IBTEX No. 102 of 2024 **June 21, 2024**

Currency Watch			
USD	EUR	GBP	JPY
83.62	89.62	105.89	0.53

INTERNATIONAL NEWS	
No	Topics
1	US Tariffs on China: A tangled thread in the global textile & apparel industry
2	China slips to fourth position in Indian cotton yarn export market in April
3	South Africa to impose duties on small clothing imports from July 1
4	China will struggle to undo US dominance
5	Recession risk in US remains above historical norm: S&P Global
6	Sweden's H&M Group & Rondo collaborate to green textile industry
7	Global luxury goods market faces challenges amid rising prices: Report
8	Vietnam's warehousing sector continues to grow; foreign players lead
9	Pakistan: Finance bill imposes additional financial burden on textile units: APTMA

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NATIONAL NEWS	
No	**Topics**
1	Union Minister of Textiles, Shri Giriraj Singh interacts with industry representatives
2	DGFT implements system-driven rule based Faceless Automation for ad-hoc Input Output Norms Fixation
3	2nd meeting of India-Cambodia Joint Working Group on Trade & Investment held in New Delhi
4	Eyeing 2025 polls, Aus aims early completion of trade deal with India
5	Trade marketing scheme soon to assist small companies board ONDC
6	Connecting exporters
7	SIMA to host 14thTexfair in Coimbatore

INTERNATIONAL NEWS

US Tariffs on China: A tangled thread in the global textile & apparel industry

The US-China trade war, initiated in 2018, saw tariffs placed on various goods, including textiles and apparel from China. This has sent ripples through the global textile and apparel industry, sparking debate on its effectiveness and impact.

The justification, a cloudy picture

The US justified the tariffs citing intellectual property theft and unfair trade practices by China. However, the effectiveness is debated. The National Council of Textile Organizations (NCTO) argues the tariffs levels the playing field for US manufacturers facing lower Chinese production costs.

However, critics like the American Apparel & Footwear Association (AAFA) point out the tariffs increase costs for US companies and consumers, hurting domestic brands. A 2019 study by the Peterson Institute for International Economics found the tariffs reduced US GDP by $83 billion.

Similarly, a 2019 study by the National Bureau of Economic Research found that the tariffs increased US consumer prices by an average of 2.3 per cent. For example, American clothing company Gap Inc. reported a 2 per cent decline in profits due to rising costs associated with the tariffs.

Global trade bodies' stance

The World Trade Organization (WTO) has remained largely silent on the specific US-China tariffs. However, the organization emphasizes free trade principles and discourages protectionist measures.

Impact on US textile and apparel industry

While the tariffs aimed to revive domestic manufacturing, data suggests a different story. The US International Trade Commission reported a decline in US textile and apparel production in 2020. "The tariffs haven't done much to revive domestic manufacturing and have only served to

increase costs for US companies," explains Sharon Freeman, Executive VP, National Retail Federation

For China, apparel exports to the US did decline initially due to the tariffs. However, China found alternative markets and diversified its exports. The tariffs have disrupted the global textile supply chain. US companies for example are sourcing from Southeast Asian countries like Vietnam. However, this shift brings new challenges like increased transportation costs and building new supplier relationships.

Table: Impact of US Tariffs on Textile & Apparel imports (2018-22)

Country	% Change in Imports to US	Source
China	-5%	USITC
Vietnam	+25%	USITC
Bangladesh	+18%	USITC

However, countries with strong textile and apparel industries, particularly those in Southeast Asia, have seen a rise in exports to the US. This has boosted their economies but raised concerns about labor standards and environmental practices in some regions.

The US tariffs on China's textile and apparel industry remain a contentious issue. While the US aimed to protect domestic manufacturing, the impact has been mixed. Consumers faced higher prices, some US jobs were lost, and China adapted its export strategy.

The main beneficiaries have been Southeast Asian nations, raising concerns about potential exploitation in those supply chains. Finding a long-term solution requires a multilateral approach that addresses intellectual property concerns while fostering fair and sustainable global trade practices.

Source: fashionatingworld.com– June 20, 2024

HOME

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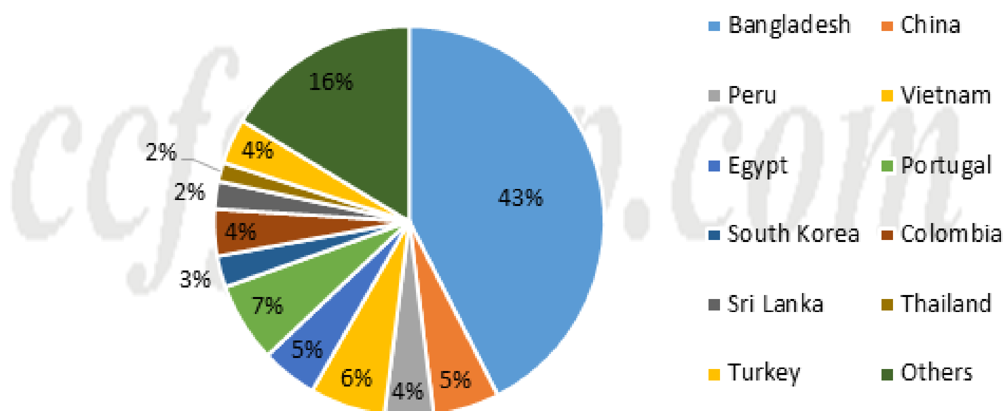
China slips to fourth position in Indian cotton yarn export market in April

According to the latest import and export data, the total export volume of Indian cotton yarn (HS code 5205) in April 2024 was 87,637.26 tons, a year-on-year increase of 14.54%, but a month-on-month decrease of 16.25%. China has slipped to the fourth position in the Indian cotton yarn export market, with the export volume to China in April being 4,808.07 tons, a decrease of 51.36% year-on-year and 59.72% month-on-month.

Shares in Indian cotton yarn export market in Apr 2024



Shares in Indian cotton yarn export market in Apr 2024					
Country	**Exports (Mar 2024) ton**	**Proportion**	**Exports (Apr 2024) ton**	**Proportion**	**Change**
Bangladesh	38984.88	37%	37248.08	43%	↗
Portugal	5336.80	5%	5772.43	7%	↗
Vietnam	7285.72	7%	5468.83	6%	↘
China	11937.61	11%	4808.07	5%	↘
Egypt	6220.46	6%	4084.02	5%	↘
Peru	5538.45	5%	3557.94	4%	↘
Colombia	3598.27	3%	3400.80	4%	↗
Turkey	3352.46	3%	3294.27	4%	↗
South Korea	2526.51	2%	2279.22	3%	↗
Sri Lanka	1674.68	2%	2000.67	2%	→

In terms of the market share of Indian cotton yarn exports in April, China has slipped to the fourth position with around 5% of the export market, showing a 6% decrease compared to March 2024. Bangladesh maintains

its position as the largest export destination for Indian cotton yarn, with a share of around 43%, representing a 6% increase compared to March. Portugal and Vietnam are the second and third largest export markets for India in April, with shares of 7% and 6% respectively, while Egypt and China are tied for the fourth position. The market shares of other countries were below 5%. Apart from Vietnam, China, Egypt, and Peru, the market shares of exports to other countries have either increased or remained stable compared to March 2024.

Indian cotton yarn exports in in Apr 2024 (ton)				
Country	**Apr-23**	**Apr-24**	**y-o-y**	**m-o-m**
Total exports	76511.68	87637.26	14.54%	-16.19%
Bangladesh	19840.59	37248.08	87.74%	-4.46%
Portugal	5947.38	5772.43	-2.94%	8.16%
Vietnam	3622.12	5468.83	50.98%	-24.94%
China	9884.52	4808.07	-51.36%	-59.72%
Egypt	5430.71	4084.02	-24.80%	-34.35%
Peru	3830.12	3557.94	-7.11%	-35.76%
Colombia	1415.47	3400.80	140.26%	-5.49%
Turkey	8656.90	3294.27	-61.95%	-1.74%
South Korea	1590.95	2279.22	43.26%	-9.79%
Sri Lanka	1337.91	2000.67	49.54%	19.47%

In April, Indian cotton yarn exports to China in April saw significant year-on-year and month-on-month declines.

From the year-on-year changes, Colombia had the largest year-on-year increase, rising by 140.26%. Regarding month-on-month changes, Sri Lanka had the highest increase. As the fourth largest export market for Indian cotton yarn, the exports to China decreased by 59.72% month-on-month.

Indian cotton yarn exports to China by variety in Apr (tons)					
Varieties	Apr-23	Apr-24	y-o-y	m-o-m	Proportion
Carded single yarn 8-25s	4,468.30	2,804.72	-37.23%	-54.54%	58.33%
Combed single yarn 8-25s	1,528.08	163.72	-89.29%	-90.98%	3.41%
Combed single yarn 25-30s	1,144.40	669.32	-41.51%	-35.62%	13.92%
Combed single yarn 30-47s	1,716.05	717.12	-58.21%	-48.03%	14.91%
Total	8,856.80	4,354.90	-50.83%	-58.14%	90.57%

In Apr 2024, in the four mainstream Indian cotton yarns, exports to China saw decreases both on a year-on-year and month-on-month basis. From the month-on-month changes, the most significant decrease in export volume to China in Apr was combed single yarn 8-25s.

In Apr, the main varieties of Indian cotton yarns exported to China was carded single yarn 8-25s, accounting for 58.33% of the total, with an export volume of 2804.72 tons. The combed single yarn 8-25s and combed single yarn 25-30s accounted for 3.41% and 13.92% respectively. The combed single yarn 30-47s accounted for 14.91% of the export volume, with a total of 717.12 tons exported.

In summary, Indian cotton yarn exports saw a year-on-year increase but a month-on-month decrease this month, with the main export markets being Bangladesh, Portugal, Vietnam, and China. Exports to China experienced significant decreases both on a year-on-year and month-on-month basis this month.

In April, the export of the four main Indian yarns exported to China all decreased compared to the previous month and the same period last year. The largest quantity exported among the four mainstream cotton yarns was the carded single yarn 8-25s.

Source: ccfgroup.com– June 20, 2024

HOME

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South Africa to impose duties on small clothing imports from July 1

Starting July 1, 2024, South Africa's Revenue Service (SARS) and Customs will enforce new regulations on small orders entering the country. Clothing items valued at less than R500 (~$27.75) will now carry the same duties as larger orders.

Currently, imported clothing packages worth over R500 face a 45 per cent import duty plus 15 per cent VAT, whereas parcels below this amount are charged about 20 per cent import duty and no VAT.

The government aims to level the playing field for local retailers by taxing clothing items bought from international e-commerce retailers and packaged in small quantities at the same rate as larger quantities. Concerns have been raised about Chinese high fashion e-commerce platforms, such as Temu and Shein, exploiting tax loopholes by shipping products in small quantities to benefit from lower import duties, according to local media reports.

Michael J Lawrence, executive director of the National Clothing Retail Federation (NCRF) of South Africa, exclusively spoke to Fibre2Fashion regarding the new regulations.

He explained that the imposition of the 45 per cent VAT on packages under R500 addresses a long-standing oversight. Decades ago, the revenue system found it cumbersome to calculate duties on small parcels, applying either a zero rating or a 20 per cent rating instead of the correct 45 per cent duty and 15 per cent VAT.

“What we saw was there was a gap in the market that was being taken advantage of, but it became a market in the gap, a big market all by itself in the gap. So, a few thousand became many millions of parcels that had implications for revenue and for trade,” said Lawrence.

Lawrence anticipates that these new measures will level the playing field, making competition fairer for both local and offshore manufacturers who have been adhering to the full duty requirements. The substantial price differential had made competition difficult and unfair, particularly affecting local retail.

When asked how these new tax measures will affect South African consumers, he acknowledged that consumers who have benefitted from lower prices due to the gap in the market would face price increases. However, this change is expected to result in a more accountable market and better consumer protection.

“As part of the bigger picture, what we should see is essentially a more accountable operation available to the South African consumer. Going forward, we remain concerned about offshore operators who don't have a local presence because our consumer protection legislation is very good here,” Lawrence added.

Regarding the competitive landscape for local retailers, Lawrence asserted that South African retail, particularly clothing retail, has always been highly competitive. He expects this competitiveness to continue, with efforts to offer the best deals to consumers, whether products are bought from shelves or online.

Source: fibre2fashion.com– June 20, 2024

HOME

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China will struggle to undo US dominance

The hottest thing in global economics is an oldie but a goodie. This market darling is enjoying enviable growth and sucking in capital from around the world. It possesses a vibrant labor market and a currency that's not just a store of value, but increasingly seen as an ascendant strategic asset. And it’s not the China of yesteryear.

The lucky country is the US, a place so often said to have been on the verge of eclipse for various reasons such as big deficits, the euro and China's seemingly inexorable climb to economic supremacy. Numerous threats have fizzled or have been proven exaggerated. There's little denying that the past few years have seen a major shift in how the relative strengths and weaknesses of the two are assessed. For now, the US economy is in a good place, as a couple of new reports indicate. Perhaps the biggest threat comes not from outside, but has its origins in domestic strains.

The term de-dollarization has been fashionable in recent years. It's a pithy way of describing disillusionment with the greenback, in part because of sanctions against Washington's antagonists. Viewed cynically, this is a successor to dollar debasement, a conservative rally cry in the years immediately after the collapse of Lehman Brothers Holdings Inc., when the Federal Reserve embarked on massive easing. The dollar collapse didn't happen then and isn't occurring now, according to figures from International Monetary Fund sent to Bloomberg News.

The US attracted almost one-third of investment that flowed across borders since the pandemic erupted, a marked increase from the pre-Covid average of 18%, the IMF numbers showed. China's slice dipped to 3%, a bit less than half what is was in the decade through 2019. That jives with data from Beijing: Foreign investment slowed for a fourth month in April and is down 36% from the same period a year earlier.

The once-thriving industry that churned out timetables for when China would overtake the US has gone quiet. In a major global review, Capital Economics projects America will be dominant for some time. This judgement rests on the dollar’s premier role, the size and scope of US capital markets, an abundance of natural resources and, at a time of doomsaying about dwindling fertility, a sound expansion in the labor force. Could this conclusion have been reached at any time? Quite possibly, but vital ingredients are a lead in artificial intelligence and a re-

affirmation of financial prowess. “If you just look at pure economic dominance, China hasn't come anywhere close to the US and we don't think it ever will,” Jennifer McKeown, the firm’s chief global economist, told me. “There has been a major shift in thinking around this. Economists have been coming around to the view that China’s model just isn’t sustainable.”

If China's catch-up to the US has stalled, then what could undo this monetary version of Pax Americana? Leadership isn't just about whether shortcomings ultimately become so great that they trip an incumbent up. A potent rival has to arrive at just the right moment and offer all the advantages and less of the negatives. That isn't China, the euro zone or the collective might — on paper — of the BRICS bloc.

The dollar is a huge geopolitical asset, but that reflects nothing God given nor set in stone. If the US loses interest in leadership or its internal divisions prove so deep that fiscal policy truly runs off the rails, the country will ultimately lose authority over the financial system.

Chipping away at the Fed’s independence and driving the greenback down for the purposes of gaining a trade advantage would be a deeply troublesome approach. “If the US doesn't keep its house in order, dollar dominance would be the least of our worries,” Steven B. Kamin and Mark Sobel, prominent former US officials, wrote in the Financial Times last week, reprising their work for the American Enterprise Institute.

The US has sometimes favored what amounts to devaluation, though it’s rarely been expressed in quite those terms. The Plaza Accord of 1985, signed by the-then Group of Five, subsequently to become the G7, urged a big appreciation of the yen and deutschemark. After the dollar fell too far, officials tried to reverse the pact.

And the policymakers who sank the Bretton Woods system of fixed exchange rates in 1971 predicted, and possibly desired, a weaker greenback. Yet here we are. Next time someone asserts the US is in decline, ask them how. If they blather about economic foundering, ask them where they have been the past few years.

Source: economictimes.com– June 20, 2024

HOME

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Recession risk in US remains above historical norm: S&P Global

S&P Global sees a 25-30 per cent probability of a US recession within the next 12 months. The probability remains elevated at twice the unconditional probability of recession (baseline comparison) since World War II.

“We continue to expect below-trend growth in the coming quarters, given a mixed bag of leading indicators and restrictive monetary policy,” S&P Global said in a release.

“Any further short-run cyclical boost to spending growth is limited by the economy's underlying growth potential. The manufacturing sector shows green buds of cyclical rebound, but not without conflicting signals, it said.

Key risks include conflicts in the Middle East and a potential resurgence in inflation that would threaten the Federal Reserve's expected monetary easing, it noted.

Risks to real US gross domestic product (GDP) growth based on financial conditions deteriorated slightly since S&P Global’s January publication after improving in the second half of last year, but remains near historically normal levels.

S&P Global anticipates year-on-year (YoY) GDP growth will soften more as the year progresses to about 1.8 per cent by year-end. The underlying potential of the economy limits the sustainability of further high growth.

The University of Michigan's preliminary consumer sentiment index (MSCI) of May dropped by 8.1 points to a six-month low of 69.1 from 77.2 in April. A similarly intense drop was last seen almost two years ago in June 2022 when the sentiment fell to 50 from 58.4.

Source: fibre2fashion.com– June 21, 2024

HOME

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Sweden's H&M Group & Rondo collaborate to green textile industry

Fashion company H&M Group is partnering with Rondo Energy, the leading provider of zero-carbon industrial heat and power, to explore the potential for heat storage technologies in its supply chain. The fashion company is also making an investment in Rondo and joining Rondo's Strategic Investor Advisory Board (SIAB). The new collaboration will help Rondo deliver clean, affordable heat powering textile factories around the world.

Rondo Heat Batteries combine century-old materials and cutting-edge automation to turn intermittent renewable electricity into the continuous, high-temperature heat and power required by industries including textile producers. H&M Group and Rondo will explore opportunities for factories in the group's global supply chain to replace fossil fuels with clean heat and power delivered by Rondo Heat Batteries. Rondo will use H&M Group Ventures' investment to expand its international operations and to develop and build storage projects serving this need.

Rondo Heat Batteries deliver deep decarbonization by changing the fuel, not the factory. As a member of Rondo's advisory board, H&M Group will join other global leaders seeking large-scale, low-cost, zero-carbon energy to power their operations, including Rio Tinto, Aramco Ventures, SABIC, SCG, TITAN, and SEEIT.

"Producing and finishing fabrics requires large amounts of low-cost energy, which makes our brick batteries a perfect fit," said John O'Donnell, Founder & Chief Innovation Officer of Rondo Energy. "Today, coal delivers most of the heat and most of the carbon pollution making fabrics, because it's always been cheap and simple to burn. But the world is changing. Region by region around the world, wind and solar power are becoming cheaper than fossil fuels. At Rondo, we've created a simple, practical tool to harness those new energy sources."

"Rondo is thrilled to be working in partnership with H&M Group to explore how our technology can be of use in their supply chain, and to have H&M as an investor and member of our Strategic Investor Advisory Board," said Eric Trusiewicz, CEO of Rondo Energy.

The fashion industry has been called "hard to decarbonize," due to the structure of the industry and its needs for low-cost energy. Today, making what we wear releases some 5% of global greenhouse gases, and emissions are rising every year. Rondo Heat Batteries replace most fossil fuel use in fabric production, and could cut the carbon footprint of our clothing by nearly two-thirds.

H&M Group has been investing steadily in decarbonizing its supply chain through several initiatives to support suppliers reducing their use of energy, increasing their use of renewable electricity and replacing fossil fuels. Now H&M Group's investment arm, H&M Group Ventures, is taking the next step with Rondo.

"Rondo is H&M Group Venture's first investment in decarbonisation technology. The company's thermal battery energy storage has the potential to help factories electrify, which is key to achieving our climate targets. We look forward to working closely with Rondo and the broader ecosystem in scaling decarb tech," said Laura Coppen, Sustainability Investments at H&M Group Ventures.

Southeast Asia is a center of the world textile industry, where companies like H&M Group are seeking to further create positive impact for people, the planet and economies. Rondo is well suited to serve H&M Group's work in this region, with a growing presence and experience base in the region today. In May, Rondo and SCG Cleanergy announced Southeast Asia's first heat battery, and the world's first heat battery powering a cement plant. Rondo and SCG have established large-scale production capacity in Thailand, and announced plans to scale production capacity to 90GWh/year.

Source: fibre2fashion.com– June 20, 2024

HOME

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Global luxury goods market faces challenges amid rising prices: Report

Following a record year, the stalled luxury goods market faces a dilemma between catering to top clientele and reaching new audiences amid ongoing complexities, according to the latest Bain & Company Luxury Goods Worldwide Market Study released today in collaboration with Altagamma, the Italian luxury goods manufacturers' industry association.

The personal luxury goods market saw a slight decline in the first quarter (Q1) of 2024. Key to maintaining stable growth across subsectors will be luxury brands' ability to address rising prices while maintaining a robust price-value equation in the eyes of consumers, as per the study.

The global luxury market showcased remarkable stability in the face of geopolitical and economic turbulence in 2023, exceeding a record €1.5 trillion. This growth was driven by a resurgence in luxury travel and a robust US holiday season in the fourth quarter. However, the first quarter of 2024 saw a slowdown across a majority of regions amid macroeconomic pressures, with Japan continuing to flourish.

The study highlights a continuing trend favouring experiential offerings over tangible goods. This shift is particularly evident in China, where the market is under pressure from two main factors: the revival of outbound tourism and weakening local demand caused by rising economic uncertainties.

This uncertainty is undermining middle-class consumer confidence, leading to 'luxury shame' behaviour similar to that seen in the Americas during the 2008-09 financial crisis. Similarly, the US is contending with macroeconomic pressures despite signs of gradual improvement in GDP and consumer confidence.

Generation Z faces rising pressures as luxury brands adopt a dichotomous customer strategy. With increasing unemployment levels and a weakening future outlook, younger generations are delaying spending on luxury goods. In contrast, Gen X and Baby Boomers, benefiting from accrued wealth, continue to grow their spend and capture the attention of luxury brands. This trend complements the ongoing growth of the top consumer tier.

Many luxury brands are employing a dichotomous approach, focusing on top clients with large-scale one-to-many events, while simultaneously expanding their reach by engaging in new territories, including sport. Traditionally seen as a branding opportunity for luxury goods, the focus on sport is widening to include newer sports such as padel, racing, and football. Additionally, luxury brands will feature prominently at the 2024 Olympics in Paris, offering a platform to reach new audiences and engage existing customers in innovative ways.

To navigate these uncertain times, brands must invest in growth enablers, defend core business elements, maintain agility in decision-making, and optimise stock management to ensure efficiency and responsiveness to market demand.

Source: fibre2fashion.com– June 20, 2024

HOME

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Vietnam's warehousing sector continues to grow; foreign players lead

Vietnam's warehousing sector continues to expand despite the global economic downturn and foreign developers dominate the market, accounting for over three-fourths of the domestic market share of warehouse and factory floor space for rent by the end of 2023, according to a new report from FiinGroup Vietnam.

Due to strong commercial, manufacturing and retail activities, warehousing is the most attractive logistics segment in the country, attracting both local and foreign investors, said the report.

Vietnam's modern logistics industry was using nearly 3.9 million sq m of floor space by the end of last year. The annual growth rate from 2020 to 2023 was 23 per cent and is expected to remain high in the next few years.

Modern logistics are concentrated in the top five provinces—Binh Duong, Long An, Bac Ninh, Hung Yen and Dong Nai.

The top three foreign-invested players—Mapletree, BW Industrial and SLP—jointly account for 46 per cent of the total modern warehouse rental area.

Domestic enterprises account for more than a quarter of the market share. The top three local players—ICD ST, NPL Logistics and Gemadept—account for 10.6 per cent of the total modern warehouse rental area, the report, titled 'Vietnam Logistics: Aggressive expansion of Foreign Investors', said.

About 25 warehouse projects will be developed between now and 2027, with a total additional area of 1.87 trillion sq m. The annual growth rate of the modern logistics area is forecast to remain at 7 per cent during this period.

BW Industrial will deploy a large project in Dong Nai province in 2026, with an estimated effective floor area of 243,000 sq m. Mapletree will also deploy a project in Bac Ninh province in 2025, with an estimated effective area of 198,000 sq m.

Mapletree is expanding its warehouse portfolio in the country, with major logistics centres in Bac Ninh, Hung Yen and Binh Duong provinces. Each centre has 12-24 warehouses.

BW Industrial and NPL Logistics are holding 22 new warehouses in both the north and the south.

Localities in Long An, Dong Nai and Bac Giang provinces are planning to expand industrial park land to attract investment, the report says.

Source: fibre2fashion.com– June 20, 2024

HOME

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Pakistan: Finance bill imposes additional financial burden on textile units: APTMA

Textile industry has categorically conveyed to the Federal Board of Revenue (FBR) that the Finance Bill 2024 has imposed additional financial burden on textile units, as new destructive measures would collapse the entire sector.

This has been conveyed by the All Pakistan Textile Mills Association (APTMA) to the Chairman FBR during a meeting held here on Thursday.

During the meeting, the APTMA strongly protests the regressive and punitive tax and customs-related measures proposed in the Finance Bill 2024 which pose an existential threat to Pakistan's textile industry.

The industry informed that the textile sector contributes over 50 percent of total export earnings and employs 40 prcent of the industrial labour force. The proposed measures are will unequivocally destroy this vital sector, causing irreparable harm to Pakistan's economic stability and export capacity.

Withdrawal of Zero-Rating on Local Inputs for Export Manufacturing: The withdrawal of zero-rating on local inputs for exports (through EFS) will significantly disadvantage domestic producers of intermediate goods like yarn and cloth.

This regressive measure will reduce domestic value addition in exports, as exporters will favour duty-free and sales tax-free imported inputs over expensive local ones, undermining the competitiveness of domestic manufacturers.

Additional Customs Duty of two percent on Cotton and High-Performance MMF: Imposing a two percent customs duty on cotton and high-performance man-made fibres (MMF) will severely impact the SME sector, including domestic yarn and cloth manufacturing. This measure will favour foreign suppliers over local manufacturers, leading to increased costs for domestic production and further stagnation in domestic cotton productivity. The textile industry, consuming 14-16 million bales of cotton annually, will suffer greatly as reduced domestic cultivation exacerbates the existing shortfall, necessitating higher imports.

Two percent Advance Tax on Export Proceeds/29 percent Income Tax on Exporters: The proposed two percent advance tax on turnover, adjustable against a 29 percent tax on income (effectively 39 percent after super tax), will deplete liquidity and profitability in low-margin, high-volume businesses like textiles. This excessive tax burden, coupled with high operational costs, will erode the competitiveness of Pakistani exporters, driving customers to countries

with more favourable tax policies.

No Allocation of Funds to Address Industry Liquidity Stuck in Various Refund Regimes: The Finance Bill 2024 fails to address the liquidity crisis in the textile sector, where firms are on the brink of bankruptcy due to high borrowing and operational costs. The government's failure to release outstanding dues under various refund regimes has exacerbated this crisis. Immediate allocation of funds to clear these dues is essential to prevent further insolvency and support industry liquidity.

Failure to Rationalize Duties on PTA/PSF: The high import duties on critical raw materials like PTA and PSF make local production significantly more expensive compared to international competitors. The 5% import duty on PTA benefits only a single outdated PTA plant, hampering the entire sector's export growth and diversification. Rationalizing these duties is crucial to enhance the competitiveness of the textile industry.

Exporters are being unjustly marginalized and treated like pariahs, even worse than domestically oriented industries, which is pure discrimination. Pakistani manufacturers are already operating at a severe competitive disadvantage due to the highest tax rates, energy prices and other operational costs in the region.

Countries like Bangladesh, India, and Vietnam offer significantly more favourable tax environments, incentivizing investment and growth in their textile sectors. For instance, Bangladesh provides a 10-year tax holiday for new textile firms, and Vietnam offers preferential tax rates of 10-15 percent for firms in priority sectors. In stark contrast, Pakistani textile firms face an effective tax rate of 39 percent after considering the super tax. These enormous disparities have already driven many investors away from Pakistan, stalling growth and leading to further deindustrialization.

The proposed measures in the Finance Bill 2024 will exacerbate this situation by imposing additional financial burdens on an already struggling sector, as outlined above. The overall impact on the economy will be devastating. The textile sector, which accounts for over 50% of Pakistan's total export earnings, is a critical source of foreign exchange and a major employer of millions across the country. The collapse of this sector would lead to massive job losses, further exacerbating the already high unemployment rates. The reduction in export earnings would widen the trade deficit, putting additional pressure on the country's foreign exchange reserves and increasing the risk of a balance of payments crisis.

Moreover, the proposed measures will halt new investment in productive export-oriented activities, leading to a further decline in industrial capacity. The flight of capital from the formal, documented sector to the informal sector will increase, reducing government revenue and worsening the fiscal deficit. This will create a vicious cycle of economic decline, with reduced growth prospects and heightened risk of sovereign default on both domestic and foreign debt obligations.

In summary, the Finance Bill 2024, in its current form, not only fails to address the existing disadvantages faced by Pakistani manufacturers but actively worsens them. It protects foreign suppliers at the expense of local industry, undermines the competitiveness of Pakistani exports, and threatens the overall economic stability of the country.

APTMA calls for urgent reconsideration of these destructive measures to prevent a complete collapse of the textile sector and to safeguard Pakistan's economic future.

Source: brecorder.com– June 21, 2024

HOME

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NATIONAL NEWS

Union Minister of Textiles, Shri Giriraj Singh interacts with industry representatives

The Union Minister of Textiles, Shri Giriraj Singh interacted with major Industry representatives/ Export Promotion Councils/ Associations representing the entire textile value chain here today.

Shri Singh in his remarks underscored the importance of attracting huge investment in the sector, building modern world class infrastructure, increasing ease of doing business and focusing on job creation especially in the labour intensive segments such as garmenting/apparel.

Shri Pabitra Margherita, Union Minister of State for Textiles, Smt. Rachna Shah, Secretary Textiles and senior officials from the Ministry were present during the interaction.

The deliberations focussed on the contribution of the sector to economic development and potential for growth in the future including contribution towards manufacturing, exports and employment generation.

The industry and textile value chain stakeholders expressed their sincere gratitude to the Union Minister for providing an opportunity to share their views and suggestions for achieving the Vision for the Sector.

During interaction, industry representative put forward their views on the present status of the textile sector including challenges to be addressed, growth potential and opportunities available.

They appreciated key initiatives taken by the Union Government including PM MITRA Park Scheme, PLI Scheme for Textiles, National Technical Textiles Mission and Skilling programme SAMARTH which will help in attracting investment, augmenting capacities and generating employment.

They shared innovative ideas and suggestions for accelerating growth of the sector and generating employment opportunities.

Source: pib.gov.in– June 20, 2024

HOME

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DGFT implements system-driven rule based Faceless Automation for ad-hoc Input Output Norms Fixation

In line with ongoing efforts to modernize and streamline foreign trade procedures the Directorate General of Foreign Trade (DGFT) has decided that ad-hoc Input Output Norms will be determined through a rule-based, system-driven process, with the aim of improving the ease of doing business for exporters while reducing time and effort for both DGFT and concerned exporters.

These changes align with a broader policy shift towards a facilitating regime that embraces technological interfaces and collaborative principles.

To further streamline and automate the process of establishing ad-hoc Norms and notifying new Standard Input-Output Norms (SION) under the Advance Authorisation scheme, DGFT previously announced an amendment through Public Notice No. 51/2023 dated 14.03.2024, amending para 4.14 and 4.06 of the Handbook of Procedures 2023. These amendments aim to enhance the ease of doing business and trade facilitation.

Moreover, DGFT is actively pursuing similar automation initiatives for other Foreign Trade Policy processes and procedures, emphasizing its commitment to modernization and efficiency enhancement in trade facilitation.

DGFT administers the Advance Authorisation Scheme of the Foreign Trade Policy, facilitating duty-free importation of inputs for export production, which includes replenishment of inputs or duty remission.

The eligibility of inputs is determined by sector-specific Norms Committees based on input-output norms.

Since the announcement of the new Foreign Trade Policy in April 2023, DGFT has been actively revamping its systems to expand automated, rule-based processes under the FTP framework.

These improvements encompass post-issuance audit capabilities and risk mitigation functions. Notably, several processes, including the issuance and amendment of Importer-Exporter Code (IEC), issuance of Status

Holder Certificates, renewal of RCMC, and the issuance, revalidation, extension, and invalidation of Advance Authorizations, as well as certification for installation under the EPCG Scheme, are already being conducted through a Rule-Based Automatic process.

Source: pib.gov.in– June 20, 2024

HOME

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2nd meeting of India-Cambodia Joint Working Group on Trade & Investment held in New Delhi

The second meeting of India-Cambodia Joint Working Group on Trade & Investment (JWGTI) was hosted by India in Vanijya Bhawan, New Delhi yesterday. The meeting was co-chaired by Joint Secretary, Department of Commerce, Ministry of Commerce and Industry, Government of India, Shri Siddharth Mahajan and Director General for International Trade, Ministry of Commerce, Kingdom of Cambodia, Mr. Long Kemvichet. The representatives of stakeholder Ministries also participated in the meeting.

Shri Siddharth Mahajan mentioned about the measures for deepening bilateral trade and investment and also emphasized on creation of mechanism for cooperation and collaboration in sectors of mutual interest.

The meeting deliberated on cooperation in Traditional Medicine and e-governance, diversification of the Trade Basket by identifying new products, Bilateral Investment Treaty, Recognition of Indian Pharmacopoeia and collaboration in the Pharma Sector.

The meeting discussed the progress of the ongoing efforts for collaboration in Unified Payment Interface (UPI) based digital payment to promote trade and tourism.

The Cambodian side elaborated on the numerous investment opportunities that Cambodia presents for Indian businesses. These opportunities span over various sectors with high growth potential.

The JWGTI was first held in July 2022 virtually. This was the first physical meeting of the JWGTI after it was institutionalized. The JWGTI discussed various measures to improve the value and the quantum of trade to facilitate the expansion of trade and to promote investment. Both the sides were unanimous on the need for having more interaction for concrete mutual benefits.

Source: pib.gov.in– June 20, 2024

HOME

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Eyeing 2025 polls, Aus aims early completion of trade deal with India

Australia is pushing to conclude the Comprehensive Economic Cooperation Agreement (CECA) negotiations with India in the next six-seven months, as the Australian election is scheduled for May 2025, a person aware of the matter said.

"The Australian federal election is slated for May next year. As a result, the government's focus could be more on local issues, especially February onwards," the person cited above told Business Standard.

Both nations had signed the interim trade deal, also known as India-Australia Economic Cooperation and Trade Agreement (ECTA) that came into force on December 29, 2022.

When ECTA was signed, it was decided that the larger idea would be to use the foundation of the interim deal to resume negotiations on the deeper and more ambitious trade deal – CECA.

Since ECTA was only an interim trade deal, several aspects of a comprehensive trade agreement, including new-age trade issues, did not make it to the deal.

The CECA envisages covering five broad areas, including goods, services, digital trade, government procurement and product-specific rules under the rules of origin chapter.

That apart, both sides have shown interest to include new areas in the comprehensive trade deals, such as competition policy, micro, small and medium enterprises (MSMEs), gender, innovation, agri-tech, critical minerals as well as sports.

Last month, sources on the Australian side had told Business Standard that both sides plan to 'quickly and extensively' engage on a comprehensive trade deal 'as soon as possible' post general elections in India.

In the proposed comprehensive trade agreement, Australia's interest lies in areas such as digital trade, government procurement and new market access for exporters.

Indian officials said that finalising the broader trade agreement may not be easy. This is because reaching agreement on certain areas such as giving Australia a greater market access in agriculture and related sectors may be tricky.

As many as nine rounds of talks have taken place since the launch of negotiations for the comprehensive trade deal in February last year.

In March, central government officials had said that 'significant progress' has been made in rules of origin track, with agreement on 4,933 lines (88 per cent) of product-specific rules.

Majority articles of the government procurement and digital trade chapter have been cleaned.

The commerce department did not respond to a query sent by Business Standard.

During the financial year 2023-24, merchandise exports to Australia witnessed 14.23 per cent year-on-year (Y-o-Y) growth at $7.94 billion. Imports saw 15 per cent contraction to $16.16 billion, commerce department data showed.

Both countries are looking at achieving $100 billion bilateral trade over the next few years.

Source: business-standard.com – June 21, 2024

HOME

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Trade marketing scheme soon to assist small companies board ONDC

New Delhi: The government will soon launch a trade marketing scheme to help micro and small enterprises (MSE) onboard the Open Network for Digital Commerce (ONDC) and participate in digital commerce, said officials.

The micro, small and medium enterprises ministry has proposed the Trade Enablement & Marketing (TEAM) scheme, with an outlay of ₹277 crore, to expand MSEs' business beyond the bricks-and-mortar model through ONDC, India's mega network, which seeks to enable buyers and sellers to transact through a single platform.

"The TEAM initiative aims to help MSEs compete in the digital space using the ONDC," said an official, who did not wish to be identified. On ONDC, sellers don't have to pay high commission of 30-40% as on other e-marketplaces, the official said.

ONDC is based on protocols that make e-commerce more inclusive and accessible for stakeholders. Applications or platforms using the ONDC allow sellers listed across e-commerce platforms, including local kirana stores, to be visible to the buyers.

The government is targeting 500,000 MSEs through the scheme, helping MSEs across stages of digital commerce to fulfil the orders. The scheme is expected to run till 2026-27. "The amount under the scheme will be provided as subsidies to MSEs through seller network participant (SNP) for various services such as catalogue creation, account management, packaging and logistics," said another official.

SNPs act as a bridge between the seller and the ONDC network through an application, facilitating payments and other services on the network. Under the account management component, SNPs will help MSEs get initial orders, added the official.

National Small Industries Corporation, the same body responsible for the upkeep and operation of MSME Mart, will implement the scheme.

Source: economictimes.com– June 21, 2024

HOME

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Connecting exporters

As part of the 100-day action plan of the third Narendra Modi government, efforts are being put in place to boost India's export potential. In this regard, the Department of Commerce has reiterated its plan to launch the Trade Connect e-platform, which must be welcomed.

The idea is that the platform will facilitate aspiring exporters through guidance and hand-holding in all aspects of external trade, including certification courses on how to start exporting, providing information on products in demand, markets where the products are in demand, buyer events relevant to them, and paperwork required to register as an exporter.

Apart from market information, the platform will have details regarding regulatory matters, export benefits available, tariffs in different countries with which India has signed free-trade agreements (FTAs), and other trade-related issues.

Furthermore, there will be facilities to address trade-related queries, receive expert advice on trade barriers and trade disputes in export markets, access shipping and logistics services, and get service from Export Credit Guarantee Corporation of India (ECGC) and EXIM Bank.

Given increasing geopolitical tensions and supply-chain constraints, the outlook for global trade remains uncertain. India's exports have also witnessed a slowdown.

India's services exports increased from $325.3 billion in 2022-23 to $341.1 billion in 2023-24, while merchandise exports marginally declined from $451.1 billion to $437.1 billion. Overall, India's combined value of exported goods and services registered a marginal increase from $776 billion in 2022-23 to around $778 billion in 2023-24.

India runs a large merchandise trade deficit — about $240 billion in 2023-24 — mainly because of its dependence on energy imports. The surplus in services exports and capital inflows helps finance the merchandise trade deficit. Although the external accounts do not pose any macroeconomic threat at the moment and the current account deficit is moderate, India needs to improve its performance on merchandise exports.

This will not only impart greater stability to the external accounts but also create much-needed jobs for India's rising workforce. Higher exports can help push up aggregate demand and put the Indian economy on a higher sustainable growth path. India's share in global exports compared to its size is also significantly low.

In recent years, the government focused on domestic subsidies and import substitution to reduce the trade deficit. Meanwhile, India also has signed several FTAs. This is where the e-platform should help Indian exporters in accessing markets. For micro, small, and medium enterprises (MSMEs), in particular, or exporters with little trade information and exposure, the platform can help reduce information asymmetry.

However, this should only be treated as one of the enabling factors for Indian exporters. It will also be crucial for the e-platform to operate as intended over a sustained period, as it will require substantial capacity at the backend.

In any case, India has a long way to go in terms of increasing its position in global trade, which will require a broader review of the trade policy. As things stand, many large global corporations are looking to diversify away from China. India should aim to bring as many multinational corporations. This will help boost investment, exports, and economic growth in the medium to long run.

Source: business-standard.com– June 20, 2024

HOME

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SIMA to host 14thTexfair in Coimbatore

The Southern India Mills' Association (SIMA) is set to host the 14th edition of Texfair, a prominent textile machinery fair, from June 21-24 in Coimbatore, reveals SK Sundaraman, Vice Chairman, SIMA.

The fair will feature 240 exhibitors, including international participants, spread across 260 stalls. Exhibitors will showcase textile machinery, spares, accessories, and cutting-edge technologies, with an anticipated business turnover of Rs 1,500 crore.

Textile mills typically allocate 2.5 per cent to 3 per cent of their annual turnover for spares and accessories, alongside investments in modernization, notes Sundaraman. These mills are continually seeking ways to cut costs, boost efficiency, and forge new supplier partnerships. Texfair aims to bridge the gap between mills and suppliers through this exhibition, he adds.

Approximately 40 per cent of the exhibitors hail from Tamil Nadu, and 30 per cent to 40 per cent from the MSME sector. The event is expected to benefit the small-scale textile industry as well, as these units strive to lower operating costs to remain competitive.

Facing a downturn since the past 16-18 months, textile units need to enhance efficiency and reduce operational expenses, adds Sundararaman.

Further Sundararaman and Krishnakumar emphasised on the need for the textile and clothing industry in the Coimbatore to focus on value addition, new product development, and branding to seize emerging opportunities.

Source: fashionatingworld.com – June 20, 2024

HOME

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