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INTERNATIONAL NEWS

China: Operating rates return to high levels: How's the textile Business, good or bad?

According to CCFGroup statistics, as of this Thursday, the operating rates of weaving and dyeing mills in Jiangsu and Zhejiang have recovered to 82% and 87%, respectively, reaching relatively high levels. The weaving mills operation rate is even higher than the same period last year.

So how is the actual business downstream? Our team visited some downstream textile bases recently.

Firstly, let's look at the domestic sales

Currently, the best-performing products observed are the new Chinese-style fabrics and clothing, which belong to niche markets within niche products. Initially, it started with the production of horse-face pleated skirts in jacquard loom in Haining and later extended to various other places producing various new Chinese-style fabrics using jet and air-jet jacquard machines. Overall, the orders have been booming, with long order lead times, high prices, and relatively generous profits.

Additionally, there are some mass-market products that are performing relatively well, but not exceptionally. For example, the single-sided knitting machines in Shaoxing mainly produce summer fabrics and are currently busy during the peak season of the year. Moreover, taffta produced by water-jet weaving loom in Wujiang are also performing well. This may be related to the government's requirement to phase out some machines at the end of last year. Furthermore, the water-jet weaving loom in Changxing for home textiles, especially for double-jet elastic fabrics are in short supply. The grey fabric inventory reduced obviously.

However, it is still felt by a considerable portion of downstream players that the level of busyness in domestic sales after the start of the year is weaker than the same period last year. For example, some regular seasonal products produced by single-sided knitting machines in Shaoxing, warp knitting machines in Haining and water-jet weaving loom in Wujiang are weaker than last year.

According to our analysis, in 2023, the epidemic before the Spring Festival led to relatively fewer pre-holiday stocks of spring and summer fabrics and clothing. As a result, after the holiday, the entire market rushed to place orders and urge production to catch up on progress. Some fabric traders also stocked up on spring and summer fabrics to occupy dyeing mill capacity, making weaving and dyeing mills even busier. Of course, the domestic sales performance last year was indeed good, so the stocks of various sectors were well absorbed.

In 2024, the winter fabric and clothing sales were good, especially before the Chinese New Year, and there were expectations for demand after the holidays. Additionally, the gradual increase in upstream raw material prices also made downstream stocking relatively sufficient. However, due to the significant drop in temperature after the holidays, the sales of spring clothing have been delayed, seriously affecting the atmosphere in the domestic sales market. As a result, market sentiment has turned cautious. Although fabric traders have relatively few stocks, they are not eager to stock up at this time.

This trend is also evident from the perspective of dyeing mills. Although dyeing mills have reached the same operating level as the same period last year, they are not as busy. The increase in dyeing fees is only for woven products, while stable for knitted products.

Next, let's look at the performance of the exports.

Although there may be differences among individual companies, the overall trend is improving, but temporarily not as high as market expectations.

Compared to last year, inquiries and orders for from export market have increased before and after the Chinese New Year this year, but the overall volume of orders is not large. Some orders for the Islamic holy month of Ramadan were placed before the Chinese New Year. After entering Ramadan in March, the number of orders decreased.

Therefore, it is estimated that a considerable number of foreign trade companies' businesses after the Chinese New Year will be generally weak or relatively low, and it is expected to wait until after the end of Ramadan in April to recover. Some customers in Europe and the United States have increased their inquiries.

For example, the order volume for fleece products of circular knitting mills in Changshu is relatively good. The foreign trade business of water-jet weaving loom for home textiles is also relatively good in Wujiang. Some circular knitting companies in Shaoxing have also reported that foreign orders are relatively sufficient, and the fabrics are finally made into autumn and winter clothing and shipped to Europe and the United States.

However, many foreign customers have also mentioned that overseas customers are requesting order transfers, and some customers have explicitly required Chinese companies to build factories overseas to continue cooperation, especially for cotton textile orders.

Overall, the current downstream terminal market business shows significant differentiation, with some thriving while others struggle. In terms of domestic sales, although there are products performing well, the overall atmosphere is not as good as the same period last year, mainly due to pre-ordering, sluggish sales of spring clothing, and cautious stocking by traders after the Chinese New Year.

In contrast, there are signs of improvement in the export market. Meanwhile, downstream knitting and weaving mills have sufficient raw material inventory and some post-Chinese New Year orders, with production levels returning to or even exceeding the high levels of the same period last year.

Source: ccfgroup.com– Mar 15, 2024

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Global supply chain transformation under way now likely to deepen: UBS

The global supply chain transformation under way is likely to deepen, driven by intensifying geopolitical rivalries, emerging technologies, concerns over supply chain resilience and the search for efficiency, according to UBS.

While this process is potentially disruptive, it also presents an opportunity to improve the sustainability profile of companies' supply chains, UBS noted.

The Switzerland-based investment bank and financial services company feels this is due not just to the benefits that accrue from improved sustainability, like lower transition, reputational, and legal risks, or improved employee retention and morale.

It is also about future-proofing supply chains against a tightening regulatory environment and growing consumer demands for sustainability in companies' operations, it said.

Sustainability-linked regulatory changes being considered would likely require new tools and investment, and a shift from a 'least cost' to a 'least risk' mindset, it said.

UBS has suggested a four-pillar framework to improve supply chain sustainability: evaluate, optimise, collaborate and develop.

Improving a supply chain starts with understanding the individual links in the chain. Visibility within supply chains remains low, meaning many companies simply do not know who they are ultimately reliant on, beyond their direct suppliers, to produce their products and services.

Even when they are aware, the emissions and other impacts incurred by those suppliers may not be measured; if they are measured, they may not be disclosed; if they are disclosed, they may not be accurate; and if they are accurate, divergent metrics and methods may make comparability across companies and industries difficult or impossible, UBS observed.

Balancing of several factors is required: replacing links whose sustainability practices fall unacceptably short; looking at supply chain length, and the potential for reducing it; optimising supply chain logistics via the deployment and utilisation of emerging technology solutions to better match supply with demand, maximise efficiency and minimise waste.

System-level improvements require not just avoiding risk, but proactively seeking to improve the performance of less sustainable supply chain partners. Collaboration is a key part of this.

Developing refers to actions and investments made to grow a supply chain's sustainability capabilities. It can take multiple forms, including sharing expertise; financing new capabilities, like new product lines or supply links; and promoting circularity, UBS added.

Source: fibre2fashion.com– Mar 15, 2024

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World growth outlook improves, but inflation shows persistence: Fitch

Near-term world growth prospects have improved, with Fitch Ratings raising its 2024 global gross domestic product (GDP) growth forecast by 0.3 percentage point (pp) to 2.4 per cent in its latest Global Economic Outlook (GEO). This reflects a sharp upward revision to the US growth forecast to 2.1 per cent from 1.2 per cent in the December 2023 GEO.

The revision to the US outweighs a marginal cut to the rating agency's China growth forecast for this year—to 4.5 per cent from 4.6 per cent—and a small revision to its eurozone forecast—to 0.6 per cent from 0.7 per cent.

The growth forecast for emerging markets excluding China has been revised by 0.1 pp to 3.2 per cent, with projections raised for India, Russia and Brazil.

Fitch expects world growth in 2025 to edge up to 2.5 per cent (unchanged from before) as the eurozone finally recovers on a pick-up in real wages and consumption, but US growth slows.

The eurozone continues to stagnate, with Germany's recession weighing on France and the rest of the bloc. China's property collapse continues unabated.

US core inflation momentum has recently picked up and we have raised Fitch's end-2024 US consumer price index (CPI)-based inflation forecast by 0.3 pp to 2.9 per cent. Better progress has been made in reducing core inflation in the Eurozone.

The jump in shipping costs is adding upside risks to core goods inflation, Fitch added.

Source: fibre2fashion.com– Mar 15, 2024

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Cambodia-US trade tops $1.3 billion

The US remains the primary recipient of Cambodian goods, accounting for nearly a third of the country's total exports in the first two months of 2024, as reported by the General Department of Customs and Excise (GDCE).

Between January and February, trade activity between the two nations reached $1.33 billion, a surge of 14% from $1.17 billion in the corresponding period of 2023. Cambodia's exports to the US were valued at $1.29 billion, increasing by 14.8%, while imports totalled $36.22 million, a decrease of 7.3%.

Cambodia's trade surplus with the world's largest economy expanded to $1.26 billion, up from $1.09 billion in the same interval last year. Bilateral trade for the period constituted 16.41% of the Kingdom's total international sales volume, approximately $8.12 billion.

Hong Vanak, director of International Economics at the Royal Academy of Cambodia, told The Post on March 14 that despite global economic growth not reaching pre-pandemic levels, the country's exports to the US have demonstrated a positive recovery since late 2023.

He anticipates this trend to persist as Cambodia now offers a wider range of products catering to global market demands.

He added that the US, being a substantial market, consistently imports Cambodian goods, predominantly textiles.

"The recovery in demand for textile products in the US, along with the increase in Cambodia's production capacity, will provide the Kingdom with an opportunity to earn more from this bilateral trade. The US is Cambodia's main market for textiles," he said.

"The recent surge in exports to the US is due to the increasing activity in global tourism. Clothing, shoes and travel goods will see higher demand as people travel more frequently," he explained.

Cambodia primarily exports garments, footwear, travel goods, solar panels, bicycles and agricultural products to the US, while imports include automobiles, machinery, electronics and medical equipment, as per the GDCE.

Ly Kun Thai, president of the Cambodian Footwear Association (CFA), stated that since the latter half of 2023, there has been a significant recovery in the export of textiles to international markets, notably to the EU, US and Canada.

He highlighted that the US is Cambodia's largest export market, noting the role of its Generalised System of Preferences (GSP) in facilitating the export of more Cambodian goods.

"For 2024, based on the [association's] experts' analysis, the export of footwear, gaiters and [related articles] might outperform last year," he stated.

"This expectation stems from the robust sales pace of shoes from companies that have been ordering from Cambodia in the latter half of 2023 until now. The stock clearance by buyers and retailers is likely to lead to an increase in orders for [these items] in 2024 compared to 2023," he added.

At the US-Cambodia Business Forum's opening ceremony on September 22, 2023, in the US' New York City, Prime Minister Hun Manet said the strong cooperation between the two countries is mutually beneficial.

He highlighted Cambodia's strategic location and its young, affordable, abundant and skilled workforce, which is advantageous for the manufacturing sector. This, he noted, leads to lower prices for Cambodian-made goods for consumers, while the Kingdom benefits from its exports to the US.

In 2023, trade between Cambodia and the US amounted to $9.15 billion, a decrease of 1.4% from the previous year. Cambodian exports to the US were valued at $8.9 billion, representing a slight decline of 0.8%, while imports totalled $257.18 million, a more substantial drop of 17.7%, as per the GDCE.

Source: phnompenhpost.com– Mar 14, 2024

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Italy's biz confidence worsens in Feb, consumer confidence grows

The Italian economy recorded an average gross domestic product (GDP) growth of 0.9 per cent last year, decelerating compared to 2022, but with greater dynamism than the euro area average, according to official statistical agency Istat.

Business confidence in the country worsened in February this year, while consumer confidence continued to grow and reached its highest level since June 2023.

In the fourth quarter (Q4) last year, the value added of the manufacturing industry showed a substantial stability.

The country's foreign trade—both exports and imports—displayed a decreasing trend in Q4 2023.

Employment fell again in January after six months. The decrease involved only men and individuals under 35 years. Employment fell among temporary employees and self-employed workers. Unemployment rate stabilised at 7.2 per cent.

Since October 2023, the growth rate of the harmonized index of consumer prices in Italy, the only one among the four major euro area countries, has fallen below 2 per cent, well below the euro area average.

Source: fibre2fashion.com– Mar 15, 2024

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Panama Canal to Increase Daily Transit Slots Ahead of Schedule

The Panama Canal Authority (ACP) is increasing the number of daily slots available to traverse the waterway, upping the total from 24 to 27 by the end of the month.

Two additional slots for Panamax vessels will be auctioned off for transit dates beginning March 18, and an additional slot will become available for transit dates beginning March 25. The Panamax locks enable passage of smaller ships up to 966 feet long with a 39.5-foot draft.

This takes the number of Panamax vessels passing through the canal per day from 17 to 20. Larger Neopanamax ships, which have a maximum length of 1,215 feet and a 44-foot draft, will still have seven slots per day.

The move is a reversal from the ACP's report last month that it would wait until April to make another decision on the daily transit restrictions, and is being made to "accommodate the growing demand for transits."

"These measures allow the majority of vessels that want to transit the Canal to have a better chance of obtaining a reservation," the ACP said in the announcement. A months-long drought during 2023's May-to-November rainy season forced the canal to begin establishing the restrictions starting last July, when the authority first trimmed the number of daily vessels allowed to pass. Under normal conditions, 34 to 36 vessels per day pass through the Panama Canal.

In January, the Panama Canal increased the number of ships it accepts each day for the first time since establishing the restrictions, upping the total from 22 to the 24 that currently transit the waterway.

The ACP's decision is based on the present and projected water levels at Gatún Lake, which provides the water to move ships through the Panama Canal's lock system.

The Panama Canal is in currently in its transitional dry season, which is expected to last through May. As of Wednesday, Gatún Lake's official water levels are 80.5 feet deep, more than three feet below the average water levels of 83.9 feet in the five years prior.

But this is a significant improvement over late August water levels, when the drought was in full effect. On August 28, the lake was 79.6 feet deep, nearly six feet below the 85.3 feet it averaged that month over the past five years.

According to a February Reuters report, the canal plans to slow increase daily slots if rain arrives in May as expected, with the end goal to return to about 36 vessels per day.

“Panama Canal specialists are closely monitoring the current water situation, and the measures announced…will remain in effect until conditions warrant changes, which will be announced in a timely manner,” the ACP said.

As of Wednesday, there are 40 vessels in queue for transit that have already booked, while another 10 that haven’t booked are waiting in line. The average waiting time for non-booked vessels going northbound is just 1.1 days, while southbound trips are more backlogged at 5.5 days.

The queue slowly declined since the summer, suggesting that the canal’s measures were effective, and has since stayed consistent since the expansion back to 24 transits per day. On Jan. 23, 49 total vessels were in queue to transit the Panama Canal, with 38 already booked and 11 not having made a reservation yet.

The total is fewer than the 57 vessels in line for the canal on Jan. 11 and the 63 vessels lined up on Dec. 18. On Nov. 30, 110 total ships were waiting to wade through, with 51 pre-booked boats in queue and another 59 non-booked ships seeking passage.

As the queue thins out, another important byproduct has arisen—liners are getting through the canal at a much faster pace.

Canal waters time—the average time it takes a vessel to transit the canal, including waiting time for passage—dipped from 44.1 hours in December to 32.1 hours in January, before dropping even further to just 20.9 hours in February.

Even as the canal seems to be progressing, shippers will continue to keep a close watch, especially given that delays are also occurring via the world’s other major shipping gateway, Egypt’s Suez Canal. Ongoing attacks by Yemen-based Houthi rebels in the Red Sea have forced major container shipping companies to avoid the waterway altogether, instead extending their voyage around Africa's Cape of Good Hope.

The concerns at the Panama Canal also could play into the current labor negotiations on the U.S. East and Gulf Coast port negotiations, where a possible strike could potentially exacerbate any delays that ships may already experience in attempting to access those ports.

Source: sourcingjournal.com– Mar 14, 2024

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Bangladesh's RMG exports via Delhi airport upset Indian apparel makers

Garments from Bangladesh have been a key driver behind the surge in export cargo trans-shipment at the Delhi International Airport Limited (DIAL) in the last one year but the development has upset Indian apparel suppliers.

On February 7 last year, India allowed DIAL to serve as a cargo trans-shipment hub between Bangladesh and other global destinations.

On the back of the shipment from Bangladesh, Delhi airport's cargo export rose to 5.17 million tonnes between April last year and January this year. However, the increase in RMG from Bangladesh for exports via Delhi airport has caused consternation in India's Apparel Exporters' Promotion Council (AEPC). Bangladesh is a big competitor of India in the textile sector.

In a letter to the Indian government last month, the AEPC demanded the withdrawal of the February 7 order. The council also sent its communication to the Central Board of Excise and Customs.

AEPC Chairman Sudhir Sekhri said 20-30 loaded trucks arrive in Delhi every day which slows down smooth movement of cargo and airlines are taking "undue" advantage of this.

"This has led to an excessive increase in air freight rates, delay in handling and processing of export cargo, and severe congestion at the cargo terminal at Delhi airport."

This is rendering the exports of Indian apparel goods through the Delhi air cargo complex uncompetitive, Sekhri added.

The council said the Red Sea crisis has already increased transportation costs of domestic exporters and it has led to a shift of export shipments from sea to air mode.

Allowing Bangladeshi export cargo via Delhi airport will further intensify the logistical challenges and increase the transportation cost for local apparel exporters, the letter said.

Earlier, the trans-shipment of Bangladesh export cargo was allowed only through the Kolkata air cargo complex.

DIAL is a joint venture, with GMR Airports Ltd owning 64 percent of the share. The Airports Authority of India owns 26 percent and the rest 10 percent belongs to Fraport AG Frankfurt Airport Services Worldwide.

Sanjiv Edward, CEO for cargo at GMR Airports, however, termed as "a significant milestone" the trans-shipment of more than 8,000 tonnes of Bangladeshi cargo from Delhi airport to European destinations since February last year.

"Delhi airport is playing a pivotal role in enhancing bilateral ties between India and Bangladesh, particularly in facilitating the seamless export of Bangladeshi cargo to global markets, cementing the airport's status as the foremost cargo hub in Southeast Asia."

The airport has helped trans-ship readymade garments to European destinations, including Spain, the Netherlands and France. The European Union is the second-largest export destination for Bangladeshi apparel.

The trans-shipment facility has not only reduced shipment costs for manufacturers but also led to a daily increase in the overall export of international cargo via the airport, covering a spectrum of products, including RMG, handlooms, footwear, leather products, jute products, and pharmaceuticals.

The success of trans-shipment has also triggered positive developments in the aviation sector as Bangladesh's cargo using the hub has motivated airlines to enhance their capacity at the airport, providing Indian exporters with more options in terms of capacity, destinations and economically beneficial choices.

Five extra X-ray machines have been installed for handling cargo from Bangladesh to avoid any congestion for general cargo.

Source: thedailystar.net– Mar 15, 2024

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Bangladesh: BGMEA leader highlights Bangladesh apparel industry progress at USITC

During a recent public hearing held by the US International Trade Commission (USITC), Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Faruque Hassan represented the country's readymade garment (RMG) sector.

Media reports maintained this citing a press release issued in this direction, according to which, the hearing was part of a new fact-finding investigation conducted by the USITC to assess the export competitiveness of apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan.

The virtual conference, held in the commerce ministry's conference room, saw the presence of BGMEA vice-president Miran Ali, director Asif Ashraf, and Abdullah Hil Rakib, alongside chair of the BGMEA Standing Committee on Labour and ILO Affairs ANM Saifuddin.

Led by USITC chairman David S Johanson, the public hearing included discussions on various aspects of the RMG sector.

Faruque Hassan presented an overview highlighting the sector's advancements in workplace safety, environmental sustainability, workers' rights, and recent labour law reforms.

He also shed light on the current apparel trade with the USA, emphasising Bangladesh's resilience amid global challenges and its strong performance in the US market.

Representing the government of Bangladesh, Commerce Ministry senior secretary Tapan Kanti Ghosh highlighted governmental efforts to bolster workers' rights, particularly through labour law amendments.

Source: fibre2fashion.com– Mar 14, 2024

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Bangladesh: BGMEA, JTOP, Mitsubishi UFJ unite for Bangladesh RMG sustainability

In a significant step towards strengthening environmental sustainability in Bangladesh garment sector, a delegation from JTOP Co. Ltd (JTOP) and Mitsubishi UFJ Research and Consulting Co. Ltd. (MURC) met with Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) recently.

Led by Jiichi Nakaki from JTOP and represented by Shoji Kita and Yasuko Hashimoto from MURC, the delegation engaged in fruitful discussions aimed at fostering collaboration to improve the environmental footprint of Bangladesh garment and textile industry. The meeting primarily focused on exploring avenues for partnership to address environmental concerns, particularly in wastewater management and recycling.

JTOP's advanced technologies for wastewater treatment were extensively deliberated upon, highlighting their potential to mitigate environmental pollution from textile and dyeing factories through cost-effective and recyclable solutions.

Discussions also encompassed key issues such as wastewater regulations, prevailing conditions within the textile industry, installation of wastewater treatment facilities, the importance of water recycling, and concerns regarding land subsidence.

Faruque Hassan reiterated Bangladesh's dedication to advancing environmental sustainability within the readymade garment (RMG) sector. He briefed the delegation on ongoing efforts within the RMG industry to promote sustainability, including initiatives for circularity and adherence to Environmental, Social, and Governance (ESG) standards throughout the manufacturing process.

Hassan expressed BGMEA's willingness to collaborate on initiatives aimed at fostering a greener and more sustainable garment industry in Bangladesh, showcasing the association's commitment to environmental stewardship and industry advancement.

Source: fibre2fashion.com– Mar 15, 2024

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Pakistan: Artistic Milliners Backs Textile Recycling Project in Pakistan

Pakistan is a dumping ground for post-consumer textile waste. In 2021, the European Union exported $46 million of used clothing to the country, according to the Pakistan Institute of Development Economics.

But, Pakistan has "huge potential" to recycle these used textiles.

Textile waste management firm Reverse Resources and Pakistan's National Textile University have joined forces on an initiative to transform the country's textile-to-textile recycling landscape.

The collaborative effort wants to establish a structured framework for the supply and demand of textile waste to ensure transparency and enable traceability, though challenges persist.

For instance, leakages in the informal waste handling sector—a "critical link" between textile waste supply and recycling destinations—pose a "significant obstacle" to supply chain compliance.

"Despite the growth of Pakistan's textile recycling industry, significant untapped market potential remains," the organizations said in a statement. "By scaling recycling initiatives, we can unlock economic and environmental benefits."

Plus, while there is demand for feedstock, high-quality textile waste still ends up in low-value applications, giving brands little visibility into where their discarded textiles will go.

As such, Reverse Resources is implementing a custom waste mapping program for brands to enhance that visibility. It will offer visual data to "kickstart" a circular supply chain by helping to identify textile waste volume, location, composition and recycling potential.

Reverse Resources and the National Textile University have also partnered with several key industry players, including Reformation, Primark and C&A as well as textile manufacturers like Artistic Milliners and Interloop. The Global Fashion Agenda's Circular Fashion Partnership and Fashion For Good also support the project.

"At Interloop, we leverage waste—both industrial and agricultural—as a valuable resource, effectively reducing our environmental impact," said Faryal Sadiq, Interloop's chief marketing officer. By partnering with allies and industry experts like Reverse Resources, we're eager to establish waste traceability, map waste handlers, and track each recycling phase, shaping a more resilient future together."

The effort is made possible through funding from the Sustainable Manufacturing and Environmental Pollution (SMEP) program, established and funded by the Foreign, Commonwealth and Development Office (FCDO) and implemented in partnership with the United Nations Conference on Trade and Development (UNCTAD).

"We're excited to join forces with Reverse Resources on the SMEP project. Their focus on increasing circularity in the textile and fashion industry perfectly aligns with our own goals and our vertically integrated operations, including recycling capabilities, position us to tackle key challenges like textile waste data management and digital traceability," said Omer Ahmed, managing director at Artistic Milliners. "As we expand our recycling capacity, connecting with brands that utilize recycled materials is crucial. Reverse Resource's platform and services are shaking up the industry for the better, helping organizations like ours overcome market disconnect and engage with stakeholders."

Source: sourcingjournal.com– Mar 14, 2024

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NATIONAL NEWS

Union Minister Shri Piyush Goyal joins Indo-Pacific Economic Framework for Prosperity (IPEF) Virtual Ministerial Meeting

Union Minister of Commerce & Industry, Consumer Affairs, Food and Public Distribution, and Textiles, Shri Piyush Goyal .joined U.S. Secretary of Commerce Gina Raimondo, Thai Deputy Prime Minister and Foreign Minister Parnpree Bahiddha-Nukara, along with the ministers from the other IPEF partners, in their first Ministerial meeting this year.

During the virtual ministerial meeting on Pillars II-IV, IPEF partners welcomed the significant progress made since the substantial conclusion of the negotiations for the proposed IPEF Clean Economy Agreement (Pillar III), the IPEF Fair Economy Agreement (Pillar IV), and Agreement on IPEF in November 2023. The IPEF partners also discussed the ongoing cooperative work ahead across the three proposed agreements.

Additionally, IPEF partners welcomed the entry into force of the IPEF Supply Chain Agreement w.e.f. 24 February 2024. The texts of the proposed Clean Economy Agreement, Fair Economy Agreement, and Agreement on IPEF were also made public.

Addressing the Ministerial gathering, Minister Goyal called for an expeditious implementation of all the action-oriented collaborative elements under various IPEF Pillars. On the Pillar-II (Supply Chains Resilience) Agreement, which entered into force on 24 February 2024, Minister Goyal highlighted India's global production capacities in many critical sectors, which provide supply diversification opportunities for IPEF partners. Highlighting the 'Prime Minister Surya Ghar Muft Bijli Yojana' as a project that not only furthers clean economy objectives but also generates large socio-economic multiplier effects, Minister Goyal invited investors from IPEF partners to invest and benefit from the trillion dollar plus opportunity that India provides in the clean economy domain.

The IPEF partners also discussed next steps to deliver concrete outcomes under the Framework over the next several months. This includes several new lines of effort under the Clean Economy pillar, including the launching of four new Cooperative Work Programs (CWPs), announcing that the inaugural IPEF Clean Economy Investor Forum will be held in

Singapore on 05-06 June 2024, and providing more details on the IPEF Catalytic Capital Fund.

The IPEF partners further announced that the Ministers will next meet in-person in Singapore on 06 June 2024 to discuss the Supply Chain Agreement, the Clean Economy Agreement, the Fair Economy Agreement, and the Agreement on IPEF.

Following the substantial conclusion of the negotiations of the three proposed agreements in November 2023, the IPEF partners conducted an intensive legal review, including an in-person round held in Washington, D.C., during 19-23 February 2024. Having completed the legal review process, the IPEF partners today took a significant step forward with the finalization of the texts for the three proposed agreements. The IPEF partners will now undertake their respective domestic processes to prepare for signature of the agreements, followed by acceptance, approval, or ratification of the agreements.

IPEF Clean Economy Agreement facilitates enhanced collaboration and cooperation between IPEF partners in their respective efforts to accelerate clean energy transition, enhance energy security, and climate resilience and adaptation, and support sustainable livelihoods in IPEF member countries. The Agreement, upon implementation, is likely to increase inward investments in India in the clean economy domain, promote development of low-cost climate technologies, facilitate technical assistance and capacity building, provide new opportunities for Indian exports, and generate additional employment opportunities.

The proposed Fair Economy Agreement aims to create a more transparent, predictable trade and investment environment across the Indo-Pacific. To achieve these goals, under the proposed agreement, the IPEF partners would work together to enhance their efforts to prevent and combat corruption including bribery, and support efforts to improve tax transparency and the exchange of information, domestic resource mobilization, and tax administration.

To help ensure effective implementation of initiatives across the IPEF pillars and agreements, as well as ensure the durability of the Framework over the long-term for ongoing economic cooperation, the proposed Agreement on IPEF establishes two ministerial-level bodies, each to meet annually: an IPEF Council, which will consider matters affecting the collective operation of the IPEF agreements and Framework as whole, including proposals for negotiations on new agreements and accession of new members; and a Joint Commission to monitor the work under the Supply Chain Agreement, the Clean Economy Agreement, and the Fair Economy Agreement, with a view to identifying cross-cutting synergies and avoiding duplication of work.

Pillar II: Building Supply Chain Resiliency for the Indo-Pacific

Following the signing of the IPEF Supply Chain Agreement in November 2023, the agreement entered into force on 24 February 2024, after five partners deposited their instruments of ratification, acceptance, or approval. The IPEF partners are now working towards operationalizing the agreement, including naming their representatives to the agreement's three bodies (the Supply Chain Council, the Crisis Response Network, and the Labor Rights Advisory Board), electing chairs, and adopting terms of reference for each, as well as identifying their respective initial lists of critical sectors and key goods for cooperation under the agreement.

Pillar III: Cooperating to Accelerate the Transition to Cleaner IPEF Economies

The IPEF partners further discussed the progress on Pillar III since the substantial conclusion of the negotiations of the proposed Clean Economy Agreement in November 2023. The IPEF partners welcomed the inaugural IPEF Clean Economy Investor Forum, which will take place in Singapore on 05-06 June 2024. The Forum will bring together some of the region's largest investors and philanthropies with government agencies and innovative companies and entrepreneurs to mobilize increased investment for climate-related infrastructure, technologies, and projects in the region. These investments will advance the goals of the 14 IPEF partner countries set out in the proposed Clean Economy Agreement. For more information and future updates, please visit: www.IPEFinvestorforum.org.

The IPEF partners also announced plans to provide $33 million in initial grant funding for the IPEF Catalytic Capital Fund under the Pillar III Clean Economy Agreement. These funds will be instrumental in catalyzing up to $3.3 billion in private investment for climate infrastructure projects in IPEF economies party to the IPEF Clean Economy Agreement. The Fund's founding supporters include Australia, Japan, the Republic of Korea, and the United States. The Private Infrastructure Development Group will administer and leverage the Fund to deploy concessional financing, technical assistance, and capacity building support to expand the pipeline of high quality, resilient, and inclusive climate infrastructure projects.

In addition, the IPEF partners took stock of the CWP on hydrogen announced in May 2023, as well potential new ones. Under the proposed agreement, the CWPs are a mechanism through which the IPEF partners or a group of partners prioritize their focus and resources on a common goal. On hydrogen, those interested IPEF partners have taken steps to advance the initiative, including establishing workstreams related to the exchange of information and sharing of best practices on methodologies, standards, and certifications developed by international bodies on the carbon intensity of hydrogen and its carriers, as well as cross-border pilots and demonstration projects.

Click here for more details

Source: pib.gov.in– Mar 14, 2024

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MoU signing between DGFT and DHL

Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry, Government of India, has been actively engaging in boosting e-commerce exports from the country, leveraging its ‘District as Export Hubs’ initiative. The goal is to promote and enable micro, small and medium enterprises (MSMEs) to explore the international markets through e-commerce channels.

Taking this initiative further, DGFT has been collaborating with various e-commerce platforms and other service providers to handhold and do capacity building and training sessions in the identified districts under the districts as export hubs initiative. In a similar collaboration, todayDGFT partnered with the global logistics service provider, DHL, through the signing of a Memorandum of Understanding (MoU) which will cover 76 districts in three phases, to conduct capacity-building sessions, training, and workshops for making Indian MSMEs export-ready.

During the MoU signing event, Shri Sunil Barthwal, Commerce Secretary, highlighted the importance of e-Commerce ecosystem, and pointed out the strides taken by India to create a digital infrastructure which can be leveraged to encourage MSMEs from rural India to connect to the world market. He also pointed out the recent initiative of Bharat Mart and how such warehousing initiative would further India’s foreign trade. He conveyed his best wishes for the initiative and hoped that this would help Indian entrepreneurs to bridge the gap in knowledge and enter the world of international trade.

While welcoming the partnership, Shri Santosh Sarangi, DG, DGFT highlighted that the objective of this collaboration is to introduce exporters/MSMEs to the digital commerce space so that they get an opportunity to export “Make in India” products, tap international customers and overcome the challenges related to logistics while exporting through the e-commerce route.

Looking forward to this partnership, John Pearson, Global CEO of DHL Express emphasized that DHL is the first international express operator to sign a Memorandum of Understanding with the Directorate General of Foreign Trade (DGFT). This partnership with the Government of India will further solidify DHL’s commitment to India and aligns with DHL’s Go Trade program to empower MSMEs in the global market.

DGFT and DHL aim to bring together a team of knowledge experts to assist Indian exporters/MSMEs in the identified districts through handholding sessions and develop a start-up kit for first-time Exporters/MSMEs wanting to go global.

Aligning with the Foreign Trade Policy 2023, in the past few months, DGFT has signed MoUs with Amazon India and Shiprocket covering 20 and 16 districts respectively. These collaborations with e-commerce platforms and service providers have encouraged series of outreach events by DGFT- Regional Authorities to onboard new exporters; promote first-time exporters, and handhold MSME producers to become exporters through cross-border e-commerce sales under the District as Export Hub initiative.

Source: pib.gov.in– Mar 14, 2024

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Govt, RBI in talks to ease Fema guidelines for boosting e-commerce exports

The commerce ministry is in discussions with the Reserve Bank of India (RBI) to facilitate e-commerce exports by liberalising the Foreign Exchange Management Act (FEMA) guidelines, Santosh Kumar Sarangi, Director General of Foreign Trade (DGFT) said on Thursday.

"A few days back we had a meeting with the entire team of RBI officials who deal with this. There is a lot of liberalisation which is coming in the RBI guidelines and we should be seeing the results in next two to three months with regard to ecommerce (export) policies," Sarangi said at the 1st Asia Pacific e-commerce policy summit organised by economic think tank ICRIER.

Sarangi said that for business to business (B2B) shipments, the RBI has a FEMA guideline under which payments have to be realised within a certain period of time (nine months). "But in commerce that time may get expanded," Sarangi said, indicating that the commerce department is working with the RBI to liberalise the guideline for ecommerce exports.

For any export realisation, FEMA guidelines also suggest that the realisation has to be knocked off against the shipping bill. "That's done through generation of an Electronic Bank Realisation Certificate (e-BRC). DGFT's team is working with RBI so that this e-BRC is done through a self-declaration basis. This will help exporters who have a large number of consignments with small values. They will be able to do it themselves without approaching a bank. So that would result in a lot of ease of doing business for e-commerce players," Sarangi said.

At present, e-BRC is uploaded on the DGFT system by banks on realisation of payment against exports. Any firm applying for benefits under Foreign Trade policy is required to furnish e-BRC as a proof of realisation of payment against exports made.

Sarangi said that apart from the RBI, the commerce department is working with the Department of Revenue and the Department of Post to expedite ecommerce exports. "Designating zones where accountability and responsibility is inbuilt, and clearing consignments at a very fast pace would be crucial.

Along with that, sufficient warehousing within and abroad, and meeting the consumer demand on a real-time basis would also be key. So we are working with the Department of Revenue, Department of Post, and with a lot of private stakeholders to work on a range of policies which impact ecommerce," he added.

The DGFT said most of India's trade laws and trade regulations were designed for B2B shipment of goods and requires a tremendous mindset change on the part of regulators to understand the changing landscape of exports where a supplier based in India can connect directly with a consumer outside.

"In commerce, 20 per cent of the goods are returned. The way our trade regulations are designed, returns of goods have to go through a lot of scrutiny. So how do you ensure the return of ecommerce goods which are of small value but high frequency also have an easier return system within our country," he said. India is targeting to increase ecommerce exports to $200 billion by 2030 from $8-10 billion at present. The government has targeted to increase overall exports to $2 trillion by 2030.

"Currently, ecommerce exports are in the range of $8-10 billion, including goods shipped from India and made available on overseas ecommerce platforms. But it is way off the mark compared to some of the larger economies. China does anything above $300 billion of ecommerce exports (annually). That shows us the kind of gap that exists in the ecommerce space presently and the immense potential that India has in ecommerce exports," Sarangi said.

Separately, on Thursday, DGFT partnered with the global logistics service provider, DHL, by signing a Memorandum of Understanding (MoU) that will cover 76 districts in three phases to conduct capacity-building sessions, training, and workshops for making Indian MSMEs export-ready. "Out of more than 800 districts, only 62 districts account for 80 per cent of India's exports. If we give a fillip to ecommerce exports and involve many other districts where export outreach and export integration is not very robust, then India has the potential to improve its exports," Sarangi added.

Source: business-standard.com – Mar 14, 2024

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Niti Aayog bats for easy financing, e-commerce push to boost MSME exports

Niti Aayog has called for easing of access to export finance and a concerted push to boost e-commerce exports to realise the potential of the country's micro, small, and medium enterprises (MSMEs).

In a report released on Wednesday, the Aayog said small firms have encountered difficulties in tapping into export markets due to the inherent obstacles posed by economies of scale. "It proves more challenging for small enterprises to enter foreign markets, adhere to compliance requirements, achieve cost-effective production, and efficiently manage logistics for clients," it added.

"By modifying our business environment to facilitate seamless exports through e-commerce platforms, coupled with addressing essential ease-of-doing-business factors, we have the potential to catalyse a radical transformation of our MSME sector into a formidable growth engine," the report said. As part of six key recommendations, Niti Aayog called for "green channel" clearances of MSME e-commerce exporters. It said that India has not been able to tap into e-commerce to work around market access barriers, unlike China. In 2022, China's e-commerce exports by MSMEs were worth $200 billion, which is 100 times that of exports by Indian MSMEs.

"One key reason for this gap is the cumbersome compliance process associated with exports, especially when it comes to payment reconciliation, which is particularly challenging for a new or small exporter. To boost e-commerce exports, it is essential to create distinction between Exporter on Record (EOR) and Seller on Record (SOR), allow reduction in invoice value without any percentage ceiling for all e-commerce exports, introduce annual financial reconciliation process for e-commerce exporters, exempt import duties on rejects/returns, consider an exemption on reconciliation requirements for shipments up to $1000 until NTN (National Trade Network) is implemented and creating a green channel clearance for e-commerce exports," the report said.

The report jointly prepared by Niti Aayog and the non-profit Foundation for Economic Development, said that India needs a NTN to ease compliance burdens for MSMEs. This trade network would operate as an end-to-end single window system. "The Ministry of Commerce could form a task force to review the status of previous initiatives in this regard (e.g., SWIFT) and create a time-bound program to implement a national trade network on par with the best in the world," the report said. 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, according to the Aayog.

"The current uptake of ECGC (Export Credit Guarantee Corporation) schemes is only 10 per cent and the government must create an incentive package to increase it to 50 per cent or more. Finally, a single marketplace can be created, like in the case of higher education loans, where all providers of export credit can compete for business and help reduce the cost to MSMEs," the report said.

The report also said that a single information portal must be put in place to address the asymmetry of information available to MSME exporters with the help of artificial intelligence, which could provide accurate data to vendors on tariffs, compliance, finance, and availability of incentives.

Data also needs to be assessed accurately, according to the report. "The existing estimates of MSME exports are likely unreliable and almost certainly inflated, given that they rely on an outdated list of reserved sectors for MSMEs. Initiating any improvement requires accurate measurement and consistent tracking of impact."

The central think tank has also called for exemption of MSMEs from compliance burdens for a determined period; any errors in compliance must be forgiven as MSMEs learn the ropes of export markets. "On the other hand, a process must be created for time-bound disbursement of incentives so that working capital is not blocked for MSMEs," it said.

According to a statement issued along with the report, the steps can lead to a fifteen-fold increase in India's MSME exports to $30 billion in the coming years. Data used in the report said that there is an export potential of $318 billion for MSMEs to tap into in segments like herbal supplements and Ayurveda products, wood products, jewellery, handicrafts, and handloom textiles.

Source: business-standard.com – Mar 14, 2024

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India's export basket has diversified. But that is not enough to push up the numbers

While India crossed the $400 billion mark in merchandise exports for the first time in FY22, the growth trajectory of outbound trade has been more modest after that feat. In FY24, exports are expected to moderate at $435 billion, according to an EXIM Bank release.

Factors such as weak global demand and geopolitical tensions have dampened the prospects of exports growth. But experts say there are also gaps that need to be addressed to ensure India's exports stay on a rising path for longer.

A January 2024 report by the Department of Economic Affairs (DEA) had highlighted how the export mix, in terms of the principal commodity classification of the Directorate General of Commercial Intelligence and Statistics, has not changed much over the years.

"There has been progressive diversification in India's export basket, and there is scope for adding more quality and complexity to exports, given the existing capabilities," the review had stated.

What does such complexity imply for the country's export mix?

Atul Gupta, Partner, Deloitte India, says that there should be more deliberation on whether we are really manufacturing and exporting goods in which we have a competitive advantage — one that cannot be matched by other economies.

"More value-addition in our exports doesn't come in because there is little technology or R&D (research & development) that has gone into our traditional export products basket. Without that happening, one can only get incremental value addition, which is poorly priced.

That is why countries like Bangladesh or Vietnam can still beat us even in textiles, which used to be our major export. Deriving significant premium pricing in our exports is missing and it requires a lot more thought than getting paid for plain labour arbitrage," says Gupta.

Export basket means the composition of a nation's exports and how that has shifted over the years. For instance, ET reported last year how India's share in the global export of machinery, phones, automobiles and petroleum has grown significantly between 2015 and 2022. However, a marked decline was seen in India's share in its traditional export items such as gems and jewellery, apparel, meat and leather articles. The January DEA report also alluded to this, highlighting how India's export basket has seen a shake up in recent years. Export mix, on the other hand, is the categorisation of products within the HSN codes (to classify goods in a systematic manner) which showcase complexity and variance.

Economic Complexity Index

Gupta substantiates his point by giving the example of our major exports such as petroleum and gems & jewellery: "We do refined petroleum and export it and that constitutes nearly 19-20% of our total export.

In the case of gems and jewellery, we import rough diamonds, work on them and re-export them. We import gold and export gold jewellery. So, broadly speaking, at least a third of our exports are just such product categories in which we are heavily import dependent."

The top five commodities exported by India in FY23 included petroleum products, precious and semi-precious stones, iron and steel, drug formulations, gold and other precious metal jewellery. Gupta and other experts point out the need for the country to develop expertise in making and exporting goods on its own, without relying much on imports, so that the country's export growth can rise considerably.

While there has been a change in the composition of the export basket from labour-intensive products to capital- and skill-intensive ones, experts contend that more diversification in complexity is really the way forward if we want to occupy a niche brand recall in major export markets.

Complexity here means products that drive tech and innovation. Gupta gave the example of smart watches. "There is so much functionality in the device. You have many applications in a smart watch and it costs so much more. It is just a small device where only technology, R&D and software has been added and for that they are getting premium pricing," he says.

The Economic Complexity Index (ECI) — a ranking of countries by the Growth Lab at Harvard University based on how diversified and complex the export basket is of a country — India was placed at the 42nd rank in 2021. It stated that the country had seen a static pattern of export growth, with the largest contribution being seen from moderate complexity products, particularly information and communication technology (ICT) and mineral fuels, oils and waxes products. In contrast, Japan ranked as the most complex country in the ranking, with the largest contribution to export growth coming through high and moderate complexity products such as electrical machinery and equipment and ICT products.

According to the index, countries that include a diversity of complex specialised knowhow are able to deliver a wider variance of sophisticated products.

Though India's ECI ranking has improved by 10 positions over a decade (2011-2022) — which was highlighted in the DEA's report in December 2023 — it still ranks low when compared with nations such as China, which ranked 18th, and Thailand, which occupied the 23rd position.

Taking a leap

The way to make inroads into more complex products can be by looking at specific sectors where India can leverage its position and take a leap. Gupta gives the example of textiles and how India lost its advantage to other exporters such as Turkey, Vietnam and Bangladesh. “We simply did not invest in the areas where we ought to have and lost that advantage. Similarly, in gems and jewellery, have we really been able to make a significant markup? We keep adding a little more volume but there is no value enhancement in our exports. We should look at five key products where we can start doing a significant amount of research and development,” he says.

Ajay Sahai, DG & CEO, Federation of Indian Export Organisations (FIEO), classifies electricals, electronics, automobiles, pharmaceuticals, agri and processed sectors as areas that have immense potential. India should have a two-pronged strategy in this respect, he explains. “For increasing our share in global exports, we should focus more on sunrise sectors which give us value in exports. However, we also need to look at labour-intensive sectors as a country, as it not only offers much value but can also lead to creation of millions of jobs in the process.”

The production linked incentive (PLI) schemes, he states, add a further dimension to such aspects as more diversification is expected once such investments fructify. PLI was launched in March 2020 to scale up domestic manufacturing and currently extends to 14 sectors under manufacturing.

"It all boils down to investment in technology. I am pinning my hopes on PLI. A lot of investments are flowing. Such companies will bring tech also with them. In a similar sense, India is also very keen on FTAs (foreign trade agreements), not just for exports but also FDI (foreign direct investments). Such trade agreements will be an additional factor that will pull in FDI into the country," Sahai says.

The government has been trying to sign FTAs with various economies. It signed a Comprehensive Economic Partnership Agreement with the UAE to take trade to $100 billion in five years, from $60 billion now. The government recently signed a $100 billion pact with four European nations. Talks are on with the UK, too, for an FTA.

Even if India is not making certain goods that have global demand, we should look at those goods from an export lens, says Bipin Sapra, Partner, EY India. "For instance, think of fabs that make a semiconductor chip. It is not being made in India till now. But with the policy coming in, fabs will start getting set up maybe two years down the line. It will be a different HSN code in the commodity group and the commodity thus gets diversified," he says.

The government has set a goal of $2 trillion in exports; but that is not enough. Take the case of Japan and Switzerland, which stand at 1st spot and 2nd in ECI ranking, respectively. According to data platform the Observatory of Economic Complexity (OEC), some of the top exports of Japan are cars, machinery having individual functions, integrated circuits, motor vehicles and refined petroleum.

In 2022, Japan was the world's biggest exporter of machinery having individual functions, hot-rolled iron, flat-rolled steel, thermostats and photographic chemicals. In the case of Switzerland, the top exports are gold, vaccines, antisera, toxins and cultures, packaged medicaments, nitrogen heterocyclic compounds and base metal watches. The country's export markets are mostly the US, Germany, China, Italy and France.

Deloitte's Gupta gives the example of the US; the country has changed its export mix entirely in the past 15-20 years. He directs attention to their export basket which comprises of R&D and technology oriented products that come to India and are very different from what was being exported 20 years ago. "For instance, our engineering exports too are not going up in the value chain. Robotics has come in big and today instruments do surgeries. Companies which make such robot machines lease them out to hospitals.

By focusing on superior technology getting embedded in products the US has gone higher in the chain and is driving premium pricing. However, in the case of MRI machines or a CAT scan, India is only at best assembling those instead of manufacturing within the country. Most of these are imported machines which are tech intensive and enjoy premium pricing. For India to do a trillion$ in export merchandise by 2030 we need to be looking at what is the future for us in being able to make a difference in terms of export complexity. We need more policy initiatives like the PLI schemes to get us at a 4% global share of exports," he states.

Identifying products that can help India drive more value out of goods in international markets is a first step. Then, adequate investment in R&D and technology is necessary to give this push more momentum.

The government has set a goal of $2 trillion in exports; but that is not enough. Building specialised products that can give India an edge and add layers of diversity to its export mix is what will truly catapult the country into becoming a nation of export excellence.

Source: economictimes.com – Mar 14, 2024

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E-way bill generation in Feb new second all time high, collection to get 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.

During last three months (December, January and February), e way bill generation has been more than 9.5 crore. Also, month of October saw all time high generation of over 10 crore.

One basic reason of this rise is better compliance. Although, this is not the main reason behind collection of over Rs 1.66 lakh crore, but experts feel this is one important reason behind higher collection and trend is expected to continue further.

Now the big question is what does the high generation means? Vivek Jalan, Partner, Tax Connect Advisory said: ”E-way bill is a deterrent to evaders of GST, by tracking movement of goods and supply thereof. In the last six years of GST, most of the cases going to High Court are due to certain non-compliances in E-Waybill regulations, some genuine suppression and some inadvertent mistakes.”

Ankur Gupta, Practice Leader at SW India feels the surge in E-Way bill indicates several significant trends in India’s economic landscape. Firstly, it reflects a notable increase in consumption across various sectors, with heightened economic activity driving the need for transportation and logistics services.

This rise in e-way bills is particularly evident in industries such as FMCG and electronics, where year-end supplies and increased demand contribute to the surge. “We might witness the highest e-way bill generation in Mar-24 breaking the Oct-23 figure due to year-end supplies across industries especially FMCG and electronic sectors,” he said.

While some experts feel that higher generation of E-way bill will have impact on GST collection, some opine that this could have multiplier effect. Jalan said that now taxpayers have streamlined their E-Waybill Compliances to a large extent. The large e-waybill generation maybe a reflection of such streamlining .Further, “large E-Waybill generation also does reflect on the high GST Collections in March 2024,” he said.

According to Gupta the impact of surge in e way bill is expected to manifest at the macroeconomic level, with increased production, job creation, and overall economic growth. “As Bharat continues to enhance its contribution to the global supply chain and expand its manufacturing capabilities, the positive effects on economic indicators are likely to become more pronounced in the coming months, further reinforcing the narrative of Bharat’s growth story,” he said.

Source: thehindubusinessline.com – Mar 14, 2024

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India urged to strengthen manufacturing to capitalise on 'China-plus-one' strategy

India needs to work hard to stay in the competition with Vietnam, Thailand, Indonesia and Bangladesh to gain from the world's 'China-plus-one' strategy, says Lt Gen S L Narasimhan, a noted expert on China.

In a conversation with Ravichandran Purushothaman, Past Chairman of CII Tamil Nadu State Council and President-India Region, Danfoss Industries (P) Ltd, Narasimhan said they ranked No.5 in terms of gaining from the 'China-plus-one' strategy. ('China-plus-one' refers to a supply chain strategy that encourages companies to minimise their supply chain dependency on China by diversifying the countries from which they source parts.)

Narasimhan was at the Confederation of Indian Industry's Tamil Nadu chapter's 'Annual Meeting 2023-24', themed "Tamil Nadu – The State of the Future"; his role was to give the gathering of the industry an overview of the global geopolitical situation.

He said India would need to spruce up its local manufacturing capabilities to seize the 'China-plus-one' opportunity. Equally, India would have to attend to land, power and infrastructure to compete with the countries already ahead, he said.

Chinese economy overview

Giving an overview of the Chinese economy, Narasimhan said that it had been known for about ten years that the Chinese economy would slowdown and the country would not be able to maintain the double-digit growth rate it had in recent decades. "Covid only accelerated it," he said, noting that a big problem with the Chinese economy today is low domestic consumption.

Although India and China have similar levels of population, India's domestic consumption is far higher than China's, Narasimhan said, adding that although the Chinese government was trying hard to ramp-up domestic consumption, it was failing.

Asked whyt, he said that because of the pandemic, the Chinese people had begun to save rather than consume. The propensity to save has been reinforced by the real estate crisis in China, in which many people lost their money, making them prefer to save rather than consume.

Also, China had a huge problem of unemployment, which was touching 20 per cent, he said.

Emerging trends

Asked what the industry should do to respond to the emerging global geopolitical situation, Narasimhan said that businesses should learn to anticipate trends early enough. In this context, he said that the "next flashpoint could be the South China Sea" where the Chinese had put floating barriers (at the Scarborough shoal), to disallow Philippine ships from traversing.

Alongside early recognition of such emerging trends, the industry should adopt a strategy of 'just-in-case', as much as the popular 'just-in-time' approach (which refers to getting raw materials and components just in time to avoid locking up value in inventory.)

Mini-lateralism

Answering another question, Narasimhan said that the world was getting more 'mini-lateral' than 'multi-lateral', with small groupings of countries – such as the I2U2 (India, Israel, UAE, USA). He said it was good that India did not join the Regional Comprehensive Economic Partnership (RCEP), a China-led grouping, that "didn't help us". 'Mini-lateralism' emerged because of the realisation that "too many countries is too difficult to handle."

He also observed that many countries wanted an alternative to the existing systems, such as the United Nations and the Bretton Woods institutions, the World Bank and the IMF—as evidenced by the fact that some 30 countries have applied to join the BRICS block.

When asked how the armed forces of India and China matched, in case of a conflict, he said, "We can handle it, don't worry."

Source: thehindubusinessline.com – Mar 15, 2024

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