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

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Currency Watch			
USD	EUR	GBP	JPY
83.52	89.90	106.20	0.53

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INTERNATIONAL NEWS

Crisis Escalates for U.S. Small Businesses

Small businesses in the U.S. are struggling under the weight of rising costs and slowed revenue growth, according to the latest data in a research report from Alignable, a small business network. The report, based on a survey of more than 4,000 small business owners, found that rent delinquency reached a new three-year high in May, with nearly half (46 percent) of those polled saying they are unable to pay rent in full and on time

This is a significant increase from the 43 percent polled in April and the highest delinquency rate since March 2021. The report paints a bleak picture for America's small businesses, the backbone of the economy.

The research revealed that 58 percent of small businesses polled reported rent increases in the past six months, which is up from 54 percent in April. Additionally, 70 percent of businesses polled said they are paying higher wages than last year due to a tight labor market.

They are also facing declines in revenue. The pre-pandemic boom seems like a distant memory for many as 71 percent of businesses established before COVID-19 are earning less than before the pandemic, with nearly half (46 percent) making only half or less of their previous monthly income. Newer businesses are faring no better, with 72 percent of respondents reporting a decline in revenue compared to last year.

There's also inflationary pressures. Researchers at the company found that cumulative inflation is the top concern for a third (33 percent) of small business owners polled while 89 percent of businesses report higher supply costs than last year — further squeezing profit margins.

The research showed that rising interest rates are adding to the financial strain of small businesses. More than half (52 percent) of businesses polled say the current rate is negatively impacting their business, and nearly half (46 percent) believe a significant rate cut by the Federal Reserve is necessary for recovery. This economic environment is also leading to a rise in credit card debt, with 47 percent of respondents reporting an increase.

There are cash flow concerns as well. The financial future looks uncertain for many businesses as 39 percent of respondents reported having only one month or less of cash reserves, a five-percentage-point jump from April.

The researchers found that the struggles are not evenly distributed across the country. States such as New York, Texas and Virginia saw particularly high rent delinquency rates, exceeding 50 percent. Industries such as travel and lodging, science and technology, and transportation were especially hard hit, with half of businesses in these sectors unable to pay May rent.

With small businesses facing such significant financial challenges, their ability to contribute to economic growth and job creation is seemingly under threat.

Source: sourcingjournal.com– June 10, 2024

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China's export container shipping price index rises 14.3% in May 2024

China's export container shipping price index saw an increase of 14.3 per cent month-on-month (MoM) in May 2024, according to data from the Shanghai Shipping Exchange. The average China Containerized Freight Index (CCFI) for May stood at 1,358.71.

Among the various shipping services, the West Africa service experienced the most substantial growth, with a month-on-month increase of 53.3 per cent. This was followed by the South America service, which saw a 50.6 per cent rise, and the South Africa service, which recorded a 29.6 per cent increase compared to the previous month.

The CCFI monitors spot and contractual freight rates from Chinese container ports across 12 global shipping routes, utilising data from 22 international carriers.

Source: fibre2fashion.com– June 11, 2024

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Argentina keen to join Americas Partnership for Economic Prosperity

Argentina has expressed its interest to join the Americas Partnership for Economic Prosperity, with the United States committing to keep the former informed of progress on an expansion mechanism for new members.

Both the countries recently concluded the fourth meeting of the Trade and Investment Council under the US-Argentina Trade and Investment Framework Agreement (TIFA) at Buenos Aires.

The meeting discussed practical steps to advance transparent regulatory processes and simplify border processes.

Argentina noted that it intends to convene its National Committee on Trade Facilitation (NTFC) and support the key principles of shared practice of successful NTFCs in the World Trade Organisation (WTO) Committee on Trade Facilitation, a release from the office of US trade representative (USTR) said.

Both sides look forward to continuing a constructive and open engagement under the TIFA this year to strengthening bilateral and economic ties for mutual benefit. They decided to create a working group on supply chain resilience to analyse capacities and opportunities to raise trade and investment in sectors of mutual interest.

President Joe Biden had hosted the inaugural Americas Partnership for Economic Prosperity Leaders' Summit on November 3, 2023, to set up a forum for bolstering regional competitiveness and mobilising high-standard investment in the Western hemisphere.

Biden and leaders of the eleven other inaugural Americas Partnership countries—Barbados, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Panama, Peru, and Uruguay—has then announced their plan to drive inclusive growth and to strengthen critical supply chains, with an initial focus on clean energy, semiconductors and medical supplies.

Source: fibre2fashion.com– June 11, 2024

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Italy's industrial production index declines 2.9% in April 2024

In April 2024, Italy's calendar-adjusted industrial production index experienced a decline of 2.9 per cent compared to April 2023, according to the Italian National Institute of Statistics (Istat). The index specifically for the manufacture of textiles, wearing apparel, and accessories saw a significant year-on-year (YoY) decrease of 13.3 per cent.

The seasonally adjusted industrial production index for April 2024 also showed a decline, falling by 1 per cent from the previous month. Additionally, the change in the average of the last three months compared to the previous three months was minus 1.3 per cent.

Despite these declines, the unadjusted industrial production index increased by 4.7 per cent in April 2024 compared to the same month in the previous year, as per Istat.

Source: fibre2fashion.com– June 11, 2024

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22% YoY rise in Cambodia's textile-garment exports in Jan-May 2024

Cambodia exported $4.969 billion worth of garments, footwear and travel goods (GFT) in the first five months this year—up by 20 per cent year on year (YoY), according to the commerce ministry.

Exports of apparel and textiles accounted for $3.628 billion during the period—up by 22 per cent YoY, a ministry report said.

Export of footwear was worth $615 million—up by 10 per cent YoY, while the figure for travel goods was $726 million—up by 18.8 per cent YoY, domestic media outlets reported.

The GFT sector comprises around 1,680 factories and branches, employing nearly 918,000 workers, mostly female, according to the ministry of labour and vocational training.

The country's foreign trade rose significantly between January and May this year, growing by 12 per cent YoY, the data shows. The country's total trade volume reached over $21.6 billion, up from $19.2 billion during the same period last year.

It exported goods worth $10.18 billion during the period—a YoY increase of 10.8 per cent, while it imported goods worth $11.4 billion—a 13.6-per cent YoY increase.

The World Bank recently said the country's economic growth is expected to improve marginally to 5.8 per cent this year—up from 5.6 per cent in 2023, and should further strengthen to 6.1 per cent in 2025 and 6.4 per cent in 2026 as revival in GFT exports and tourism propel the ongoing recovery.

Source: fibre2fashion.com– June 11, 2024

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Q1 2024 Japan GDP shrank less than earlier thought, Q2 rebound likely

Japan's gross domestic product (GDP) shrank at 1.8 per cent in inflation-adjusted annualised terms in the first quarter (Q1) this year compared with a 2-per cent shrink reported in preliminary data, the Cabinet Office said today. An upward revision in corporate capital investment was the reason behind this.

The Q1 2024 negative growth was the first contraction in two successive quarters.

Capital investment was revised up to minus 0.4 per cent from minus 0.8 per cent. Private consumption—accounting for more than half of the GDP—remained unchanged at minus 0.7 per cent.

Exports came in one-tenth of a point lower at minus 5.1 per cent, while imports were one-tenth of a point better at minus 3.3 per cent, according to domestic media outlets. Inventories added 0.3 percentage point to growth.

Both consumers and companies are cutting back on spending and unsold supplies are building up in warehouses because of the strongest inflationary trend in decades, the data shows.

Personal consumption data were left unchanged at minus 0.7 per cent, marking a fourth quarter of declines, while business spending figures were revised to minus 0.4 per cent from a preliminary drop of 0.8 per cent.

A rebound in growth in this quarter is widely expected.

Source: fibre2fashion.com– June 10, 2024

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Global yoga clothing market to grow at 7.36% CAGR from 2024-28: Technavio

Growing at a CAGR of 7.36 per cent, the global yoga clothing market is estimated to grow by $18.88 billion from 2024-2028, according to Technavio. The growthwill be driven by an increasing number of yoga practitioners with a trend towards introduction of new technologies and features in yoga clothing. However, unpredictable raw material prices will continue to pose a challenge to this growth.

Currently experiencing several new trends, the yoga clothing market is dominated by a growing demand for items like yoga pants and tops. Besides comfort and functionality, consumers are demanding yoga clothes that allow them to move freely and breathe easily. To cater to these demands, brands are offering yoga apparels in a variety of colors and prints.

Additionally, yoga apparels made from eco-friendly and sustainable materials are becoming increasingly important in the market. Consumers are opting for yoga clothes that are not only comfortable and stylish but also environmentally conscious.

Fluctuations in the global raw material prices is one of the challenges being faced by global yoga clothing manufacturers. Key players like adidas AG, Nike Inc, Puma SE, and LululemonAthleticaInc are affected by price fluctuations of synthetic fibers such as Spandex and the scarcity of quality polyester. This volatility impacts their profit margins, making it difficult to anticipate investments and control costs.

Another area of concern includes the increasing competition from various brands, domestic and international. Consumers' growing demand for high-quality, comfortable and affordable yoga clothing is compelling brands to focus on innovative designs, sustainable materials, and effective marketing strategies

Brands need to also optimise their supply chain and consider outsourcing production to reduce costs. Additionally, they need to boost their digital presence and delivery systems for online sales.

Source: fashionatingworld.com– June 10, 2024

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US' retail sales surge in May 2024: NRF

US' retail sales, excluding automobiles and gasoline, experienced a 1.35 per cent rise on a seasonally adjusted basis in May 2024, compared to the previous month, according to the data from the CNBC-NRF Retail Monitor released by the National Retail Federation (NRF). On an unadjusted basis, year-over-year (YoY) sales climbed by 3.03 per cent. This performance starkly contrasts with April's figures, which recorded a modest 0.26 per cent month-over-month increase and a 0.6 per cent YoY decrease.

Five out of nine retail categories experienced yearly growth in May, with online sales and clothing and accessory stores leading the charge. Online and other non-store sales rose by 2.09 per cent month over month on a seasonally adjusted basis and soared by 17.91 per cent YoY unadjusted. Meanwhile, clothing and accessory stores saw a 1.44 per cent month-over-month increase, seasonally adjusted, and a 6.24 per cent YoY rise, unadjusted, as per NRF.

The core retail sales calculation, which excludes restaurants, automobiles, and gasoline, increased by 1.2 per cent month over month in May and by 2.88 per cent YoY. This contrasts with April's figures, which showed a 0.4 per cent month-over-month increase and a marginal 0.05 per cent YoY decrease.

The first five months of 2024 showed a positive trend overall, with total sales up by 2.13 per cent YoY and core sales up by 2.48 per cent. The month-over-month gains in May were the highest since April 2023, when total sales increased by 1.13 per cent and core sales by 1.27 per cent.

"Consumers have clearly retained their ability to spend and are driving solid economic growth," said NRF president and CEO Matthew Shay. "Spending is being supported by the job market and real wage gains. Inflation remains stubborn but is almost entirely in services rather than retail goods. May's year-over-year gains are in line with what we saw earlier this year, and the month-over-month increases are the largest in more than a year. We believe this underscores that April's moderation was an outlier."

Source: fibre2fashion.com– June 11, 2024

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Intertextile Shenzhen Apparel Fabrics wraps up successful 2024 edition

With its successful 2024 edition, Intertextile Shenzhen Apparel Fabrics solidified its position as a leading trade fair and a vital link between China's robust textile industry and the global fashion market. The show's commitment to innovation, sustainability, and fostering international connections ensures its continued relevance in the years to come.

The 2024 edition of Intertextile Shenzhen Apparel Fabrics concluded after a successful three-day run at the Shenzhen Convention & Exhibition Center in Futian. The event, which took place from June 5th to 7th, served as a central hub for the Chinese textile industry, attracting a high number of visitors, including international trade visitors from many countries.
Aligning with the Changing Market

The decision to move the show dates to June reflects the organizers' commitment to adapting to the evolving textile market. This change aimed to better align with attendee sourcing needs and proved successful, generating positive feedback from participants. The convenient location within the Futian business district, with easy access to ports and stations, further enhanced the experience for buyers from across China, ASEAN, and beyond.

A Showcase of Innovation and Trends

Intertextile Shenzhen Apparel Fabrics 2024 lived up to its reputation as a premier platform for exploring the latest trends and innovations in the textile industry. Attendees were treated to a comprehensive display of fabrics and apparel from a diverse range of leading manufacturers and suppliers. The show encompassed various segments, including:

• Functional Fabrics: Exhibitors showcased fabrics boasting advanced functionalities like water repellency, breathability, and wrinkle resistance.

• Sustainable Textiles: The growing emphasis on eco-friendly practices was evident, with a strong presence of exhibitors specializing in organic and recycled materials. For the first time, the Global Organic Textile Standard (GOTS) participated in the event, highlighting its commitment to sustainable textile production.

• Ladieswear Focus: Consistent with its Greater Bay Area (GBA) location, the show offered a strong focus on ladieswear fabrics, catering to the demands of this key market segment.

A Gateway for Global Textile Trade

The event served as a valuable platform for fostering connections and conducting business. Industry leaders from Chinese fashion, fabric manufacturing, and legal services converged at the show, providing a powerhouse of expertise for attendees. The combined presence of Intertextile Shenzhen Apparel Fabrics, Yarn Expo Shenzhen, DPARK (Fashion Design), and PH Value further enriched the experience, offering a comprehensive overview of the textile industry value chain.

A Meeting Point for Industry Leaders

Intertextile Shenzhen Apparel Fabrics 2024 wasn't just about showcasing products. The event served as a platform for industry leaders to convene and share expertise. Visitors were treated to a series of fringe events featuring experts from organizations like HKRITA, Pantone, and the Nano and Advanced Materials Institute (NAMI). These events provided valuable insights into the cutting edge of the textile industry.

Source: fashionatingworld.com– June 10, 2024

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Global cotton yarn market to grow at 4.1% to $113.05 billion by 2031: SNS Insider

From $81.95 billion in 2023, the global cotton yarn market is projected to grow at a CAGR of 4.1 per cent to reach $113.05 billion by 2031, as per a report by the SNS Insider.

Driven by the rising demand for natural fibers, growth in the global cotton yarn market is also fueled by rising consumer preferences. Expansion of the end-use industries such as garments and home textiles is another factor driving the growth in the global cotton industry. In FY24, exports of cotton yarn, fabric and handloom products increased by 7 per cent to $11.7 billion.

The apparel segment is expected to dominate growth of the cotton yarn market during the forecast period. The Asia Pacific region will emerge as a dominant, propelled by the rapid expansion of the textile industry. This growth will be predominantly fueled by key nations including India, China, Japan, and Southeast Asia.

In addition to it being a lightweight and breathable material, cotton is also ideal for summer clothing and accessories as it offers comfort and a pleasant feel against the skin. Growth in this market is being further propelled by the material'sincreasing use in downstream industries and heightened consumer awareness of the quality and suitability of pure cotton yarn. Adoption of technological advancements is another notable trend in the cotton yarn market with leading companies continuously developing new technologies to maintain their market position.

Besides integrating automation and robotics into the cotton yarn production process, leading cotton producers are also implementing advanced online monitoring and control systems to ensure consistent yarn quality and to identify production issues in real time. These systems help monitor parameters like yarn tension, twist, hairiness, and evenness, enabling necessary adjustments to optimise the spinning process.

Source: fashionatingworld.com– June 10, 2024

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Vietnam: Domestic production sees green shoots

Vietnam ran a trade deficit in May as the import of major materials rebounded, signaling that green shoots are sprouting in domestic production, experts have said.

The Ministry of Industry and Trade (MoIT) reported that imports turnover in the month was estimated at 33.81 billion USD, up 12.8% year-on-year, while exports stood at 32.81 billion USD, up 5.7%, resulting in a trade deficit of about 1 billion USD.

The country has posted a trade deficit for the first time after its two-year streak of trade surplus, the ministry said, adding that in the January-May period, it still enjoyed a trade surplus of 8.01 billion USD, with imports valued at 148.76 billion USD, up 18.2%.

Notably, up to 88.8% of the imports in the first five months were machinery, tools, equipment and materials in service of production and business, according to the ministry.

The Vietnam Textile and Apparel Association said the sector saw rosy signs in May and the first five months, with many enterprises receiving enough orders for the third quarter, even the whole year.

The import of cotton, fabric, yarn, and other raw materials in May expanded by 14.32% from the previous month. The five-month revenue also increased 15.34% year-on-year.

The domestic production and business recovery has pushed up the sector's exports in the five months by 6.3% as compared with the same period last year.

Pointing to sustainability in trade surplus, experts said the May trade deficit is not a big problem, stressing imports regaining momentum raises the hope that exports and domestic consultation would stay on a roll in the next periods.

Nguyen Cam Trang, Deputy Director of the MoIT's Agency of Foreign Trade, said both domestic and foreign-invested sectors recorded export growth, reflecting their recovery this year.

Associate Professor, Dr. Nguyen Thuong Lang from the National Economics University held that domestic firms have found new orders and invested much in production, helping generate jobs and create resources for economic recovery.

Source: en.vietnamplus.vn– June 11, 2024

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Bangladesh: Garment makers seek export cash incentives to last till 2032

The Government has been requested to extend the financial incentive on export earnings until 2032 by leaders of the nation's textile and clothing industry. Additionally, they pushed the Government to reevaluate a few of its main concerns, such as lowering the source tax.

At a joint press conference following the budget, which was held on Saturday at the BGMEA office in Uttara, they stated these demands.

During the news conference, representatives from the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), Bangladesh Textile Mills Association (BTMA), and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) gave speeches.

They urged the Government to withdraw the 1 per cent duty on the import of capital machinery and construction materials by factories located in the economic zones.

The leaders of the country's textile and apparel sector also demanded the introduction of a special financing scheme for sustaining the country's small and medium industries.

During the media briefing, BGMEA President SM Mannan Kochi said, "We expected that there were some policy supports for the country's readymade garment industry, especially reducing source tax to 0.50 per cent and considering it as the final settlement, among others."

Among others, BKMEA Executive President Mohammad Hatem and BTMA President Mohammad Ali Khokon spoke on the occasion.

Source: apparelresources.com– June 10, 2024

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Bangladesh: Go for recycled garments to boost exports

Bangladesh should soon go for producing recycled garment products that meet global environmental safety standards to increase its exports to the European Union (EU), according to speakers at an event.

Changes in trade patterns often bring major shifts to a country's economic structure, technological advancement, government policies and emerging trade theories or agreements, they said.

However, Bangladesh needs to take adequate preparation to this end, they added.

These comments came at a discussion on the impact of EU circular textiles policies on its trading partners, organised by the Business Initiative Leading Development (BUILD) at its office in Dhaka.

The recently introduced EU Strategy for Sustainable and Circular Textiles emphasises transparency, sustainability and circularity across the textile value chain, impacting both the EU and non-EU consumers and companies.

The EU is an important destination for garment and textile exports from Bangladesh.

In fiscal 2022-23, apparel exports from Bangladesh to the EU amounted to $28.6 billion. In fiscal 2023-24, the amount was $25.44 billion, indicating a year-on-year decline of about 6.07 percent.

The EU and UK account for more than 60 percent of Bangladesh's garment exports while apparel products constitute more than 93 percent of the total shipments.

Ferdaus Ara Begum, chief executive officer of BUILD, said Bangladesh needs to devise new strategies and projections for textile exports to the EU. This includes identifying potential growth areas as well as challenges for market entry.

She said Bangladesh also needs to analyse the policy shifts and chart out a detailed scenario to support its textile and garment industries to adapt to the EU's sustainable and circular strategy.

"We need to assess the landscape of the sector before we provide feedback on potential impacts and necessary adaptations," said Patrick Schroeder, senior research fellow of the environment and society programme at The Royal Institute of International Affairs, a British think-tank.

"And we need to figure out strategies for enhancing collaboration between EU and Bangladesh stakeholders to promote a sustainable and circular global textiles sector," he added.

Producer countries like Bangladesh have existing circular practices and entrepreneurship, often in the informal sector having market structures, micro enterprises and trade for pre-consumer textiles (garment waste or Jhut).

"So, the EU should take a proactive, supportive, and collaborative approach with stakeholders to formalise the Jhut sector while preserving livelihoods," he said.

The garments sector in Bangladesh is already facing a crisis given the tight margins and slowdown in global demand. However, local entrepreneurs in the sector would finance the required investment for the developing a circular economy, said Asif Ibrahim, chairman of Chittagong Stock Exchange PLC.

Saleudh Zaman Khan, vice-president of the Bangladesh Textile Mills Association, said producers need to consider developing a supply chain for cotton recycling and form local regulations for recycling.

Chowdhury Liakat Ali, director for the sustainable finance department of Bangladesh Bank, said they have taken various policy initiatives to promote sustainable finance and green banking to reduce greenhouse gas emissions and speed up investments in renewable energy, energy and resource efficiency, the circular economy and eco-projects financing, etc.
He added that the central bank fixes disbursement targets for banks with 15 percent of all loans and investments set for green financing and 20 percent for sustainable financing.

Source: thedailystar.net– June 10, 2024

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NATIONAL NEWS

Piyush Goyal takes charge amid export decline and FDI contraction

Bharatiya Janata Party leader Piyush Goyal has been reappointed as a Cabinet minister after his debut election victory from the Mumbai North constituency.

In the third term of the Narendra Modi-led government, Goyal continues to be in charge of the commerce and industry ministry but has had to relinquish portfolios such as consumer affairs, food and public distribution and textiles. Goyal will take charge at a time when India's merchandise exports declined by 3.1 per cent to $437 billion and a 3.5 per cent contraction was recorded in the foreign direct investments into India in 2023-24 due to global economic uncertainties and a slowdown in demand.

Over the past decade, Goyal, 59, has handled key and diverse portfolios, including power, renewable energy, coal, mines, and railways during the first term of the National Democratic Alliance.

In the second term, he took charge as commerce and industry, textiles, consumer affairs, food and public distribution minister.

In 2014, Goyal was inducted as Minister of State with Independent charge but was elevated to the rank of Cabinet minister. He also had two short stints as finance minister in 2018 and 2019 in the absence of the late Arun Jaitley.

Born in Mumbai, Goyal studied at Mumbai University. He is a chartered accountant by profession and has also worked as an investment banker.
As commerce and industry minister, Goyal took a tough stand by withdrawing from the China-backed Asian trade bloc Regional Comprehensive Economic Partnership in 2019, stating that it was not a balanced agreement.

More recently, India signed free trade agreements with Australia, the United Arab Emirates, and Mauritius.

It was also during his tenure that India and the US were able to manage an out-of-court settlement of seven cases at the World Trade Organization. In his role as a coal minister, Goyal spearheaded India's first e-auction of coal mines. It was the first time in the country that coal mines were awarded through an auction route to private companies for both the production and sale of coal in the open market.

As power minister, Goyal launched the reform scheme for the power distribution sector — the first for this government and the fourth in the past 15 years.

Goyal was also behind the launch of half a dozen web portals for real-time data tracking of various parts of the power supply chain.

Source: business-standard.com– June 11, 2024

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Giriraj Singh new Indian Minister of Textiles; Pabitra Margherita MoS

Giriraj Singh, Member of Parliament from the Begusarai Loksabha constituency in Bihar will be the new Minister of Textiles in the Narendra Modi-led National Democratic Alliance (NDA) government, a press communique from the President's Secretariat said.

He has formerly served as Minister of Cooperative, Animal Husbandry and Fisheries Resources Development in the Government of Bihar. During Modi's first term he served as Minister of State (Independent Charge) for the Ministry of Micro Small and Medium Enterprises.

In May 2019, he became the Cabinet Minister of the newly formed Ministry of Animal Husbandry, Dairying and Fisheries. In July 2021, he became Minister of Rural Development and Minister of Panchayati Raj in Second Modi ministry after the Cabinet reshuffle.

Pabitra Margherita, a Member of Parliament (since March 2022), representing Assam in the Rajya Sabha—the upper house of India's Parliament, will be the Minister of State for Textiles. After joining politics in 2014, he served as a spokesperson of Assam BJP, and as prabhari of Social Media Cell of Assam BJP. He also served as Member Secretary of State Level Advisory Committee for Students and Youth Welfare, Govt. of Assam from November 2021 to March 2022.

Source: apparelresources.com– June 10, 2024

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For Goyal, exports revival, job creation to be top goals

As the minister for commerce and industry, Piyush Goyal will have to address the issue of tepid growth in merchandise exports, and ensure that foreign trade, including shipment of services, is a consistent net contributor to the gross domestic product.

Textiles and clothing is the most important industry in terms of job creation, and addressing the current stagnation in this industry would be crucial for boosting employment. Exports from labour-intensive sectors like textiles and leather have been in the contraction zone in FY24.

The minister will have to devise strategies to generate more jobs to the semi–skilled by creating market opportunity for Indian goods overseas. The department for Promotion of Industry and Internal Trade will have to make redoubled efforts to promote ease of doing business.

While the majority of export sectors are going well and the Production Linked Incentive (PLI) scheme has opened up opportunities in high-technology sectors like electronics, in areas like textile and apparel and leather there has been contraction or stagnation. The new minister has to take note that the agricultural sector that has the capability to push up rural incomes but frequent policy changes on exports for reasons of domestic supply has prevented development of long-term markets.

Another priority area for the minister should be high-technology exports. These exports are expoected to help India participate in 70% of the world trade where it has miniscule share so the challenge will be to increase competitiveness in newer products and in this effort both the departments of the ministry will have to work together.

In FY 24 exports of readymade garments were $14.5 billion which were much lower than $ 16.7 billion in 2017-18. If the figures are adjusted for inflation then the decline is steeper. Same is the case for cotton and man-made textiles where exports have been flat in the last seven years.

Traditional sectors can absorb large amounts of semi-skilled workers and come with other advantages like minimal dependence on imports for inputs unlike high technology sectors. While the government may have the resources, the room for newer schemes that can make Indian products competitive against low cost producers like Bangladesh and Vietnam does not exist. Any whiff of an export subsidy can invite litigation at the World Trade Organisation (WTO).

The latest one to come under scrutiny is Remission of Duties and Taxes of Export Products (RoDTEP) which was introduced after the earlier tax refund schemes were red flagged at the WTO, Some tweaks are expected in the existing schemes like the one offering interest subvention. The Interest Equalisation scheme expires this month-end and is expected to be extended for another five years with higher interest subsidy.

The existing systems cover just a small fraction of the lead Bangladesh and Vietnam has in developed markets like Europe, UK and US. For starters worker wages in Bangladesh are 70% of those in India and on top of it being a least developed country enjoys duty-free access in many of these markets. Vietnam too has benefits of duty-free access through Generalised System of Preferences (GSP) and Free Trade Agreement with UK and European Union.

India is also involved in FTA negotiations with the UK and EU and their conclusion would bring India back in the game with some of the gap in landed prices of products from India and Bangladesh/Vietnam would be covered. The FTA with the UK is in the final stages of negotiation. If there is a repeat of the Rishi Sunak government in the UK after July elections then signing could be expected earlier. If there is another government in the UK then the conclusion gets pushed back. If the UK FTA goes through, then one with the EU could be wrapped faster as issues in both sets of negotiations overlap. So FTA strategy is the key. India currently has FTAs relationship with 26 countries. It is negotiating with 44 more.

For local competitiveness there is a talk of PLI for leather and footwear while for the textile it is already functional. Push there could give a boost to production and jobs. In agriculture the work is on for an export strategy, The strategy is focussing on un-regulated products where the government sees an export potential of $56 billion.

Source: financialexpress.com– June 10, 2024

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India must review FTA strategy

An important task confronting the new government in New Delhi is the need to review India's approach to negotiations for free trade agreements (FTAs), particularly those with the developed countries. Why is this important? What are some of the key questions that should be addressed in this review?

Over the past 2-3 years India has finalised FTAs with Mauritius, the UAE, Australia and the four nation EFTA (European Free Trade Association) group. Further, considerable progress appears to have been made in the FTA negotiations with the UK and Oman. India is also negotiating FTAs with the European Union, Peru and a few other countries. It would thus appear that FTAs are being viewed as an important instrument for boosting India's exports.

Can FTAs be the primary driver of India's exports? FTAs can open new commercial opportunities for enhancing India's exports of goods and services. However, the incremental gain in exports on account of FTAs would be rather limited. To illustrate, a study by UK's Department of International Trade predicts that the India-UK FTA could increase India's bilateral exports of goods and services to the UK by £10.6 billion by 2035. This translates into an annual increase of around $1 billion — a drop in the ocean compared to India's exports of $776 billion today.

With the exception of the EU, the contribution of FTAs with most of the other countries with whom India is presently negotiating, is likely to be even more modest in giving a fillip to its exports. However, enhanced prospects of exports arising from the FTAs with the UK and the EU could remain a pipe dream, as they would get largely curtailed on account of measures such as carbon border tax. Overall, the premise that FTAs would be a significant contributor to India's export growth appears somewhat misplaced. A review of the performance of India's past FTAs would also bear out this point.

India's FTA strategy needs to recognise that FTAs are no longer mainly about trade flows. On account of inclusion of provisions on a large number of non-trade issues at the insistence of the developed countries — labour, environment, gender, corruption, regulatory coherence, to name a few — FTAs of the developed countries are increasingly becoming 'free from trade', or even 'far from trade', agreements. How would India be impacted,

if the final provisions in its FTAs with the UK and the EU are similar to those in the recent FTAs of these two developed country partners?
The likely impact

First, some of the provisions, particularly those on environment, labour and gender, would raise the cost of production in India, thereby eroding its cost competitiveness. Further, rules on these issues mark a clear trend towards norm-setting allowing countries to impose barriers on exports. These barriers would dent India's exports.

Second, many of the FTA provisions on sustainability are likely to be extremely pernicious for India, but would do little for protecting the environment. A cluster of commitments would prevent India from implementing policies to spur the domestic manufacture of goods required for de-carbonisation, thereby making the country overwhelmingly import dependent.

These include the following: eliminating customs duties on environmental goods; according non-discriminatory treatment to domestic and foreign suppliers in government procurement of equipment required for renewable energy production and storage; and adopting high standards of environmental protection, or harmonising standards with those prevalent in the FTA partner country.

The last-mentioned obligation would prevent most Indian producers, particularly those in the MSME segment, from selling even in the domestic market as they would not be able to comply with the stringent environmental norms. This would open the Indian market for sellers who can comply with high environmental standards — mainly exporters from the developed countries.

Third, an array of provisions in the existing FTAs of the developed countries are aimed at facilitating the grab of natural resources in developing countries.

Prohibiting the imposition of export taxes on natural resources would prevent India from creating a value-added downstream industry based on some critical minerals required for de-carbonisation. It should also be noted that the following provisions could result in the developed countries acquiring de facto control over India's mining sector: treating mining entities from FTA partners at par with Indian entities; establishing high standards of environmental protection for offshore oil and gas operations;

promoting the values of responsible sourcing and mining; and undertaking an environmental impact assessment prior to granting authorisation for mining projects. Resource grab could also extend to grab for government data through provisions on digital trade, and grab for pathogen data through provisions on 'One Health Initiative'.

Fourth, even if many of the provisions on non-trade issues might not be legally enforceable, these should continue to ring alarm bells. India's FTA partners would not fail to use multiple avenues available in many FTAs, particularly public participation and submissions, consultations, cooperation, dialogue, and exchange of information, to ensure compliance with the provisions on non-trade issues.

In the 1990s and 2000s international investment treaties were promoted as being the magic wand for attracting foreign investment. This proved to be a mirage. It is apprehended that the fate of the so-called 21st century FTAs being negotiated by India would be no different when it comes to significantly boosting the country's exports. The real increase in India's exports will come from domestic initiatives that enhance price competitiveness — infrastructural improvement; reducing the cost of capital and export finance; and bringing down transaction costs.

On account of the economy-wide implications of the non-trade issues, in the long-term, the FTA embrace could smother India's aspirations and prospects in many sectors. An urgent rethink of India's FTA strategy is called for, before it is too late to make course correction.

Source: thehindubusinessline.com– June 10, 2024

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BRICS calls for enhanced use of local currencies in trade between member countries

The BRICS ministers of Foreign Affairs met in Russia's Nizhny Novgorod on Monday and held a plethora of discussions, including an important one on the enhanced use of local currencies in trade and financial transactions between the BRICS countries.

At the meeting, the ministers recognized the need for a comprehensive reform of the global financial architecture.

"They recalled the paragraph 45 of the Johannesburg II Declaration tasking the Finance Ministers and Central Bank Governors of the BRICS countries to consider the issue of local currencies, payment instruments and platforms and to report back to the BRICS Leaders," according to the Joint Statement.

Further, the foreign ministers reiterated the demand made at COP27 to guarantee that international financial institution reform will prioritise expanding the scope of financing and facilitating easier access to resources.

They anticipated that the 2025 International Bank for Reconstruction and Development shareholder review would be a great success.

As per the Joint statement released by MEA, the leaders also "supported a robust Global Financial Safety Net with a strong quota-based and adequately resourced International Monetary Fund (IMF) at its centre, and also called on "continuing the process of IMF governance reform including creating a new quota formula reflecting the economic size of its membership" during the overall review of quotas.

In accordance with the Sharm El-Sheikh Action Plan of the COP27, which Egypt hosted in November 2022, the Ministers emphasised the necessity of reforming the policies and practices of multilateral development banks (MDBs) in order to increase their lending capacities, to be able to better assist developing countries in financing their needs for development and enhancing their climate action.

India participated in the BRICS Foreign Ministers' Meeting which began in Russia's Nizhny Novgorod on Monday, the first assignment for India's foreign policy under the historic third consecutive term of Prime Minister Narendra Modi.

Dammu Ravi, Secretary (Economic Relations), at the Ministry of External Affairs (MEA), led the Indian side at the BRICS Foreign Ministers' Meeting.

"The Ministers encouraged the New Development Bank to follow the member-led and demand-driven principle, employ innovative financing mechanisms to mobilise financing from diversified sources, enhance capacity building and knowledge exchange, including with knowledge sources from developing countries, assist member countries in achieving the SDGs and further improve efficiency and effectiveness to fulfil its mandate, aiming to be a premier multilateral development institution for EMDCs," the Joint Statement read.

They agreed to jointly develop the New Development Bank into a new type of Multilateral Development Bank of the 21st century and urged the Bank to execute its purpose and functions in accordance with the Agreement on the New Development Bank in a fair manner.

"The Ministers expressed their support to the further expansion of the NDB membership and early consideration of applications of BRICS Member countries as per the NDB approved policies," the statment added.

Moreover, the Ministers also expressed the intention to promote energy cooperation among the BRICS countries.

They urged for resilient global supply chains to ensure universal access to affordable, accessible, reliable, sustainable, and modern energy sources.

The Ministers recalled their national positions concerning the situation in and around Ukraine as expressed in the appropriate fora, including the UN Security Council and UN General Assembly.

"They noted with appreciation relevant proposals of mediation and good offices aimed at peaceful resolution of the conflict through dialogue and diplomacy," the statement read.

The Ministers expressed serious concern over continued conflicts in the Middle East and North Africa (MENA) region and noted the Joint Statement by BRICS Deputy Foreign Ministers and Special Envoys at their meeting of April 25, 2024.

Notably, Russian Foreign Minister Sergey Lavrov opened the BRICS Ministerial with a minute of silence in memory of the deceased former Iran President Ebrahim Raisi and Iranian Foreign Minister Hossein Amir-Abdollahian.

He offered condolences to the people of Iran and the families of the victims.

This is the first meeting of foreign ministers since the expansion of BRICS in 2023. The 10 full members of the association include Brazil, Russia, India, China, and South Africa with new members Egypt, Iran, UAE, Saudi Arabia, and Ethiopia joining the grouping in 2023.

Russia took over the chairmanship of BRICS on January 1, 2024.

Source: economictimes.com– June 10, 2024

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Cotton sowing begins in South India as monsoon advances

A firm trend in cottonseed prices is holding up the natural fibre prices even as sowing for the kharif 2024 season has begun in the southern States of Karnataka, Telangana and Andhra Pradesh as they have started receiving monsoon rains.

The trade expects cotton acreage to rise in Telangana, where a section of chilli farmers are likely to shift to the fibre crop as prices of the spices crop have been ruling weak.

"The cotton growing areas in Karnataka and Telangana have received a couple of spells of rains, which is a positive sign for the crop," said Ramanuj Das Boob, a sourcing agent for multinationals and domestic buyers in Raichur. The expectation is that there will be an increase in area in Telangana as cotton prices are ruling firm ahead of the planting season, while chilli prices are not that great and may prompt farmers to go for cotton, Boob said.

Monsoon, which made an onset in the last week of May has advanced covering most Kerala, Tamil Nadu, Andhra, Karnataka, most part of Telangana and parts of Maharashtra.

Inhibiting factors

"All the major cotton-producing States such as Telangana, AP and Karnataka have received good rainfall and seed purchases have picked up in the past couple of days," said Baya Reddy, agri-inputs sales leader at BigHaat, an online marketplace for agri-inputs.

The purchase progress of cottonseeds ranges between 35 and 50 per cent in these States and planting may have taken place in about a tenth of the targetted areas. Reddy said cotton acreages are likely to decrease in a few areas such as Kurnool and parts of Telangana, due to the crop shifts that varies from markets to markets.

In North India, where cotton plantings begin early from mid-April, the acreages are likely to drop by about a fourth due to factors such as increase in pest infestation in recent years and rising labour costs.

Kapas rule firm

Boob said the raw cotton or kapas prices are ruling firm and ranging around ₹7,500-7,600 per quintal, above the minimum support price (MSP) levels in parts of Karnataka and Telangana. An increase in demand for cottonseeds for crushing is keeping the prices firm, even as the market arrivals of raw cotton has dwindled.

In Karnataka the daily market arrivals of cotton is around 2,000 bales, while in Maharashtra it is around 15,000-20,000 bales. Boob said the cottonseed prices are ruling between ₹3,300 and ₹3,500 per quintal, up from around ₹2,800-3000 about a month ago.

Source: thehindubusinessline.com– June 10, 2024

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