IBTEX No. 224 of 2023 **December 26, 2023**

Currency Watch			
USD	EUR	GBP	JPY
83.17	91.70	105.69	0.58

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INTERNATIONAL NEWS

UK Export Finance and Export Finance Australia deepen co-operation

UK Export Finance (UKEF) and Export Finance Australia (EFA) have signed a Memorandum of Understanding (MoU) enhancing co-operation in areas of mutual interest. The MoU builds on UKEF and EFA's existing strong relationship and will enable the agencies to deepen collaboration in areas such as the energy transition, infrastructure and growing secure supply chains, UKEF said in a statement.

The signing of the MoU follows UKEF and EFA participating in the financing of the Hai Long Offshore Wind Power Project in Taiwan, UKEF and EFA's largest renewable energy project financings to date.

"The signing of the MoU on the anniversary of the Australia-United Kingdom Free Trade Agreement (A-UKFTA) signified the deep commitment between the United Kingdom and Australia to boost the enormous trading potential between the two nations, and seek out new investment opportunities in the Indo-Pacific," UKEF chief executive Tim Reid said.

"Export credit agencies are a force for good in their own right, so when we come together it means we can unlock even greater opportunities for British businesses and economic growth. UKEF is committed to strengthening ties with our partners like EFA to do just that," added Reid.

"EFA and UKEF share many interests such as Indo-Pacific infrastructure, critical minerals and defence. This MoU builds on our existing strong relationship and will see more frequent engagement, enhanced working level exchanges and joint financings," said EFA managing director and CEO John Hopkins.

Source: fibre2fashion.com– Dec 25, 2023

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Japan's nominal GDP per capita lowest among G7 countries

In 2022, nominal gross domestic product (GDP) per capita in Japan was at $34,064, which was the lowest among the Group of Seven (G7) advanced economies. The G7 consists of the UK, Canada, Germany, France, Italy, Japan, and the United States plus the European Union.

It was for the first time since 2008 that Japan's nominal GDP per capita was the lowest among G7, the Japanese government has said. This shows a relative decline in Japan's economic standing among the advanced economies.

This also points to the impact of weaker Japanese currency against the US dollar. In 2022, the Japanese yen experienced a significant decline against the US dollar, driven by an expanding interest rate disparity between the two countries. This led to multiple interventions by Japanese officials to halt the yen's sharp fall.

The dollar's average trading value was notably higher at 131.4 yen in 2022, compared to 109.8 yen in the previous year, as per the Cabinet Office.

Among the 38 members that make up the Organization for Economic Cooperation and Development (OECD), Japan's nominal GDP per capita ranked 21, again a record-low for Japanese economy which continued to be the third largest in 2022.

In 2022, Japan contributed 4.2 per cent to global GDP, a huge decline from 5.1 per cent share in the previous year.

Source: fibre2fashion.com– Dec 26, 2023

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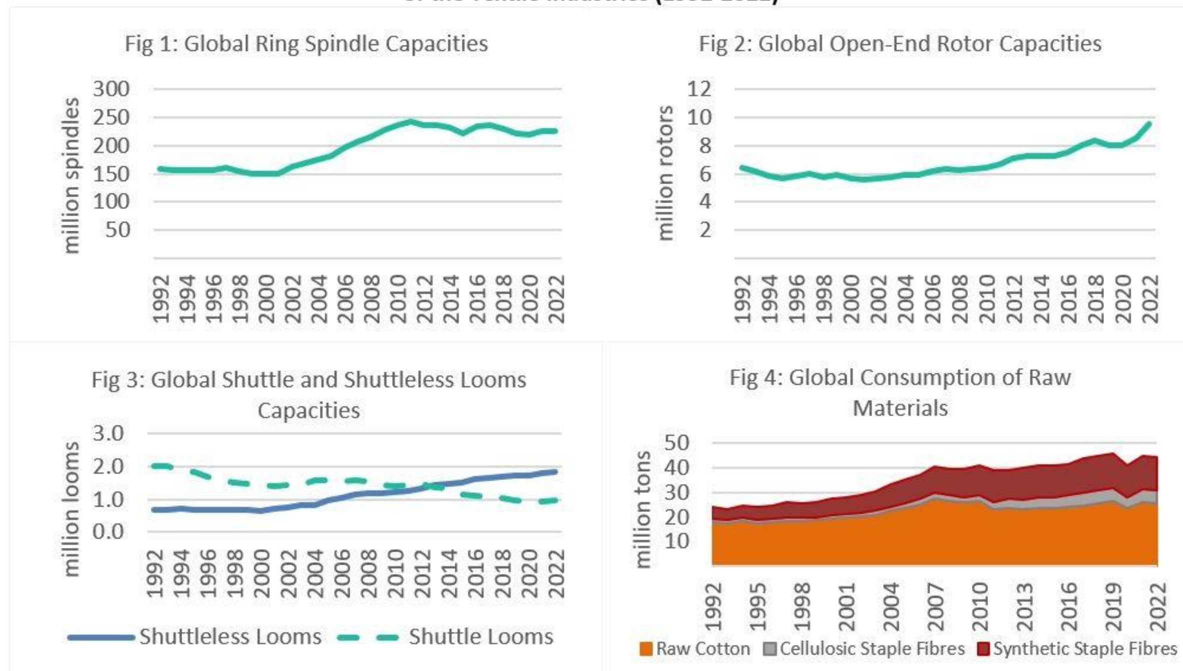
ITMF publishes International Textile Industry Statistics

ITMF (International Textile Manufacturer Federation) has published its International Textile Industry Statistics (ITIS) on productive capacity and raw materials consumption in the short-staple organized (spinning mill-) sector in virtually all textile-producing countries in the world.



The global number of installed short-staple spindles has grown from 225 million units in 2021 to 227 million units in 2022 (see Fig. 1). The number of installed open-end rotors increased from 8.3 million in 2021 to 9.5 million in 2022 (see Fig. 2).

This constitutes the strongest growth ever recorded in this market with investment disproportionally targeting Asia. The number of installed air-jet spindles continued to increase in all regions in 2022.

The substitution between shuttle and shuttle-less looms continued in 2022.

The number of installed shuttle-less looms increased from 1.72 million in 2021 to 1.85 in 2022 (see Fig. 3) while installed shuttle looms reached 952 thousand.

Total raw material consumption in the short-staple organized sector slightly decreased from 45,6 million tons in 2021 to 44,26 million tons in 2022 (see Fig. 4).

Consumption of raw cotton and synthetic short-staple fibers decreased by -2.5% and -0.7%, respectively. Consumption of cellulosic short-staple fibers increased by 2.5%.

Source: fibre2fashion.com– Dec 24, 2023

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Sustainability in the Fashion Industry: Enhancing Profitability and Brand Image

Driven by lifestyle and personal preferences, the fashion industry resembles an intricate spiderweb, fuelling widespread consumption through mass manufacturing within a low-cost framework. This approach maximises the use of natural resources. Amidst economic globalisation, businesses now compete more intensely for customer attention by differentiating their goods and services. As a result, long-standing issues, particularly the excessive utilisation of natural resources, have only been exacerbated. The escalating costs and negative impacts of inactivity on sustainable development have become increasingly evident.

Accusations against the fashion industry often relate to its significant ecological footprint, stemming from mass manufacturing, widespread worker exploitation, and marketing strategies that promote a culture of disposable goods. This culture leads to a significant quantity of textiles being discarded or incinerated globally every second.

Garments are frequently disposed of when they fall out of fashion, often prematurely. Despite growing awareness of its social and environmental consequences, the industry continues to impede sustainable future. The prevailing fashion mentality and low-cost strategies, which prioritise cost-effectiveness over sustainability, call for more transparent pricing and manufacturing policies. This situation demands collaboration among suppliers, stakeholders, and the industry to develop eco-friendly products.

It is important to note in this context that businesses often modify their behaviour and accept responsibility for various reasons, including the need to maintain and enhance their reputation, reduce stakeholder pressure, develop new markets, and gain a competitive advantage. Fashion designers face the challenge of valuing eco-friendly apparel designs without compromising style or brand identity.

This is crucial for consumers who use clothing as a status symbol or a lifestyle choice. Fashion companies, whether operating nationally or globally, must adapt their marketing strategies to increase customer awareness of sustainable products.

Brands and companies recognise the need to adopt eco-friendly practices for competitive advantage. They engage in corporate social responsibility (CSR) activities, benefitting both their businesses and society. Companies have a duty to operate responsibly and report mishaps.

Implementing CSR often involves integrating the three pillars of sustainability—economic, environmental, and social—into the business structure. This approach addresses issues like waste and pollution and positions a company to better anticipate and adapt to changes in profits, planet, and people, through continuous engagement with stakeholders and iterative processes.

As people become more conscious of the true cost of fashion in terms of its effects on people and the environment, sustainable fashion is bound to grow in significance. A research paper titled 'Global Fashion Brands: Does Sustainability Make Business Sense?' states that "brands who show above average sales growth and profit margins are three times more likely to meaningfully adopt sustainability, than others. In other words, global brands need to 'do well' (in financial terms) to 'do good' (in terms of sustainability)."

Today's clothing and textile industries, according to the UN Alliance for Sustainable Fashion, add $2.4 trillion to global manufacturing, employ 75 million people (mostly women), are responsible for 8-10 per cent of greenhouse gas emissions, contribute 20 per cent of the world's industrial wastewater pollution, and annually lose the equivalent of $500 billion due to underused clothing and a failure to recycle.

Sustainable fashion is a movement promoting changes in production and operation within the fashion industry towards greater social justice and environmental sustainability. This movement extends beyond just clothing and textiles, involving a broader consideration of various stakeholders including customers, producers, all living beings, and both current and future generations of the planet. Thus, everyone from suppliers to consumers has a role and responsibility in fostering sustainable fashion.

Sustainability in fashion encompasses not only environmental concerns but also waste, pollution, exploitation of raw resources, human rights issues like worker health, safety, fair wages, and reasonable working hours. Financial aspects are crucial too, as sales and net profit significantly influence a firm's decision to adopt sustainability practices. Strategic

management approaches integrate sustainability into corporate strategy to enhance effectiveness. However, this integration does not always guarantee neutral or positive financial outcomes, highlighting the complexity and challenges of implementing sustainable solutions in the fashion industry. While large retailers often announce commitments to sustainable practices, their fast fashion models largely remain unchanged. These retailers may adopt recycling and eco-friendly textiles, but recycling can sometimes be more energy-intensive than producing new clothes. Moreover, sustainable textiles alone do not alter the overall manufacturing process.

In contrast, smaller firms focus on reducing waste and creating durable, high-quality clothing. However, issues persist with labour conditions and material sustainability, even with eco-friendly fabrics. The approach to wear and care of clothing by consumers also plays a crucial role in environmental impact.

Sustainability in fashion goes beyond supply chain or garment details, teaching important life lessons. It involves building relationships and being mindful about clothing choices. A key aspect is utilising what people already own, as clothing purchases have risen by one-third over a decade. The most critical step towards sustainability is reducing consumption. A shift in consumption mentality is essential for sustainability in the fashion sector. Once basic needs are met, acquiring new clothing has minimal impact on well-being.

Large apparel companies face high return rates, averaging 40 per cent to 60 per cent, significantly affecting profits. If clothes were made by skilled, fairly compensated workers, returns would likely decrease, and resources would be used more efficiently. The environmental impact of fashion will continue to grow without industry action.

Redefining ‘fashion-forward’ to include emissions reduction and meeting environmental, social, and governance goals is crucial. Brands can use targeted strategies to address unmet needs and guide consumers towards sustainable consumption by understanding consumer profiles, motivations, and barriers.

Source: fibre2fashion.com– Dec 24, 2023

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Cambodia's local trade finance market estimated at $1.6B

The Kingdom's local trade finance market currently stands at $1.6 billion and improving access to affordable trade finance could increase imports and exports by up to nine percent, according to the latest study conducted by the International Finance Corporation (IFC).

The study, a second in a series of regional trade finance surveys, analyses the regional trade finance ecosystem and provides insights into how importers and exporters can increase international trade with improved support from financial institutions. According to the report, increasing coverage is more important than reducing the cost of trade finance.

The function of trade finance is to introduce a third party to transactions to remove the payment risk and the supply risk. Trade finance provides the exporter with receivables or payment according to the agreement while the importer might be extended credit to fulfill the trade order.

The major trade finance tools in Cambodia are letters of credit, guarantees and counter guarantees, standby letters of credit, documentary collections, bid/performance bonds, general working capital used for trade, post-shipment financing, equipment import financing, pre-export financing, supply-chain financing, other forms of import financing and specialised offerings for climate change.
The study revealed that growth in trade in the Mekong-3 region comprising Cambodia, Laos and Vietnam has been uneven. Exports from foreign-owned firms have outpaced those from locally-owned supply chains. The study shows that local trade finance is not only scarcely used, but also costly, segmented, and traditional.

In 2022, domestic banks supported only 21 percent of Vietnam's exports and imports. In Cambodia and Lao PDR, that figure was less than three percent. Traders cited high collateral requirements and onerous application processes among the main reasons why they did not seek support from local banks.

Makhtar Diop, IFC Managing Director, was quoted in the IFC observations on the study: "It takes coordinated action by the private sector, policymakers, financial institutions, and international organisations to address constraints to trade finance and realise its full potential for emerging markets."

The study recommends developing instruments like supply chain finance and innovative digital offerings to reduce costs and improve access. This would in turn require stronger regulatory frameworks that address collateral requirements, digital transactions, central bank conditions and accountability frameworks. It also recommends increasing awareness of how to access trade financing among smaller firms and local suppliers. The study said that Mekong-3 has established itself as one of the most integrated and trade-led regions of the world, with a trade-to-GDP ratio surpassing 100 percent in all three economies and over 210 and 185 per cent in Cambodia and Vietnam, respectively. "This is over three times higher than the global average of 62 percent and has turned Cambodia and Vietnam into trade leaders in Southeast Asia."

It pointed out that the Vietnamese economy has been more diversified than Cambodia, both in terms of imports and exports. "Cambodia relies heavily on its garment and textile industry, which comprises nearly half of its exports, with machinery and other consumer goods making up the remaining portion. A handful of key products and services, including garments, footwear, rice, cassava and tourism in services, dominate the export basket of the country." Highlighting the economic diversification pattern in Cambodia, Vietnam and Laos, the study said the three countries have been expanding their access to new export markets. "Cambodia and Vietnam have made remarkable strides in expanding their reach of export markets, achieving significantly higher export penetration. Exporters in Vietnam in particular have achieved a level of market access on par with their counterparts in Malaysia and Thailand. The Lao PDR has also managed to increase its export penetration – albeit from a modest base.

"While the number of exported products from Vietnam has not experienced substantial growth, exporters have succeeded in diversifying their market reach. This trend suggests that the surplus capacity built in Vietnam from global trade reconfiguration has led to an expansion of trade beyond the routes from China to the United States. "A striking example of this development is evident in the export of broadcast equipment, a dominant category in Vietnam's exports to the United States: exporters in this sector found their way to 113 global markets in 2010, expanding to 130 markets by 2021 – a 15 per cent increase in market access."

Source: khmertimeskh.com– Dec 25, 2023

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Nov sees mixed results in German exports to non-EU countries

Germany's exports to third countries, or countries outside the European Union, have shown mixed results in November 2023, according to the Federal Statistical Office (Destatis).

According to the latest provisional data, the calendar and seasonally adjusted exports of goods to these nations amounted to €59.2 billion. This reflects a modest increase of 1.0 per cent from the previous month, but a decrease of 5.1 per cent from November 2022.

In terms of original values, German exports to third countries were reported at €63.4 billion, marking a 4.7 per cent fall from the same month in the previous year, Destatis said in a press release.

Source: fibre2fashion.com– Dec 25, 2023

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Vietnam's textiles and garments yet to fully unlock FTA's advantages and potential

Việt Nam's textile and garment industry has not been able to fully capitalise on the advantages and potential of FTAs, according to the Ministry of Industry and Trade (MoIT).

To address this issue, the MoIT, as the leading agency for FTA negotiation and enforcement, has been enhancing connections with ministries, localities, associations, and stakeholders to establish a collaborative ecosystem to help the textile industry effectively leverage FTAs.

According to Ngô Chung Khanh, deputy head of the multilateral trade policy department under the MoIT, the Vietnamese government has signed various FTAs with many markets around the world, with a key focus on reducing tariffs to the lowest and quickest levels and simpler rules of origin for Vietnamese goods, especially in the textile and garment sector.

In a recent survey by the Vietnam Chamber of Commerce and Industry (VCCI), while most enterprises had some understanding of the FTAs, only about 8 per cent possessed a clear understanding.

According to the ministry, Việt Nam's trade balance has been significantly in deficit in the East Asian markets, amounting to nearly US$129 billion in 2022, with $60.5 billion in trade with China, $37.9 billion with South Korea, and $13.42 billion with ASEAN.

Meanwhile, the Southeast Asian economy registered a substantial surplus with the US and the EU last year, $95 billion in surplus with the US, $31.4 billion with the EU, and $5.2 billion with the UK.

However, the market share of Vietnamese textiles in FTA markets has not increased in the past 4 years and remained relatively modest. In the EU, Vietnamese textiles account for only 4 per cent in the UK, 2 per cent in Canada, and 13 per cent in Mexico.

The proportion of raw processing in Vietnamese enterprises is still too large, with cut-make-trim (CMT) accounting for about 65 per cent, OEM production about 30 per cent, and ODM production about 5 per cent.

Difficulty in accessing capital remained a major challenge for enterprises in making further investments and improving competitiveness. The VCCI's survey showed the percentage of enterprises concerned about credit access has been increasing over time. In 2020, only 40.7 per cent of enterprises were concerned, in 2021, this figure increased to 46.9 per cent, and in 2022, it reached 55.6 per cent.

In addition, Vietnamese businesses have yet to embrace development and lack collaboration.

However, Khanh said sustainable development was not only a requirement of foreign management agencies but also of consumers. Failing to meet consumers' demands would likely result in losing orders.

He said in the FTA implementation plan, the government had set up a framework for Vietnamese and FDI businesses to enhance collaboration but so far, it had not been able to minimise unhealthy competition within the industry.

Trần Hoàng Phú Xuân, CEO of HCM City-based FASLINK Fashion, said there were still few Vietnamese businesses that actively participate in international trade fairs to understand end-users and target markets, preferring to receive orders directly in Việt Nam through intermediary companies.

Factors that have been hindering stronger growth include a global economic slowdown, resulting in fewer orders being placed.

The MoIT proposed a number of solutions, aiming to widen the search for new partners and seek new customers.

However, the ministry said the long-term plan was to build an ecosystem for the industry, one that would connect farmers to manufacturers, exporters, associations, regulatory agencies, consulting companies, logistics, and importers.

The Prime Minister's Office has also instructed the ministry to coordinate with ministries, localities, and associations to develop a plan for each province to develop key product lines.

Khanh said Vietnamese businesses must start positioning FTA markets as keys in their export strategy. To enter these markets, enterprises needed to research and understand the market information and policies, devising an access and brand-building strategy.

Source: vietnamnews.vn– Dec 25, 2023

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Italy's consumer & business confidence shows positive trend this month

Italy witnessed an increase in consumer confidence, with the index rising from 103.6 to 106.7, led by a significant jump in the economic climate index from 111.0 to 118.6 this month. The positive momentum was evident across various confidence indicators, with notable increases in the future (109.3 to 113.5), current (99.8 to 102.2), and personal indices (101.2 to 102.8), as per the Istat.

The business sector also reflected growing optimism this month, with the Istat Economic Sentiment Indicator (IESI) climbing from 103.5 to 107.2. Nonetheless, the confidence level in the manufacturing sector declined slightly from 96.6 to 95.4. The sentiment regarding order books showed little change, maintaining stability, whereas the outlook for production deteriorated slightly (with the indicators adjusting from -21.2 to -21.1 and from 1.8 to -1.5, respectively). Finally, the balance of assessments on inventories held steady (5.2).

The retail trade confidence index increased slightly from 107.5 to 107.8. Surveyed firms revised up the assessments on the current business activity but showed concern about the future trend in sales (the balance of the former variable rose from 13.0 to 19.1, and the one of the latter worsened from 27.2 to 20.1). Inventories were considered to have decreased (the related balance went down from 10.2 to 8.3), the Istat said in a press release.

Source: fibre2fashion.com– Dec 25, 2023

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Pakistan: Beyond import substitution

In the expansive arena of economic governance, Ludwig von Mises' profound assertion resonates: "If one rejects laissez-faire on account of man's fallibility and moral weakness, one must, for the same reason, also reject every kind of government action." Amidst this philosophical backdrop, Pakistan grapples with a complex array of economic challenges, demanding a sophisticated and nuanced approach to trade policies.

A disconcerting array of economic indicators paints a grim picture. Over the past five years, the budget deficit has ballooned from 5.8% to a concerning 7.7% of the GDP. The tax-to-GDP ratio has witnessed a precipitous drop from 11.4% to 9.2%, accompanied by a sharp decline in development spending from 4.1% to 2.3%. Public debt, a looming specter, now constitutes a formidable 74.3% of the GDP. Stark income inequality persists, with the top 10% commandeering 44% of the national income, while the bottom 50% languishes with a mere 16%, resulting in a glaring per capita income ratio of 14:1. In official records, the unemployment rate has risen significantly, climbing from 6.9% in 2018-19 to a concerning 9.5% in 2022-23, affecting more than 7 million workers. Unofficial figures, however, paint a grimmer picture, indicating that the actual unemployment rate may surpass 20%.

Poverty, estimated at 34% in 2018-19, is projected to reach a staggering 46% by 2022-23, affecting over 20 million idle youth. This crisis is further exacerbated by a real wages slump of over 20% in the last two years. The tax burden, distributed unevenly across sectors, contributes to an overall tax incidence of under 10% of the GDP, with a UNDP report suggesting elite capture causing a loss of over 2.5% of the GDP.

The industrial contribution to the economy is currently very low, and it has experienced a decline in recent years, with strong indications pointing towards widespread deindustrialization across the economy.

The contraction of industrial production during the 2022-23 economic crisis, intensified by economic volatility, escalating energy costs, inflation, and exchange rate depreciation, has precipitated the permanent closure of numerous firms. This impact is particularly pronounced in the textile and apparel sector, evident in a significant year-on-year decline in power consumption for firms on both LESCO and MEPCO networks. These challenges accentuate the pressing need for Pakistan to embrace an

export-centric culture, a pivotal shift considering the country's gross external financing requirements, which are poised to exceed $25 billion annually for the next five years.

Protectionism, as a set of policies aimed at shielding domestic industries from foreign competition through tools like tariffs, quotas, subsidies and non-tariff barriers, is a focal point of discussion. However, the pervasive call for import substitution as a solution to the ongoing economic crisis reveals a fundamental misunderstanding. The crux lies in the basic premise of international trade, founded on the principle of comparative advantage. In a simplified two-goods-two-economy scenario, each economy optimally produces and exports what it excels at, extending this principle to the diverse goods and economies in the real world.

Economies, as a rule, should export what they excel in producing and import what they lack comparative advantage in. The current discourse in Pakistan, advocating for benefits to "import substitution" industries to reduce imports and enhance the Balance of Payments (BoP), is flawed. Import substitution is inherently unproductive and internationally uncompetitive. Granting benefits and protection to these industries perpetuates inefficient production, leading to elevated prices for domestic consumers and wasteful resource utilization. The genuine solution lies in fostering export-led growth, where all industries orient towards exports, bolstering foreign earnings to offset the impact of imports and maximizing economic advantages.

In this strategy, the focus should narrow down to a few key sectors where the economy boasts a comparative advantage. Simultaneously, efforts should concentrate on creating localized backward and forward linkages within these sectors. This approach stands in stark contrast to the impractical notion of attempting to localize the production of an exhaustive range of goods under the umbrella of "import substitution."

In 2022, Pakistan's trade policies exhibit a subtle yet complex stance on tariffs, with an exceptionally high applied tariff rate of 98.6% (see table below). According to the WTO's World Tariff Profile 2023, this rate underscores the challenges and potential adverse consequences of protectionist measures. Such a high applied tariff rate can act as a significant trade barrier, leading to increased costs for imported goods. This, in turn, may have detrimental effects on consumers, businesses, and the overall efficiency of the economy. The focus on applied rates in this analysis aims to shed light on the immediate and tangible impacts of

protectionist trade policies. Particularly, the agricultural sector faces comparatively higher tariffs with a simple average applied rate of 10.3%, while non-agricultural products face a rate of 13.1%. Trade-weighted averages for agricultural (8.7%) and non-agricultural (6.4%) goods further highlight variations within different product categories.

Examining specific product groups, the tariff analysis unveils limited duty-free imports and a prevalence of applied tariffs falling within the 15% to 25% range, particularly for non-agricultural products. Distinct variations emerge among product categories, with higher average duty rates for non-electrical and electrical machinery, in contrast to lower rates for petroleum and chemicals. Major trading partners for both agricultural and non-agricultural products include the European Union, China, the United Kingdom, and the United States.

The analysis of Most Favored Nation (MFN) applied duties in Pakistan, India, and Bangladesh sheds light on the implications of protectionist measures on the Pakistani economy. While Pakistan generally maintains lower average duties, indicative of a relatively open trade policy, the impact of protectionism extends beyond duty rates to encompass non-tariff barriers and subsidies. Striking a balance is crucial; lower duties in sectors where Pakistan has a comparative advantage, such as cotton, suggest the potential benefits of an open trade approach. However, protectionist measures, if not carefully calibrated, could lead to inefficiencies, reduced competitiveness, and missed opportunities in global markets. The key lies in fostering an environment conducive to export-led growth, protecting domestic industries judiciously, and ensuring overall economic efficiency for sustained growth.

Debates are useless without factual concepts, and to begin with, Pakistan's economy has not been performing well. Foreign exchange reserves started at $4.5 billion at the beginning of the current financial year, and the national currency, the rupee, depreciated by over 81% in the last two years. External debt stands at nearly $128 billion, constituting almost 43% of the GDP. Cumulative external financing requirements, net of likely rollovers, are projected to exceed $55 billion from 2023-24 to 2025-26.

Click here for more details

Source: thenews.com.pk– Dec 25, 2023

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Pakistan: Charting export-led growth

Within this philosophical framework, Pakistan grapples with multifaceted economic challenges, demanding a sophisticated approach to trade policies.

Protectionism, utilising tools like tariffs, non-tariff barriers, and subsidies, aims to shield domestic industries. However, the prevalent advocacy for import substitution in the current economic crisis reflects a misunderstanding of the foundational principle of international trade based on comparative advantage.

The discourse favouring import substitution is unproductive and uncompetitive, leading to inefficiencies and elevated prices. The solution lies in export-led growth, focusing on key sectors with a comparative advantage and creating localised linkages.

In 2022, Pakistan's trade policies demonstrate a sophisticated stance on tariffs, with a high applied rate of 98.6%, posing challenges highlighted by the WTO. Examining specific product groups reveals limited duty-free imports and varied tariffs, notably for machinery and chemicals.

Analysis of Most Favoured Nation (MFN) applied duties in Pakistan, India, and Bangladesh underscores the impact of protectionist measures beyond duty rates, affecting the economy. While lower duties in sectors like cotton suggest open trade benefits, a careful balance is crucial to avoid inefficiencies and missed global opportunities.

Pakistan faces economic challenges evident in performance indicators. Starting with $4.5 billion in foreign exchange reserves this financial year, an 81% depreciation of the rupee over the past two years, and external debt nearly reaching $128 billion (43% of GDP), the economic strain is evident.

A projected $55 billion in financing requirement from 2023-26 adds to concerns, with a mounting budget deficit, declining tax-to-GDP ratio, reduced development spending, and stark income inequality. Unemployment has risen to 9.5%, potentially exceeding 20% unofficially, and projected poverty rates stand at 46%, affecting over 20 million youth. An unevenly distributed tax burden, contributing to an overall tax incidence of below 10% of GDP, emphasises the need for balanced policies.

The industrial sector faces decline and signs of deindustrialisation amid the 2022-23 economic crisis, leading to the permanent closure of numerous firms, especially in textiles and apparel. Escalating energy costs, inflation, and exchange rate depreciation intensify the contraction of industrial production, emphasising the urgent need for Pakistan to shift to an export-centric approach, given annual gross external financing requirements set to exceed $25 billion for the next five years.

The World Bank emphasises the need for a new consensus on global rules to address international tensions and benefit all countries. The issue is not excessive globalisation but excessively narrow regulation, advocating for global rules covering various aspects beyond trade. Recognising the shortcomings of protectionism and import substitution, the focus on export-led growth becomes crucial. Emphasising the need to boost foreign exchange earnings as an alternative to increasing debt, creating an open and competitive global trade environment is vital for stabilising industries, fostering growth, and providing opportunities for market diversification.

Tariffs on PSF

Pakistan’s textile industry, historically significant, faces challenges, witnessing a decline in contribution and employment trends amid the economic crisis in 2022-23.

The imposition of tariffs and protectionist measures on polyester staple fibre (PSF) adversely affects the textile industry’s global competitiveness. Despite increasing global demand for synthetic fibres, particularly polyester, Pakistan’s textile industry has been slow to shift from conventional cotton, limiting its share in the expanding market for synthetic textiles.

Garment exports still favour cotton at an 80:20 ratio, with only a quarter of spinning machines utilising man-made fibres (MMF).

The concentration of global PSF production in countries like China, India, and Southeast Asia, dominating synthetic textile exports, highlights Pakistan’s limited participation in the MMF apparel market.

Protectionist policies and the absence of a fully integrated chemical industry for synthetic polymers hinder Pakistan’s progress in this sector. Adequate raw material availability could boost the country’s share in the

global synthetic textiles market, but domestic policies influenced by protectionist measures impede tapping into this potential.

To boost Pakistan's textile industry, eliminating the 12% customs duty on polyester filament yarn (PFY) and ensuring no import duty on this crucial raw material is essential. Aligning withholding tax (WHT) and abolishing the 3% value addition tax (VAT) at the import stage for PFY is vital.

The current policy, with total import duties reaching 20%, including antidumping duty, hampers PFY industry growth and raises costs for end-users.

On the other hand, to enhance global competitiveness, Pakistani manufacturers must build industry capacity for producing textile articles based on MMF, recognising the growing demand in the global market for synthetic fibres (MMF) over traditional cotton articles.

Unfortunately, Pakistan struggles to fully leverage benefits from initiatives like GSP+ due to an economy heavily reliant on textiles and a lack of awareness and interest among traders, impeding the country's ability to exploit the full advantages of such programmes.

Protectionism in agriculture

Protectionist policies in Pakistan's agriculture sector, aimed at bolstering local farmers and ensuring food security, face limitations in achieving their goals.

Contrary to expectations, gains from agricultural trade liberalisation surpass those from protectionism. Many studies suggest that protectionist measures have not significantly benefited Pakistani farmers, with richer rural households reaping more substantial rewards under trade liberalisation.

Concerns about income distribution among vulnerable populations, particularly poor rural households, challenge the assumption that protectionism leads to improved food security.

Moreover, the implications of protectionism extend to international trade relationships. While protectionist measures aim to shield domestic agriculture, exposing the sector to foreign competition through

liberalisation may result in concerns about market access and potential losses for less-developed countries.

Despite marginal economic growth, protectionist policies in Pakistan have not effectively addressed income inequality as they often benefit select industries and contribute to higher prices, disproportionately impacting lower-income individuals and hindering overall economic growth and job creation. The need for a distinct approach that considers welfare, income distribution, and global trade dynamics is emphasised when evaluating the efficacy of trade policies in the agriculture sector.

Shahid Sattar has served as member energy of the Planning Commission and has also been an adviser at the Ministry of Finance, Ministry of Petroleum and Ministry of Water and Power

Amna Urooj works as a research analyst and has an M Phil in Public Policy from PIDE

Source: tribune.com.pk– Dec 25, 2023

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As Bangladesh's textile industry falters, can Pakistan step up?

There was a time when Pakistan's textile manufacturing sector was booming. The country had a steady domestic supply of high grade cotton and plenty of clients not just in the Gulf but also in Europe and the United States that relied on Pakistan's ability to produce clothes fast and export them.

It is no wonder then that textiles are still the largest export oriented sector in the country. In fact, 2005 marked a milestone year for Pakistan with GMO cotton seeds being introduced in the country with the following years being some of the highest output for Pakistan in terms of both the cotton crop and textiles manufactured.

But in the nearly twenty years since, something has gone wrong. Here is a sobering fact. Two decades ago, Pakistan's cotton was in demand globally. However over those 20 years, countries such as Bangladesh, Vietnam and Cambodia have all surpassed Pakistan. In 2003, when Pakistan's textile exports were $8.3 billion, Vietnam's textile exports were $3.87 billion, Bangladesh's were at $5.5 billion. Now Vietnam is at $36.68 billion and Bangladesh is at $40.96 billion, while Pakistan is struggling to hit $25.3 billion in 2022.

The reasons for this are manifold. Perhaps most significant in contributing to this was the energy crisis of 2008. Between 2007-8 Pakistan was hit by the global recession. The textile industry faced challenges due to high energy costs, rupee depreciation vis-à-vis the US $ and other currencies, and a high cost of doing business. As a result, there was a reduction in the number of textile mills operating in the country from about 450 units in 2009 to 400 units in 2019.

It was in this vacuum that countries like Bangladesh and Cambodia made their own space. That is until now. The last two years have seen two things happen. The first is that Pakistan's textile industry has seen a bit of a resurgence. A few good cotton crops along with the falling rate of the rupee have made exports an attractive proposition and textile mills have made big profits. On the other hand, textiles in Bangladesh have seen a downward trend. Could this be just the opening Pakistan's textile industry needs?

Bangladesh's troubles

Bangladesh's textile sector, a cornerstone of its economy valued at $27 billion, stands as a major global player. With its roots dating back to 1976, the garment industry now accounts for 80% of the nation's exports, featuring over 4,800 factories and employing over three million people, predominantly women. The sector has shown significant growth over the past 35 years, driven by government support, infrastructure investments, and labour-friendly practices.

The key to its success are Bangladesh's low minimum wages, which attract labour-intensive industries. Coupled with a vast, skilled workforce, the industry efficiently handles large orders, maintains competitive pricing, and meets international demand. The sector's efficiency is further bolstered by strong transportation networks, ensuring timely deliveries.

The industry has diversified into various segments, including ready-made garments, knitwear, and fashion apparel, aligning with global trends. In response to past disasters, there has been a concerted effort to improve workplace safety and conditions, leading to the closure of unsafe factories and enhancing Bangladesh's global reputation.

In 2023, Bangladesh's textile sector achieved a remarkable milestone. The Ready-Made Garment (RMG) exports increased by 10.67% to $42.63 billion in the first 11 months, exceeding the target of $42.308 billion. The sector's ongoing growth is supported by continued investments in infrastructure and effective marketing strategies, solidifying Bangladesh's position as a leading textile exporter.

Bangladesh has made substantial investments in textile-related infrastructure, such as textile parks and industrial zones, which have improved the efficiency and productivity of its labour force. The country has also excelled in employing foreign marketing techniques to promote its exports.

The on-going textile workers' conflict in Bangladesh in 2023, driven by demands for higher wages, has led to significant unrest with far-reaching implications. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) proposed a 20% increase in the monthly minimum wage to $90, which was significantly lower than the $208 demanded by the workers.

The Bangladeshi authorities, responding to the widespread protests, announced a new salary structure, increasing the monthly minimum wage by 56% to $113. However, this increase was still considered inadequate by workers and their groups due to rising living costs.

The protests, involving thousands of workers in Dhaka and Gazipur, escalated into violence, including the torching of factories and clashes with police, resulting in fatalities and significant property damage. These events underscored the critical issues of low wages and poor living conditions for the estimated four million workers in this sector.

Bangladesh, as the second-largest global garment producer, earns about $55 billion annually from garment exports, contributing nearly 16% to its GDP. The sector is under pressure from reduced pricing by global brands and increased production costs, including higher energy and transportation expenses.

The workers argue that the wage increase is inadequate to counter the sharply rising prices of daily commodities and rent, aggravated by a 9.5 percent inflation rate, making their income insufficient even with overtime work.

About 300 garment factories in areas such as Mirpur, Ashulia, Chandra, and Gazipur have closed due to the protests, leading to significant industry disruptions. There are concerns that these protests might not achieve the desired outcomes and could further complicate the situation.

The unrest has attracted international attention, with various entities urging the Bangladeshi government to address workers' grievances and respect their right to peaceful protest. Concerns among Bangladeshi ready-made garment (RMG) exporters have risen due to potential trade restrictions from Western nations.

Global buyers are including clauses in their orders to avoid responsibility for goods or payments if such restrictions are imposed. Faruque Hassan, BGMEA President, noted the inclusion of such clauses in letters of credit by some buyers, indicating non-receipt of goods or payments if Bangladesh faces sanctions.

The situation has drawn pressure from global rights groups, institutions, and governments, particularly the United States, which has warned of potential trade penalties and visa restrictions against those undermining

labour rights in Bangladesh. The European Union and the United Kingdom have also expressed concerns about labour and human rights in the country.

A European brand representative highlighted the potential impact of U.S. sanctions, including the possibility of empty shelves in stores and a ripple effect in the global apparel market. This indicates that while some customers seeking affordable apparel may remain loyal to Bangladeshi products, those with stricter buying practices might shift to alternatives in other countries, a change that could take years to reverse.

The protests highlight the need for fair labour practices and sustainable production methods in the global textile industry. The situation has been exacerbated by inflation and the devaluation of the local currency against the US dollar. The Bangladeshi Taka has devalued by approximately 16% over the past year, increasing the cost of imports, including raw materials for garment production.

This devaluation, coupled with the highest inflation rate in the last decade, has compounded the financial struggles of the workers and the garment manufacturing industry. The economic strain is evident from the bankruptcy of 313 factories, including 80 garment units, from January to mid-August 2023, reflecting challenges beyond a decline in global demand and encompassing banking complexities and the currency's devaluation.

Pakistan's opportunity

The textile industry in Pakistan, valued at $16-19 billion, is facing a series of challenges that are hampering its growth and productivity. Key issues include demotivated employees, inadequate pay structures, and reliance on outdated production methods. These are exacerbated by a lack of innovation, insufficient training, and a need for modern manufacturing techniques to compete internationally.

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Source: pakistantoday.com.pk– Dec 24, 2023

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Pakistan: Silk Road, textile summit to boost global trade

In his opening address, Deputy Mayor of Kunshan Zhang Feng highlighted the significance of the year 2023, marking the 10th anniversary of the Belt and Road Initiative (BRI) and the initiation of the China-Pakistan Economic Corridor (CPEC). As a flagship project of the Belt and Road, CPEC has achieved substantial cooperation results, particularly in the textile and apparel sector, where there is significant complementarity and potential for collaboration between the two countries.

Federal Minister for Commerce and Industries, Gohar Ejaz emphasised Pakistan's traditional strength in textiles, citing conducive natural conditions for cotton production, a large and competitive workforce, a complete industrial chain, and favorable conditions for international market access. He highlighted the potential for joint ventures between Chinese and Pakistani enterprises along the textile value chain, and Pakistan pledged comprehensive support for Chinese businesses investing in the country.

During the summit, the China Chamber of Commerce for Import and Export of Textiles (CCCT) and the All Pakistan Textile Mills Association signed a Memorandum of Understanding (MOU). This MOU is expected to further promote and strengthen economic and trade cooperation between the textile and apparel industries of China and Pakistan, empowering the development of cooperation between businesses from both countries in the textile and apparel sector.

"Silk Road e-commerce" has also emerged as a novel business model offering global consumers a plethora of goods and services with its convenient, efficient, and low-cost features. Aqeel Ahmed Chaudhry, Director of the Pakistani national pavilion in the Silk Road e-commerce cooperation pilot zone center, Pudong, Shanghai, China, expressed the intent to leverage this model to boost bilateral trade.

The government of Pudong, Shanghai, officially released the "Action Plan for Advancing the Construction of the Silk Road E-commerce Cooperation Pilot Zone in Pudong New Area" on December 14th, aiming to promote the Silk Road e-commerce as a cutting-edge business model. The initiative aims to provide a diverse range of products and services to consumers worldwide through the convenience, efficiency, and cost-effectiveness of Silk Road e-commerce.

Shanghai has been designated by the State Council as the pilot zone for Silk Road e-commerce cooperation, with a focus on enhancing digital economic cooperation along the BRI.

Source: tribune.com.pk– Dec 24, 2023

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RCEP worries: India may reassess negotiating FTA with Bangladesh

Prime Minister Narendra Modi and his Bangladeshi counterpart Sheikh Hasina had agreed to start negotiations on a India-Bangladesh Comprehensive Economic Partnership Agreement (CEPA) during the latter's visit in September 2022 to give a boost to bilateral trade and investments.

India may reassess its decision to enter into negotiations for a proposed Free Trade Agreement with Bangladesh if the neighbouring country goes ahead with its intention of joining the China-backed Regional Comprehensive Economic Partnership bloc, sources have said.

"The Commerce Department plans to evaluate the impact of Bangladesh's possible entry into RCEP on the Indian industry before it gets into a situation where the two countries could work out an FTA," a source tracking the matter told businessline.

News about Bangladesh's intention to join the RCEP after its general elections early next year has made India wary and cautious as Bangladesh already imports much more from China, than from India, and Chinese imports would go up further on its entry into the RCEP, the source said.

"Under such circumstances, an India-Bangladesh FTA could facilitate flow of Chinese goods into India from Bangladesh through the FTA route by circumventing rules of origin. (ROO). This could create a big problem for the Indian industry," the source said.

Prime Minister Narendra Modi and his Bangladeshi counterpart Sheikh Hasina had agreed to start negotiations on a India-Bangladesh Comprehensive Economic Partnership Agreement (CEPA) during the latter's visit in September 2022 to give a boost to bilateral trade and investments.

Interestingly, concern about Chinese goods swamping India was the primary reason behind India's decision to stay out of the RCEP, which now includes the ten-member ASEAN, Japan, South Korea, Australia and New Zealand, apart from China. While India had the option of not offering to

China the same tariff concessions that it offered to some others in the RCEP, it feared that Chinese goods may flow in from other member countries by circumventing ROO.

India's trade deficit with China in 2022-23 at $83.19 billion accounted for almost a third of the country's total trade deficit as Chinese imports increased to $98.5 billion during the fiscal while exports went down to $15.3 billion.

Developing market status

Bangladesh is keen to get into the RCEP as well as forge an FTA with India as it will graduate out of its Least Developing Country (LDC) status in 2026 and will need to give up concessions associated with it. As a LDC member of the South Asia Free Trade Agreement (SAFTA), Bangladesh enjoys duty free quota free access for most of its items into the Indian market which it would lose after 2026.

Getting into free trade pacts with its trade partners is a sure way for Bangladesh to continue enjoying preferential access into their markets even after it gains developing country status.

India enjoys a trade surplus with Bangladesh with its exports to the country in 2022-23 at $12.21 billion and imports at $2.02 billion. "India's exports to Bangladesh in the current fiscal have slowed down because of the economic situation in the country but that is not an area of major worry," the source said.

Source: thehindubusinessline.com – Dec 24, 2023

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India-ASEAN set to review trade pact for modernisation in February

With negotiations beginning in February, India seeks to narrow the trade deficit, currently standing at $43.57 billion, by revamping the ASEAN India Trade in Goods Agreement (AITGA) by 2025.

India and the ten-member ASEAN will begin negotiations in February to "modernise" their decade-and-a-half-old free trade agreement (FTA) and bring in more balance in the pact currently weighed against New Delhi. But new areas such as labour, environment, SMEs and gender are likely to be kept out, sources have said.

"There will be a complete re-look at the entire FTA with the broad objective of bringing down the trade deficit for India. We want to modernise the FTA as a lot has evolved since it was signed almost 15 years back. New elements such as product specific rules and trade remedies will be brought in to make the FTA more efficient," the source told BusinessLine.

The first round of negotiations for reviewing the FTA, officially known as the ASEAN India Trade in Goods Agreement (AITGA), will be on February 18-19 in New Delhi, the source said.

The negotiations will follow a quarterly schedule to wrap up the exercise by 2025.

India has been long pressing for a review of the AITGA, which was signed in August 2009 and implemented in January the following year, as the pact resulted in disproportionate benefits for the ASEAN.

Trade deficit

India's trade deficit with the region, which was $7.5 billion per annum when the pact was implemented, has since ballooned to $43.57 billion. In 2022-23, India's exports to the region were valued at $44 billion, while its imports were at $ 87.57 billion.

"The Commerce Department has collected inputs from various industry sectors on both tariff and non tariff barriers faced by them in the ASEAN.

Market access for Indian businesses has to go up by addressing both areas," the source said.

Sectors that need propping up include chemicals and alloys, plastics and rubber, minerals, leather, textiles, gems and jewellery, per an industry analysis.

"India will also need to make some concessions for the ASEAN as the review will have to benefit both but the objective of bringing balance has to be central," an industry official said.

Revamping AITGA

Modernising the AITGA will include incorporating changes in the Rules of Origin (ROO), which can work in favour of India by increasing market access for some items as well as blocking possible re-routing of goods by China through the ASEAN countries, the first source added.

ROO are the criteria to determine the origin of a product and establish if it qualifies for duty cuts under an FTA.

"PSRs will be introduced in the ROO chapter which can help India have relaxed rules for certain items to increase exports. At the same time, loopholes could be blocked to check circumvention by China," the source explained.

The modernised AITGA will also have a chapter on trade remedies, which will seek to provide a safety net for domestic industry against unfair trading practices or unforeseen surges in imports of goods, he added.

But no new areas, such as environment, labour, MSMEs or gender, will be added to the AITGA. "We do not want to complicate the free trade pact by cluttering it with new issues. The focus will be on making the existing pact more efficient," the official said.

The ten-member ASEAN, which includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar and Cambodia, accounted for 11.3 per cent of India's global trade in 2022-23.

Source: thehindubusinessline.com – Dec 25, 2023

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India may discuss non-tariff barriers in Trade Policy Forum meet with US

India may take up the issue of non-tariff barriers resulting in a market access issue with the United States (US) in the upcoming meeting of the Trade Policy Forum (TPF) between both the nations, people aware of the matter said.

Preparations have begun for the annual meeting, scheduled for January 13-14 in New Delhi. Here, both sides hope to strengthen bilateral relations, resolve trade and investment issues and identify further areas for engagement.

Agriculture products, including fruits such as mango, grapes and pomegranate, are one of the focus areas for both the nations as time and again exporters from both sides have faced challenges on market access.

"There are a few market access issues with the US. For instance, there are some challenges related to the inspection of fruits such as pomegranate and mangoes, under the US's preclearance programme," one of the officials cited above told Business Standard.

"We will discuss these matters with them next month (at the TPF). US Trade Representative (USTR) Katherine Tai, along with her team will be in Delhi," the officials said.

Pradeep S Mehta, secretary general, CUTS International, said that legacy trade frictions pose a major challenge to advancing the bilateral trade relationship. There is a need for a roadmap, which can match Indian and American trade priorities and resolve outstanding issues, he added.

"For India, restoration of our status as a beneficiary of the US GSP programme and securing good terms for Indian professional service providers should be the priorities.

Since the TPF will be held just weeks before WTO MC13, the two sides must also explore how they can jointly contribute towards a successful MC13 and restoration of a well-functioning dispute settlement mechanism," Mehta said.

The India-US TPF will be co-chaired by Commerce and Industry Minister Piyush Goyal and USTR Katherine Tai. The 13th ministerial-level meeting of the TPF took place in Washington during January a year ago. The forum 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.

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

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

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India's $60 billion man-made textile sector reels from Chinese imports glut

For almost a year now, India's major textile hubs of Ludhiana, Surat, and Erode have been fighting an almost insurmountable challenge: rising imports, or arguably large-scale dumping, of man-made fibre (MMF) fabrics that is affecting a sector valued at about $60 billion.

Rajesh Bansal, a fabric processor in Ludhiana, took his friends from Nagpur recently to a retail outlet to buy fleece. "Of the six pieces shown to us, four were from China," he says.

"China dumps fabric and this creates problems," asserts Ashok Jirawala, president of the Federation of Gujarat Weavers Association. "We ran our weaving units to full capacity and now we have unsold stocks. So, we plan to cut production by 20%."

C. Jaganathan, who weaves fabrics in Erode, imports viscose yarn from China. "When the prices were ₹180 a kg for Indian yarn, I got it for ₹125 a kg from China. Only for the last one month Chinese prices are higher. The Chinese sellers are now offering the current price for a year," he observes.

In the last three years, MMF fabric imports, which attract mostly 20% duty, have doubled and most of it is knitted synthetic fabrics, contends R.K. Vij, secretary general of the Polyester Textile Apparel Industry Association.

According to data shared by Mr. Vij, in 2019-2020 (April to March), about 325 tonnes of fabric were imported every day from China at $4.61 a kg. The volume increased to 887 tonnes a day in the April-June quarter of this fiscal and the average value was about $2.90 a kg. Of this, value of knitted or crocheted dyed fabrics made of synthetic fibre was just $1.4 (about ₹118) a kg.

'Under invoicing hurts'

It is not just imports, but "under invoicing of imported finished fabrics that is a major issue," notes Mr. Vij. "The government should issue a notice to Customs, stopping clearance of fabrics that are priced below a certain value at the ports," he urges.

Rising import of MMF fabric and relatively higher domestic prices of MMF fibres are severely impacting local spinners, knitters, weavers and processors as they are unable to supply at competitive prices. This has hit both, the local and export manufacturers, and the downstream industry is said to be operating at only 70% capacity.

Quick trade estimates for November from the Confederation of Indian Textile Industry (CITI) show that export of man-made yarn, fabrics, and made-ups were 7.33% lower year-on-year. For April-November, the decline was 23.2%.

In 2017-18, fabrics dominated India's total MMF exports with 33% share, while yarn made up 32%, as per a study on the Ministry of Textiles website. India's share in global MMF trade was 2.7% in 2019.

"Indian textiles is predominantly cotton based," says a Tamil Nadu-based viscose products producer, who spoke on condition of anonymity. "We could not bring much innovation in MMF products. China, Thailand, Korea have been the innovators," he adds.

"We were out-priced on the raw material front for the last 15 years. We do small value additions. With the China + 1 strategy, there is a big push from western brands but we do not have the capabilities. China is the biggest player in MMF. It is desperate to sell its raw material at any cost as its customers are looking at other countries for sourcing it. China determines the international prices."

The viscose products producer says, given China's dominance, India's introduction of Quality Control Orders (QCOs) on MMF fibres is severely impacting the entire value chain.

The government has introduced QCOs on polyester raw materials, polyester fibre and yarn, and viscose fibre, making Bureau of Indian Standards (BIS) certification mandatory for these products, even if they are imported.

'QCOs killing industry'

"The QCOs are killing the industry," says Rakesh Mehra, Chairman, CITI. "The government should have started with QCOs for garments. That is left open [for imports] and it has introduced QCOs for fibre. This has led to fibre prices going up. What should be of good quality is what touches the

skin. But, that [garment and fabrics] is imported without any quality control. One has to do a deep study on the prices and imports. The industry is for QCOs and good quality, But, it should be introduced first at the garment stage," adds Mr. Mehra.

And, this is a view echoed by most of the MMF players that The Hindu spoke to.

Any textile mill that produces MMF yarn (polyester or viscose) should get the yarn tested for BIS standards. "How can a small-scale mill spend lakhs on testing," asks a small-scale textile mill owner, speaking on condition of anonymity. "It should not be mandatory at the yarn stage," he adds.

By extension, quality control on fibre imports is denying the market of high quality fabrics.

A viscose yarn producer says a garment exporter in Tiruppur showed a sample that he claimed was a branded speciality fabric. On closer examination, it turned out to be a blend of nylon and viscose. "No one really checks. The sellers are using brand names to push any type of blended fabric into the market," adds the yarn producer, who does not wish to be identified.

In a slow market, the imports and QCOs on fibre seem only to drag down the industry, not just the MMF sector but the promising technical textiles segment too.

The industry is unable to import MMF fibres under advance authorisation scheme for overseas orders where the customers specify the speciality fibres to be used. "There is no clarity on this and it is leading to a lot of confusion," says the Synthetic and Rayon Textiles Export Promotion Council chairman Bhadresh M. Dodhia. "The surge in import of value added products is ridiculously high. QCOs should be implemented across the value chain at the earliest," he adds.

MSMEs on edge

Almost a year of declining orders and high prices have put MSME units' finances on edge. "I weave rayon fabric and sell it to local traders who sell in the north Indian markets," says Aruchamy, a weaver in Palladam who owns and operates automated looms.

"The buyers have reduced the prices by ₹2 to ₹5 a metre in the last one year. For every three looms, there should be one worker. I now have one person to man five looms. A fitter asks for ₹30,000 a month as salary. I cannot afford it. This affects the quality of the fabric produced," he adds.

"I used to pay ₹4 lakh a month as electricity charges for the auto looms unit," says Mr. Jaganathan. "That has increased to ₹6 lakh now. Similarly, labour costs have shot up too. In Erode, auto loom units should pay almost ₹1,000 a day to a worker," he adds.

He is among the MMF weavers in Erode who are demanding reimbursement of GST paid under an inverted duty structure for a year so they get some financial relief.

When GST was introduced in July 2017, MMF fibre and yarn were levied 18% duty and fabric was 5%. From November 1, that year, the tax on yarn was reduced to 12%. The weavers assumed that they would get a refund for the higher duty that they have been paying. But, a good two years later, in January 2019, weavers were told that the refund would take effect only from August 1, 2018, a whole year after they had paid higher taxes.

And that the refund would be on the condition that the weavers did not owe any outstanding GST for the concerned taxation period of 13 months, failing which, an 18% penalty was levied on the entire 13 months GST value. As the weavers had been hopeful of getting the refund, they had not updated their accounts to reflect the changed taxation and ended up paying the penalty to get their refund.

Mr. Jaganathan contends he should get ₹50 lakh as refund for the 13 months. "There are many weavers who had to shut operations because of the GST issue," says B. Kandavel, organising secretary of Federation of Tamil Nadu Powerlooms Associations.

Across the country, the government may have to pay ₹1,000 crore, or so as refund to the MMF weavers. This will be a significant financial relief to the weavers, adds Mr. Kandavel.

Source: thehindu.com– Dec 24, 2023

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Trade challenges in 2023: India relatively steady amid global slowdown

The global trade and economy brought two surprises this year–the slowdown in the Chinese economy, and the resilience of Europe and the United States (US). In turn, India's trade figures were also quite unflattering.

When China, the second largest economy in the world, ended its Covid induced lockdown restrictions earlier this year, the widespread expectation was that its economy and exports would boom again. As it turned out, the growth of the Chinese economy was rather tepid and its exports also didn't pick up as expected.

That had its effect on many smaller economies in East Asia whose fate is linked with the growth of the Chinese economy. As this year comes to an end, there is no certainty regarding which way the Chinese economy would go.

In the beginning of the year, most analysts predicted a slowdown or even a recession in Europe and the US. Contrary to expectations, the US maintained significant economic growth while bringing down inflation and unemployment rates.

Europe weaned itself away from Russian oil and gas and still managed to avoid a recession while tackling the problem of inflation quite successfully. Russia has also shown a strong resolve and resilience despite diverting enormous resources to sustaining its war with Ukraine.

The trade war between China and the US continued with export restrictions on some critical items and higher import duties on some others.

The industrial policy giving subsidies for growth of certain industries also introduced fresh distortions in global trade. The dispute resolution system at the World Trade Organisation remained dysfunctional due to reluctance of the US to appoint enough members to its appellate body.

In India, the export and import figures have been trending downwards mainly due to fall in commodity prices and freight rates compared to the previous year. While overall sluggish demand in the west, export

restrictions on some commodities and a somewhat overvalued rupee also played a role in the negative export growth, the fall in imports had more to do with protectionist policies of the government that entailed not only higher import duties but also a host of quantitative restrictions such as pre-import licensing and registration requirements and bringing more and more items under quality control disciplines.

Our commerce ministry huffed and puffed to somehow get a free trade deal done with the United Kingdom during this year but failed due to differences on crucial issues. There was little progress on other trade negotiations also. The government settled most of the trade disputes with the US but towards the year end, the US imposed anti-subsidy countervailing duties on a few Indian products on which the government gives remission of duties and taxes under a new scheme.

The finance ministry and the Reserve Bank of India worked in tandem to ensure that the inflation does not go up and growth impulses are maintained. The government spending on infrastructure, especially in the logistics sector, has helped the ease and cost of doing business. The finance ministry has opted not to blindly accept the recommendations of the Directorate General of Trade Remedies in many cases, considering the impact of such protective duties on the downstream user industries.

Overall, it has been a relatively steady year for the Indian trade and economy amidst some turmoil and slowdown in the global economy.

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

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India's RMG exports decline by 15% in November 2023: IBEF

Despite opening of markets in the western countries, India's export of readymade garments (RMG) declined by 15 per cent in November 2023.

As per a report by the Indian Brand Equity Foundation (IBEF), India's RMG exports declined from $10.36 billion in April-November 2022 to $8.84 billion in the corresponding months of 2023. Export of jute manufacturing, including floor covering, reduced to $234 million in April-November 2023 from $303 million in corresponding period last fiscal in same period. This also led to the ballooning of India's trade deficit by 23 per cent Y-o-Y and 24 per cent M-o-M in November 2023.

Export of handicrafts items dropped by 10 per cent to $1.04 billion during the first eight months of the current fiscal from $1.16 billion in April-November 2022.

As per the IBEF report, growing a CAGR of 14.59 per cent, the Indian textile and apparel market size is expected to reach $387.3 billion by 2028 from $172.3 billion in 2022. The industry contributes 2 per cent to India's GDP annually.

Second largest employer after agriculture, the Indian textile industry provides direct employment to 45 million people and 100 million people in the allied sector. A few of the top textile and clothing manufacturing states in country include Andhra Pradesh, Telangana, Haryana, Jharkhand and Gujarat.

Source: fashionatingworld.com– Dec 25, 2023

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