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Currency Watch			
USD	EUR	GBP	JPY
82.87	90.66	106.01	0.56

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INTERNATIONAL NEWS

UK expands US economic footprint with Texas trade deal

The UK has signed a trade pact with Texas to boost trade and investment ties between the UK and Texas, as Business and Trade Secretary Kemi Badenoch welcomes Texas Governor Greg Abbott to London.

Texas has the second largest US state economy, with a GDP of £1.9 trillion (~$2.43 trillion) in 2022—larger than Italy and Canada—making this the UK's most economically significant trade pact with a US state to date, UK's Department for Business and Trade said in a press release.

The pact aims to help make it quicker, easier, and cheaper for UK and Texas firms to do business by tackling trade barriers, growing investment, and driving commerce between the UK and Texas.

The UK is Texas' 8th largest international goods export market, with total trade in goods already worth £14.7 billion (~$18.82 billion) in 2023.

The signing comes just four months on from agreeing the UK-Florida memorandum of understanding (MoU), bringing the number of agreements with US states up to eight – worth a combined GDP of £5.3 trillion (~$6.79 trillion), which is greater than that of Japan and equivalent to a quarter of the US economy.

Business and Trade Secretary Kemi Badenoch said: "I'm delighted to welcome Governor Abbott to the UK for this landmark signing.

Today's signature with Texas marks the UK's eighth US state-level pact, meaning UK firms now have access to states with a combined GDP of £5.3 trillion - equivalent to a quarter of the whole US economy. This shows our US state-level strategy is working and really delivering for British businesses."

Texas Governor Greg Abbott said: "As our ninth largest trade partner, the United Kingdom plays a critical role in the Texas economic juggernaut. Strengthening the bond between Texas and the United Kingdom is crucial for our shared economies to prosper.

"By signing this Statement of Mutual Cooperation today, we will further promote economic growth on both sides of the Atlantic. Texas is the economic engine of America, where entrepreneurs from around the globe can cast a vision and know they can achieve it.

Working with our British partners, we will chart a greater path towards success and opportunity and create an even more robust economic partnership."

Source: fibre2fashion.com– Mar 14, 2024

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USA: What Makes an Apparel Producing Country 'Competitive'?

The U.S. textile industry is facing a "crisis of historic proportions" due to rapidly deteriorating market conditions, rampant foreign predatory trade practices and weak customs enforcement, said Kimberley Glas, president and CEO of the National Council of Textile Organizations, a Washington, D.C and North Carolina-based trade group.

Speaking at a U.S. International Trade Commission (USTIC) hearing on the export competitiveness of five sourcing countries on Monday, Glas warned that this "perfect storm" is undermining not only America's textile output but also its members' ability to retain their workforce.

"Ten U.S. textile plants have been shuttered in a matter of months," Glas said. "Among those impacted are companies that survived the Great Depression, the Great Recession and Covid shutdowns, and yet are now being forced to close plants, with some companies going out of business altogether, due to today's unprecedented levels of demand destruction."

The "fallout," she added, extends to nearshore partners under free-trade deals such as the United States-Mexico-Canada Agreement and the Dominican Republic-Central America Free Trade Agreement, which, along with U.S. textile producers form an integrated textile and apparel co-production chain that serves as a "counterweight" to the Asian production that makes up the bulk of global manufacturing.

The hearing is part of a fact-finding probe by the USTIC to, among other things, compare the shifting U.S. market shares held by Bangladesh, Cambodia, India, Indonesia and Pakistan over the past decade and suss out their export competitiveness in terms of industry structure, cost, product differentiation and reliability. The agency plans to submit its report to the U.S. Trade Representative, which requested the investigation by the end of August.

Most of the countries under scrutiny count the United States as its biggest importer, their representatives said. For Bangladesh, dispatches to the American market, its largest single shipping destination, represent more than 45 percent of its apparel exports. For Pakistan, it's 85 percent. Garment exports from India to East and West Coast ports have risen from 23 percent in 2013 to 35 percent in 2023. In 2022, more than 57 percent

of Indonesia's apparel output, amounting to $5.47 billion, headed to American shores. Roughly 40 percent of Cambodia's total exports, primarily apparel, textiles, footwear and travel goods, were delivered to the United States in 2022.

Even so, all reported declines in export value and volumes due to depressed consumer sentiment weighing on brands and retailers' balance sheets. It's for this reason that witnesses from Bangladesh and India said their industries aim to diversify from predominantly cotton-containing textiles to manmade fibers (MMF) such as polyester, nylon, acrylic and viscose.

"We kept on prioritizing cotton but now we have realized that the trend in the industry belongs to MMF actually because of the affordability or versatility or durability of the fiber," said Mithileshwar Thakur, secretary general of Apparel Export Promotion Council at India's Ministry of Textiles. "So we have launched a scheme where we're basically attracting investment for MMF fabrics and garments [so] we will be equally competitive in MMF."

Bangladesh, India, Indonesia, Cambodia, and Pakistan are the third, fourth, fifth, sixth and eighth biggest suppliers, respectively, to the U.S. apparel market, said Beth Hughes, vice president of trade and customs policy at the American Apparel & Footwear Association (AAFA), a trade group that includes Adidas, Gap Inc., H&M Group and J.Crew Group as members. She noted that the countries are major clothing sources even though none receive duty-free access or duty preferences.

"In response to this investigation, we formally surveyed our members to ask them what made these countries competitive," she said. "In their survey responses, members provided several factors, including, but not limited to, reliability, labor and social compliance, vertical integration, and production capability.

They possess the necessary infrastructure, machinery and skilled workforce to meet the fast-paced demands of the industry with short lead times. Further, they invest in automation, digitization, and innovative and regenerative yarns and fabrics that you cannot find in other countries—even ones with duty-free access to the U.S. market."

Hughes said that members the AAFA surveyed did not cite low labor costs as a primary factor. And while “signals from Washington” reinforce the notion that it’s necessary to pivot away from China, inaction to negotiate market access agreements with these countries and keep trade programs current, “ironically encourages a return to China.”

“Apparel companies are looking for ways to limit risk and foster stability, increase proximity to markets and suppliers, avoid supply chain disruptions, drive sustainability, foster responsible supply chains and more,” Hughes said. “The question apparel companies are asking is where to go and how to best develop capacity and capability to support that journey and destination?”

The countries being examined are competitive because they have created “responsible, reliable, and skilled industries,” she added.

‘Intense pressure’ and corner cutting

Eric Gottwald, a specialist in trade and economic globalization at the American Federation of Labor and Congress of Industrial Organizations, or AFL-CIO, looked at the five countries’ competitiveness through the lens of outsourced labor. He said that the predominant fast-fashion business model relies on the “production of cheap[ly] manufactured apparel that changes quickly according to the latest trends,” which places “intense pressure” on overseas suppliers who operate on razor-thin margins and are incentivized to cut corners.

“Unfortunately, many developing countries have responded to these market pressures by deliberately suppressing workers’ rights in their export garment sectors in a bid to stay competitive,” Gottwald said. “In our view, governments who actively suppress labor rights by their acts or omissions are guilty of not only violating internationally recognized workers’ rights, but also engaging in a form of unfair competition.”

He turned his focus on Bangladesh, the world’s second-largest exporter of clothing after China. The nation’s government, Gottwald said, has failed to effectively enforce its labor but instead “colluded” with employers to “frustrate legitimate trade union activity.”

“Bangladesh’s garment workers have long suffered severe violations of their internationally recognized workers’ rights,” he said. “The industry’s dismal working conditions include very low wages, excessive hours of

work, and occupational safety and health violations. And when that country is a significant global producer, it drives down wages and standards for garment production across the globe."

In his testimony, Faruque Hassan, president of the Bangladesh Garment Exporters and Manufacturers Association, which represents factory owners, said that the Bangladeshi government has increased garment worker wages by 316 percent over the past decade. The most recent wage hike, he said, afforded entry-level workers a 56 percent monthly boost, though campaigners have disputed that number once adjusted for inflation.

Still, the cost of everything has skyrocketed in Bangladesh, including the electricity, gas and diesel that power its factories, Hassan said. The high number of LEED-certified "green" factories that it boasts also cost money to set up. So do the investments the country has made in its workforce, he said.

"We strongly suggest that USITC takes a holistic view on the overall competitive scenario not only considering the cost and efficiency-based competitiveness, but also the investment the industry has made over the last decade in workplace safety, workers' wellbeing and environment sustainability, which add significant intangible value to the global fashion value chain," Hassan said.

While factories have made large investments in modern machinery, Bangladesh's production efficiency remains behind China, Indonesia and Vietnam, he added.

Sophal Ear, associate professor at the Thunderbird School of Global Management at Arizona State University, also referenced Cambodia's labor costs, which are among the lowest in Asia, as a leading motivation for manufacturers seeking to minimize production costs.

"The abundance of relatively cheap labor was a critical factor in the initial establishment and expansion of the garment industry," he said. "Cambodia has attracted significant foreign investment due to its lower labor costs compared to neighboring countries, which has been a key driver of competitiveness."

Ear said improving the Cambodian apparel industry's edge means improving labor standards and practice, something that requires a comprehensive approach involving "policy reforms, industry collaboration, capacity building and monitoring," along with partnerships between the government, private sector, labor unions and international organizations to "ensure that improvements are sustainable and aligned with international best practices."

Several factors characterize competitiveness, said Julia Hughes, president of the U.S. Fashion Industry Association, which represents American brands, retailers, importers and wholesalers that conduct business globally. There's speed to market, sourcing cost, risk of labor and social compliance, risk of environmental compliance and flexibility and agility. But one more element plays an important role in determining competitiveness today, Hughes said, and that is geopolitical risk.

"There are many ways to define this risk—geographically there are risks such as the Houthis attacking ships in the Red Sea and disrupting logistics; and politically there are risks such as the desperate situation we see today in Haiti," she said. "With all this uncertainty, brands and retailers are responding with an emphasis on greater diversification as part of their successful sourcing strategies. And this diversification includes looking at the competitiveness of the countries you are reviewing today."

Hughes also pointed out one thing to consider when making policy recommendations: most-favored-nation tariffs on clothing are higher than any other industrial good, and apparel is excluded from the Generalized System of Preferences, a.k.a. GSP, program.

"High tariffs represent an important impediment to sourcing from each of the countries covered by the commission's study," she said. "If the U.S. government is serious about encouraging apparel brands and retailers to diversify their supply chains to these competitive suppliers, which we assume is part of the purpose for this report, then the government should lower tariffs on these suppliers. Lower tariffs and lower sourcing costs would be a clear benefit for American families and consumers."

Glas, however, says she sees the U.S. textile sector's "economic depression" as coinciding with the "ascent to the top supplier status" of Bangladesh, Cambodia, India, Indonesia and Pakistan, which she said is "no coincidence."

"It is imperative to understand and document what makes them so competitive, as well as how this growth has impacted domestic production and the larger Western hemisphere production chain, to inform the necessary U.S. policy response and recalibration," Glas said, adding that textiles from four of the five countries—Bangladesh, Cambodia, India and Pakistan—are named in the U.S. Department of Labor's list of goods produced by child labor or forced labor.

"As is evidence, unethical cost reduction practices and predatory trade activities plague global textile and apparel production and markets," Glas said. "The U.S. government must decide with much greater conviction what it will and will not tolerate in our supply chains."

Source: sourcingjournal.com– Mar 13, 2024

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Chinese biz confidence moderates again at start of 2024: S&P Global

Overall optimism among Chinese firms related to future output growth dropped to the second-lowest in four years during February, the latest S&P Global China business outlook survey shows.

This reduction in confidence led to forecasts of broadly unchanged staffing levels over the year ahead. At the same time, firms projected slower increases in both staff and non-staff costs, while they expect their selling prices to remain broadly unchanged, S&P Global said in a release.

At 15 per cent in February, the net balance of Chinese companies that expect business activity to rise over the year ahead was down from 18 per cent last October to signal a softening of overall confidence, S&P Global said in a release.

The figure was the second-lowest recorded since the initial wave of the COVID-19 pandemic in February 2020 (after October 2022). The reading was also the weakest of the BRIC nations and well below the global average of 28 per cent.

Chinese companies that were upbeat that business activity will increase over the next year often attributed this to forecasts of stronger domestic and global economic conditions.

Government policy support, improved tourism, investment in new technology and equipment and the development of new products are also anticipated to lift output.

However, relatively subdued market conditions, intense competition, rising costs and geopolitical uncertainty were cited as key threats to the outlook at the start of 2024.

Hiring intentions remain weak, though overall employment will be broadly unchanged.

Companies operating in China foresee further increases in input costs over the next year, but pared back their projections compared to October.

Although inflationary pressures are forecast to recede, profitability forecasts weakened again in February. At 6 per cent, the net balance of Chinese companies expecting higher profits over the next year slipped from 7 per cent to the lowest since October 2022.

Source: fibre2fashion.com– Mar 14, 2024

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IAF & ITMF to jointly host convention in Uzbekistan in September

From September 8th-10th the International Textile Manufacturers Federation (ITMF) and the International Apparel Federation (IAF), for the first time in their histories, are jointly holding their annual convention. This year's venue is the ancient Silk Road city of Samarkand, Uzbekistan.

IAF and ITMF organize it with their mutual Uzbek member, the Uzbek Textile & Apparel Industry Association (Uztextileprom). The theme of the convention is "Innovation, Cooperation & Regulation – Drivers of the Textile & Apparel Industry".

At the Samarkand convention, IAF and ITMF will bring together the entire supply chain, including raw material suppliers, spinners, weavers, machine suppliers, garment and home textile manufacturers, brands, retailers, solution providers and educators.

Industry experts and leaders will discuss the relevance of innovation, cooperation, and regulation for our industry and how they will influence and shape the future. The convention will also introduce the Uzbek textile and garment industry to the rest of the world, providing a good view of this industry, both during the conference program and during the planned factory visits.

Uzbekistan was known as one of the major cotton producers in the world. But in the last 10-15 years it has turned from a major cotton exporting to a cotton importing country. During this time, Uzbekistan has developed a textile and apparel that is in an exciting early stage of rapid development.

IAF and ITMF are organizing their annual conventions together out of a strong conviction that the apparel industry and textile industry need to jointly discuss collective solutions for our common industry challenges. Textile and garment manufacturers together hold keys to the solutions that the entire fashion industry relies upon.

Reduction of the environmental footprint of textile and apparel products happens at the level of fiber producers, spinners, weavers, knitters, finishers, printers, and sewing operations. Information needed to fill a Digital Product Passport or to run a 3D digital design and development

operation requires an effective flow of information between all segments of the textile and apparel value chain.

Samarkand is also a beautiful historic backdrop for the convention's social events, including a gala dinner and a city tour. Save the dates in your calendar. From September 8-10 our value chain will meet in Samarkand!

Source: fibre2fashion.com– Mar 13, 2024

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State of German exports better for 1st time since May 2023: S&P Global

A renewed improvement in German export conditions was observed in February this year, thereby ending an eight-month period of decline, according to S&P Global.

The headline Hamburg Commercial Bank (HCOB) Germany manufacturing purchasing managers' index (PMI) export conditions index registered 50.7 in February, up from 49.4 in January and indicative of a marginal expansion of international economic activity on a trade-weighted basis.

The index was the highest since May 2023 and more than three points higher than last October's 11-month low of 47.6.
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A recovery in German export conditions was supported by the fastest expansion of output volumes across North America since June 2023, S&P Global said in a release.

Despite a nascent rebound in economic activity among Germany's key trading partners, there was little sign of a turnaround in manufacturing export orders during February.

The seasonally-adjusted HCOB Germany manufacturing PMI new export orders index dropped to 42.3 in February from 42.5 in January, which marked two years of continuous decline. This is the longest period of falling export orders since the survey began in 1996.

Moreover, the latest reduction in export sales was the steepest of all nations monitored by PMI surveys in February. This illustrates that structural headwinds to German manufacturing performance have persisted so far in 2024 that have held back export sales in spite of a more favourable backdrop for global trade.

Survey respondents cited competitive pressures in major overseas markets, lacklustre investment spending among clients and an exposure to weak demand for consumer goods across Europe.

A marginal deterioration in European export conditions was observed, but the rate of decline was the slowest since the downturn began in May 2023.

There was a mixed picture of economic performance among major euro area export destinations. Ireland, Spain and Greece saw accelerated expansions in February, while Italy cemented its recent return to modest growth.

In contrast, private sector output in France contracted for the ninth month running, albeit at the slowest pace seen over this period.

Source: fibre2fashion.com– Mar 13, 2024

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Italian textile machinery makers to participate in Indian symposia

Italian textile technology has always been a reliable partner for the India's textile industry. Now a new promotional initiative aims to boost trade relations between the two Countries in the textile sector.

Indeed 11 Italian textile machinery manufacturers will be taking part in the forthcoming technological symposia scheduled in New Delhi and Mumbai from 9 to 12 April. The two events, organized by the Italian Trade Agency and supported by the Ministry of Foreign Affairs and International Cooperation, will allow Italian companies to showcase their most up-to-date technologies to a selected audience of Indian textile entrepreneurs.

The textile sector is of great significance in the Indian economy, contributing more than 2% of the GDP and allowing the Country to be among the world largest exporter of textile and apparel items. Moreover India represents the third largest foreign market for the Italian textile machinery industry.

Marco Salvadè, president of ACIMIT comments: "In India textile sector is steadily developing, not only in terms of traditional textiles. The strong growth in demand for technical and innovative textiles in application areas such as geotextiles and medical is another business opportunity for our industry. These symposia will provide an opportunity to highlight the supply of Italian manufacturers, who are at the forefront especially in sustainability and digitization of production processes."

In 2022 India imported Italian textile machinery for a total value of about 200 million euro. Referring to the first 9 months of 2023, the value shows a slight decrease compared to the value for the same period of the previous year, but the forecast for the current year remains positive.

"These technology symposia are part of a promotional program that ITA and ACIMIT have been developing for years to strengthen trade relations between the two Countries in the textile field, continues Salvadè. In particular, I would like to mention that the first Italian textile technology training center set up was the one established at DKTE'S Textile & Engineering Institute Ichalkaranji (DKTE)."

Italian companies participating in the symposia, all of which are ACIMIT members, are: Autefa, Cubotex, Danitech, Lafer, Mcs, Monti-Mac, Reggiani Macchine, Salvadè, Savio, Sicam, Testa.

Source: fibre2fashion.com– Mar 13, 2024

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Dutch manufacturing industry faces continued decline in January 2024

The Dutch manufacturing industry experienced a significant downturn in January 2024, with the calendar-adjusted output falling by 5.5 per cent compared to January 2023, as reported by Statistics Netherlands (CBS). This decline marks a continuation of the contraction seen over the previous nine months of 2023, affecting most industries within the sector.

When adjusting for seasonal and calendar effects, the manufacturing output in January decreased by 4.7 per cent compared to December. A sharp decline was noted in spring 2020, bottoming out in May 2020, followed by a recovery trend that lasted until May 2022. Since then, the trend has reversed, indicating a downturn in the industry, as per CBS.

Despite the overall negative trend, Dutch manufacturers showed a slight improvement in sentiment in February compared to January, particularly with a more positive outlook on expected output. However, concerns about the order book deepened, reflecting ongoing challenges in the sector.

The performance of the Dutch manufacturing industry is closely linked to that of Germany, a key market for Dutch manufactured goods. In February, German entrepreneurs expressed more pessimism than in the previous month. According to Destatis, the German manufacturing industry's calendar-adjusted output decreased by 5.4 per cent year-on-year in January, although it saw a 1 per cent increase compared to December.

Source: fibre2fashion.com– Mar 13, 2024

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Red Sea Disruptions Expected to Bring Container Shipping Back to Profitability

Brands and retailers have endured longer shipment times and an increase in costs during the Red Sea crisis as repeated Houthi attacks force commercial vessels to avoid the waterway entirely. But ocean carriers stand to generate a boost in short-term profitability due to the accompanying rise in freight rates, which are exceeding the costs of re-routing, according to a research note from credit ratings agency Fitch Ratings

Companies like Mediterranean Shipping Company (MSC), Maersk, Hapag-Lloyd, CMA CGM and Cosco are all charging higher rates to ship ocean freight than they were throughout 2023, when spot rates declined throughout the year.

The Red Sea-driven rate increases should benefit these carriers. But whether that advantage is realized in the current quarter or the periods ahead remains to be seen, according to Raman Singla, a director at Fitch Ratings.

"Not all the increase in spot rates flows immediately through to revenues as a large part of the business is on annual contracts," Singla told Sourcing Journal. "This impact would also vary across companies as the portion of contracted business and trade lane exposure varies…As the current spot rates flow through to contracted part (contract negotiations generally happen in first half of the year), this benefit might be more visible in Q2 2024 and in Q3 2024. A lot depends upon how long the disruption lasts and what is the view of the shippers when negotiating contracts."

These firms can charge more for both spot and contract rates depending on factors such as overall supply and demand, fuel costs and distance travelled—which has increased as much as 10-to-14 days as many vessels spurn the Red Sea in favor of sailing around Africa's Cape of Good Hope.

Since Nov. 30, Drewry's World Container Index (WCI) has increased 137.8 percent to $3,287 per 40-foot container. In that same time frame, the WCI on the Shanghai-to-Rotterdam route—which typically would involve a trip through the Red Sea—leapt up 211.7 percent.

The rates haven't escalated at the pace they did during the peak supply chain congestion in late 2021 and early 2022, with an average 40-foot container peaking at $10,377 in September 2021.

The number of daily vessels traversing the Suez Canal has continued to dwindle as the skirmish lingers. According to data from IMF Portwatch, 21 cargo-carrying ships and 10 tankers crosses the Suez Canal on March 2. In comparison, on Nov. 17, two days ahead of the first Houthi attack and hijacking of the Galaxy Leader vehicle carrier, 59 cargo carriers went through, along with 35 tankers.

In the research note, Fitch Ratings said it doesn't believe the Red Sea disruptions, or the concurrent drought in the Panama Canal, point to a structural shift in the sector. While the multiple disruptions can keep freight rates higher for longer, the firm says the impact of the disruptions on rates and supply chains seems to have steadied for now.

The brief growth in prices came after container shipping firms saw choppy waters to close out 2023 as freight rates prior to the start of the Houthi attacks had dipped from year-over-year totals.

As a result, all the major carriers incurred some serious losses.

Maersk reported a net loss of $456 million in the fourth quarter on a 34.1 percent decline in revenue to $11.7 billion. Hapag-Lloyd saw losses before interest and taxes of $217 million on a 48.8 percent dip in revenue to $4.1 billion. And CMA CGM unveiled in its own year-end earnings report that it generated $10.6 billion in revenue, down 37.4 percent annually with losses of roughly $90 million.

In its 2024 Global Shipping Outlook released in December, Fitch Ratings said the Red Sea-driven spot rates should progressively subside amid the "high-single digits" expected addition of net capacity in 2024, powered by a 10 percent increase in new ship deliveries.

"Maersk also noted in its FY23 earnings call that new builds should result in 2-3 percent net growth per quarter in 2024. Due to the Red Sea issue and resulting longer transit times on affected routes, overall about 6-7 percent of global capacity is estimated to be absorbed," said Singla. "So even if the Red Sea issue persists for the remainder of 2024, capacity addition due to new builds will outpace the capacity absorption due to the Red Sea toward the end of the year."

There is no estimated timetable in place for when the ongoing Houthi attacks will subside. But in the event of resumption of normal volumes through the Suez Canal and assuming no significant additional costs, Singla said he believes rates should revert back to October 2023 levels in a "relatively short span of time."

Source: sourcingjournal.com– Mar 13, 2024

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USA: Cautious But Steady Outlook for Cotton and Prices

Old crop prices (May and July futures) have lost some luster but still stand around 95 cents – down from the near $1.00 level of just a couple of weeks ago. So, old crop has given back about a nickel since the peak.

New crop December futures seems to be happy zigzagging mostly in the area of 83 to 85 cents.

The spread between old crop (May) and new crop (December) has declined (narrowed) by about 4 to 6 cents – from almost 16 cents May over December to now less than 12 cents. If this spread continues to narrow, that means old crop declines in relation to new crop and/or new crop increases in relation to old crop.

Old crop seems to face resistance at that $1.00 level and has support at the 90 to 95 cent level. Most producers I've had conversation with have little or none of the 2023 crop left to sell anyway. Those that do say they face a very wide basis or no offers at all. Demand/mill buying is weak/dismal.

For now, new crop seems settled in the 82-83 to 85 cents area. I believe this range is fairly well entrenched until demand shows more strength and until more is known about 2024 acreage and potential production. This may not be an attractive enough price to entice much in the way of contracting at this early date. But "something with a 9 in the front" doesn't seem likely yet until supply/demand conditions get more positive.

March USDA monthly supply/demand numbers were, in fact, positive and supportive. A summary of main points:

- The 2023 U.S. crop was reduced 330,000 bales.
- Exports for the 2023 crop marketing year ending July 31 were unchanged from the February projection.
- World Use/demand for the 2023 crop year was increased 480,000 bales. This is the second consecutive month that Use has been revised upward.
- Exports from Brazil were unchanged but increased for Australia and Turkey.
- Use was increased 500,000 bales for China and imports were raised 900,000 bales.

These are supportive numbers. The market awaits solid economic evidence to validate higher prices rather than speculative actions. In recent weeks, export shipments have been decent, but sales have been poor.

On March 31, USDA will release its first survey-based "statistical" projection of acres to be planted this year. Given the run in cotton prices over the past two months while prices for competing crops have faltered, I believe it's generally expected now that cotton acres will increase at least slightly this year.

Can the higher prices we're seeing coexist with an increase in acres and production? Even though 85-cent cotton excites no one, current price ratios compared to this time last year show that cotton has gained in price relative to corn and soybeans.

Cotton price is less relative to peanuts. What farmers will do this year is highly uncertain. It's hard to plant something or anything knowing price and income are at risk, especially when considering costs.

Source: cottongrower.com– Mar 13, 2024

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MEPs call for tougher rules to reduce textiles waste across EU

On Wednesday, Parliament adopted its proposals to better prevent and reduce waste from textiles and food across the European Union (EU). MEPs adopted their first reading position on the proposed revision of the Waste Framework with 514 votes in favour, 20 against and 91 abstentions.

MEPs agree to extend producer responsibility (EPR) schemes, through which producers that sell textiles in the EU would have to cover the costs for collecting, sorting, and recycling them separately. Member states would have to establish these schemes 18 months after the entry into force of the directive (compared to 30 months proposed by the Commission).

The new rules would cover products such as clothing and accessories, blankets, bed linen, curtains, hats, footwear, mattresses, and carpets, including products that contain textile-related materials such as leather, composition leather, rubber or plastic, the European Parliament said in a press release.

Rapporteur Anna Zalewska (ECR, PL) said: "Parliament has come up with targeted solutions to reduce food waste, such as promoting “ugly” fruits and veggies, keeping an eye on unfair market practices, clarifying date labelling, and donating unsold-but-consumable food. For textiles, we also want to include non-household products, carpets and mattresses, as well as sales via online platforms."

The file will be followed up by the new Parliament after the 6-9 June European elections.

Source: fibre2fashion.com– Mar 14, 2024

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World cotton: new normal isn't here yet?

Global cotton prices are on the rise again. After averaging below 95 cents per lb for 12 months, World Cotton 'A' Index averaged at exactly a dollar per lb during February 2024, up 8 percent compared to the previous month – and closing on levels last witnessed exactly a year ago in February 2023. With global cotton output and consumption estimates for the marketing year 2023-24 virtually unchanged over the past six months, what's cooking behind the rapid rise in fiber prices in recent weeks?

Market watchers would recall that world cotton prices breached the dollar per lb psychological barrier for the first time in a decade back in September 2021, fueled by the post-Covid frenzy caused by resumption of commercial activity amid heightened supply chain bottlenecks. Later, world prices reached an 11-year peak by May 2022, following the war in the Black Sea beginning Q1-CY22, which also marked the peak of global commodity supercycle.

Over the following six months as common sense prevailed, speculative activity in the cotton market fell, with world index receding by exactly 50 percent by Sep 2022 from a peak of $1.5 per lb in May 2022, bottoming out at 75 cents. Since then, prices have remained ranged bound between 80 – 90 cents, prompting many analysts to insist that world cotton prices had found a new normal post pandemic, which was almost 10 - 15 cents higher than the long-term average between 2011 – 2019.

But the recent price surge suggests that the post pandemic new normal is yet to be found. World cotton prices have risen at a time when cotton use estimates are still at a four-year low, while stock-to-use ratio is at its highest since the pandemic bottom. So, what exactly is cooking?

In one word: China. Although the world's largest producer of the natural fiber is sitting at record inventory levels, the reality has finally started to sink in the brave new world of post Xinjiang ban. Despite virtually nil change in Chinese consumption of cotton, and higher carryover inventory over last year, Chinese import estimates for the current marketing year are up by 107 percent over the previous year. The surge in Chinese import forecast is so significant that it more than makes up for lower import demand from most other deficit destinations such as Bangladesh, Pakistan, Turkey, India, Malaysia, among many others.

For the uninitiated, the Xinjiang province has historically contributed nearly 80 percent of domestic cotton production in China. However, the controversy over forced labor practices led to a ban on use of Xinjiang origin cotton by both USA and European Union.

Previously, China has not only been a powerhouse in cotton production but also the top supplier of cotton yarn and greige fabric to global garment value chain spread across Bangladesh, Viet Nam, Mexico, and Turkey etc. However, the Xinjiang ban has effectively excluded Chinese origin cotton, yarn, and fabric from global textile value chain, for fear of their final products being barred access into western markets.

Which means that if the world's largest spinning and fabric industrial base in China is to remain globally competitive; it must source cotton from elsewhere across the world in order to meet raw material origin and traceability guidelines?

The Xinjiang ban may be politically motivated, but that won't keep China from losing its market share to other exporting nations, especially India. One contrarian position in the commodity market is of the view that China would like to raise its import to levels that drives cotton prices to abnormal – never before seen levels – enough to make apparel destined for western markets prohibitively expensive, eventually forcing EU (and possibly even US) to relax the conditions of the ban.

If these fears are realized, world markets may still be very far off from finding the new normal of cotton prices. Incidentally, the rise in cotton prices could not have come at a better time for Pakistan's local spinning and fabric industry, which has been sitting at record carryover inventory amid weak demand.

Source: brecorder.com– Mar 14, 2024

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US textile group accuses BD of unfair pricing, ties to China

The National Council of Textile Organizations (NCTO) -- a Washington-based trade association representing US textile manufacturers -- has accused five Asian apparel suppliers including Bangladesh of "unfair trade practices".

These countries, particularly Bangladesh, benefit from ultra-low-cost pricing structures and ties to China -- harming the US textile industry, the NCTO alleged in testimony before the US International Trade Commission (USITC) on March 11.

The NCTO also called attention to the rising volume of apparel imports from Bangladesh, Cambodia, India, Indonesia and Pakistan, which have become major suppliers to the US.

In the testimony, NCTO President and CEO Kim Glas presented a four-point recommendation package, urging an increase in customs enforcement and trade remedies to curb the import surge and protect the US textile industry.

Ms Glas's testimony came as part of a USITC investigation into the export competitiveness of these five Asian apparel-producing nations.

The investigation, requested by the US Trade Representative (USTR) on December 20, 2023, looks to examine the export competitiveness of these countries. The USITC will submit a report to the USTR's office by August 30 this year.

In a statement, the NCTO called for a close scrutiny of the rising imports from these five Asian countries, citing their ultra-low-cost pricing and ties to China. The NCTO believes this scrutiny is necessary to "recalibrate" US trade policies and mitigate the damage to the US domestic textile supply chain.

"While the domestic textile industry is a key contributor to the US economy and a critical part of the military and public health industrial base, our sector is facing a crisis of historic proportions as the result of rapidly deteriorating market conditions coupled with unchecked foreign predatory trade practices and diminished customs enforcement activities," Ms Glas said in her testimony.

"Building up to and coinciding with the economic depression that our industry is now facing has been the ascent to top supplier status of the five countries that are the subject of the March 11 hearing." "This is no coincidence, and it is imperative to understand and document what makes them so competitive, as well as how this growth has impacted domestic production and the larger Western Hemisphere production chain, to inform the necessary U.S. policy response and recalibration," she added.

Ms Glas pointed to the prevalence of "unethical cost reduction practices and predatory trade activities" in global textile production. She pointed to the 2013 Rana Plaza disaster in Bangladesh and the US Department of Labor's 2023 List of Goods Produced by Child Labor or Forced Labor, which included four of the countries under investigation, as evidence of these practices.

In the testimony, she alleged that while there is some cotton and textile production in India and Pakistan, upstream textile products of fibres, yarns, or fabrics is lacking in Bangladesh, Cambodia and Indonesia.

"As a result, China is able to gain backdoor access to the US market by shipping tens of billions of textile components to these intermediaries for final assembly. A garment may be labelled simply "Made in Bangladesh", but the bulk of its value - an estimated 70 per cent - is attributed to its components, which are most likely "Made in China"."

To counter the rising imports and protect the US textile industry, Mr Glas's recommendations included rejecting proposals to expand the generalised System of Preferences (GSP) to textiles and apparel, closing the De Minimis tariff loophole, and implementing effective penalties to deter unfair trade practices.

De minimis value is a minimum value defined by a country required to apply customs duty and tax rates on imported goods. Not every shipment is taxed on import, as many countries have a de minimis threshold under which shipments are cleared without incurring customs duties or taxes. During the USITC hearing on Monday, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Faruque Hassan countered queries about unfair trade practices.

Source: thefinancialexpress.com.bd– Mar 14, 2024

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Pakistani firms showcase textile expertise

The Pakistani contingent, representing a diverse range of textile manufacturers and suppliers, showcased their latest products and innovative technologies, attracting significant interest from global buyers. Participating companies, spanning the yarn, fabric, finished goods segments and accessories, exhibited a wide array of high-quality products, including cotton, polyester, blended yarns, wool carpets and specialty fabrics. Pakistan's textile industry has long been renowned for its quality, competitiveness and ability to meet the evolving demands of the global market.

Pakistan's Consul General in Shanghai Hussain Haider, while talking to CEN at the expo, expressed his pride and optimism regarding the strong participation of Pakistani textile companies in the two major exhibitions. Highlighting the significance of the presence of the Pakistani textile industry at the expo, he stated that it was a testimony to the rich textile heritage of the country and its commitment to innovation and quality. "Pakistan's textile industry has emerged as a leading exporter, generating $1.9 billion in monthly exports, consolidating its position as the largest industry in the country," the consul general pointed out.

"Pakistani textiles are known for their competitive pricing, making them an attractive option for buyers seeking quality products at affordable prices. This competitiveness is backed by the country's skilled workforce, efficient manufacturing processes, and strong supply chain network."

He further spoke about the growing collaboration between Pakistan and China in textile trade, highlighting Chinese investment in Pakistan, the exchange of technological know-how and Pakistan's intention to learn from China's innovation and management skills. He also emphasised the potential application of artificial intelligence in the textile industry.

In addition, the consul general highlighted the role of exhibitions like Yarn Expo and Intertextile Shanghai in promoting trade and cooperation between Pakistan and China. He said that such platforms provide excellent opportunities for Pakistani companies to network with industry peers, explore business opportunities, learn new trends, expand exports and strengthen their global presence.

It is worth mentioning that many companies highlighted their eco-friendly manufacturing processes and commitment to sustainability, aligning with the global trend towards more environmentally conscious production by showcasing their sustainable products. Kohinoor Mills Ltd Marketing Manager Nadeem Waqar highlighted the need to adopt environmentally friendly manufacturing processes, use sustainable materials and reduce waste. He also stressed the importance of collaboration and partnership among industry players to achieve a more circular and sustainable textile economy.

With China announcing further measures to expand its imports and providing a significant boost to Pakistan's textile exports, which now enjoy zero tariff treatment in line with China-Pakistan Free Trade Agreement Phase 2, Mohsin Khan from Reliance Weaving Mills Ltd saw a significant opportunity for Pakistani textiles to capture a larger share of the market.

Source: tribune.com.pk– Mar 13, 2024

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Pakistan: Denim exports: clutching at straws

Until 2017, it was Pakistan's fifth largest export category by value. By 2023, it no longer features even among the top-15. Six years ago, Pakistan had come close to giving China a run for its money as the world's top exporter of denim fabric (5209.42). Today, its denim exports are under weather, and with it – the competitiveness of the country'sseveral top exporting firms.

Although Pakistan's denim fabric exports (5209.42) have breached half a billion dollar in revenue only once in history (2021), the criticality of the industry to Pakistan's overall textile and garments value chain cannot be overemphasized.

Many of Pakistan's top exporting firms and business groups – from Soorty, Artistic, US Apparel, to Siddiqsons, Sapphire and Crescent – are concentrated in denim manufacturing, while many others such as Interloop and Nishat have diversified into the segment by setting up denim units.

Despite the understated forex earnings from denim fabric export over the years, the industry is responsible for supporting an upstream value chain that traverses through indirect exporting units in weaving, dyeing, and finishing, all the way up to spinning and cotton farms.

Were it not for the country's denim industrial base, the indigenous short staple, low quality cotton would be hard pressed to find many willing buyers. In fact, the denim industry might be the single largest indirect consumer of locally produced cotton, followed closely by towels.

Yet, the collapse of Pakistan's denim fabric exports over the past five years has been both spectacular and mind boggling. Between 2018-19 and 2022-23, fabric exports declined by nearly 10 times in volume, from a peak of 492 million square meters to a little over 62 million square meters by last year.

The decline began in 2019-20, when a slowdown of 17 percent in quantity exported was attributed to the lockdown and closure of global trade.

During the following two years, a rise in global commodity prices led to a boom in export of raw material yarn, which made export of denim fabric uncompetitive, with export volume declining to an average of 140 million square meters.

That year, a concurrent rise in export of woven denim garments – primarily in men's trousers – meant that local firms were now on firmer footing, exporting higher value-added garments directly to consumers destinations in EU and North America rather than exporting intermediate products, i.e. fabric to regions such as Bangladesh, Viet Nam, and Turkey.

For a while, the shift in trend from export of medium-value to higher value-goods did not necessarily appear to be a negative development, as the industrial exporting base was consuming a lot more of the previously exported fabric at home – although without increasing the overall volume of denim goods (both fabric and garments) exported out of the country.

Export earnings of top-15 denim units from Pakistan rose from $1.9 billion in 2018-19 to $2.2 billion by 2021-22. But then came 2022-23, when all hell appears to have broken loose.

The export revenue of top-15 denim units declined to just $1.8 billion, down 17 percent over the preceding year and lowest in at least 5 years. Meanwhile, denim fabric exports had declined to just 62 million square meters in volume, lowest since at least the turn of the century if not longer.

But wait for it, even the export of final products, i.e. made-up garments of denim, had also declined by 40 percent in volume, down to levels last recorded during the Covid year, 2019-20.

Many insiders are quick to point out that the massive slowdown in denim industry's output during 2022-23 is primarily attributable to the disaster struck local cotton crop, where the output dropped to lowest levels in half a century due to the monsoon floods of 2022.

Now that the local cotton crop output has recovered by nearly 80 percent during the outgoing kharif season, Pakistan's denim industry should be all set to stage a recovery.

Unfortunately, early indicators do not offer any semblance of hope. Latest trend in domestic textiles output – both of cotton yarn and cotton cloth, as tracked by the Large-Scale Manufacturing Index – indicates that

Pakistan's year to date yarn and fabric production during 2023-24 is the lowest in at least 20 years, indicating that the recovery in cotton crop performance has not translated into higher output in fiber or clothing segments.

And with textiles output clocking in even lower numbers than the Covid or the flood year, it is only a matter of time before the same translates into denim manufacturing – with the industrial segment output coming down to a complete halt. Meanwhile, the slowdown in world cotton prices over the last 20 months means that the lower volume will also be accompanied by a more massive slowdown in export revenue.

What that could mean for Pakistan's already flailing denim segment remains to be seen. But the signs are not looking too good.

Source: brecorder.com– Mar 13, 2024

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NATIONAL NEWS

Enhancing Economic Collaboration: Dominican Republic and India Sign Trade Protocol

To boost collaboration across various sectors including trade, services, information, and industrial technologies, India and the Dominican Republic have signed an Economic and Trade Cooperation Protocol.

This agreement, signed on Tuesday (March 12, 2024) in Santo Domingo de Guzmán, Dominican Republic by Ambassador Ramu Abbagani and Foreign Minister Roberto Álvarez, signifies a significant milestone in bilateral relations, paving the way for the establishment of a Joint Economic and Trade Cooperation Committee (JETCO).

This committee, co-chaired by senior officials from both nations, will convene annually to oversee protocol implementation and explore new collaboration opportunities.

Ambassador Abbagani underscored the importance of strengthening economic and commercial ties, foreseeing increased interest from Indian businessmen and investors in the Dominican Republic, and vice versa.

In an exclusive interaction with Financial Express Online following the visit of S Jaishankar to that country last summer, Minister Alvarez had indicated that among the agreements whose negotiations were concluded included the Joint Economic and Trade Cooperation Protocol (JETCO) between the Department of Commerce, Ministry of Commerce and Industry of India and the Ministry Foreign Affairs of the Dominican Republic.

“This agreement will allow us to create joint working commissions that will meet regularly to promote trade and investment between India and the Dominican Republic,” he said.

In terms of trade and investment, what are the opportunities for Indian companies in the Dominican Republic?

According to Minister Alvarez, the Dominican Republic offers many opportunities to be considered as an investment destination for Indian companies. “Beginning with its location in the centre of the Caribbean, it

becomes a connection point between Europe, North America, and the rest of Latin America, offering preferential access to more than 1.2 billion consumers through free trade agreements with the United States, Central America through DR-CAFTA, and with the European Union through the Economic Partnership Agreement (EPA)," he said.

Adding, "In addition, it has a solid legal framework, incentives, economic, social, and political stability, human resources, and adequate infrastructure for international companies.

Regarding investments in the Dominican Republic, companies dedicated to the sectors of medical and pharmaceutical devices, household appliances, electronics, textile and clothing manufacturing, plastic articles, and software development can take advantage of Law No. 8- 90 regarding free zones."

Some highlights are:

•The Dominican Republic is the third largest provider of pharmaceutical and medical devices in Latin America.

•We have become the leading exporter of medical switches to the US market in 2020, with a share of 62.5%.

•In the textile sector, the country has the availability of technology-intensive assembly, with the incorporation of new designs, research, and development of new activities, as well as the incorporation of added value to final products at competitive prices.

•We also have a high population of bilingual youth and qualified personnel in information technology and software development areas.

Talking about other projects, whether public or private, Minister Alvarez said that investors in India can consider investing in the Free Zone Projects Corporation, industrial parks, the tourism sector, road and highway projects, Electronic Secured Transactions System, and digital medical record projects.

On Tuesday, Minister Álvarez highlighted the positive trade balance between the Dominican Republic and India from 2018 to 2023, expressing optimism for further growth. He highlighted the protocol's role in

facilitating Indian companies' establishment in the Dominican Republic and fostering strategic alliances with local businesses.

The signing ceremony, held at the Ministry of Foreign Affairs, was attended by key officials from both sides, reflecting the mutual commitment to deepening bilateral cooperation.

Source: financialexpress.com– Mar 13, 2024

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E-way bill surge signals potential GST revenue boost

E-way bill generation surged to 9.73 crores in February. This is the highest in four months and also the new second-all all-time-high generation. This is expected to have a positive impact on GST collection in March. February figures are also important as the month had only 29 days.

The Finance Ministry will come out with the collection of data for March on April 1.

An e-way bill is an electronic document generated on a portal, evidencing the movement of goods and indicating whether tax has been paid or not. As per Rule 138 of the CGST Rules, 2017, every registered person, who causes the movement of goods (which may not necessarily be on account of supply) of consignment value of more than ₹50,000 (can be lower for intra-state movement) is required to generate an e-way bill.

What is the impact of higher e way bill generation on tax collection? There is mixed perception. Some feel that it does impact collection, while some do not agree. In an earlier conversation, Gunjan Prabhakaran, Partner with BDO India said increase in e-way bill generation numbers is an indicator of two trends. -- the first is improved compliance and second, increase in economic activity. Both of these should ultimately lead to increase in tax collections.

Furthermore, she said that overall increase in GST collections happens when there is an increase in demand by the end consumers, backed by better compliance. If the increased e-way bill generation is on account of higher sales to dealers/stockists, without corresponding increase in sales to end consumers, the GST revenue would remain stagnant because the GST paid by the companies would be available as input tax credit to the dealers/stockists, resulting in no net increase in GST collections.

However, Saurav Agrawal, Partner with EY had a different take. According to him, the sustained momentum in e-way bill generation is expected to be mirrored in the GST collection figures. “The increased collections would necessarily provide support to the government’s revenue to help meet its fiscal deficit target,” he said.

Source: thehindubusinessline.com– Mar 14, 2024

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EFTA deal and the Swiss challenge

The India-EFTA TEPA deal has been signed, but will be implemented only after ratification by all five members. Post implementation, a couple of external factors need careful attention.

Switzerland, which is undoubtedly the largest partner in the bloc, has a thriving FTA with China. In January 2024, the two partners signed an agreement to deepen and upgrade their trade relationship. Iceland, also an EFTA member, is the only other country not in China's immediate neighbourhood, to have an FTA with China. India has been quite reticent about any trade agreement with China.

Would Chinese goods find easy preferential entry into India via the Swiss? India seems to battle influx on Chinese goods through the ASEAN FTA route, despite tight Rules of Origin clauses. Would India now face a similar situation vis-à-vis Iceland and Switzerland too? While rules of origin do exist, there are worries over whether these can be circumvented. This issue requires some consideration.

Secondly, the Swiss-EU relationship is undergoing a fundamental reset, after a period of turbulence. In 2014 the two sides commenced bilateral negotiations for an Institutional Framework Agreement (IFA) to update the old agreements, at EU's insistence, since these agreements had become obsolete. After a prolonged seven years of negotiations the Swiss unilaterally terminated the negotiations on May 26, 2021.

Consequently, on the same day Director-General, Health, EU declared that the existing mutual recognition agreements (MRAs) with the Swiss had ceased to apply. Among other problems, the Swiss medical devices exports to EU estimated at over €5.5 billion annually, suddenly lost duty free, smooth access to EU. Swiss manufacturers, now equivalent to any third country manufacturers, need their products certified by conformity assessment bodies established in the EU.

Although legal experts called out the EU action as illegal, in violation of EU law and the WTO Rules, the situation continues today with Swiss medical devices exports having the status of a non-associated third country. European Parliament's recent report of July 25, 2023, on Swiss-EU relations unsubtly states in para 26 that that this could also possibly apply in the future for mechanical engineering, machinery, construction

products and artificial intelligence. The report squarely lays the responsibility of this barrier to Swiss exports at the non-renewal of the 2002 MRA.

From the EU's perspective, it is extremely important to keep its flock of all 27 members as well as the EEA members together and in line. EU's recurring regulatory measures call for effective and efficient implementation. EU cannot afford to allow any member to access its market and other programmes freely without abiding by its rules. It has, therefore, given even the Swiss some harsh treatment.

To further assert their position the EU Commission on June 17, 2021, excluded Swiss legal entities from their flagship Horizon 2020 (an research funding programme). Switzerland had received a CHF 2.7 billion in funding under this programme and was at the top of associated countries.
This move by the EU also excluded the Swiss from the European Strategy Forum on Research Infrastructures.

Cohesion fund

Another prickly issue was the Swiss strategy of using Cohesion Fund payments to EU as a leverage. The Cohesion Fund has been established to reduce regional and economic disparities within EU. The Fund largely provides support to Eastern and Southern EU countries for projects relating to innovation, research, environment, climate change, competitiveness, inclusion etc.

Switzerland, despite being the largest of the EFTA partners had lagged in payment of cohesion fund contribution. The previous tranche was around CHF 1 billion in 2012.

In 2019, the Swiss Parliament blocked the 2nd tranche of CHF 1.302 billion, stating that it was to be released only if EU adopted a non-discriminatory stance vis-à-vis Switzerland. This was a reflection of the EU being unable to accommodate Swiss concerns in the IFA being negotiated at that time.

Subsequently, the same was released on September 30, 2021. The other three EFTA countries have paid a massive €2.8 billion from 2014-2021 to the EU for its Cohesion Fund. They continue to contribute. India will have to be vigilant about EFTA investment commitments on this background.

Given that the Swiss need strong EU pressure to pay up its cohesion fund commitments, will they also need some prodding from Indian side?

The Swiss desire to remain an 'independent' entity and its confidence that it could do so was apparent since the 1992 Swiss referendum. Swiss people rejected the idea of a membership of the EEA. Interestingly the other three members of EFTA — Iceland, Lichtenstein and Norway belong to the EEA. The Swiss deliberately chose to remain as independent as possible from EU although EU is by far their single largest trading partner.

Interestingly, in its Foreign Economic Policy report of January 2024, the Swiss Federal Council has lauded India's ability to straddle relationships with partners of all hues. 'India pursues an interests-driven policy of maintaining good economic relations with all actors in an increasingly polarised world', it observes.

Swiss dilemma

However, the Swiss urge for an independent global position may be subjugated by its market access priorities since Switzerland is again back to prioritising its relationship with EU.

The two sides recommenced exploratory talks in March 2022 for a broad bilateral package. The resulting Swiss-EU Common Understanding of October 2023 calls for a 'dynamic alignment' between Swiss and EU Regulation, with Swiss hoping for decision-shaping access to EU's regulatory processes.

If this happens, India may expect the same regulatory hurdles in the EFTA market that it faces in the EU, sooner rather than later. Will Switzerland/EFTA then also adopt CBAM, deforestation and other upcoming EU measures? Or will it support its FTA partners in obtaining concessions? The former is more likely, going by EU's past actions. Again, awareness and vigilance from the Indian side would reap good outcomes.

Source: thehindubusinessline.com – Mar 13, 2024

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NITI Aayog lays out roadmap for boosting exports from MSMEs

NITI Aayog has proposed a series of measures to boost exports from micro, small and medium enterprises, including boosting e-commerce exports, creating a comprehensive trade portal, promoting ease of merchandise exports, improving access to export finance and creation of one stop information channel for exporters.

"To boost e-commerce exports, it is essential to create distinction between exporter on record (EOR) and seller on record (SOR) and allow reduction in invoice value without any percentage ceiling for all e-commerce exports," the Aayog said in its report on boosting exports from MSMEs, done in collaboration with the Foundation for Economic Development.

Besides, it has proposed introducing an annual financial reconciliation process for e-commerce exporters, exemption of import duties on rejects or returns, granting exemption on reconciliation requirements for shipments up to $1000 and creating a green channel clearance for e-commerce exports.

On easing of merchandise exports, the Aayog has proposed relaxations for MSMEs from certain compliance requirements for a period while putting in place a process for time bound disbursement of incentives so that working capital is not blocked for MSMEs.

"MSMEs contribute significantly to employment generation, exports, and overall economic growth. However, exports represent an enormous and under-utilized opportunity for the MSME sector," the Aayog said in its report.

"The potential of MSMEs to grow exports is enormous and can be realized through some pragmatic measures which reduce the cost and friction of doing business for these firms without placing any additional fiscal burden in the form of incentives or subsidies," it said.

According to the report, sectors where Indian MSMEs can participate and compete in export markets include handicrafts, handloom textiles, ayurveda and herbal supplements, leather goods, imitation jewellery and wooden products. "Globally, these sectors constitute substantial markets

exceeding $340 billion, whereas their domestic market is considerably smaller," it added.

Further, it suggested creating an end-to-end national trade portal (NTN) which will provide seamless experience to exporters including answering queries and resolution of any gaps in paperwork. "This will help reduce the process burden as well as delay for MSME exporters and enable them to compete effectively," it said.

As per the report, creating a one stop information data intelligence portal using Al based interface will also be essential to impart information to MSMEs related to market such as tariffs, required paperwork, sources of finance, service providers, available incentives, and potential customers.

According to the report, access to finance is regularly seen as a key bottleneck for MSMEs. "Towards this end, promotion of Export Credit Guarantee can help improve working capital availability for MSMEs. The current uptake of ECGC schemes is only 10% and the government must create an incentive package to increase it to 50% or more," it said, adding a single marketplace can be created, where all providers of export credit can compete for business and help reduce the cost to MSMEs.

Source: economictimes.com – Mar 13, 2024

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MSME apprenticeship may become shorter, better-paid

NEW DELHI: The government is considering a slew of measures to boost apprenticeship training through millions of micro, small and medium enterprises in India, as it seeks to create a large pool of skilled workforce in the country.

These measures include reducing the tenure of apprenticeship from six months to three months, raising stipend subsidy for MSMEs to 50% from 25%, doling out tax incentives to MSMEs for hiring apprentices and roping in the private sector for providing manpower to MSMEs that often face staff shortage, a senior government official, aware of the deliberations, told ET.

Depending on the fiscal burden on the exchequer, the government could either tweak the existing apprenticeship schemes or draft a new scheme dedicated to MSMEs, which account for 38.4% of the total manufacturing output and contribute 45.03% of the country's total exports. The government has held several rounds of discussions with the industry and is expected to unveil the roadmap for hiring of apprentices by MSMEs by the middle of this year.

India has an estimated 64 million MSMEs employing 23% of the country's labour force, or 110 million workers, and contributing 27% to the country's GDP.

Sumit Kumar, chief strategy officer at TeamLease Degree Apprenticeship, said there is a need for a tripartite engagement between industry, academia and the private sector to boost apprenticeship training in India.

"The industry chambers and staffing companies can work as third-party aggregators to deploy apprentices with MSMEs across the country," he said, adding it will give a significant push to apprenticeship training in India, which will be in sync with the country's economic growth and aspirations to be a developed nation by 2047.

Source: economictimes.com – Mar 13, 2024

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Japanese brands make strides in the Indian market

Fueled by a burgeoning middle class and a growing preference for minimalistic, high-quality goods, Japanese brands are making significant strides in India.

While Japanese cars, watches, and electronics have long enjoyed popularity among affluent Indians due to their craftsmanship, a new wave of mid-range retailers is tapping into this reputation for quality. Currently, around 1,400 Japanese firms operate in India, drawn by the country's vast manufacturing base and favorable foreign investment policies.

Household names like Muji, KAI, and Wacoal have entered the Indian market in recent years, offering everything from fast fashion to kitchenware. With over two-thirds of India's population under 35, brands like Uniqlo are resonating with millennials and Gen Z consumers seeking simplicity and functionality over flashy designs.

A top fashion brand, Uniqlo expanded into India in 2019, quickly opening multiple stores across major cities. Its revenue surged by 69 per cent last year, heating up competition in a market that also includes global giants like H&M.

A key factor behind Uniqlo's popularity in India is its focus on localising products. The brand caters to the tastes of Indian consumers by collaborating with Indian designers and using local materials,

Another Japanese brand that has success through partnerships with Indian companies includes Wacoal which is known for its durable innerwear. The brand entered India in 2015 through a joint venture and has since achieved impressive growth. Renowned for its minimalist aesthetic, Muji partnered with Reliance Brands to open several stores across India.

Japanese retailers have been effective in conveying their distinctive qualities to Indian consumers. For instance, Uniqlo's ‘Arigato Festivals’ during seasonal sales resonate with urban Indians familiar with Japanese culture through media like anime and manga.

Price sensitivity has historically been a challenge for Japanese retailers in India, but experts believe they are focused on building a loyal customer base first before adjusting pricing strategies.

Source: fashionatingworld.com – Mar 13, 2024

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