open Network Digital Commerce (ONDC) initiative, which seeks to democratise e-commerce by allowing all buyers and sellers access to the digital platform.

Indian e-commerce is expected to reach $163 billion by 2026, up from $63 billion in 2022, increasing at a compound annual growth rate of 27 per cent, per some industry estimates.

Source: thehindubusinessline.com– Aug 18, 2023

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Uniqlo to open second store in Mumbai on October 20

Uniqlo, the Japanese global apparel retailer, has announced the opening of a second store in Mumbai, at Oberoi Mall in Goregaon East. The new store, scheduled to open on October 20, will represent the latest in the company's strategic expansion in India. This comes after a 2-week period following the previous announcement of Uniqlo's first Mumbai store, which is set to open at Phoenix Marketcity, Kurla, on October 6.

"We are committed to being an integral part of the Mumbai community," said Tomohiko Sei, chief executive officer, Uniqlo India. "Over the past few years, we have built a robust retail landscape in the north and we are now ready for our expansion in the west, making our LifeWear collection accessible to more customers in India.

We are delighted to see the reaction received from our Mumbai announcement and recognise the anticipation of the city's discerning customers. We are excited to add another store in Mumbai to offer our innovative and functional clothes that enrich the daily lives of people, as a reflection of our LifeWear philosophy."

Both new Mumbai stores will offer Uniqlo's range of LifeWear collections for men, women, kids and babies, with its thoughtfully designed, high-quality, and functional products that are made for all. LifeWear is Uniqlo's commitment towards creating perfect clothing that meets the needs of everyone's daily lifestyles, the company said in a press release.

Source: fibre2fashion.com– Aug 18, 2023

HOME

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