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USD	EUR	GBP	JPY
83.27	87.68	100.92	0.56

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INTERNATIONAL NEWS

China's GDP increases 5.2% in Jan-Sept 2023

China's gross domestic product (GDP) saw a 5.2 per cent increase in the first three quarters of 2023, reaching 91,302.7 billion yuan, according to preliminary estimates by China's National Bureau of Statistics (NBS). The country's GDP in the first three quarters of 2023 stood at 91,302.7 billion yuan, marking a year-on-year (YoY) increase of 5.2 per cent at constant prices.

The growth varies across sectors: the primary industry grew by 4 per cent, reaching 5,637.4 billion yuan; the secondary industry, mainly manufacturing, saw a 4.4 per cent rise to 35,365.9 billion yuan; and the tertiary industry led the growth with a 6.0 per cent increase, reaching 50,299.3 billion yuan.

The GDP growth has seen fluctuations throughout the year: it grew by 4.5 per cent in the first quarter, then accelerated to 6.3 per cent in the second quarter, and finally slowed down to 4.9 per cent in the third quarter. On a quarter-to-quarter basis, the GDP for Q3 increased by 1.3 per cent, as per NBS.

China's value-added industrial output went up by 4 per cent YoY in the first three quarters. Manufacturing saw a 4.4 per cent increase. Profits in industrial enterprises declined by 11.7 per cent YoY, although the decline narrowed by 5.1 percentage points compared to the first half of the year. In terms of monthly changes, the value-added output in September grew by 4.5 per cent YoY, indicating a month-on-month growth of 0.36 per cent.

The total retail sales of consumer goods reached 34,210.7 billion yuan, with a YoY increase of 6.8 per cent. Urban areas contributed 29,641.0 billion yuan, growing by 6.7 per cent, while rural areas saw a 7.4 per cent increase to 4,569.7 billion yuan.

The sales of goods for basic living saw steady growth, with the retail sales of clothes, shoes, hats and textiles by business above the designated size up by 10.6 percent respectively. Online retail sales also soared, reaching 10,819.8 billion yuan, up by 11.6 per cent YoY.

Imports and exports of goods totalled 30,802.1 billion yuan, down by 0.2 per cent. While exports slightly increased by 0.6 per cent, imports declined by 1.2 per cent.

Furthermore, China's consumer price index (CPI) grew by 0.4 per cent, and producer prices for industrial products dropped by 3.1 per cent.

Source: fibre2fashion.com– Oct 18, 2023

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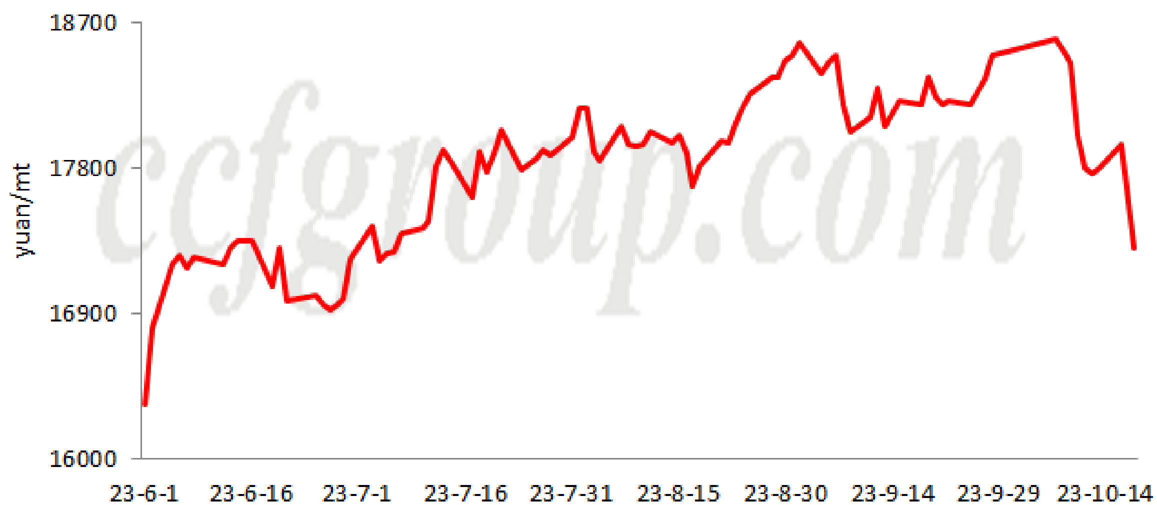
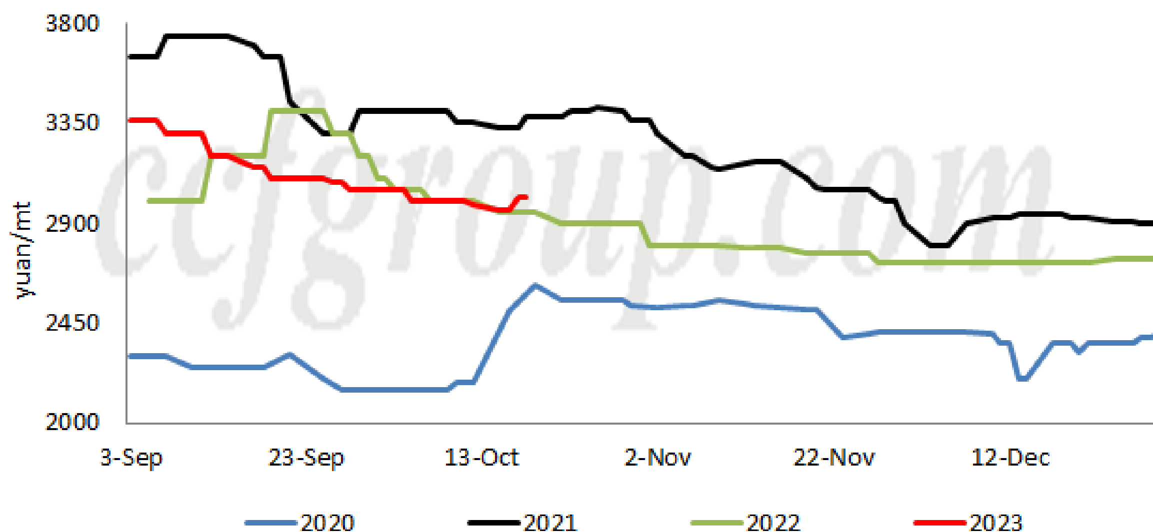
China: Cotton prices plummet while cotton linter rises against the trend

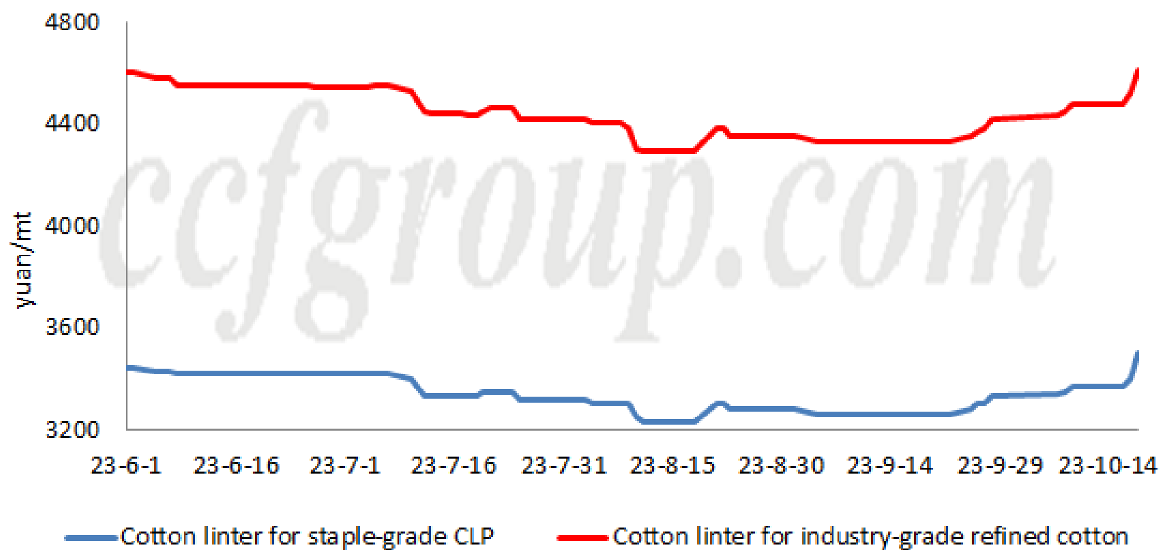
Recently, ZCE cotton futures and Chinese cotton spot prices have dropped significantly.

In just a few days, the price has plummeted by more than 1,000yuan/mt. The price of cottonseed has also followed the downward trend, while that of cotton linter has risen against the trend.





Due to the bearish supply and demand situation and the impact of external factors such as the Israeli-Palestinian conflict, the ZCE cotton futures and Chinese cotton spot prices have fallen continuously after the National Day holiday. Among them, the former has dropped from the high point of 17,800yuan/mt on Oct 9 to around 16,400yuan/mt currently. The price of cotton 3128 has fallen from 18,500yuan/mt to around 17,300yuan/mt at present. In just a few days, the price decline is more than 1,000yuan/mt.



As a result, the procurement of seed cotton market has cooled down, as prices have been lowered, and there has been an increase in suspending purchases by the ginners. The cottonseed market is also covered with wait-and-see stance, with cottonseed prices in Xinjiang gradually decreasing from 3,300-3,400yuan/mt at the beginning of Sep to around 3,000yuan/mt currently.

Due to the standoff between cotton farmers and ginners, the progress of seed cotton procurement has been slow this year. Currently, the cotton picking progress in northern Xinjiang has reached nearly 60%, while in southern Xinjiang, the progress is about 30%.

However, due to cotton farmers being reluctant to sell and cautious purchasing by ginners, the overall progress of seed cotton delivery is only about 10-20%. As the progress of seed cotton procurement is slow, many ginners have not started processing, leading to a delay in the arrival of new cottonseed.

With the support of downstream restocking demand, the prices of cotton linter have increased rapidly. The price of cotton linter for industry-grade refined cotton outside Xinjiang has risen to 4,700yuan/mt, and that in Xinjiang is 4,200yuan/mt, with an increase of about 200-300yuan/mt after the holiday.

In conclusion, although the progress of seed cotton picking is steadily advancing, the procurement is generally slow, and recently there has been an increase in ginners suspending purchases. New cottonseed is arriving slowly, and the prices have stabilized after the decline, which are partially recovering.

The limited supply of cotton linter has led to a rapid price increase. However, before a large number of new cottonseed and cotton linters arrive, there is still a biased upward trend. But with the extensive seed cotton procurement in Nov, it is expected that there will still be resistance to further price increases later on.

Source: ccfgroup.com– Oct 19, 2023

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US' retail sales surge in September 2023

US' retail trade sales for September 2023 saw an increase of 0.7 per cent from August 2023, and a year-on-year growth of 3 per cent, according to advance estimates from the US Census Bureau. Non-store retailers, which largely comprise online platforms, experienced a significant rise, posting an 8.4 per cent increase from the previous year.

Sales in the clothing and clothing accessories sector were relatively steady, totalling $26.01 billion in September compared to $26.2 billion in August. Overall, the advance estimates for total sales for September 2023, adjusted for seasonal variations and trading-day differences but not for price changes, stood at $704.9 billion. This marks a 0.7 per cent growth from the previous month and a 3.8 per cent increase year-on-year.

Additionally, total sales for the three-month period from July to September 2023 were up by 3.1 per cent from the same period a year ago. Moreover, the percentage change in sales from July to August 2023 was revised upwards from an initial estimate of 0.6 per cent to 0.8 per cent, indicating a more robust performance than initially thought, as per the census bureau.

Source: fibre2fashion.com– Oct 19, 2023

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UKFT elevates UK textile industry at overseas tradeshows

UK Fashion and Textile Association (UKFT) reiterated its support for UK brands at key overseas tradeshows like Pitti Uomo, Paris Men's Fashion Week, and Milano Unica, which aim to bolster the profile of the UK fashion and textile industry on a global stage.

The organisation also continues to extend its resources, offering guidance on various subjects, including intellectual property support in China and trade agreements with Australia, New Zealand, and the CPTPP, according to UKFT's update for the third quarter (Q3) of 2023.

Sustainability and innovation have moved to the forefront of UKFT's agenda. Several large-scale projects are underway, focused on tackling the industry's most pressing challenges. The association recently held its second 'Sustainability in UK Textiles' conference, offering practical guidance on improving environmental performance. The first in a series of 'UKFT Sustainability 101' events was also launched to cover standards and certification for UK textile manufacturers.

UKFT is also actively promoting careers in the sector at nationwide events, and it supports a bursary scheme for the new Textile Innovation and Sustainability BSc at the University of Leeds. Other initiatives include the MADE IT 22/23 project, offering paid production internships with UK manufacturers, and the Drapers x UKFT Bursary scheme, which provides financial support for interns.

Source: fibre2fashion.com– Oct 18, 2023

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Emerging markets in Southeast Asia to enter 2024 at inflection point

Emerging markets in Southeast Asia are set to enter 2024 at a critical juncture, according to Emerging Markets in Southeast Asia report by S&P Global. After a year marked by stagnating growth due to weak global trade and stringent monetary policies aimed at containing inflation, the region faces an uncertain future. The big question remains: Will muted growth continue to dominate, or will there be a transition to a new economic landscape?

In 2023, the fading momentum from post-pandemic re-opening combined with weak global trade to stifle economic expansion. Central banks across the region opted for tight monetary policies in an attempt to control inflation, but this has led to stagnated growth. There are several key forces that will shape the economic outlook for Southeast Asia, as per the report.

Firstly, slower global growth is expected to dampen the recovery in export demand among the emerging markets of Southeast Asia. This is in part due to below-trend growth forecasts for major economies like the US, Europe, and China. The US economy is expected to see a period of slower growth as pent-up demand and excess savings effects fade, coinciding with tightened monetary conditions. In Europe, a weaker demand environment combined with tighter monetary policy is likely to result in below-trend economic expansion. China is also expected to experience slower growth in 2024, owing to restrained policy stimulus.

Secondly, financial factors such as global risk sentiment, high energy prices, and elevated US interest rates will continue to put a squeeze on capital flows in the region. High US interest rates have particularly resulted in lower interest rate differentials with Southeast Asian economies, leading to capital outflows from local currencies into US dollars. If US interest rates remain high, this pressure is likely to persist, thereby impacting the financial stability of these emerging markets.

Thirdly, a potential shift in US monetary policy with anticipated rate cuts later in the year could influence Southeast Asian central banks to follow suit. This is expected to happen despite the ongoing challenges of capital outflows and exchange rate volatility. These rate cuts in the US are likely to occur in the latter part of 2024, as inflation is expected to moderate.

Fiscal policy in the region is also on a path of gradual consolidation. Governments ramped up spending during the pandemic, leading to increased fiscal deficits and debt burdens. However, the rate of fiscal consolidation varies across countries. While Indonesia has moved quickly to strengthen its fiscal position, countries like Malaysia and the Philippines are doing so more gradually.

Despite external headwinds, domestic demand is expected to remain resilient, buoyed by stable labour markets and strong private consumer activity. In fact, improving labour markets are likely to further support domestic demand in 2024, offering some relief amid external pressures.

Source: fibre2fashion.com– Oct 18, 2023

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Bangladesh: Setback in garment export to India with 7.69pc Q1 fall

Bangladesh sees a setback in garment export to India, with a 7.89-percent fall recorded in the first quarter of this fiscal, on a year-on-year tally, although shipments to other traditional markets grew.

Readymade garment exports fetched US$ 282.82 million from India during the July-September period of the fiscal year 2023-24 as compared to $ 306.39 million earned in the Q1 of FY 2022-23, according to data compiled by Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

RMG EXPORT TO NON-TRADITIONAL MARKETS

	Jul-Sep 2022	Jul-Sep 2023	Growth%
Japan	320.40	446.78	39.44
Australia	223.71	344.77	54.11
Russia	57.34	73.19	27.64
India	306.39	282.82	-7.69
Korea Rep.	131.10	179.61	37.01
China	50.19	74.72	48.89
UAE	62.80	90.55	44.18
Mexico	85.49	86.75	1.48
Malaysia	63.69	69.88	9.71
Saudi Arabia	40.22	58.30	44.97
Turkey	53.90	75.41	39.91
South Africa	31.84	36.09	13.36
New Zealand	31.60	45.43	43.76
Chile	46.00	47.27	2.76
Brazil	24.01	36.93	53.79
Other countries	267.61	295.59	10.46

Source: EPB

During the period, knit items witnessed a 14.64-percent fall to $ 117.24 million and woven 2.04 per cent to $165.58 million.

Exports to other major non-traditional markets like Japan, Australia, Russia, Korea, China and the UAE increased by a range between 27 per cent and 54 per cent during the period, according to data.

Apparel exporters attributed the fall to shrinking demand in India, as in other global markets.

When asked, Asif Ashraf, managing director of Urmi Garments Limited, said one of his Indian buyers deferred shipments, resulting in a significant fall in exports to the neighbouring country in the last two months, especially in September.

Another exporter said that India's data reflect the real scenario of the country's overall export performance as the majority of factories could not utilise half of their production capacity for the last several months due to shortage of work orders.

Talking to the FE writer, Mohammed Hatem, executive president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said the demand for apparel items declined in India like in other major destinations, including Germany.

Md Shahidullah Azim, vice president of BGMEA, said that India's overall imports also fell due to the global factors.

When asked, Dr Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue (CPD), said: "The currencies of both India and Bangladesh have witnessed significant devaluation that might have affected the export of local apparel items."

He suggests monitoring the situation, and says the exchange rate might make the Indian imports from Bangladesh costly, intensifying business risks.

Local RMG exports to the neighbouring country, however, reached the billion-dollar mark for the first time in FY 2022-23 when the country earned $1.01 billion, recording 41.58-percent year-on-year growth, according to BGMEA data.

In the same fiscal year, Bangladesh's overall exports to India stood at $2.13 billion, according to Export Promotion Bureau data. Bangladesh received US$1.99 billion from exports, including RMG, to India in FY '22.

On the other hand, imports from India stood at $ 13.69 billion in FY 2021-22, according to available data from the central bank, in a yawning trade gap with the big economy.

Source: thefinancialexpress.com.bd– Oct 18, 2023

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Pakistan: Textile exports contract for third month in a row

Textile and clothing exports fell for third month in a row due to growing production costs and liquidity crunch, according to statistics issued by the Pakistan Bureau of Statistics on Wednesday.

The export value of textile and clothing exports shrank 9.95 per cent in the first quarter (July-September) FY24 to $4.12 billion from $4.58bn in the corresponding period last year.

In September, the textile and clothing exports contracted 10.88pc to $1.36bn from $1.52bn in the same month last year.

Caretaker Commerce Minister Gohar Ejaz last month announced that the government would soon offer regionally competitive energy prices to textile exporters and resolve their cash flow issues by releasing pending sales tax refunds. However, the decision was yet to be implemented.

The exports of textile and clothing contracted by 14.63pc to $16.50bn in FY23. However, the total merchandise exports dipped 12.71pc to $27.54bn from $31.78bn in the preceding year.

The PBS data showed the exports of readymade garments shrank 11.21pc in value in July-September but grew by 8.24pc in quantity, while knitwear dipped 15.83pc in value but grew 34.14pc in quantity, bedwear posted a negative growth of 10.02pc in value and but grew 1.39pc in quantity.

However, towel exports slightly increased by 2.89pc in value and 16.24pc in quantity, whereas those of cotton cloth dipped by 18.15pc in value and 7.50pc in quantity.

However, the export of raw cotton and yarn increased by over 12pc and 33.5pc during the first quarter of FY24.

The export of made-up articles — excluding towels — dipped by 5.40pc, art, silk and synthetic textile by 23.08pc and tents, canvas and tarpaulin by 8.24pc in July-September from a year ago.

The import of textile machinery declined by 75.38pc in July-September — a sign that expansion or modernisation projects were not a priority.

Furthermore, the import of raw cotton also dipped by 68.73pc in July-September from a year ago.

However, the import of synthetic fibre was increased by 21.41pc followed by 113.90pc rise in synthetic silk yarn and 42.80pc in worn clothing.

In the first quarter of FY24, the total exports dipped 3.63pc to $6.91bn this year from $7.17bn over the last year.

Imports of oil, eatables dip

Oil and eatables imports dipped 29.41pc in the first quarter of the current fiscal year to $5.35bn from $7.58bn a year ago, PBS data showed.

A noticeable decline was observed in both the quantity and value of major imports during the period under review amid the economic slowdown and a steep fall in the purchasing power of consumers.

In dollar terms, the oil import bill dipped by 28.03pc to $3.50bn during 3MFY24 from $4.86bn in the same period last year.

In rupee terms, the decline was relatively lower at 5.86pc because of massive currency devaluation and amounted to Rs1.02tr this year, compared to Rs1.08tr last year.

As a consequence, exports of petroleum products were down by 82.82pc in 3MFY24 from a year ago. The foreign sales of crude oil and petroleum products were down by 100pc and 39.43pc, respectively.

According to the PBS data, the imports of petroleum products declined by 36.55pc in value during July-September and 26.03pc in quantity.

Import of crude oil decreased by 18.36pc in quantity while the value decreased by 30.10pc.

Similarly, liquefied natural gas imports dipped by 7.36pc during July-Sept FY24 on a year-on-year basis. On the other hand, liquefied petroleum gas imports declined 7.79pc in the months under review.

The reduction in import quantities of crude oil and petroleum products is a clear indication of reduced transportation amid slowing down economic activities.

This also suggests lower capacity utilisation of local oil refineries, compared to the last year, resultantly affecting their profitability.

Food products

The food import bill also fell by over 32pc to $1.85bn in the first quarter from $2.72bn in 3MFY23 with a major drop in the arrival of palm oil and pulses.

The import of palm oil declined 33.21pc followed by a 1.45pc dip in pulses and 25.91pc in soya bean oil. However, the import of tea surged by 22.34pc, and dry fruits over 51pc during the period under review.

Machinery arrivals

Machinery imports plunged 6.29pc to $1.65bn in July-September from $1.76bn in 3MFY23 mainly due to a decline in almost all categories of machinery excluding office machinery and mobile phones.

Mobile phone imports surged by more than 89.71pc to $304.05 million, up from $160.26m. This is the single largest share of overall machinery import value in the first quarter.

Machinery imports of textile, power generating, agriculture and electrical appliances dipped during the period under review.

The transport sector's imports tumbled 32.65pc to $405.64m in the July-September period against $602.29m in the same months last year.

Source: dawn.com– Oct 19, 2023

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NATIONAL NEWS

India-UK FTA: Month-end conclusion uncertain as gaps remain

The possibility of a month-end conclusion of the India-UK FTA talks hangs in the balance as last week's crucial round of negotiations failed to bridge differences in critical areas, including rules of origin, access for professional services, tariff cuts for key products, and work visa liberalisation, sources said.

The Commerce and Industry Ministry is reaching out to line ministries, including food processing, finance, agriculture, and heavy industry, for guidance on how to proceed as officials from both sides are continuing to negotiate despite the physical round coming to an end, a source tracking the matter told businessline.

"The UK has been unflinching in its demand for relaxed provisions for rules of origin (which determine the country of origin of a product), especially for automobiles and processed food, and greater market access for Scotch Whisky and cars, despite India's refusal to go beyond its comfort level," the source said.

Rishi Sunak's visit

British Prime Minister Rishi Sunak is expected to visit India this month-end to bolster bilateral economic and diplomatic ties and possibly finalise the India-UK FTA, together with Indian Prime Minister Narendra Modi, by taking some tough political decisions. No dates have, however, been officially announced by either the UK or India. The FTA is expected to double bilateral trade to $100 billion by 2030.

As rules of origin (ROO) prescribe the minimum processing which needs to happen in a FTA partner country for a good to qualify for duty cuts, they are crucial for the negotiations.

India opposes liberal ROO

India does not want liberal ROO for items such as automobiles, processed food and engineering goods as it fears that goods from EU countries could get exported to India at preferential duties couched as UK products.

"Many companies in the UK still have their supply chains integrated with companies from the EU. They source a lot of inputs from the bloc. Strict ROOs which prescribe high level of processing in the FTA country may result in several UK products becoming eligible for FTA benefits because of high input content from the EU. That is why UK is adopting a hard posture in the ROO talks and want liberal product specific rules for several items," the source explained.

Wranglings on the final duty cuts and their spacing out for critical products like Scotch Whisky and automobiles are still on but may be settled with some political push, the source added.

UK's objections

UK is also miffed at not getting enough openings for its professional services, including law and accountancy, while India wants to make at least some gains in work visas, which the British are not willing to offer.

"Everything is uncertain, including Sunak's visit. But the fact is that officials in both countries are trying their best to close as many gaps as possible so that the leaders could attempt to close the deal when they meet," the official said.

Source: thehindubusinessline.com – Oct 19, 2023

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GDP to grow at 6.5-6.8% in FY24; festive, govt spends key drivers: Deloitte

Deloitte India on Wednesday said it expects GDP growth in the current fiscal to be in the range of 6.5-6.8 per cent primarily due to upcoming festive spending as well as higher government expenditure before the national elections mid-next year.

In its India economic outlook report, released earlier this month, Deloitte said India will need at least 6.5 per cent growth every fiscal to become the world's third largest economy by 2027, with its Gross Domestic Product (GDP) crossing $ 5 trillion.

The country needs 8-9 per cent economic growth to become a developed country by 2047, it added.

The Indian economy grew 7.8 per cent in the June quarter, higher than the 7.2 per cent in the year-ago period.

"In light of the Q1 GDP growth, we have revised our growth estimate for this year to reflect it. We expect GDP to grow in the range of 6.5-6.8 per cent primarily due to festive spending in the coming months followed by higher government spending before the upcoming national elections mid-next year," Deloitte India said.

Deloitte India Economist Rumki Majumdar said navigating geopolitical uncertainties and the slowdown in global economy, undoubtedly, would not be easy.

India will have to rely on its own domestic demand to firepower its growth, specifically, private consumption and investment spending, she said.

"What works in India's favour on the private consumption front are the size of its consumer base, the rising income, and the aspirations of its young population, which is the largest in the world.

"As for investments, with the size and scale of operations it has to offer to global companies, the availability of skill and talent, technology and innovation capabilities, India continues to be an attractive investment destination," Majumdar said.

India, with a GDP size of $ 3.4 trillion, is the fifth largest economy in the world, after US, China, Japan, and Germany.

Deloitte said India's GDP growth will be over 6.5 per cent next year as geopolitical uncertainties subside, and the global economy bounces back on a stronger growth path.

Deloitte said India's micro, small, or medium enterprises (MSME) will be key in generating income, capabilities, capacities, and ecosystems needed for sustained growth in consumption and investment that is broad-based and comes from all sections of the economy.

Source: business-standard.com – Oct 18, 2023

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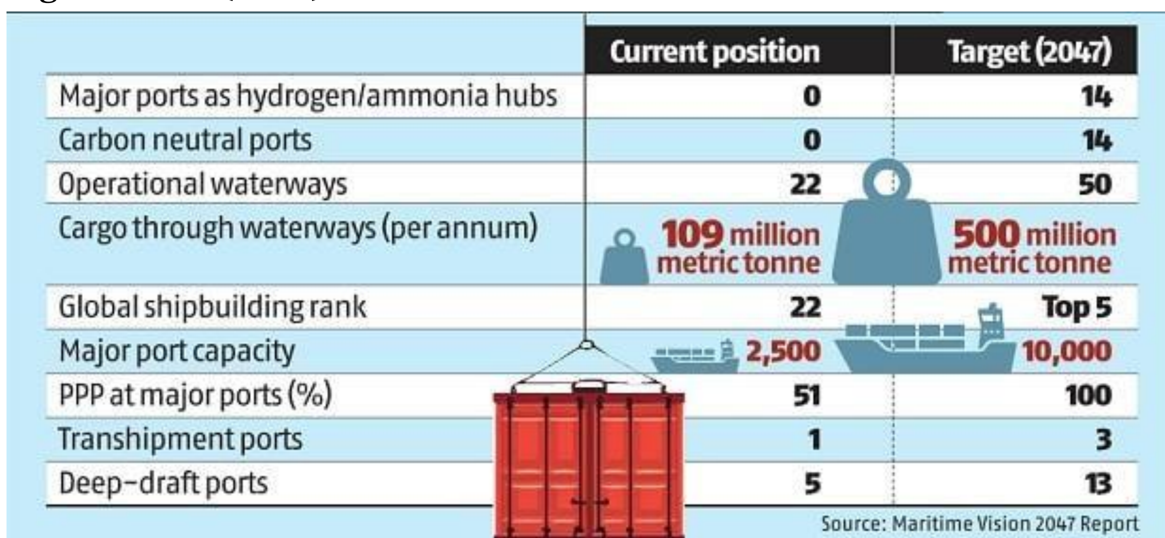
Govt identifies 300 initiatives for expansion targets under Maritime Vision

The Ministry of Ports, Shipping, and Waterways unveiled its Maritime Vision 2047 on Tuesday, outlining nearly 300 initiatives aimed at making India a global maritime leader.

The vision requires an estimated investment of Rs 75-80 trillion over the next 25 years to achieve a range of ambitious goals. These include carbon neutrality at all major ports, development of 25 cruise terminals, and featuring among the world's top five shipbuilding nations.

The majority of these initiatives address long-standing issues, which have hindered the growth of India's shipping infrastructure. There is also a significant focus on aligning India's maritime activities with global environmental standards set by bodies like the International Maritime Organisation (IMO).



	Current position	Target (2047)
Major ports as hydrogen/ammonia hubs	0	14
Carbon neutral ports	0	14
Operational waterways	22	50
Cargo through waterways (per annum)	109 million metric tonne	500 million metric tonne
Global shipbuilding rank	22	Top 5
Major port capacity	2,500	10,000
PPP at major ports (%)	51	100
Transhipment ports	1	3
Deep-draft ports	5	13

Source: Maritime Vision 2047 Report

Expansion in ports and Indian vessels

The vision sets the goal of quadrupling port capacity to 10 billion tonnes per annum by 2047, with 100 per cent public-private partnership (PPP) planned for 12 major ports.

Officials said there would be renewed emphasis on acquiring new vessels to increase India's share in the global shipping market. Investments up to Rs 55 trillion are expected in port and vessel-related infrastructure over the next 25 years.

The report highlights that, while the Indian-flag shipping tonnage has grown, the share of Indian fleet in the global fleet remains at around 1 per cent. In comparison, China accounts for 5 per cent and Singapore accounts for 6.5 per cent in global tonnage.

"The growth of Indian-flag shipping tonnage has not been able to keep up with the pace of Indian trade needs," the report noted.

To address this, the Centre is considering nine policy interventions, including tax-related changes and streamlining vessel registration processes. These include revisiting the applicability of TDS on wages paid to Indian seafarers, allowing Input Tax Credit on the fuel and spares procured for vessels, etc. It also proposes that Indian ships should not be required to pay GST on reverse charge for maintenance services consumed outside India. The vision also advocates granting infrastructure status to the shipping industry.

Additionally, the Centre is exploring alternative financing options for vessel owners, such as alternate investment funds, and considering the removal of restrictions on ship leasing by insurance companies.

Green shipping initiatives

Among the 22 initiatives focused on green shipping, the Centre plans to establish a decarbonisation cell at the Directorate General of Shipping. More than 20 pilot projects are proposed under India's Green Maritime Shipping Programme, aimed at incentivising the development of low-carbon vessels. The ministry has also suggested that the production-linked incentive (PLI) scheme also be extended to support green maritime technology in India.

Focus will also be on domestic hydrogen production and distribution through major ports.

Source: business-standard.com– Oct 18, 2023

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Consensus eludes cotton subsidies

The WTO is yet to address one of the unfinished agendas of disciplining the trade-distorting cotton subsidies in rich countries that push millions of poor cotton farmers into poverty.

Despite the Hong Kong Ministerial Decision in 2005 to reduce the cotton subsidies "ambitiously, expeditiously and specifically", the WTO has failed to deliver on the promise even after 18 years. Sadly, the 12th Ministerial Conference marks yet another WTO conference with no solid outcome on this mandated issue.

Even with 13th Ministerial Conference approaching in 2024, there is no consensus on cotton subsidies between members. In this vein, it is important to revisit the role of cotton subsidies in international trade, especially in the context of sustainable development goals, a pivotal principle in guiding contemporary trade negotiations.

How would the cotton subsidies in rich countries affect the farm income of poor countries? When cotton produce is highly subsidised and subsequently exported, it causes a dip in international prices.

It makes the cotton production and exports by poor countries uncompetitive in the international market against the subsidised cotton exports. The issue of cotton subsidies garnered global attention in 2002 when Oxfam published a report titled 'Cultivating Poverty'.

The report found that enormous US cotton subsidies destroyed the livelihoods of cotton farmers in Africa by depressing international cotton prices and diminishing their prospects of cotton exports. While the African countries — namely, Benin, Burkina Faso, Chad and Mali (referred to as the 'C-4' countries), along with Côte d'Ivoire — were the most affected by the US' cotton subsidies, significant damage was also done to other developing countries. These enormous subsidies from rich countries confer an artificial competitive advantage to their farmers at the expense of poor farmers of developing and least-developed countries.

Global scenario

Currently, India, China, Brazil and the US are leading cotton producers. However, the US has been exporting more than 90 per cent of its cotton

produce in the international market and is the largest exporter accounting for a 28 per cent share in global export in 2023. Similarly, the C-4 countries including Côte d'Ivoire are also exporting more than 90 per cent of their cotton produce reflecting the high level of dependence on the international market. On the other hand, India exported only 8 per cent of its cotton production in 2023.

The US has some 8,100 cotton farmers with an average farm size of 624 hectares. On the other hand, the number of people engaged in the cotton sector is massively higher in developing and least-developed countries. Moreover, the average farm size in India, China and African countries ranges approximately from 0.7 to 2 hectares. Besides, farmers from poor countries suffer from multiple challenges in terms of marketing problems, inadequate institutional support, low farm income, and farm distress, among others. Despite these challenges, the cost of cultivation is significantly lower in India and African countries in comparison to the US, which gives them a natural competitive advantage.

However, the US has been providing substantial support to cotton farmers through a wide range of measures including crop insurance, price deficiency like payments and market facilitation programmes which essentially offset the natural competitive advantage of developing countries. The US has spent more than $40 billion on cotton subsidies between 1995 and 2020.

In some years, the cotton subsidies were more than 75 per cent of the value of total cotton production in the US. Furthermore, per farmer cotton subsidy is significantly higher in the US ($117,494) as compared to India ($27), and China ($295). In recent times, the level of support for cotton has also substantially increased in China mainly on account of direct payments. These high levels of trade-distorting subsidies have a disastrous impact on agricultural growth, export earnings and welfare of the millions of poor cotton farmers and eventually trap them in a vicious cycle of poverty.

Rules at the WTO

Though both developing and developed countries can subsidise cotton production, there are limits on the amount of trade-distorting support a country can provide under the Agreement on Agriculture (AoA) at the WTO. As per the rules, most developing countries can provide support only up to a maximum limit of 10 per cent of their total value of cotton

production. If the limit is breached, their policies can be challenged at the WTO. Whereas this limit is not applicable for the developed countries.

For instance, in 2001, the US provided a cotton subsidy that constituted 74 per cent of the value of cotton production and yet was compliant with the WTO rules. Meanwhile, the developing countries with a ceiling cap on their flexibility to support cotton farmers do not enjoy such benefits. The WTO thus curtails the flexibility of poor countries to support their cotton producers, while simultaneously conferring exclusive additional flexibilities for the developed countries.

In order to address the discrimination in the WTO rules, the C-4 countries along with many developing including least-developed countries have been consistently demanding a substantial reduction in the developed countries' flexibilities to provide trade-distorting cotton subsidies since the 2003 Cancun WTO Ministerial meeting.

Despite their best efforts in highlighting the discrimination in the WTO rules at various subsequent Ministerial meetings, their demands have not been met so far. The rich countries have been unwilling to yield to the requests made so far, and continue to maintain trade-distorting cotton subsidies that essentially displace exports from farmers of poor countries. The collective demand of the C-4 and others to discipline trade-distorting cotton subsidies needs to be met expeditiously since it will reduce the elbow room available to the rich countries to depress international prices.

It will raise the farm income of poor farmers by making their cotton produce more competitive. This would go some distance in reducing the inequalities embedded in the WTO rules and essentially help in achieving Sustainable Development Goals of eradicating poverty and hunger.

Source: thehindubusinessline.com– Oct 18, 2023

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Russian exporters stuck with $8 bn in local Vostro accounts

Some of the Russian money is invested in Indian securities, but most of it remains in Vostro accounts due to a lack of investment opportunities in India for Russians and continued volatility in exchange rates

Russian exporters, including state-backed entities, are likely holding about $8 billion currently in Vostro accounts set up to facilitate trade in Indian rupees, two people familiar with the developments said.

Some of the Russian money is invested in Indian securities, but most of it remains in Vostro accounts due to a lack of investment opportunities in India for Russians and continued volatility in exchange rates.

"It is difficult to say the exact amount in the Vostro accounts since some transactions are very complex. However, the figure is likely closer to $7-8 billion than $30-40 billion," said the first person cited above, who didn't want to be named.

A Vostro account is a bank account held by a domestic bank on behalf of a foreign bank.

The foreign bank can use its Vostro account to conduct transactions, including forex settlements, cross-border payments and investments in the domestic market.

So far, Russian funds (in rupee) have been invested in Indian government treasury bills, since such funds are not allowed to be invested in corporate debt according to regulations.

Mint reported on 9 August that Russian funds worth about $10-12 billion are estimated to have been invested in Indian government treasury bills in the year ended 31 March 2023, after a surge in trade deficit led to higher surpluses in the Vostro accounts.

Meanwhile, Russia is looking to invest in different kinds of Indian government securities, as repatriating money is currently not an option, said the second person.

“Russia would ideally like to invest in new technologies. But, much of the intellectual property rights of these technologies are with the West (especially the US). So, it is investing in government securities," the person added.

The Reserve Bank of India (RBI) allows investment of excess balance from Vostro accounts in payments for projects and investments, treasury bills and government securities. However, experts said the Russian investments are likely in short-term government securities, as their exporters would like to take back the money lying in India at the earliest.

“The yield difference between long-term bonds and short-term ones like treasury bills are barely 30-50 basis points," said Venkatakrishnan Srinivasan, managing partner at Rockfort Fincap Llp, a financial advisory firm.

So, it makes no sense for Russians to invest in long-term government securities, as they would want to take back the money sooner than later, added Srinivasan.

Since the start of the Ukraine-Russia war, Moscow has swiftly risen to become India’s fourth-largest exporter, primarily driven by its oil exports. India’s imports from Russia grew nearly fivefold in the last financial year to $46.2 billion. However, payment issues remain a bottleneck between the two countries.

Spokespeople for the finance ministry, the commerce ministry, the RBI and the Russian embassy didn’t respond to queries. During FY23, India had a $43 billion trade deficit with Russia, which left their exporters with large surpluses in their Vostro accounts in India.

Indian refiners are using a mix of currencies, including yuan, to settle most of their Russian oil purchases. However, both countries were discussing trade in local currency, which is yet to take off because of currency volatility and the high trade deficit.

“At the moment, Russia cannot take back the money because the exchange rate is a challenge for them. Dollar payment to Russia is possible via the Society for Worldwide Interbank Financial Telecommunication (SWIFT) mechanism, which is blocked (for Russia)," Federation of Indian Export Organisations director-general Ajay Sahai said.

“Besides, the entire Russian manufacturing has come under sanction. So, even if an Indian company has the machinery required by Russia, they won’t be able to supply due to sanctions," he added.

The RBI has approved 34 applications of different Russian banks for opening rupee accounts with Indian banks to facilitate two-way trade in the backdrop of Western sanctions.

The rupee accounts have been opened by Russian banks in 14 Indian commercial banks, including UCO Bank, State Bank of India, HDFC Bank, Yes Bank, IDBI Bank, Punjab National Bank, Axis Bank and Canara Bank.

Source: livemint.com– Oct 18, 2023

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FTA may not lead to sudden surge in exports to UK: Study

As India-UK free trade agreement negotiations are at the final stages, a study has found that the pact is unlikely to result in immediate gains for India's exports, and the industry would have to still work hard to grab a greater share of the UK market for goods.

The 13th round of negotiations on FTA are underway in New Delhi at present and expectations are that the process may be wrapped up by this month-end and the pact would be ready for signing.

The non-traditional sectors like petroleum products, diamonds, machinery and pharma that have been the drivers of exports in the recent years are already enjoying zero duty in the UK, and are unlikely to benefit from the FTA, the report by Delhi-based Global Trade Research Initiative (GTRI) said.

In traditional sectors also the duties that India face in the UK range from 4% to 16% with average tariff coming to 4.2%, which is moderate. Yarn and fabric face a duty of 4%, garments and home linen are taxed at 10-12% and footwear face duties of 4% to 16%.

Of the total $11.4 billion worth of exports to the UK in the last financial year, $6 billion came from the newer sectors where duties are already nil while the rest came from traditional sectors.

"Signing an FTA alone may not lead to a substantial increase in India's labour-intensive goods exports," Ajay Srivastava, co-founder of GTRI said. Giving an example of Japan, the report pointed out that India's textiles and apparel exports to Japan did not see significant gains from the FTA.

From 2007-09 to 2019-21, India's exports to Japan grew from $257.7 million to $368.6 million, a cumulative growth of 43.1%, while India's global exports grew by approximately 67.9% during the same period.

"While the duty elimination in the UK can help Indian (traditional) exports, significant growth requires improvements in product quality," GTRI said.

The composition of India-UK trade is also changing rapidly for the FTA to deliver big gains in the short-term.

The impact of change in export trends as India emerges supplier of refined petroleum products to Europe following Russia-Ukraine conflict and makes an effort to become a player of some standing in electronics trade is also visible on UK trade.

In 2022-23 the biggest item of export to the UK was smartphones at $ 852.27 million followed by aviation turbine fuel at $670 million and automotive diesel at $245.6 million. In April-July smartphone sales to the UK grew 92% on year to $336 million while ATF exports were up more than five-fold to $520.5 million. The future lies in newer sectors.

Because India's high import tariffs of around the UK can gain in areas like precious and base metals, metal scrap, machinery, medicines, automobiles and scotch and other spirits.

On cars India imposes duties of 100% and on Scotch whiskey and wines 150%. After precious metals, scotch is the biggest export of UK to India at $373.7 million.

India may reduce, but not eliminate, tariffs on automobiles and Scotch whiskey from the UK. For luxury cars like those from JLR, Bentley, Rolls-Royce, and Aston Martin, the UK might want zero tariffs, but India could reduce them from 100% to 50%. India might also consider allowing a few thousand units at a 25% tariff, Srivastava said.

"India could reduce tariffs from 150% to 50% over a few years, similar to what it did for Australian wines. These sectors in India have had high tariff protection, even more than agricultural products," he added.

Source: financialexpress.com– Oct 17, 2023

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