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IBTEX No. 158 of 2023 **September 05, 2023**

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INTERNATIONAL NEWS

China's slowdown means it may never overtake US economy, forecast shows

China is no longer set to eclipse the US as the world's biggest economy soon, and it may never consistently pull ahead to claim the top spot as the nation's confidence slump becomes more entrenched.

That's according to Bloomberg Economics, which now forecasts it will take until the mid-2040s for China's gross domestic product to exceed that of the US — and even then, it will happen by "only a small margin" before "falling back behind." Before the pandemic, they expected China to take and hold pole position as early as the start of next decade.

"China is down-shifting onto a slower growth path sooner than we expected," the Bloomberg Economists wrote in a Tuesday research note. "The post-Covid rebound has run out of steam, reflecting a deepening property slump and fading confidence in Beijing's management of the economy. Weak confidence risks becoming entrenched — resulting in an enduring drag on growth potential."

The economists now see growth in China's economy — the world's second largest — slowing to 3.5 per cent in 2030 and to near 1 per cent by 2050. That's lower than prior projections of 4.3 per cent and 1.6 per cent, respectively.

China's economy expanded 3 per cent last year, one of its slowest rates of growth in decades as pandemic controls and a property crisis battered the country. Its eventual reopening provided hope the economy would bounce back this year.

But the recovery has lost steam as exports tumble and the real-estate slump deepens. Economists surveyed by Bloomberg have also been downgrading their growth forecasts for 2024 further below 5 per cent.

The revised outlook comes as the world reconsiders how to work with a China that may be approaching a peak in power, even if it's not in decline.

The US and Group of Seven nations are increasingly looking at evidence of deep-seated structural problems in China, seeing opportunities that ultimately will strengthen the West's hand against a weakening geopolitical competitor while also considering ripple effects from the slowdown. This year's snags already are roiling commodities and stocks.

The country is also contending with deeper, longer-term challenges. China clocked its first population drop last year since the 1960s, raising concerns about weakening productivity. Regulatory crackdowns have also hit confidence, as have geopolitical tensions with the US and other Western governments.

By contrast, the US appears to be in better shape than what many economists predicted just a few months ago. A strong labor market, sturdy consumer spending and moderating inflation have fueled confidence in the economy's ability to avoid a recession for now.

Bloomberg Economics estimates potential US growth at 1.7 per cent in 2022-2023, with long-term forecasts showing a gradual drifting down to 1.5 per cent by 2050.

Bloomberg's economists said optimism for China's growth in the medium-term remains grounded in the "enormous size of the economy, significant space to catch up to global technology leaders and the development focus of the government." But they noted those drivers are "operating with diminished force."

Source: business-standard.com– Sep 05, 2023

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EU apparel import from world declines 9.22% in Jan-Jun 2023

In the first six months of 2023, the European Union's (EU) apparel import from the world declined by 9.22% to US$ 43.60 billion from US$ 48.03 billion in the same period of 2022. The decline was seen in both value and quantity terms.

The top three apparel sourcing countries for the EU in January-June 2023 were Bangladesh, China, and Turkey. EU's import from Bangladesh declined by 13.65% in value terms to US$ 9.78 billion, while its import from China declined by 13.52% to US$ 10.54 billion. EU's import from Turkey declined by 11.12% in value terms to US$ 3.96 billion.

The unit price of EU's apparel import from the world increased by 8.52% in January-June 2023. This was due to a number of factors, including inflation and the increasing value of the euro.

• The decline in EU apparel import was driven by a number of factors, including the ongoing COVID-19 pandemic, the war in Ukraine, and rising inflation.

• The decline was most pronounced in the value of apparel imports from Bangladesh, China, and Turkey.

• The unit price of EU apparel import increased due to inflation and the increasing value of the euro.

• The decline in EU apparel import is likely to continue in the coming months.

Source: fibre2fashion.com– Sep 02, 2023

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Russia's role in EU trade drops sharply in 2022-2023

European Union's (EU) trade with Russia has been strongly affected by import and export restrictions imposed by the EU following Russia's invasion of Ukraine. Seasonally adjusted values show that Russia's share in extra-EU imports fell from 9.6 per cent in February 2022 to 1.7 per cent in June 2023, while the share of extra-EU exports fell from 3.8 per cent to 1.4 per cent in the same period.

In March 2022, the month following the invasion, the EU experienced a peak trade deficit with Russia caused by high prices of energy products. The deficit amounted to €18.5 billion. This deficit was brought down to €0.4 billion by June 2023, remaining under one billion four months in a row in 2023—€0.1 in March, €0.8 in April, and €0.4 in May. The change was heavily influenced by the €18.6 billion drop in the monthly value of imports from Russia between March 2022 at €21.9 billion and June 2023 at €3.3 billion. At the same time, the value of exports decreased from €3.4 billion in March 2022 to €2.9 billion in June 2023, Eurostat said in a press release.

Looking at the quarterly data, in the second quarter of 2023, the EU-Russia trade balance for goods registered a deficit of €1.6 billion, indicating a great improvement from the €45.0 billion deficit observed in the second quarter of 2022. This substantial deficit decrease can be largely attributed to the decline in energy imports from Russia. The trade deficit in energy has been reduced from €40.4 billion in the second quarter of 2022 to €5.7 billion in the second quarter of 2023.

Over the past two years, the EU's reliance on energy imports from Russia has seen a noticeable decline. Specifically, shares of fossil fuels such as coal, natural gas, and petroleum oil imported from Russia have substantially decreased. Comparing the second quarter of 2021 with the second quarter of 2023, petroleum dropped 27 percentage points (pp)—from 29.2 per cent in 2021 to 2.3 per cent in 2023, natural gas 26 pp—from 38.5 per cent to 12.9 per cent, and coal 45 pp—from 45.0 per cent to 0 per cent.

Source: fibre2fashion.com– Sep 05, 2023

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Germany's July 2023 imports surge as exports slip slightly

In July 2023, Germany saw a mixed bag in trade, with exports slipping 0.9 per cent and imports rising 1.4 per cent, on a seasonally and calendar adjusted basis compared to June 2023. Year-on-year (YoY), exports dipped 1.0 per cent, while imports plummeted 10.2 per cent compared to July 2022.

The foreign trade balance showed a surplus of €15.9 billion in July 2023, down from €18.7 billion in June but markedly up from €4.2 billion in July last year, according to provisional data from the Federal Statistical Office (Destatis).

Trade within the European Union (EU) was relatively stable. Germany exported goods worth €71.9 billion to EU member states, a slight 0.5 per cent increase from June, and imported €61.7 billion, up 2.9 per cent. Exports to countries outside the EU declined by 2.5 per cent, totalling €58.5 billion, and imports from these countries also fell marginally by 0.2 per cent to €52.8 billion.

The US led the destination list for German exports, witnessing a 5.2 per cent increase to €13.5 billion. Exports to China and the UK rose 1.2 per cent to €8.3 billion and fell 3.5 per cent to €6.3 billion, respectively.

On the import front, China was the primary source with €13.2 billion, albeit down 5.8 per cent from June. Imports from the US increased by 6.1 per cent to €7.9 billion, while those from the UK decreased 3.2 per cent to €3.0 billion.

Trade with Russia also saw notable changes. Exports in July 2023 increased 2.2 per cent to €0.7 billion compared to June but fell sharply by 31.3 per cent compared to July 2022, likely due to the ongoing crisis in Ukraine. Imports from Russia plummeted by 15.7 per cent to €0.2 billion compared to June and were down 91.8 per cent YoY.

Source: fibre2fashion.com– Sep 05, 2023

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US manufacturing sector continues to struggle as PMI drops to 47

The US manufacturing sector saw a further decline in August 2023, with the purchasing managers' index (PMI) falling to 47.9 from 49 in July 2023, according to S&P Global. This marks continued contraction in the industry, which has been shrinking since November 2022, except for a brief stabilisation in April. Most components of the PMI, except for employment, contributed negatively.

The overall deterioration in business conditions was driven by a further decline in new orders. Lower new orders were blamed on a weakening economy and customers being cautious in placing new contracts.

The rate of decline accelerated since July to register the second-steepest reduction seen over the past six months. Demand for US-produced goods has fallen 13 times in the past 15 months. Moreover, new export orders contracted for the fifteenth month running.

The latest reduction in new orders led firms to further reduce their levels of work-in-hand with backlogs declining for the eleventh month running, the second-longest sequence in the survey history.

The latest depletion was strong, but not enough to sustain overall growth of output alongside falling new orders. Production fell for the second time in three months, albeit modestly. Since mid-2022 the Output Index has averaged 49.1, with eight monthly contractions outweighing six expansions.

Also weighing on output in the latest period was a fifth successive reduction in finished goods inventories as companies sought to further manage stock levels lower, as per S&P Global.

Output expectations eased notably since July with the future output index posting one of the biggest falls since the pandemic, leaving confidence at the lowest level in 2023 so far.

Nevertheless, manufacturers continued to raise employment to support expected growth of workloads. Jobs have risen every month since August 2020, although the latest increase was the slowest since January.

Purchasing activity continued to fall sharply in August, contributing to another improvement in suppliers' delivery times. Lead times have fallen for eight months in a row, the longest sequence in the survey history.

Weaker demand for inputs helped to contain cost pressures in August. Average input prices rose for the second month running, and at a slightly faster rate, but one that remained well below the long-run survey average.

Anecdotal evidence highlighted oil, chemicals, plastics, and fuel as being up in price. Higher costs continued to be passed on to customers, as output prices rose at the fastest pace in four months albeit a pace that remained modest overall.

Source: fibre2fashion.com– Sep 05, 2023

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UK manufacturing downturn deepens as output & new orders fall rapidly

August witnessed a steep decline in the UK's manufacturing sector, as rates of contraction in both output and new orders reached alarming levels, comparable only to those seen during global events like the financial crisis or the COVID-19 pandemic. Manufacturers cited a weakening economic landscape marked by rising interest rates, a cost-of-living crisis, export losses, and market uncertainty as contributing factors.

The S&P Global / CIPS UK Manufacturing Purchasing Managers' Index (PMI) recorded a score of 43.0 in August, dropping from 45.3 in July. This score signifies the lowest level since May 2020 and is indicative of rapidly deteriorating conditions in the manufacturing sector.

Manufacturing output experienced a further downturn in August, marking the sixth consecutive month of decline. The rate of contraction reached its steepest level in a year, driven by a slowdown in market conditions, declining new order intakes, and an attempt to reduce inventories of finished goods.

New order intakes saw an accelerated decline in August due to worsening market conditions domestically and internationally. Weaker global economic conditions affected order intakes from key markets such as the US, Europe, China, and South America.

The rate of decline for both total new orders and new export business was among the most severe recorded, second only to rates seen during major crises.

Sector-wise data indicated contractions across consumer, intermediate, and investment goods industries. The intermediate goods sector was the worst hit, showing the fastest rates of decline across several variables, including output, new orders, and employment, the report said.

Employment in the manufacturing sector decreased for the eleventh consecutive month. Companies attributed these cuts to reduced new work inflows, falling output volumes, and efforts to control costs. Excess capacity was also noted as a reason for declining employment figures.

Additionally, there was a negative impact on raw material purchasing, stock holdings, and suppliers' delivery times. Input buying fell for the fourteenth month in a row, and at the most rapid rate in nearly three-and-a-half years. Stocks of both inputs and finished goods depleted as companies aimed to cut costs and improve efficiency.

Despite these challenges, manufacturers retained a positive outlook. Optimism reached a four-month high, with 56 per cent of firms expecting growth in the upcoming year, largely based on expectations of market recovery, new product launches, and diversification plans.

Source: fibre2fashion.com– Sep 03, 2023

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Vietnam's exports rebound

Vietnam's exports declined by 10% year-on-year in the first seven months of 2023, but are expected to rebound in the fourth quarter as US inventories normalize and multinational companies relocate manufacturing to Vietnam.

The decline in exports was due to several factors, including high inventory levels in key export destinations, the conflict in Ukraine, and the ongoing COVID-19 pandemic. However, there are signs that these factors are starting to ease, which could lead to a rebound in exports in the coming months.

The US is in the process of normalizing its inventories, which will reduce the need for imports from Vietnam. Additionally, multinational companies are increasingly relocating manufacturing to Vietnam due to its strategic location and favorable business environment.

These factors are expected to lead to a rebound in Vietnam's exports in the fourth quarter of 2023. However, there are still some risks that could hinder this recovery, such as a global economic downturn or rising protectionism.

Overall, the outlook for Vietnam's exports is positive. The country is well-positioned to benefit from the relocation of manufacturing from China and the normalization of US inventories. However, there are some risks that could dampen the recovery, so it is important to monitor the situation closely.

Source: fashionatingworld.com– Sep 04, 2023

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Pakistan: Strategic export revival programme to be unveiled this month

A strategic framework is being finalised to provide regional competitive energy pricing, working capital support, speedy refund payments, enhanced market access, and diversification of products. "The policy announcement is scheduled for this month to unlock the full production capacity potential within the country", Caretaker Commerce Minister Gohar Ejaz told Dawn on Saturday.

The shutdown of industries extends throughout the entire value chain, encompassing stages such as ginning, weaving, spinning, processing and garment manufacturing. Additionally, there are instances where industries are operating with reduced production levels, he said.

Mr Ejaz further said that approximately 20pc of the overall installed capacity in the textile and clothing sector was impacted over the past 16 months.

In August, there was a month-on-month increase of 14.27pc in overall exports compared to July, signalling a revival in the country's export sector, as asserted by Mr Ejaz, who attributed this growth to the positive impact of caretaker government policies.

He said the Federal Board of Revenue will directly transfer Rs31 billion to exporters' accounts on Monday. This will be followed by another refund payment to exporters very soon, the minister said, adding this will partially alleviate the working capital challenges of the exporters.

He said that textile and clothing exports jumped to $19.5bn in FY22, which marked the final year of the PTI government. He attributed this achievement to the PTI government's implementation of regionally competitive energy tariffs (RCET).

Based on this impressive performance, it was projected that textile and clothing exports will touch $23bn in FY23. However, the exports fell to $16bn at the end of the PDM government's term.

The minister said that the PDM government's decision to discontinue the RCET had adverse consequences, including a decline in exports and the closure of industrial units. "We will revive the RCET across the country as part of efforts to support the industrial sector", Mr Ejaz said.

The effective production capacity of the textile and clothing sector in Pakistan has currently surpassed $25bn, primarily due to investments exceeding $5bn in the past few years. He stated that the policy initiatives would facilitate the realisation of the industries' complete potential.

At present, there are 6,300 textile and clothing manufacturers registered companies with the Securities and Exchange Commission of Pakistan. Additionally, more than 1,800 are registered under the category of associations of persons. Within this overall figure, the number of textile and clothing exporters registered with the Ministry of Commerce is recorded at 2,000.

The commerce ministry under the plan estimates that the country's overall exports will reach $80bn in the next five years. The focus of the policy is also on non-traditional sectors — like pharmaceuticals, minerals, gems, and marble.

He said the focus of the new policy will also be on diversification of markets especially Central Asian States and Africa.

Better cotton output

Mr Ejaz reported that the estimated cotton production for this year stands at 12 million bales, with the possibility of an increase if no unforeseen events occur. He added that the Punjab government implemented measures that have aided in boosting production.

According to the PBS data, the exports in August reached $2.363bn against $2.483bn over the corresponding month of last year, showing a decline of 4.83pc. In the first two months, the exports fell by 6.38pc to $4.431bn this year against $6.054bn over the corresponding months of last year.

The export proceeds are declining because of internal and external factors. The commerce ministry believes that the proposed plan will help to revive the closed industries.

In FY23, the merchandise exports dipped by 12.71pc to $27.54bn from $31.78bn in FY22, missing the $32bn target by a wide margin of $4.46bn. The government has projected an export target of $30bn for the current fiscal year.

At the same time, imports also plunged by 25.85pc to $4.489bn in August from $6.054bn in the corresponding month last year. On a month-on-month basis, the imports increased by 21.16pc.

In July-August, the imports declined 25.75pc to $8.194bn this year from $11.035bn over the corresponding months of last year.

The imports fell 31pc to $55.29bn in FY23 from $80.13bn in FY22. The government has projected an import target of $58.69bn for FY24 against $55.29bn in FY23, an increase of $3.4bn or 8.14pc.

The trade deficit decelerated 40.29pc to $3.763bn in July-August from $6.302bn over the corresponding months of last year. The trade deficit decelerated by 43pc to $27.54bn in the previous fiscal year from $48.35bn in the preceding fiscal year.

Source: dawn.com– Sep 03, 2023

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Pakistan: Cotton Arrival Crosses 3 Million Bales in August, Up 97% Amid Production Boom

Pakistan's cotton arrivals surged by 97.5 percent year-on-year as of August 31, 2023, clocking in at 3.04 million bales compared to 1.54 million bales in the same period last year, according to data released by the Pakistan Cotton Ginners Association (PCGA).

The country has been experiencing a promising production boom and is expected to reach the ambitious target of 12 million bales in 2023-24.

Punjab Cotton Arrivals stood at 1.06 million bales, posting an increase of 52 percent YoY while Sindh, which has contributed 65 percent to the total arrivals, reported an increase of 136 percent YoY and stands at 1.97 million bales.

Arrivals in Balochistan stood at 70,600 bales while seed cotton converted to bales was recorded at 2.8 million bales. Traders and Exporter bought 168,726 bales Textile mills purchased 2.61 million bales and 257,107 bales unsold bales are present in stocks and 528 factories in total are operational.

Major production areas in Punjab have been Multan (197,100 bales), Lodhran (135,614 bales), Khanewal (129,011 bales), Muzaffargarh (117,849 bales) and Dera Ghazi Khan (96,248 bales).

Sindh Cotton Arrivals were led by Hyderabad (1.18 million bales), Mirpurkhas (131,756 bales), Sanghar (129,500 bales), Nawabshah (128,859 bales) and Naushero (93,560 bales).

The primary contributor to this rise is favorable weather, triple gene varieties introduced in recent years, ample water availability in the rivers, and a rise in the cultivated area due to better prices and rising demand as Textile production peaked during the post-pandemic era.

While industry analysts expect the arrivals to rise in the coming months, the flood situation in Sutlej and its surroundings and the month of September historically characterized by pest attacks will be the key indicators to watch for that can affect arrivals.

The decline of Pakistan's textile exports continued in the new fiscal year as well, falling by 8.57 percent to $2.057 billion during July 2023 from $2.250 billion during July 2022. The industry is under a multipronged crisis of uncompetitive energy tariffs and record high markup rates so a record of Cotton production might bring a little ease as international prices have also been rising.

Source: propakistani.pk– Sep 04, 2023

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Bangladesh garment sector under fire

Amsterdam witnessed a powerful protest by Clean Clothes Campaign activists, who took a stand against the Bangladesh garment industry following the recent tragic murder of trade unionist Shahidul Islam.

The demonstrators gathered at a promotional exposition of the industry, sending a resounding message to the government of Bangladesh, employers' associations, and brands that source from Bangladesh.

They demanded immediate justice for Islam's grieving family, protection for the right to organize, and the establishment of a new minimum wage in alignment with workers' needs. Shahidul Islam's life was brutally cut short on June 25, 2023, as he was attacked and killed after advocating for workers' bonuses and wages in Tongi, Bangladesh.

His 25-year dedication to the Bangladesh Garment and Industrial Workers Federation (BGIWF) as an organizer speaks volumes about his commitment to workers' rights. His murder underscores the grave risks faced by unionists and workers standing up for their rights in Bangladesh, highlighting the urgent need for an environment where workers can freely organize and voice their concerns.

Clean Clothes Campaign activists voiced their concerns both outside and inside the Best of Bangladesh event in Amsterdam. They emphasized the importance of dialogue that includes independent trade union representatives and worker voices, stressing that such discussions are meaningless without the very people they affect. The protesters outlined crucial steps for progress: Justice for Shahidul Islam:

They called for a thorough and transparent investigation by the Bangladeshi government into the murder, including identifying all perpetrators and their connections to factory management. Compensation for Shahidul Islam's family, in line with ILO Convention 121, was also requested, along with additional compensation for emotional suffering.

Ensure Safeguards for Freedom of Association:

Brands sourcing from Bangladesh were urged to protect freedom of association and remain neutral during any independent organizing efforts. Those part of the International Accord for Health and Safety in the

Textile and Garment Industry were urged to strengthen freedom of association provisions. The government of Bangladesh was encouraged to create an enabling environment for workers' right to organize through labor law reform.

Establish a Monthly Minimum Wage:

The demand for a monthly minimum wage of at least 23,000 BDT (ca. 195 EUR) was issued, along with a call for brands and the government of Bangladesh to support this wage and reflect it in product pricing. Without these measures, justice for Shahidul Islam's murder, which has far-reaching implications for Bangladeshi society and garment workers' rights, will remain elusive.

The organizers and participants of the exposition have the opportunity to take a stand by advocating for a 23,000 BDT minimum wage, showing their commitment to positive change in the industry. Upholding workers' rights and promoting decent jobs are essential for solidifying Bangladesh's position as a global sourcing destination.

Source: fashionatingworld.com– Sep 04, 2023

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NATIONAL NEWS

ASEAN-India Summit: Modi likely to pitch for effective review of free trade pact

Prime Minister Narendra Modi is likely to stress on an effective review of the ASEAN-India Trade In Goods Agreement (AITIGA) at the ASEAN-India Summit in Indonesia this week aiming for more balance in trade with the bloc, sources have said.

Modi, who is travelling to Jakarta on September 6-7 to attend the ASEAN-India Summit and the East Asia Summit, is also expected to highlight the need for enhanced cooperation in areas such as regionalconnectivity, resilient supply chains, food & energy security, maritime activities, health, digital economy including UPI, environment, smart agriculture and tourism

“After several years of India’s insistence on a review of the AITIGA, last month, at the Economic Ministers’ meeting, both sides agreed on carrying out a review of the pact and set a goal of concluding it by 2025. But the review has to be meaningful and address India’s concerns. Otherwise. it will be an exercise in futility,” a source tracking the matter told businessline.

Trade deficit

The 10-member ASEAN includes Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. India’s trade deficit with the ASEAN, which was at about $5 billion in 2010-11 when the AITIGA got implemented, shot up to $43.57 billion in 2022-23. India exported goods worth $44 billion in 2022-23 to the ASEAN while its imports from the bloc were at $ 87.57 billion.

“Clearly, the ASEAN countries have been able to take advantage of the market access provided by India through duty cuts offered under the trade pact, but Indian exporters have not been equally successful. One reason for that are the non-tariff barriers, including import quotas and stringent technical standards, imposed in various sectors by the ASEAN countries. These NTBs, especially in sectors such as agriculture and automobiles, need to be removed,” the source said.

India's trade with ASEAN accounted for 11.3 per cent of India's global trade in 2022-23. The PM will also stress on areas of co-operation as the forthcoming ASEAN-India Summit, which will be the first summit since the elevation of India-ASEAN relations to a Comprehensive Strategic Partnership in 2022.

Resilient supply chains, food security, energy security, health and financial stability were identified as priority areas of cooperation at the ASEAN-India Economic Ministers' meeting last month and the ASEAN leaders are likely to endorse it at the Summit, the source said.

The Economic Ministers also discussed regional and global challenges, such as the multidimensional impact of the Covid-19 pandemic, climate change, heightened volatility in the global financial market, inflationary pressures, and geopolitical tensions.

Source: thehindubusinessline.com– Sep 04, 2023

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Rishi Sunak rules out quick-fix trade deal with India

Rishi Sunak has ruled out a quick-fix trade deal with India, making it impossible to get an agreement over the line in time for this week's G20 summit in Delhi – and possibly even by next year's elections.

Multiple sources close to the negotiations said the prime minister has rejected the idea of an "early harvest" deal, which could have lowered tariffs on goods such as whisky but would not have dealt with trickier subjects such as professional services.

The decision has scuppered any chance of an agreement being struck this week, before the prime minister meets his Indian counterpart, Narendra Modi, in the Indian capital this weekend.

Many now believe a deal is impossible before both countries hold elections in 2024, although some in government still believe it could be reached later this year.

It means the prospect of a UK-India free trade agreement, long held up as one of the biggest possible opportunities for Britain after Brexit, remains distant.

One government source said: "There was talk last year of a deal by last Diwali, but that was only going to happen if it was a shallow deal based around a limited number of goods. Kemi Badenoch [the trade secretary] and Rishi Sunak have decided they don't want to go down that route and so have taken a deadline off the table."

Another person close to the negotiations added: "India wants to do an early agreement on goods, but the risk is that instead of being the start of a wider trade agreement, that becomes the end point and the UK doesn't get any of the more fundamental things it wants."

UK ministers have long held up a trade deal with India as one of the great potential prizes of Brexit. A Foreign Office official told Politico earlier this year that securing a deal was "the single biggest thing in 2023", while Boris Johnson called the idea of a potential agreement "the biggest of them all".

In reality, however, negotiations have ground on for years without getting close to culmination. Both Johnson and his successor Liz Truss promised a deal by last Diwali, which fell in October, but nearly a year afterwards those close to the talks say large areas of disagreement remain.

“India is the big one, but it has been going on for a while and there remain many areas we have still not got agreement on,” said Lord Karan Bilimoria, the vice-president of the Confederation of British Industry and a key interlocutor between London and Delhi. “India is only the UK’s 12th biggest trading partner – it should be much higher.”

Those close to the talks say agreements have been reached in some key areas, such as the need for India to cut tariffs on whisky and cars and for the UK to remove those on textiles and other goods. The Sunday Times reported earlier this month that India was prepared to reduce tariffs on scotch whisky by a third to 100% in return for tax breaks for Indian workers in the UK – though British officials say exact figures have not yet been agreed.

This might have been enough to sign a slimmed-down trade agreement this week, according to sources, but Sunak and Badenoch have rejected such an idea for fear it will make the goal of a more wide-ranging deal impossible.

UK officials point to the example of Australia, which signed an agreement with India last year covering a limited number of sectors as a way to kickstart negotiations on a more comprehensive pact. Since then, however, those close to the process say the Indians have shown little urgency in reaching agreement on the wider deal.

“We could do the kind of early harvest deal which Johnson and Truss wanted to sign,” said one person briefed on the talks. “But the better way to keep the pressure up on the Indians is to hold out until we get everything.”

There are still significant areas of disagreement when it comes to the comprehensive deal under negotiation.

India has long pushed for more visas for Indian students and for employees of Indian companies. The Home Office does not want such terms being placed within the trade agreement itself, although sources indicate a separate deal could be reached on immigration.

The UK says it has already shown flexibility on visas, more than doubling the number of work visas it gives to India each year since the country left the EU, but the government is reluctant to change the rules on who can enter, especially in the case of students.

However, there are also more fundamental obstacles to reaching an agreement.

The UK is pushing for greater intellectual property protections for companies trading in India, especially in the pharmaceutical industry, where western companies fret about their drugs being produced much more cheaply by Indian laboratories.

Meanwhile, India wants to limit the proportion of UK goods that can be produced outside the UK, as a way of preventing other countries benefiting from the agreement indirectly.

Officials insist a wide-ranging deal could still be struck this year if Sunak is able to persuade Modi to make it a political priority.

Many believe, however, that if it drags on any longer, it will become impossible in the short term as both leaders turn their attention to general election campaigns.

William Bain, the head of trade policy at the British Chambers of Commerce, said: “The Indian election is next spring, so Modi will be on the campaign trail by early next year.”

A spokesperson for the Department for Business and Trade said: “While we cannot comment on ongoing negotiations, we are clear that we will only sign when we have a deal that is fair, balanced and ultimately in the best interests of the British people and the economy.”

Source: theguardian.com– Sep 03, 2023

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Commerce ministry suggests banks to provide export credit in foreign currency to e-commerce exporters

The commerce ministry's arm DGFT on Monday said it has suggested banking and financial institutions to extend pre- and post-shipment export credit in foreign currency to e-commerce exporters based on the guidelines of the RBI. Any issues in availing such credit may be brought to attention by e-commerce exporters or banks to the directorate general of foreign trade (DGFT).

This assumes significance as the new Foreign Trade Policy 2023 is also aimed at promoting exports through the e-commerce medium.

The DGFT in a trade notice said that consultations were held with industry representatives, exporters, and nodal departments on outstanding issues pertaining to exports through e-commerce.

One issue flagged was the unavailability of pre-shipment and post-shipment export credit for e-commerce exports and in this regard, consultations were held with the RBI, it said.

It is clarified that master circular 'Rupee/Foreign Currency Export Credit and Customer Service to Exporters' furnishes a comprehensive framework, and permits for access to pre-shipment and post-shipment export credit and Packing Credit in Foreign Currency (PCFC) to all eligible exporters which does not preclude e-commerce exporters.

"Banking and financial institutions concerned are therefore encouraged to extend pre-shipment and post-shipment Export Credit and Packing PCFC to e-commerce exports based on the extant guidelines issued by RBI," it added.
The Foreign Trade Policy 2023 has also mandated to handhold and conduct outreach programmes to promote e-commerce exports.

Think tank Global Trade Research Initiative (GTRI) in its report has stated that India should target USD 350 billion worth of goods exports through e-commerce by 2030 and for that the government needs to address pain points of the sector by taking steps like formulating a separate policy.

India's current e-commerce export numbers remain far below their potential. Currently, e-commerce exports account for only USD 2 billion, less than 0.5 per cent of the country's total goods export basket.

Source: economictimes.com– Sep 04, 2023

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E-commerce exports qualify for pre-shipment, post-shipment credit: DGFT

E-commerce exports, too, qualify for pre-shipment and post-shipment credit and packing credit loan in foreign currency (PCFC), per RBI guidelines, and hence should not be denied the same, the Directorate General of Foreign Trade (DGFT) has clarified.

“Banking and financial institutions concerned are therefore encouraged to extend pre-shipment and post-shipment export credit and PCFC to e-commerce exports based on the extant guidelines issued by RBI,” per a trade notice issued by the DGFT on Monday.

Any issues in availing such export credit may be brought to attention by e-commerce exporters or banks to this Directorate, it further said.
In talks with stakeholders

In reference to the chapter in the new Foreign Trade Policy 2023 on promoting cross-border trade in digital economy, the DGFT held consultations with industry representatives, exporters, and nodal departments on outstanding issues pertaining to exports through e-commerce.

“One issue flagged was the unavailability of pre-shipment and post-shipment export credit for e-commerce exports. In this regard, consultations were held with RBI,” the notice stated.

The DGFT then held consultations with the RBI where it was clarified that the ‘Master circular-rupee/foreign currency export credit cnd customer service to exporters’ furnishes a comprehensive framework, allowing for access to pre-shipment and post-shipment export credit and PCFC to all eligible exporters which does not preclude e-commerce exporters, it added.

Source: thehindubusinessline.com– Sep 04, 2023

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New Indian cotton crop prices rule above support price

The new cotton crop has started arriving in parts of North and South India with its prices hovering above the minimum support price (MSP) levels.

“This year the arrivals are a bit early and the daily arrivals are around 3,000 bales. The demand will pick up slowly and the market expects good arrivals post September 15,” said Ashwani Jhamb, Vice-President of the Bhatinda-based Indian Cotton Association Ltd.

“The crop is better than last year and the quality is good, though there have been instances of pink bollworm attacks in Punjab,” Jhamb said, adding that the raw cotton (kapas or unprocessed cotton) prices are hovering above ₹7,000 a quintal across North India.

Rajasthan crop

The MSP has been fixed at ₹6,620 per quintal for the medium staple cotton and ₹7,020 per quintal for the long-staple cotton.

Jhamb said the crop in Rajasthan requires rain at this point in time, while a clearer picture would emerge after September 15.

The cotton growing regions in parts of Telangana, Karnataka and Maharashtra have received rains over the past couple of days, after a dry-August.

“The market has firmed up following the trend in ICE last week and delayed rains. Prices have gone up from₹60,000 to ₹62,500 per candy (356 kg). Only mills that have lesser inventories are buying. Availability is not at all an issue and mills cannot afford to pay higher prices due to lower demand and movement in yarn in domestic and export markets.” said Ramanuj Das Boob, Vice-President of the National Cotton Brokers Association and a sourcing agent for multinationals in Raichur.

In parts of Telangana, Andhra and Karnataka, raw cotton arrivals have started in Kurnool, Nandyal, Yemmiganur, Adoni and Raichur, where farmers who have grown the fibre crop using borewell water have started bringing their produce to the markets, Das Boob said.

Prices in Southern markets are ruling between ₹7,400 and ₹7,800 per quintal, lower than the corresponding ₹10,000 a year ago. “Last year, the crop was less and prices touched a record high and that was the reason arrivals were slower as farmers held back anticipating higher prices,” Das Boob said.

The area under cotton has declined this year due to erratic monsoon. As per the latest data from the Agriculture Ministry, the acreage stood at 122.99 lakh hectares as on September 1 compared with 125.63 lakh hectares a year ago.

Source: thehindubusinessline.com– Sep 04, 2023

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India, Pakistan can step up direct trade

The cessation of India-Pakistan direct trade for a significant period is a result of enduring political tensions and conflicts between the two. In August 2019, Pakistan halted trade with India in response to constitutional amendments made in the Jammu and Kashmir region. India slapped 200 per cent tariff on Pakistani imports earlier that year, when Pakistan's Most Favoured Nation (MFN) designation was removed in the aftermath of the Pulwama terrorist incident. In 2020-21, trade with Pakistan was worth $329.26 million.

Despite sporadic attempts to enhance trade ties, such as the creation of the Wagah-Attari border crossing and the implementation of trade pacts like the South Asian Free Trade Area (SAFTA), advancements have been constrained due to ongoing political discord.

Following the suspension of trade in 2019, a few relatively less freight sensitive products — such as dry dates — that were formerly traded directly began coming via indirect channels to enter each other's markets. Previously, Indian merchandise such as fabric, skincare products, and jewellery freely made their way into Pakistani markets, gaining popularity among local consumers. Tensions between the neighbours disrupted cross-border trade, leading to a void that was filled by Indian goods entering through Afghanistan, China and Dubai.

In the past, Indian fabric would enter Pakistan via Chakoti and Rawalkot, while the Samjhauta Express and the Dosti Bus facilitated transportation of goods from Delhi to Lahore. Shortage of raw material for the textile industry due to low domestic cotton production compelled Pakistan to lift the ban on cotton imports from India, as importing cotton and sugar from countries like the US and Brazil is expensive and time-consuming. A bundle of cloth imported from India via train costs ₹150-200 per kg. When the train service was discontinued, importing through Dubai cost ₹2,500-3,000 per kg.

During the first quarter of fiscal 2022, India's exports to Pakistan — primarily driven by sugar, organic compounds and pharmaceutical products — rose significantly; 72 per cent over the previous year, to touch $205 million. Although Pakistan had initially halted all imports from India, it later permitted import of pharmaceuticals and drugs following the outbreak of the pandemic in 2020.

Dubai has served as an alternative route for trade between India and Pakistan. Dubai has enabled trade between the two countries by acting as a neutral ground for the respective enterprises to conduct business without being hampered by political tensions and border crossings. Though traders typically assess the cost, ease of doing business, and market access when conducting business, it is the convenience that draws Indian and Pakistani traders to trade through Dubai.

Items demanded by India and Pakistan from each other are traded indirectly, if logistically feasible. Jewellery, machinery, medications and chemicals are examples of low-volume, high-value commodities. Businesses can afford to take a longer route, particularly via Dubai, because the increased cost are passed directly to consumers. However, direct routes are unlikely to be substituted by circuitous or informal routes for time and cost-sensitive items. For example, traders are reluctant to grapple with price hikes or delivery delays for perishables like fruits and vegetables as well as freight-sensitive commodities like cement, gypsum, and glass.

Direct trade could have brought additional benefits like reducing transportation costs, expediting delivery schedules, facilitating interaction among businesses, and establishing direct trade channels that could unlock potential economic cooperation and foster beneficial trade relationship.

The Pakistan government’s decision to allow vegetable imports from India via Wagah was triggered by the destruction of onion and tomato harvests by torrential rains last year. India’s trade with Pakistan increased dramatically in the June 2022 quarter, thanks to Pakistan’s willingness to restore commerce, though mostly of necessities, with India. Sugar and medicines topped Indian exports to Pakistan in the three months ending June 30, 2022. Some experts link the surge in direct commerce also to Pakistan’s new leadership and the country’s mounting economic woes, compounded by high global commodity prices.

What lies ahead?

Recent developments offer an opportune moment for India to consider reducing its import duties, currently at 200 per cent, on products that can benefit its industries. Steps by Pakistan, though driven by necessity, have sparked hope for additional measures to improve bilateral relations, including the resumption of sports-related visas by India after a three-year hiatus, the scheduling of a long-delayed meeting between the Indus Water Commissioners, and establishment of peace at the Line of Control (LoC) following over 5,000 ceasefire violations.

If India-Pakistan trade resumes through the land crossing at Attari (India)-Wagah (Pakistan), it can be a win-win situation. The Pakistani consumer would profit from lower pricing for vital items, particularly agricultural commodities. Wheat flour prices in Pakistan have risen dramatically in recent months due to shortage caused by a variety of events, including the Russia-Ukraine war and floods. North Indian farmers, particularly those from Punjab, can sell their agricultural products, mainly wheat, at a better price in Pakistan.

Indirect trade routes like Dubai entail additional intermediaries, increasing transaction costs. Direct trade routes would help cut these costs, making trade efficient and profitable. Through direct economic engagements, both countries can promote people-to-people exchanges, cultural interaction, and business collaborations, paving the way for improved bilateral ties.

Source: thehindubusinessline.com– Sep 04, 2023

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India aims to be global textile hub, targets 7-9% growth

The Government is looking at India's potential to become the world's largest textile hub by developing indigenous technol ogy and textile machines for the Indian textile Industry, reducing dependency on imports and at the free trade agreements to enhance the presence of India's textile sector globally.

The much awaited conclusion of FTA with the UK is expected to boost the textile industry. "We must scale up the indigenous textile technologies and modern machines through R&D and innovation.

It is a matter of pride for Tamil Nadu, Coimbatore and India," Commerce and Industry Minister Public Distribution said at the 11th edition of a global congregation of leading players of the Asian textile industry, input suppliers and service providers — ATEXCON in Coimbatore which has drawn attention to key areas of business, including regional as well as global issues concerning this sector.

The initiative by the Confederation of Indian Textile Industry (CITI) brought together the entire textile value chain to discuss the issues and roadmap of the Indian textile industry which has achieved significant leap in exports culminating in delivery of about 776 billion worth of textile goods around the world during 2022-23. This is an increase of about 55 per cent in a span of just two years.

What has also emerged from ATEXCON deliberations is that the Indian textile industry is primarily concentrating on the supply chain, made up of the 5Fs farm to fibre, fibre to factory, factory to fashion and fashion to foreign and has improved as a result of investments made in a number of departments, particularly research and development, which has enhanced the general performance of the fabrics used in the textile sector.

A report by Crisil projects profitability of home textiles mak ers to rebound this fiscal with revenue set to rise 7-9 per cent after a 15 per cent fall last fiscal, as India regains global share following a correction in domestic cotton prices and restocking by big-box retailers in major markets abroad. After strong head- winds in exports last fiscal, the home textile industry is on the road to recovery.

Domestic cotton prices, which had risen past international prices and reached Rs 1 lakh per candy1 in May 2022, have now retracted to Rs 55,000 helping India regain competitiveness. The report also points out that operating profitability will improve 150-200 basis points to 14.0-14.5 per cent, due to lower raw material cost and better operating leverage, but will still hover below pre-pandemic levels. Other positives are that credit profiles will continue to be stable, with the ongoing capital expenditure (capex) cycle in its last leg this fiscal, and healthy cash accrual driven by improved revenue growth and profitability.

The industry is in the midst of Rs 4,000 crore capex, planned to be completed between fiscals 2022 and 2024.

However, there are stiff challenges. The report, based on a CRISIL Ratings analysis of 40 companies, accounting for 40-45 per cent of the sector's revenue, shows as much as 70-75 per cent of the industry's revenue is from exports, with the US, its biggest market, accounting for more than half of it. On a hopeful takeaway, orders from big-box retailers in the US will increase this fiscal as the inventory piled up last fiscal depletes on easing global supply-sales recovery being seen over the past few months. "But capacity utilisation will improve only slowly because of the recent large capacity addition amid moderate demand growth. That will continue to keep operating margins below pre-pandemic levels," says Makhija.

The textile industry has been flagging the stagnation in production and trade in the past few months and has sought adequate financial measures to provide relief to the industry. "Textile industry is facing financial stress due to slow demand and price volatility of inputs in the recent past and Government is requested to come up with including a one-year moratorium for repayment of the principal amount and Converting three-year loans under ECLGS into six-year term loans," says T Rajkumar, Chairman, CITI As far as exports of cotton textiles is concerned, industry has amplified the need to ensure the supply of raw material and capacity building for better productivity and yield.

"There are a set of projects approved by the Ministry of Textiles, Government of India to increase the production and quality of cotton in India. Industry is also pursuing the Government for TMC 2.0 and our emphasis is more on seed technology as improvised seeds will increase the income of the farmer," says Sunil Patwari, Chairman, Texprocil.

The ATEXCON has highlighted policy imperatives such as technology upgradation for boosting productivity and efficiency. Another challenge is cluster development. India is built on clusters, which is the backbone of the industry.

Public investments are required to be diverted to anonymous companies that contribute 90 per cent of the total industries in India while the remaining 10 percent of companies are registered and listed. Then there is policy distortion which calls for policies to be focused on unlocking the potential of Indian manufacturers and providing unhindered access to raw materials.

Source: sundayguardianlive.com– Sep 02, 2023

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Exploring India's impact on trade and tech

AHMEDABAD: India, one of the primary suppliers of textile to the world two centuries ago, also impacted trade and technology elsewhere.

While the fine cotton produced by Indian artisans prompted the British to upgrade the cotton spinning technology, the Guinee cloth manufactured in erstwhile Pondicherry carrying a distinct indigo shade and smell was in high demand in western Africa and even attained status of a currency in French colonies in Africa.

These were some of the nuggets from the third edition of the international conference on Indian Business and Economy History (IBEH) at IIM Ahmedabad (IIMA). The two-day event started on Friday and saw participation of scholars from India and abroad. Prof Chinmay Tumbe, a faculty at IIMA and member of the conference organizing committee, said that the event aims to cover all parts of India in terms of business and economy. "In the earlier two conferences, there was relatively less representation of the northeast.

This time, of the 26 paper presentations, four are related to the region. We have also strived for academic diversity with participation from all levels of institutions," he said, adding that apart from India, scholars from Japan, Germany, Switzerland, the US and the UK among others have also participated.

While Friday saw a keynote address by Tata Group's Harish Bhat on corporate history, Saturday will see a talk on aeroplanes and making of modern India.

Some of the other presentations on Friday included origins and capacity building of India's IT sector, agrarian capitalism in Travancore state, caste and entrepreneurship in colonial and contemporary India, the Subarnabaniks of Calcutta, Marwari entrepreneurs, opium economy on the northeast frontier of British India, the Kala Azar epidemic of 1883 to 1930, British tea planters, Japanese majolica tiles during India's Swadeshi movement, colonial port cities of Bombay and Singapore, and industrialization and migration in context of Durgapur among others.

Source: timesofindia.com– Sep 02, 2023

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