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USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

Most economies growing neither sustainably nor inclusively: WEF

Most economies are growing neither sustainably nor inclusively, and can absorb or generate innovation and minimise their contribution and susceptibility to global shocks in a limited manner, according to 'The Future of Growth' report released by the World Economic Forum (WEF) annual meeting in Davos.

Global growth has been slower in the past decade compared to previous ones, and the post-pandemic recovery is losing momentum.

Between 2018 and 2023, high-income economies' gross domestic product (GDP) in purchasing-power-parity terms grew by 1.4 per cent annually on an average across economies featured in the report, by 2.2 per cent across upper-middle income economies, by 3.1 per cent across lower-middle income economies, and by 3.1 per cent across low-income economies.

Total global GDP today is higher than its pre-pandemic level, but growth rates in 2023 remain below 4 per cent across all income groups, said the report.

High-income economies score high on innovation and inclusion, while lower-income economies on sustainability, it said.

Among the lower middle-income economies, India and Kenya scored high on sustainability, Jordan on innovativeness; Vietnam on inclusiveness; and the Philippines on resilience.

Common challenges preventing a stronger balanced growth performance of this group included insufficient investment in renewable energy, lack of social safety nets, technology absorption and insufficient healthcare system capacity.

The report called for a novel approach to growth that balances efficiency with long-term sustainability and equity, examining speed and quality.

A significant economic slowdown, estimated to fall to the lowest rate in three decades by 2030, amid ongoing economic and geopolitical shocks was the highlight of the report.

This downturn is exacerbating a range of interconnected global challenges, including the climate crisis and a weakening social contract, which are collectively reversing progress in global development, it said.

Innovativeness is the dimension that attains the lowest global score (with a global average of 45.2 out of 100). The sustainability dimension's global average is 46.8 out of 100, while the inclusiveness and resilience dimensions' global average scores are 55.9 out of 100 and 52.8 out of 100 respectively.

None of the 107 economies covered by the report scored over 80 on any of the framework's four dimensions, where 100 is the theoretical maximum outcome possible.

Source: fibre2fashion.com– Jan 22, 2024

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Dispelling the Section 301 China Tariff-Inflation Myth

There is a misconception that the Section 301 China tariffs are raising consumer prices for apparel and contributing to inflation in the U.S. But nothing could be further from the truth, and new data and studies dispelling that notion come at a critical time in U.S. trade policy.

In 2018, the Trump administration took the extraordinary action to impose emergency Section 301 tariffs on Chinese imports to combat China's transgression of intellectual property theft. And the Biden Administration followed suit, maintaining the tariffs despite intense lobbying from powerful import interests in Washington.

Now, we are at a consequential juncture in the government's ongoing review of the tariffs, and a decision on whether to extend or modify the tariffs on these imports is expected soon.

The Office of the U.S. Trade Representative (USTR) is reportedly close to issuing its four-year statutory review of the penalty tariffs, and this decision will have wide-ranging implications for essential U.S. manufacturing sectors including the domestic textile industry.

Indeed, the tariffs on textiles and apparel are helping, by and large, to promote a more level playing field for American textile manufacturers and other sectors and serve as a tangible policy response to China's unfair trade practices.

The argument made by certain import groups that American consumers ultimately pay higher prices for clothing sold at retail because of the tariffs ignores some essential market realities and belies underlying data. Namely, since 2018, import prices from China have fallen, not risen, as some claim. At the same time, a strong U.S. dollar played a significant role in deflating prices of imported merchandise.

As detailed in an economic study released by Werner International in 2022, U.S. import prices for apparel from China have dropped 25 percent since 2019 and 50 percent since 2011. The price declines experienced in the U.S., but not in other major markets like the European Union, are likely attributable to China's desire to undermine the impact of the Section 301 penalty duties and other enforcement actions in the apparel sector, such as the Uyghur Forced Labor Prevention Act (UFLPA).

In other words, China has been dropping its prices to convince sourcing agents to remain loyal despite the risks, and in order to hold onto its $40 billion in textile and apparel exports to the United States last year. This inexplicable decrease in apparel pricing once again demonstrates the unparalleled capability of China's central government to artificially lower product pricing to dominate the U.S. and global markets for these goods.

The downward price trajectory is also reflected in the most recent government data. While U.S. textile and apparel imports from China for the 12- month period through October 2023 were down 39 percent by value compared to 2018, they were down just 10 percent by quantity. The dollar value per square meter equivalent of textiles and apparel from China fell 30 percent over this period.

Further, the U.S. International Trade Commission (ITC) studied the effect of 301 tariffs on import prices of apparel and other consumer products in 2023 and found either no or minimal increases for importers.

Notably, testimony given to the ITC by businesses and trade associations, outlined in the report, suggested that these actions boosted domestic manufacturing "without substantially increasing prices for final consumers." China was even found to have dropped its pre-tariff prices on apparel from 2016 to 2021.

U.S. consumers are spending only 40 percent as much on clothing today as they were spending in 1960. In the 1960s, consumers spent 10.4 percent of a typical household's annual budget on clothing, versus today at approximately 3.5 percent.

So, we have seen a meteoric rise in the amount of imported apparel and home textile products consumers buy, yet we are, in fact, spending less.

In the meantime, the United States has gone from manufacturing 95 percent of its apparel in 1960 down to 2 percent. However, in recent years, the U.S. textile industry has recalibrated supply chains and made new investments to build strong, vibrant co-production ties with our free-trade agreement partners in the Western Hemisphere that play by the rules to survive this global economic shift.

Further investments and production can be unleashed with an increased 301 penalty tariff rate for apparel, while granting exclusions for manufacturing inputs and machinery not available domestically, among other necessary actions. Ultimately, if these actions can produce tangible reforms to China's IP and other unfair trade practices, showing the world the United States is serious about trade enforcement, the sky is the limit for the expanded contributions the U.S. textile industry stands to make to the U.S. economy.

For these reasons, we need to double down and address China's massive subsidization of its exports and the forced labor practices that have led to a race to the bottom and are undermining domestic manufacturers.

In a formal submission filed by the National Council of Textile Organizations and the U.S. Industrial and Narrow Fabrics Institute to USTR, we expressed strong support for the continuation of current Section 301 penalty tariffs on finished textiles and apparel imports from China and further outlined the effectiveness of U.S. tariff actions.

The bottom line is tariffs didn't cause inflation and cutting them isn't the solution on the trade front or the inflation front. They give us a chance to compete and invest in the U.S. and help bolster our Western Hemisphere trade partners.

To further reward China by canceling the tariffs now under the guise of "helping consumers" would be an ill-advised policy decision, and we appreciate that the Biden administration has stood firm on the penalty tariffs amid these frenzied calls.

There is a historic opportunity here as it relates to U.S. trade policy with regard to China; maintaining tariffs on apparel and textiles imports plays a pivotal role in the future of our vital domestic manufacturing base.

Source: sourcingjournal.com– Jan 22, 2024

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Reconfiguration of global trade and FDI

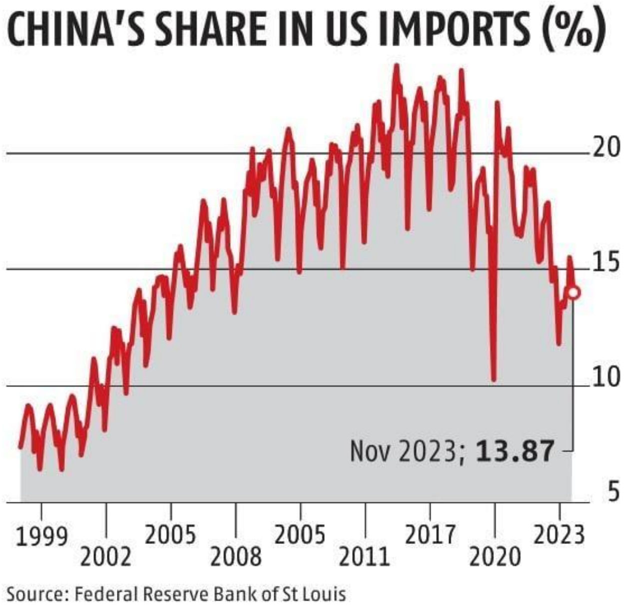
The ‘second globalisation’ featured unconditional access for the periphery to the advanced economies, which are the core of the world economy. The ‘third globalisation’ makes this access more conditional on foreign policy and military alignment. New data shows the magnitude of the third-globalisation reconfiguration of trade and foreign direct investment (FDI). These developments present interesting puzzles for Indian foreign policy. Strategy thinking in firms needs to incorporate these considerations.

Many people think of globalisation as a modern phenomenon. In the good old days, however, governments did not interfere with the natural freedom of people: There were no restrictions upon the cross-border movement of goods, services, labour, capital, or ideas. The limitation in that age was the costs associated with geographical distance. The first globalisation was the golden age from the Suez Canal (1869) to the First World War (1914), where the steamship, the telegraph and the Suez Canal resulted in a great surge of cross-border activity. The 20th century saw the rise and fall of nationalism. By the early 1980s, some measures of cross-border activity were back to the 1914 level. The technologies of telecommunication, container ships, wide-body aircraft, and modern finance all came together to yield unprecedented levels of cross-border activity.

In the heyday of the second globalisation, the core gave complete access to their economic and technological might even to countries that were prickly or hostile. The core understood the economic logic of unilateral opening up. Weaker policy teams were suspicious and viewed cross-border freedoms for their people as something for the state to negotiate. There was an optimistic view in the core that trade was civilising, and that every country was going to surely become a nice liberal democracy. There was thus a benign approach to transferring knowledge to hostile nations.

In recent years, there has been an upsurge of limitations upon cross-border activity in the core. The period from 2018 onwards, called ‘The third globalisation (1), has seen access to the core being given in more limited ways for countries that have a hostile foreign policy and military stance. The bulk of global gross domestic product (GDP) is in the core. They do full globalisation with each other, but they impose limitations upon hostile nations.

The share of China in the goods+services imports of the US grew dramatically from about 7 per cent to a peak of about 22 per cent (see chart). Since 2018, this share has dropped sharply. It is now back to the 2003 level of about 14 per cent. Xi Jinping's strategy has taken China back to where it was about 20 years ago. For a sense of scale, India's share in US imports at present is 2.61 per cent. China's decline over six years is 2.7 times bigger than the entire Indian exports to the US today.



A new paper from McKinsey Global Institute, 'Geopolitics and the geometry of global trade (2) (January 17, 2024), offers insights into the third globalisation. It brings together updated trade data with a technique from the field of international relations. The foreign policy alignment between two countries is measured by the extent to which they vote alike at the United Nations for votes that are defined by the US Department of State as being 'important'. Using this measure, each country pair is assigned a 'geopolitical distance' ranging from 0 to 10. For example, the distance between the US and South Korea is 2 and the distance between Germany and Russia is 9.

The paper finds that the bulk of world trade takes place between countries at the distance of about 3.5, the exception being China which does a lot of trade at a distance of about 5.5. Global trade was reconfigured in the 2017-2023 period, reflecting the third globalisation.

The trade-weighted geopolitical distance declined for some important countries: China (-4 per cent), the US (-10 per cent), Germany (-6 per cent) and the UK (-4 per cent). This trade reconfiguration is not complete. Today's FDI flows predict tomorrow's trade flows. FDI into China has dropped by 70 per cent and FDI into Russia has declined by 98 per cent. Hence, it is likely that the third-globalisation reconfiguration of trade will run deeper in the future.

For India, there is a substantial trade engagement with China, which needs to be treated with respect as any sudden disruption would be counter-productive. For the rest, the bulk of the overseas engagement of the people of India — on goods, services, people, capital, ideas — is with the core. Hence, the interests of India lie in being a status quo power, which will work with the core and try to obtain economic growth in the coming century. The interests of the people are likely to gradually percolate into the state. There may be a gradual evolution of foreign policy and military strategy to reflect the interests of the Indian people in this third-globalisation policy landscape of the core.

Policy levers are controlled by governments, but FDI and trade happen between private companies. The reconfiguration described above is about the rational responses of global firms to the changing world, and not central planning by officials. In the second globalisation, firms used to ignore the risks of engaging in undemocratic countries. They got their fingers burnt and are now rethinking their global operations.

Many firms are autarkic and do not care about international economics. But good firms export and the best ones do outbound FDI. Hence, the most important Indian firms are exuberantly connected into globalisation. Strategy thinking at these firms needs to bring a better understanding of the political system in various countries, the risks associated with doing business in undemocratic countries, and the evolving rules of the game that are being established by the core.

Source: business-standard.com– Jan 21, 2024

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US recession risk under 50% in 2024: NABE survey

Probability of US entering a recession over the next 12 months is less than 50 per cent, according to the January 2024 National Association of Business Economics (NABE) Business Conditions Survey. Key findings from the survey reveal a significant shift in recession expectations.

Ninety-one per cent of respondents now assign a 50 per cent or less probability to the US entering a recession over the next 12 months, a notable increase from 79 per cent in the October survey. Conversely, only 9 per cent of panellists believe a recession is more likely than not, decreasing from 18 per cent in the previous survey.

The survey also shows positive developments in sales, with more panellists reporting rising sales and fewer reporting declines compared to the October 2023 survey. The net rising index (NRI) for sales has surged to 37 in January, up from 6 in October, marking the highest level since April 2022, during the post-COVID-19 recovery phase.

Additionally, the NRI for profit margins has moved into positive territory for the first time since April 2022, standing at 10, a 30-point increase from the October survey.

However, there has been an increase in the share of panellists reporting falling prices at their firms. The NRI for prices charged is 23, down from 27 in October and the lowest since January 2021.

Furthermore, the survey highlights that 72 per cent of respondents are passing all or some of their cost increases to customers, up from 65 per cent in the October survey. In contrast, the proportion of panellists not passing on cost increases has decreased to 23 per cent from 29 per cent.

Source: fibre2fashion.com– Jan 23, 2024

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USTR Demands Investigation Into 'Export Competitiveness' of Asian Apparel Sourcing Markets

The U.S. Trade Representative (USTR) has requested a probe into the export competitiveness of several burgeoning trade locales.

The growth of apparel supply chains in Bangladesh, Cambodia, India, Indonesia and Pakistan will be the subject of a new fact-finding investigation by the U.S. International Trade Commission (USITC). The independent and nonpartisan federal agency will conduct a comparison of export data from 2013, 2018 and 2023 in order to analyze changing patterns, significant sourcing shifts and relative growth against other suppliers.

USITC will deliver country-specific apparel industry profiles as a part of the report. Data about the each nation's relative U.S. market share, apparel sector investments, vertical integration, labor productivity, input sourcing and duty-free access to the U.S. market will be included. The research will take into account industry structure, pricing and costs, product differentiation and reliability. USITC will analyze and review the key determinants of export competitiveness across the global apparel industry to contextualize the findings.

With U.S. apparel sourcing becoming more diversified, the commissioning of the report should shed light on an evolving trade landscape, according to National Council of Textile Organizations (NCTO) president and CEO Kim Glas. The trade group welcomes the information-gathering exercise and expects to see "robust" reporting emerge. "I don't recall the last time there was a study related to these particular countries, which are all powerhouses in apparel and textile production," she said.

Increasingly frayed trade ties with China, along with the growing strengths and benefits of other markets, have led companies to form new partnerships in Bangladesh, Cambodia, India, Indonesia and Pakistan in recent years.

While the Biden Administration and USTR have been vocal supporters of forging stronger trade relationships outside of China, Glas believes more information is needed "to better understand the shifts in textile and apparel trade, and the scope of import penetration."

"We've long called for these kinds of analyses to be done, especially for a lot of the Asian countries that are major importers into the United States," she said. U.S. textile and apparel manufacturers compete against these growing markets on an "unbalanced economic playing field," she added.

Some markets involved in the report engage in predatory trade practices, while suppliers from certain countries have been cited for using forced labor and operating under subpar safety conditions or with limited social and environmental oversight.

"We're hoping that as part of this analysis, and as part of the public comment period, these issues will come to light so we can better understand both the scope of their industry, and also some of the unfair competition," Glas said.

Some past USITC analysis has spurred a public policy response, and that's a possibility this time around. Findings surrounding input sourcing, for example, may reveal that some of the supply chains being investigated are contaminated by Xinjiang cotton. "This could inform enforcement of the UFLPA and de minimis policy moving forward," Glas added. "It could inform how to strengthen our Western Hemisphere free trade agreements."

USITC plans to hold a public hearing as a part of the investigative process on Mar. 7 in Washington, D.C. The report is slated to be submitted to USTR by by Aug. 30. Requests to appear at the hearing must be submitted by Feb. 21, and written submissions must be received by Mar. 22.

Source: sourcingjournal.com– Jan 22, 2024

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UK Dec retail sales volume drops 3.2% MoM; 1.4% fall in apparel stores

UK retail sales volume is estimated to have fallen by 3.2 per cent in December last year after rising by 1.4 per cent in November. December's decrease was the largest monthly fall since January 2021, when COVID-19 restrictions hit sales.

Sales volume in UK clothing stores fell by 1.5 per cent over the month. Retailers commented on a tough trading month, alongside the effect of starting their sales period earlier than usual, according to the Office of National Statistics (ONS).

Retail sales volume fell by 0.9 per cent in the three months to December last year compared with the previous three months.

Non-food store sales volume fell by 3.9 per cent in December, following a 2.7 per cent increase in November.

Non-store retailing (predominantly online retailers) sales volume fell by 2.1 per cent in December, following a fall of 1.1 per cent in November.

On an annual basis, sales volume in the country fell by 2.8 per cent last year and was at the lowest level since 2018.

Source: fibre2fashion.com– Jan 21, 2024

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Growth forecast for ASEAN+3 region at 4.5% for 2024: AMRO

The ASEAN+3 Macroeconomic Research Office (AMRO) has reaffirmed its growth forecast for the ASEAN+3 region at 4.5 per cent in 2024, as stated in its January quarterly update of the ASEAN+3 Regional Economic Outlook (AREO). This optimistic outlook is driven by robust domestic demand, moderating inflation, and continued improvements in trade, despite global economic uncertainties.

For the year 2023, the ASEAN+3 region is projected to achieve a growth rate of 4.4 per cent, slightly surpassing the October projection of 4.3 per cent. This upward revision is partly attributed to China's higher-than-expected growth, now forecasted at 5.2 per cent, up from the previous estimate of 5 per cent.

China's stabilising industrial activities are expected to contribute significantly to the region's economic momentum in 2024, along with a gradual improvement in exports to other key global markets, AMRO said in a press release.

Inflationary pressures are showing signs of easing across member economies. Inflation in the ASEAN+3 region, excluding Lao PDR and Myanmar, is anticipated to moderate to 2.6 per cent in 2024, down from an estimated 2.8 per cent in 2023. However, AMRO warns of persistent upside risks to inflation, with many economies still experiencing high core inflation rates.

AMRO also highlights potential risks to the region's growth. A recession in the US and euro area in 2024 could significantly impact the ASEAN+3 region, potentially halving its GDP growth.

The risk is further compounded by the possibility of a slowdown in China's economic recovery, which could amplify the negative effects on the region’s growth.

Source: fibre2fashion.com– Jan 22, 2024

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Global fashion sector struggling to embrace circularity: WBCSD report

While leading on innovation, the global fashion industry finds it difficult to transition to circularity and still largely depends on a linear business model, according to a report by Geneva-based World Business Council for Sustainable Development (WBCSD).

Misaligned incentives and reward systems that do not factor in externalities prevent progress on the more circular and sustainable use of resources, and current incentives do not support the transition to circularity and companies lack actionable decision-making information, it notes.

A standardised framework can help redefine a company's measure of success, develop action roadmaps for higher degrees of circular resource use and develop strong accountability systems that enable data-based reporting to regulators and transparent communication with stakeholders, it says.

WBCSD has proposed leveraging its circular transition indicators (CTI) to tailor metrics specifically for the fashion industry and substantively scale up the circular economy. CTI is a comprehensive and flexible circularity measurement framework that is publicly available to companies from all sectors and of all sizes.

Working with CTI, companies from all positions in the value chain can confidently build baselines and set targets across portfolios of products, facilities and at the corporate level, the report asserts.

Companies can rely on CTI to understand which circular strategies bring the most positive impacts on their carbon reduction and biodiversity restoration road maps.

The fashion industry's linear 'take-make-waste' model is not sustainable, leading to wasteful practices and detrimental environmental impacts, the report observes.

Though several fashion companies are at the forefront of the transition to a circular economy, scaling circularity across an entire company and the full value chain is proving challenging, it notes.

From a value chain perspective, a standardised approach to measuring circularity can help rally companies in the industry around common targets and measures of success, it adds.

Source: fibre2fashion.com– Jan 20, 2024

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Vietnam: Manufacturing ready for external pressures

According to the Ministry of Industry and Trade (MoIT), the sector failed to achieve a slew of targets in 2023. Vietnamese export earnings dropped by 4.4 per cent compared to the plan to grow by 6 per cent. The proportion of manufacturing and processing in GDP reached 23.84 per cent, compared with the target of 25.4–25.8 per cent.

Meanwhile, Vietnam's index of industrial production rose 1.5 per cent on-year in 2023, against the target of 8–9 per cent. The added value of the industrial sector and the manufacturing and processing industry posted the lowest increase in the past 12 years, making an insignificant contribution to economic growth compared to previous years.

The consumption index of the whole processing and manufacturing industry climbed 1.8 per cent in 2023, compared to an increase of 7.1 per cent in 2022. Meanwhile, the average inventory rate of the whole manufacturing industry was 87.5 per cent in 2023 against 78.1 per cent in 2022, indicating challenges in the manufacturing and consumption of industrial products.

The added value of the whole industry in 2023 rose by 3.02 per cent on-year, also the lowest increase in the 2011, and contributed 1 percentage point to the overall growth of the economy. Of which, the manufacturing and processing industry increased by 3.62 per cent, the lowest growth in the last dozen years.

Low demand is the main reason behind the poor business performance of Vietnam National Textile and Garment Group (Vinatex). At an annual review meeting on January 8, Vinatex CEO Cao Huu Tien acknowledged that 2023 was its most difficult period in over 30 years of operation.

Vinatex recorded consolidated revenue of $705.6 million and pre-tax profit of $15.4 million, reaching 104.4 and 101.9 per cent of the yearly targets, respectively. However, the 2023 pre-tax profit dropped 60 per cent on-year.

"Vinatex set out many scenarios for 2023, but the worst scenario took place due to market developments, negatively affecting our business and production activities," Tien added.

Vietnam's garments and textiles sector reached an export revenue of $40 billion, down 11 per cent on-year.

Deputy Prime Minister Tran Hong Ha said, "The manufacturing and processing industry is the foundation for other industries. However, some sectors recorded a sharp decline, such as a 43 per cent decrease for the electronics sector. There are both objective and subjective reasons. However, the economy reveals issues amid the headwinds in 2023. We need to review the strategy to promote industrial production and the market."

The MoIT forecasts that there will be huge external pressure on industrial production and export activities in 2024. The main pressure comes from international trade, with many major economies slowing down, which dampens overall demand recovery and affects export results.

"Fluctuations will continue into 2024. Many garments and textiles companies are coming up with measures to make timely adjustments, thereby lowering the impact when the market becomes worse," said Hoang Thuy Oanh, deputy general director of Hoa Tho Textile and Garment JSC. "This trend will directly impact the orders of businesses. Amid this challenge, we need to take advantage of every single opportunity in the market by expanding the customer base, diversifying products, and receiving small orders."

Research group Wood Mackenzie forecasts that global GDP growth will slow in 2024 compared to the last two years as geopolitical conflicts continue to linger. Due to the pressure, global consumers will slash purchases of non-essential goods, including textiles and garments.

Le Thi Quy Huong, deputy general director of Phu Bai Spinning JSC, said, "The yarn industry is predicted to contract until the next quarter. Thus, we formulate production plans every month rather than every quarter. The company has changed products to meet market trends and customer demand. We are striving to secure enough orders for the first quarter of 2024 to ensure capacity for three spinning factories."

Andrew Harker, economics director at S&P Global Market Intelligence, added, "The final month of the year was indicative of the picture for much of 2023 in the Vietnamese manufacturing sector, with subdued demand limiting production volumes.

Firms are still optimistic that output will expand. This has led to broad stability of employment and purchasing activity despite the reductions in new orders, as manufacturers attempt to maintain capacity in the hope of better days to come."

Source: vietnamnet.vn– Jan 20, 2024

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Bangladesh: Garment exports to US double in five years

Garment shipment to the USA, the single largest export destination of Bangladesh, almost doubled in the last five years thanks to the tariff war between America and China and the presence of competitive prices of the locally made apparels.

After having two strong years in 2021 and 2022, apparel export to the USA fell 8.68 percent year-on-year to $8.27 billion in 2023, according to data from the Export Promotion Bureau and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Bangladeshi manufacturers sent $5.84 billion worth of garments to the USA in 2018 and over $9 billion in 2022, but it fell the next year, caused solely by a dip in woven garment shipment.

However, knitwear export saw a marginal jump in 2023 compared to the previous year.

Readymade garment export to the European Union (EU) slowed to a great extent last year, posting a meagre year-on-year growth of 1.49 percent down from 2022's 28.49 percent.

Apparel export to the EU was $23.38 billion in 2023 from $23 billion the previous year.

"It is noteworthy that export to our largest destination in EU and the second largest destination in terms of world, Germany, saw a significant decline which contributed to such a setback in our export growth to EU," the BGMEA said.

Bangladesh shipped $6.1 billion worth of garments to Germany in 2023, down from $7.29 billion in 2022.

Among other EU countries, Lithuania, Malta, Slovakia and Slovenia also experienced a negative year-on-year growth.

Conversely, the positive performance was maintained in a few EU markets, particularly in Denmark, France, Italy, Spain and the Netherlands where it rose by 16.21 percent, 8.46 percent, 10.52 percent, 12.69 percent and 13.27 percent respectively.

"With the growth in these countries, our export to overall EU region was able to maintain a status-quo in growth in 2023," the BGMEA said.

Meanwhile, UK, the third largest export destination for Bangladesh, managed to retain a year-on-year growth of 12.46 percent in 2023 by shipping $5.34 billion RMG last year compared to $4.75 billion the previous year.

Additionally, Bangladesh's export to non-traditional markets demonstrated encouraging growth, increasing remarkably by 20.54 percent to $8.87 billion in 2023.

Currently, the clothing export share to the non-traditional markets stands at 18.72 percent, from 16.52 percent in 2018.

Notably, Japan is Bangladesh's top destination among major non-traditional markets, fetching $1.68 billion in the mentioned period, posting a 26.53 percent year-on-year growth.

Exports to other non-traditional markets, including Australia, Russia, New Zealand, Saudi Arabia, South Korea and China, also posted positive growths. In 2023, Bangladesh's RMG export to the world increased 3.67 percent year-on-year to $47.39 billion.

The six years' data compiled by the BGMEA shows that Bangladesh shipped $32.93 billion garments in 2018, posting a 12.71 percent growth.

Source: thedailystar.net– Jan 23, 2024

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Bangladesh's garment exports to EU drop by 1.24% YoY in H1 FY24

Exports of readymade garments (RMG) from Bangladesh to the European Union (EU) dropped by 1.24 per cent year on year (YoY) to $11.36 billion in the first half of fiscal 2023-24 (FY24).

The reason is a fall in overall imports by the EU, especially Germany, as the purchasing power of customers in the bloc has waned for various reasons, said Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

After importing a decent amount of apparel in 2022, inventories still remain in the EU stock, and that is one reason why the EU is importing less from Bangladesh and other apparel exporters, including China and Vietnam, Hassan said.

The country's apparel exports to Spain, France, the Netherlands and Poland during the first half rose by 6.56 per cent, 2.15 per cent, 9.11 per cent and 19.14 per cent respectively, data from the Export Promotion Bureau show. But exports to Italy fell by nearly 3.9 per cent during the period.

Germany imported the highest—apparel worth $2.86 billion, 17 per cent less YoY, domestic media outlets in Bangladesh reported.

The country's RMG exports to Canada also dropped by 4.16 per cent to around $742 million in the July-December period. Exports to the United States, however, rose by 5.7 per cent to over $4 billion.

The United Kingdom imported garments from Bangladesh worth $2.71 billion—a 13.24 per cent YoY growth.

The country's exports to non-traditional markets in the July-December period grew by around 12.3 per cent to $4.53 billion, with a nearly 10 per cent YoY rise to Japan, 24.7 per cent YoY increase to Australia and over 19 per cent YoY rise to South Korea.

Source: fibre2fashion.com– Jan 21, 2024

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Bangladesh: Navigating tariff rates in a post-LDC regime

As Bangladesh nears its 2026 transition from a Least Developed Country (LDC), it faces a pivotal shift in its economic narrative. The United Nations has acknowledged the country's development success, which presents new challenges to the World Trade Organisation (WTO) trade norms, particularly concerning the 'Bound tariff rate'.

This graduation from LDC status necessitates a critical balancing act between protecting domestic industries and conforming to a liberalised global trade regime, highlighting the complexities and implications for Bangladesh's economic and trade policy future.

The Bound tariff rate in the WTO sets a ceiling on customs tariffs that member countries can impose, ensuring trade predictability and stability. The percentage of a country's goods with tariff bindings is called 'binding coverage' under WTO trade regulations. The Uruguay Round of WTO negotiations raised binding coverage (non-agricultural) for developing countries from 21% to 73%.

Bangladesh's current 'binding coverage' is only 17.9%. As a result, increasing binding coverage from 17.9% to 73% presents a significant developmental challenge for Bangladesh, which has long protected its economy and industry through high tariffs.

Bangladesh has effectively utilised the Bound tariff rate under its LDC status to shield key industries like apparel, light-heavy industry, and agriculture from foreign competition. This protection has spurred economic growth, skill development, and job creation, particularly highlighted in the textile sector by a 2020 International Trade Centre study.

Additionally, favourable market access and schemes like the EU's Everything But Arms (EBA) have boosted exports. These tariffs have also ensured a stable trading environment, encouraged investment and partnerships, and have been crucial in nurturing infant industries, aiding in economic diversification and growth, as seen in the pharmaceutical sector. Overall, the Bound tariff rate has been a significant factor in advancing Bangladesh's trade and economy.

For Bangladesh, lowering its tariff rates could expose domestic industries previously protected by higher tariffs to increased global competition. This exposure demands enhanced efficiency and productivity in local industries.

The experiences of countries like Cape Verde and Maldives, which have already graduated, illustrate the challenges and adjustments needed in trade policies and domestic industries post-graduation.

These nations faced initial market rearrangements and policy reforms, necessitating strategic tariff adjustments and support measures like technological investment, skills development, and infrastructure improvements.

This transition also presents opportunities for economic growth through a more liberal trade regime, attracting foreign investment, stimulating innovation, and encouraging industries to become more competitive internationally.

Observing whether a reduced tariff contributes to economic expansion and global market integration in Bangladesh will be intriguing. We might expect that the transition shall witness a phased approach of tariff adjustments.

Countries transitioning from Least Developed Country (LDC) status, such as Bangladesh, face complex challenges in reforming Bound tariff rates. Having historically used high protective tariffs to safeguard its domestic market, Bangladesh confronts formidable obstacles in these reforms.

Firstly, finding the right balance between protecting domestic industries and promoting trade openness is challenging. Higher tariffs protect local businesses but might limit foreign investment and exports, while lower tariffs can increase competition, affecting domestic growth. Accurately predicting the long-term economic impact of these tariff changes requires advanced planning and economic modelling.

Secondly, Bangladesh's protected industries, like textiles, agriculture, electronics, automobile will face a rough transition as lower tariffs bring stiffer import competition, market upheaval, and a potential need for economic restructuring. Outdated technology, a lack of variety, and inefficient productivity further threaten to amplify these challenges.

Furthermore, LDCs like Bangladesh may be disadvantaged in WTO negotiations due to limited institutional capabilities and expertise, potentially leading to unfavourable concessions and reduced bargaining power.

Lastly, industrial and consumer stakeholders in Bangladesh may exert pressure on the government during this crucial process. This delicate and complex balance is needed to satisfy these broad interests while meeting national development goals.

Nonetheless, Bangladesh can learn from the experiences of past LDC graduates like Cape Verde and Maldives. These countries adopted tailored strategies, with Cape Verde implementing moderate tariff reductions and Maldives making deeper cuts in specific areas.

Along with these strategies, Bangladesh should also engage in Regional Trade Agreements before graduation to secure favourable market access, predict tariff changes, and navigate complex tariff schedules and potential trade policy constraints in the future.

Bangladesh needs a comprehensive plan to overcome challenges. Strategies must include diversifying exports to reduce dependence on specific sectors and markets, implementing policy reforms to improve the business environment and economic resilience, investing in modern technology and workforce skills to boost productivity, and providing subsidies and tax incentives to affected industries during the transition.

For cost reduction and competitiveness, trade infrastructure must be improved. These measures will help Bangladesh overcome post-2026 challenges and achieve sustainable economic growth as a graduated LDC.

The Bound tariff realignment will undoubtedly impact Bangladesh's fiscal and industrial policies. Established manufacturing industries, which have long been protected with prohibitive tariffs, will be the first to experience a significant setback. It will be intriguing to observe how policymakers and industry insiders adjust their objectives, expectations, and strategies to promote the comprehensive growth of Bangladesh.

Source: tbsnews.net– Jan 22, 2024

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Pakistan: Textile exports rise to $1.39bn in December

The textile and clothing exports rebounded in December from the previous month's downward trajectory, according to data issued by the Pakistan Bureau of Statistics (PBS) on Friday.

The sector expanded by 3.33 per cent, with exports reaching $1.39 billion, up from $1.35bn in the same month the previous year. Textile and garment exports fell by more than 7pc year-on-year in November.

In the first half of the year, textile and clothing exports saw growth in just two months — October and December. However, it remains uncertain whether this upward trend in growth will persist in the upcoming months.

The export of textile and clothing fell by 4.97pc to $8.28 billion in the first half of the year from $8.71bn over the corresponding period of last year. The sector has experienced a decline in exports mainly attributed to escalating production costs due to higher energy costs and a liquidity crunch.

A few months ago, the commerce ministry announced that the government would soon offer regionally competitive energy prices to textile exporters and resolve their cash flow issues by releasing pending sales tax refunds. However, the decision has yet to be implemented.

Oil imports dip 14pc to $8bn in first half of current fiscal year

The exports of textile and clothing contracted by 14.63pc to $16.50bn in FY23. However, the total merchandise exports dipped 12.71pc to $27.54bn from $31.78bn in the preceding year.

PBS data showed the exports of readymade garments shrank by 6.45pc in value in December and surged by 20.77pc in quantity, while knitwear grew 4.14pc in value and 55.68pc in quantity. Bedwear posted positive growth of 8.59pc in value and 21.88pc in quantity.

Towel exports increased by 6.57pc in value and 12.17pc in quantity, whereas those of cotton cloth declined by 11.73pc in value but grew 30.06pc in quantity.

However, the exports of raw cotton and yarn increased by over 100pc and 78.55pc during December of FY24 from a year ago.

The exports of made-up articles, excluding towels, dipped by 15.85pc, and tents, canvas and tarpaulin went up by 19.85pc in December from a year ago.

The import of textile machinery declined by 53.52pc in December, a sign that expansion or modernisation projects were not a priority. At the same time, the import of synthetic fibre declined by 28.61pc, synthetic and artificial silk yarn by 16.10pc and other textile items by 8.73pc. However, the import of worn clothes posted a growth of 33.81pc during the month under review.

In the first half of FY24, the total exports slightly increased 5.25pc to $14.99bn this year from $14.24bn over the last year.

Click here for more details

Source: dawn.com– Jan 20, 2024

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NATIONAL NEWS

India, EFTA bloc trade deal talks at an advanced stage: Official

Negotiations for a free trade agreement between India and the four-nation EFTA bloc are at an advanced stage as both sides have reached a shared understanding on key issues, a senior official has said.

The European Free Trade Association (EFTA) members are Iceland, Liechtenstein, Norway, and Switzerland.

India and the EFTA have been negotiating the pact, officially dubbed as Trade and Economic Partnership Agreement (TEPA), since January 2008 to boost economic ties.

"Following extensive negotiations, a shared understanding has been achieved on key issues during the ministerial meeting. Ongoing efforts are now focused on shaping the convergence that has emerged," the official said.

Commerce and Industry Minister Piyush Goyal held a meeting recently with Swiss Federal Councillor Guy Parmelin in Mumbai.

Parmelin, in a social media post on X, has said that officials are working around the clock to settle last details so that it can be signed as soon as possible.

"At the last-minute invitation of my Indian counterpart @PiyushGoyal, I travelled directly from the WEF in Davos to Mumbai/India. After 16 years of negotiations, we found balanced solutions to the main open issues of the EFTA-India trade agreement," Parmelin has said.

The last round of talks between the countries concluded on January 13 here.

Negotiations are held on various chapters, including trade in gods, rules of origin, intellectual property rights (IPRs), trade in services, investment promotion and cooperation, trade and sustainable development, and trade facilitation.

EFTA has 29 free trade agreements (FTAs) with 40 partner countries, including Canada, Chile, China, Mexico, and Korea.

Under free trade pacts, two trading partners significantly reduce or eliminate customs duties on the maximum number of goods traded between them, besides easing norms to promote trade in services and investments.

EFTA countries are not part of the European Union (EU). It is an inter-governmental organisation for the promotion and intensification of free trade. It was founded as an alternative for states that did not wish to join the European community.

India's exports to EFTA countries during 2022-23 stood at USD 1.92 billion against USD 1.74 billion in 2021-22. Imports aggregated at USD 16.74 billion during the last fiscal compared to USD 25.5 billion in 2021-22.

The trade gap is in favour of the EFTA group, according to the data of the commerce ministry.

Source: financialexpress.com– Jan 22, 2024

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Switzerland and India reach deal on free trade agreement

Switzerland and India have reached consensus on a free-trade agreement after 16 years of negotiations, Swiss Economy Minister Guy Parmelin said.

Parmelin traveled to India directly after the World Economic Forum in Davos, Switzerland, to meet with counterpart Piyush Goyal, according to a post by the Swiss minister on the platform X, formerly Twitter, late Saturday. The outline of a deal was agreed, and officials are working to finalize the details, he said.

The agreement "will create jobs for the young population of India, and secure employment in Switzerland," Parmelin said in an interview with the Swiss newspaper Sonntagszeitung.

Source: financialexpress.com– Jan 21, 2024

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Centre not to re-work RoDTEP scheme as it is WTO compliant, say officials

The Centre has no plans of re-working the popular Remission of Duties and Taxes on Exported Products (RoDTEP) scheme for exporters, despite the US government imposing anti-subsidy duties against it, as the problem was not with the WTO compatibility of the scheme but with the inability of exporters to provide adequate documents to US investigating teams, officials have said.

The Directorate General of Foreign Trade (DGFT) and the Directorate General of Trade Remedies (DGTR) are now working on familiarising exporters with the entire process of documentation so that they can establish that the RoDTEP payments are in lieu of input taxes not remitted under any other scheme and were not export subsidies.

‘Remission scheme’

“RoDTEP is a remission scheme and is fully WTO compliant. When US teams come to investigate, they come to the plants. The plant owners should be clear about the fact that it is not an incentive and specify that they are getting RoDTEP payments as a remission. And to that extent, they should be able to show documentation showing that they are paying all the taxes including electricity tax, VAT and mandi tax. We are now taking steps for general awareness building of the exporters,” the official said.

The RoDTEP scheme, announced in January 2021, replaced the WTO-incompatible MEIS scheme, which had faced several challenges from partner countries at the WTO as it was not transparently determined.

RoDTEP was designed carefully to ensure that it was totally transparent and the refund rates were based on embedded duties and taxes, such as VAT on fuel used in transportation, mandi tax and duty on electricity used during manufacturing of the exported items.

However, earlier this fiscal, both the US and the EU imposed countervailing (anti-subsidy) duties on Indian products, against RoDTEP payments availed. These include paper file folders, common alloy aluminium sheets and forged steel fluid end blocks by the US and certain graphite electrode systems by the EC.

"Once exporters can show all documents on the input duties paid by them and it adds up to the RoDTEP payments, there won't be a problem. The problem is that while the plants have records of total payments made by them in the form of input taxes, they may not have the details.

For instance, in a hand-written fuel bill given by a petrol pump, it may not give disaggregated Central excide duty and State VAT charged. All this needs to be streamlined and the exporters properly trained," the official said.

Source: thehindubusinessline.com– Jan 22, 2024

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Rodtep reimbursements: Govt likely to guide industry on documentation

The government plans to handhold the industry to help them familiarise with adequate documentation that they need to maintain for the Remission of Duties or Taxes on Export Products (RoDTEP) scheme-related reimbursements, a senior government official said.

This is because last year, the United States (US) and the European Union (EU) had imposed countervailing or anti-subsidy duty against some products as retaliation against India's export boosting scheme.

The RoDTEP scheme allows refunds of the embedded non-creditable central, state and local levies paid on inputs to exporters and is compliant with World Trade Organisation (WTO) norms. Government officials believe that the anti-subsidy duty was imposed on Indian products because the industry was not able to show adequate proof of the tax reimbursements during investigation by the foreign countries. This, for instance, made the US authorities believe that Indian exporters receive subsidies under the RoDTEP scheme, which is against global trade rules. Countervailing duties are imposed on imported goods to offset the embedded subsidies that exporters of a particular country avail.

"During an investigation for countervailing duty, investigators (from another country) come to India for plant visits and also ask for relevant documents. The ability to show documents is crucial," a senior government official told Business Standard.

"When investigators visit, exporters should say RoDTEP is a remission-based scheme and to that extent, they should be able to show documents such as electricity, state-level fuel cost (VAT), among others. We are taking steps for general awareness building among exporters and are working on a process to familiarise exporters with the entire requirements," the official said. The RoDTEP scheme was rolled-out three years ago by the commerce and industry ministry.

The scheme replaced the controversial Merchandise Exports from India Scheme (MEIS), after a WTO ruling stated that the scheme violated the provisions of the global trade body by giving export subsidies for a wide range of goods. According to government officials, the scheme is not a case of subsidy that is given to exporters, but remission of taxes and duties or levies, which are not being reimbursed by any other alternative.

AWARENESS BUILDING-STEPS

- Last year, US, EU had imposed countervailing duty against some products as retaliation against RoDTEP
- Govt believes this was because industry was not able to show adequate proof of the tax reimbursements during investigation for countervailing duty
- Govt taking steps for general awareness building among exporters on maintaining necessary documents
- RoDTEP kicked-in from January 1, 2021.
- It refunds embedded non-creditable central, state and local levies paid on inputs to exporters. Such taxes were not being refunded

Source: business-standard.com– Jan 22, 2024

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CITI & Indian textile bodies urge Piyush Goyal for cotton stability

In a collective effort to address the challenges faced by the Indian cotton textiles and clothing industry, the Confederation of Indian Textile Industry (CITI) and other textile associations representing major users of cotton have submitted a joint memorandum to Indian minister of textiles Piyush Goyal.

The memorandum highlights concerns related to the Cotton Corporation of India (CCI) minimum support price (MSP) cotton procurement practices and proposes changes to ensure stable prices and smooth supply to the downstream sectors.

The memorandum acknowledges and appreciates the formation of the Textile Advisory Group (TAG) under the chairmanship of Suresh A Kotak. Under the guidance of minister Goyal, various policy initiatives have been undertaken by TAG, including the reconstitution of the MCX Product Advisory Committee and the implementation of the Pilot Project on Cotton master plan, among others.

However, the joint memorandum brings to light the impact of CCI MSP cotton procurement practices on cotton prices, especially when carried out on a large scale.

The textile industry emphasises that the current practices favour multinational cotton traders, leading to speculation in cotton prices that adversely affect the yarn prices and exports of cotton-based textile and clothing products, CITI said in a press release.

The joint memorandum, addressing the financial challenges faced by the MSME spinning segment, has put forth several measures for consideration by Goyal. It suggests the initiation of CCI cotton sales to registered textile and spinning mills starting from February or March.

The memorandum recommends keeping MSP procured cotton as a buffer stock, which should be released in accordance with international price differentials to maintain price stability. Moreover, it proposes the announcement of monthly cotton prices that take into account the MSP procured price, carrying charges, and other incidental expenses.

The memorandum also calls for the extension of a uniform free period of 60 days for all actual users and suggests collecting a one-time earnest money deposit (EMD) of 10 per cent for advance bookings.

Additionally, the memorandum urges the extension of a key loan facility, which would allow the storage of pre-booked cotton at individual mill premises for day-to-day usage against payment. It advocates for the sale of cotton in multiples of 130 to 150 bales, equivalent to one truckload, aligning it with MCX standards to support small spinning mills.

The establishment of a sub-committee is recommended to monitor CCI's trade practices and prices, with the authority to implement corrective measures as necessary. The memorandum highlights the need to facilitate structured financing for CCI and MSME textile units at a priority lending rate.

The joint memorandum emphasises that adopting these policies would be mutually beneficial for CCI, the government, and the user industry. It aims to ensure stability in cotton prices, protect the interests of MSMEs, and promote the long-term growth of the Indian cotton textiles and clothing industry.

Source: fibre2fashion.com– Jan 22, 2024

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Textile sector seeks changes in customs duty on fabrics

The first-ever meeting of the newly constituted Textile Advisory Group for man-made fibre under the Ministry of Textiles has offered hope for changes in customs duty on knitted fabrics to reduce imports.

R.K. Vij, secretary general of the Polyester Textile Apparel Industry Association, said he raised the issue of "illegal and undervalued import of Chinese knitted fabric", which is mixed with woven fabric.

Almost 1,000 tonnes of fabric is dumped in India daily due to the difference in customs duty for woven and knitted fabrics.

Currently, the duty on woven fabric is 20% of the value of imports, or ₹115-₹150 per kg, whichever is higher, while the duty on knitted fabric is a flat 20%.

The annual revenue loss to the government is approximately ₹6,000 crore due to lower customs duty, Mr. Vij claimed. Currently, knitted fabric is imported at $1.5/kg, which is even lower than the export price of yarn, when the finished product should cost about $4.5/kg, Mr. Vij reckoned, highlighting the extent of undervaluation.

"The Minister has assured to resolve this anomaly within two months," Mr. Vij said.

Meanwhile, the Confederation of Indian Textile Industry (CITI) and other textile associations have demanded precautionary measures to ensure cotton prices do not shoot up later this cotton season.

A memorandum by CITI said, "The Cotton Corporation of India should start selling cotton, which it procured at Minimum Support Price, from February to only textile mills. It should not sell at lower prices to bulk buyers. The CCI should sell cotton in multiples of 130 to 150 bales to benefit small spinning mills."

Source: thehindu.com– Jan 20, 2024

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Ludhiana's hosiery players bear losses due to weak demand, lack of orders

Ludhiana's famous hosiery sector is staring at losses because of weak demand for winter garments this season, as many manufacturers say they faced lack of repeat orders as well as return of stocks from traders in many states.

Hosiery goods manufacturers also blame dumping of China-made winter wear items, available at much lower prices, for adding to their woes.

However, bone-chilling cold wave weather conditions prevailing in the northern region have given some sort of relief as they anticipate a pick up in demand which may lead to clearance of stocks.

Ludhiana hosiery sector, which is one of the oldest industry verticals, is famous for winter garments like sweaters, jackets, thermals, cardigans, pullovers, innerwear, shawls etc.

Several states like Uttar Pradesh, West Bengal, Rajasthan, Himachal Pradesh, Delhi, Bihar and Haryana are among key markets for the hosiery sector.

The industry representatives said they started offering discounts to wholesalers in December when the demand was not picking up.

"Because of the delayed winter, the manufacturers started giving discounts to wholesalers in December to push sales," said Shyam Bansal of Rage, a premium brand of women's wear.

A hosiery goods manufacturer said a factory unit runs at an average margin of 10 per cent and if it had to give that much discount to wholesalers then it will not be in a position to earn anything except to clear its stocks.

The manufacturer said there is a stiff competition in the market and no matter how good one's product is, wholesalers press for discounts.

The industry representatives further said initially discounts at retail counters were offered at 20 per cent in December to increase sales. Later these were hiked to 30 per cent.

"At present, several big brands are selling their winter wear items at 40 per cent discount at retail shops. Given this situation, how can a manufacturer earn with such heavy discounts," asked the industry representative.

Bansal said China-made winter wear items are also hitting the local hosiery industry hard. "If an item costs us as Rs 1,000, a Chinese item is available at Rs 600-700," said Bansal pointing out the competition posed by the Chinese goods to the Ludhiana hosiery sector.

Navin Sood, another hosiery goods manufacturer, said many manufacturers in Ludhiana are facing a lack of repeat orders from traders in many states like Bihar, Odisha, Madhya Pradesh, Rajasthan and West Bengal.

Raja Dhir, president of Daal Bazaar Merchant Association, said many traders in Uttar Pradesh, Kolkata and some southern states returned hosiery items as there was slack demand for winter garments.

"When we demand payment from a trader in other states they threaten to return goods," said Dhir.

However, an industry representative said because of severe cold wave conditions prevailing in the northern region, the industry expects stocks at retail shops and factories may get cleared but it is difficult to say that it will lead to profits given the fact that heavy discounts were being offered.
Intense cold wave conditions have been prevailing in many parts of Punjab and Haryana for the past many days.

Source: business-standard.com– Jan 21, 2024

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Tiruppur exporters battered as Red Sea attacks disrupt shipping routes

The Red Sea attacks have had a devastating impact on garment exporters in Tiruppur, India. The attacks have disrupted the shipping route to European Union ports, and the cost of shipping has tripled. This has caused a major crisis for the exporters, who are now struggling to meet their deadlines and fulfill their orders.

The Indian government has directed the ECGC (Export Credit Guarantee Corporation) to desist from raising insurance premiums amid rising cost of shipping to Europe. However, this is not enough to help the exporters, who are still facing a major financial burden.

The attacks have also had a negative impact on the local economy in Tiruppur. The garment industry is a major employer in the region, and the attacks have led to job losses and a decline in business activity.

The situation is still unfolding, and it is unclear how the attacks will ultimately affect the garment industry in Tiruppur. However, it is clear that the attacks have had a major negative impact, and it will take time for the industry to recover.

Source: fashionatingworld.com– Jan 22, 2024

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