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Currency Watch			
USD	EUR	GBP	JPY
83.05	87.81	100.55	0.55

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SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

China's strangle-hold on global supply chain difficult to delink: Report

The US, the UK and the EU are continuing with their rhetoric about decreasing dependency on China but the ground reality is on the contrary as the Chinese footprint is spread far, wide and deep – from basic items to high-level industrial equipment. The three huge consumer markets may speak from the moral high ground of Western democracies but insiders know well that developing other supply sources that are as resourceful as China is going to be a long-haul, hoping that India, Mexico, Brazil and South Africa could be brought forward as the diverse basket of options the US, the UK and the EU need.

In a series titled 'Worlds Apart: Risks and opportunities as deglobalization looms', RBC Wealth Management has paid particular attention to this situation as it explores the trend away from globalization and its ramifications for investors, economies, and financial markets.

China's sophisticated production makes it a leader

For a start, there are quite a few points which make China's case as the global king of production irrefutable. More often than not and much to the displeasure of the US, China has proven its ability to overcome the impact of technological restrictions in the past and its massive manufacturing scale and well-established supply chains are laying the foundation for future technological innovation. It is already a well-known fact that China is shifting away from low-end, labour-intensive component manufacturing to higher-tech, full-spectrum product manufacturing.

According to the report, the high complexity of global supply chains, combined with the extensive scale of China's industrial sector and manufacturing competencies, makes it undesirable and unrealistic for many multinational companies to make a complete break with China anytime soon. Additionally, this break-up could lead to multinational brands finding themselves in a precarious position as the country's domestic consumer population is just too large to ignore. China has migrated from low-cost manufacturing to one that increasingly focuses on innovation and complex manufacturing techniques. China will maintain its manufacturing dominance while at the same time make inroads into emerging and strategic fields such as electric vehicles, telecommunications, bioengineering, artificial intelligence, and other areas.

In recent years, the West has started implementing restrictions on China's access to critical technologies, such as AI, quantum computing, and advanced semiconductors, raising concerns about the country's ability to move further up the supply chain and achieve its stated "technological self-reliance" goals. However, the resourcefulness of the Chinese has not prevented their progress in these areas at all.

Western on-shoring and friend-shoring isn't ready to deliver

The Chinese approach to the pandemic was indeed a stringent one and hurt supply chains like never before, leading to many importers seeking to not only diversify their points of sourcing but also set up manufacturing in locations closer home and in regions that are on friendly terms with importing countries. For the US, the opportunity lay in cost-efficient Mexico and the cluster of Central American countries – however, whilst Mexico being a North American country has the basic infrastructure and cheap talent pool in place, it cannot deal with even 15 per cent of the Chinese capacity and that too with huge production line investments.

The Central American countries are a no-go as they are in continuous socio-political conflicts, have huge illegal and criminal bases that can jeopardize operations and supplies and most importantly have no skilled labour or infrastructure worthy of complimenting Mexico's production capabilities.

In The EU, Turkey has always been a viable option and now that the nation is undergoing economic downturns regularly, it does not guarantee a stable environment for a steady supply and the East European countries that don't fall within the EU are not ideal places to develop as friend-shoring hubs.

As things are, trade relations with China will continue and a slowdown will take decades to achieve.

Source: fashionatingworld.com– Oct 20, 2023

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Retail sales up in US in September despite economic pressures: NRF

Retail sales continued to grow in September even as consumers faced continuing economic pressures, the National Retail Federation has said. Clothing and clothing accessory stores were down 0.8 per cent month over month seasonally adjusted but up 0.8 per cent unadjusted year over year. Online and other non-store sales were up 1.1 per cent month over month seasonally adjusted and up 6.2 per cent unadjusted year over year.

NRF's calculation of retail sales—which excludes automobile dealers, gasoline stations and restaurants to focus on core retail—showed September was up 0.5 per cent seasonally adjusted from August and up 2.2 per cent unadjusted year over year. In August, sales were up 0.2 per cent month over month and up 3.6 per cent year over year, NRF said in a press release.

NRF's numbers were up 3.1 per cent unadjusted year over year on a three-month moving average as of September and up 3.7 per cent for the first nine months of the year.

"September retail sales show that consumers have retained the ability and willingness to spend despite accumulating economic headwinds from higher interest rates and slowing growth," NRF president and CEO Matthew Shay said. "As we gear up for the holiday season, we expect moderate growth to continue as consumers focus on value and household priorities. Retailers have been hard at work getting holiday inventories in place to provide consumers with great products, competitive prices and convenience at every opportunity."

"The consumer is still healthy, and today's report shows households are forging ahead with plenty of buying power despite persistent inflation, rising interest rates and geopolitical conflicts," NRF chief economist Jack Kleinhenz said.

"Firm payroll growth over the past few months has likely helped spending across retail sectors. However, much of the rise was due to car sales, gasoline prices and food services. When you exclude those categories and look at core retail as measured by NRF, the pace of year-over-year growth is slowing."

The US Census Bureau said overall retail sales in September were up 0.7 per cent from August and up 3.8 per cent year over year. That compared with increases of 0.8 per cent month over month and 2.9 per cent year over year in August.

Source: fibre2fashion.com– Oct 20, 2023

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Chinese Textile Players Investing $101 Million in Egypt

Textiles were at the top of the agenda last week in Shanghai, where officials of the Suez Canal Economic Zone (SCZONE) met with Chinese investors bringing business to Egypt, which counts apparel and textiles as its second-biggest exports market.

Walid Gamal El-Din, the chairman of the SCZONE, signed agreements with Chinese executives to establish a number of textile projects in the West Qantara Industrial Zone. The projects were valued at an estimated $101.3 million.

The mix included one firm agreement and three letters of intent for other textile companies. The former was a usufruct agreement, or agreement to use a parcel or property without altering it, with the Hengsheng Dying Zhejiang Company which plans to invest $70 million in the construction of a more than 2-million-square-foot dyeing, processing and textile manufacturing facility.

Also in the West Qantara Industrial Zone, a letter of intent was signed by Shaoxing Yuding Textile Company for a new $5 million factory, Dinghang Egypt. The roughly 137,000-square-foot plant will export 90 percent of its production to the U.S. and European markets.

The second of three letters of intent was signed by Shengzhou Captain Industrial & Trading. It plans to build a $5 million, 129,000-square-foot factory for the production of spandex, polyester and elastic materials.

The third signed letter of intent was executed with Indochine Holdings, a major player in the Chinese textiles sector. It plans to invest $21.3 million in the construction of a roughly 700,000-square-foot factory, 90 percent of whose production would be exported to the U.S. and European markets.

These investments in Egypt by Chinese textile companies comes on the heels of an announcement in late August by Chinese developer TEDA-Egypt that it had laid the cornerstone of a $60 million, six-building, 1.6 million-square-foot facility the company, Egypt Cady Textiles, said will produce 50,000 tons of high-end “environmentally friendly” polyester textiles and 8 million seamless garments using smart manufacturing methods.

Construction is to begin by the end of this year and is expected to be completed by the end of 2024. It will be TEDA-Egypt's largest factory to date and part of the company's broader expansion in the Sokhna zone on the Gulf of Suez's western shore, where it operates more than 130 industrial and service facilities worth about $1.6 billion.

Egypt's apparel exports have seen a downward trend for much of this year. They fell 4 percent in January to $196 million, versus $203 million a year earlier. March produced a bigger 24 percent decline and the trend worsened in April, when exports took a 32 percent tumble. Things seemed to turn around in May, which yielded a 14 percent increase to $215 million, but exports fell again in June, by 17 percent.

For the January-to-June period, exports were down 12 percent from the same timeframe last year, according to the Apparel Export Council of Egypt. The country exports the lion's share of its textile products to non-Arab African nations, at $1.2 billion for the six months through June. In the same period it sent nearly $500 million to the U.S.

Source: sourcingjournal.com– Oct 19, 2023

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Supply chain woes threaten to unravel UK & US retailers' holiday hopes

A staggering 83 per cent of supply chain professionals in the US and UK expect supply chain disruptions to negatively impact revenue, according to a recent study from Coupa. This is a significant jump from 70 per cent who felt this way in 2022. Retailers are bracing for an average revenue loss of about 10 per cent, which could translate into billions of dollars lost during this crucial selling period. Among the top worries for retailers are missing their holiday sales forecasts, with 91 per cent fearing this outcome. About 81 per cent are concerned that strained family budgets will significantly reduce consumer spending. Additionally, 77 per cent of retailers are bracing themselves for product shortages, as per the study.

For consumers, financial concerns are also paramount. Nearly three-quarters of those surveyed are worried that the cost of living will negatively impact their spending. This is a sentiment that is particularly strong among Gen Z and Millennials, where 80 per cent express this concern. In terms of shopping behaviour, two-thirds of consumers are influenced by the cost of living, and over half are influenced by rising inflation. Consumers are actively seeking savings: 50 per cent are waiting for discounts and sales, and 51 per cent say that deals are their top motivating factor for purchasing from a specific retailer. Brands have responded by offering deals and sales earlier, with 65 per cent doing so, and increasing the number of deals, reported by 58 per cent of retailers. However, almost half of consumers are planning to defer their shopping until the end of the year, which may dampen the holiday spirit.

As for the supply chain issues, retailers predict that household goods and decor will be most impacted, at 45 per cent, followed by apparel and electronics, both at 41 per cent. These disruptions are also causing concern among businesses about excess inventory and supplier reliability. Half of the businesses surveyed are dealing with excess inventory, and 54 per cent are concerned about one or more of their company's suppliers shutting down. Furthermore, labour shortages this holiday season are expected to result in increased wait and shipping times, as cited by 61 and 54 per cent of retailers, respectively.

Source: fibre2fashion.com– Oct 20, 2023

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UK's Worn Again Technologies joins ACTR for waste-free textile future

UK's Worn Again Technologies, a pioneer in the true circular economy for textiles, has announced its membership of the newly formed Alliance of Textile Chemical Recyclers (ACTR). Spearheaded by Accelerating Circularity, this partnership aligns with Worn Again Technologies' mission to repurpose waste materials back into the supply chain, signalling a shift away from the old-fashioned linear textile industry.

The ACTR aims to provide the textile industry with accurate information on textile chemical recycling through a unified voice. The association aims to meet these goals through educational, outreach, and engagement opportunities, with the first step being the introduction of a dictionary of common terms to educate the industry on the chemical recycling of textiles, Worn Again Technologies said in a press release.

Collaborating with other leaders in the field, Worn Again Technologies and its fellow members are committed to delivering sustainable initiatives. These include advocating for chemical recycling solutions to reduce the volume of textile waste directed to landfills and incinerators, ensuring a supply of sustainably sourced, circular materials, and assisting brands and retailers in reducing their CO_2 footprints.

Worn Again Technologies is at the forefront of the creation of a sustainable textiles industry with its chemical recycling technologies. A testament to this commitment is the development of its state-of-the-art textile recycling demo plant in Winterthur, Switzerland. This facility, designed to divert up to 1,000 tons of textiles annually from incineration, showcases its closed-loop chemical recycling technology aligning with ACTR's goal to drive awareness about how this process can benefit the textile industry.

"We formed this collective to move chemical recycling technology forward, share common definitions, and address policies in a collaborative way to maximise the elimination of textile waste to landfills and incineration," explained Karla Magruder, founder and president of Accelerating Circularity. "Chemical recycling technology has many benefits, including quality more similar to virgin fibre and the ability to recycle multiple times."

"Becoming a member of the ACTR underscores our commitment to revolutionising the textile industry. The potential of chemical recycling is vast, promising end products with quality akin to virgin fibres and the opportunity for further reuse. As leading experts in the chemical recycling of textiles, we bring technical know-how that will help drive impactful outreach activities across the industry. Together, we're not just imagining a world without textile waste, we're actively helping to build it," commented Erik Koep, CEO at Worn Again Technologies.

Source: fibre2fashion.com– Oct 19, 2023

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Cambodia's Special Economic Zone: Decade of remarkable transformation under BRI

On the occasion of the third Belt and Road Forum for International Cooperation, an achievement unveiling ceremony took place in Beijing on Tuesday to mark the development of Cambodia's Sihanoukville Special Economic Zone during the past 10 years under the Belt and Road Initiative.

Strategically positioned in Preah Sihanouk province, or Sihanoukville, SSEZ is a joint development project carried out by a slew of Chinese enterprises led by HOdo Group — a Wuxi, Jiangsu province-based textile and garment maker — and Cambodian enterprises.

As an important bilateral cooperative project, the special economic zone has been mentioned multiple times in joint statements and reports between China and Cambodia. In a joint statement released during Cambodian Prime Minister Hun Manet's visit to China in September, SSEZ was once again highlighted as a key player in the China-Cambodia cooperation mechanism in terms of production capacity and investment.

In the first nine months of 2023, enterprises within the zone achieved a total import and export value of $2.507 billion, representing about 7.13 percent of Cambodia's total trade turnover, compared to a mere 0.88 percent 10 years ago.

Since its inauguration in February 2008, SSEZ has seen rapid development, with the Belt and Road Initiative serving as a powerful engine for the remarkable progress, said Zhou Haijiang, chairman of HOdo Group and a delegate to the 20th National Congress of the Communist Party of China. This development has propelled SSEZ to become Cambodia's fastest-growing, most influential and socially acclaimed economic special zone, Zhou added.

Over the past decade, SSEZ has harnessed bountiful development opportunities presented by the BRI. It is now hailed as a major driving force for the province's economy and a steady source of employment for the local population through continuously enhancing infrastructure, improving production capabilities and optimizing industrial structure.

The number of enterprises settled in the zone has grown from 54 in 2013 to 175 today, covering a wide range of sectors including hardware and machinery, construction materials, automotive parts and tires, photovoltaic materials, medical supplies, luggage and leather goods, textiles, and clothing.

Source: chinadaily.com.cn– Oct 20, 2023

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Nonwoven Wipe Technology Demonstrates Value in the Arctic

The cotton-based FiberTect decontamination wipe has proven its value in the Arctic Circle.

Fredericksburg, VA-based First Line Technology successfully demonstrated the efficiency of cold weather decontamination during a training event at Samuel Simmonds Memorial Hospital in Utqiagvk, AK, using the FiberTect nonwoven dry decontamination wipe for patient and responder decontamination.

The hospital is in the northernmost part of the United States, 350 miles above the Arctic Circle and bordering the Arctic Ocean. The average temperature in this region is 17oF.

Samuel Simmonds Memorial Hospital is the only hospital providing healthcare services in the North Slope Borough of Alaska. This area is an oil drilling region, as well being prone to fentanyl and other opioid addiction issues. First receiver teams must be adequately equipped with decontamination technology that works in severe cold weather conditions.

The FiberTect dry decontamination wipe was invented in the Nonwovens & Advanced Materials Laboratory at Texas Tech University and is a model for lab-to-reality translational research. The technology is part of the "Hybrid Decontamination" approach commercialized by First Line Technology.

Normal liquid-based decontamination technologies are not efficient in extreme cold weather environments below 35oF. In these areas, patient and surface decontamination with soap and water is not feasible. During the training exercise in Alaska, the maximum temperature with high winds was only 14oF.

"FiberTect is allowing first receivers and first responders to perform effective decontamination in austere temperatures where other decontamination approaches may not be viable," states Corey Collings, Director at First Line Technology. "Due to its patented structure, the FiberTect nonwoven wipe can effectively remove fentanyl and radiological particles, as well."

Dry decontamination using the FiberTect technology works well on many toxic chemicals that have high vapor pressure. First Line Technology has perfected the protocol where contaminants like fentanyls are removed from the skin and other surfaces. These toxic substances can further be degraded using Dahlgren Decon.

Collings notes that the hybrid decontamination technology involves dry FiberTect with Dahlgren Decon or Dahlgren Part A soap, depending on the nature of the contamination.

In addition to decontamination solutions, the FiberTect nonwoven technology continues to find broader applications on its own in the United States and overseas.

Source: cottongrower.com– Oct 19, 2023

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Sri Lankan apparel embraces organic manufacturing

The half-a-billion US$ global organic textile market is set to grow at a compound annual growth rate of 40% within the next five years and with eco-consumption on the rise, it is evident that apparel companies too, are gearing up for the shift in consumer patterns.

Sri Lanka, known for its ability to produce high-end niche apparel, is now focused on enhancing its capacity to produce eco-friendly clothing using organic textiles, where compliance remains a key component.

The country's Joint Apparel Association (JAAF) notes an increase in Sri Lankan companies obtaining the Global Organic Textile Standard (GOTS), indicating an increased awareness within the industry of the importance of adopting international best practices and sustainable manufacturing.

South Asian Representative of GOTS Ganesh Kasekar reveals a 21% increase in certified facilities compared to 2022 in Sri Lanka, with 74 factories currently holding certification for the period of 2023/2024. Amongst these Sri Lankan companies, local apparel giants including Hirdaramani International Exports, MAS Intimates and Brandix have also obtained GOTS certification for the sustainable production of children's wear, ladies' wear, men's wear, and baby wear.

GOTS is recognised as the world's leading processing standard for textiles manufactured using organic fibres. It defines high-level environmental criteria through the entire organic textiles supply chain and requires compliance with social criteria as well. The successful completion of GOTS certification by an approved certifier provides companies with the right to participate in the GOTS programme, including using the standard and the GOTS logo on GOTS-approved goods. With the standard being renewed annually, GOTS 7.0 was launched in March 2023, with full implementation required for all certified entities by March 2024.

GOTS key compliance factors

Built on the three pillars of social responsibility, environmental sustainability and ethical business practices, GOTS covers the production process end to end. "Simply claiming to be sustainable is not enough," asserts Kasekar. "GOTS has developed standards that cover the entire production process, based on the use of organic fibres, from textile processing and manufacturing up to licensing and labelling. The certification process is rigorous and requires compliance with all criteria, but ultimately leads to an internationally recognized organic certification."

The certification demonstrates a company's commitment to providing sustainable, ethical and high-quality products to stakeholders, partners and consumers. Therefore, to earn GOTS certification, textile products must contain a minimum of 70% organic fibres, reflecting a commitment to environmentally friendly materials.

Additionally, stringent criteria govern the use of chemical inputs - ensuring that dyestuffs and auxiliaries meet strict environmental and toxicological standards. Even the choice of accessories is guided by ecological considerations. Notably, a functional wastewater treatment plant is mandatory for any wet-processing unit, underscoring the importance of responsible water management.

"Because of the substantial impact of the textile industry, proper environmental stewardship is imperative. Emphasis on wastewater management and energy conservation is not new. Among the many inputs used in processing, GOTS only allows those with minimum or no ecological impact," Kasekar adds.

Under GOTS, social responsibility is strictly based on the ISO, OECD and ILO conventions and stringently adhered to throughout the supply chain. GOTS 7.0 places additional emphasis on due diligence as an integral component of certification.

Worker welfare has been a core priority of all GOTS-certified Sri Lankan companies, with a commitment to preventing and opposing any form of human rights abuse within the supply chain. These companies uphold strict policies against forced and child labour and measures to combat discrimination, harassment and violence.

GOTS places special emphasis on safeguarding the rights of female workers, supporting collective bargaining and ensuring occupational health and safety standards. Moreover, companies are required to address fair compensation and assess any disparities in living wages. The GOTS Human Rights and Social Criteria are firmly rooted in international labour and human rights standards, drawing from the United Nations Guiding

Principles on Business and Human Rights, OECD guidelines, International Labour Organization (ILO) Guidelines and other relevant frameworks.

Sustainability at the centre of GOTS

“Sustainability is no longer just a trendy buzzword," emphasises Kasekar "Certified organic products offer a practical solution for retailers and consumers to make legitimate and verifiable sustainability claims for textile products. The demand for organic products is strong in the US and EU markets, driven by environmentally conscious Gen Next consumers.”

Stating that the textile industry holds promise in addressing economic challenges in Sri Lanka, he pointed out that it is crucial for local industries to align with sustainability standards, encompassing environmental, social and governance criteria.

It is evident that compliance certifications play a pivotal role in seamlessly integrating with global supply chains and international trade by adhering to globally accepted trading standards, and ideally emphasised at a time when Sri Lanka seeks export expansion, investor attraction and improved foreign exchange inflow.

These benefits include risk reduction in supply chain management, providing independent credibility as a third-party certification (as opposed to self-claims on sustainable production), ensuring quality through on-site inspection and product testing, building investor and public confidence, enhancing efficiency and productivity through wastewater management and improved eco-efficiency, reducing company costs in supply chain tracing, increasing value addition compared to conventional products, and aiding companies in adapting to increasingly stringent regulatory climates.

In a world where regulatory landscapes are evolving towards greater sustainability, certifications like GOTS help companies adapt to increasingly stringent regulations. This foresight not only ensures compliance but also positions businesses for success in markets with heightened sustainability expectations.

As Sri Lanka Apparel looks to the future, it fully acknowledges the myriad advantages offered by the GOTS certification. With a steadfast commitment to upholding GOTS standards in sustainable textile production and trade, the industry is poised to not only thrive but also serve as a beacon of responsible and ethical manufacturing, contributing positively to the global sustainability agenda.

Source: knittingindustry.com– Oct 19, 2023

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Pakistan: Cotton production slows as white fly attacks crop

The production of the commodity, however, slowed down in recent weeks compared to the initial growth of around 80% as "white fly attack, mainly in the south Punjab cotton region, reduced the yield by 10-15%," Pakistan Cotton Ginners Association (PCGA) former vice chairman Muhammad Asim Saeed said while talking to The Express Tribune.

According to PCGA's latest fortnightly cotton arrival report released on Wednesday, the output stood at 3.70 million bales at the same time last year.

Saeed, who is also Vice President of the Multan Chamber of Commerce and Industry (MCCI), said the revival of cotton production came after "the government announced for the first time cotton support price (minimum purchase price) for the current season at Rs8,500 per 40 kg."

The intervention price encouraged cotton growers to plant the crop over a larger area this year compared to the previous sowing season, giving a boost to the harvest.

Pakistan produced less than 5 million bales last year (FY23). The government initially estimated cotton production at over 12 million bales for the current season but the white fly attack forced a revision of the estimate to around 10 million bales, it has been learnt.

The output of 10 million bales is lower by 2 million bales compared to the country's average production of 12 million bales a year, Saeed said, adding that cotton production had peaked at 14.8 million bales in the recent past.

He pointed out that the cotton price had dropped below the support price to Rs7,000-7,500 per 40 kg and demanded that the government buy the commodity from growers to stabilise prices around the support level of Rs8,500.

He urged the government to activate the Trading Corporation of Pakistan (TCP) for cotton purchase from growers, as decided at the time of announcement of the support price. A further delay in reactivation of TCP may destabilise the market and shake the confidence of growers, who may switch to some other profitable crop next year.

Saeed revealed that the increase in cotton harvest reduced demand for imports by 5-6 million bales in the current season, adding that overall imports would be around 5 million bales to meet the country's total consumption requirement of 15-16 million bales.

Pakistan's textile exports have, however, remained under pressure so far this year amid high inflation and a spike in energy prices.

Topline Research, in a commentary, said Pakistan's textile exports came in at $1.4 billion in September 2023, down 6% month-on-month and 11% year-on-year. It was mainly due to the decline in exports of both basic textiles and value-added segments.

"Lack of energy supply with increased electricity rate, higher interest rates and exchange rate fluctuations were the prime reasons for the decline in textile exports," it said.

Overall, in the first quarter (Jul-Sept) of FY24, textile exports declined 10% to $4.1 billion compared to the same period of last year.

In the coming months, cotton exports are expected to rise as favourable weather conditions have resulted in a better cotton crop in the country.

"However, elevated energy costs and shortage of gas will continue to pose a challenge to the textile industry. In addition, the slowdown in global economy is a key challenge facing the sector," the research house said.

Source: tribune.com.pk– Oct 19, 2023

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NATIONAL NEWS

What to expect from India-UK free trade pact

The India-UK Free Trade Agreement (FTA) negotiations are at a critical juncture, with teams from both countries striving to address the last remaining issues from the 26 negotiating subjects. If all goes as planned, the Prime Ministers of India and the UK may announce the conclusion of the FTA very soon.

The India-UK FTA marks a new era in India's trade deals. It shifts the focus from East to West, opening doors to negotiations with Western nations like the UK, EU, Israel, Switzerland, and the US.

Moreover, it includes non-trade issues like environment, labour, intellectual property rights, digital trade, government procurement, competition and gender in the FTAs, creating opportunities and challenges.

What gains can India expect with a substantial trade relationship and a surplus trade? Let's explore the critical areas of focus, challenges and possible outcomes.

Merchandise trade. Indian products like petroleum, medicines, diamonds, machine parts, aeroplanes, and wooden furniture worth $6 billion face no tariffs in the UK, even without the FTA. These will not gain from the FTA. Indian exports valued at $5 billion, such as textiles, apparel (shirts, trousers, women's dresses, bed linen), footwear, carpets, cars, marine products, grapes, and mangoes, face relatively low to moderate tariffs in the UK.

For example, tariffs on yarn and fabric are 4 per cent, while tariffs on shirts, trousers, women's dresses and bed linen range from 10-12 per cent. These products will benefit from the tariff reductions by the UK. But signing an FTA alone may not substantially increase India's labour-intensive goods exports.

For instance, India's textiles and apparel exports to Japan did not see significant gains from the FTA. Significant export growth requires improvements in product quality.

UK exports of $8.2 billion, covering 91 per cent value of total merchandise imports from the UK, enter India on payment of average to high tariffs duties. For example, the tariff on cars is 100 per cent, and on Scotch whisky and wines are 150 per cent. The simple average tariff in India on goods imported from the UK is 14.6 per cent. These products will gain from tariff reduction by India.

India may reduce tariffs on automobiles from 100 per cent to 50 per cent. India might also consider allowing a few thousand units at a 25 per cent tariff. For Scotch whiskeys, India could reduce tariffs from 150 per cent to 50 per cent over a few years, similar to what it did for Australian wines.

India has hesitated to reduce tariffs in FTAs due to opposition from dairy cooperatives and concerns about farmer welfare, making it a politically sensitive issue. Selective imports will encourage Indian firms to improve their systems and offer healthier choices to consumers without negatively impacting farmers. Import opening must enhance domestic quality rather than benefit the partner country.

Services: An area of immediate advantage for India is persuading the UK to issue priority visas to Indian professionals travelling to the UK to perform short-term assignments. However, obtaining a large number of short-duration business visas from the UK may not be easy, as the UK erroneously associates visas with immigration, a sensitive issue since Brexit.

UK firms want a pie in the expanding Indian telecommunications, legal, banking and insurance sectors. The UK may push for Indian commitments in these sectors.

In an FTA, while tariff cuts ensure immediate cost advantage to export products, no such advantage accrues to service exporters. The negotiators primarily focus on ensuring the stability of existing investment rules. They negotiate binding commitments at existing autonomous levels.

Rules of origin: This will ensure that products from third countries only receive FTA benefits if they undergo significant transformation in the exporting country. India prefers conservative rules of origin compared to most developed countries, leading to extended discussions and negotiations. India may need to be more flexible in its rules of origin framework, especially as its firms in sectors like chemicals, electronics and synthetic textiles increasingly use imported inputs.

Government procurement

India has taken no commitment on the government procurement chapter at the WTO; hence, it can favour domestic firms without fearing trade rules violations. In the FTA, allowing the UK producers to sell to India's government procurement sector would bring them on par with Indian firms. On the other hand, Indian firms face a competitive and restricted government procurement market in the UK with little business prospects. India needs to be conservative and careful.

Labour standards, gender, environment, digital trade, IPRs: India must make domestic rules/standards before taking commitments under the FTAs. Till then, India must avoid taking onerous obligations on non-trade issues. For example, the text in the sustainability chapter of the FTA may provide legal justifications to the UK for imposing non-tariff barriers on Indian products to promote sustainability. If this happens, the market access that India might expect under the FTA could be undermined.

India should not agree to free cross-border data flows. Ownership of national data is crucial for developing public services. On labour issues, India should not agree to reiterate the ILO conventions agreed. Commitments at ILO are the best endeavour, but reiterating those under an FTA becomes binding and actionable. This logic applies to the environment, sustainability and other chapters. A text about the participation of women and MSMEs may be a disguise for obtaining market access concessions in government procurement or services.

The UK Government intends to introduce emissions reporting in 2025 and a phased implementation of the Carbon Border Adjustment Mechanism (CBAM) in 2026. Once CBAM is launched, the UK products will enter India at zero duties, but Indian products may pay 20-35 per cent tariff equivalent as CBAM charges. A suitable text may be inserted in the FTA chapters dealing with this possibility.

The India-UK FTA presents a mixed picture of potential gains and complex challenges. The path to a successful FTA requires a delicate balance of economic interests, political sensitivities, and a commitment to improving the quality of Indian goods.

Source: thehindubusinessline.com – Oct 19, 2023

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India will account for 18% of global growth by 2028, to play key role: IMF

The International Monetary Fund expects India to increase its contribution to global growth over the next five years as the economy continues to grow fairly rapidly.

India will likely account for 18 per cent of world growth by 2028, up from 16per cent currently, Krishna Srinivasan, director of the Asia and Pacific Department of IMF, told reporters in Mumbai on Thursday.

India's faster growth compared with China's economic slowdown could see the South Asian nation make a bigger contribution to global growth than its larger rival — only temporarily — the latest IMF figures show.

However, in terms of the size of their economies, China remains dominant. Based on the latest estimates from the IMF, China's nominal gross domestic product will increase to $23.61 trillion by 2028, while India's will reach $5.94 trillion.

China and India will jointly contribute about half of world growth in both 2023 and 2024, IMF figures show.

HSBC economists Frederic Neumann and Justin Feng said in a report last week that India is far from matching China's contribution to the world economy, based on the size of the two economies and their share of global investment and consumption.

The IMF estimates India's economy will expand 6.3 per cent in both this year and next. It expects Asia Pacific to remain the "most dynamic region" this year, with growth of 4.6per cent, although the expansion is expected to slow to 4.2 per cent in 2024 and to 3.9 per cent in the medium term — "the lowest in the past two decades except for 2020," it said.

Source: business-standard.com – Oct 20, 2023

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Plan to encourage traders to use Indian-flag vessels, says Piyush Goyal

Union Minister for Commerce and Industry Piyush Goyal on Thursday said that the government is working on a plan to push for more Indian-flag vessels in fleets of domestic and global shipping lines and encourage importers and exporters to use them.

"Sarbananda Sonowal (Union Minister for Ports, Shipping, and Waterways) and I will announce shortly a joint team of the shipping and the commerce and industry ministries to work out a roadmap to see how we can encourage a greater number of companies, domestic or international, to come to India and have a larger number of Indian-flag vessels," Goyal said at the Global Maritime India Summit 2023.

He added: "We'll be working out how we can encourage our importers and exporters to use Indian-flag vessels in the years to come."

On Tuesday, Prime Minister Narendra Modi said that India aims to be among the top five nations in shipbuilding over the next 25 years.

The commerce minister asked the shipping industry to seriously deliberate and suggest to the Central and state governments what they could do to incentivise shipping lines to have more Indian vessels in their fleet.

He added that the sector must focus on capacity building by bringing new technologies to India and leverage the skills offered by Indian seafarers.

According to shipping ministry data, the share of Indian-flag ships in India's export-import trade has steadily decreased from 40.7 per cent in 1987-88 to just 6.53 per cent in FY20. This has led to foreign exchange outflow.

Despite having long useful lives of 15-25 years, the shipping sector, comprising ships and floating vessels, have been kept outside the Harmonised Master List of Infrastructure sub-sectors — the proposal to grant this status is now being considered by an expert committee to increase the number of Indian ships going forward.

India had also announced a shipbuilding financial assistance policy to address the vacuum in Indian ship manufacturing. However, it has not found major success.

"The current incentives seem to have had a limited impact on attracting tonnage to the Indian flag. Further, the COVID-19 pandemic has disrupted almost every area of the shipping industry, after a promising 2019, with yard closures, logistical challenges, and other delays," according to the shipping ministry.

India needs a minimum of Rs 55 trillion of investment in infrastructure expansion for ports and vessel acquisition to meet its stated target for 2047. Currently, there are 1,800 Indian-flag vessels operating.

Meanwhile, the shipping ministry said that the summit ended with Rs 10 trillion worth of secured investments in the Indian maritime sector.

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

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India's economic growth eases to 9.5% in Sept 2023: ICRA

India's year-on-year (YoY) growth in economic activity has eased to 9.5 per cent in September 2023, according to the ICRA Business Activity Monitor, an Index of high-frequency indicators. This is a decline from the six-month high of 10.6 per cent observed in August 2023. The index points towards a sequential decline in September, attributing it partially to the resumption of monsoon rainfall after a lull in August.

In quarterly terms, the YoY growth in the index saw an increase, rising to 9.5 per cent in the second quarter (Q2) of financial year 2024 (FY24) from 7.2 per cent in Q1 FY24. This surge is attributed to the favourable impact of a patchy monsoon and resilient domestic demand. Despite this, ICRA projects a slowing down of GDP expansion to 7 per cent in Q2 FY24, down from 7.8 per cent in Q1 FY24.

The projected GDP growth for Q2 FY24 surpasses the Monetary Policy Committee's (MPC) estimate, which stood at 6.5 per cent for the quarter. This indicates a more optimistic outlook than initially expected by financial policymakers.

The early trends for economic activity in October 2023 are reported to be mixed. This is partly due to the late onset of the festive season in 2023 relative to 2022, which could influence spending and business activity differently compared to previous years.

Source: fibre2fashion.com – Oct 19, 2023

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Monetary policy ought to remain actively disinflationary; interest rates to remain high: RBI Guv Shaktikanta Das

Reserve Bank Governor Shaktikanta Das on Friday stressed that the monetary policy must remain actively disinflationary to ensure that the decline in inflation from its peak of 7.44 per cent in July continues smoothly. Addressing the Kautilya Economic Conclave 2023, he also said price stability and financial stability complement each other and it has been an endeavour at RBI to manage both efficiently.

Retail inflation declined to a three-month low of 5.02 per cent annually in September on account of moderation in vegetables and fuel prices, and was back within the Reserve Bank's comfort level.

The inflation based on Consumer Price Index (CPI) was 6.83 per cent in August and 7.41 per cent in September 2022. In July, inflation touched a peak of 7.44 per cent.

The Reserve Bank has raised the key policy rate (repo) by 250 basis points since May 2022 to tame inflation. However, it pressed the pause button on rate hike in February this year.

"We have maintained a pause on policy rate. So far 250 basis points rate hike is still working through the financial system. We have also appropriately fine-tuned our communication to ensure a successful transmission of the interest rate hikes," the Governor said.

He also said expansion of digital payments have made monetary policy transmission more quick and effective. Das also stressed that the monetary policy is always challenging and there is no room for complacency.

He said interest rate will remain high at the moment, and only time will tell for how long it remains at elevated level. In the wake of the ongoing geopolitical crisis, major central banks across the world have raised their key policy rates to deal with high inflation.

The Reserve Bank too had raised the short-term benchmark lending rate (repo) cumulatively by 250 basis points since May 2022. However, it has paused its rate hike spree in February this year and retained the repo rate at 6.5 per cent.

"Interest rate will remain high at the moment, (for) how long, only time will tell," the governor said in response to a query at Kautilya Economic Conclave 2023.

In his speech, the Governor also said the global economy is now facing a triad of challenges -- inflation, slowing growth and risks to financial stability.

"First, no moderation in inflation which is getting interrupted by recurring and overlapping shocks. Second, slowing growth and that too with fresh and enhanced obstacles. And third, lurking risks of financial stability," he said.

With regard to the domestic financial sector, he said Indian banks would be able to maintain minimum capital requirements even during stress situation.

India is poised to become the new engine of global growth, Das said, and added the country is expected to clock 6.5 per cent GDP growth rate in the current fiscal ending March 2024.

Source: economictimes.com– Oct 19, 2023

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India's cotton yarn exports to China surge

India's cotton yarn exports to China, one of the largest importers in history, have been declining steadily through 2022, with Bangladesh leading the way.

However, by 2023, the situation has undergone a dramatic reversal. India's latest cotton yarn shipment data shows that from January to July 2023, China's cotton yarn imports from India increased by 411.12%, worth US$440.9 million, compared with US$86.26 million in the same period last year.

Apparel Resources found that in July 2023 alone, China's cotton yarn imports from India increased by 8888.97%, with imports reaching US$114.55 million that month, while imports from the United States were meager. It was $1.27 million in the same period last year. It is worth noting that in July 2023, China imported more cotton yarn from India than Bangladesh. The value of Bangladesh's yarn imports from India was only US$81.73 million, a year-on-year decrease of 1%.

Cumulatively, Bangladesh's cotton yarn imports from India were valued at $524.46 million, still ahead of China, although this reflected a sharp decline of 51.89% between January and July 2023. In addition, Turkey, the third largest importer of Indian cotton yarn, also pointed out that imports increased significantly by 32.18% in the first seven months of 2023, with imports reaching US$117.47 million.

Despite an increase in cotton yarn shipments from China and Turkey, India's total cotton yarn exports fell by 16.68% year-on-year in the January-July period this year to a value of $1.95 billion, mainly due to declines in Bangladesh and Egypt, Peru, Portugal , Vietnam and other major markets.

While Bangladesh's decline in market share may cause concern among Indian cotton yarn exporters who are grappling with the challenge of managing the balance between domestic and export markets, there is a silver lining to the situation. The recovery in Chinese demand is a welcome development for these exporters.

Source: min.news– Oct 19, 2023

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