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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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Currency Watch			
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INTERNATIONAL NEWS

US retail sector continues to fuel job creation & economic growth: NRF

US' retail industry supported 55 million full-time and part-time jobs in 2022, accounting for 26 per cent of total US employment, according to a new report released by the National Retail Federation (NRF). The figures are up from 52 million jobs and 25 per cent of total US employment in 2018.

The retail industry's contribution to the labour market is mirrored by its impact on the nation's finances. In 2022, the sector contributed approximately $3 trillion in labour income, equating to 20 per cent of the total national labour income. Furthermore, its contribution to the gross domestic product (GDP) amounted to $5.3 trillion, or 20.4 per cent of the total US GDP, as per the Economic Contribution of the US Retail Industry report.

A closer look at the industry reveals that the US boasted nearly 4.6 million retail establishments in 2022, accounting for 11.1 per cent of all business establishments in the country. Directly, retailers provided jobs for 32.2 million Americans, showcasing the sector's importance as a major employment provider.

The report also highlights the diversity within the retail industry, with 98.6 per cent of retail firms employing fewer than 50 employees in 2022. These smaller firms were significant contributors to the industry, accounting for 40.1 per cent of all retail jobs and 35.6 per cent of the total labour income within the sector.

Conversely, larger retailers, with 50 or more employees, made up 59.9 per cent of retail employment and 64.4 per cent of labour income, underscoring the importance of both small and large businesses to the industry's ecosystem.

Geographically, the report provides insights into the distribution of retail establishments across the US, identifying California, Texas, Florida, New York, and Georgia as the states with the highest number of retail businesses in 2022.

"The retail industry continues to expand in every way possible, from the number of jobs it supports to the number of retail businesses, and its total impact on GDP," said NRF President and CEO Matthew Shay.

"As the largest private-sector employer, American families and workers depend on a strong retail economy for continued growth and opportunity in communities large and small across the country."

Source: fibre2fashion.com– Mar 20, 2024

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Brazilian cotton prices dip in mid-March as market liquidity tightens

In the Brazilian cotton market, February witnessed robust sales of manufactured products, but a noticeable slowdown occurred in mid-March as purchasers stepped back from spot market trades. This retreat has resulted in reduced liquidity, complicating the market dynamics. International price fluctuations have further contributed to keeping the domestic cotton prices under pressure, according to a report from the Center for Advanced Studies on Applied Economics (CEPEA).

The CEPEA/ESALQ Index, a key benchmark for cotton prices, experienced a significant decrease of 3.26 per cent, dropping to BRL 4.2223 (~$0.84) per pound by March 15 from its position on February 29. Market participants attribute the reduced trading volume to the ongoing disputes over quality and pricing between buyers and sellers.

Export parity figures from CEPEA reveal a slight decline in the Free Alongside Ship (FAS) rates, with a 0.39 per cent decrease observed between March 4 and March 11. At the port of Santos, the rate adjusted to BRL 4.5505 (~$0.90) per pound, while at Paranaguá, it settled at BRL 4.5611 (~$0.91) per pound. Internationally, the Cotlook A Index, which tracks cotton prices delivered to the Far East, fell by 0.94 per cent within the same timeframe, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

In the broader economic context, the Brazilian real experienced a 0.57 per cent appreciation against the US dollar from March 4 to March 11, closing at BRL 4.975. This currency dynamic plays a crucial role in influencing the cotton market's export competitiveness.

Agricultural forecasts from Brazilian National Supply Company CONAB suggest a promising future for Brazil's cotton sector, with the national area allocated for cotton cultivation in 2023-24 expected to expand by 16.3 per cent compared to the previous season, reaching a record 1.936 million hectares. Despite a predicted 3.6 per cent decrease in productivity compared to the previous season, the overall production is set to rise by 12.2 per cent, thanks to significant adjustments in Mato Grosso, Brazil's leading cotton-producing state.

Data released by the United States Department of Agriculture (USDA) on March 8 indicates an increase of only 0.1 per cent in the 2023-24 global production compared to the forecast in February, but a decrease of 2.8 per cent compared to the 2022-23 season, totalling 24.593 million tons. Consumption is expected to grow by 0.4 per cent (monthly comparison), reaching 24.591 million tons.

Source: fibre2fashion.com– Mar 19, 2024

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USA: 2024 Not Expected to Be a Big Year for Retail Bankruptcies

Retail bankruptcies in 2024 will be more like 2023, and that means more pressure for home retailers than their fashion counterparts.

It won't be a fabulous year for fashion retailers, but it won't be a disaster either, according to BDO principal and national business restructuring and turnaround services leader David Berliner.

"I think that what we're going to see are not stellar numbers, but for some that have been struggling, maybe a bit more stability and getting their income and profitability a little bit better," Berliner said. "That was the case with Gap [Inc.]. Instead of comps being down, they were kind of stable, slightly up."

He said he's slightly optimistic, having gotten to March and "we haven't seen a lot of retailers file yet." While a handful of retailers are still being closely watched, "it's not like the huge number we had seen last year at this time."

While there have been some overseas fashion firms that have gone into administration—Germany's KaDeWe Group filed for insolvency in January and U.K.'s Frasers Group this month put Matches and three kidswear brands, Base Childrenswear, Kids Cavern and Flannels Junior into the U.K. equivalent of bankruptcy—only one fashion firm has filed thus far in the U.S. Anne Fontaine USA Inc., the U.S. affiliate of the Paris-based luxury fashion house, filed a Chapter 11 petition in January.

On Monday, fabric and crafts retailer Jo-Ann Fabrics, operating as Joann, filed for Chapter 11 bankruptcy court protection. In 2023, it was distress in the home sector that led to a flurry of bankruptcy filings and store closings. Other retailers said to be on credit analysts' 2024 watch list include Express Inc., Petco Inc. and home big box retailer Big Lots.

Struggling retailers who are now on the hunt for replacement financing could find themselves out of luck as lenders have been tightening up criteria. Berliner does expect that interest rates could see slight reductions later this year, but that still might not be enough to help retailers that have been distressed for some time.

"You don't want to compete on price," Berliner said of his advice for retailers. "If you compete on price, it's easy to go online and find someone else that's cheaper." In short, there's only one winner when you compete on price and that goes to the cheapest player. "It's very hard to be the cheapest play in alot of these markets. So you want your price to be competitive, and close enough that consumers won't care about the difference," Berliner explained.

Because a retailer wants their customers to become repeat shoppers, his advice is for them to focus on having a great experience online and in store, one that's better than competitors.

"Even if your prices are a little bit higher, if it's much more enjoyable to shop your website and your stores are better laid out so its easy and convenient and well-stocked, these experiences are good and you can win customers that way," he said.

Another area BDO is touting centers on investments in AI that can help retailers optimize their costs and improve operations. That was the gist of BDO's 2024 Retail CFO Outlook Survey from earlier this year.

The retail expert also spoke about store closing announcements thus far this year, citing Macy's plans to shutter 150 department store doors over three years while it focuses on opening new luxury stores for its Bloomingdale's and Bluemercury banners.

Berliner doesn't see much growth in the luxury sector, at least not the kind where sales are being taken from mid-market retailers. Rather, he said sales growth in the luxury sector is more about taking sales from other luxury retailers. And since that means cannibalization within the sector, he thinks that could be a problem for luxury down the road.

"You see what happened with Sears years ago [closing stores] playing out and now Macy's closing stores. You know, you can only play that game for so long because [at some point] you don't have any stores left to close," he said, adding that many of these stores now are having the problem of getting the consumer to spend with them as much as they did before. But with many consumers no longer working in the office five days a week, he expects to see a continued shakeout in where the stores will be located in the future and what types of stores retailers will open.

“We’re seeing a move off the mall, into neighborhood centers, as well as smaller-format stores. It’s all an attempt to capture the customers who, in a relatively short period of time, are now more mobile than they had been up through 2019,” Berliner said.

BDO’s Spring 2024 Retail in the Red report, the firm’s bi-annual bankruptcy update, said that shrinking physical store square footage is “tantamount to store closings” as retailers replace large-format stores with small-format stores.” And the report said some traditionally mall-based retailers are shifting to neighborhood strip centers to take advantage of high-traffic locations with lower rent.

The advantage that U.S. retailers have is a still “very strong jobs market,” BDO restructuring expert said. “As long as people are working, they’re going to be buying something. They may not be splurging as much, but they’re still going to be buying.”

And that’s in spite of a U.S. consumer borrowing surge in 2023, the year that saw credit card balances exceed $1.1 trillion and delinquencies rise more than 50 percent, according to the Retail in the Red report, citing to the New York Federal Reserve. Data also indicated that debt that is 90 or more days past due amount to 6.4 percent in the fourth quarter, represening a 59 percent jump from just over 4 percent at the end of 2022.

And while interest rates won’t suddenly shoot in a downward trajectory, Berliner says even slight declines over the next several consecutive months will have a “psychological benefit to people.”

Presuming the Fed can get inflation under control and prices—as well as interest rates—start to come down a bit in the back half, Berliner believes that could bode well for a better holiday season this year than what retailers saw in 2023.

Source: sourcingjournal.com– Mar 19, 2024

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Jan 2024 goods trade surplus $12.39 bn for euro area, $6.73 bn for EU

The euro area witnessed a surplus in trade in goods worth €11.4 billion (~$12.39 billion) with the rest of the world in January this year, initial estimates show. The deficit figure was €32.6 billion (~$35.43 billion) in January last year.

Exports of goods from the euro area to the rest of the world in the month were worth €225.9 billion (~$245.5 billion)—an increase of 1.3 per cent year on year (YoY). Imports from the rest of the world stood at €214.5 billion (~$233 billion)—a fall of 16.1 per cent YoY. The overall surplus in the euro area was primarily driven by a surplus in the chemical sector, followed by machinery and vehicles. These developments were partly offset by a deficit in the energy sector.

The euro area recorded a goods trade surplus of €64 billion (~$69.53 billion) last year. Its exports of goods to the rest of the world last year stood at €2,841.7 billion—a decrease of 1.1 per cent YoY, while imports fell to €2,777.7 billion—a decrease of 13.4 per cent YoY. Intra-euro area trade fell to €2,630.8 billion (~$2,858.5 billion) in 2023—down by 5.1 per cent YoY.

The European Union (EU) showed a €6.2-billion (~$6.73-billion) surplus in trade in goods with the rest of the world in January this year compared with a deficit of €38.6 billion (~$41.94 billion) in January last year.

The EU exports of goods in the month were worth €198.7 billion (~$215.9 billion), same as in January 2023. The bloc's imports of goods stood at €192.4 billion (~$209.05 billion)—down by 18.9 per cent YoY. A breakdown of the EU balance by product shows the picture is similar to the graph of the euro area.

The EU showed a €38 billion (~$41.28 billion) goods trade surplus last year. The bloc's exports of goods stood at €2,555.5 billion, a slight decrease YoY. Imports to the bloc fell to €2,517.6 billion—a decrease of 16.3 per cent YoY.

Intra-EU trade fell to €4,102.3 billion (~$4,457.35 billion) in 2023.

Source: fibre2fashion.com– Mar 20, 2024

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China's retail sales see uplift in early 2024

China’s retail sales of consumer goods—a critical barometer for gauging the country's consumption vitality—witnessed a notable increase of 5.5 per cent in the initial two months of 2024 compared to the same timeframe last year, according to the data released by the National Bureau of Statistics.

The country’s urban regions recording a 5.5 per cent year-on-year (YoY) increase in retail sales. Meanwhile, rural areas outpaced slightly, showing an expansion rate of 5.8 per cent.

Online retail sales soared by a 15.3 per cent year on year. Within this segment, the sale of physical goods online rose by 14.4 per cent, now representing 22.4 per cent of the total retail sales of consumer goods.

Source: fibre2fashion.com– Mar 19, 2024

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Japan to host the second edition of Denimandjeans in Tokyo

Japan will host the second edition of Denimandjeans from March 26-27, 2024, at Hamatsucho-Kan in Tokyo. This international denim-focused show follows the success of its inaugural edition in 2022.

Drawing together more than 30 esteemed indigo and denim producers, including Kurabo, Daily Blue, Foison, Iskur, Artistic Milliners, Pioneer Denim, and US Group, the event promises to showcase Japan's unparalleled expertise and innovation in denim manufacturing.

With Japan ranking as the third-largest importer of denim products worldwide, importing over 180 million pieces annually, Denimandjeans Japan serves as a pivotal platform for industry insiders and enthusiasts to explore and procure premium denim offerings from the country's diverse array of producers.

The two-day program features an impressive lineup of talks and seminars, with renowned figures from both Japan and overseas taking the stage. Among the distinguished guests are denim luminary Adriano Goldschmied, Founder, House of Gold, LLC; Yuji Honzawa, Founder, Dr. Denim and other notable brands; and Moto Suzuki, an innovative force in high-tech apparel solutions.

Adding to the roster of influential speakers include Juan Manuel Gómez, celebrated for his denim artistry, and Lucia Rosin, a fervent advocate of sustainable fashion practices. The event will also feature industry stalwarts like Kawai Shinji, president of Nihon Menpu, and Akihiko Kashino of Jeanologia, alongside branding expert Stefano Aldighieri.

Highlighting Japan's heritage as the epicenter of selvedge denim production, the show will showcase a dedicated Selvedge Corner curated by denim veteran Yuji Honzawa. This special exhibit will feature over 50 unique selvedge denims crafted from Japanese fabrics and global mills, offering attendees a glimpse into the rich tradition and craftsmanship synonymous with Japanese denim.

Source: fashionatingworld.com– Mar 19, 2024

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Techtextil, Texprocess 2024 to focus on sustainability

Recognising the growing importance of sustainability in the textile and clothing industry, industry events Techtextil and Texprocess plan to focus on this forward-looking theme. A key feature of these events will be the Nature Performance area within the Fibers & Yarns product segment.

This area showcases cutting-edge sustainable materials with impressive functional properties, ranging from bio-based to recycled or degradable options. The development of this area is being driven not only by ecological benefits but also by their performance and profitability.

Sabine Scharrer, Director - Brand Management (Technical Textiles & Textile Processing), Messe Frankfurt, says, the objective of this new program is to create platforms for innovative solutions and facilitate networking among industry players.

Among the exhibitors in the Nature Performance Area will be OceanSafe, a Swiss startup presenting its innovative 'naNea' solution. Manuel Schweizer, CEO, explains the superiority of their Cradle to Cradle certified fibers and yarns, which are not only biodegradable but also flame-retardant and hydrophilic, making them attractive across various applications.

Another participant, Vegeto, sees Techtextil as an opportunity to introduce its plant-based thermal insulation made from milkweed fibers to new markets. Ghyslain Bouchard, General Manager, stresses the importance of making performance eco-friendly solutions widely accessible.

In addition to showcasing innovative materials, Techtextil features FranklinTill, a renowned trend and future agency, presenting regenerative design under the title Future Materials. This exhibition offers insights into visionary designers and producers contributing to sustainable practices.

The Nature Performance area is a part of Messe Frankfurt's Econogy program, which aims to consolidate sustainability initiatives across their textile events. The program includes the Econogy Finder, an online directory listing certified sustainable exhibitors, Econogy Talks featuring high-profile discussions, and Econogy Tours led by experts to selected sustainable companies.

To be held from April 23 to 26, 2024, Techtextil and Texprocess aim to provide a crucial platform for promoting sustainability in the textile industry and fostering collaboration among stakeholders committed to eco-friendly solutions.

Source: fashionatingworld.com– Mar 19, 2024

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US & Vietnam Sign $500 mn MOU to boost green economy

In a move to enhance economic cooperation and support green transition initiatives, the Export-Import Bank of the US (EXIM) and the Vietnam Development Bank (VDB) have entered into a $500 million Memorandum of Understanding (MOU). This strategic agreement, aimed at facilitating US exports to Vietnam, was formalised in a ceremony held at VDB's headquarters in Hanoi.

Under the leadership of EXIM president and chair Reta Jo Lewis and VDB chairman Le Van Hoan, the MOU paves the way for a collaborative effort to finance US exports in key areas such as green economy transition, infrastructure development, and climate-related projects in Vietnam. This initiative not only underscores the commitment of both nations to sustainable development but also strengthens bilateral trade relations, the US Embassy and Consulate in Vietnam said in a press release.

The agreement focuses on identifying and financing a range of projects, including infrastructure and renewable energy, that are essential for Vietnam's transition towards a greener economy.

“The MOU we signed demonstrates our shared commitment to strengthening the US-Vietnam commercial relationship and dedication to creating opportunities that strengthen the economies of both our nations,” said Chair Reta Jo Lewis Lewis. “We are excited to collaboratively seek financing opportunities to advance mutually beneficial projects and support US exporters looking to do business in Vietnam.”

“Guided by the joint leaders’ statement on elevating US-Vietnam relations to a comprehensive strategic partnership, our two organisations will contribute to enhance economic exchanges between the two countries.” said Chairman Le Van Hoan. “I believe that the signing of MOU today will strengthen our cooperative relationship, laying the foundation for potential collaboration opportunities. This will contribute to aiding both organisations in successfully accomplishing the tasks entrusted by our respective governments.”

Source: fibre2fashion.com– Mar 19, 2024

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Only 8 sectors including RMG to get new gas connections in Bangladesh

Bangladesh government is poised to limit new gas connections to industries, except for eight considered “economically vital” sectors, as per an upcoming regulation.

These essential sectors include readymade garments, pharmaceuticals, fertilisers, agricultural products, ceramics, cement, steel, and leather, as per reports.

According to a draft guideline on utilising liquefied petroleum gas (LPG) as an alternative fuel in industries, only those “economically vital industries” that previously applied for but did not receive gas connections until last year will be eligible for supply.

Mahbubul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), expressed concerns over the potential hindrance to the growth of small industries even as he emphasised the importance of considering other economically vital sectors like light engineering and food manufacturing.

Furthermore, Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), highlighted the potential adverse effects on new entrepreneurs and small businesses, particularly if the cost disparity between piped gas and LPG is significant.

The largest gas distributor in the country, Titas, currently has approximately 500 pending applications from industries for new connections. However, due to insufficient production compared to demand, industrial production is being hampered, leading to increased reliance on LPG.

By 2030, the demand for LPG is expected to triple.

The draft policy suggests tax cuts to encourage LPG usage in industries. However, concerns have been raised regarding the dominance of a few businesses in the LPG market, leading to non-compliance with pricing regulations and predatory pricing practices.

The decision is expected to particularly impact small and cottage industries, as their primary energy expenses are likely to rise significantly.

Despite government obligations to provide connections to all sectors, concerns persist over market competitiveness and regulatory oversight in the LPG industry.

Source: fibre2fashion.com– Mar 19, 2024

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Dhaka seeks Irish support to get EU's GSP benefits until 2032

Bangladesh Prime Minister Sheikh Hasina recently sought support from Ireland to her country's efforts to get preferential trade facilities in the European Union (EU) market until 2032 instead of 2029 during the period following the country's graduation from the least developed country (LDC) status.

She conveyed this to Ireland's minister for enterprise, trade and employment Simon Coveney when the latter paid her a courtesy call recently.

"The prime minister sought Ireland's support so that the EU would extend the business facilities, particularly the Generalised Scheme of Preferences (GSP) for Bangladesh till 2032," the prime minister's speech writer Mohammad Nazrul Islam told media persons after the meeting.

She urged Irish businesses to invest in special economic zones and hi-tech parks in Bangladesh, according to domestic media reports.

As misinformation regarding Bangladesh's labour policy is being spread with an ill intent, Hasina requested EU nations to directly contact her government to get the facts.

Coveney is in Bangladesh to formally open Ireland's first honourary consulate in Dhaka.

Source: fibre2fashion.com– Mar 20, 2024

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Bangladesh's exports to keep boosting economic growth: BMI

The report, prepared by BMI, a provider of insights, data and analytics owned by Fitch Solutions, said a weak macroeconomic environment and lower purchasing power had caused consumers to shift spending away from mid-priced clothing towards low-priced items, benefitting low-wage producers such as Bangladesh. The report was released last week.

"We expect that Bangladesh's exports will be bolstered by the growth of low-priced clothing sales across key destinations."

According to BMI, Bangladesh's net exports, which have historically been in the negative, improved to $3.9 billion in the negative, significantly higher than the average net exports of negative $8.1 billion since FY2017-18.

"Net exports are a bright spot as Bangladesh's trade deficit has decreased over recent months and stands at a low, even compared to pre-pandemic levels."

Net exports bottomed out at negative $15.1 billion in the second half of 2021-22, it said.

"The devaluation of the Bangladeshi taka will sustain the country's export competitiveness and keep net export growth elevated."

BMI said Bangladesh's economy is projected to grow 5.4 percent year on year in 2023-24, which is lower than the Bangladesh Bureau of Statistics (BBS) estimate of 5.78 percent.

BMI's prediction is also lower than the forecasts made by the World Bank and the International Monetary Fund.

In January, the World Bank projected that Bangladesh's gross domestic product would slow to 5.6 percent in FY24. The IMF forecast a GDP growth of 6 percent.

This ranges below the robust pre-Covid growth rates, which averaged 6.6 percent in the decade to the pandemic, BMI added.

According to the data service provider, higher inflation and interest rates, capital goods import restrictions, a weaker taka and the ongoing shortage of foreign currency will weigh heavily on private sector investment.

"Although we do not currently forecast the taka to undergo significant further depreciation in the short term, the strong devaluation of the currency in 2022 will continue to weigh on household purchasing power." Inflation is forecast to average 9.4 percent in FY24, up from 8.9 percent the previous year and considerably above the historical five-year average of 6.3 percent from 2018-19 to 2022-23.

"We forecast private consumption to continue under-performing as high inflation undermines household purchasing power."

It also forecast that private consumption would expand by 6 percent year on year in FY24. But the growth is lower than the stronger growth rates of 8 percent and 7.5 percent recorded in 2020-21 and 2021-22, respectively. However, it said, robust remittance inflows will provide some upside pressure to consumption.

Remittances inflows, which amount to roughly 5 percent of Bangladesh's GDP, have grown at an average of 22.8 percent per month since October 2023, it said.

"We expect inflows to remain strong, supported by a positive economic outlook for the Gulf Cooperation Council economies," said BMI, forecasting the bloc's economic growth would accelerate from 0.7 percent in 2023 to 2.6 percent in 2024.

An increase in energy prices due to a regionalisation of the Israel-Hamas war poses a key downside risk to the outlook, it said.

BMI added that although energy prices have declined since their rise in response to Russia's invasion of Ukraine, they are expected to remain comparatively high.

Source: thedailystar.net– Mar 19, 2024

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NATIONAL NEWS

India's exports may reach $450 billion this fiscal: New FIEO President

The country's merchandise exports are expected to reach $450 billion by the end of this fiscal despite geo-political challenges like the Red Sea crisis, newly elected president of apex exporters body FIEO's Ashwani Kumar said on Tuesday.

He said that the need of the hour is to address the Red Sea crisis challenges by ensuring the availability of marine insurance and rational increase in freight charges.

The exporting sector, particularly, MSMEs, need easy, low-cost credit and marketing support to further boost the country's exports, Kumar said, adding early conclusion of free trade agreements such as with the UK and Oman will also help push the outbound shipments.

"I will focus on addressing issues of MSMEs as they are going to play. They will play a key role in achieving the $1 trillion goods export target by 2030. They are the backbone of the economy and they are facing certain issues pertaining to credit. I would urge banks to come forward in extending support to these units," Kumar said.

Further, the FIEO (Federation of Indian Export Organisations) president said that the organisation is also working on exploring more opportunities for exporters in regions like Latin America and Africa.

"Though there are challenges, I am sure that we will touch $450 billion exports this fiscal," he added.

He also said that despite issues, exports rose about 12 per cent in February to $41.40 billion. During April-February 2023-24, exports reached $395 billion.

"This was an impressive increase despite the Red Sea crisis, tight monetary stance by the developed world and falling commodity prices. This reflects the resilience of the exporting community, who have continuously been braving such odds since the Russia-Ukraine war," he said.

The main drivers of merchandise export growth in February include engineering goods, electronic goods, organic and inorganic chemicals, drugs, pharmaceuticals and petroleum products.

Source: thehindubusinessline.com– Mar 19, 2024

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GeM portal hopes to get more start-ups onboard, to soon launch revamped lending initiative

The government's procurement portal, GeM (Government e Marketplace) is looking to encourage more and more start-ups and small and micro enterprises to list themselves as sellers. Since the platform's inception, almost 23,000 start-ups have come onboard , Ajit Chavan, Additional CEO, GeM said in his address at the Start-up Mahakumbh event.

"GeM portal has been one of the earliest successful experiment of the government of India in the digital landscape. From just about ₹422 crore in 2016, we expect to cross ₹4-lakh crore-mark in terms of GMV (gross merchandise value) this year. We have 1.5 lakh buyers across the three tiers of the government-Central, State and local governments. We have a base of 21 lakh sellers which includes a large chunk of small and micro enterprises, underserved seller groups such as women and SC and ST entreprenuers among others " Chavan stated.

Encouraging start-ups to leverage on the opportunities offered by the public procurement portal, he said, "Since inception, 23,000 DPIIT-recognised start-ups have onboarded as sellers on the portal. Just last year, start-ups fulfilled 84,000 orders worth ₹9,725 crore on the GeM portal. Start-ups represent innovation, are tech-driven and are led by young talent bringing disruptive interventions. We recognise that they have specific requirements and face challenges in terms of market access and need reduced compliance costs and regulatory overhangs."

Stating that the GeM portal offers easy market linkages to start-ups exempting them from certain requirements to list as sellers, Chavan said that GeM will soon be launching a revamped mobile-based lending platform GeM Sahay 2.0. This initiative endeavours to offer collateral free loans of up to ₹10 lakh to start-ups and entreprenuers at interest rates of upto 10 per cent and will be approved within ten minutes.

He also urged start-ups to leverge on GeM's 'Start-up Runway' initiative , which gives start-ups direct visibility with the buyers of the public procurement portal.

Source: thehindubusinessline.com– Mar 19, 2024

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India issues quality orders on textiles to take on China

New Delhi: The government is set to introduce new quality control orders (QCOs) for various textile products, such as technical, protective, and build-tech textiles, according to two people in the know.

This initiative aims to curb the influx of cheap Chinese goods, and bolster India's standing in global manufacturing and supply chains through a concerted effort to enhance quality control measures.

The Centre aims to ensure product quality via QCOs in consultation with the industry and export promotion councils, and may also leverage it to encourage global players to establish manufacturing units in India. However, QCOs do not apply to export items.

The government has set a target to include more than 2,000 products under the QCO. Currently, products such as bedsheets, pillow covers, shoe covers, napkins, baby diapers, orchard protection covers, fencing nets, and insect nets are under the ambit of QCOs.

Technical textiles comprise PPE kits and masks, while protective textiles include safety kits for firefighters and construction workers, while build-tech textiles include products utilized for slope stabilization, load-bearing, and various other construction-related applications.

The government has identified five key focus areas to strengthen India's textiles ecosystem. These include addressing skill gaps and infrastructure through initiatives such as PM MITRA parks, the production-linked incentive scheme, Technical Textiles Mission, Samarth and the National Handloom Development Programme.

“We have introduced QCOs with two main objectives. One, to improve the quality of products and, two, to curb substandard imports," one of the two people said. “The effort is to establish Indian textiles as a quality product." “Technical textiles are primarily concerned with performance rather than aesthetics. In case of PPE kits, they must meet specific technical specifications such as viral protection standards and blood circulation requirements. This is why QCOs are necessary for these textiles," he added.

“The new QCOs under consideration are for protective, agro, and build-tech textiles, and they are expected to be introduced in the coming months. Consultations with stakeholders are in progress," the second person said.

Queries emailed to the textiles ministry did not elicit any response till press time.

According to the latest data from India's commerce ministry, textile exports totaled $30.96 billion during the April 2023-February 2024 period, down from $32.33 billion a year ago.

India is the world's third largest exporter of textiles and apparel with a 4.6% share of global trade, and ranks among the top five exporters in several textile categories. Exports are projected to reach $65 billion by FY26.

As India seeks to strengthen its position in global manufacturing and supply chains by enhancing quality control measures, it is simultaneously negotiating free trade agreements (FTAs) with various countries.

These agreements are expected to reduce import duties on manufactured goods, and guarding against the influx of substandard items into the country.
The Bureau of Indian Standards (BIS) apply to both domestically manufactured products and imports. While some countries accept BIS-certified goods, adherence to QCOs may encourage more nations to recognize BIS-certified products, thereby bolstering India's export potential in the textiles sector.

Moreover, with the implementation of QCOs, manufacturers will be forced to adhere to the stringent regulations. Once a QCO is notified, firms cannot engage in any activity related to the products covered under QCOs without the ISI mark. Violations of the regulations can also result in severe penalties, including jail terms and fines.

Source: livemint.com– Mar 19, 2024

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Cotton exports gather pace, may touch 22-25 lakh bales for 2023-24 season

With Indian cotton prices staying attractive for global buyers, exports of the fibre crop have picked up over the past three months to countries such as Bangladesh, China and Vietnam among others. Exports during the first five months of the 2023-24 season starting October were 15 lakh bales (170 kg), at par with 15.5 lakh bales during the entire 2022-23 marketing season.

The surge in shipments has forced the Cotton Association of India (CAI), the apex trade body, to raise its export projections for the 2023-24 season to 22 lakh bales. "Shipments could, possibly, touch 25 lakh bales for the 2023-24 season," Atul Ganatra, President, CAI, told businessline.

"Indian cotton prices were lower by about ₹4,000-5,000 a candy (356 kg)compared to the international prices during the December-February period making it attractive for overseas buyers. About 10 lakh bales were shipped during January-February. Though our prices are at par now with the international, we expect another 2.5-3 lakh bales to be shipped out this month," Ganatra said.

Despite raising output estimate

Based on the latest pressing data received from various stakeholders, CAI has revised upwards the production estimates of the fibre crop for the ongoing marketing season of 2023-24 by about 5 per cent at 309.70 lakh bales, up from the previous projections of 294.10 lakh bales made during January-end.

Despite this upward revision, the crop estimates for the 2023-24 season starting October are still lower than the 2022-23 production of 318.9 lakh bales.

The higher crop estimates is on account of the revision in crop size in States such as Rajasthan, Gujarat, Maharashtra, Telangana and Karnataka. In the North Zone, the crop estimate has been increased to 46 lakh bales from the earlier 42 lakh bales with the increase primarily coming in from Rajasthan.

Similarly in the Central Zone, the crop projection has been increased to 185 lakh bales from the earlier estimate of 179 lakh bales. In Gujarat, the crop size has been increased to 87 lakh bales (earlier estimate of 85 lakh bales in January-end), while in Maharashtra it has been pegged higher at 80 lakh bales (76 lakh bales).

In the South, the crop projection has been increased to 73 lakh bales (67.5 lakh bales). In Telangana, the crop is seen up at 34 lakh bales (30 lakh bales), while in Karnataka it is pegged at 20 lakh bales (18.5 lakh bales).

Held up stocks emerge

Per the cotton balance sheet for Oct-Feb in the current 2023-24 season, arrivals till end-Feb were estimated at 226.82 lakh bales. "About 10-12 lakh bales of kapas from the previous season, which was held back anticipating higher prices, found its way to the markets during September-October leading to the revision in crop estimates," Ganatra said.

Cotton imports into the country till end-Feb stood at 4 lakh bales and the consumption during this period stood at 137.50 lakh bales. Stock with mills till end-Feb is projected at 42 lakh bales, while those with CCI, Maharashtra Federation, MNCs, ginners, traders and exporters is pegged at 65.22 lakh bales.

With the increase in offtake by the domestic mills, the cotton consumption, which was earlier estimated at 311 lakh bales for the 2023-24 season has now be revised upwards by 6 lakh bales to 317 lakh bales, Ganatra said. The closing stocks for the seaon ending September 2024 are projected at 20 lakh bales, which is indicating a very very tight balance sheet, he said.

Source: thehindubusinessline.com– Mar 19, 2024

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Have high import tariffs helped India improve manufacturing & counter China?

Elon Musk had four years ago expressed interest in launching Tesla in India. But the plan has not fructified as the country's import duties are — in his words — the "highest in the world by far of any large country." This month, the government eased the path by announcing certain import duty concessions.

But Musk is not the only one who has been raising the issue of high import duties. In 2021, then Managing Director of Hyundai SS Kim had said a reduction in duty would help them create demand for their mass market EV. IKEA's India CEO Peter Betzel had expressed disappointment when the 2020-21 budget had raised taxes on imports of goods such as electronic items, toys, and furniture.

India is among the economies with the highest average tariffs of 15% in the Asia-Pacific region, according to the World Trade Organisation's (WTO) Tariff Profile for 2021.

Experts say this escalation in import tariffs over the years is contrary to the conventional economic theory of tariff cut for an increased market integration with the global economy, especially for a country like India that aims to be the third-largest economy in the world.

India's tariffs go up to 150%, covering over 500 major item categories since 2016, according to experts. The average tariffs in India have surged from 13% in 2014 to around 18% in 2022. The country has some of the highest import duties, even higher than some African countries, they say.

While it is true that the government has successfully used tariff protection as an economic tool to develop domestic industries — the auto sector being an example — tariff protection should now be tapered down if the country wants to see serious improvements in efficiency and sustainability fronts, say industry observers.

A low import duty regime promotes trade, makes free trade agreements (FTAs) more balanced, and reduces duty evasions through under invoicing of goods, explains Ajay Srivastava, founder of Global Trade Research Initiative (GTRI), a New Delhi-based think tank. It also cuts the need for many export promotion schemes that essentially refund duties or provide exemption from these, adds Srivastava, a former Indian Trade Service officer.

Manufacturing's share in GDP remains constant

Another point experts raise is that despite protectionism through higher import duties to boost domestic industries and counter China, manufacturing's share in India's gross domestic product (GDP) has not changed much: it has remained around 15% for about a decade. Also, China still accounts for 14% of India's imports in electronics, pharmaceuticals, textiles and capital goods, among others.

Tesla's Elon Musk has repeatedly called for a reduction in import duties for EVs. "While the intent may have been to safeguard local industries, data suggests that these measures have not led to significant growth or advancement in manufacturing," says Nikkhil K Masurkar, CEO of Entod Pharmaceuticals.

As the pharmaceutical sector relies heavily on imports for raw materials and technology, higher tariffs can be a reason for hindering its competitiveness and growth, he says. "The imposition of tariffs may lead to increased production costs, thereby impacting the affordability of pharmaceutical products for consumers and potentially limiting access to essential medications."

A section of the industry says high import duties in certain sectors is leading to a loss of competitive advantage for Indian manufacturing when compared with countries such as Vietnam.

According to a seven-country study by India Cellular & Electronics Association (ICEA) on tariffs on components and sub-assemblies for making smartphones — which was released in January — India's high tariffs on inputs on electronics is likely to slow its export in 2024. The high tariffs impact India's manufacturing competitiveness, resulting in an overall loss of competitiveness of 6-7% compared with Vietnam and China, the report says.

"The highest tariffs for both China and Vietnam are 10% maximum. By contrast, India has many more tariff lines, in addition to higher tariffs. Almost all (97%) of Vietnam's weighted average tariffs are between zero and five per cent, while 60% of China's tariff lines are in that range.

A line-by-line comparison of India's non-zero tariffs shows that India has higher MFN tariffs for 85% of these lines compared to China, and 100% of the lines compared to Vietnam," the ICEA report adds.

The government had reduced import duty to 10% on some mobile phone components such as battery cover, main cover, GSM antenna and others a few weeks after ICEA released the report.

But India will still have to keep importing these from China as no significant and comparable alternative sources are available domestically or otherwise, says Agneshwar Sen, Partner, Tax & Economic Policy Group, EY India.

What's the way out?

Experts say that the policy to impose high tariffs should only be used as a policy tool during the development stage of an industry. The ultimate goal should be to become efficient individually without any need for external support.

"Lowering cost in an economy by reducing the cost of factors of production; improving manufacturing and trading logistics; and improving the ease of doing business is more important than having high import duties. High import duties can never sustain an inefficient high-cost industry in the long run," says Sen.

Referring to pharma, Masurkar says the country should focus on creating an enabling environment by addressing regulatory hurdles, investing in infrastructure, and incentivising research and development. Such moves can support the growth of local manufacturers and make India a global leader.

Srivastava of GTRI explains that duty reductions in some segments can help spur growth. "India collects more than 85% of basic custom duty from less than 10% of tariff lines. The bottom 60% tariff lines contribute to less than 3% of revenue.

Within this framework, India can consider zero duty on raw materials and select intermediate goods. For most of the remaining industrial products, India may move to 5% duty in the next 3 years. An annual reduction programme may be announced in advance to give sufficient time for industry to adjust," he says.

The pharma industry, which has a high reliance on imports, say duties hurt its competitiveness. But a section of experts are of the view that a reduction in duties on specific sectors should be done in a “calibrated manner”. Production-linked incentive (PLI) schemes and other such programmes should be introduced in tandem to encourage domestic manufacturing, even as the entry barriers are reduced. This will ensure free and fair competition and help manufacturing stabilise. “Thereafter, a general low tariff regime matching global levels may be applied on these sectors as well,” says Sen.

Experts also talk about the importance of not disturbing the duty structure on items under the PLI scheme. “For example, if duty is cut to zero on components used in assembling mobile phones, firms will import everything and assemble mobile phones with 5-10% value addition. They are in business to get incentives, and most such firms disappear when incentives stop. India has witnessed such disappearing firms from the mobile phone sector at least twice in the past 10 years. First in 2017, when the introduction of GST abolished the central excise duty arbitrage and then in 2020 when MEIS was abolished,” says Srivastava.

When barrier has been helpful

Some segments are thankful for the trade barrier.

High import duties have significantly helped the toy industry, says Vipin Nijhawan, Vice-President, Toy Association of India. “In fact, it mainly helped in competing with China, which we could have otherwise never done,” he says. The government has raised duties on toys to 70% from 20% earlier.

In a reply to a question in Parliament last year, Minister of State for Commerce and Industry Som Parkash had said that India's toy exports rose 60% from $203.46 million in 2018-19 to $325.72 million in 2022-23. Import fell 57% from $371.69 million in 2018-19 to $158.70 million in 2022-23.

Nijhawan says their challenge is that the government might do away with a discount on consumption of imported inputs. This can increase costs for the industry. He also agrees that they can’t expect the government to continue with these discounts forever. “Eventually, we need to develop a robust infrastructure and vibrant ecosystem,” adds Nijhawan.

Sen of EY India says maybe it is time to take a step back and review the trade strategy. “The economic liberalisation policies envisaged India reaching the ASEAN levels of customs tariffs. This would have enabled us to join some of the value chains emanating from the East Asian region.

We should come back to that policy and define the glide path of graduated tariff reduction in advance to pre-declared levels. This will help the industry calibrate its plans accordingly,” he adds.

Source: economictimes.com– Mar 19, 2024

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What do FTAs with European countries signal?

The India-EFTA Trade and Economic Partnership Agreement (TEPA) is the latest in India's recent Free Trade Agreements (FTAs). As its name suggests, the thrust of the FTA is deeper economic engagement with the EFTA (European Free Trade Association) countries — Switzerland, Norway, Iceland and Liechtenstein. It heralds the westward tilt of India's FTAs, being the first with any European country and the western world. What does this mean?

The successful conclusion of an FTA with developed countries including Switzerland and Norway is a significant positive signal to the world, showcasing India's firm commitment to trade liberalisation at a time of rising protectionism across both developed and developing countries. For trading partners, an FTA with India is very attractive since it represents surpassing India's high tariff walls to access a large market.

The TEPA negotiations started almost 15 years back; however, these were rapidly concluded in the last few months, close on the heels of the swift conclusion of FTAs with Australia and the UAE. The FTAs with the U.K. and the EU are also reportedly at an advanced stage.

What are the key features of TEPA?

Investment: TEPA sets out a target of a $100 billion investment into India from EFTA countries, and consequent one million jobs over a 15-year period. It also provides India the ability to withdraw its tariff concessions if such expected investment is not achieved.

A closer look at the legal text reveals that for the promised investments and jobs to materialise, two conditions need to be met: India growing at a fast rate of 9.5%, and the return on EFTA investments in India exceeding 16% annually over the 15-year timeline. If not, both sides may lower their level of ambitions.

If India is not satisfied, it can pull back its tariff concessions in a proportionate manner after 18 years. The investment chapter is not subject to dispute resolution and is overall, a statement of positive intent, and its benefits will be dependent on the private sector's responsiveness to the TEPA.

Trade in goods: the chief gain here is for EFTA's market, which can have more access to India due to tariff concessions. India is mandated to eliminate tariff on most products within seven to 10 years. This will benefit EFTA exports of seafood like tuna and salmon, fruits like olives and avocados, coffee capsules, oils like cod liver and olive oil, and a variety of sweets and processed foods including chocolate and biscuits.

Also covered are smartphones, bicycle parts, medical equipment, clocks, and watches, many medicines, dyes, textiles, apparels, iron and steel products, and most machinery. Additionally, tariffs on cut and polished diamonds will be reduced from 5% to 2.5% in five years. For wines, India has extended tariff cuts as follows: wines priced between $5 and less than $15 will see a duty reduction from 150% to 100% in the first year, which will then decrease gradually to 50% over 10 years. For wines costing $15 or more, the initial duty cut is from 150% to 75%, eventually reducing to 25% after 10 years.

Gold, which accounts for 80% of the merchandise imports from EFTA countries, as well as dairy, soya, coal and some sensitive agricultural products have been excluded from India's tariff concession list.

With regard to India's exports to EFTA, there will be no material impact since most products face very low or zero tariff for nations which have the Most Favoured Nation (MFN) status in EFTA countries.

For example, value wise, 98% of India's $1.3 billion merchandise exports to Switzerland are industrial products where tariff is already zero. The remaining 2% of India's exports are agricultural products, where gains would be negligible due to low trade values.

Trade in services: on services, both India and the EFTA members have committed to liberalisation across a wide range of sectors. Some key benefits for India include commitments by Norway for access to yoga instructors and practitioners of traditional medicine from India, subject to compliance with its legal framework.

Both Norway and Switzerland have committed four and three years respectively for highly skilled Indian professionals moving as intra-corporate transferees, subject to obtaining work permits.

The nitty-gritties of actual service delivery are often impacted by regulatory requirements in each country. A separate annex in the TEPA lays the framework for easing the recognition of qualifications of service suppliers through streamlining the various requirements, including the possibility of achieving equivalence by topping up academic or training requirements, rather than having to repeat the entire professional degree. Separate annexes on financial services and telecom services similarly lay down disciplines that aim to enable ease of providing such services.

In a departure from previous FTAs of India, benefits of the trade in services chapter would extend to any juridical person (i.e., corporate entity) by merely being incorporated in an EFTA member, while having its actual operations in any other WTO member, including those with which India does not have FTAs.

This will allow free riders benefiting from the TEPA. The investment chapter stems that risk by requiring benefits to be confined only to entities having substantial business activities within the EFTA; however, services related to commercial presence will be governed by the services chapter.

Sustainable development: the TEPA's chapter on Trade and Sustainable Development (TSD), comprising commitments on environment and labour aspects, represents a first for India in any FTA.

India has so far been sceptical of linking environmental and labour related issues within a FTA, given the concern that these may simply become proxies for protectionist measures. The TSD chapter refers to a range of multilateral environmental agreements and labour conventions, whose implementation is based on a balance of rights and obligations.

For example, the UN Framework Convention on Climate Change and Paris Agreement recognises differential obligations for developed and developing countries. Labour conventions under the International Labour Organization (ILO) are based on a tripartite framework involving the government, as well as organisations representing employers and employees.

Even though the TSD chapter is not subject to dispute resolution, India will need to be careful that any scrutiny of its implementation of environment and labour obligations, which is inevitable under the TSD chapter, is respectful of the balance inherent in multilateral environment and labour conventions.

Intellectual property rights: the EFTA countries are home to several pharmaceutical and high technology MNCs, whose ask has been commitments on protection of intellectual property rights that exceed the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The TEPA represents a nod to some of these. For example, India's Patents Act provides for pre-grant opposition of a patent application. The TEPA's IPR Annex requires swift rejection of "prima facie unfounded" oppositions.

This potentially opens up India's internal regulatory process to external scrutiny on whether this standard was met. Similarly, a statutory requirement under Indian law is filing of an annual statement on working of a patent. The TEPA mandates that this periodicity be increased to three years, with annual statements to be required only in specified cases, which potentially raises the concern that the statutory requirement as it exists under Indian law, may need reconsideration to make it case specific. While amendments to India's patent rules have been notified on March 15, five days after the signing of the TEPA, FTA commitments should ideally have followed such amendments.

Overall, in a nutshell, the TEPA ventures into some uncharted territory. It's implementation over time will determine its impact.

Source: thehindu.com– Mar 18, 2024

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