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INTERNATIONAL NEWS

China's cotton output falls due to unfavourable weather

China's cotton production has decreased to 5.618 million tonnes this year, a 6.1 per cent drop from 2022, as reported by the National Bureau of Statistics. The reduction is primarily due to unfavourable weather conditions in the major producing region.

The total area of cotton fields decreased by 7.1 per cent to 2.7881 million hectares, although the national average output per hectare saw a 1.1 per cent increase.

Xinjiang, the largest cotton-growing area in the country, faced adverse weather including lower spring temperatures, more rainfall, and extended summer heatwaves. These conditions led to a slight decrease in production per hectare. However, regions along the Yangtze River and Yellow River experienced increases in per hectare yield due to improved management practices, said Chinese media reports quoting NBS official Wang Guirong.

Source: fibre2fashion.com– Dec 28, 2023

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France's industrial producer prices experience fluctuations in Nov

The industrial producer prices in France witnessed a significant shift in November 2023, according to recent statistics released by Insee. The overall prices increased by 1.5 per cent over a month while experiencing a decline of 0.5 per cent over the year.

The report highlighted a marked monthly increase in the overall producer prices by 1.5 per cent, following a minor decrease of 0.1 per cent in October. This change is primarily attributed to the surge in electricity prices. Specifically, prices for the domestic market jumped by 2.4 per cent, a sharp rise from the previous month's stability. Conversely, prices for foreign markets showed a decrease, falling by 0.6 per cent after a slight decline in October.

Year-over-year figures show a continued downward trend with industrial producer prices decreasing for the fifth consecutive month, marking a 0.5 per cent fall after a 1.5 per cent drop previously. Notably, when excluding energy, producer prices saw a decrease of 0.5 per cent over the month and remained nearly unchanged over the year, Insee said in a press release.

The home market saw a significant rise in producer prices of 2.4 per cent over the month, driven mainly by the sectors of mining, quarrying, energy, and water, which accelerated notably. Manufactured products, however, continued their decline. Annually, there's been a slight rebound in the home market prices, standing 32 per cent above their 2021 average level.

For foreign markets, November brought a decrease of 0.6 per cent in industrial producer prices, with manufactured products declining more notably. Over the year, this sector has experienced a decrease for eight consecutive months, with prices now 14 per cent above their 2021 average level.

Source: fibre2fashion.com– Dec 27, 2023

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SE Asia's economy projected to grow 4.3% in 2023, 4.2% in 2024: Report

Southeast Asia’s economy is projected to grow by 4.3 per cent this year and by 4.2 per cent in the next, below the pre-pandemic average of 5 per cent per year, according to the latest Economic Insight report for Southeast Asia, commissioned by the Institute of Chartered Accountants in England and Wales and Oxford Economics.

The region has displayed resilient economic momentum in the third quarter (Q3) this year, with improved trade conditions driving gross domestic product (GDP) growth to surpass expectations.

Export growth in Singapore, Vietnam and Malaysia expanded from Q2 to Q3, with the first two nations enjoying notable turnarounds. The region’s exports will likely be weighed down by a prolonged global weakness, particularly from the United States and China, a Vietnamese media outlet report citing the document.

Vietnam's economy will grow by 4.7 per cent this year and by 5 per cent in the next, with a bright medium-term outlook. Overall growth there next year is expected to be subdued by normal standards. The pre-pandemic growth trend was around 7 per cent in the country.

Vietnam has emerged as a key winner amid the global supply chain reshuffling, and its share of global goods exports should rise further over the medium term, spurred by the ‘China Plus One’ strategy of multinationals, the report predicts.

That should drive Vietnamese GDP outperformance relative to the country's ASEAN peers until at least 2030, it notes.

Though economic momentum picked up in the third quarter this year in Vietnam, concerns exist about potential headwinds next year, the report says.

Factors weighing down the 2024 forecast for Vietnam include US- and China-led slow global growth, tourism bright spots losing their shine and declining private consumption.

Singapore's economy enjoyed robust 1.4 per cent quarter-on-quarter growth in the third quarter this year, driven by a turnaround in exports and manufacturing activity. The GDP growth forecast for this year for the country is 0.7 per cent, down from 3.6 per cent last year.

While the United States will probably avoid a recession, an extended period of poor growth is likely ahead, the report notes.

Other advanced economies are set to be sluggish due to past policy tightening, while China's spending will remain subdued as it faces its internal problems, it adds.

Source: fibre2fashion.com– Dec 28, 2023

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US retail sales up 3.1% YoY this holiday season: Mastercard

US retail sales excluding automotive increased 3.1 per cent year over year (YoY) this holiday season, running from November 1 through December 24, according to preliminary insights from Mastercard SpendingPulse.

Apparel was one of the top categories for shoppers this season as consumers shopped for new outfits and upcoming holiday festivities. The sector was up 2.4 per cent YOY.

Online retail sales increased 6.3 per cent year over year while in-store sales were up a more modest 2.2 per cent year over year. Spending online is increasing at a faster pace than in-store, therefore taking a growing slice of the retail pie, but shopping in-store still makes up a considerably larger portion of total retail spending, as per the report.

"This holiday season, the consumer showed up, spending in a deliberate manner," said Michelle Meyer, chief economist, Mastercard Economics Institute. "The economic backdrop remains favourable with healthy job creation and easing inflation pressures, empowering consumers to seek the goods and experiences they value most."

"Retailers started promotions early this season, giving consumers time to hunt for the best deals and promotions," said Steve Sadove, senior advisor for Mastercard and former CEO and chairman of Saks Incorporated. "Ultimately it was about getting the most bang for your buck as consumers spent on a variety of goods and services, resurfacing spending trends from before the pandemic."

Source: fibre2fashion.com– Dec 28, 2023

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Maersk, CMA CGM Prep Vessels for Red Sea Return

Some container shipping giants are arranging returns to the Red Sea after a U.S.-led coalition was established to fight off attacks on vessels passing through the waterway.

Three days after A.P. Moller-Maersk asserted that it would prepare to allow vessels to resume transit through the Red Sea and the Gulf of Aden, the global logistics company unveiled Wednesday that 59 ships are set to continue their voyage through the Suez Canal.

The schedule remains subject to change based on specific contingency plans that may be formed over the coming days, Maersk said.

CMA CGM beat Maersk to the punch, saying Tuesday in its own service update that some vessels already had made their transit through the Red Sea.

“This decision is based on an in-depth evaluation of the security landscape and our commitment to the security and safety of our seafarers,” CMA CGM said in the advisory. “We are currently devising plans for the gradual increase in the number of vessels transiting through the Suez Canal.” The container shipping company said it is monitoring the situation constantly and is ready to promptly reassess and adjust plans as needed.

Earlier this month, ocean carriers including Maersk, CMA CGM, Mediterranean Shipping Company (MSC) and Hapag-Lloyd initially halted vessel traffic through the Red Sea and its chokepoint, the Bab el-Mandeb Strait, amid a string of missile attacks on ships from Yemen-based Houthi militants.

According to data from maritime intelligence platform EeSea, 212 vessels have been rerouted around Africa due to concerns of attacks within the Bab el-Mandeb Strait and the Red Sea.

Although the moves from Maersk and CMA CGM represent a sign of confidence in the U.S.-led Operation Prosperity Guardian (OPG), the multinational naval operation built to counter the Houthi threat and shield commercial traffic from attacks, not all ocean freight competitors are set on bring back Red Sea traffic just yet.

Hapag-Lloyd said in a statement that "the situation remains too dangerous" to cross the Suez Canal, with the company saying it would keep diverting ships around southern Africa's Cape of Good Hope.

The Germany-based ocean carrier said it was continuously monitoring the developments and will regularly reassess the situation, assuring that it would resume services through the Suez Canal "when it is deemed safe for our vessels, crews and your cargo on board."

MSC confirmed Tuesday that one of its container ships, the MSC United VIII, was attacked while transiting the southern Red Sea en route from King Abdullah Port, Saudi Arabia to Karachi, Pakistan. The vessel informed a nearby coalition task force warship of the attack and "engaged in evasive maneuvers" as instructed.

The Iran-backed Houthis claimed responsibility for the attack.

All crew members safe and no injuries have been reported, with the company saying a thorough assessment of the vessel is being conducted.
The decisions from Maersk and CMA CGM would be a sigh of relief for shippers, particularly those in Europe, that are relying on goods to be transported via the Suez Canal. Approximately 20 percent of global container shipments flow through the Red Sea and Suez Canal, making the gateway a vital area for facilitating global trade.

The alternative route around the Cape of Good Hope adds roughly 3,500 nautical miles to the journey, adding to concerns of delayed shipping times of two weeks, and an increase in prices to cover the higher transport costs. Maersk, CMA CGM, MSC and Hapag Lloyd have all implemented extra surcharges to cover the costs of the longer routes, with MSC becoming the first carrier to announce a change to the European Union's Emissions Trading System (ETS) surcharge on account of the rerouting around Africa.

ETS is the carbon tax on shipping levied by the E.U., with new charges kicking in January 2024.

On the Far East to Northern Europe route, fees will jump from $21 per dry 20-foot equivalent container unit (TEU) to $27 per TEU, while the Far East to Mediterranean trade lane will see a steeper increase from $17 per TEU to $40 per TEU.

Having continued their descent much of 2023, ocean freight rates have seen an uptick of sorts in the weeks after the Houthi rebels began attacking commercials ships in what they say is a response to the Israel-Hamas war in Gaza.

According to Drewry's composite World Container Index (WCI), spot rates increased week-over-week by 9 percent to $1,661 per 40-foot container as of Thursday. Two Asia-to-Europe trade lanes, Shanghai-to-Rotterdam and Shanghai-to-Genoa, saw the highest rate increases across the eight major lanes analyzed by Drewry, at 16 percent and 15 percent, respectively.

From Nov. 30, composite prices have increased 30 percent per container across all trade lanes.

Source: sourcingjournal.com– Dec 27, 2023

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Fashion's diplomatic dance within the new bloc, amidst global uncertainties at the BRICS+ Fashion Summit

In the dynamic landscape of 2023, fashion enterprises across Asia, the Middle East, Latin America, Eastern Europe, and Africa found themselves strategically navigating complexities amidst persistent global uncertainties. Coined as "friendshoring," fashion brands sought to fortify their nearshoring strategies, mitigating supply chain risks amid escalating geopolitical tensions.

BRICS+ : The untapped fashion frontier, redrawing the fashion map

The BRICS alliance, now representing a formidable more than 45% of the global population, boldly challenges the demographic and economic dominance of the G7. Convened in Moscow from November 28 to December 2, 2023, the BRICS+ Fashion Summit became a nexus for 130 brands from BRICS nations and emerging markets. This international platform aimed to redefine the fashion landscape, providing emerging designers with access to global markets and heightened visibility.

Reshaping the Global Fashion Narrative

Fashion, synonymous with change, stands as the fourth-largest economic sector globally. The BRICS+ Fashion Summit showcased a collective effort to introduce novel business paradigms. Designers from India, Turkey, South Africa, and China viewed participation as a gateway to new customer bases, signaling a potential shift in the industry's established norms.

Cem Altan, President IAF describes, “BRICS+ Fashion Summit is more than just a platform for free trading, it as a means for these nations to find a middle ground in both politics and trading—a process as the "BRICS transformation."

Altan further tempered expectations, stating, “Regarding BRICS projecting itself as a single market during the fashion summit, that it would be impossible for BRICS to surpass the combined trade of the United States and Europe.” However, he acknowledged the need for BRICS nations to learn global practices, open their doors to the global market, and collaborate to expand their presence internationally.

Key Trends and Collaborative Strategies

The success of local brands in Russia post-international exits highlighted the potential for BRICS nations to carve their niche. The narrative emphasizes the necessity for strategic initiatives and bespoke strategies, with industry leaders like David Tlale and Uma Rutanova advocating collaboration as the key to unlocking new possibilities in fashion.

Dreaming of a Single Fashion Market

Entrepreneur Zhang Yiming envisioned a revolutionary impact on the fashion industry with a BRICS+ single market, anticipating streamlined trade and increased access for emerging markets. However, cautionary notes from Natalia Vodianova urged careful consideration of challenges like differing regulations and infrastructure to realize this transformative dream.

Fashion Beyond Borders: Immersive Storytelling

Brazilian designer Francisco Costa declared that fashion transcends borders and languages, connecting cultures and building bridges. The BRICS+ Fashion Summit's shows went beyond mere displays, becoming immersive storytelling experiences. Digital elements and technology, as seen in Anamika Khanna's metaverse presentation, pushed the boundaries of traditional runway experiences, capturing the attention of global influencers like Mr. Bags.

Addressing Labor and Environmental Concerns

Venturing into the fashion world, BRICS+ nations confront challenges related to labor and environmental sustainability. The summit emphasized the urgency of reforming the textile labor force and investing in sustainable practices, underscoring a commitment to forging an eco-friendly fashion supply chain.

A New Chapter in Consumer Economics

Emphasizing cultural sensitivity and inclusivity in modern fashion design, the BRICS+ Fashion Summit marks a collective journey into consumer economics. Departing from traditional Western influences, it poses a bold challenge to established fashion capitals, hinting at a potential seismic shift in the global fashion landscape.

As the fashion world pivots towards the east and south, cities like Beijing, Mumbai, Moscow, Cape Town, and Dubai emerge as contenders against traditional powerhouses. The BRICS+ Fashion Summit acts as a catalyst, challenging norms, and heralding a new era in the industry's evolution.

Source: fashionatingworld.com– Dec 25, 2023

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Asian fashion e-commerce market may reach $985 bn by 2030: Report

The Asian fashion e-commerce market is experiencing a significant boom, with projections estimating its value to rise from $521 billion in 2023 to $985 billion by 2030, growing at a CAGR of 9.5 per cent during the forecast period. This surge is attributed to the increasing convenience of online shopping, which allows consumers to purchase a wide array of fashion products ranging from apparel to accessories, according to a recent report.

The market's expansion is driven by the widespread adoption of smartphones and internet across the region, with around 60 per cent of the Asian population expected to have smartphones by 2023. Countries like China, Japan, India, and various Southeast Asian nations are capitalising on this trend by offering competitive pricing, exclusive deals, and fast delivery options on e-commerce platforms, as per the Asia Fashion Ecommerce Market by CoherentMI.

The growth is further fuelled by the rising middle class in Asian countries, with a significant increase in disposable income leading to higher spending on fashion and luxury items. E-commerce platforms are targeting this demographic by offering a plethora of domestic and international fashion brands.

However, the market faces challenges, including strict counterfeit laws that increase compliance costs and the threat of fake products tarnishing brand reputation. Despite these hurdles, opportunities abound with the rise of live streaming and the increasing importance of sustainability in consumer preferences. E-commerce platforms are leveraging live streaming for customer engagement and incorporating eco-friendly practices to align with the growing demand for sustainable products.

Source: fibre2fashion.com– Dec 28, 2023

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Cambodia's textile-garment exports down 14.8% YoY in Jan-Nov 2023

Cambodia exported textiles, garments, footwear and travel products worth $9.9 billion in the first 11 months this year—down by 15 per cent year on year (YoY), according to the commerce ministry. Global economic slowdown, particularly in the European Union (EU), led to the fall, the government said.

Exports of textile and apparel were worth $7.22 billion during the period, marking a decline of 14.8 per cent YoY, a report by the ministry said.

Export of footwear was worth $1.21 billion—down by 23 per cent YoY, while that of travel goods was worth $1.47 billion—down by 9.8 per cent YoY.

Source: fibre2fashion.com– Dec 27, 2023

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Continue duty benefit to Bangladesh

Say Japanese retailers

Japanese garment retailers and brands want the continuation of duty-free market access to Bangladesh after the latter's graduation from least developed country (LDC) status in 2026, Japanese Ambassador to Bangladesh Iwama Kiminori said yesterday.

Riding on duty-free facilities, Bangladesh's garment shipments to Japan grew by 45 percent to $1.6 billion year-on-year in the last calendar year and Japanese retailers expressed their desire to continue duty-free market access between the nations beyond 2026, Kiminori said.

The Economic Partnership Agreement (EPA) between Bangladesh and Japan, the terms of which are still being negotiated, includes not only tariff benefit, but also services, investment, trade customs procedures, trade facilitation, and price competition, he said.

So far, three rounds of meetings have been held between the two countries for the signing of the EPA, designed mainly to retain duty-free trade before the cut-off time of Bangladesh's LDC graduation in November 2026.

The signing of the EPA will deepen bilateral trade relations and also deepen regional and global trade but since it is at a premature stage, the exact amount of trade benefits for both countries if the deal is signed cannot be pinpointed.

The Japanese envoy was speaking at the announcement of the EPA joint study group (JSG) report at the commerce ministry office in Dhaka.

While announcing the joint study report, Senior Commerce Secretary Tapan Kanti Ghosh said both countries targeted to complete the signing of the EPA by December 2025 or June 2026.

As the extended period of LDC status for Bangladesh will come to an end on November 24, 2026 and Japan has no grace period like the European Union (EU), Ghosh said the signing of the EPA was mandatory if Bangladesh and Japan wanted to enjoy duty-free trade facilities beyond 2026.

"I am very much hopeful that the EPA will be signed between the two countries. This is the first time Bangladesh is negotiating the signing of a full-fledged trade deal with a country like Japan, which offers great potential to Bangladesh," Ghosh said.

Bangladesh's export to Japan amounted to $1,901.60 million during FY2022-23 and import from Japan stood at $2,020.90 million during the same period, according to Ghosh.

Although, the balance of trade is tilted towards Japan, there are areas of common interest where the nations can cooperate for mutual benefit, he added.

The JSG identified 17 facets in scope and coverage in negotiating the proposed EPA, such as trade in goods, technical barriers to trade, improvement of business environment, labour, environment and transparency.

Additionally, there is huge demand for investment in the Japanese Special Economic Zone at Narayanganj's Araihazar upazila

The Japanese economic zone is expected to draw investments amounting to over $1.5 billion once it goes into full operation and generate employment for over one lakh people initially.

Bangladesh's garment export to Japan got a boost in January of 2011, when the Japanese government removed tariff barriers from knitwear imports originating in an LDC.

One of the characteristics of the bilateral trade structure between Bangladesh and Japan is that imports from Japan to Bangladesh are mainly industrial products such as steel, machinery, and automobiles, while imports from Bangladesh to Japan are mainly textiles and textile articles.

According to Bangladesh Bank, in FY2021-22, Japan was Bangladesh's 12th largest trading partner in exports (with a share of 2.3 percent) and 7th largest trading partner in imports (with a share of 3.2 percent).

In the past, Japanese trading companies and construction companies have entered Bangladesh. About 15 years ago, textile and logistics industries began to expand into Bangladesh due to its abundant and inexpensive labour force.

Foreign direct investment (FDI) from Japan to Bangladesh in FY2022 reached the largest ever amount recorded, hitting $122.72 million. It was $49.87 million in FY 2021.

The FDI stock from Japan in December 2022 stood at $675.69 million.

In addition, the number of Japanese companies operating in Bangladesh has tripled over the past decade, rising to 302 in 2022, according to the joint study.

Source: thedailystar.net– Dec 28, 2023

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Bangladesh apparel industry fights back against unfair discounts

In a bid to counteract a rising trend of deceitful bargaining tactics by certain global garment buyers, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) is taking a stringent stance. Reports reveal that a surge in incidents where buyers exploit exporters by seeking "illogical" discounts on clothing prices has prompted the industry apex body to contemplate blacklisting such entities.

The BGMEA issued a circular on December 21, urging its member-factories to compile a list of buyers engaging in dubious discount negotiations. The association's move aligns with the central bank's discount committee decision following deceptive dealings by these buyers. The circular highlights the manipulative practices of certain buyers who, after receiving goods, announce bankruptcy or demand discounts based on unfounded pleas.

Faruque Hassan, BGMEA president, emphasized the exporters' vulnerability, noting that fraudulent buyers, buying houses, and freight forwarders often trap them into accepting discounts. The circular warns of the financial repercussions for exporters, who end up paying bank interest and loans, potentially leading to factory closures if export proceeds (EXP) become overdue.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), expressed concern over the increasing incidents of unwarranted discounts. Both BGMEA and BKMEA are advocating for the blacklisting of buyers seeking illogical discounts and are working to raise awareness among their members.

Furthermore, the committee discussed issues related to Letter of Credit (LC) clauses and urged apparel makers to exercise caution regarding sanctions-related conditions. A recent LC clause, which absolved the buyer of liability for transactions involving sanctioned parties, raised concerns and confusion among exporters, leading to its subsequent removal. The trade bodies are now advising against accepting LCs with unwanted clauses or conditions.

Source: fashionatingworld.com– Dec 27, 2023

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EXIM Bank of Pakistan: a major milestone

The launch of the Export-Import (EXIM) Bank of Pakistan is a major milestone for the people of Pakistan and will transform the banking and trade finance landscape in the years ahead.

As the institution matures it will shape the institutional framework for investment and trade finance, leading to stronger export performance and balance of payment stability. In this article I will share five key areas of strategic importance that will determine the EXIM bank journey.

EXIM Bank has the potential to enhance Pakistani exporters' competitiveness in the international markets by offering lending, credit insurance, and guarantee services. This will create a level playing field for our exporters vis-à-vis their competitors, who already rely on their national EXIM Banks. Through its specialized products, the Bank can facilitate access to a wider global market, enabling our exporters to diversify their product portfolios and explore new markets.

Second, the most significant impact of the EXIM Bank is the introduction of export credit insurance products to Pakistan. EXIM will protect exporters against the risk of credit default on their foreign receivables. Similarly, a range of guarantee bonds will enable the service industry to bid for projects internationally such as those related to building roads and bridges and for IT projects.

The Export Credit Insurance products are designed for commercial banks to protect against the risk of default of export receivables, while bonds will protect the banks against non-performance risk of exporters. Both sets of products will protect the balance sheets of banks, making them highly attractive to mitigate risks. These products can transform the way commercial banks support their customers, complementing and enhancing their risk-taking capacity.

Third, EXIM will attract a significant level of contingent risk capacity into the country from the international private sector reinsurance companies and other EXIMs and ECAs globally. So in essence the business model of EXIM is based on a Public-Private Partnership, with international investment-grade entities. Hence, it is imperative that EXIM is steered effectively balancing the demands from the industry while managing the financial viability of the Bank.

Fourth, we have empowered EXIM Bank with a dual mandate. On one hand, its core mandate is insurance but EXIM mandate has been expanded to manage in a phased manner Export Finance Schemes (EFS); previously, SBP was undertaking the refinancing business.

Henceforth, we will gradually expand the capacity of EXIM to manage the concessionary credit facilities to exporters, with financing made available through budget allocations by the Ministry of Finance. As the regulator, SBP will ensure oversight of the EFS scheme and frame rules for eligibility and disbursement of EFS.

Lastly, the success of EXIM Bank will lie in its ability to adapt to International Best practices. Across the globe, EXIM banks play a crucial role in promoting international trade and economic growth. These specialized financial institutions provide a range of products and services to exporters, importers, and investors, often filling gaps where private-sector financing is unavailable or insufficient. EXIM banks are focused on delivering impact by providing specialized and innovative trade finance funding and risk mitigation options.

Last year about $ 2.5 trillion of trade financing was disbursed by EXIM institutions across the globe, helping to drive exports of more than 60 countries. One of the most successful institutions is the Vietnam EXIM. Since the launch, Vietnam EXIM's push helped its exports grow to $ 336bn in 2022, from $ 124bn in 2012.

The key success of the Vietnam EXIM included facilitating the export of Vietnamese-built ships to international buyers and supporting the growth of the country's shipbuilding industry. Similarly, it has supported automobile manufacturers to export to Southeast Asian markets. Leading IT companies have used Vietnam EXIM to expand their international operations and export software services to clients worldwide.

Vietnam EXIM has been a key catalyst in crowding in large FDI inflows, rising from $ 8bn per annum in 2012 to $ 16bn in 2022. Key investments include the Long Thanh International Airport, Nhon Trach 2 Thermal Power Plant and the Ca Mau Wind Farm. All these projects were co-financed by EXIM in collaboration with international partners.

Vietnam EXIM has played a key role in development finance through initiatives that include a focus on providing financial support to agricultural businesses and rural communities, promoting sustainable practices, including by actively supporting renewable energy projects and green technologies through dedicated financing programs, aligning with Vietnam's climate goals.

There is also an urgent need for product and market diversification. The textiles and clothing sector, which contributes only about 5% to world trade, dominates Pakistan's exports, accounting for around 58% of total exports. Similarly, more than 50% of exports rely on only four markets - the USA, EU, China and Afghanistan. The country has been losing competitiveness in international markets and finds it harder to sell even within its traditional markets.

To facilitate exports to new markets and encourage the export of new products, we are operationalizing the EXIM Bank. The access to credit guarantees and insurance products for exporters will help to encourage them to target new markets for exports. We must move away from industrial and export subsidies as they impede innovation and product diversification.

The Government has put an immense responsibility on EXIM. This requires EXIM to be run by professionals and a competent Board. The management must ensure prudent business management and focus on diversification that not only hedges against market fluctuations but also positions Pakistan as a competitive player in a broader array of sectors.

EXIM Bank's emphasis on innovation and market exploration has to be a driving force behind the nation's adaptability in the evolving global trade landscape and will help our manufacturers build stronger linkages within the global value chains.

Source: brecorder.com– Dec 28, 2023

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Bangladeshi exporters vexed about customs, energy woes

Rather than wasting energy on concerns over any possible trade sanctions by the US, leading exporters emphasise the need to address pressing domestic issues, especially extensive customs complications and energy insecurity, which drain valuable resources and cripple their competitiveness.

Exporters said a $100 billion readymade garment export target by 2030 is quite achievable, but for this, the two key constraints in energy and smooth customs processing have to be addressed.

They were speaking at a focus group discussion organised by The Business Standard on 20 December at its office as part of its 4th-anniversary celebration.

Exporters also pointed out some other challenges, including the need to attract foreign direct investment in backward linkage industries and address tax issues related to the recycling of waste generated from garment manufacturing.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said, "Impacts of US sanctions on Bangladesh, which are being heavily discussed, will be nothing compared to the hassles we face every day by customs officials."

For example, he said customs officials block shipments if a T-shirt's price is below $1. Also, they bar export of non-bonded companies to branded buyers despite their high value addition.

"Is there a specific provision prohibiting the export of T-shirts valued below a dollar?" he asked.

"There are many more instances of customs hassles and we have become used to it. So, we are not at all worried by possible US sanctions," said Hatem. He also said China's exports to the US did not decline despite the imposition of 40% tax by the US government.

Regarding energy concerns, he said that industries in the Narayanganj belt do not have gas supply for the past two months and there is uncertainty about whether they will receive sufficient energy before 2026.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said he told customs officials recently that their business is time-bound and fashion-bound and any delay in this can be detrimental.

"After this, customs officials have become more rigid. If they can hold on for even a day, they can fatten their purse," he said.

"These delays have no justification," he noted.

He cited an example of a customs-related anomaly in his own factory, saying, "I sent fabric from one of my factories to another. For this, a Utility Declaration (UD, an entitlement of materials taken from the association) was taken. But for not taking the Utility Permission (which is taken from the Customs Bond Commissionerate, primarily for deemed exports), he was fined.

"They [officials] are trying to complicate our work instead of making it easier," he said.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association (BTMA), expressed concern over the practices of customs officials, noting that importers are frequently subjected to unnecessary inquiries that consume time and money.

He cited instances where importers are questioned about seemingly silly questions, "Why have you brought ink in this imported pen?" or "Why did you include spare parts with a generator?"

"The country is grappling with a dollar crisis, energy shortages, and customs issues. Also, without a deep-sea port, how can we possibly achieve the $100 billion export target?" questioned the President of BTMA.

"In the backward linkage industry, energy is the main challenge. Ensuring it will make us competitive," noted Khokon.

Anxious over energy

However, his growing concern stems from the increasing dependence on imported energy, as historically, no country has achieved success solely relying on energy imports.

He suggested that the government should consider implementing a policy to incentivise investment in the woven textile industry as it is very capital-intensive.

Bangladesh, having spent $12 billion on fabric imports, could have significantly boosted apparel value addition if it had domestically produced such fabrics, he said.

Khokon said textile millers are grappling with a dollar shortage, holding them back from opening Letters of Credit. Also, some commercial banks have diverted export proceeds through cross-matching, with no action taken by the Bangladesh Bank, as highlighted by the BTMA president.

Feeling powerless with bureaucrats

Khokon criticised the imbalance in power dynamics, stating that bureaucrats wield more influence than politicians. He alleged that customs officials are subjecting them to unacceptable harassment, and wanted urgent resolution.

PRAN-RFL Group's Chairman and CEO Ahsan Khan Chowdhury emphasised the importance of diversifying exports for Bangladesh, citing Vietnam as a successful example. He highlighted the necessity of attracting foreign investments to achieve this goal.

In order to attract Foreign Direct Investment, Ahsan suggested Bangladesh to provide enticing incentives, such as tax benefits, simplified processes for repatriation of dividends, and easy tax payment. Also, he said offering foreign investors a VVIP (very very important person) treatment is very important.

Ahsan also pointed out that bureaucratic complexities pose a significant barrier to attracting Foreign Direct Investment (FDI) and need to be addressed for a more investor-friendly environment.

Policy consistency needed

Shams Mahmud, managing director of Shasha Denims, said exporters want consistency in policies, such as exchange rates and energy subsidies so that entrepreneurs can make their investment plans.

Shams also urged the government to incentivise entrepreneurs who are eager to invest in research and development (R&D) for product diversification, which is essential for Bangladesh. Turkey and Italy are providing R&D subsidies, he added.

He also stressed the necessity for Bangladesh to formulate a comprehensive, long-term energy policy to support industrial and export growth. He also suggested the implementation of energy auditing to ensure the efficient utilisation of energy resources.

Shams proposed that the government could consider recognising and rewarding industries based on their energy efficiency performance.

He suggested that the government should actively promote FDI in emerging industries, particularly in sectors related to apparel backward industries, where greenfield opportunities exist. He recommended caution in allowing FDI in "like-for-like industries."

Drawing a parallel with Vietnam's successful export diversification, Shams pointed out that Vietnam has industries supported by Chinese investments.

However, he expressed concerns about the potential vulnerability of such investments in the event of disruptions in the South China Sea.

In contrast, Bangladesh boasts a predominantly local investor base, with 95% of investors being local. He termed this as a strength, highlighting the resilience of the local industry in adverse situations.

Regarding the new US labour policy and speculated sanctions, Shams said, "We hope that the US would refrain from taking any actions detrimental to job creation."

Recycling should get tax support

BGMEA President Faruque Hassan claimed that Bangladesh is on top when it comes to the issue of workers' safety. Many factories are turning into green ones as there are 206 green factories and of the top 23 factories, 21 are in Bangladesh, he said.

He said that these factories are not getting due prices for becoming green, but he said it enhances images of the country. "We hope green factories will get higher prices for their products."

Now BGMEA and its member factories are working on waste recycling in a bid to cut its reliance on imported cotton that meets 98% of the demand.

To encourage recycling, the government should offer policy and tax support. For example, he said when these wastes go to the landfill or into the drain, the government does not get anything.

"But when we add value and make a Tk10 waste into a Tk500 product, there is VAT. We have told it to the revenue board many times, but nothing happened," he lamented.

To address the anomaly in garment waste collection, the BGMEA president said they are considering setting up waste collection centres.

On the FDI, Faruque said they want it to be backward-linked and higher value-added items instead of the usual industries where locals are present. For instance, he said Bangladesh has no spandex factory, but it has to import hundreds of containers from Taiwan and Korea.

More things need to be done

Syed M Tanvir, managing director of Pacific Jeans, highlighted the remarkable double-digit growth in Bangladesh's exports to nontraditional markets in recent years, ranging from 25% to 35% year-on-year.

Discussing the specific case of the Japanese market, Tanvir mentioned that Bangladesh achieved $1.6 billion in exports during the last fiscal year. Pacific Jeans has dedicated 15 years to focusing on the Japanese market, experiencing significant growth in denim exports.

He stressed the importance of understanding the unique dynamics and business models of each market for successful business operations.

"Despite Japan's heavy reliance on Vietnam and China, Bangladesh has opportunities for further growth in the Japanese apparel market," he commented.

While Bangladesh is exploring markets in India, China, and the Middle East, Tanvir stressed the need for exporters to understand the dynamics and import patterns specific to each market to navigate them effectively.

"We should analyse some issues to explore a new market, such as which products they are importing and what are the strengths of our products," he said. Before exporting to Japan, Pacific Jeans analysed the Japanese denim market segment by segment.

Tanvir said still a lot of opportunities remain untapped and there is opportunity to grow more not only in Japan but in other nontraditional markets.

PRAN pivoted from local market to export

Ahsan Khan of PRAN-RFL highlighted their shift towards export diversification. Traditionally, PRAN-RFL had a strong focus on the local market, which proved successful over the years.

However, facing a dollar crisis this year prompted them to intensify efforts in the export market. Recognising market opportunities, they repurposed their domestic production lines for export, he said.

"This year, we have entered the Iraq market and expanded exports to Africa for stationery and garments, the US for toilet cleaning brushes, and Fiji for electrical items," said Ahsan Khan, adding that they are exporting everything they produce, acknowledging the challenges in the export market while actively exploring untapped opportunities.

Drawing a parallel with China's role in diversifying Vietnam's exports, Ahsan Khan proposed offering significant incentives to foreign investors.

He specifically mentioned Youngone chairman and CEO Ki-Hak Sung as an example. Ahsan Khan advocated for the government to provide tax benefits to attract and retain foreign investors in Bangladesh.

Source: tbsnews.net– Dec 28, 2023

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NATIONAL NEWS

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 26, 2023

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India, Russia-led Eurasian bloc to begin negotiations on FTA soon

India and the five-member Eurasian Economic Union (EaEU), led by Russia, are likely to soon begin negotiations on a free trade agreement (FTA) that is expected to boost New Delhi's exports to the region, particularly in areas such as engineering goods, electronics and agriculture, making trade more balanced.

External Affairs Minister S Jaishankar and Russian Deputy Prime Minister Denis Manturov, in a meeting in Moscow on Tuesday, discussed intensifying India's engagement with the Russian Far East including starting negotiations on the proposed FTA, according to a tweet from the Minister.

"Finalised the programme of cooperation on Russian Far East. Expect to hold early meeting of EaEU-India FTA negotiators. Will jointly organise connectivity events across land and maritime corridors," Jaishankar tweeted following his meeting with Manturov.

Jaishankar, on a five-day tour to Russia, also met his Russian counterpart Sergey Lavrov on Wednesday. "As strategic partners, discussed the international situation and contemporary issues. Exchanged views on Indo-Pacific, the Ukraine conflict, the Gaza situation, Afghanistan and Central Asia, BRICS, SCO, G20 and the UN," Jaishankar said in another tweet on his meeting with Lavrov.

Discussions on the proposed FTA between India and the EaEU, comprising Russian Federation, Kazakhstan, Belarus, Armenia, and Kyrgyzstan, had taken place in early 2020 but had to be stalled because of the Covid-19 pandemic. Talks on the FTA resumed over the past few months, but negotiations are awaited.

"A number of bilateral meetings have been held with EaEU to discuss the trade agreement. Draft texts and Terms of Reference (ToR) have been exchanged. EaEU's trade data from January 2022 onwards, necessary to determine scope of agreement and potential gains from the agreement, is awaited from EaEU," according to a reply given by Minister of State for Commerce Anupriya Patel in a Rajya Sabha reply earlier this month.

Exports to Russia

India is particularly interested in stepping up its exports to Russia as its trade gap with the country has massively widened after imports of discounted oil from the country increased following the Russia-Ukraine war and Western sanctions on Moscow. In 2022-23, India's imports from Russia increased 368 per cent (year-on-year) to $46.2 billion, primarily due to an increase in oil purchase. Its exports in the same year were $3.14 billion, down 3.3 per cent. Trade deficit was $43 billion in 2022-23.

Jaishankar referred to the need for more balance in his tweet.

"Appreciated the greater focus on exploring new opportunities. Discussed making our cooperation more balanced and sustainable in different dimensions," he said. "India's exports to Russia and Belarus have grown in this financial year up till October 2023. India is continuously making efforts to increase exports. These efforts are particularly directed towards sectors such as agriculture, engineering, etc. which are growing. Electronics and telecom goods exports to Russia and Belarus are impacted due to Western sanctions on such exports," Patel said in her reply.

Rupee payment

Russia, too, is interested in increasing imports from India to make the rupee payment mechanism successful which has been put in place by the two countries to avoid sanctions. Because of low imports from India, Russia's rupee balance in the account has been piling up.

In the meeting with Lavrov, the two leaders discussed bilateral economic and inter-governmental cooperation. Before the meeting, Jaishankar said that the two would discuss the international strategic situation and the conflicts and tensions, apart from focussing on development challenges global south faces and the building of a multi-polar world order. A comprehensive and productive meeting with Deputy Prime Minister Denis Manturov of Russia on our bilateral economic cooperation.

Noted the significant progress in trade, finance, connectivity, energy, civil aviation and nuclear domains.

Source: thehindubusinessline.com – Dec 27, 2023

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Extension of RoSCTL scheme for 3 years a dire necessity: AEPC tells govt

Apex body for apparel exporters AEPC on Thursday urged the government to extend rebate scheme, RoSCTL, for three more years, stating that it has become a "dire" necessity, given the current global economic uncertainties.

The Apparel Export Promotion Council (AEPC) said market sentiments have touched an "all-time" low and the traditional markets of the US and the European Union (EU) are facing unprecedented recessionary trends.

In this backdrop, "the extension of this scheme RoSCTL (Rebate of State and Central Taxes and Levies) beyond 31st March, 2024 has become a dire necessity," AEPC Naren Goenka said in a statement.

"This scheme (RoSCTL) has helped the apparel industry immensely to plan the business on a consistent basis while staying competitive," he added.

He also asked the industry to focus on innovation and attracting Foreign Direct Investments (FDI).

"At present, the apparel industry receives a very low level of FDI, although 100 per cent overseas investment is allowed in the textile sector under the automatic route," he said.

"Enhancing FDI to increase economies of scale is very important for India's export competitiveness in the ready-made garment sector. Bringing investment in the garment sector to realise its full potential is our focus," Goenka added.

To reach the target of increasing exports from $ 16-17 billion to $ 40 billion by 2030, there is a need to focus on innovation to cut cost and faster clearances, expand market and product basket, adopt cluster-based model, bring in investments and enhance branding efforts, he said.

He added that the industry should also focus on harnessing the potential of e- commerce segment and Free Trade Agreements (FTAs), practise sustainability, and responsible business practices.

In 2021, the scheme was approved under which garment exporters get a rebate on central and state taxes on their outward shipments till March 2024.

Rebates of state taxes and levies would include VAT on fuel used in transportation, mandi tax, duty of electricity, and stamp duty on export documents.

They also include embedded State Goods and Services Tax (SGST) and Centre Goods and Services Tax (CSGT) paid on inputs such as pesticides and fertilisers used in production of raw cotton, central excise duty on fuel used in transportation, embedded CGST and compensation cess on coal used in production of electricity.

Under the RoSCTL scheme, the maximum rate of rebate for apparel was 6.05 per cent, while for made-ups, this was up to 8.2 per cent. Garments and made-ups segments such as home textiles products are covered under the scheme.

Global economic uncertainties are increasing due to Russia-Ukraine and Israel-Hamas conflicts.

Attacks on ships at the Red Sea are also impacting smooth supply of goods across countries.

Source: business-standard.com – Dec 28, 2023

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Asia Cotton Alliance: An idea whose time has come

This body can make Asia the global cotton price setter

Cotton may be called an 'industrial crop' with multiple uses – as fibre, food, feed and fuel. Several factors impact the cotton sector – economic growth; geopolitics; monetary policy; currency; weather; and not the least, the role of funds in the derivatives market.

While cotton production is subject to uncertainties of weather, technology inputs and farm practices, demand is impacted by economic growth, production cost, competition from synthetic fibres and so on.

Four origins – China, India, Brazil and USA - account for three-fourth of the world cotton production of 24-25 million tonnes. Six countries account for 80 per cent of domestic use – China, India, Pakistan, Bangladesh, Vietnam and Turkey. 35-40 per cent of production is traded globally in which Asia's role is significant.

Asia's share in global production is about 50 per cent or 12-13 million tonnes. Asia's share in global consumption is over 70 per cent (18.5 million tonnes). Asia's share in global trade too is over 70 per cent (7 million tonnes).

As a continent, Asia is actually a dominant player in the world cotton market as a producer, as a consumer and as an exporter/importer. Despite its dominant position, Asia is not a price-setter, but a mere price-taker.

Usually, the physical market and the derivatives market tend to feed on each other, that is, one takes a cue from the other. For cotton derivatives, the US cotton futures market continues to be the dominant market. Price changes there affect Asian market prices including in China and India.

Same time, cotton prices in India have a bearing on cotton prices in China via the export/import route. It is a unidirectional relationship flowing from India to China.

As per the Futures Industry Association, in 2022, China's Zhengzhou Commodity Exchange accounted for over 90 percent of cotton volumes traded worldwide, while ICE in the US accounted for only 6 percent of volumes. Yet, ICE seems to be exerting a disproportionately larger impact on world cotton prices.

The volumes on Indian exchanges - MCX cotton (0.3 percent) and NCDEX (1.1 percent) for raw cotton or Kapas - is minuscule.

Indian value chain participants complain that prices discovered on Indian exchanges are divorced from ICE prices. As an exchange, ICE enjoys a deep and wide reach with large participation of commercials (hedgers) and non-commercials (speculators). In comparison, trading volumes on Indian exchanges are negligible.

It only means that Indian entities handling physical cotton – ginners, spinners, textile mills, exporters / importers – are either ignorant about hedging as a price risk management tool or are reluctant to hedge their price risk on an exchange or speculate in an uninformed manner. This deserves investigation.

It follows that Indian exchanges have not acquitted themselves well is spreading awareness about hedging as a scientific and time-tested tool for price risk management. It is unclear if the exchanges have reached the unreached value chain participants whose number runs to several thousand. Communication methods are likely not delivering. A new communication strategy may be necessary.

At the same time, the risk appetite among financial investors may be low too. What prevents, for instance, mutual funds from investing in cotton derivatives? Is it contract design? Is it lack of confidence in exchanges? Or is it something else?

Be that as it may, it would make commercial sense for cotton producing and consuming nations in Asia to come together and form what may be called ‘Asia Cotton Alliance’. This big idea when implemented with visionary leadership can potentially shift the centre of gravity to Asia.

Price setter

As a dominant force in world cotton, Asia can then be the price setter for cotton while other origins and markets will follow prices set by Asia. I believe, Asia Cotton Alliance is an idea whose time has come.

Indeed, we can expand the geography to include Africa in the proposed alliance. It would strengthen the existing trade relationship. The alliance is not just about trade, but may include investment, research and technology transfer.

Looking ahead, cotton production in India is sure to face challenges. The area for cotton is nearing a saturation point. Yields have actually declined by about 10 percent from the peak in the last five years. Pests like pink bollworm have developed resistance. Climate change is taking a toll.

At the same time, domestic consumption is set to expand as large number of spindles are added every year. If we continue the 'business-as-usual' attitude, India's export surplus will shrink and we may soon become a net importer of cotton. Not only policymakers the user industry too needs to recognize this looming risk.

Source: thehindubusinessline.com– Dec 25, 2023

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Merchant ship attacks spike textile export freight costs

The deteriorating situation in the past week following Hamas-supporting Houthi rebels attacks on merchant ships in the Arabian Sea has raised freight rates by 40% with the possibility of this going up, say India's textiles traders.

Red sea is one of the busiest trade routes that connects Europe and Asia, but the recent attacks have forced merchants ships to take the circuitous route around Africa adding an extra 6,000 nautical miles and an additional 15 days to the transit time leading to steep increase in freight rates and insurance premiums, said Badresh Dodhia, chairman of the Synthetic and Rayon Textiles Export Promotion Council.

Most of India's of textile and clothing shipments pass through the Suez Canal, and while freight rates had stabilised in recent months after witnessing spikes during the COVID-19 years, fears are rising in several sectors of a similar situation now.

Mr. Dodhia urged the Government to support the textile and clothing exporters with higher duty drawback on schemes like the Rebate of State and Central Taxes and Levies and Remission of Duties or Taxes on Export Products to better manage the current situation.

Source: thehindu.com– Dec 28, 2023

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Investors propose apparel cluster on Bhubaneswar outskirts

BHUBANESWAR: A delegation of garment manufacturers and exporters from Delhi NCR has proposed the state government set up an apparel cluster on the outskirts of Bhubaneswar. The delegation comprising seven prominent garment manufacturers and exporters recently met Chief Minister Naveen Patnaik and discussed the investment prospects in the garment segment in the state. The manufacturers and exporters from the Noida Garment Cluster also visited the Khurda industrial area and evinced interest to set up the apparel cluster on an area of around 100 acres.

An Industries department official said the proposed cluster will generate around 10,000 jobs and aid in the overall economic growth of the state. “The visit of the delegation was a follow-up to the continuing efforts of the state to increase outreach to prospective investors through a series of G2B meetings. The proposal is under scrutiny and a decision in this regard will be taken soon,” he said.

The delegation comprised Aman Peshawari from Meenu Creations, Rajat Kumar from Pooja International, Siddharth Agarwal from BL International, Anuj Goel from Sonu Exim, Suneet Kharbanda from Lakshita, Rohit Agarwal from Fine Lines, and Ishaan Mehta from Rainbow Fabart appreciated the new policy on apparel and technical textiles.

The state government unveiled the new policy during the Make-in-Odisha conclave to facilitate the establishment of new apparel industries and enable the expansion of the existing units, especially the ready-made garment units. The policy includes incentives like capital investment subsidy, employment cost subsidies and market development initiatives.

Recently, a mega investment proposal of Welspun Group was approved for an integrated textile and logistics facility at Choudwar. Welspun Living Ltd got the nod for setting up the facility at an investment of Rs 3,050 crore. It will create employment potential for over 20,000 people.

Source: newindianexpress.com– Dec 28, 2023

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