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Currency Watch			
USD	EUR	GBP	JPY
83.30	90.76	105.83	0.54

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INTERNATIONAL NEWS

US economy to continue to softly expand for rest of 2024: ISM survey

The US economy will continue to softly expand for the rest of this year, say the nation's purchasing and supply executives in the Spring 2024 semi-annual economic forecast released by the Institute of Supply Management (ISM) business survey committees.

Expectations for the remainder of 2024 are similar to those expressed in December 2023, despite continued inflation concerns and geopolitical uncertainty.

These projections are part of the forecast issued by the Institute for Supply Management® (ISM®). The forecast was presented today by Timothy R. Fiore, chair of the ISM manufacturing business survey committee.

US manufacturing revenue is expected to increase this year by 2.1 per cent on an average—3.5 percentage points (pps) lower than the December 2023 forecast of 5.6 per cent, and 1.2 pps higher than the 0.9-pp year-on-year (YoY) increase reported last year.

Forty-four per cent of respondents said manufacturing revenues will increase this year by 8.6 per cent on an average compared to last year. Fourteen per cent said revenues will decrease by 12.3 per cent on an average, and 42 per cent indicated no change.

With an operating rate of 82.8 per cent and projected increases in capital expenditures (1 per cent), prices paid for raw materials (1.9 per cent) and employment (0.3 per cent) by the end of 2024, the manufacturing sector continues its comeback from the turmoil that began in 2020, an ISM release said.

The 12 of 18 industries that reported projected revenue increases for the rest of this year include apparel; leather and allied products; chemical products; textile mills; and furniture and related products.

Purchasing and supply executives reported that their companies are operating, on an average, at 82.8 per cent of normal capacity—0.2 pp lower than the figure reported in December 2023.

Among the 10 industries reporting operating capacity levels above the average rate of 82.8 per cent are textile mills. Manufacturing production capacity is expected to increase by 2.4 per cent in 2024; in December, panellists reported an increase of 0.7 pp for 2023 and projected an increase of 7.8 per cent this year.

Thirty per cent of respondents expect capacity increases of, on an average, 12.6 per cent; 7 per cent expect decreases of 19.7 per cent on an average; and 62 per cent expect no change. Survey respondents expect a 1-per cent increase in capital expenditures in manufacturing in 2024, much lower than the 11.9 per cent increase forecast by the panel in December.

In the December forecast, respondents predicted an increase of 3.2 per cent in prices paid during the first four months of 2024; they now report prices increased by 1.6 per cent. The 45 per cent who say their prices are higher now than at the end of 2023 report an average increase of 5.8 per cent, while 17 per cent reported lower prices, by 6 per cent on an average. The remaining 39 per cent indicated no change for the period.

Among the 17 US manufacturing industries that reported an increase in prices paid for the first part of 2024 are textile mills; printing and related support activities; apparel, leather and allied products; and furniture and related products.

Increased revenues are expected this year, as purchasing and supply management executives predict an overall net increase of 2.1 per cent compared to 2023—3.5 pps lower than the 5.6-per cent increase forecast in December, and 1.2 pps higher than the 0.9-pp YoY rise reported for 2023.

Forty-four per cent of respondents say that revenues for 2024 will increase, on an average, by 8.6 per cent; 14 per cent say their revenues will decrease by 12.3 per cent on an average; and 42 per cent forecast no change.

The 12 manufacturing industries expecting increases in revenue this year include apparel, leather and allied products; chemical products; textile mills; and furniture and related products.

Source: fibre2fashion.com– May 18, 2024

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Panama Canal Traffic Improving but Schedule Reliability Still 'Disappointingly Low'

The Panama Canal continues to ease the daily transit restrictions as water levels rise, with the canal's authority officially raising the number of ships passing through to 31 on Thursday.

But as the levels keep rising, the impact of the drought that hit the Panama Canal will be felt "for years rather than months," says ocean and air freight benchmarking platform Xeneta.

As of Thursday, official water levels at the rainfall-fed Gatún Lake were 80.6 feet deep—1.9 feet shallower than May's 82.5-foot average since 2019. The gap has been closed significantly since January, when there was a 5.5-foot average differential.

"The situation is clearly improving and compared to a fortnight ago the Gatún Lake water level is half a foot higher," wrote Peter Sand, chief analyst at Xeneta, in a blog post. "But only allowing 31 ships to transit is still impairing businesses with supply chains which transit of the Panama Canal—especially at a time when the Suez Canal is being avoided by the majority of container ships."

Sand noted that schedule reliability remains "disappointingly low" due to the canal's congestion, which began last summer when the months-long drought forced the Panama Canal Authority (ACP) to implement its first restrictions.

Using the Far East-to-U.S. Gulf Coast as an example, he pointed out that schedule reliability hovered around 60 percent pre-pandemic, before plummeting to 20 percent during the pandemic before recovering to 40 percent as the impact of Covid-19 began to alleviate.

"It has remained around that level ever since in no small part due to the situation in the Panama Canal, with three out of five ships arriving late at the destination by more than one day," said Sand. "The number of days these ships were late has also increased from three days pre-pandemic to six days currently."

By June, one more ship will be allowed to reserve a spot to sail through the 50-mile waterway, bringing the total to 32. Under normal circumstances, 36 to 38 vessels are allowed to be booked to transit the Panama Canal per day.

On June 15, the draft limitations for ships transiting the newer Neopanamax locks will increase from 44 feet to 45 feet.

"Carriers and shippers will be looking forward to the day when it reaches 50 feet, which is the normal, undisrupted draft limit," Sand said.

The ACP said last month that it expects the waterway to return to normalcy by 2025, but that this would be contingent entirely on if the expected rainfall lingers throughout the 2024 May-to-November rainy season.

As of April, more vessels have been able to pass through the canal on a daily basis, and have taken less time. Arrivals are now tallied at 26.7 per day, with a high of 39, compared to a daily average of 22.2 ships. Canal waters time—the average time it takes a vessel to transit the canal, including waiting time for passage—is now 20.2 hours on average. That is down from 32.1 hours in January, and less than one-third of the 66.5 hours on average it took vessels last August.

On Thursday, 52 vessels that already reserved ahead of time were in queue to transit the canal. Six vessels in queue had not been booked yet. Northbound vessels that haven't booked yet take 3.6 days on average to get through, while southbound ships take 6.4 days.

While the Panama Canal situation remains fluid, spot freight rates for ocean carriers are continuing their ascent for the second week in a row.

According to Drewry's World Container Index (WCI), spot rates increased 11 percent week over week to $3,511 per 40-foot container. This is on top of a 16 percent jump the week prior, which the maritime advisory attributes to numerous factors, including stronger than expected consumer imports into the U.S., lower ship capacity to Europe and possible panic buying ahead the peak shipping season.

Ironically enough, the head of one container shipping giant can't quite put a finger on the sudden jumps.

"It's a little bit difficult to understand where that spike comes from," said Hapag-Lloyd CEO Rolf Habben Jansen during the company's first quarter earnings call. "We do see very strong demand over the last number of weeks, but the background of that is a bit unclear. Is that a short-term spike, or it really something to do with an early peak season, or some restocking activities here or there?"

Source: sourcingjournal.com– May 17, 2024

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How resilient is China's 'world's factory' to supply chain shifts?

The Yiwu International Trade Market in Zhejiang, China, is a sprawling 4 million square metre housing complex over 75,000 shops. As the 2024 Paris Olympics approach, it has been a hive of international trade, with merchants rushing to fulfil Olympic-related orders.

The market is currently abuzz with French-themed products catering to the Olympic fever. Yiwu's exports to France soared by 42 per cent in the first two months of 2024 compared to the previous year, reaching nearly 75 million euros. Sports goods exports surged by 70 per cent. This reflects China's robust manufacturing capabilities and pivotal role in global supply chains.

Most products traded in Yiwu's market belong to labour-intensive light industries, such as textiles and consumer goods manufacturing. In 2023, these products accounted for over 40 per cent of Yiwu's export value and 52 per cent of its export growth. Despite global supply chains shifting towards countries like Vietnam, the share of labour-intensive goods in China's total exports has only slightly decreased, from 18 per cent in late 2017 to17 per cent in 2023.

Yiwu's robust production performance reflects China's broader shift from real estate to manufacturing investment. In the first quarter of 2024, China's industrial production rose by 6.1 per cent and manufacturing investment increased by nearly 10 per cent against a 5.3 per cent GDP growth rate.

While China delivers affordable products globally, overcapacity has increased geopolitical risks and trade tensions, highlighted by Xi Jinping's recent European trip, aimed at mitigating these tensions. China's industrial utilisation ratio dipped below 75 per cent in early 2024, the lowest since 2016 — excluding 2020 at the outbreak of COVID-19 — revealing potential resource waste.

Yiwu's export resilience is fuelled not just by its low-cost products but also by a sophisticated network of information exchanges and collaborative production across enterprise boundaries. Its rapid production and delivery capabilities allow it to handle small orders efficiently. This flexibility starkly contrasts with large manufacturers, which rely on highly

organised, large-scale production. As the nexus for foreign buyers and a wide range of suppliers, mainly small- and medium-sized enterprises, Yiwu demonstrates unique organisational skills that enable quick and cost-effective production tailored to specific orders.

Yiwu's production and delivery capabilities are anchored in its extensive industrial clusters, which foster both cooperation and competition among closely located enterprises. These clusters are organised around Yiwu's 78 industrial parks, which are home to over 4500 small and medium enterprises (SMEs). These SMEs are bolstered by the local government provisions of digital tools, flexible production technologies and support services, complemented by the application of production standards by industrial associations.

Yiwu demonstrates China's capacity for large-scale collaborative production involving multi-layered supply chains. Though export revenues from products like lighters may seem modest, their production is underpinned by complex supply chains incorporating over 30 components, including materials, precision moulds and electrical automation. With rising labour and material costs, maintaining cost competitiveness requires innovation. This necessitates not only high-precision machine tools but also robust coordination to meet diverse production and safety standards.

Large-scale coproduction also has application in other industries. Companies like SHEIN, an emerging fast fashion brand, have revolutionised the sector, outpacing traditional players like Zara. Unlike Zara, which relies on in-house production, SHEIN depends on thousands of SMEs and organises a flexible 'small-batch' production approach that caters to rapid product design, manufacturing and delivery. By harnessing big data and AI algorithms, SHEIN quickly adapts to market trends. SHEIN introduces between 700 and 1000 new products daily, and updates around 50,000 new items weekly, compared to Zara — which introduces 25,000 new products annually.

While China's industrial prowess benefits global consumers by providing affordable products such as clothing, electronics and smartphones, it is also a double-edged sword. Overcapacity has not only stirred geopolitical risk for Chinese manufacturers but also escalated trade tensions. While SHEIN's data-driven approach has been a key driver of its success, it has also raised questions about data privacy. As a company with roots in

China, SHEIN's handling of user data has come under scrutiny, particularly in the United States and Europe.

Supply chains for labour-intensive production are shifting from China to counties in Southeast Asia, India, Mexico and Hungary. The relocation of production has been driven partly by rising costs in China but also by geopolitical tensions between the United States and China, and the proactive efforts of Chinese manufacturers to expand their global presence.

Unlike the relocation of capital or information, supply chain shifts involve complex, interdependent actions. Among the different motivations for these shifts, China's manufacturers have to contend with the rise of the 'China Plus One' strategy — a parallel supply chain model. The growth of these parallel supply chains depends on establishing efficient connections within decentralised networks across national borders, which requires considerable time and effort.

In an interconnected world, the resilience of China's supply chains serves as a reminder of the importance of global specialisation and the need for collaborative efforts to address shared challenges. Just as it is impractical for multinational corporations to entirely exclude Chinese suppliers, China cannot afford to fully localise production, risking the loss of knowledge exchange and capacity upgrading from foreign enterprises. As global supply chains evolve, a balanced approach that fosters fair competition, regulates market entry and promotes global standards is essential for sustainable growth and mutually beneficial trade relationships.

Source: eastasiaforum.org– May 18, 2024

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France push for EU ban on used clothes exports, a complex issue with no easy answer

The fashion industry is a major contributor to textile waste, with Europe alone generating 5.2 million tons annually. France is proposing a ban on EU exports of used clothing, aiming to curb this waste and prevent African nations from becoming dumping grounds for unwanted garments. This proposal has sparked a debate, raising questions about its effectiveness, potential consequences, and alternative solutions.

A mounting waste crisis

Fast fashion, characterized by cheap, trendy clothing with a short lifespan, is a key driver of textile waste. The European Union alone generates a staggering 5.2 million tons of clothing and footwear waste annually, according to the European Commission. Much of this ends up in landfills or gets shipped to developing countries, particularly in Africa. A 2023 report by the European Environment Agency found that Europe dumps a whopping 90 per cent of its used clothes in Africa and Asia, raising concerns about pollution and environmental damage.

France's backs responsibility and sustainability

France, backed by Sweden and Denmark, argues that the EU must take responsibility for its waste. Their environment ministry emphasizes the environmental damage caused by overflowing landfills in Africa, stating, "Africa must no longer be the dustbin of fast-fashion." The proposed ban aims to incentivize waste reduction and promote a more sustainable clothing industry within the EU.

However, the effectiveness of a ban is debated. While it might reduce waste in Europe, it could disrupt economies in Africa that rely heavily on the second-hand clothing trade. Opponents argue the ban could potentially harm African livelihoods as millions in Africa rely on the sale of imported used clothing for income. A ban could threaten these jobs. Also, it could stifle domestic industry as some argue cheap used clothing hinders the growth of domestic textile industries in Africa. However, the quality of much of the imported clothing is poor, raising concerns about its overall impact. The ban could also disrupt existing trade agreements. A unilateral EU ban could violate existing trade agreements with African nations. The case of the East African Community's failed attempt to ban used clothing imports due to US pressure highlights this potential issue.

For example, the 2016-2020 trade dispute between the East African Community (EAC) and the US over used clothing imports exemplifies the complexities involved. While the EAC sought to boost domestic manufacturing, US pressure ultimately forced them to abandon the ban. This case demonstrates the potential for unintended consequences and the importance of international cooperation.

Dialogue and comprehensive solutions the way forward

Indeed, a complete ban on used clothing exports might be an oversimplification. Instead, a more comprehensive approach is likely needed. Experts suggest some possibilities:

Promoting sustainable Production: Incentivize European clothing manufacturers to adopt sustainable practices, such as using recycled materials and designing for durability.

Supporting local manufacturing in Africa: Offer technical and financial assistance to help African countries develop their textile industries and create a level playing field with imported goods.

Improve sorting and recycling systems: Invest in better infrastructure to sort and recycle used clothing within the EU, reducing reliance on export.

Global dialogue: An open dialogue between the EU, African nations, and other stakeholders is crucial to find solutions that address environmental concerns while protecting livelihoods and fostering development.

Certainly, the proposed EU ban on used clothing exports highlights the complex relationship between waste management, economic development, and global trade. While a complete ban might be a symbolic gesture, it's unlikely to be the most effective solution. A multi-pronged approach that addresses the root causes of textile waste and promotes a more sustainable clothing industry across the globe is likely a more promising path forward.

Source: fashionatingworld.com– May 17, 2024

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Made in the USA: A stitch in time for American apparel?

The 'Made in the USA' initiative for apparel manufacturing has become a prominent thread in the American consumer landscape. It has gained traction due to several reasons.

One primary objective is to revitalize the American textile and apparel industry, which has seen a significant decline in employment since the North American Free Trade Agreement (NAFTA) in 1994. According to the Bureau of Labor Statistics [BLS], apparel manufacturing jobs in the US dropped from nearly 900,000 in 1990 to around 172,000 in 2022. Also, consumers increasingly value quality and ethical production.

'Made-in-the-USA' often signifies higher quality standards and fairer labor practices, fostering trust. A 2020 survey by Cotton Incorporated found 73 per cent of American consumers consider the origin of clothing important, with a willingness to pay more for domestic products. The 'Made in the USA' initiative aims to revitalize the American apparel industry, create jobs, and offer ethically produced, high-quality clothing.

Impact on apparel sourcing policy

The initiative hasn't resulted in a complete overhaul of import policies. The US still relies heavily on imports, with data from the National Retail Federation showing apparel imports valued at over $100 billion in 2023. However, there's been a rise in nearshoring, with production shifting to countries like Mexico and Central America.

In fact, some brands are cautiously exploring domestic production. Companies like Everlane and American Giant have found success with US manufacturing, often focusing on high-quality, ethically sourced garments. The de minimis provision loophole allows cheap imports to bypass custom duties, giving foreign companies an edge. Perhaps, that is why industry leaders advocate for changes to the de minimis threshold or broader trade barriers to level the playing field.

Then there is the issue of tariffs on certain imported goods imposed under the Trump administration aimed at incentivizing domestic manufacturing. However, these measures also raised concerns about increased consumer costs.

According to the American Apparel & Footwear Association, domestic apparel manufacturing jobs grew by 5 per cent between 2017 and 2022. However, these numbers remain a small fraction of the industry's peak employment levels. The movement has led to a more complex supply chain. Domestic production often involves smaller-scale manufacturers, impacting efficiency and lead times.

Highercosts a possible deterrent

American-made apparel generally comes at a higher price point due to higher labor costs. A 2023 study by Cornell University found that on average, US-made clothing costs 17 per cent more than its imported counterparts. Many brands have struggled with the higher costs associated with US production, highlighting the economic realities of the movement.

Of course, the initiative has had a consumer impact as emotionally, the initiative resonates with consumers seeking ethical and sustainable options. Commercially, the higher costs can be a deterrent. A 2022 McKinsey & Company report suggests that price remains a dominant factor for most American apparel consumers.

Indeed, the 'Made in the USA' movement is likely to continue, but with adjustments. Technological advancements like automation could reduce labor costs and make domestic production more competitive. Additionally, consumer preferences for ethical and sustainable clothing could drive further growth.

It's unlikely to replace imports entirely, but it offers a valuable alternative for consumers seeking ethically-produced, high-quality clothing. The future success of the movement hinges on balancing consumer preferences, production efficiency, and a commitment to ethical practices.

Source: fashionatingworld.com– May 17, 2024

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Ghana's Used Apparel Traders Denounce Reports of Excessive Waste

Much has been made of the apparel sector's waste-making ways and the impact of disposable fast fashion on developing economies, but new research suggests that the situation is more nuanced than previously thought.

The Ghana Used Clothing Dealers Association this week released a report claiming that less than 5 percent of the secondhand clothing imported into the West African nation from offshore locales is actually waste—an assertion that upends the widely held belief that the continent has become a dumping ground for unwanted duds.

According to the group, which is comprised of 2.5 million dealers who sell used clothing, footwear and accessories, the secondhand market is part of a sustainable ecosystem that helps propel a global circular economy.

What's more, about 95 percent of Ghanaians consume secondhand apparel, according to a survey of 621 respondents. The trade contributed $29.5 million to the country's economy in 2022, with 92 percent of the 370 Ghana-based retailers surveyed saying they rely on the inventory to stock their businesses.

"The continued use of inaccurate information circulating in some parts of the media about the secondhand clothes trade must stop," general secretary of the Ghana Used Clothing Dealers Association Edward Atobrah Binkley said. "Those who've spent years using and repeating false and inaccurate figures about waste in the trade should apologize now for the damage they have done and the harm they have caused."

According to Binkley, the report aims to show that the secondhand apparel trade is low-waste and essential to promoting circularity, "providing a solution to the challenges of climate change and waste the world faces, as well as the over consumption of fast fashion that is wreaking damage on a global scale."

"It is also pivotal to Ghana's economy and way of life, providing affordable clothing to millions while supporting livelihoods across the nation and contributing significantly to Ghana's government tax revenues," he added. "Policy makers should be extremely cautious before they further regulate

an already well run and regulated, global trade based upon bad data and misleading figures."

The report outlines new definitions of apparel waste as defined by the traders who sell it. Under 2 percent of those surveyed said stained or torn apparel was unsalable and therefore designated as waste, because such issues can be resolved easily through cleaning and repair. By contrast, 45.7 percent of traders said they consider clothing that "appears old"—either because it's faded, worn out or outdated in style—to be waste, suggesting that it's not new, trendy, fast fashion styles that aren't selling, but well-worn vintage clothing, that doesn't appeal to the market.

When apparel is imported into Ghana, traders buy it by the bale, and they're largely unaware until after purchasing what kind of inventory they're going to get. Still, 73 percent of traders reported between 0 percent and 4 percent waste in the bales they purchase regularly.

"In media reports there are two claims about the [secondhand apparel] industry in Ghana that dominate the narrative," the report said. "One is that 40 percent of clothing items in imported bales are considered waste and almost immediately discarded, and related to this, the second claim is that secondhand clothes make up a large proportion of landfill waste and the waste polluting local waterways."

Textile waste makes up between 1.7 percent and 2.2 percent of all waste in Accra, Ghana, the report said, referring to data from waste pickers.

According to the Observatory of Economic Complexity, an online database of trade insights, the biggest sources of used clothing for Ghana's secondhand market in 2022 were the United Kingdom ($64.7 million), China ($40.8 million), and Canada ($10.6 million). The U.S. ranked No. 6 after the Netherlands and Poland, sending $5.5 million in used apparel to Ghana during the same time frame.

The report's writers argued that Ghana isn't just a destination for secondhand apparel, but an export market, and the resource bolsters the country's economy. In 2022, the country exported $585,000 in used clothing, representing a "tangible contribution" to export earnings. Key destinations for that product included Benin ($242,000), Côte d'Ivoire ($173,000), Niger ($72,700), United States ($20,100) and the United Kingdom ($16,500).

Interviews with members of the Ghana Used Clothing Dealers Association showed an interest in driving circularity within the sector to manage the waste that does result from the grade. The report said, "[T]here is much scope within Ghana to make the trade more sustainable through investment in waste management facilities and greater collaboration between stakeholders such as vendors of [secondhand apparel], consumers, waste management companies and government agencies."

While the trade group argues on behalf of the secondhand apparel trade and against its regulation, environmental activists, regulatory bodies and NGOs have said the free flow of used goods into African nations stymies local industry and harms the ecology.

In February, Greenpeace staged a protest of the fast fashion industry at Berlin Fashion Week, creating a mountain of textile waste more than 11 feet tall and 39 feet wide sourced from the Kantamanto Market in Accra, the largest secondhand market in Ghana.

The East African nation of Kenya has also been a massive recipient of secondhand apparel from across the globe, so much so that the Changing Markets Foundation titled a 2023 report, "Trashion: The Stealth Export of Waste Plastic Clothes to Kenya." The group asserted that Kenya has become "ground zero" for fashion waste, which largely consists of synthetic garments that never biodegrade.

Traders in that market who were interviewed by Clean Up Kenya and Wildlight said that 20 percent to 50 percent of the used apparel they buy in bales is unsalable due to quality, damage, size or unsuitability for the market.

Meanwhile, research from the Kenya Institute for Public Policy Research and Analysis (KIPPRA) last year said the used clothing racket is also inhibiting the growth of the country's local footwear and apparel sector. The country's government is keen to build up its domestic fashion industry by enacting stimulus programs like the Buy Kenya Build Kenya initiative and investing in local cotton production—but locals aren't buying enough new clothing to fuel growth, KIPPRA said.

Source: sourcingjournal.com– May 17, 2024

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China's retail sales up 4.1% in Jan-Apr, driven by online surge

In the first four months of 2024, China's retail sales of consumer goods, a key indicator of the country's consumption strength, rose by 4.1 per cent year on year, according to official data released by the National Bureau of Statistics (NBS) on Friday.

Urban areas saw a 4 per cent increase in retail sales, while rural areas experienced a more substantial rise of 4.8 per cent. Online retail sales saw an impressive surge, climbing 11.5 per cent year on year.

Online sales of physical goods contributed significantly, growing by 11.1 per cent and accounting for 23.9 per cent of the total retail sales of consumer goods, said Chinese media reports quoting NBS.

In April alone, retail sales of consumer goods expanded by 2.3 per cent compared to the same period last year, further showcasing the ongoing recovery and strength of consumer spending.

Source: fibre2fashion.com– May 18, 2024

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Vietnam: More challenges facing textile and garment sector.

What challenges will Vietnam's textile and garment sector face in 2024?

There will be many challenges and obstacles in 2024. Firstly, political relations between major countries continue to face instability and unpredictability. The standardization requirements of importing countries for the textile and garment sector, such as creating sustainable fashion products, recyclable products, and circular-oriented products, will also be an issue.

Additionally, in the context of Vietnam becoming a more deeply-integrated economy since it entered into many of its bilateral and multilateral free trade agreements, not only the garment and textile sector but also all others have faced greater global competition, and this is an issue that the sector must overcome.

One noteworthy challenge comes from within Vietnam's textile and garment businesses, which currently lack three key resources: administrative technology, industrial fashion design capabilities, and a marketing workforce capable of seeking and selecting suitable suppliers to reach agreements and sign contracts with and identify sources of raw materials.

Next is the challenge of linking chains and developing a strong business community. We cannot have an environment where only a few strong businesses exist. We need a strong textile and garment community, to promote the development of businesses that meet requirements from such sub-sectors in the garment sector as spinning, dyeing, and textiles.

Vietnam's fashion industry also faces a severe shortage of domestically-supplied raw materials and has done so for many years. Though the government issued a decision approving the strategy to develop garments, textiles, and footwear by 2030 with a vision to 2035, some localities have, however, unintentionally imposed barriers while calling for investment in the textile and dyeing sub-sectors due to low awareness. This presents a major challenge, because if the textile and garment sector does not have domestic raw materials and relies solely on imports, it will miss huge opportunities from trade agreements offering zero tariffs as there is no locally-made fabric.

Solutions for environmental management, firefighting and prevention, and measurement standards, among other matters, also pose significant challenges. Vietnam has joined the global playing field, so regulations must be in line with international standards without imposing excessive pressure on businesses.

What specific measures would the textile and garment sector need to take to address these challenges?

It is necessary to focus on developing domestic raw material sources following green and circular trends, on meeting stricter requirements for identifying origin, and on additional taxes that may be imposed in the future, such as Extended Producer Responsibility (EPR) and the EU's Carbon Border Adjustment Mechanism (CBAM).

Focus must also be on a strategy to attract investment in fixing supply shortages under the textile and garment development strategy approved by the government. To achieve this requires supporting mechanisms and policies on land and investment in clusters and industrial parks for spinning, weaving, and dyeing, etc., to create the conditions for the industry's development.

The Ministry of Industry and Trade needs to work with localities to prepare development planning for industrial parks that comply with environmental regulations, and to attract investment in textile and dyeing projects, especially high-end dyeing and weaving and knitting projects.

There should be a tax mechanism for the textile and garment sector, such as on-the-spot exports and input value-added taxes, because businesses currently face significant pressure from bank loans, wages, and payment delays.

Solutions to protect the environment are also needed. The notion of a "green" environment goes beyond just trees, and requires investment in solutions relating to technology, equipment, resources, and workforce.

Developing Vietnam's textile and garment brand in the global market is also an important solution. It is therefore necessary to develop fashion industry development centers in Hanoi and Ho Chi Minh City, which will serve as a playground and stage for designers. However, we need to decide which brands of which businesses we should choose to develop in the global market and via what distribution channels. This requires strategic

planning at a national level from the government and relevant State agencies to register exclusive trademarks globally. This is a critical task that cannot be delayed.

You mentioned the green transition for textiles and garments. Can you elaborate on that?

Green growth is now an inexorable trend and is the only path to follow, including for the textile and garment sector. Apart from the challenges and difficulties facing the global and Vietnamese economy this year, the textile and garment sector will also face numerous obstacles in implementing the EPR mechanism and the CBAM, in "sustainable fashion" replacing "fast fashion", in the Organization for Economic Cooperation and Development (OECD)'s Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, and in the German Supply Chain Due Diligence Act.

Specifically, issues related to green growth and sustainable development have become important competitive criteria that major markets such as the US, the EU, and Japan require from suppliers, in addition to factors like price, product quality, and delivery time.

For example, textile and garment products exported to Europe must be manufactured using cotton or polyester fiber mixed with recycled fiber made from natural products, waste materials, or surplus textile and garment products. This means that major importers are focusing on sustainable development indicators such as environmental, social, governance (ESG) and Leadership in Energy and Environmental Design (LEED) standards. Suppliers who possess advantages in these will have a competitive edge and receive more orders.

Therefore, to develop sustainably, from now to 2030, the textile and garment sector will gradually shift its focus from rapid development to sustainable development and a circular trading model.

From 2031 to 2035, it aims for effective and sustainable growth based on a circular economic model to complete the domestic value chain and play a pivotal role in global supply chains. Home-made textile and garment products must reach the same quality standards as those of regional and global brands in order to meet requirements for export and domestic consumption.

Key solutions for the textile and garment industry will come from investment in sustainable development and the promotion of science and technology and human resources. These include attracting dyeing and weaving projects with high technology to industrial parks, investing in making new products from natural and environmentally-friendly materials, and promoting digital transformation and the development of the fashion industry.

I want to stress again that green transition is an inexorable trend in the textile and garment sector. It is absolutely necessary to integrate circular products into textile and garment products. Therefore, the government must accompany businesses to build a “green transition strategy”, and invest in factories to ensure there is infrastructure that meets the evaluation standards of brands, such as in workplace environment, wastewater treatment, air pollution control, and renewable energy using rooftop solar power.

In particular, it is necessary to establish a natural resources and environment fund to help enterprises boost green growth, with a preferential interest rate of 0-2 per cent per annum to encourage them to comply with Vietnam’s commitments to net-zero emissions made at COP26. This requires that the government makes funds available for this strategy.

Source: vneconomy.vn– May 17, 2024

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What's preventing India from achieving USD100 billion textile exports by 2030

Bharat Tex 2024, an extravaganza of textile industry, recently concluded with the goal to achieve USD100 billion textile exports by 2030. Nevertheless, India is below half-way in an export marathon barely touching about USD40 billion — way behind China, Vietnam, and Bangladesh.

India's textile exports are just about 5% of the global exports of USD930 billion. However, the textile entrepreneurs and businesses echo their successes on recently established garment manufacturing and textile mills claiming to generate employment for millions of people in the textile sector.

Achieving USD100 billion means the domestic textile industry must grow 25%-30% per annum or 150% in the next 5-6 years. There are efforts being made on multiple fronts by the government to expand and modernise the textile sector with new factories and investment in R&D coupled with establishment of seven mega Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA) in Tamil Nadu, Telangana, Gujarat, Karnataka, Madhya Pradesh, Uttar Pradesh, and Maharashtra.

PM MITRA has been envisaged to attract nearly INR70,000 crore investment and generate 20 lakh employment.

There are two underlying features of PM MITRA to accelerate export of textile from India. First, it relies heavily on the idea of 5F — Farm to Fibre to Factory to Fashion to Foreign — and second, the textile sites were selected keeping in view the proximity of cotton-production regions of central and southern cotton growing zones.

The PM MITRA-cotton friendship

The textile ministry has set a mountainous target. However, the policy makers must realise that the success of PM MITRA and USD100 billion textile export target depend primarily on the growth of cotton production and availability of quality cotton for value-chain partners of the textile industry.

Cotton has been the backbone of Indian textile industry that contributes almost 60% to the Indian textile sector, whereas the synthetic yarn contributes majority of global textile industry.

India has developed a niche in cotton-based textile, which cannot sustain in the absence of a robust policy and the timely approval of new technology for cotton improvement.

The commercialisation of insect-resistant Bt cotton in 2002 was a turning point in the history of cotton production. Availability of contaminant-free and quality cotton rebounded ailing ginning, spinning and cotton textile industry, and leveraged value-chain sector to the global cotton trade.

By 2007-08, India became net exporter of cotton, and a top producer in the world surpassing the US and China. The cotton export peaked at 116.9 lakh bales worth INR23,153.24 crore in 2013-14 before declining YoY to 47 lakh bales worth INR8,731.32 crore in 2020-21.

Exportable surplus was based on a record cotton production of 393 lakh bales in 2013-14, since then the cotton production has been gradually declining to 310-320 lakh bales as calculated on 10-year average basis.

The country needs to correct its course, invest in cotton R&D, break stereotype research and scientific outreach of field level demonstration (FLDs), and develop a robust public private partnership (PPP) to advance cotton R&D and production at the national level.

Breaking the policy status quo

All parameters measuring the competitiveness of cotton indicate something is fundamentally and structurally wrong with cotton policies, technology, trade, incentive, and promotional schemes in the country. So much so that the prices of cotton seeds are regulated as maximum sale price (MSP) by the central government that gazettes MSP of cotton seeds every year before March 31 for the subsequent season.

Ironically, cotton is the only commodity for which the government announces MSP for cotton seeds. With other crops, the government also announces MSP for raw cotton to the farmers.

It is so embarrassing that a decision for MSP for cotton seeds is annually taken by a committee headed by a joint secretary after the so-called stakeholder's consultation to determine whether the government should increase cotton seeds price by INR5 - INR10 per packet. Interestingly, the fixation of cotton seed price is going on for last 10 years under the Cotton Seeds Price (Control) Order, 2015 (CSPCO) notified by Ministry of Agriculture and Farmers' Welfare on December 7, 2015.

Originally, the CSPCO 2015, was gazetted keeping in view the demand from stakeholders to regulate prices of genetically modified (GM) cotton seeds such as BG-I and BG-II of Bt cotton. Contrary, the CSPCO 2015 has been used for over a decade as a legislative means by the bureaucracy to deliberately scuttle the trait fee (royalty) to zero while gradually increased the seed value and MSP to INR864 per packet of 450gm seed in 2024, which is higher than INR800 per packet MSP of BG-II cotton seeds, which included both seed value and trait fee fixed under CSPCO in 2016.

MSP or no MSP

Ironically, if CSPCO 2015 was meant to regulate the prices of GM cotton seeds such as Bt cotton, then it has lost it purpose and become self-defeating (see chart).

By arbitrary fixing market price of Bt cotton seeds in favour of seed producer and thwarting technology fee, it has stymied R&D companies to innovate and develop new and high-yielding seed and biotech trait(s) for cotton sector in India. As a result, the cotton sector has not seen any new technology including next generation BG-IIRRF cotton.

The cotton seed industry both domestic as well MNCs are walking on the double-edged sword and unsure about the relevance of CSPCO 2015.

In fact, the order tends to become a death knell to the overly burdened bioscience academia and seed and biotech industry in India. In the past, the Economic Survey 2015-16 of the Ministry of Finance rightly termed the cotton seed control order not only a regressive but also an unproductive step.

In 2016, the FICCI and its member companies demanded the government to revoke the controversial CSPCO 2015 and allow competition and free and fair market for the growth of agriculture sector in India.

On June 19, 2023, the Ministry of Agriculture and Farmers' Welfare while releasing the minutes of the "roundtable discussion on cotton" held under the chairmanship of Member (Agriculture), NITI Aayog and Secretary (A&FW) unanimously recommended to review of cotton seed price control regulation CSPCO 2015, and assigned the task to the seed division of the Department of Agriculture and Cooperation to review of cotton seed price control regulation.

More than a year, there has been no new progress, and the policy status quo continues.

Cotton: the way forward

While the government fixes MSPs for cotton seeds year-after-year, the cotton farmers and industry are staring at pests developing resistance to Bt cotton, rapidly decelerating cotton yield, declining export, and increased import. The situation is such that the cotton farmers are in a doldrum.

On other hand, the subdued cotton production has been forcing the textile industry to vouch for imported raw cotton increased to 21.1 lakh bales worth INR10,353.96 crore in 2021-22.

The relaxation in import duty structure in recent year has aggravated the balance of trade in cotton, which remained favourable over the last two decades. On the other side, the cotton export increased substantially from 0.84 lakh bales in 2002-03, peaked at 116.96 lakh bales worth INR23,153.24 crore in 2014-15 and has been declining YoY to 15.5 lakh bales worth INR5,021 crore in 2022-23.

Recent policy initiatives such as production of ELS cotton and high-density production system (HDPS) cannot fix the spiralling crisis in cotton production in India.

At the micro level, the production loss has a far-reaching implication for smallholder farmers and their families engaged in cotton seed production and cotton farming. At the same time, there is a significant erosion of the competitiveness of cotton for Indian cotton and textile industry at the macro level.

The current initiative by the Textiles Export Promotion Council (TEXPROCIL) for fixing the qualification specifications of the fibre quality as “KASTURI” Brand Indian cotton will certainly promote the export provided the importance of quality cotton reaches producers, ginners, and others in the value chain.

The success of PM MITRA scheme hinges on the success of small cotton farmers to be better understood by all the stakeholders sooner than later.

Source: economictimes.com– May 18, 2024

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12 Unicorns, over 125 startups commit to onboarding ONDC

Department for Promotion of Industry and Internal Trade (DPIIT) organised the 'ONDC Startup Mahotsav', a first of its kind event, on 17th May 2024 at Vanijya Bhawan, New Delhi. The event symbolized the celebration and collaboration of two of DPIIT's flagship initiatives – the Startup India initiative and Open Network for Digital Commerce (ONDC).

Secretary, DPIIT, Shri Rajesh Kumar Singh, underlined the Government's unwavering commitment to nurturing and encouraging ecosystem for startup growth and innovation. He said, "The ONDC Startup Mahotsav is an inflexion point for startups in India to leverage the opportunities unlocked by ONDC. The network has rapidly grown and matured over the past one and a half years, and today's session reflects both the DPIIT's and industry's commitment to democratising digital commerce in India."

The event witnessed participation of around 5,000 startups in hybrid mode. Over 125 ecosystem stakeholders including startups, unicorns and high growth businesses such as EaseMyTrip, OfBusiness, Winzo, Livspace, GlobalBees, Pristyn Care, Cars24, Physics Wallah, PolicyBazaar, and Zerodha, signed Letter of Intent (LoI) during the event. These LoIs signify the potential of ONDC and the eagerness of leading startups of the country to collaborate with the platform.

Joint Secretary, DPIIT, Shri Sanjiv, emphasised on the vision of the Government for the continuous collaboration between the startups and the ONDC. He said, "Startups can play a pivotal role in ONDC ecosystem by driving innovation, fostering competition and enhancing consumer choice. More than 125 startups have committed to onboard to ONDC network in today's event reflects the excitement and momentum of the national initiative".

MD & CEO, ONDC, Shri. T. Koshy said, "The ONDC Startup Mahotsav marks a pivotal moment in India's digital transformation journey. By fostering collaboration and innovation within our ecosystem, we are empowering startups to redefine the rules of the game in e-commerce".

The 'ONDC Startup Mahotsav' is a unique collaboration between the ONDC and the Startup India initiative. More than 5 lakh sellers have been onboarded on the platform, of which more than 70% are small or medium

sized sellers. In April 2024, ONDC facilitated around 7.22 million transactions. To realise this, the 'ONDC Startup Mahotsav' was organized. With an effective association between the startups and the ONDC, a holistic growth of both the initiatives, the economy at large and opportunities to grow at scale are being unlocked.

Insightful panel discussions on subjects as 'Building a collaborative future of Indian E-Commerce', 'ONDC - Startup Success Story' and 'Driving Startup Growth through ONDC' dwelled on the areas of mutual collaboration and the immense potential for startups and emerging businesses to expand and scale-up harnessing the network of ONDC. Distinguished speakers including Member, Competition Commission of India, Shri Anil Agrawal; Joint Secretary, DPIIT, Shri E. Srinivas; Secretary General, Quality Council of India, Shri. Chakravarthy T Kannan; Advisory Council Member, ONDC, Smt. Anjali Bansal; DMD, SIDBI, Shri Sudatta Mandal; Co-founder, EaseMyTrip, Shri Rikant Pittie; and Co-founder, Winzo, Shri Paavan Nanda shared their views and thoughts on these engaging discussions. A 'Masterclass on Enabling Startups on ONDC' was also organised to handhold and mentor startups for on-boarding and effective utilisation of ONDC.

The Government launched the Startup India initiative on 16th January 2016 with the intent of supporting entrepreneurs and building a robust startup ecosystem in the country. From around 300 startups in 2016, today India is amongst the leading startup hubs with more than 1.3 lakh DPIIT recognised startups. These are operating in more than 55 sectors, bringing innovation across domains. The startups have created more than 13 lakh direct jobs in the country.

Another marquee initiative of the Government, the ONDC was launched in 2021 as a first-of-its-kind protocol, with a mission to democratize digital commerce. Today, ONDC is fully operational across India, with the digital infrastructure completed and rolled out to businesses and the public at large. ONDC lowers entry-barriers to digital commerce, and provides level playing field for all e-commerce players, especially the small-scale businesses and those who have been digitally excluded. Startups are innovators with agile working cultures providing good quality products and services at competitive prices. Startups are a crucial pillar for achieving the goal of self-reliance in the country. Creating and discovering markets is a challenge for startups that can be addressed through the ONDC platform, highlighting the significance of this collaboration.

Over the years, a conducive environment has been created for entrepreneurs in the country. The Government itself has introduced many innovative reforms and initiatives. ONDC is one such innovative initiative of the Government to democratize e-commerce, can now play an instrumental role in further strengthening the startup ecosystem of the country. This grand Mahotsav is the beginning and the first step towards realizing this fruitful collaboration.

Source: pib.gov.in– May 17, 2024

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India must up its share in global manufacturing: FM Nirmala Sitharaman

India must ramp up its manufacturing sector to increase its share in global value chains and become self-reliant with the help of government policies, Finance Minister (FM) Nirmala Sitharaman said on Friday.

"Much against the advice given by some economists that India should no longer be looking at manufacturing or ramping up manufacturing, I would like to highlight the fact that manufacturing must increase... We need to have greater sophistication in our product manufacturing," Sitharaman said at the Confederation of Indian Industry's (CII) Annual Business Summit here.

Some economists, including former Reserve Bank of India Governor Raghuram Rajan, recently said India should focus on the services sector rather than manufacturing as it has missed that opportunity.

Sitharaman said the government was looking at the private sector as a partner in developing India and sees it playing a big role towards becoming a developed country by 2047.

"We see a very big role for the private sector and we would like to partner with them in development with the government acting as a facilitator and an enabler," she said.

The FM said the fundamental basis for India's consistent and steady growth was the policy stability, absence of flip-flops, and corruption-free decision making. "We are making sure that the facilitation both in the legislative and the legal frameworks are all simultaneously going on, having heard from the industry that rapid changes are required in our compliance regime," Sitharaman said.

The FM underlined that the window of India's demographic dividend is there for the next 30 years, and it comes with the added advantage of the lowest dependency ratio.

She highlighted the International Monetary Fund's estimation that India would contribute 18 per cent to the global growth for five years beginning from 2023.

The production-linked incentive scheme has helped in transforming the mobile and electronics sectors, she said. “From 78 per cent import dependence in 2014, 99 per cent of all mobiles sold in India today are made in India.”

Citing iPhone maker Apple’s example, the FM said value addition in electronics and smartphone manufacturing had grown significantly, having crossed 20 percent from the negligible level of 2014-15. “India's becoming Apple’s second-largest manufacturing hub for iPhones outside of China,” Sitharaman said.

The FM also quoted a Capgemini Research Institute report released in May that said India figured at the top of the list of investment destinations for senior executives in Europe and the US who are looking to reduce their dependence on China and shift part of their manufacturing capacity to emerging markets.

“Sixty-five per cent of nearly 760 executives surveyed have said they plan to increase investments significantly in India,” the FM said.

On the services sector, Sitharaman said India commands over 50 per cent of the world’s Global Capability Centres and remains the most preferred destination creating significant domestic and global opportunities.

Source: business-standard.com– May 17, 2024

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India, Britain reaffirm FTA commitment at annual strategic dialogue

India and Britain on Friday reaffirmed their commitment to conclude a mutually beneficial free trade agreement (FTA) at the annual UK-India Strategic Dialogue in London.

Foreign Secretary Vinay Kwatra, who is on a visit to the UK, held discussions with his counterpart, Sir Philip Barton, Permanent Under-Secretary at the Foreign, Commonwealth and Development Office (FCDO).

After their meeting, the FCDO said the two leaders reviewed the progress made on the UK-India 2030 Roadmap since the last strategic dialogue in January last year and looked ahead to the next phase of bilateral cooperation.

The two reflected on good progress on the 2030 Roadmap since the last review, noting key areas where the UK and India have worked together to tackle some of the world's biggest challenges, the FCDO said in a statement.

This included collaborating on the world's first malaria vaccine, working closely on India's successful G20 Presidency and increasing opportunities for students and entrepreneurs under the Migration and Mobility Partnership. Alongside celebrating the milestones since the last review, this year's dialogue included the ongoing commitment to negotiate a mutually beneficial free trade agreement (FTA), and enhance defence cooperation, the statement added.

Earlier, the High Commission of India in London said Kwatra also had a fruitful meeting with UK Minister of State for Defence Procurement James Cartlidge, during which they discussed ongoing India-UK defence capability cooperation initiatives and avenues for future collaboration.

"We are delighted to host Indian Foreign Secretary Kwatra in London to underline the UK's commitment to deepening cooperation with India. I look forward to our relationship going from strength to strength, working together on trade, defence, climate, and health," said Lord Tariq Ahmad, FCDO Minister for South Asia, after his meeting with the Foreign

Secretary which his office said covered the FTA, migration and the Commonwealth.

The 2030 Roadmap was clinched between India and the UK in 2021 and includes commitments to deepen cooperation on health, climate, trade, education, science and technology, and defence by 2030.

Source: business-standard.com– May 17, 2024

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Reach Europe 20 days earlier and for 30% cheaper: How Chabahar port helps India expand its trade footprints globally

India's pact with Iran to develop the Chabahar port will give a boost to the multimodal transportation network called the International North-South Transport Corridor, enabling exports from South Asia to reach Europe and Russia.

India signing a pact to equip and operate the Chabahar port in Iran should be music to the ears of domestic traders and exporters. This is because the port will also serve as a key node in the International North-South Transport Corridor (INSTC), a multimodal transportation network that aims to connect South Asia to Europe and Russia via Iran.

The government says plans are underway to connect Chabahar to the INSTC, allowing Indian traders to reach Central Asia with greater ease and more cost-effectively. Trade experts explain that this will mean efficient access to Iran, Russia, Azerbaijan, and the Baltic and Nordic countries — and not just the 11 countries in Central Asia.

They also point out that the INSTC is being seen as an alternative to the Suez Canal trade route. About 12% of global trade, around one million barrels of oil and roughly 8% of liquefied natural gas pass through the canal each day, says a BBC report.

Yet it remains vulnerable. In 2021, the experts recall, a ship ran aground and blocked the Suez Canal for six days. Lloyd's List estimated that $9.6 billion of trade was held up each day. The world was recently again reminded of the importance of having alternative trade routes when the Israel-Hamas conflict and the Houthi attacks on ships coming or going to the canal started disrupting trade.

In this context, the INSTC corridor can be a critical geostrategic tool India needs to enhance its trade footprints in Central Asia.

Sectors that will benefit

Ajay Srivastava, Cofounder of Global Trade Research Initiative (GTRI), says, "Indian cargo from ports like Kandla, JNPT, Mumbai, Mormugao, Cochin and Mangalore can use Chabahar port in Iran as a strategic

gateway to Central Asia, including Turkmenistan, Uzbekistan, and Kazakhstan, and further to Northern Europe via Iran and Russia. The International North-South Transport Corridor (INSTC) significantly cuts transit times to around 25 days from the usual 45 days via the Suez Canal route and reduces freight costs by 30%.”

Energy, pharmaceuticals, information technology, health, agriculture, textiles, and gems and jewellery can benefit greatly once India starts leveraging Chabahar port for the INSTC route, says Nisha Taneja, Professor, Indian Council for Research on International Economic Relations (ICRIER).

Ajay Sahai, Director General & CEO of the Federation of Indian Export Organisations (FIEO), includes perishable products — including marine, fruits and vegetables — agriculture and allied products (tea, coffee and spices, edible), apparel, engineering goods, organic chemicals, rubber, medical and diagnostic instruments, and project exports to the list.

Chabahar port also offers India a direct and shorter route to Central Asia by bypassing Pakistan, a country with many known and unknown actors who can sabotage trade and strategic ties. Additionally, located at the mouth of the Gulf of Oman, near the Iran-Pakistan border, Chabahar can also offer a challenge to China’s Belt and Road Initiative — a project to connect China to Europe, the Middle East, Africa and beyond via extensive land and maritime networks.

“In fact,” says Faisal Ahmed, a professor of international business and geopolitics at the FORE School of Management, New Delhi, “the connectivity with Chabahar as a transit hub will make INSTC a significant trade route with a potential to cater to goods and cargoes in parallel with, and possibly better than, the China-Central Asia-West Asia Economic Corridor of China’s Belt and Road Initiative. It is also going to help partner countries get access to more effective regional maritime value chains. INSTC-Chabahar will help India diversify its trade routes, and maintain supply chain resilience.”

Indian ports within reach

The Chabahar port has deep-water facilities and modern infrastructure. According to official reports, the port has handled over 80,000 TEUs of container traffic and more than 8 million tonnes of cargo since 2019. It has the potential to become a major hub for trade and maritime activities.

It is some 550 nautical miles from Kandla port in Gujarat and 786 nautical miles from Mumbai. This coverage can offer many trade and security advantages.

Chabahar also has the strategic advantage of being closer to the Strait of Hormuz, which connects the Persian Gulf with the Gulf of Oman and the Arabian Sea. It's the world's most important oil chokepoint: nearly 25% of the world's oil supplies pass through the strait, says the US Energy Information Administration.

This passage also holds immense strategic and economic significance for India, as some 2 million barrels of crude oil reach the country daily through the strait. Persian Gulf countries also export significant quantities of liquefied petroleum gas (LPG) and other refined products to India. Approximately 5 mbd of refined products come through the strait, and 0.7 mbd to India. A fully operational INSTC can address the security threats in this region.

The contract signed by India and Iran on May 14 says New Delhi can develop and operate the port of Chabahar for 10 years. This is India's first overseas port management venture. India has agreed to invest $85 million in the development of a terminal at the port. Indian Ports Global Limited (IPGL), which signed the deal with the Port & Maritime Organisation of Iran, plans to allocate around $120 million to upgrade the port's facilities. India has also offered a credit window equivalent to $250 million for mutually identified projects aimed at improving Chabahar-related infrastructure, officials said.

Strategic and economic sense

Citing India's huge energy imports from Central Asian countries via these trade choke points (the Red Sea and Strait of Hormuz), Rajan Sudesh Ratna, Deputy Head and Senior Economic Affairs Officer at the United Nations Economic and Social Commission for Asia and the Pacific (UNSCAP), says: "One key economic sense of INSTC is around energy connectivity. All corridor countries, especially India, are working towards energy security. Central Asia can be a good source for this requirement due to two reasons — cheaper price and good connectivity."

The contract signed by India and Iran on May 14 says New Delhi can develop and operate the port of Chabahar for 10 years.

The UNSCAP has done several studies on trans-Asian railways or highways. Ratna adds his organisation has even probed the potential of routes that start from Istanbul and go up to Dhaka. Citing the EU region, he says such regional groupings have benefitted stakeholders globally. Leaving the geopolitical dilemma aside, it makes total sense economically to have such strategic connectivity. Compared to the trade costs typically incurred via sea routes, where 2-3 days are at least wasted in dispatching goods from respective port points to their destinations, the INSTC would cut these delays, Ratna says. “If you can cheaply import via INSTC, you can save the country precious foreign exchange and anything that’s produced after that would also be more cost-effective.”

Route to tap underserved CIS markets

Coming back to trade with Central Asia, experts point out that India’s trade potential with countries in this geography has been muted because of the lack of efficient cross-border transport connectivity. But the INSTSC can radically change the status quo here. The multimodal transit corridor makes transportation much cheaper and faster. It can reduce the freight cost between India and Central Asia by about 30% and bring down the transit time by more than half, says Sahai of FIEO.

The route can slash the transit time to 22-24 days for Europe-bound shipments from the 45-60 days taken by the Suez Canal route. “The cheaper cost of transport will lead to increased competitiveness of our exports, opening access to untapped markets.”

ICRIER's Taneja says India’s trade with Iran, Russia, Azerbaijan, Central Asia and the Baltic and Nordic countries currently accounts for a “mere 3%” of its total trade. There is huge potential here, she says.

With the important waterways in the region now becoming a hotbed of geopolitical activity, Taneja sees it as imperative for countries to move cargo through alternative routes. This is where the INSTC corridor provides India not only an opportunity to connect with Europe through another route but also to tap additional markets in Russia and Central Asia.

INSTC can be a viable alternative to Suez Canal for exports from India.

According to Ahmed of Fore School, the INSTC-Chabahar port linkage will enhance the competitiveness of the participating countries in terms of

cargo handling capacity, reduced transportation cost, and skill-based employment opportunities. “Russia seeks to construct the Rasht-Astara rail link to connect the Iranian city of Rasht near the Caspian Sea to Astara in Azerbaijan. Moreover, this inter-linkage will also complement the proposed India-Middle East-Europe economic corridor project proposed during the G20 summit in 2023,” adds Ahmed.

Threats to watch out for

All countries along the INSTC corridor, including Afghanistan, are signatories to the TIR (Transports Internationaux Routiers) Convention administered by the International Road Transport Union (IRU), which supports multimodal movement of goods and transport using a single customs document. The TIR system is the easiest, safest, and most reliable way to move goods across multiple international borders. India became a signatory to the convention in 2017 much after the other countries so that it could align with all the other countries in the INSTC.

Taneja of ICRIER says India’s links in the INSTC are further strengthened by the Ashgabat Agreement, which aims to establish an international multimodal transport and transit corridor between Central Asia and the Persian Gulf. The Iran-Turkmenistan-Kazakhstan (ITK) railway line will be the major route under the Ashgabat Agreement.

“The Chabahar-Zahedan railway link, which would connect India to Afghanistan, is expected to be completed this year. There are concerns about the safety of cargo when transiting through Afghanistan; but given that Afghanistan is a signatory to the TIR Convention, it is bound to follow the safety rules and standards laid down in the guidelines of the convention,” says Taneja.

She sees the 10-year agreement as a positive move towards establishing an alternative route to the Red Sea trade route. But a time-bound plan to manage Chabahar port and operationalise the INSTC route is a must to ensure it does not remain a pipedream, she adds.

Win for all

Srivastava of GTRI says it is the government’s responsibility to ensure that Chabahar has the necessary infrastructure, processes, and staffers to effectively manage the cargo flow from India. Only then will the INSTC function seamlessly and help trade cut time and costs. “The development

of Chabahar assumes urgency due to the ongoing instability in the Middle East affecting the IMECC initiative, making it vital for safeguarding India's economic interests in the region," he says.

Industry experts say the government should now take care of one more issue to expedite the trade push through Iran: resolve banks' reluctance to deal with any trade documents that mention Iran because of fear of sanctions from the US. If we are developing a trade route, we should also resolve such trade issues, experts say, adding a robust alternative to traditional trade routes such as the Suez Canal would be a win for every trading economy. "Of course, a potential risk to this INSTC-Chabahar linkage may arise due to US sanctions on Iran. But all the beneficiary countries of this project can come together and negotiate a way out of that problem, especially as such an arrangement will potentially benefit the US as well," adds Ahmed.

Source: economictimes.com– May 15, 2024

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‘Amazon, Flipkart will join ONDC if it makes business sense’

E-commerce majors such as Amazon and Flipkart can decide on joining the government’s Open Network for Digital Commerce (ONDC), the public digital infrastructure network for buyers and sellers, purely based on economic considerations as participation is voluntary, officials have stated.

“When it will make business sense to them, Amazon and Flipkart will come in (join ONDC). In any case it is voluntary to participate. They are existing platforms and they have their own setups. Migrating to a new system and a new network can take time,” a senior official from the Department for Promotion of Industry and Internal Trade (DPIIT) said on Friday.

ONDC CEO T Koshy pointed out that the two e-commerce majors were in serious discussions with the government on the ways and means of integrating with ONDC, as established players have to make more adjustments.

On Friday, the DPIIT organised the ‘ONDC Startup Mahotsav’ on Friday which saw over 125 start-ups, unicorns and high-growth businesses signing Letter of Intent (LOI). This included players such as EaseMyTrip, OfBusiness, Winzo, Livspace, GlobalBees, Pristyn Care, Cars24, Physics Wallah, PolicyBazaar, and Zerodha. These LoIs signify these companies intent to collaborate with the platform and onboard on the Network, the Ministry stated.

Speaking at a press meet, Rajesh Kumar Singh, Secretary, DPIIT, said the ONDC was set up primarily to democratise and make digital commerce accessible to smaller players. “It has started getting increasing traction over the last two years. Five lakh sellers have onboarded, of which 70 per cent are small and medium sized sellers. In April, ONDC facilitated 7.22 million transactions,” he added.

The Ministry said that the event marked a collaboration between DPIIT’s flagship initiatives – the Startup India initiative and ONDC. Singh said that this collaboration is meant to ensure that start-ups are able to access this Network. The Centre beleives ONDC ecosystem will drive innovation, foster competition and enhance consumer choice.

Asked if big start-ups would overshadow smaller players, Singh hoped that it would increasingly get traction from all types of players that come to the e-commerce marketplace .“The intent is noble, let us see how it works and to what extent we can actually crack some of the issues you raised in terms of market concentration,” he added.

Source: thehindubusinessline.com– May 17, 2024

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