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Currency Watch			
USD	EUR	GBP	JPY
83.50	90.37	105.16	0.53

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INTERNATIONAL NEWS

Global cotton market witnesses steep decline in benchmark prices

The global cotton market experienced a significant decline in all benchmark prices over the past month, according to Cotton Incorporated.

The July NY/ICE futures contract plummeted from 93 to 77 cents per pound since early April. Similarly, the December NY/ICE futures contract, indicative of price expectations post-2024-25 harvest, saw a drop from 84 to 75 cents per pound.

This sharp decrease in July prices has narrowed the gap between values for 2023-24 and 2024-25 deliveries to just a couple of cents, a stark contrast to the 15 cents per pound difference observed at the end of February, Cotton Inc said in the latest Monthly Economic Letter - Cotton Market Fundamentals & Price Outlook - May 2024.

The A Index decreased from 93 to 86 cents per pound. The Chinese Cotton Index (CC Index 3128B) also fell, dropping from 108 to 105 cents per pound in international terms.

Domestically, Chinese cotton prices decreased from 17,200 RMB (~$2,377.56) per ton to 16,700 RMB (~$2,308.45) per ton, with the RMB remaining stable against the dollar at approximately 7.23 RMB/USD.

Indian spot prices for Shankar-6 quality cotton fell from 93 to 88 cents per pound. In domestic terms, prices decreased from ₹60,500 (~$724.43) to ₹57,500 (~$688.51) per candy, with the INR holding steady near ₹83 per USD.

Similarly, Pakistani spot prices declined from 94 to 88 cents per pound, with domestic values decreasing from 21,500 (~$77.3) to 19,700 PKR (~$70.83) per maund, and the PKR stable around 278 PKR per USD.

Source: fibre2fashion.com– May 14, 2024

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Industry Voices Displeasure Over Biden Maintaining China Tariffs

President Joseph Biden said on Tuesday that he is maintaining tariffs imposed by his predecessor, President Donald Trump, on more than $300 billion worth of Chinese goods that include finished textiles and apparel imports.

The decision follows a statutory four-year review of Section 301 China tariffs. The tariffs were put into effect in 2018 after a United States Trade Representative (USTR) probe found that certain China's trade practices and policies were either discriminatory or burdened U.S. companies and workers. Biden said he was also raising tariffs on certain Chinese imports, such as electric vehicles, solar cells, semi-conductors, ship-to-shore cranes and steel and aluminum products.

"After thorough review of the statutory report on Section 301 tariffs, and having considered my advice, President Biden is directing me to take further action to encourage the elimination of the People's Republic of China's unfair technology transfer-related policies and practices that continue to burden U.S. commerce and harm American workers and businesses," Ambassador Katherine Tai, U.S. Trade Representative, said in a statement Tuesday.

Tai noted that while China took some steps to address issues in the Section 301 investigation, further action is required to stop China's harmful technology transfer-related acts that include cyber intrusions and cyber theft. A report from the USTR also makes recommendations for continuing to assess approaches to support diversification of supply chains to enhance our own supply chain resilience.

The report's economic analyses determined that tariffs—particularly China retaliation—have had "small negative effects on U.S. aggregate economic welfare, positive impacts on U.S. production in the 10 sectors most directly affected by the tariffs, and minimal impacts on economy-wide prices and employment." Moreover, the tariffs have contributed to a reduction of U.S. imports from China and an increase of imports from other sources, such as U.S. allies and partners. That result potentially supports "U.S. supply chain diversification and resilience," the report concluded.

While the National Council of Textile Organizations (NCTO) generally approved of the new tariffs, it also believed that an opportunity was missed to address what its CEO Kim Glas says is "China's continued dominance in the U.S. textile market and to counter the devastating impact of its predatory and illegal trade practices on domestic textile manufacturers and workers."

Glas is asking the Biden administration to "level the playing field" via a further tariff increase on finished textile, apparel and related inputs, including critical personal protective equipment items. She also said the administration and Congress need to close the de minimis loophole that undermines trade enforcement efforts, which reward China with duty free access to the U.S. market regardless of 301 tariffs.

"While the Section 301 tariffs on finished textile and apparel imports help to partially counter China's unfair trade advantages, subsidized Chinese textile and apparel inputs—including those made from slave labor in Xinjiang where 20 percent of global cotton is produced and where man-made fibers like rayon have been tied to forced labor—continue to undermine this vital industry," Glas said. "Furthermore, China has been dropping its prices since the tariffs took effect to convince sourcing agents to stay loyal despite the risks."

Four other trade groups—Footwear Distributors and Retailers of America (FDRA), Retail Industry Leader Association (RILA), National Retail Federation (NRF), and American Apparel & Footwear Association (AAFA)—took issue with one of the findings in the USTR report.

"The President, much like his predecessor, seems to have an insatiable appetite to tax American families on the items they have to buy like footwear, clothing, and other basic goods," FDRA's president and CEO Matt Priest said in a statement. "These tariffs have had a significant impact on U.S. consumers, particularly working families and minority communities, costing an additional $20 billion since 2019."

Priest said the decision to maintain the tariffs, coupled with current challenges of soaring inflation, underscores the urgency of finding a balanced solution that prioritizes both economic considerations and the well-being of American consumers.

The FDRA and 39 of the nation's largest footwear industry leaders sent a letter to President Biden urging the removal of Section 301 tariffs on footwear, noting that the tariffs serve as a hidden tax levied on American companies and consumers, particularly for certain types of children's footwear.

RILA was also unhappy with the decision to maintain tariffs on consumer goods.

"We are deeply disappointed by the Biden Administration's decision to double down on the use of harmful, broad-based tariffs—which is an affront to American businesses and consumers. Over the last five years, U.S. businesses and consumers have paid more than $215 billion in higher tariffs for a failed experiment in trade policy," said Blake Harden, RILA's vice president, international trade, in a statement. "Section 301 tariffs have not been effective in holding China accountable for its unfair trade practices, and they have harmed the global competitiveness of U.S. businesses."

Harden said U.S. retailers have worked hard to bolster their supply chains to be more agile and resilient, as well as shield consumers from the impact of high tariffs. He noted that broad-based tariffs are not strategic and will impede U.S. economic growth, as well as "ultimately hamstringing" American businesses who are trying to compete globally.

"As the Biden administration and Congressional lawmakers consider policies to address the challenges in the U.S.-China relationship, we urge them to explore a more strategic, targeted approach that increases U.S. competitiveness globally," Harden concluded.

The National Retail Federation, a retail trade group, also expressed its frustration with the decision to "double-down" on what it called a "failed and inflationary strategy" by keeping and expanding the Section 301 China tariffs.

"As consumers continue to battle inflation, the last thing the administration should be doing is placing additional taxes on imported products that will be paid by U.S. importers and eventually U.S. consumers," David French, NRF's executive vice president of government relations, said. "We need new free trade agreements that focus on both market access and tariff reductions, and we need Congress to pass long-standing trade preference programs which remain expired. The U.S.

economy needs real incentives—unlike those in the form of penal tariffs—to shift supply chains away from China."

AAFA president and CEO Steve Lamar said the extension of tariffs on a wide range of apparel, footwear and accessories is a "real blow to American consumers and manufacturers alike." He called the tariffs "regressive taxes" paid by U.S. importers and U.S. manufacturers that are ultimately passed along to U.S. consumers.

"The Biden Administration has had two years to get it right. Unfortunately, they doubled down on a flawed tariff policy, despite the Biden Administration's own acknowledgment that this policy has failed in its goals, and overwhelming public input that supported a different outcome," Lamar said.

AAFA vice president of trade Beth Hughes added that the Biden administration has done nothing to negotiate new trade agreements or improve on current ones. "The administration has done little to promote the renewal or prevent the threat of renewal of expired and expiring trade preference programs. This report underscores the Biden administration's lack of an effective trade policy agenda," she said.

Tai's office in December extended China 301 tariff exclusions on 352 imports and 77 COVID-related categories until May 31, 2024. Those exclusions end in 17 days. The tariffs were enacted by Trump under the aegis of the Trade Act of 1974 in 2018 and 2019.

The tariffs were met with much criticism from Biden—who said they were a tax on consumers—when he was on the campaign trail in 2020. While the tariffs were expected to be repealed by Biden when Trump left office, Biden has since taken a tougher stance on China. Compounding the problem for the retail trade groups, former President Trump is now upping his campaign rhetoric ahead of the November election. One of Trump's talking points is that he would expand on the Section 301 tariffs he implemented during his presidency, most notably by raising duties on China imports by more than 60 percent, if elected.

Source: sourcingjournal.com– May 14, 2024

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The Industry is 'Threadbare, but Salvageable,' Zero Waste Europe Claims

Fossil-fuel based synthetic fibers releasing microplastics. The health risks posed by hazardous chemicals. An insufficient capacity for recycling. Zero Waste Europe asserts that the textile industry must reform its practices or face the (potentially dire) consequences.

Simply put, without drastic change, the sector will fail.

The civil society organization's latest paper, "A Zero Waste Vision for Textiles – Chapter 2: Circular and Toxic Free Material Flows," explores the current state of textile recycling in the European Union (EU) and proposes several policy interventions. The second chapter of the two-part series outlines what a truly circular and toxic-free system for textiles looks like as well as investigates current barriers to implementing said system.

"The state of circularity in the textile sector is notably poor, and the latest projections for reuse and recycling in the sector are everything but promising," co-author Theresa Mörsen, waste and resources policy officer at Zero Waste Europe, said. "The overall growth in the sector will nullify any progress made on circular activities."

The policy brief stresses the "urgent need" to phase out harmful chemicals and take on the microplastic mess.

More than 8,000 chemical substances—including PFAS—are used in the textile industry, as reported by the European Parliament. At the same time, Kant found that approximately 25 percent of global chemical outputs originate from the sector. Though Zero Waste Europe is still "lacking any kind of assessment" for many of the chemicals used in textiles, the Swedish Chemicals Agency found that in a sample of 2,450 substances, 750 (roughly 31 percent) were classified as hazardous for human health and 440 (approximately 18 percent) were classified as dangerous for the environment.

Consumers are exposed to these chemicals daily, through skin contact, inhalation or unintentional digestion. Unfortunately, the most problematic chemicals are in textiles used by pregnant women and children, who are the most vulnerable to adverse health effects.

Zero Waste Europe believes that using hazardous chemicals and limiting toxic emissions at all life cycle stages must be incorporated into product design. Furthermore, the industry needs transparency and traceability across the value chain to allow buyers to make more informed purchases.

"Unlike other products, we can't avoid coming into contact with textiles every day of our lives. That's why the safety of these products is vital," said Dorota Napierska, contributor and toxic-free circular economy policy officer at Zero Waste Europe. "The presence of harmful chemicals in our clothes not only threatens public health but also makes recycling even harder—undermining the transition toward a circular system."

On the topic of recycling, the process has the potential to play a crucial role. But only if and when manufacturers ensure high-quality, durable products while prioritizing local reuse and upcycling, according to the Brussels-based non-governmental organization.

In fact, Zero Waste Europe investigated the present situation in the textile recycling arena and found that good governance is "central" when setting up a successful system. Authorities on both the national and local levels should ensure "alignment" between the local government structure, national laws and broader policy frameworks.

"If the textile industry wants a cleaner image, changes must happen at the initial phases of production and during the development of the product to ensure that recycling is sustainable, safe and enhances circularity," said Lauriane Veillard, contributor and chemical recycling and plastic-to-fuels policy officer at Zero Waste Europe. "This report suggests concrete instruments for this much-needed makeover to respect both planetary boundaries and human health."

The new chapter also covered Extended Producer Responsibility (EPR) schemes, acknowledging them as "key drivers" for the transition toward greater circularity, considering they help finance collection, sorting and recycling activities.

Zero Waste Europe recommends introducing waste management targets for EPR schemes to incentivize investment in fiber-to-fiber recycling and ban claims about recycled content at the product level that aren't substantiated with traceability, among others.

"In view of the ongoing revision of the Waste Framework Directive, policymakers must seize the opportunity by ensuring that reuse and recycling are supported via legally binding targets in EPR systems," Mörsen said. "Apart from this, also the incoming ecodesign for textiles has the capacity to change the entire system. Well-designed legislation can benefit the health of citizens, improve reusability and boost recyclability of products."

Source: sourcingjournal.com– May 14, 2024

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Chinese, Nigerian customs agencies sign trade facilitation MoU

The Nigeria Customs Service (NCS) recently signed a memorandum of understanding (MoU) in Shenzhen with China's General Administration of Customs (GACC) to enhance trade and economic growth.

Nigeria's comptroller general of customs (CGC) Adewale Adeniyi visited Shenzhen last week. GACC vice minister Wang Lingjun and signed the MoU from China's side.

"The relationship will create a cooperative mechanism for NCS and the GACC to collaborate on supply chain security standards and enhance the economic stability of both nations," Adeniyi was quoted as saying by a post on X (formerly Twitter) by NCS.

"We know a lot of Nigerian companies and SMEs [small and medium enterprises] take advantage of the opportunities aided through e-commerce," he said.

Source: fibre2fashion.com– May 15, 2024

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US apparel import prices see upward trend, but not across the board

A new report by Cotton Inc. highlights, US garment prices witnessed their largest monthly rise since late 2021 in March 2024. This uptick comes despite a slight year-over-year increase of only 0.2 per cent. However, it's important to note that apparel import costs remain 4.8 per cent higher than pre-COVID levels. Cotton Inc's 'Executive Cotton Update: U.S. Macroeconomic Indicators & the Cotton Supply Chain - May 2024', also highlights a concerning trend of declining consumer confidence for the third consecutive month. This could potentially dampen spending habits and impact the retail apparel industry.

While Cotton Inc, highlights a slight increase, the Bureau of Labor Statistics (BLS) data reveals a different picture. As per BLS the December 2023 price index for US apparel imports remained almost flat compared to January 2023 (106 vs. 100, January 2019 baseline) with a minor fluctuation since the beginning of that year. There was even a slight decline in the price index for imports from China, a major apparel supplier to the US. The BLS data suggests there wasn't a significant increase throughout 2023, but the March 2024 data from Cotton Incorporated indicates a possible shift

So, what's causing the confusion?

There are a couple of reasons why the data might seem contradictory. First, the BLS data is based on a broader range of apparel imports, including different types of clothing and materials. Cotton Inc's report might focus specifically on cotton apparel, which could be experiencing a different price trend.

Second, there's a lag between import price fluctuations and their reflection in retail prices. The recent surge in shipping costs due to the Red Sea crisis, for instance, might not be fully captured in the December 2023 import price data, but it could soon affect what consumers pay for clothes.

Reasons for the increase

Several factors could be contributing to the recent rise in apparel import prices, as per industry experts:

Increase in global cotton prices: Cotton is a major material used in apparel manufacturing, and its price fluctuations can significantly impact the final cost of garments.

Rising transportation costs: Shipping costs have been on the rise in recent months, due in part to the Red Sea crisis that disrupted global shipping routes earlier this year. These increased costs are likely being passed on to consumers.

Disruptions in the textile supply chain due to geopolitical issues: The ongoing trade tensions between the US and China, as well as the war in Ukraine, have caused disruptions in the global textile supply chain. This can lead to shortages of materials and higher prices.

Weakening US dollar: A weaker US dollar can make it more expensive to import goods, as foreign products become more expensive to purchase.

Should it cause concern among US consumers?

The current situation is a double-edged sword. While apparel import prices haven't seen a significant surge yet, there are underlying factors that could lead to future increases. This, coupled with a slight decline in consumer confidence, might put pressure on US fashion retailers. They could be forced to either absorb the rising import costs or pass them on to consumers, potentially leading to higher clothing prices.

It's important to note that the apparel industry is constantly evolving, and these trends can change rapidly. Staying informed about developments in the global cotton market, transportation sector, and geopolitical situations will be crucial for understanding the future trajectory of US apparel import prices.

Source: fashionatingworld.com– May 14, 2024

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A quiet textile revolution is gaining momentum in Xinjiang

China's commitment to modernization and high-quality economic development continues across all sectors of the national economy. Despite the typical focus on high-tech fields such as quantum computers and advanced semiconductors, agricultural sectors, particularly cotton production and processing, also require attention.

In 2022, the U.S. imposed sanctions on cotton exports from China due to "allegations of human rights abuses and forced labor" in Xinjiang Uygur Autonomous Region. How have these sanctions affected the production and export of cotton products, and what is generally happening now in cotton production and processing in China?

In the study released on May 7, it was discovered that 19 percent of product samples sold by U.S. and global retailers last year contained traces of Chinese cotton. In that study, the scientists used isotope testing to analyze the concentrations of stable elements in cotton, which can link cotton to specific geographic areas. This is because countries such as Vietnam, Cambodia, and Bangladesh, among the world's largest producers of cotton clothing and consumer goods, import significant amounts of finished fabric from China.

Even more shocking figures for textile exports from Xinjiang are coming from Europe. Exports of these products jumped a record 217.8 percent in the first two months of the year despite increased scrutiny. As expected, in today's interconnected world, the sanctions have become ineffective.

Xinjiang is not just a regional powerhouse; it is a global force. Its cotton cultivation, accounting for over 90 percent of Chinese cotton production, is nearly twice that of all U.S. cotton production. This staggering scale highlights Xinjiang's immense significance in the global market, making it a key player in shaping the world's cotton supply.

The past few years have witnessed a rapid advancement in China's technologies for growing and processing cotton. Nowadays, plowing and sowing are fully mechanized, while harvesting has reached an 80 percent mechanization level.

Overall, the mechanization level in cotton farming has soared to 94 percent. This remarkable progress, compared to the 21 percent rate reached in 2014, is a testament to the modernization and technological advancements in the cotton industry in Xinjiang.

Xinjiang accounts for approximately 20 percent of the world's cotton production, and it is expected to collect 5.11 million tons in 2024. More than 85 percent of the fiber crops will be picked by just 7,000 modern harvesters.

Technology has not just improved but revolutionized the cotton industry. With 185 patented inventions, Xinjiang's innovative cotton harvesting and packaging technology is making its mark far beyond national borders. The use of only two people to mechanize processing, planting, tending, and harvesting 200 hectares of cotton fields is one of the most apparent types of evidence of this transformation. Once labor-intensive, these industries have become deserted, challenging the notion of forced labor on cotton plantations and inspiring a new era of efficiency and productivity.

Chinese engineers are spearheading a technological revolution in agriculture by quickly integrating artificial intelligence (AI) and 5G technologies in the newest cotton processing factories. These advancements have reduced energy consumption and enhanced product quality, making Xinjiang's cotton products the most competitive in world markets.

In contrast to other countries where 5G technology is not commonly used in factories due to its high cost, China has made significant progress in reducing costs through the large-scale construction of 5G base stations. According to industry data, a modern 5G communication module now costs just 65 Chinese yuan (around $9) in China, considerably lower than similar products in Western markets.

According to the Ministry of Industry and Information Technology, China's textile industry is predicted to achieve an impressive 70 percent digital connectivity and complete AI transformation by the end of 2025.

Improving the technology used in textile factories is crucial to greatly reducing their carbon footprint. The European Parliament's research has revealed that textile factories worldwide produce 10 percent of total greenhouse gas emissions, second only to the petrochemical industry.

Moreover, they exceed the combined emissions from aviation and shipping.

In addition, Xinjiang has achieved great success in generating green energy. Thanks to the rapid development of solar and wind power, Xinjiang's renewable energy generation capacity will surpass similar fossil fuel capacity by the end of this year.

A revolutionary shift in the technology used in Xinjiang's cotton fields and textile factories has led to record growth in production and exports. Customs data shows Xinjiang's textile exports reached 107.59 billion yuan ($14.8 billion) last year, with yarn and other raw materials up 74 percent and clothing up 30 percent.

For comparison, textile exports from other countries that are active in international markets fell from India and Vietnam by 3 percent and 10 percent, respectively.

The U.S. and its Western allies have imposed harsh sanctions against the Xinjiang cotton industry to eliminate a severe competitor in the important cotton market.

However, despite these efforts, this industry is now evidently thriving, all thanks to the technological modernization of the entire production cycle. As the famous Chinese proverb goes, "crisis creates opportunity," which has proven true yet again.

Source: news.cgtn.com– May 14, 2024

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Turkiye introduces new measures to tackle inflation: Finance minister

Turkiye is introducing several initiatives to regulate public spending in a more effective manner to tackle persistent inflation, treasury and finance minister Mehmet Simsek recently said.

The measures will raise efficiency in the public sector, offer savings, implement a strong monitoring, auditing, reporting and sanction model, and cover the entire public, he said. Public savings, spending discipline in the budget and efficiency in public investments are the three main axes of spending measures, he asserted.

Reducing high cost of living and inflation to single digits are priorities, Simsek told a press conference, stressing that price stability is the most important component of prosperity and sustainable high growth.

Latest TurkStat data show the country's annual inflation rate rose to 69.8 per cent in April from 68.5 per cent in March.

The government's medium-term economic programme released last September projected the year-end inflation rate to come in at 33 per cent this year, 15.2 per cent in 2025 and 8.5 per cent in 2026.

"With fiscal discipline, we will allocate more resources to natural disasters, green and digital transformation. We will ensure that our country borrows at more reasonable costs by reducing the country risk premium, and we will improve intergenerational justice by borrowing less," he was quoted as saying by domestic media outlets.

"We will focus on eight priority areas in public spending such as vehicles, buildings, public employment, efficiency in administrative structuring, overseas temporary assignment expenses, energy and waste management, communication expenses, and other current expenses," he said.

The government will cut 10 per cent in goods and services purchase appropriations and 15 per cent in investment appropriations in the budget, excluding earthquakes and compulsory expenditures, he added.

Source: fibre2fashion.com– May 15, 2024

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Decarbonisation, impact of automation on 4IR challenges for Bangladesh

Decarbonisation, transition from the list of least developed countries (LDCs) and the impact of automation on the fourth industrial revolution (4IR) are the three urgent challenges that Bangladesh needs to address for sustainable development of the domestic readymade garments (RMG) industry and to face competition, a recent roundtable in Dhaka was told.

The roundtable, titled 'Bunon 2030: Policy discussion', was jointly organised by Policy Exchange Bangladesh and global business consultancy firm LightCastle Partners.

Zahedul Amin, co-founder and director of LightCastle Partners, said as the impending 4IR poses a threat to jobs due to automation and artificial intelligence, there is an urgent need to reskill and upskill workers to mitigate job displacement.

Mohammad Selim Hossen, deputy secretary in the ministry of commerce, said free trade agreements necessitate diversification of the export basket, and Bangladesh could adopt a product-based business model and invest in sector-specific initiatives to facilitate the transition away from reliance on the RMG sector, domestic media outlets reported.

Abdur Rahim Khan, inspector general, department of inspection for factories and establishments, said emulating successful models like the Production-Linked Incentive (PLI) scheme in India, tailored mechanisms could be devised to support and incentivise Bangladeshi apparel export market.

Source: fibre2fashion.com– May 15, 2024

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NATIONAL NEWS

India seeking fair market access ahead of the India-Asean FTA review

Last year, Commerce and Industry Minister Piyush Goyal called the free trade agreement (FTA) between India and the 10-member Association of Southeast Asian Nations (ASEAN) nations an "ill-conceived" agreement and "unfair" to the Indian industry at a public forum.

Goyal's remark was a reflection of the inordinate delay in the review of the pact with ASEAN–comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam – that came into force in January 2010. FTAs are generally reviewed within a year or two of its implementation, especially to resolve differences, if any.

India, for more than half a decade, flagged the need for an urgent review of the trade agreement since imports from ASEAN nations grew at a much faster pace as compared to exports from India. That apart, the Indian industry had sought fair and equal market access across all ASEAN nations.

Eventually, in August last year, both sides announced the aim to complete the review of the existing agreement in goods between two regions by 2025, giving hope to the industry of a possible course correction.

Government officials said that India wants to make the deal more modern and upgrade it with changing times, since the trade deal was signed over a decade ago. They also want the agreement to be more user friendly and trade facilitative, considering that the utilisation rate of regional trade agreements has been low.

"Greater market access of goods, flexible rules of origin and addressing the issue of non-tariff barriers are also being discussed during the review meetings," one of the officials told Business Standard.

Biswajit Dhar, distinguished professor at the Council for Social Development said that there's a need for a careful assessment of why India's finished products are not getting adequate market access, and what are the barriers that have resulted to this.

“Tariffs are not major issues (since tariff reduction has been done by the trade bloc). The (FTA) review should focus on what are the non-tariff barriers and if there are any other hindrances not letting Indian exports get adequate market access,” Dhar said.

Imbalanced trade

The share of bilateral trade with ASEAN is almost 10 per cent of India’s total trade. India's trade with the ASEAN more than doubled from $56 billion in 2009-10 to over $131 billion in 2022-23, but mainly on the back of higher imports from the region.

For instance, exports to the bloc stood at $44 billion in 2022-23, up nearly 4 per cent as compared to the same period a year ago. Imports however remained much higher at $87.57 billion, up over 28 per cent on-year. As a result, the trade deficit widened to $43.57 billion in 2022-23 from $25.76 billion the previous year. It was just $5 billion in 2010-11.

Some of the key exported products to ASEAN include petroleum products, electronics, electrical machinery, automobiles, medicines, gold jewellery, diamonds. Top imported items include laptops, computers, palm oil, petroleum products, machinery, iron and steel, among others.

In the case of some imports, India is heavily dependent on ASEAN nations. Supply of palm oil, coal and other raw materials and commodities account for over 50 per cent of imports from ASEAN, according to a report prepared by Delhi-based think tank GTRI.

For instance, during the financial year 2022-23, half of India’s imports from Indonesia were that of coal. Similarly, nearly 28 per cent of inbound shipments from Malaysia consisted of palm oil.

It is also important to note that while the trade bloc comprises 10 countries, the trade is dominated by five of them–Indonesia, Singapore, Malaysia, Thailand, Vietnam. These countries account for 92.7 per cent of India’s exports and 97.4 per cent imports to ASEAN.

Engineering Export Promotion Council of India (EEPC) Chairman Arun Kumar Garodia said that the incidence of high duties on raw materials compared to final products makes imports of some finished goods cheaper from ASEAN into India.

"This inverted duty is a serious concern. Industry is also of the view that trade diversion is happening from China through ASEAN under preferential routes," Garodia said.

Garodia also believes that the emergence of the China-backed Asian trade bloc Regional Comprehensive Economic Partnership (RCEP), which New Delhi is not a part of, has impacted India's exports to the ASEAN region. "The government needs to consider the implications of RCEP on India's trade dynamics while reviewing the ASEAN FTA," he said.

According to the GTRI report,the $23.6 billion worth of imports from Singapore included items such as coal, iron and steel, gold and smaller amounts of fertiliser, even though the country does not produce these items.

"Firms may be transhipping these from Singapore. But this adds to cost and is bad business. Such imports must be out of the FTA, but need investigation why they are happening in the first place. Rules of origins may be checked for use of value addition norms for Electronics products, gold etc. India has a separate FTA with Singapore with more relaxed rules of origin. The two FTAs may be studied together," it said.

The way forward

Ajay Sahai, director-general and chief executive officer at the Federation of Indian Export Organisations (FIEO) believes one of the top priorities of the review should be to bring flexible or product-specific rules (PSR) for value addition norms in the case of imports.

In any FTA, duty concessions are given to imported goods that are produced or originated in the exporting country. This is done to avoid routing of products manufactured in a third country. This is generally determined by factors such as the percentage of value-addition that has been done during manufacturing, under the rules of origin (ROO) norms.

Most of the trade deals signed by India, including with ASEAN, have a single rule for all goods that are produced. In the case of the India-ASEAN FTA, rules of origin norms require minimum 35 per cent value addition.

However, in most of the new trade agreements being signed and negotiated by India in recent times, PSRs are also being negotiated to claim the origin of the product.

PSRs offer flexibilities and value addition norms can be customised depending on the need of the product. This is considered a practical approach, considering the current era of different countries contributing a small part of the entire value chain.

Dhar warned both sides need to set up a mechanism through which implementation of PSR can be monitored. "The review should look into the non-tariff measures and ROO is one of them. Then there are standards. Standards are not imposed in a transparent manner by most countries and have become the new form of market access barrier now," Dhar said.

On India's part, the government must do a thorough analysis and find out the reasons why India's exports are suffering. "...and then take it up during the review and ask the member nations if they have failed to provide clean market access to Indian products," Dhar said.

Source: business-standard.com– May 15, 2024

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India's export reliance on US grows despite diversification push

Notwithstanding India’s efforts to diversify its merchandise exports, the country’s dependence on the US for its outbound shipments has increased over the past 13 years by 7.6 percentage point, reaching a 17.7 per cent share in 2023-24 (FY24).

The share of the US in India’s total exports continuously declined from a high of 21.7 per cent in 1998-99 to a low of 10.1 per cent in 2010-11, according to India’s Department of Commerce data.

TRADE TIES
US' share in India's total exports in %

Commodity-wise breakup (in %)

Items	FY14	FY24
Electronic components	14.0	50.6
Cotton fabrics, madeups etc	24.6	39.4
Drug formulations, biologicals	22.9	36.9
Pearl, precious, semi-precious stones	31.9	34.8
Marine products	25.3	33.9
Telecom instruments	5.8	33.7
Aircraft, spacecraft, and parts	9.2	32.3
Electronics instruments	18.9	29.3
Products of iron and steel	19.5	28.1
Auto components/parts	20.3	24.2

Source: Commerce department

During the pandemic-impacted year of 2021-22, the export share of the US was even higher than the FY24 levels at 18 per cent. In 2022-23 (FY23), the US share was at 17.4 per cent.

The increase in the US share in FY24 from FY23 was despite India’s exports to the US contracting 1.3 per cent, in sync with overall merchandise exports declining 3.1 per cent during the year.

The rise in the US share was driven by sunrise sectors like electronic component (50.6 per cent share), telecommunications instrument (33.73 per cent), drug formulation and biologicals (36.91 per cent), and electronic instrument (29.25 per cent).

Delhi-based think tank Global Trade Research Initiative in a report said India's total outbound shipments to its free trade agreement (FTA) partners grew at a slower pace compared to total merchandise exports.

Exports from FTA nations increased by 14.48 per cent to $122.72 billion in five years from 2018-19 to FY24, while total exports saw 32 per cent growth at $437 billion during the same period.

In its vision statement released during the mid-term review of the 2015-2020 foreign trade policy in 2017, the Ministry of Commerce said the policy of market diversification that has stood India in good stead during the global economic downturn will continue to be a key determinant of the country's trade policy, together with product diversification.

"To put exports on a high-growth trajectory, India needs a market diversification strategy based on the changing dynamics of growth in the world economy. So far, India's bilateral trade engagement has been mainly with the industrial powers.

In future engagements, India will engage with regions and countries that are not only promising markets but are also major suppliers of critical inputs and have complementarities with the Indian economy," it added.

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

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India's GDP to expand at 6.6% in FY25; will fuel NBFCs' growth: Moody's

Moody's Ratings on Tuesday said the Indian economy is projected to expand 6.6 per cent in the current fiscal year and said strong credit demand fuelled by robust economic growth will support the NBFC sector's profitability.

"We expect India's economy to expand 6.6 per cent in the year ended March 2025 (FY25) and 6.2 per cent the following year, and this will lead to robust loan growth at NBFCs, mitigating the impact of rising funding costs on their profitability," Moody's Ratings said.

The Indian economy is estimated to have expanded 8 per cent in the 2023-24 fiscal year.

In a commentary on the non-banking finance companies, Moody's said robust economic conditions will help them preserve their asset quality even as rise in interest rates increase the debt burdens of their customers. "Funding costs for non-bank finance companies (NBFCs) in India are rising, but strong credit demand fuelled by country's robust economic growth will support the sector's profitability.

Also, robust economic conditions will help them preserve their asset quality even as rises in interest rates increase the debt burdens of their customers," Moody's said.

Aggregate year-on-year loan growth at NBFCs accelerated to 20.8 per cent in September 2023 from 10.8 per cent a year earlier, driven by demand for retail loans, including financing for housing and automobiles.

Moody's Ratings expects loans at NBFCs to grow about 15 per cent in the next 12-18 months, driven by various types of lending, including infrastructure financing by large government-owned NBFCs and loans to small and medium-sized enterprises.

"Growth in unsecured retail loans will slow after the Reserve Bank of India (RBI) raised the risk weight of such credit assets for both banks and NBFCs by 25 percentage points in December 2023," Moody's Ratings said. NBFCs will continue to play an important role in meeting credit needs among individuals and businesses in India's vast economy.

The largest 20 NBFCs have strong market positions and long histories of providing specific types of loans, such as financing for housing or commercial vehicles.

Also, most of them are owned by the government or by large corporate groups, which would lend stability to their funding in times of stress, the agency said.

Moody's Ratings' FY25 GDP growth estimates are, however, lower than the projections made by the RBI and other agencies, but is at par with Deloitte's forecast.

The RBI has projected Indian economy to grow at 7 per cent in current fiscal.

While the Asian Development Bank (ADB) and Fitch Ratings have estimated growth at 7 per cent, S&P Global Ratings and Morgan Stanley projects growth rate of 6.8 per cent.

Deloitte India estimates India's GDP to grow at 6.6 per cent in the current fiscal year helped by consumption expenditure, exports rebound and capital flows, but flagged concerns around inflation and geopolitical uncertainties.

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

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CITI advocates for transformative change in Indian textile industry

As India navigates through its largest-ever elections, the Confederation of Indian Textile Industry (CITI) is gearing up for a future that extends beyond the next five years, envisioning a thriving textile sector till 2047, the year marking 'new India's' fulfilment of aspirations.

"The textile industry is crafting an action plan not just for the immediate future but for the long haul till 2047. Despite recent challenges, we are committed to fostering innovation, sustainability, and inclusive growth within the sector," Rakesh Mehra, chairman of CITI, said in a press release.

While acknowledging the sector's recent lacklustre performance both domestically and in exports, Mehra emphasised the urgent need for collaborative action. He remarked, "The textile industry has faced challenges on multiple fronts, including geopolitical uncertainties, shifting consumer preferences, and stiff competition from other sectors. However, there is a collective sense of urgency to reverse this trend and propel the industry towards a brighter future."

CITI recently welcomed facilitation measures aimed at alleviating the burden on exporters, including provisions exempting inputs from mandatory Quality Control Orders (QCOs). Mehra expressed gratitude for these initiatives, stating, "These exemptions will offer much-needed relief to exporters, laying a robust foundation for achieving the target of $100 billion textile and apparel exports by 2030."

Additionally, CITI highlighted the importance of trade agreements in expanding the industry's global footprint. Mehra commented, "The recent India-European Free Trade Association (EFTA) Agreement is a significant milestone, offering better market access and fostering growth opportunities. Our partnership with Swiss Textiles further strengthens our resolve to drive bilateral trade and collaboration."

Looking ahead, CITI emphasised the importance of schemes such as the PM Mega Integrated Textile Region and Apparel Parks (PM MITRA) programme, the Production Linked Incentive (PLI) Scheme, and the Scheme for Capacity Building in the Textile Sector (SAMARTH). Mehra

urged the new government to ensure effective implementation of these schemes to catalyse investment and capacity building within the industry.

In conclusion, the chairman reiterated CITI's commitment to driving transformative change within the Indian textile industry. He stated, "As we anticipate the new government's policy direction, let us remain steadfast in our commitment to innovation, sustainability, and inclusive growth. Together, we can shape a vibrant future for generations to come."

Source: fibre2fashion.com– May 14, 2024

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Apparel manufacturer Shahi Exports sets up JV with Taiwan-based Little King Global

Shahi Exports, an apparel manufacturer and exporter, has announced a joint venture with Little King Global, a Taiwan synthetic sportswear fabric manufacturer. The joint venture will initiate a processing unit for synthetic fabrics located in Shimoga,Karnataka. The venture also aims to strengthen employment in Shimoga in the manufacturing sector.

The company has claimed that the production line is set to be fully operational by the end of this year, with an initial production capacity of 500 tonnes per month. This capacity is slated to double in the future, reaching 1,000 tonnes per month.

“Our partnership with Little King Global is not just a venture but a commitment to our customers, assuring them access to the very best in class when it comes to synthetic fabrics. Our goal is continual improvement and relentless focus on product development as we continue growing and increasing the scale of operations. We also aim to contribute toward boosting employment generation across the country,” said Ramalingam T, CEO, Knits Division, Shahi Exports.

Shahi Exports, which was established in 1974 by Sarla Ahuja, has three fabric processing mills and over 50 apparel manufacturing facilities across 8 States in India, with a workforce of over 96,000 people.

“With the global supply chain shift and the rise of India’s manufacturing trend, we should leverage the best resources from advanced technologies, economical production, and talent for our Shimoga plant. Once the plant is operational, we will offer recycled, responsive, and resilient services for our valued customers,” said Bruce Liao, Vice-President, Little King Global.

Little King Global Co., Ltd., based in Taiwan, focuses on producing synthetic, circular knit fabrics for activewear, outdoor wear, and sports clothing. Additionally, the company provides services such as yarn texturizing, dyeing, knitting, and post-finishing treatments, which include lamination, sublimation printing, and digital printing.

Source: thehindubusinessline.com – May 14, 2024

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