TEXPROCIL NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY

The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 186 of 2023 **October 26, 2023**

Currency Watch			
USD	EUR	GBP	JPY
83.23	87.74	100.54	0.55

NATIONAL NEWS	
No	**Topics**
1	Union Minister of Commerce and Industry Shri Piyush Goyal attends 7th Future Investment Initiative in Riyadh, Saudi Arabia
2	India negotiates for UK carbon tax concessions in proposed FTA deal
3	Investing in India: View from Taipei
4	Centre looks to meet freight corridor cost escalation from its own pockets
5	Spinning mills battle muted demand, rising cotton prices
6	India's e-commerce sector projected to hit $300 bn by 2030: Report

INTERNATIONAL NEWS

AAFA urges USTR to restore China Section 301 tariff exclusions process

The American Apparel & Footwear Association (AAFA) recently urged the office of the US trade representative (USTR) to reinstate a comprehensive and transparent China Section 301 tariff exclusions process and to work with other governments toward an alignment on standards compliance in chemical management, product safety, labelling and other regulatory areas.

It also urged USTR to create a pathway for digital labelling for apparel and footwear products and remain persistent in promoting the Trade Facilitation Agreement (TFA), which will eliminate many hidden barriers by ensuring expedited treatment for the movement of goods and greater cooperation between customs officials.

AAFA's suggestions were part of its response to request for public comments to compile the 2024 National Trade Estimate (NTE) Report on Foreign Trade Barriers.

In a letter to Laura Buffo, chair of USTR trade policy staff committee, AAFA vice president of trade and customs policy Beth Hughes wrote that lack of TFA ratification and implementation is a trade barrier.

Approximately 98 per cent of all the clothes and shoes purchased in the United States are imported, the letter noted.

"While we still export from the US, the clear majority of exports of US-branded product is made in countries other than the US The power of global value chains means that many US apparel and footwear jobs depend on the ability of these foreign-made, US-branded products to penetrate markets, both abroad and at home," it said.

The United States maintains significant barriers that add costs to US exports and US-branded exports as well. These barriers come in the form of high US tariffs on imported goods despite the presence of significant US value in these goods in the form of intellectual property, raw material or textile inputs, the AAFA letter said.

The amount of tariffs collected on imports of US apparel, footwear, textiles and travel goods in 2022 exceed $24.8 billion.

Exacerbating the situation is the imposition of tariffs on raw materials and inputs used in the US manufacture of finished goods. These tariffs increase the production costs in the United States, harming the ability of domestic manufacturers to compete, both at home and abroad, AAFA noted.

Ensuring predictable, fair, and transparent enforcement of trade laws is equally important, it said.

"In a time of high inflation, this administration should focus on meaningful trade policies that directly address current problems in international trade. Trade policy solutions cannot and should not result in unnecessary and senseless punishment of American consumers, American workers, and the American communities they support," it added.

Source: fibre2fashion.com– Oct 25, 2023

HOME

****

IMF revises Cambodia's growth forecast to 5.6%

Projecting a marginal decline in Cambodia’s real gross domestic product (GDP) to 5.6 per cent this year, the International Monetary Fund (IMF) recently termed its economic growth ‘strong’. It is expected to grow by 6.1 per cent in 2024.

“On Cambodia, we have 5.6 per cent growth this year and 6.1 next year, 2024, it's only 0.2 and 0.1 less than what we had before. And like the Association of Southeast Asian Nations (ASEAN) theme, it's really revised down only because of weaker external demand. So, we do expect things to improve.

And Cambodia is very exposed to the US and European market and demand there is weaker also,” Shanaka (Jay) Peiris, division chief of regional studies, Asia and Pacific Department, said during a press briefing on Regional Economic Outlook for Asia and Pacific in Singapore recently.

China exposure is also significant, and plays a role in the slightly weaker growth, which is still solid. RCEP does provide a diversification, he said.

“We've seen integration in Cambodia with ASEAN trading partners increase rather than decreasing some of the exposure to US, Europe, which is very high. So, in that sense, it's helping the Cambodian economy diversify,” Peiris added.

Source: fibre2fashion.com– Oct 26, 2023

HOME

****

Over 6.2K brands to gather at NRF 2024: Retail's Big Show in NYC

The National Retail Federation (NRF) 2024: Retail's Big Show will return to New York City from January 14–16, 2023, bringing together more than 6,200 brands from around the globe for learning, collaboration, and discovery.

More than a dozen retail CEOs will share their perspectives on the health of the industry, including how retailers are innovating to meet new consumer expectations, fostering high lifetime value (LTV) customers, pursuing sustainability and principled retailing, transforming to smarter supply chains, and harnessing the power of omnichannel retail, NRF said in a press release.

The NRF 2024: Retail's Big Show is set to feature an extensive line-up of industry leaders. The speakers include Bob Eddy, chairman and CEO of BJ's Wholesale Club; Harley Finkelstein, president of Shopify; John Furner, president and CEO of Walmart US; Michelle Gass, president of Levi Strauss & Co.; David Kimbell, CEO of Ulta Beauty; Suresh Krishna, CEO and president of Northern Tool + Equipment; Hal Lawton, president and CEO of Tractor Supply Company; Kyle Leahy, CEO of Glossier; Stephanie Linnartz, president and CEO of Under Armour; Marc Metrick, CEO of Saks; Shay Mitchell, founder and CEO of BEIS Travel; Philippe Schaus, CEO of Moët Hennessy; Edward W Stack, executive chairman of Dick's Sporting Goods; Raj Subramaniam, president and CEO of FedEx; and Steven Williams, CEO of PepsiCo Foods North America at PepsiCo.

The retail gathering will take place at the Jacob K. Javits Convention Center in New York.

Source: fibre2fashion.com– Oct 25, 2023

HOME

****

Trust Protocol Enrolled Acres Up 25% in 2023

The U.S. Cotton Trust Protocol says the total area of planted cotton acres enrolled in the program reached 1.6 million acres in 2023 – a 25% increase compared to 2022.

This represents not only impressive growth in enrolled cotton acreage in a single year but also the fourth successive year of continued expansion of enrolled cotton acres, providing an ever-increasing amount of more sustainably grown cotton available for brand and retailer members to access.

The 1.6 million planted acres enrolled in the Trust Protocol represents 16% of all planted U.S. cotton acres in 2023.

“We continue to be inspired and encouraged to see that U.S. cotton growers have once again expanded the number of planted acres enrolled in the program, underscoring their unwavering commitment to ongoing improvement,” said Daren Abney, Executive Director of the U.S. Cotton Trust Protocol.

“With the growing number of enrolled acres, we’re making even more environmentally responsible cotton accessible to our brand and retailer members for sourcing. The Trust Protocol team is excited to support our members in their more responsible sourcing practices.”

Brand and retailer members can track both U.S. Cotton and Protocol Cotton through the Protocol Consumption Management Solution (PCMS) and claim Protocol Consumption Units (PCCUs). Protocol Cotton is grown and harvested on Protocol farms and one PCCU is minted for each kilogram of Protocol Cotton in the system.

To date, 970 million PCCUs are available to be consumed in the PCMS, equivalent to 4.45 million bales of cotton.

The Trust Protocol’s vision is to set a new standard in sustainable cotton production where full transparency is a reality and continuous improvement is the central goal.

The program's core values include a commitment to U.S. cotton's legacy of authenticity, innovation and excellence, environmental stewardship, caring of people, and personal and corporate integrity.

The program currently has more than 1,800 supplier members from more than 40 companies and brands, including Ralph Lauren, Gap, Levi Strauss & Co., and J.Crew.

Source: cottongrower.com– Oct 25, 2023

HOME

****

UK-Vietnam trade surges 16.6% YoY in Oct 2022-Sep 2023

UK-Vietnam trade in goods and services during the four quarters leading up to the end of the first quarter (Q1) this year was worth £6.7 billion ($8.14 billion)—a rise of 16.6 per cent year on year (YoY), according to data released by the UK department for international trade.

UK exports to Vietnam totalled £1 billion during this period—an increase of 21.1 per cent YoY. Out of that, goods exports accounted for £797 million, or 77.5 per cent. UK goods exports to Vietnam surged by 33.3 per cent YoY during the period.

UK imports from Vietnam during the period reached £5.7 billion—up by 15.8 per cent YoY. Of these, goods were worth £5.4 billion, or 94.6 per cent. Imports of goods from Vietnam saw a YoY growth of 12.6 per cent in the period, a news agency reported.

The top five imports included clothing (£542.9 million, or 10.1 per cent) and footwear (£524.8 million, or 9.8 per cent).

Despite the impressive trade growth, the UK reported a total trade deficit of £4.6 billion with Vietnam during the period compared to £4.1 billion in the preceding four quarters.

Source: fibre2fashion.com– Oct 25, 2023

HOME

****

Vietnam: Int'l garment-textile fairs open in HCM City

A series of international trade fairs in the garment-textile and footwear sectors kicked off at the Saigon Exhibition and Convention Centre in Ho Chi Minh City on October 25.

The events include the 21st Vietnam International Textile & Garment Industry Exhibition (VTG-2023), the 21st Vietnam International Textile Fabrics and Accessories Exhibition 2023 (VITATEX 2023), the Vietnam International Dyeing & Chemical Industry Exhibition 2023 (DYECHEM 2023) and the Vietnam International Footwear Machinery and Material Exhibition (VFM 2023))

The events are jointly held by the Vietnam National Trade Fair & Advertising Company (VINEXAD), the Yorkers Exhibition Service Vietnam, among others, with support of the Vietnam Cotton and Spinning Association (VCOSA), the Vietnam Association of Mechanical Industry (VAMI), the Shoes and Leather Association of Ho Chi Minh City (SLA) and the Ho Chi Minh City Association of Garments, Textiles, Embroidery and Knitting (Agtek).

The series of fairs gather 830 booths of more than 500 exhibitors from 12 countries and territories, including India, Bangladesh, Taiwan (China), the Republic of Korea, Japan, Singapore, Thailand, Switzerland and Italy. The theme of the fairs focuses on factory digitalisation, aiming to promote modernisation and digitalisation of Vietnam's textile and garment industry. Cutting edge technologies, products and creative solutions in garment and textile, and footwear will be presented during the events.

Judy Wang, General Director of Yorkers Exhibition Service Vietnam, said that the series of events are prestigious destination for enterprises to seek and optimise digital appliances to improve overall efficiency and reduce costs, turning crisis into opportunities for growth.

Running until October 28, several seminars and conferences on sustainable garment and textile supply chain, green transition and digitalisation in the sector will also be held within the framework of the events.

Source: en.vietnamplus.vn– Oct 25, 2023

HOME

****

Highest FDI of US $ 1,229 million for Bangladesh's textile sector in FY '23

Although foreign direct investment (FDI) in Bangladesh declined by more than 7 per cent to US $ 3.2 billion in fiscal year 2022-23 (FY '23), the textile sector recorded the highest FDI at US $ 1.229 billion, according to recent data released by the central bank, Bangladesh Bank.

The textile industry received US $ 435 million in FDI from South Korea, followed by Hong Kong (US $ 174 million), China (US $ 112 million) and India (US $ 54 million).

The highest total foreign direct investment was in the United Kingdom (US $ 622 million), followed by South Korea (US $ 603 million).

Other major contributors include the Netherlands (US $ 512 million), Hong Kong (US $ 371 million), the United States (US $ 347.2 million), Singapore (US $ 330.62 million) and China (US $ 2.32 million).

According to domestic media reports, the country's energy sector received US $ 340 million in foreign direct investment, including US $ 111 million from the Netherlands and US $ 202 million from the United States.

Source: apparelresources.com– Oct 25, 2023

HOME

****

Low cotton price propels Pakistani yarn exports

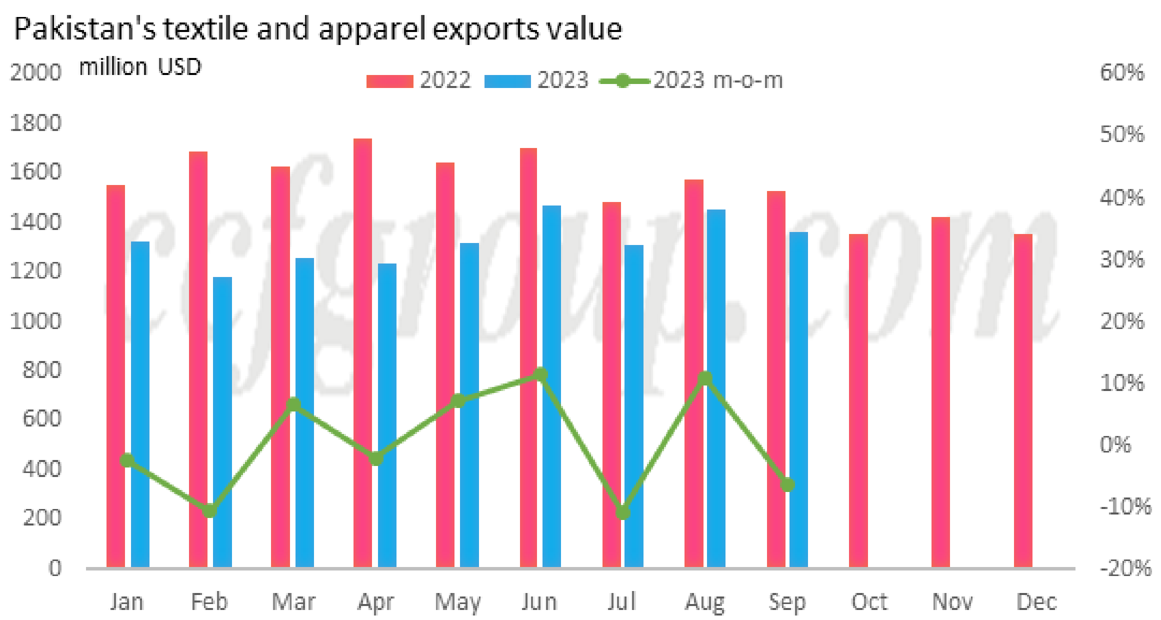
1. From January to September 2023, Pakistani textile and apparel exports amounted to $11.913 billion

In 2023, Pakistani textile and garment exports have faced headwinds but managed to persevere. The average monthly export volume has decreased by 10-30% compared to last year.

However, in the second half of the year, as overseas brands and retail clothing inventories gradually decrease, new orders for textile exports increase slightly, indicating signs of stabilization and recovery in the textile export sector.

According to the latest data released by the Pakistan Bureau of Statistics, the total textile and garment exports in September 2023 amounted to approximately $1.36 billion, a decrease of $94 million compared to the previous month.

Nevertheless, it is still above the average monthly export level for this year. Among them, knitted fabrics accounted for $346 million, bed linen accounted for $233 million, and ready-made garments accounted for $251 million, with a combined export share of 60.92%.



From January to September, Pakistani textile and apparel exports accumulated a total of $11.913 billion, a decrease of approximately 18 percentage points compared to the same period last year. Its share in Pakistani total exports fluctuates around 60%, slightly lower than last year but still maintaining a significant position in the industry.

The latest population census in Pakistan shows that the population has increased to 250 million, with an additional 35 million people in the past six years. The population growth rate has surpassed Pakistani economic growth rate, and the low-cost labor force will continue to be a crucial driving factor for the sustained development of the textile industry. Moreover, stable energy prices remain critical for textile enterprises.

2023	Textile and apparel exports(billion USD)	Total exports(billion USD)	Proportion
Jan	1.3218	2.2443	58.90%
Feb	1.1805	2.1905	53.90%
Mar	1.2578	2.3723	53.00%
Apr	1.2328	2.1368	57.70%
May	1.3206	2.1999	60.00%
Jun	1.472	2.1368	68.90%
Jul	1.3117	2.0679	63.40%
Aug	1.4552	2.366	61.50%
Sep	1.3609	2.4762	55.00%

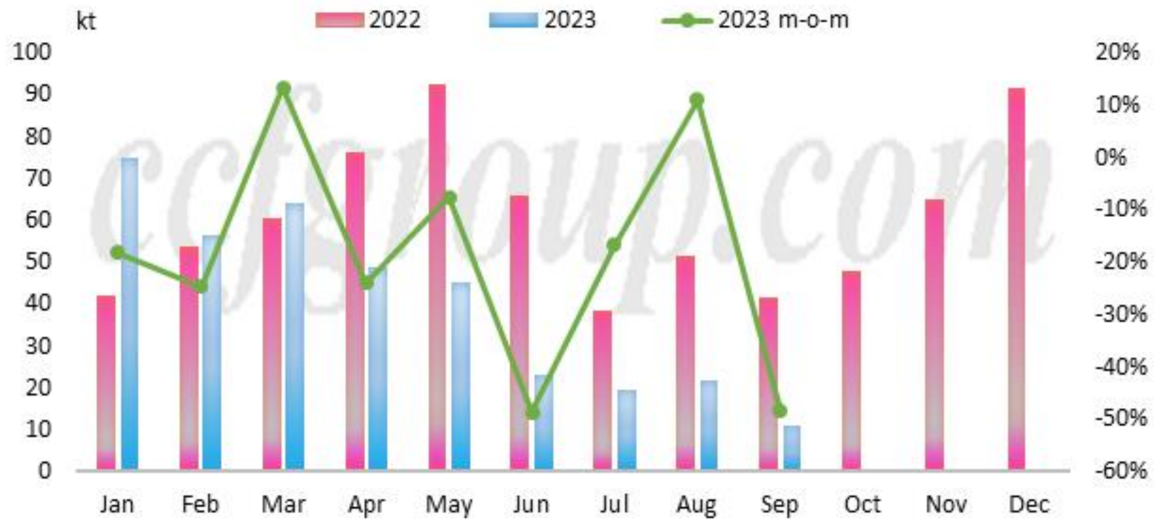
2. Low cotton prices have supported the continuous increase in Pakistan's yarn exports

In September 2023, the import value of Pakistani textile and apparel dropped to $186 million, reaching a new low in recent years. The total import value of textile goods in Pakistan for the first three quarters of the year amounted to $2.304 billion, representing a decrease of over 30% compared to the cumulative imports of the previous year. On one hand, the scarcity of foreign exchange reserves continues to limit the import demand of businesses.

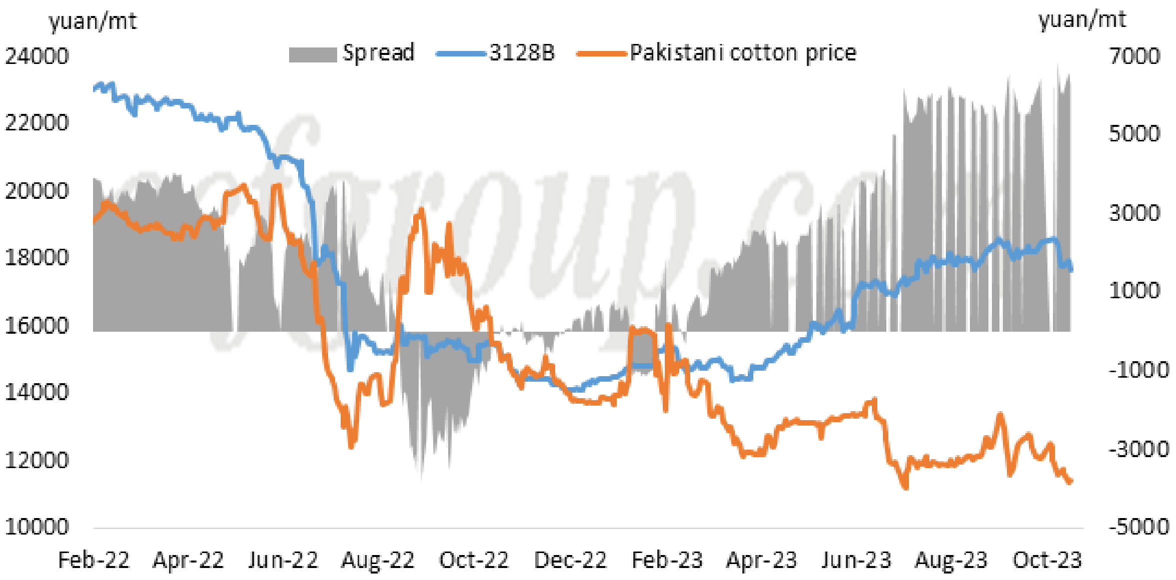
On the other hand, the relatively stable weather conditions during the arrival of new cotton in Pakistan have gradually eased the domestic cotton gap. In September, the import of raw cotton in Pakistan was only 11,100 tons, a nearly 50% decrease compared to August.

However, the domestic production capacity of synthetic yarn and man-made fibers still cannot fully meet the domestic production demand. Recently, the total monthly import volume of these two products has remained around 40,000 to 60,000 tons, with the proportion of imports accounting for more than 40%.

Pakistani cotton imports



Prices for Pakistani cotton and China-origin 3128B-grade cotton

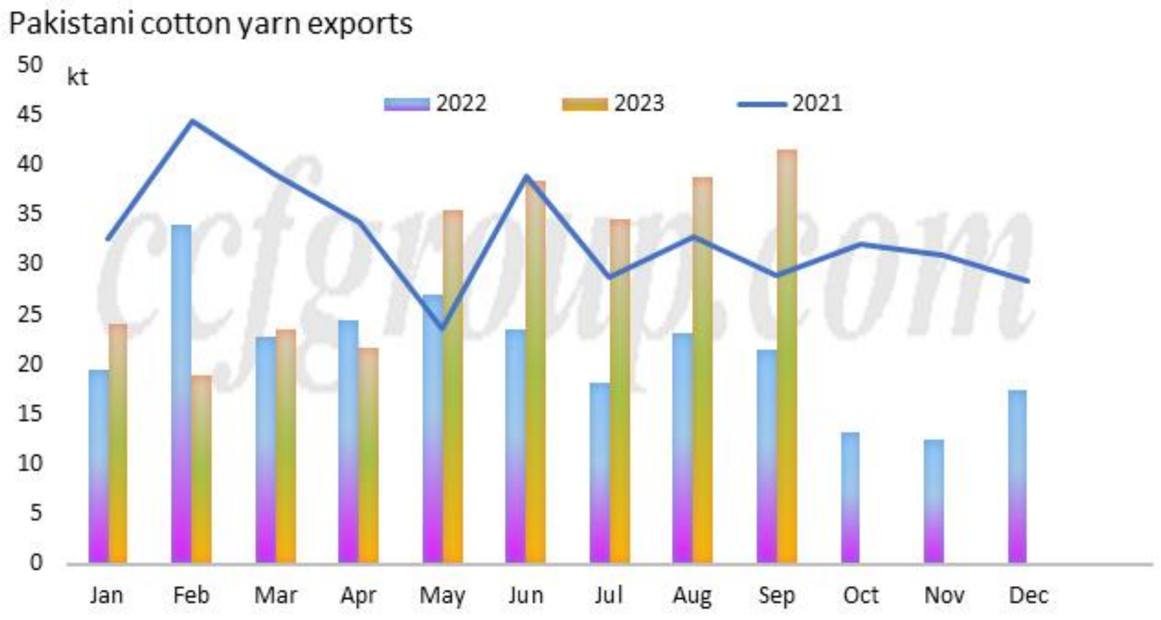


According to foreign media reports, the demand for local cotton yarn in Pakistan has been relatively weak recently, and the declining cotton price seems to serve as the best evidence.

The price of Pakistani cotton is equivalent to below 11200yuan/mt, with a price spread of over 6,000yuan/mt compared to 3128B-grade Chinese cotton.

The relatively low cost of cotton prices has led to a continuous decline in the ex-works price of medium and low-grade Pakistani yarn, while also helping the gradual recovery of Pakistani yarn exports. In September 2023, Pakistani yarn exports reached 41,600 tons, reaching a high level in nearly five years.

Taking into account recent import data of cotton yarn in the Chinese market, it is speculated that over 80% of Pakistani yarn has entered the Chinese market, and the price advantage of Pakistani siro-spun yarn compared to China's domestic siro-spun yarn also provides strong support for future Pakistani yarn exports.



In summary, compared to the difficulties faced by Pakistani cotton production cut in the previous year, Pakistan is now more self-sufficient, which has improved the profit and production enthusiasm for yarn mills to some extent, leading to smoother exports of Pakistani yarn. However, for cotton farmers, the excessively low purchase prices may affect their intention to plant cotton in the next year. .

The development of the textile industry chain in Pakistan is becoming more complete, but it is still limited by factors such as technology and equipment. The majority of exports primarily comprise semi-processed products.

As the main importing country for Pakistani textile semi-finished products, the Chinese market is promoting various forms of cooperative partnerships, providing raw materials, and financial support, leveraging Pakistan's demographic dividend, and bringing more growth opportunities to its textile industry.

Source: ccfgroup.com– Oct 25, 2023

HOME

****

Pak-Russia direct shipping service improves bilateral trade

Pak-Russia trade has improved since the launch of direct shipping service between the two countries in May this year, reports WealthPK.

The first container ship from Russia berthed at the Karachi Port, opening a new sea route for direct shipping service between the two countries.

This new route has enabled the immediate access of Pakistani products to the Russian market, with payments made through the local banking channel in Chinese yuan.

The new shipping service is the outcome of an agreement between Pak Shaheen (Private) Limited and Russian express liner service Neco Line.

“Under the agreement, the first ship named MV Crystal sailed from St. Petersburg, Russia and berthed at the Karachi Port on May 25,” Pak Shaheen Limited CEO Abdullah told WealthPK.

He said some issues needed to be sorted out to realize the full benefit of this direct shipping service; however, bilateral trade had seen some improvement since the start of this service.

Earlier, it took a lot of time for exported commodities to reach Russia through the transshipment points but now direct shipping service is helping exporters to ramp up shipments by taking advantage of the reduced shipping time, said the Pak Shaheen Limited CEO.

He noted that it took more than 50 days for Pakistani fruit shipments to reach the Russian market through a third country, but now through the direct shipping service, the export consignments reach Russia within 19 to 24 days.

“There is a huge demand in Russia for various Pakistani products, whose competitiveness will increase with the opening of the direct sea route,” he added.

According to a report from the Pakistan Business Council (PBC), trade between Russia and Pakistan has always been lopsidedly benefitting Russia. The bilateral trade is worth $757.6 million, with 40.1 percent of

Pakistan's exports to Russia, comprising textiles and related articles. Similarly, edible fruits account for another 34 percent of exports to Russia.

Pakistan's imports from Russia are worth $617 million with the major import items being cereals, edible vegetables, mineral fuels, rubber products, paper products, iron and steel, pharmaceutical products, fertilizers and organic chemical.

Pakistan's exports to Russia are worth $145 million with the major export items being edible fruits, knitted textile products, cotton, leather products, made-up textile articles, non-knitted textile products, optical instruments, man-made staple fibers, toys and cutlery.

The trade index indicates that Pakistan is better suited to supply to the Russian market as opposed to Russia supplying to the Pakistani market. This shows that the Pakistani export industry stands to gain more from the arrangements like direct shipping service, free trade agreement, etc.

According to a study, the Russian market throws an opportunity to Pakistan to increase its exports but is hampered by certain factors like the lack of banking and payment channels, absence of direct cargo and passenger flights, long transit periods, and increased freight charges, among others.

Source: nation.com.pk– Oct 25, 2023

HOME

****

Vietnam's foreign trade exceeds US$500 bln

In the first half of October, the nation earned US$14.2 billion from exporting, raising the total export value from the beginning of the year to October 15 to US$272.74 billion, a decrease of over US$24 billion in comparison with the same period last year.

Phone and components took the lead with US$41.47 billion throughout the reviewed period, followed by computers, electronic products and components, machinery, equipment, tools, spare parts, along with garments and textiles.

Notably, fruit and vegetables witnessed the most impressive growth among key Vietnamese export commodity groups. The country gained US$4.56 billion from fruit and vegetable exports, up 75.4 percent against the same period last year.

Meanwhile, from January 1-October 15, imports totaled US$250.2 billion, marking a decline of nearly US$40 billion year on year.

Viet Nam has enjoyed a trade surplus of US$22.54 billion so far this year.

Trade was Viet Nam's bright spot in 2022, hitting a record of around US$730.2 billion, including US$371.5 billion in export value.

Source: vietnamnet.vn– Oct 25, 2023

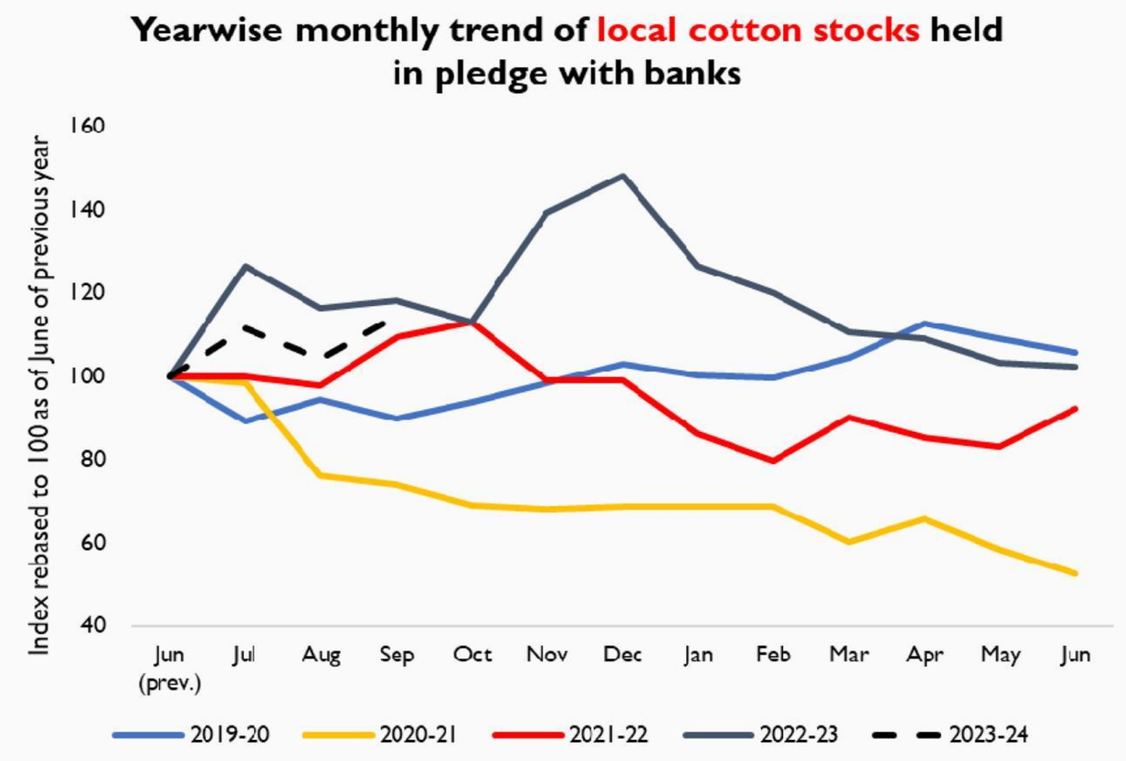
HOME

****

Pakistan: Cotton buying: not enough juice?

During the cotton marketing season, the race to procure white gold usually does not start too early, driven by a host of factors such as crop outlook, world prices, export orders, and carryover inventory. Historically, inventory building by the textile industry picks up in late October, peaking in December.

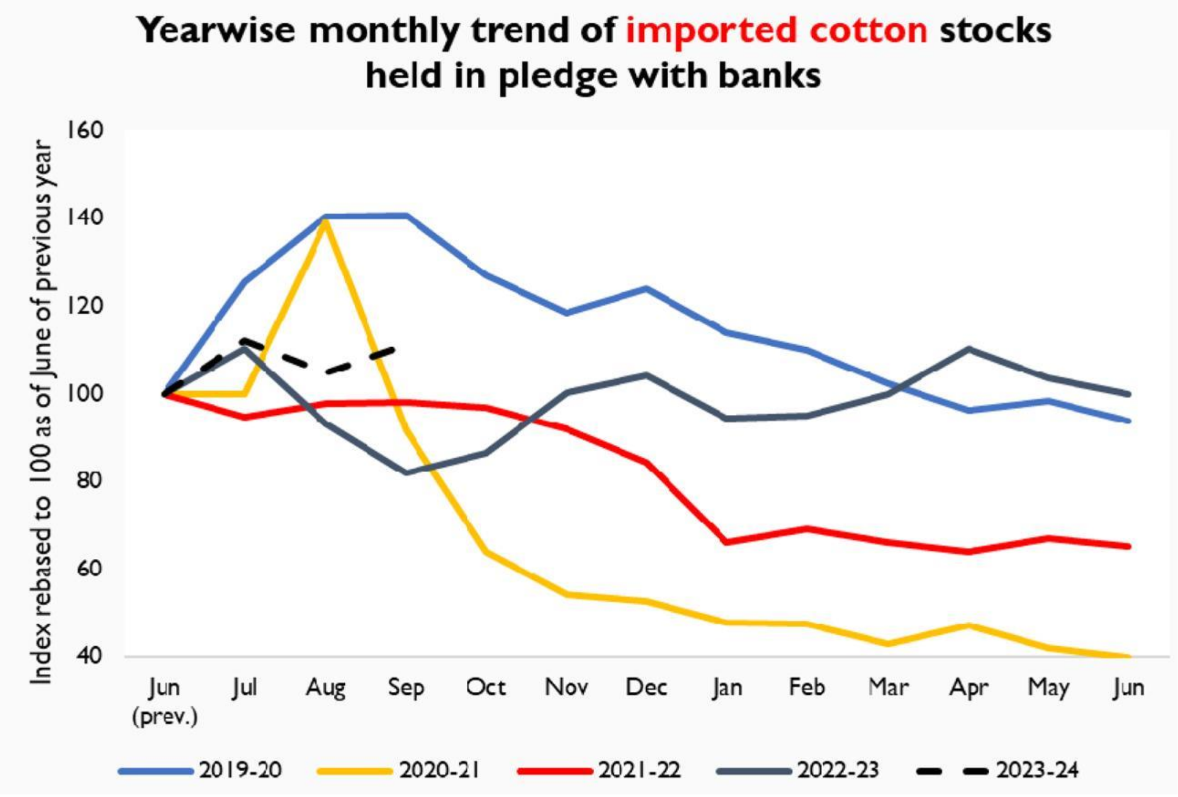
Over the last 10 years, local cotton sold to textile industry by end of September averaged at 2.4 million bales, with cotton procurement by record procurement of 3.3 million bales in 2021. The same fiscal year (FY2021-22), Pakistan's textile export earnings grew by 25 percent, reaching record $20 billion.



If correlations are everything, then industry watchers should be in for a surprise. According to data from Pakistan Cotton Ginners Association (PCGA), ginning factories in the country had sold up to 4.2 million bales of cotton to textile industry by the end of September 2023, the highest figure for at least all of last decade (and quite possibly, in country's history)!

Aggressive inventory building by textile industry so early into the cotton marketing season can usually mean two things, first of which has already been discussed in this space last week.

Quick recap: climate change and monsoon flooding has been gradually shifting cotton picking months earlier into the calendar year, and higher business volume during the Jul – Sep period is more likely reflective of early harvest, and not necessarily cotton crop performance breaking all records.



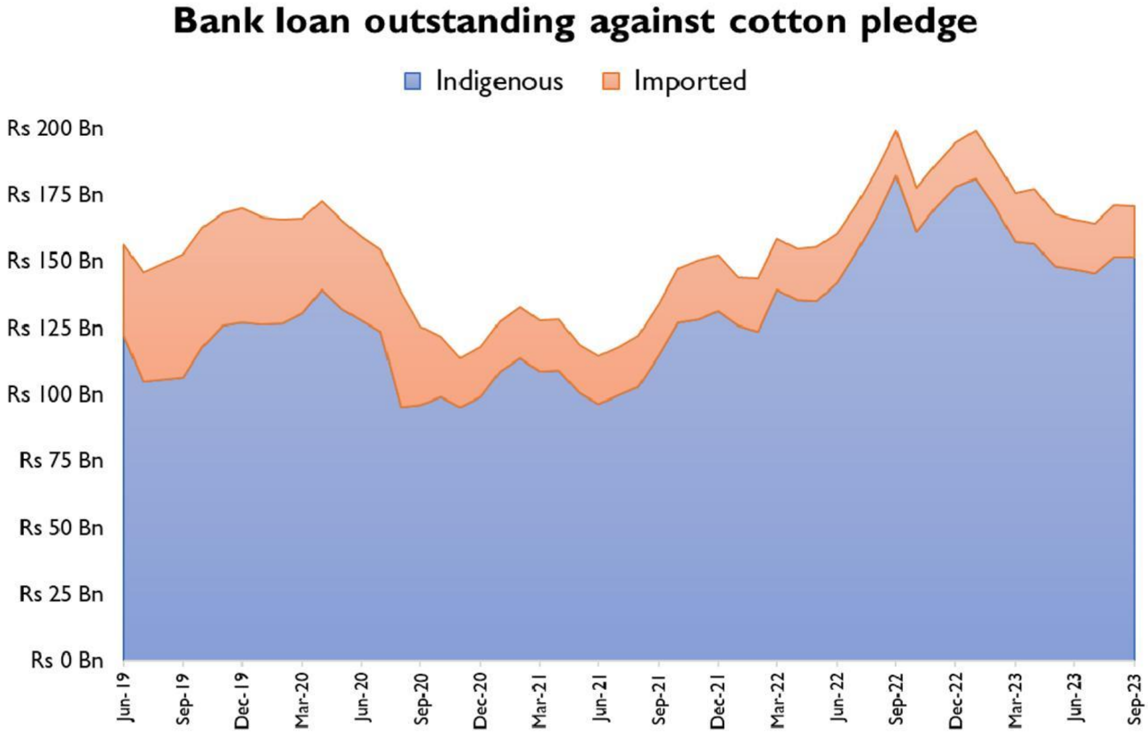
The second explanation? Low carryover inventory from the previous year, and heavy export order interests – just like 2021 – is leading to aggressive inventory building by textile industry early into the season, which explains the very high volume sold, as reported by PCGA.

This would be great news for both industry and the economy, since 2021-22 turned out not only to be a good year for cotton crop, but also for record export performance.

But another thing happened that year. Aggressive and early buying by the industry drove the market mad, with cotton prices increasing by nearly Rs10,000 per maund or 71 percent between June 2021 and March 2022.

Note that while the currency had remained remarkably stable during this period - range bound around Rs155 – world cotton prices also rose by nearly a dollar per kg (or 46 percent), led by post-lockdown commodity markets exuberance. That trend is now in reverse, with cotton prices plateauing in the global markets for much of the calendar year 2023 and declining in local currency terms.

So, why has aggressive buying by the industry not led to a rise in prices in the local market? Are farmers struggling to offload their bumper crop, and the mills taking advantage? Or has a slowdown in global prices turned local cotton into a buyers' market? To understand what's going on, we look towards trends in banking credit offtake for financing of cotton procurement.



According to BR Research's estimates based on SBP datasets of loans classified by nature of securities, procurement of indigenous cotton during the current marketing season (by end September 2023) financed by bank loans is perfectly in line with historic trends, and show no upward trend or deviation from historic buying patterns.

Based on market prices as reported by Karachi Cotton Association (used by most commercial banks to mark-to-market value of cotton under their pledge) and loan value against pledge of indigenous cotton, procurement financed by banks by September end historically averaged at 2.2 million bales (excluding any margin held), which is in line with cotton volume sold to textile mills by Sep end, historically (as reported by PCGA). For the past two seasons, this figure dropped to 1.84 million bales. For September 2023 end, the same has landed below 1.83 million bales. Which is only 40 percent of total cotton volume sold to mills by Sep end, as per PCGA.

That bank lending for cotton procurement would not increase drastically at a time when markup rates on short term borrowing are averaging close to 25 percent makes perfect sense. But this only raises more questions about the financing of aggressive buying (as reported by PCGA)? Are buying houses financing cotton procurement through own cash? Or are ginning factories offering market credit to large textile houses due to indications of bumper crop? Or, is the peak procurement season past us – in which case – why has the needle not moved on market prices?

But most importantly, if the early peaking prospect as advanced by BR Research last week makes sense, why are the ginning factories not holding on to inventory to sell later into the year? In a forex strapped economy, buying houses can threaten local ginners with the prospect of cheap imported cotton for only so long, before import LCs have to be cancelled again in case IMF conditions are not met. Or has the needle not moved on bank credit because actual buying prices are significantly lower than the rate reported by KCA?

Whatever the explanation, the subject deserves more attention of market watchers and commentators. If industry and textile buying houses are so flush with cash that they no longer require banking credit to finance raw material procurement, what does it truly say about the efficacy of the ongoing monetary tightening cycle? So many questions, so little clarity.

Source: brecorder.com– Oct 26, 2023

HOME

****

NATIONAL NEWS

Union Minister of Commerce and Industry Shri Piyush Goyal attends 7th Future Investment Initiative in Riyadh, Saudi Arabia

Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles, Shri Piyush Goyal attended the 7th Edition of Future Investment Initiative (FII) in Riyadh from 24th to 25th October 2023. He met several dignitaries from the host country of Kingdom of Saudi Arabia (KSA) including the Energy Minister His Royal Highness (HRH) Prince Abdul Aziz Bin Salman Al-Saud, Commerce Minister His Excellency (H.E.) Majid bin Abdullah AlKassabi, and Investment Minister H.E. Khalid A. Al Falih.

Shri Piyush Goyal addressed the 7th Edition of FII in one of the plenary sessions titled "The Coming Investment Mandate". He also co-chaired a conclave session on the theme "From Risk to Opportunity: Strategies for Emerging Economies in the New Industrial Policy Era" along with the KSA Investment Minister. This was followed by a bilateral meeting where the two respective ministers deliberated expansion of investment across diverse sectors to foster economic growth and further enhance strategic partnership between the two countries.

Shri Goyal also held bilateral meetings with KSA Commerce Minister H.E. Majid bin Abdullah AlKassabi, Industry and Mineral Resources Minister H.E. Bandar bin Ibrahim AlKhorayef, CEO NEOM Mr. Nadhmi Al Nasr, and Governor Public Investment Fund (PIF) H.E. Yassir Rummayyan. Discussions pertained to improvement in bilateral relations, especially in the field of commerce and industry.

The Minister participated in the Business Round Table organized at the Federation of Saudi Chambers, and highlighted the multiple opportunities offered by India. The growing trade between the two countries reached an all-time high of USD 52.75 billion in FY 2022-23. The conference aimed at further strengthening the economic partnership between the two countries. The Confederation of Indian Industry and the Federation of Saudi Chambers of Commerce signed a Memorandum of Understanding (MoU) in the presence of the Minister to further enhance commercial partnership.

Shri Piyush Goyal met Mr. Ajay Banga, President of the World Bank and prominent business leaders on the sidelines of the FII. He held interactive sessions with the Indian business leaders and the Indian community living in KSA, both constituting a respectable part of the Saudi economy.

KSA is one of India's most important strategic partners. Cooperation between the two countries can also be witnessed with the establishment of India-Saudi Arabia Strategic Partnership Council (SPC). Established in 2019, it aims to enhance the relationship between the two countries and has two main pillars: the 'Committee on Political, Security, Social, and Cultural Cooperation' and the 'Committee on Economy and Investments'. India is the fourth country with which Riyadh has formed such a partnership, after the UK, France, and China.

In this context, the presence of the Shri Goyal in the 7th FII laid the foundation for further enhancement of bilateral ties and cooperation between the two countries in various fields.

Source: pib.gov.in – Oct 25, 2023

HOME

****

India negotiates for UK carbon tax concessions in proposed FTA deal

With the United Kingdom (UK) preparing to roll out a carbon levy for goods entering the country, India is negotiating hard for the proposed free trade agreement (FTA) between the two nations to include provisions that may offer some relief to its exporters, people aware of the development said.

"We have been talking to the European Union (EU) as well as the UK government regarding the CBAM (Carbon Border Adjustment Mechanism). There have been a lot of conversations about that, even during FTA negotiations. We have asked for provisions that may give exporters some comfort," one of the persons told Business Standard, adding that the details were still being finalised.

The UK plans to implement the CBAM, commonly known as carbon tax, over the next two-three years as part of its efforts to combat climate change. This means that a country exporting goods to the UK will have to pay a carbon tax, which will be calculated on the basis of the carbon footprint of the product, leading to higher tariffs.

In order to implement the levy, the UK government had launched a 12-week consultation in March to mitigate carbon leakage risks. Meanwhile, the transitional phase of the EU's CBAM has kicked in from October 1.

Recently, a New Delhi-based think tank said India needs to be wary of the UK's proposed carbon tax and insert suitable text in the FTA chapters to deal with the impact.

"Once the CBAM is launched, the UK products will continue to enter India at zero duties, but Indian products may have to pay 20-35 per cent tariff equivalent to the CBAM charges," the report prepared by the Global Trade Research Initiative (GTRI) said.

India is concerned about the CBAM's impact and believes that measures like these will result in a market access issue with its trading partners, since it's a case of dragging environmental issues into trade matters.

FTA NEGOTIATIONS

India and the UK were earlier aiming, although unofficially, to finalise the much-anticipated trade deal later this week in the presence of Prime Minister Narendra Modi and his British counterpart Rishi Sunak in New Delhi. However, both countries will need some more time to sort out the differences in the proposed agreement.

"The negotiations are in the final stage, but it is difficult to say 'we are done' until we are (actually) done. The talks are going on every day and at every level, though some differences remain," the person quoted above said.

"A lot of work is going on right now with regard to the cleaning of the text in the cases where in-principle agreement has been reached," the person added.

While both sides have closed chapters on most of the issues, including non-trade matters such as digital trade, gender, and labour, the main challenge remains on the rules of origin, goods and services front. Among goods, the UK has been seeking massive market access on automobiles, which continues to remain a thorny issue.

Government officials believe that the India-UK FTA, if signed, will be a landmark deal since it will be a departure from the past trade agreements that India has signed.

Source: business-standard.com– Oct 25, 2023

HOME

****

Investing in India: View from Taipei

In Taipei earlier this month, I had the opportunity to interact with academics, think tanks, and business community representatives on the China plus one global value chain (GVC) diversification strategies and India's potential as an alternative investment destination, particularly in the semiconductor and chip manufacturing sector. From the discussions, I was left in little doubt that there was a positive interest in the Indian economy, not just because of its good growth performance but perhaps, more importantly, owing to the propitious global and regional conditions.

These include the intensification and persistence of the US-China trade and technology tensions and competition over the last five years, the geoeconomic fragmentation following the Ukraine crisis, the trend of friend-shoring in GVC diversification strategies, and India's strategic placement in the Indo-Pacific. For Taiwanese firms, in addition, the growing regulatory pressure and ruling party control on large businesses within China is an added "push" factor for relocation. Simultaneously, enhanced bilateral relations with India over the past few years is a significant "pull" factor. However, these factors do not add up to a decisive advantage for India.

For more than a decade, Vietnam has been the first choice for most large companies in their diversification strategy beyond China. The distinct advantage cited in the case of Vietnam is its participation in a network of free trade agreements (FTAs) as a member state of the Association of Southeast Asian Nations (Asean), with the European Union (EU), and mega regional trade agreements like the Regional Comprehensive Economic Partnership (Rcep), and the Comprehensive and Progressive Trans-Pacific Partnership, along with concomitant reforms in critical areas such as land and labour markets, and foreign investment.

As regards India, though recent progress with FTAs is noted, the disappointment among regional investors due to its withdrawal from the Rcep after reaching the final stage of negotiations is apparent. It is also evident that India's FTAs with the United Arab Emirates (UAE) and Australia are far less relevant than the "under negotiation" FTA with the EU to the export-oriented Taiwanese investors. This aspect acquires significance given that increasing production costs, including wage costs, potential infrastructure deficiencies, and a shortage of available land, are all contributing to a developing perception that Vietnam may soon reach a point of saturation in absorbing foreign investments and shifting supply chains. An early conclusion of the FTA with the EU will, therefore, help significantly raise India's investment appeal.

Besides Vietnam, comparisons are also drawn with other proximate, regionally integrated Southeast Asian economies. Thailand and Malaysia, for example, are considered viable alternative locations for shifting supply chains by the Taiwanese electronic majors.

While packaging firms are moving to Thailand, assembly units are being relocated to Malaysia, which as the earliest Southeast Asian economy to integrate with the global and regional electronics value chains has the experience and capacity to absorb relocating foreign investments. Citing these examples, prospective Taiwanese investors underline the need for India to not be fixated on foreign investments at the higher end of the value chain, notably advanced manufacturing/ fabrication factories for semiconductors, as it may not be feasible in the absence of a prior supply chain ecosystem in the country.

Semiconductor production is not restricted to a single fabrication factory, but is a dense and complex web of interconnected production units that may be impossible to replicate in India in the near future. Setting up a fabrication unit is also beyond the capabilities of Taiwanese firms like Foxconn or Pegatron, which are essentially contract manufacturers following lead manufacturing companies. In this context, while the US-based Micron Technology's recent announcement to set up a semiconductor packaging facility in India was cited as signalling a more realistic goal set by our policymakers, the inability of a Taiwanese major like Foxconn to conclude a joint venture with Vedanta is regarded as dispiriting for other relatively smaller Taiwanese electronic firms.

Among extra-regional emerging market economies (EMEs), Mexico is viewed as a strong contender in the friend-shoring trend of GVCs, particularly with the additional advantage provided by the US-Mexico-Canada Agreement under the US Inflation Reduction Act. Eastern European countries such as the Czech Republic, well integrated with the European GVCs, are also considered viable options. However, there is some concern over the spillover effects of the war in Ukraine and the developing regional strategic context. While this could be to India's advantage, the window of opportunity may be short-lived.

All the competing EMEs are also regarded as relatively more open and export-oriented compared to India. This is evident, as was stated, in India's relatively higher average most favoured nation (MFN) tariffs in the manufacturing sector as a whole and on specific inputs in the electronics sector, recent announcement of an "import management system" in some segments, as well as tax policies with regard to foreign investments. Given the networked nature of production, such policy measures, even if strategically appropriate, tend to discourage intermediate-stage Taiwanese firms that remain nervous of relocating their supply chain operations to India.

In comparison, a relatively more open and predictable business environment in competing EMEs gives them a competitive edge. Finally, while the size of the Indian market is a positive attribute, it has limited value as an argument for attracting foreign investments. It is widely believed among potential Taiwanese investors that while the Indian market is large, it is very difficult to attain a permanent customer base, and ensure profits and reasonable margins.

In an extremely price-sensitive Indian market, it has been difficult for smaller investors to sustain themselves for long before competition from local producers catches up or the inability to comprehend local work culture and demand patterns begins to impinge upon profit margins. The exit of Wistron in the iPhone assembly segment is often viewed from this perspective.

The success of Asus, the Taiwanese tech giant, in the affordable price range in India, though noted, is considered to have limited spillover implications given its focus on a small niche gaming segment in the overall personal computer market. Significantly, the only Taiwan-based company that has achieved success in India is Apache, manufacturing shoes for the global brand Adidas in the low-skill, labour-intensive sector.

In the high tech, semiconductor industry, therefore, Taiwanese investments will only come after India successfully attracts global lead firms. Furthermore, India will need to enhance its export orientation and trade openness.

Source: business-standard.com– Oct 25, 2023

HOME

****

Centre looks to meet freight corridor cost escalation from its own pockets

The Centre is likely to meet cost overruns of nearly Rs 43,000 crore on the Eastern and Western Dedicated Freight Corridors (DFCs) from its own pocket, even as about 75 per cent of the projects has been funded by multilateral bodies.

“The Eastern DFC is already completed. There’s an expenditure of around Rs 10,000-12,000 crore remaining on the Western corridor, and it’s likely to be met with government support too,” a senior executive of the Dedicated Freight Corridor Corporation of India Ltd (DFCC) told Business Standard.

The executive added that the final cost structure will be ratified when the Union Cabinet approves the revised cost estimate.

A senior government official confirmed the above, and added that multilateral agencies have been willing to give additional funds for the cost overruns as well.

However, the Centre wants to meet these expenditures while its aggressive push on capital expenditure, especially for railways, is ongoing.

Last year, the ministry of railways had prepared a revised cost estimate of the two DFCs, which were earlier to be built for Rs 81,000 crore.

This cost has risen 54 per cent to Rs 1.24 trillion, with the now-completed eastern corridor costing Rs 51,000 crore and the under-construction western corridor costing Rs 73,000 crore.

The revised costs include Rs 21,846 crore for land acquisition and Rs 1.02 trillion in construction and other costs.

According to DFCC managing director (MD) RK Jain, some of the cost overruns were on account of change in the scope of work as the initial project plans were made years ago and needed to be updated.

DFCs were sanctioned with a debt-equity ratio of 3:1 for the railways’ special purpose vehicle, DFCC.

The eastern corridor had an equity infusion of Rs 3,679 crore from the ministry of railways and loan from the World Bank. The western corridor was entirely funded through debt from the Japan International Cooperation Agency (JICA).

While the DFC project was approved more than 15 years ago, it faced several hurdles. These were related to land acquisition, delay in awarding contracts, appointing consultants, loan approvals, and the outbreak of Covid. All these resulted in delay in implementation of the project, resulting in cost escalation.

Recently, the Union Cabinet also decided to reduce the scope of the eastern DFC by 538 kilometres. Instead, it will now develop a crucial stretch between Bihar and West Bengal as mixed-use railway tracks.

Source: business-standard.com– Oct 25, 2023

HOME

****

Spinning mills battle muted demand, rising cotton prices

Ahmedabad: Spinning mills in Gujarat find themselves in the eye of a storm, grappling with surging costs and a shrinking appetite for their products, be it on home turf or in foreign markets. Though cotton prices have eased slightly, they are still perched higher than their international counterparts. To put it in rupees and candy (356 kg) terms, cotton futures hover between Rs 53,000 and Rs 54,000.

This price rift is not just denting the competitiveness of local yarn producers, it is also applying a vice-like grip on their financial stability. Saurin Parikh, the president of the Spinners' Association of Gujarat (SAG), sheds light on the situation: "The relatively higher cost of cotton in India compared to other countries is increasing the overall expense of yarn production.

As a result, Indian yarn manufacturers face reduced competitiveness in the international market. Furthermore, the ongoing economic downturn in Europe and the US has led to a significant drop in apparel demand due to restrained spending. So, the demand for yarn has failed to rebound. In times of low demand, manufacturers cannot afford to raise prices."

Even the domestic demand has recently suffered due to reduced discretionary spending, said industry players. Sanjay Jain, chairman of the national textiles committee of the Indian Chamber of Commerce (ICC), said, "The festive season has not brought the expected relief to spinning mills, as demand remains sluggish. Manufacturers are receiving fewer orders from finished fabric producers. The demand scenario is the worst over the past two decades, with the industry facing a sustained slowdown. Lifestyle alterations and a change in priorities when it comes to purchases are also reasons for the recent decline in discretionary spending."

The waning demand has also affected the liquidity of the yarn makers. Additionally, SAG's estimates suggest that the cotton inventory in manufacturing units has been considerably reduced. Parikh revealed inventory days for cotton stock have been reduced from 60 days to just 12 days.

Source: timesofindia.com– Oct 26, 2023

HOME

****

India's e-commerce sector projected to hit $300 bn by 2030: Report

India's e-commerce market is poised for remarkable growth, set to expand from $59 billion in 2022 to an estimated $300 billion by 2030, according to the Logistics Needs of Indian D2C report by Redseer. This surge is expected to be propelled by 'mass' consumers—everyday people who are increasingly relying on online shopping platforms for their various needs, possibly due to factors like affordability, ease of access, and a broader product selection.

The report identifies several key dynamics influencing this uptrend. One is the evolution of the category mix in e-tailing, where lower average selling price (ASP) categories will claim a larger share of the gross merchandise value (GMV).

Another driving factor is the rapid embrace of online shopping in tier-2 and smaller cities. Coupled with a growing consumer base and enhanced third-party logistics (3PL) services, these factors are contributing to a significant rise in shipment volumes.

Interestingly, the increase in shipments is set to outpace GMV growth. This trend accentuates the necessity for robust logistics and supply chain management, especially to meet the escalating demand in smaller cities, as per the report.

On the logistics front, the report forecasts a 23 per cent reduction in shipment costs for 3PL companies, from ₹60 per shipment in 2023 to an estimated ₹47 by 2030. This downward trend in costs is attributed to the aggregation of demand in smaller cities and vital policy adjustments, facilitating more efficient and cost-effective operations.

Despite these optimistic projections, the 3PL sector faces its share of challenges, including safeguarding shipments, resolving weight-related disputes, and improving the return-to-origin processes and overall responsiveness.

Source: fibre2fashion.com– Oct 26, 2023

HOME

****