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IBTEX No. 216 of 2023 **December 11, 2023**

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INTERNATIONAL NEWS

Better Cotton Member Flagged on UFLPA Blacklist

The U.S. Department of Homeland Security (DHS) restricted imports from three more Chinese companies over their alleged complicity in the modern slavery of ethnic minorities in China's Xinjiang Uyghur Autonomous Region on Friday, among them a member of two leading sustainable cotton standards that include fair labor as a key metric.

Effective Dec. 11, Anhui Xinya New Materials Co., headquartered in China's Anhui Province, nearly 3,500 kilometers southeast of Xinjiang, will be presumptively barred from entering the United States as part of its inclusion in the Uyghur Forced Labor Prevention Act (UFLPA) Entity List, which identifies entities said to be working with Xinjiang authorities to recruit, transfer or receive coerced labor from Uyghurs, Kazakhs and other persecuted Turkic groups. In so doing, it extends the purview of the UFLPA, which effectively bans the entry of any goods that are made in whole or in part in Xinjiang but doesn't explicitly take into account the state-sponsored labor transfers outside of the region that experts say present as much of a red flag.

"I think this is a very important signal because they are not just going after companies based in Xinjiang, but also those with relevant links in other provinces," Adrian Zenz, a senior fellow in China studies at the Victims of Communism Memorial Foundation, told Sourcing

Anhui Xinya, which appears on the membership rosters of both Better Cotton and the U.S. Cotton Trust Protocol, produces fibers, yarns and textiles made with cotton, wool, Tencel and other products. Previously known as Chaohu Youngor Color Spinning Technology Co. and Chaohu Xinya Color Spinning Technology Co., it worked with an "established" government-sponsored work transfer program, Xinjiang Aid, to recruit and transfer Uyghurs from Xinjiang's Pishan County to work at its facility in Anhui Province, according to DHS. This was enough for the multi-agency Forced Labor Enforcement Task Force, or FLETF, to determine that Anhui Xinya "satisfied the criteria" for addition to the UFLPA Entity List, it added.

"We have shown again through today's enforcement actions that the United States will not tolerate forced labor in the goods that come into this country," Robert Silvers, DHS's undersecretary for strategy, policy and plans, as well as the chair of FLETF, said in a statement. "Companies must conduct due diligence and know their supply chains. The interagency Forced Labor Enforcement Task Force will continue to designate entities known to violate our laws, and U.S. Customs and Border Protection will continue its vigilant enforcement at our ports."

Anhui Xinya, which was added to the Entity List alongside COFCO Sugar Holding Co. and Sichuan Jingweida Technology Group Co., is part of Youngor Group, a Zhejiang-based textiles enterprise whose Youngor Textile Holdings Co. subsidiary was named in Australian Strategic Policy Institute's watershed 2020 study about fashion's purported links to Uyghur forced labor.

Youngor Textile Holdings, according to the report, "welcomed" labor transfers at a Xinjiang Aid meeting with Anhui provincial government representatives in 2019 and expressed an interest in taking more transferred workers. Neither Youngor Textile Holdings nor Youngor Group, however, are on the UFLPA Entity List, which stands at 30 companies and has been facing calls from Senator Marco Rubio and others for greater and faster expansion. The Entity List was last updated in September with another three companies.

Many of the world's biggest brands, including some that have come under scrutiny for alleged business relationships in Xinjiang, including Adidas, Levi Strauss & Co. and Ralph Lauren, participate in Better Cotton and the U.S. Cotton Trust Protocol. According to Better Cotton's website, Anhui Xinya has been a member since 2020, the same year that the initiative suspended all licensing and assurance activities in Xinjiang, citing the forced labor allegations but also fueling backlash from China, which has repeatedly and vehemently denounced as "lies." It also appears among nearly 2,000 mills and manufacturers under the U.S. Cotton Trust Protocol's members page.

Better Cotton said that it is investigating whether any of the companies listed on the UFLPA Entity List are members. "In line with our member monitoring protocol, companies found on authoritative listings such as this one are subject to suspension," a spokesperson said. The U.S. Cotton Trust Protocol and Youngor Group did not immediately respond to requests for comment.

DHS's announcement comes on the heels of a report asserting that a "substantial volume" of apparel tainted by Uyghur forced labor from China is "flooding" into the European Union, in part because of the "failure" of voluntary corporate social responsibility initiatives and non-binding due diligence measures.

Better Cotton took issue with researchers' characterization of private certifications, which they said have qualifications largely "predicated on social compliance norms that predate modern forced labor regulations," telling Sourcing Journal that state-imposed forced labor is incorporated as a criterion in its "enabling environment" assessment of new country startups and in the annually updated decent work risk assessment tool for all countries where Better Cotton is produced. A spokesperson later clarified that this standard applies only to agriculture, not factories, which are outside its scope of monitoring. Non-field members, it said, are beholden to a code of conduct.

"I do think that we are once again seeing the limitations of licensing, certifications and other MSIs to provide any meaningful guarantees about labor rights," Allison Gill, forced labor program director at the Global Labor Justice-International Labor Rights Forum, a member of the Coalition to End Forced Labour in the Uyghur Region, told Sourcing Journal, using an acronym for multi-stakeholder initiatives. "While supply chains are complex, supply chain solutions that don't involve workers are clearly very risky."

Better Cotton's mass balance system, wherein brands pay farmers to grow a certain amount of sustainable cotton and then collect an equivalent amount of the fiber after ginning and spinning, which could have conventional fibers mixed in, also creates a risk that companies relying on it could be harboring Xinjiang cotton in their products, she said. Better Cotton has said that the scheme encourages stakeholders to buy and use more Better Cotton in a cost-efficient manner. But with 90 percent of Chinese cotton originating from Xinjiang, provenance can get muddled. In May, for instance, 27 percent of clothing tests conducted by Customs and Border Protection turned up positive for Xinjiang cotton.

"I think the emphasis in the last few years on traceability has [also] been a bit short-sighted," Gill said. "It is not enough to know where the cotton is from. Brands also need to understand the labor conditions along the way."

Source: sourcingjournal.com– Dec 08, 2023

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Cargo, container throughput at China ports up 8.5% YoY in Jan-Oct 2023

The cargo and container throughput at Chinese ports witnessed steady expansion between January and October this year with a figure of 14 billion tonnes—up by 8.5 per cent year on year (YoY), according to according to data from the transport ministry.

Foreign trade cargo throughput at the ports rose by 10 per cent YoY to 4.2 billion tonnes during the ten-month period, a state-controlled news outlet reported.

Ports in the country handled 257.03 million twenty-foot equivalent units (TEUs) of containers during the period—4.9 per cent higher YoY.

Source: fibre2fashion.com– Dec 11, 2023

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German industrial production down 0.4% MoM, 3.5% YoY in Oct 2023

Price-adjusted production in the German industrial sector in real terms was down by 0.4 per cent month on month (MoM) in October this year after seasonal and calendar adjustment, while it was down by 3.5 per cent year on year (YoY) during the month, according to provisional data released by the Federal Statistical Office (Destatis).

Industrial production, therefore, fell for the fifth month in succession.

The less volatile three-month on three-month comparison showed that production was 1.9 per cent lower in the August-October period.

Revised results show production decreased by 1.3 per cent MoM in September this year.

The October decline is largely attributable to the performance of the machinery and equipment sector, in which production was down by 6.3 per cent MoM after seasonal and calendar adjustment. In September, it had increased by 3.9 per cent MoM.

Production also declined in many other economic sectors in October, Destatis said in a release.

Production in energy-intensive industrial branches declined by 1.4 per cent MoM in October, after elimination of seasonal and calendar effects. The three-month on three-month comparison showed that production in these industrial branches was 0.9 per cent lower in the period from August to October 2023 than in the previous three months. Such production was down by 7.1 per cent YoY in October.

Source: fibre2fashion.com– Dec 09, 2023

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Global air cargo demand up 3.8% YoY in Oct 2023: IATA

Global air cargo demand, measured in cargo tonne-kilometres (CTKs), increased by 3.8 per cent year on year (YoY) in October this year. For international operations, the demand lagged slightly at 3.5 per cent YoY, according to data recently released by the International Air Transport Association (IATA).

This was the third consecutive month of stronger YoY demand.

Capacity, measured in available cargo tonne-kilometres (ACTKs), was up by 13.1 per cent YoY during the month; the figure was 11.1 per cent YoY for international operations.

This was largely related to the growth in belly capacity—the freight capacity in the cargo holds of a passenger aircraft. International belly capacity, for example, rose by 30.5 per cent YoY on the strength of passenger markets.

Global trade reversed its downward trajectory and stabilized in September. Although below its 2022 peak, global cross-border trade is more than 5 per cent above pre-pandemic levels.

After a continuous 17-month decline, cargo yields ticked-up in September and continued into October with a 2.6 per cent month-on-month gain, remaining well-above pre-pandemic levels, an IATA release said.

Middle Eastern carriers had the strongest performance in October this year, with a 10.9 per cent YoY increase in cargo volumes. This was a significant improvement from the previous month's 2.5 per cent.

Asia-Pacific airlines saw their air cargo volumes increase by 7.6 per cent YoY in October. This was close to par with the previous month's (7.7 per cent). Carriers in the region benefited from ongoing growth in international CTKs on three major trade lanes: Africa-Asia (16.7 per cent, the greatest annual growth since May), Middle East-Asia (10.3 per cent) and Europe-Asia (8.5 per cent).

Available capacity for the Asia-Pacific region's airlines increased by 30 per cent YoY as more belly capacity came online from the passenger side of the business.

North American carriers had the weakest performance in October with a 1.8 per cent decrease YoY in cargo volumes. This was a slight improvement in performance compared to September (minus 2.2 per cent).

Although the North America-Asia trade lane recorded an increase in international CTKs from minus 1.8 per cent in September to minus 0.9 per cent in October, and the North America-Europe market saw a slight improvement in international CTKs from minus 2.7 per cent in September to minus 2.1 per cent in October, carriers in the region did not benefit significantly. Capacity increased by 2.4 per cent YoY.

European carriers saw their air cargo volumes increase by 1 per cent YoY in October. This was a stronger performance than September's minus 1.5 per cent. Capacity increased by 7 per cent YoY during the month.

Latin American carriers experienced a 4 per cent YoY increase in cargo volumes, a notable increase compared to the previous month's 2.3 per cent gain. Capacity in October was up by 8.3 per cent YoY.

African airlines saw their air cargo volumes increase by 2.9 per cent YoY in October, much improved compared to September's minus 0.1 per cent.
Source: fibre2fashion.com– Dec 09, 2023

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Enormous potential in economic and trade cooperation between China and Vietnam

This year marks the 15th anniversary of the establishment of the China-Vietnam comprehensive strategic cooperative partnership. High-level interactions between the two countries have been frequent, and exchanges in various fields such as the economy and trade have been increasing.

At the end of November, the 12th meeting of the China-Vietnam Economic and Trade Cooperation Committee, aimed at discussing the high-quality development of bilateral economic and trade relations, was held in the Vietnamese capital of Hanoi.

The Vietnam News Agency reported that enormous potential dwells in the China-Vietnam trade cooperation - a highlight in bilateral ties. Vietnamese media sources also pointed out that China has been Vietnam's largest trading partner for many years, and Vietnam is China's largest trading partner within the ASEAN.

It proves that achievements in China-Vietnam economic and trade cooperation have been highly recognized by both sides. Recently, several Chinese and Vietnamese experts, based on their own research and observations, spoke to the Global Times about the cooperation between China and Vietnam in the field of economy and trade, and expressed their optimism about future development potential.

3,000 tons of durian export to China

Bui Trong Van, former minister counselor at the Vietnamese Embassy in China, told Global Times that economic and trade cooperation between China and Vietnam has evolved from a simple trade pattern to a higher level of cooperation closely related to the industrial and supply chains.

This is mainly due to the political and strategic guidance of the top leaders of both countries, as well as the continuous, stable, and healthy development of the comprehensive strategic cooperative partnership between the two sides. At the same time, the two economies have great complementarities. Deepening economic and trade cooperation fully serves the fundamental interests of both countries.

Data are the most convincing evidence. In 1992, when the two countries signed the economic cooperation agreement, the bilateral trade volume was only $179 million. In 2000, trade volume between the two countries surpassed $2 billion. Statistics provided by China's customs authorities showed that the two countries' trade increased by 19.7 percent to $230.2 billion in 2021, surpassing the $200 billion mark for the first time in history. In the first 10 months of this year, the bilateral trade volume has reached $185.1 billion.

Trade growth is inseparable from the comprehensive development of port infrastructure. In recent years, both central and local governments on both sides have attached great importance to port upgrading to improve customs clearance efficiency. Cross-border ports between the two sides are connected by highways, and China's high-speed rail has been extended to border cities in Vietnam and will soon be extended to port cities.

Border trade is drawing increasing attention from both China and Vietnam. For example, Dongxing, a county-level city in South China's Guangxi Zhuang Autonomous Region, is the only port city in China connected by both land and sea to Vietnam. Mong Cai is the largest, most open, and most promising economic zone in northern Vietnam.

At the end of November and the beginning of December, Dongxing and Mong Cai jointly held the 15th Vietnam-China International Trade and Tourism Fair, as well as a forum on promoting cross-border tourism between Dongxing and Mong Cai, attracting extensive media attention.

According to Vietnamese statistics, in the first 10 months of this year, Vietnam's vegetable and fruit exports to China reached $3.18 billion, a year-on-year increase of 165 percent. Among them, Vietnamese durian is a particular favorite for Chinese consumers. Since being allowed to enter the China market in July 2022, Vietnamese durian has directly promoted the surge in vegetable and fruit exports to China. A woman engaged in the fruit business in Vietnam's Long An Province told the Global Times, "In the first half of this year, my family exported over 3,000 tons of durian to China and made a lot of money."

Unique status

The highlights of the China-Vietnam economic and trade cooperation are not only reflected in trade, but also in the accelerated promotion of investment and industrial cooperation.

During the first half of 2023, Global Times' special correspondent conducted an in-depth research at the industrial zones in Hanoi, Bac Ninh, Bac Giang, Hai Duong, and Hai Phong in Vietnam, and found that compared to the situation five years ago, the proportion of Chinese-funded enterprises in various industrial parks has significantly increased, and the signboards of Chinese-funded enterprises are particularly prominent. Almost all interviewed representatives of Chinese-funded enterprises stated that their decision to invest in Vietnam has turned out to be correct, and they are optimistic about Vietnam's development prospects.

According to statistics from Vietnam, China is Vietnam's sixth-largest source of foreign direct investment, with 3,949 active projects, and total registered capital exceeding $25.8 billion.

Chinese enterprise investment in Vietnam has provided employment for hundreds of thousands of local people, improved local industrial support mechanisms, and driven local export growth. For example, China's investment in the Vietnamese textile industry has increased year-on-year, and several Chinese large-scale modern textile enterprises have formed a relatively complete industrial chain locally.

The China-Vietnam economic and trade cooperation has entered a new stage of building international industrial supply chains. Vietnam imports intermediate products like industrial raw materials and mechanical equipment from China, processes and assembles them, and then exports them to other countries, including the US, South Korea, Japan, and other Southeast Asian countries.

It can be seen that the China-Vietnam main industrial and supply chains naturally extend to a global industrial and supply chains. This is the most vivid embodiment of the success of jointly building the China-proposed Belt and Road Initiative (BRI), which is not only of important economic significance but also of important strategic significance.

Xu Liping, director of the Center for Southeast Asian Studies at the Chinese Academy of Social Sciences, told the Global Times on Thursday that Vietnam regards its relationship with China as a strategic choice and a top priority in its foreign policy, and China regards Vietnam as a priority in its neighborhood diplomacy. Both sides attach great importance to their diplomatic positioning toward each other.

Although Vietnam has elevated its bilateral relationships with the US and Japan to comprehensive strategic partnerships this year, its comprehensive strategic cooperative partnership with China has lasted 15 years, which is apparently long, and we have one more element - cooperation.

Gu Xiaosong, dean of the ASEAN Research Institute at the Hainan Tropical Ocean University, told the Global Times that although Vietnamese businesspeople also realize that close cooperation with China in the industrial chain and supply chain may be under US pressure, this cooperation nonetheless holds huge commercial interests. If the chain with China is cut off, it will be difficult for the Vietnamese manufacturing industry to sustain itself based solely on its own industrial foundation and manufacturing capabilities. Therefore, Vietnamese companies often take measures to avoid adverse effects from the West.

Click here for more details

Source: globaltimes.cn– Dec 10, 2023

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Cross-border services delivered digitally grow fastest in global trade

Cross-border services delivered digitally are the fastest-growing segment of international trade, with new players emerging, according to a new joint report by the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the World Bank and the World Trade Organisation (WTO).

Digitally-delivered services have registered an almost four-fold increase in value since 2005, rising by 8.1 per cent on an average per year between 2005 and 2022.

This has outpaced growth in goods exports (5.6 per cent) and other services exports (4.2 per cent) to account for 54 per cent of total services exports, the report, titled 'Digital Trade for Development' notes.

With new ways of obtaining comparative advantage, opportunities arise for new players to engage in global trade, including farmers and small business.

The report explores specific policy issues, including the WTO's moratorium on customs duties on electronic transmissions, regulation of cross-border data flows, competition policies and consumer protection.

It sheds light on the potential benefits of digital trade for least developed countries, women, micro, small and medium enterprises (MSMEs), and young people as well as the need to bridge the digital divide and strengthen the readiness of developing economies to benefit from digital trade.

More international financial and technical support is needed to build the capacity of developing economies to improve connectivity and skills and more international cooperation is needed to regulate in areas relevant to digital trade, it says.

The report also notes that WTO members' current practice of not imposing customs duties on electronic transmission—the so called 'moratorium'—has a limited impact on government revenue, a WTO release says.

The report acknowledges that uncertainties exist about the scope of the moratorium and the definition of electronic transmissions, but notes that existing estimates of the potential revenue that could be collected using tariffs on electronic transmissions vary between 0.01 per cent and 0.33 per cent of overall government revenue on average for developing economies, with higher losses for a handful of economies.

The report also notes that while tariffs and value-added taxes (VAT) are not mutually exclusive, recent evidence shows that, for most economies, given current rate structures and with appropriate investment in the capacity of tax administrations, VAT could generate higher revenue from taxing electronic transmissions compared to hypothetical tariffs.

Moreover, tariffs on electronic transmissions would reduce digital trade and its benefits and might also impact the competitiveness and participation of firms in trade, especially MSMEs and women-owned trades, the report adds.

Source: fibre2fashion.com– Dec 10, 2023

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Bangladesh apparel exports to US drop by 24.75% during Jan-Oct'23

Bangladesh's earnings from apparel exports to the United States dived by 24.75 per cent Y-o-Y to $6.35 billion during the January-October 2023 period from $8.44 billion during the January-to-October period last calendar year.

Bangladesh's RMG exports to the US during this period dropped by 29.52 per cent Y-o-Y, as per data from OTEXA. .Bangladesh exported 1.94 billion sq m of garments as against 2.76 sq m exported last year.

Overall US imports of apparel from the world during January-October 2023 declined 22.71 per cent to $67.26 billion compared to $87.03 billion in the same period of 2022, data showed.

In October particularly, Bangladesh's apparel exports to the US fell by 36.50 per cent to $578 million as against apparels worth $910.72 exported during the same month last year.

Source: fashionatingworld.com– Dec 09, 2023

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Pakistan: Textile industry unveils $50b export plan

The textile industry has submitted an ambitious plan to the government for achieving a $50 billion export target as it comes up with a set of recommendations for removing barriers and providing incentives to extend the outreach in international markets.

The industry has proposed the setting up of 1,000 garment plants on a fast track to create exportable surplus and diversify the export basket. Each plant will consist of 500 stitching machines with an investment of $5 million, produce garments to make exports of $20 million per annum and generate 1,000 jobs.

In a presentation given to the Export Advisory Council for Textiles, the industry proposed a "no-cost-no-commitment" incentive package, featuring proposals such as free office spaces for international brands and retailers to encourage their physical presence in Pakistan.

It pointed out that the cost of first six months would be covered through upfront financing from the Export Development Fund along with a rebate of 0.1% of the sourcing value for firms acquiring merchandise worth over $50 million from Pakistan.

It was highlighted that the US fashion industry was shifting from a strategy called "China plus Vietnam plus many" to a new system named "Asia plus rest of the world". Finding new sources for textile products other than China is a top priority of the US fashion firms.

Some firms were of the view that "Made in China" would gradually become "Managed by China" as Chinese manufacturers were looking at the possibility of outsourcing production. This presents opportunities to Pakistan as well as it can directly supply goods to international firms and also cater to the needs of Chinese companies looking to outsource production.

Textile companies are expected to increasingly source clothing made from recycled or other sustainable fibres. As many as 60% of firms plan to sustainably increase the sourcing of apparel made from sustainable or recycled textile materials over the next five years.

Demand for cotton and other sustainable fabrics is likely to rise compared to the less sustainable and biodegradable manmade fibre. High sourcing costs and low profit margins are the top challenges to sourcing clothing made from recycled or other sustainable fibres.

There are growing calls for policy support for sourcing such clothing, such as preferential tariff rates and guidance on sustainability and recycling standards.

Meanwhile, Pakistan's textile industry has urged the government to announce a separate power tariff category for exporters, excluding cross-subsidies, stranded costs and other inefficiencies.

It called for ensuring adequate supply of re-gasified liquefied natural gas (RLNG)/ locally produced gas at regionally competitive prices and transition to zero emissions for exporting industries.

Net zero greenhouse gas emissions are required across the value chain to continue exporting to western markets beyond 2030.

In addition, traceability across the textile and apparel value chain is increasingly sought by importers. This necessitates a mandatory and centralised track and trace system. The system should give priority to upstream sectors like cotton and ginning factories to ensure full compliance along with a fully operational National Compliance Centre to monitor environmental and social compliance.

The textile industry has sought exemption from sales tax for export-sector inputs to expedite processes and become competitive in global markets. It also called on the Federal Board of Revenue to process all FASTER refunds within the promised 72-hour time frame.

It demanded the refund of all pending dues in order to create a favourable and liquid business environment.

It floated the idea of setting up free commercial zones with simplified procedures to facilitate exports, reduce turnaround time and centralise export-related services. It asked for simplifying and digitalising all import and export procedures to enhance efficiency.

The industry advocated the need for tax incentives and financing schemes like those provided by regional economies, which will result in some competitive advantage in relation to competitors like Vietnam, Bangladesh, India and Cambodia.

It emphasised that varieties of exportable surplus should be increased and textile and apparel exports diversified beyond cotton-based products.

Source: tribune.com.pk– Dec 09, 2023

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$100 billion export vision: Pakistan eyes to reduce trade deficit with China

A 20-member delegation representing all sectors of Pakistan's export sector will leave for China on Sunday, as the country aims to enhance its exports to $100 billion and reduce its trade deficit with the neighbouring ally.

The development was shared by Dr Gohar Ejaz, Federal Minister for Commerce & Industries on Saturday, via a video message on the social media platform X, formerly known as Twitter.

"Pakistan has a massive trade volume with China," said Dr Ejaz. "Pakistan imports goods worth $20 billion from China. However, only a meagre $2 billion is exported to the neighbouring country," he noted.

"In the past three months, we conducted several exercises with a vision to increase Pakistan's exports from the current $30 billion to $100 billion. In this regard, we have seen the largest potential in China, and I believe that we need to shrink this trade deficit," he said.

"We conducted meetings with textile exporters and manufacturers of the non-textile sector and gauged the potential of these industrialists. We have selected a 20-member delegation, which will be heading to China to explore new markets," he said.

The caretaker minister said that Pakistan has the capacity and the potential.

"I believe China is our biggest potential, we can end our economic woes i.e. current account deficit by reducing our trade deficit with China, this is the core purpose for our visit," he added.
In a text message on social media platform X, Dr Ejaz said that the visit to China would mark the beginning of Pakistan's journey towards export-led growth.

The caretaker minister informed that the decision comes after meetings with the Industry Advisory Council and Export Advisory Council (EAC) for textile and non-textile sectors where "it was decided that the road to export growth passes through China".

"I would like to express my gratitude to the Chinese Ambassador in Pakistan, Jiang Zaidong, and the Pakistan Ambassador in China, Khalil Hashmi, as well as China's Ministry of Commerce for facilitating Pakistan to promote trade with China," wrote Dr Ejaz.

The EAC on Friday held its inaugural meeting under the chairmanship of Caretaker Minister for Commerce charting the course for Pakistan's $100 Billion Export Vision.

The council considered proposals to elevate domestic exports to $50 billion within the next five years.

Source: brecorder.com– Dec 09, 2023

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NATIONAL NEWS

Cabinet approves Additional allocation of Rs 2500 crore for continuation of Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit till 30.06.2024

The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi has approved an additional allocation of Rs 2500 Cr for continuation of Interest Equalisation Scheme till 30th June 2024. This would help exporters from identified sectors and all MSME manufacturer exporters to avail pre and post shipment Rupee export credit at competitive rates.

Details:

Benefit shall be continued till 30.06.2024 to manufacturer and merchant exporters of the identified 410 tariff lines and to all manufacturer exporters from MSME sectors at rates as specified below:

S.No.	Category of Exporters	Rate of interest Equalisation
1	Manufacturer and Merchant Exporters exporting products listed in the 410 tariff lines	2%
2	MSME exporters of all tariff lines	3%

Implementation strategy and targets:

The scheme shall be implemented by RBI through various Public and non-Public Sector banks who provide pre and post shipment credit to the exporters. The Scheme is jointly monitored by DGFT and RBI through a consultative mechanism.

Impact:

Availability of pre and post shipment packing credit at competitive rates is important for the exports sector in order to compete internationally. The effect of Interest Equalisation Scheme has been beneficial for the exports growth of the country as per the study conducted by IIM Kashipur. MSME sector is vital for employment generation.

The scheme is primarily meant for the labour intensive sectors. The present proposal is meant for exports by merchants and manufacturer exporters of identified tariff lines and MSME Sector manufacturer exporters. Increase in exports from these employment intensive sectors and MSMEs would lead to generation of employment in the country.

Financial Implications:

The additional outlay of Rs 2500 Crore, over and above the current outlay of Rs 9538 Cr under the Scheme, is made available to bridge the funding gap to continue the Scheme upto 30.06.2024. The estimated annual expenditure under the Scheme is approximately Rs 2500 Crore.

Benefits:

The intented target beneficiaries include all MSME manufacturer exporters and non-MSME exporters of certain identified sectors belonging to 410 tariff lines at four digit level.

Details and progress of scheme if already running:

S.No.	Financial Year	Budget Allocated (in Crores)	Actual Expenditure (in Crores)
1	2021-22	3488	3488 (including arrears)
2	2022-23	3118	3118
3	2023-24	2932	2641.28(as on 30.11.2023)

The figure of disbursement of amounts under the scheme for the last 3 years are as follow:

Background:

Government of India had announced the Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit to eligible exporters. The Scheme started on April1, 2015 and was initially valid for 5 years upto 31.3.2020.

The Scheme has been continued thereafter, including one year extension during COVID, and with further extensions and fund allocations. Currently the Scheme provides an interest equalisation benefit at the rate of 2% on pre and post shipment Rupee export credit to merchant and manufacturer exporters of 410 identified tariff lines at 4 digit level and 3% to all MSME manufacturer exporters. The Scheme was not fund limited and extended the benefit without any limit to all exporters.

The Scheme has now been made fund limited, and benefit to individual exporters has been capped at Rs 10 Cr per annum per IEC (Import Export Code). In addition, the banks that lend to exporters at an average rate of more than Repo + 4% would be debarred under the Scheme.

Source: pib.gov.in– Dec 08, 2023

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Centre to organize Bharat Tex 2024, a global textile mega event from February 26-29, 2024

BHARAT TEX 2024 is a global textile mega event being organised by a consortium of 11 Textile Export Promotion Councils and supported by the Ministry of Textiles. It is scheduled from February 26-29, 2024 in New Delhi. With a focus on sustainability and resilient supply chains, it promises to be a tapestry of tradition and technology attracting the best and the brightest from the textile world.

It will have dedicated pavilions on Sustainability and Recycling, thematic discussions on resilient global supply chains and digitisation, interactive fabric testing zones, product demonstrations and master-classes by crafts persons and events involving global brands and international designers. Bharat Tex 2024 will be a unique experience for knowledge, business and networking.

The mega event will feature an exhibition spread across nearly 20 lakh sq. ft area showcasing Apparel, Home Furnishings, Floor Coverings, Fibres, Yarns, Threads, Fabrics, Carpets, Silk, Textiles based Handicrafts, Technical Textiles and much more. It will also feature nearly 50 different knowledge sessions providing an excellent platform for knowledge exchange, information dissemination and Government to Government and Business to Business interactions.

Studies are conducted from time to time to assess / ascertain various critical issues impacting the textile value chain including global best practices in the area. One such assessment was done by a Technical Committee chaired by Member NITI Aayog, on Technical Textiles. In its report, taking clue from the best global practices, the committee brought out a detailed roadmap on the technology and research activities in the field of technical textiles.

Thereafter, after due consultation with stakeholders, National Technical Textiles Mission(NTTM) was formulated with focus on research and innovation and indigenous development of specialty fibres; promoting awareness amongst users; enhancing India's exports of technical textiles; and creating human resources with requisite skills.

With a view to support green initiatives in the textile supply chain, the Ministry is implementing Integrated Processing Development Scheme (IPDS) since 2013 onwards, to facilitate the textile industry to meet the required environmental and social standards in the area of waste water and effluent management. The scheme supports Common Effluent Treatment Plants (CETP) in processing clusters. So far, 6 projects have been approved by the Ministry under this scheme.

Apart from this, an Environment Social Governance Tasks Force has been constituted by the Ministry of Textiles to provide a platform to various stakeholders of the textile and apparel industry for discussing the current status on sustainability issues and issues in transitioning the textile industry to a sustainable and resource-efficient production system.

This information was given by the Union Minister of State for Textiles, Smt. Darshana Jardosh in a written reply today in the Rajya Sabha.

Source: pib.gov.in– Dec 08, 2023

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India is poised to power the world's economy for decades to come: Sh. Goyal

Union Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution, and Textiles, Shri Piyush Goyal highlighted the growing confidence in India's potential and the nation's rising stature on the global stage. The Federation of Indian Chambers of Commerce and Industry (FICCI) witnessed a momentous address by Shri Piyush Goyal at its Annual Convention and 96th Annual General Meeting in New Delhi today, where he underlined the metamorphosis India is undergoing, transitioning from a land of immense possibilities to an 'inevitable India,' poised to power the world's economy for decades to come.

Reflecting on India's transformative journey, Shri Goyal highlighted the collective commitment exhibited by everyone present, emphasizing the pivotal role each individual holds in propelling India toward prosperity and global eminence. He reiterated the vision of an 'Amrit Kaal,' aiming to elevate India into a developed nation by 2047, marking a turning point in the country's global positioning.

Outlining the roadmap for the next 25 years, Shri Goyal envisioned India as the world's third-largest economy, fostering a robust manufacturing base, leading the forefront in technology and innovation, and nurturing a vibrant services sector powered by cutting-edge technologies. He stressed the collective commitment toward achieving a tenfold growth and the pivotal role played by business leaders, corporates, and the public in realizing this vision.

Citing Prime Minister Shri Narendra Modi's transformative leadership and the significant economic reforms undertaken, Shri Goyal highlighted the strengthening of economic fundamentals, lower inflation, enhanced foreign exchange reserves, and initiatives to ensure equitable distribution of basic needs across India.

Underlining the government's focus on empowering every individual and ensuring basic necessities, Shri Goyal highlighted the impact of schemes like Digital India, Swachh Bharat Mission, and financial inclusion programs, positively affecting millions across the country. He also emphasized the nation's rapid progress in infrastructure development, reflecting on key projects like the Bharat Mandapam and the new Parliament building in Delhi.

Reiterating the government's commitment to inclusive and sustainable growth, Shri Goyal urged industry leaders to join the 'Viksit Bharat' program as envisioned by the Prime Minister, aligning their efforts towards a holistic and optimistic future for the nation. He encouraged them to become 'Viksit Bharat' Ambassadors and proudly become part of India's development journey.

The Minister stressed the need for India to harness its strengths to attract global investments, underscoring the global interest in concluding Free Trade Agreements (FTAs) with India and the world's increasing reliance on India for solutions to global challenges. Urging industry leaders to embrace electric mobility as a sustainable option, Shri Goyal called for a collaborative effort to transition toward 100% electric vehicles, thereby reducing dependence on crude oil imports and significantly impacting the economy and environment positively.

He extolled FICCI's pivotal role in India's progress. Shri Goyal congratulated Team FICCI for their unwavering dedication and service to the nation, lauding their remarkable contributions to India's industrial landscape. He commended FICCI for its immense commitment to the nation's growth, acknowledging the distinguished past presidents, committee members, and the indomitable women power within the organization.

In conclusion, Shri Piyush Goyal reiterated his confidence in India's potential and urged everyone to adopt a proactive approach, converting every challenge into an opportunity and contributing collectively towards India's transformative growth journey.

Source: pib.gov.in– Dec 08, 2023

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Exporters to make fresh plea to Centre to raise interest subsidy rates

Exporters are planning to make fresh representations to the Commerce and Finance Ministries seeking higher subsidy rates under the interest equalisation scheme (IES) for identified sectors to keep pace with the increase in interest rates on credit over the last year.

While the government's recent decision to extend the (IES) for identified sectors till June 2024 and earmark more funds for it has come as a relief to most as it could lead to more stability in the present "uncertain" times, there is disappointment that the subsidy rates have not been raised. "The extension of the IES has provided a stable ecosystem for exports to help exporters to take a long-term position and provide the most competitive prices for exports factoring the benefits under IES.

However, looking into the hike in interest rates in last one year or so, crossing the pre-Covid level , we urge the government to hike the subventions to take it to 5 per cent for manufacturer MSMEs and 3 per cent for others," said Ajay Sahai, Director General, Federation of Indian Export Organisations (FIEO).

FIEO plans to soon approach the Finance Ministry and the Commerce & Industry Ministry making a fresh case for an increase in subvention rates, Sahai said.

Under the IES, first implemented in April 2015, exporters are extended credit by banks at a reduced rate (the rate of interest subsidy is determined by the government). The banks are later reimbursed by the government for their lower interest earnings.

Additional allocation

Last week, the Union Cabinet approved an additional allocation of ₹2,500 crore for continuation of IES till June 30, 2024. The scheme would continue for all the targetted beneficiaries which include merchant exporters of the identified 410 tariff lines and all manufacturer exporters from MSME sectors. The rates of subsidy were, however, unchanged at 3 per cent for MSME sectors and 2 per cent for the rest.

Given the global headwinds faced by the export sector, exporters from various sectors have been demanding a higher subsidy rate. "Considering the tough time the exporting community faces, it has to be ensured that trade finance is available at a competitive rate. We have been urging the government to restore the interest equalisation rate back to 5 per cent from the current 3 per cent (for MSMEs)," pointed out EEPC India head Arun Garodia in a recent statement.

The RBI has raised the repo rate by 250 basis points since May 2022 mainly to keep inflation in check. Earlier this month, the RBI Monetary Policy Committee decided to keep the repo rate unchanged at 6.5 per cent the fifth time in a row.

Source: thehindubusinessline.com – Dec 10, 2023

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India-US Trade Policy Forum meeting likely to be held next month

India and the United States (US) are gearing up for the annual Trade Policy Forum (TPF) meeting next month, where both sides hope to strengthen bilateral relations, resolve trade and investment issues and identify more areas for engagement, people aware of the matter said.

"The TPF meet was supposed to happen this month, but may take place in January," one of the persons cited above said.

The India-US TPF will be co-chaired by Commerce and Industry Minister Piyush Goyal and US Trade Representative (USTR) Katherine Tai. Both the nations held the 13th ministerial-level meeting of the TPF in Washington in January. The India-US TPF was reconvened in November 2021 after a gap of four years.

The forum is crucial, considering that the US is India's largest trade and export partner. Bilateral merchandise trade during April-October stood at $69.36 billion.

The meeting will also take place at a time when India and US' relationship has reached new heights.
New Delhi and Washington had agreed on a truce over seven disputes at the World Trade Organization (WTO) and are on the same page with respect to key policy areas.

The TPF is the premier bilateral forum for discussion and resolution of trade and investment issues between the US and India.

Although all trade disputes between the two countries have been amicably resolved, TPF is much needed today with rising protectionism and geopolitical uncertainties posing new challenges, Ajay Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO), said.

"We should engage with the US on trade facilitation, labour, environment, and good regulatory practices as we march towards our goal of $2 trillion (goods and services) exports by 2030," Sahai said.

Under the TPF, there are working groups on five broad areas, including agriculture, non-agriculture goods, services, investment, and intellectual property. They address the issues of mutual concerns.

During the last ministerial meeting, both the countries had decided to create a working group on ‘resilient trade’ under the TPF. Here, both nations decided to initially focus on new-age trade issues such as environment protection, promotion of labour rights, and sustainable lifestyle.

Apart from that, they decided to discuss issues such as digitisation of customs procedures and strengthening the resilience of global supply chains in critical sectors, to help both nations withstand current and future global challenges.

Source: business-standard.com – Dec 10, 2023

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Optimistic about wrapping up EFTA deal with India before 2024 polls, says Swiss envoy

Switzerland's Ambassador to India, Ralf Heckner, has expressed optimism that the crucial European Free Trade Association (EFTA) deal with the country would be wrapped up before the 2024 general elections. Heckner stressed on the importance of the proposed trade deal for unlocking innovation and investment opportunities.

"Both sides have been negotiating very closely and seriously over the last more than 12 months. I remain positive that the deal would be wrapped up before the (2024) elections," he told PTI.

The envoy was recently in the city to unveil the Kolkata chapter of the Swiss-India Chamber of Commerce.

Parliamentary elections in India are due in early 2024.

"If India wants innovation, it needs to work with about 12 to 15 countries, and one of those countries is Switzerland for a world of investments and innovation," "We will have a more strategic innovation relationship with India," Heckner stated.

Noting the sharp rise in visa application processing numbers, which hit a record 2 lakh in 2023 compared to pre-COVID levels of 1.6-1.7 lakh, he said this trend would lead to enhanced trade and cultural ties between India and Switzerland in the years ahead.

The EFTA-India merchandise trade exceeded USD 6.1 billion in 2022.

The EFTA members include Iceland, Liechtenstein, Norway and Switzerland.

Source: economictimes.com – Dec 10, 2023

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PM Rishi Sunak's officials in Delhi to discuss India-UK FTA: Report

London, Senior officials from British Prime Minister Rishi Sunak's team are in New Delhi this week to add momentum behind the ongoing round of negotiations for an India-UK free trade agreement (FTA), according to a UK media report on Saturday.

'The Guardian' newspaper reports that while there is no official comment from either side on such a visit, Prime Minister Narendra Modi-led government is keen to finalise the FTA by the end of February before Modi sets off on an expected general election campaign trail.

Both countries are heading into an election year in 2024 and signing off on a trade agreement with India will bolster Sunak's electoral pitch to voters showing signs of anti-incumbency towards his governing Conservatives.

"The deal is still very much on and we think it is possible before both countries have their elections. Both sides are keen to get this done," an official close to the talks told the newspaper.

The India-UK FTA talks began in January last year with Diwali 2022 set as the initial deadline by then prime minister Boris Johnson.

There have been 13 rounds of negotiations since then, with the Sunak-led Tory government wary of setting any firm new timelines to clinch a deal that is expected to significantly enhance the GBP 36-billion bilateral trading partnership.

"The UK and India continue to work towards an ambitious trade deal that works for both countries. We have always been clear we will only sign a deal that is fair, balanced, and ultimately in the best interests of the British people and the economy," said a spokesperson for the Department for Business and Trade (DBT), reiterating the official UK government line.

Most recently, External Affairs Minister (EAM) S. Jaishankar confirmed that the FTA was among the many topics on the agenda during his visit to the UK last month and expressed confidence that both sides would find a "landing point that works for both of us".

"We have made substantial progress... I think both sides are very aware of the importance of the FTA and will make the utmost effort to get there. So, we have to take it as it happens," Jaishankar told reporters after he met with Sunak and other senior Cabinet ministers.

The minister also discussed the FTA negotiations with UK Opposition leaders in meetings with Labour leader Keir Starmer and shadow foreign secretary David Lammy during his November visit.

There had been some speculation that cricket enthusiast Sunak would be following up his first India visit as UK prime minister for the G20 Summit in September with some cricket diplomacy at the England versus India World Cup clash in Lucknow on October 29 - when the highly anticipated FTA could be signed off.

However, the internal political turmoil of a Cabinet reshuffle within the Tory party and the Israel-Hamas conflict on the global front were said to have side-tracked focus.

"We are very close...We will finish when we finish," UK Business and Trade Secretary Kemi Badenoch told a House of Commons committee when questioned about timelines recently.

Meanwhile, her Indian counterpart, Union Minister for Commerce and Industry Piyush Goyal has indicated that nearly 20 of the 26 chapters have been closed.

India is demanding greater access for its skilled professionals from sectors like IT, and healthcare in the UK market, besides market access for several goods at nil customs duties.

On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, automobiles, lamb meat, chocolates and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments like telecommunications, legal and financial services (banking and insurance).

Source: economictimes.com – Dec 10, 2023

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Indian cotton yarn spinners brace for decade-low profit margin: CRISIL

In a challenging fiscal, cotton yarn spinners in India are expected to witness a significant dip in their profit margins. Operating profitability is set to decline by 250-350 basis points, reaching a decade-low of 7-8 per cent. This stark drop is attributed to several factors, including shrinking spreads between cotton and cotton yarn, inventory losses, and a slower-than-expected increase in downstream demand, as per a report by CRISIL Ratings.

The situation is further exacerbated by a 13-15 per cent reduction in revenue due to substantially lower realisations. However, there is a silver lining as the volume is projected to grow by 10-12 per cent this fiscal, albeit from a lower base compared to the previous year.

The main culprit behind this financial downturn is the substantial role of raw cotton, accounting for approximately 60 per cent of the total manufacturing cost. As a result, fluctuations in cotton-yarn spreads have a profound impact on the profit margins of these spinners, CRISIL Ratings said in a press release.

Gautam Shahi, director, CRISIL Ratings Ltd, said, “Cotton yarn spreads are expected to hover around ₹75-80 per kg this fiscal from super-normal level of ₹100 per kg seen for most of last fiscal, because of a sharper fall seen in yarn prices compared to cotton prices in the first half of this fiscal. This is due to lower-than-expected pick-up in domestic demand for readymade garments this fiscal, especially in the knitted and denim segments. Better offtake of woven garments supported by return-to-office and rise in business and leisure travel, though, will partially offset this trend.”

One contributing factor to this challenging landscape is the sharp decline in cotton prices during the first half of the current fiscal, normalising from exceptionally high levels observed in the previous fiscal year. This drop has led to inventory losses for the spinners. Additionally, with the expectation of healthy cotton production in the current season similar to the previous one, cotton prices are projected to remain in the range of ₹57,000-62,000 per candy.

While lower yarn prices may bolster sales volume, revenue for spinners is expected to contract by 13-15 per cent on a year-on-year basis due to an 18-20 per cent decline in price realisations. The silver lining is that this substantial reduction in yarn prices is driving growth in exports and domestic markets this fiscal.

Pranav Shandil, associate director, CRISIL Ratings Ltd, stated, "Though the credit metrics of cotton yarn spinners will moderate this fiscal with weakened operating performance, it will remain resilient on the back of deleveraged balance sheets and modest capex plans. Interest coverage ratio of the sample set will weaken to 3.1-3.2 times this fiscal from 5.1 times last fiscal, but gearing is likely to remain stable at around 0.6 time as on March 31, 2024."

Any further slowdown in demand from the downstream segments, mainly readymade garments, and any adverse movement in domestic cotton prices in the near term will bear watching. Additionally, if international raw cotton prices sustain below the minimum support price of domestic cotton, the export competitiveness of the Indian cotton textile industry will be impacted, thereby remaining a key monitorable, the release added.

Source: fibre2fashion.com– Dec 08, 2023

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SP Apparels to buy Bannari Spinning Mills' textile arm and garment unit

Bannari Amman Spinning Mills Ltd (BASML) has said that SP Apparels Ltd has evinced interest in buying its textile subsidiary, a garment factory, and Perundurai lands. The company is planning to utilise the funds from the proceeds to reduce it's borrowings.

"The company's board at its meeting on Saturday has taken on record, in principle, the proposals for transfer/disinvestment/sale of the company's equity shareholding in the subsidiary and joint venture company Young Brand Apparel Private Ltd, sale of its garment unit located at Palladam Hi-Tech Weaving Park, Palladam, Tamil Nadu and sale of 6.43 acres of land with building situated at site no. R-44, SIPCOT, Perundurai, owned by the company," it said in a filing to stock exchanges.

SV Arumugam, Managing Director of BASML, is negotiating in furtherance of the above proposals. The transaction, when finalised, is subject to necessary statutory, regulatory, and other approvals.

BASML reported a revenue of ₹1.099 crore in FY23 (₹1290 crore in FY22) and incurred a loss of ₹34 crore (as against ₹48 crore profit in FY22), mainly due to higher cotton prices and poor realisations. In H1 of FY24, it reported a total revenue of ₹508 crore and a net loss of ₹10 crore. Meanwhile, SP Apparels' board has also approved the proposals to buy Young Brand Apparels Pvt Ltd and Palladam Garment units and 6.43 acre land in Perundurai.

Young Brand Apparels Pvt Ltd (YBAPL) is a manufacturing and export company and a strategic partner of brands focused on the intimate wear market segment. It is a joint venture company between Jacob Industries (USA) LLC, Intimark of Mexico, and Bannari Amman Spinning Mills and has a good customer base in the US. It has a state-of-the-art manufacturing facility on the outskirts of Chennai.

SP Aapparels said the acquisition of YBAPL will improve the synergies of both companies in terms of customer base. This acquisition will be a great support to its core business, the company said.

Source: thehindubusinessline.com– Dec 09, 2023

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