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INTERNATIONAL NEWS

US expects more transparency from China on exchange rate policy

No major trading partner manipulated the rate of exchange between its currency and the US dollar for preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade last year, according to the department of the treasury's semi-annual report to Congress on macroeconomic and foreign exchange policies of major trading partners.

Most interventions by major US trading partners continue to be in the form of selling dollars, actions that strengthen their currency and weaken the dollar.

The report reviewed and assessed the policies of major trading partners, comprising about 78 per cent of US foreign trade in goods and services last year.

Seven economies are on the department's 'Monitoring List' of major trading partners that merit close attention to their currency practices and macroeconomic policies: China, Japan, Malaysia, Singapore, Taiwan, Vietnam and Germany.

The report also reiterated the department's call for increased transparency from China.

"China's failure to publish foreign exchange intervention and broader lack of transparency around key features of its exchange rate policy make China an outlier among major economies and warrant Treasury's close monitoring," the department said in a release.

Source: fibre2fashion.com– June 22, 2024

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Global EPR policies crucial for tackling textile waste: Report

Fashion and textile waste presents a significant global challenge, necessitating robust extended producer responsibility (EPR) policies and collaboration, according to a recent report by the Ellen MacArthur Foundation, a circular economy non-profit.

To establish large-scale separate textile collection systems, dedicated, ongoing, and sufficient funding is essential to cover the net costs of managing all discarded textiles, not just those with high reuse value.

EPR policies are identified as crucial mechanisms to secure such funding. EPR policies assign responsibility to producers for the collection, sorting, and recirculation of their products once discarded by consumers.

When well-designed, these policies can significantly improve the cost-revenue dynamics for the separate collection, sorting, reuse, repair, and recycling of textiles.

EPR also enhances transparency and traceability of global material flows and attracts capital investments necessary for infrastructure to reuse and recycle textiles at scale.

Brands and retailers need to design products for prolonged use and recycling. Low durability standards and the diverse materials and blends on the market complicate the efforts of collectors and recyclers to capture the full material value.

EPR schemes risk losing effectiveness if products are not designed for durability and recyclability. Additionally, brands should ensure that virgin materials are sourced from renewable resources and produced through regenerative agricultural practices.

EPR policies are more effective when coupled with industry efforts to adopt circular business models. These models, including repair, rental, remaking, and resale, offer revenue and cost benefits while yielding significant environmental savings, as per the 'Pushing the boundaries of EPR policy for textiles (2024)' report.

Collaborative, multi-brand systems are vital for achieving scale. A circular textiles system requires both local and global networks for collection, sorting, laundry, repair, resale, and recycling services. All industry actors must collaborate to co-create a circular supply network, sharing associated costs and risks.

Currently, large-scale textile-to-textile recycling operations are non-existent globally. A shared innovation agenda is necessary to focus efforts and investments on recycling technologies and design-for-recycling principles.

Brands and retailers must support this emerging landscape by investing in reverse logistics infrastructure and engaging in long-term sourcing agreements with recyclers to facilitate the commercialisation of textile-to-textile recycling, the report added.

Source: fibre2fashion.com– June 23, 2024

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The Industry Needs a Rocket Boost to Align With EU DPP Legislation

Alarm bells are ringing for denim producers who sell into the EU, as the excellent Sourcing Journal article "Is the denim industry ready for Digital Product Passports" implies, yet uncertainty about which data points to report, and what technology to adopt has left brands scratching their heads. The EU is a key market, and being barred from trading within it would be catastrophic for many. Where is the education and training for businesses in the transition to DPPs? Medium-sized retailers don't have the same resources and capacity as major brands and need more guidance on the practical elements of this switch-over to supply chain transparency.

I regularly speak to companies concerned about how to adopt DPPs in a way that the end-customers will understand. After all, consumers are the ones who will need to repair, recycle and care for items to extend their life—as the circular economy dictates. Will there be a funded communications program to explain the urgent need for textile recycling, for example? The DPP tech is market-ready, but without consumer buy-in, this will be a wasted opportunity.

Moreover, the development of waste management practices is critical. The industry must ensure that Environmental Sustainability Performance Reporting aligns with DPP requirements, promoting sustainable waste management alongside supply chain transparency. Having participated directly in the CIRPASS forum and various apparel trade bodies aiming to smooth the transition to DPPs, I'm aware that much work is being done to find user-friendly technology and design the best outcomes for this ambitious project.

However, a boost is required. We need more resources to facilitate the transition, particularly education and technical assistance for smaller companies. We need knowledge-sharing collaborative platforms, and standardized criteria for DPPs as soon as possible. The transition to DPP must be more inclusive. The goal shouldn't just be compliance; it's also about ensuring the entire industry moves towards more sustainable practices.

Source: sourcingjournal.com– June 21, 2024

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US cotton net export sales rise: Upland up 7%, Pima gains 51%

Net export sales of Upland cotton in the US totalling 189,000 RB (running bales, each weighing 226.8 kg or 500 pounds) for 2023-24 were up 7 per cent from the previous week and 2 per cent from the prior 4-week average.

According to the export sales report from the US Department of Agriculture (USDA) for the week ending June 13, the increases were primarily recorded for China (82,200 RB, including decreases of 2,400 RB), Vietnam (38,600 RB, including 1,600 RB switched from South Korea), Pakistan (33,800 RB), India (7,300 RB), and Taiwan (4,900 RB). The exports were offset by reductions for Italy (2,600 RB) and South Korea (1,200 RB).

For this week, the net sales of 111,800 RB for 2024-25 were primarily noted for Guatemala (24,600 RB), Turkiye (15,400 RB), Pakistan (12,800 RB), Indonesia (10,600 RB), and China (9,200 RB). Exports of 197,900 RB were up 6 per cent from the previous week and 10 per cent from the prior 4-week average. The destinations were primarily to China (78,000 RB), Vietnam (23,800 RB), Turkiye (21,500 RB), Pakistan (13,400 RB), and Indonesia (11,400 RB).

Net sales of Pima totalling 7,900 RB for 2023-24 were up noticeably from the previous week and up 51 per cent from the prior 4-week average. The increases were noted primarily for Peru (5,100 RB), India (3,100 RB), China (600 RB), Pakistan (300 RB), and Germany (200 RB), which were offset by reductions for Italy (1,500 RB).

Exports of 5,800 RB were down 36 per cent from the previous week and 37 per cent from the prior 4-week average. The destinations were India (3,600 RB), China (1,300 RB), Vietnam (700 RB), and Turkiye (200 RB).

Source: fibre2fashion.com– June 22, 2024

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Cambodia collaborates for a textile and dyeing factory in China

A Cambodian transportation firm headquartered in Phnom Penh, CID Logistic Cois collaborating with Shanghai-based Shanghai Shunkai International Freight & Forwarding Co to establish a textile and dyeing factory in Cambodia.

In a delegation hosted by both the companies in Phnom Penh, LorTithChansopheak, Advisor to the Council for the Development of Cambodia (CDC), emphasised on the Royal Government of Cambodia's (RGC) efforts to attract both international and domestic investors by offering favorable and incentivised investment regimes, particularly in priority sectors outlined in the 'Law on Investment of the Kingdom of Cambodia.'

The delegation’s said, its primary mission is to explore investment opportunities in Cambodia, specifically to establish textile and fabric dyeing factories in the country. This would help boost to national economic growth significantly besides attracting further foreign investments into the garment sector.

The delegation also indicated its intention to expand their investments in Cambodia, thereby strengthening bilateral relations between Cambodia and China. LorVichet, Vice President, Cambodia Chinese Chamber of Commerce (CCCA), citied tax policies, labor productivity and electricity costs as three major concerns that are crucial for foreign investors to enhance trade and export competitiveness regionally and globally.

Source: fashionatingworld.com– June 22, 2024

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ITMF Survey: Textile industry stagnation continues

The May 2024 ITMF Global Textile Industry Survey (GTIS) reveals a stagnant textile business climate, with only marginal improvements. While more companies now rate their business as "satisfactory," the industry continues to face a dearth of orders and high costs, squeezing profit margins. Despite positive business expectations for the past year, these reflect optimism rather than actual progress.

Order intake balance has slightly improved, with expectations for the next six months trending upwards. The order backlog increased slightly from 1.9 months in March to 2.1 months in May, though this is not yet a positive trend.

Capacity utilization in May rose marginally to 71 per cent, up from the end of 2021's peak of 80 per cent. Better utilization rates are anticipated in the coming six months.

Persistent weak demand, high raw material and energy prices, geopolitical concerns, and labor shortages remain critical issues. Notably, 58 per cent of respondents did not experience order cancellations in May, a slight decrease from March. Africa and Europe reported fewer cancellations, whereas the Americas saw higher rates.

Inventory levels remain stable, with North America and spinners showing the highest levels. Brands and retailers continue to hold high inventories, though these are gradually decreasing.

The industry's prolonged negative cycle forces many companies to operate at a loss or with reduced capacity, with no significant turnaround expected in 2024.

Source: fashionatingworld.com– June 21, 2024

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Step up green economy transition for 2024 GDP target, conference told

As weak consumption demand and exchange rate risks make Vietnam's economic growth target of 6.5 per cent this year challenging, there is a pressing need for hastening energy transition towards a green economy, a recent conference was told.

The conference was hosted by the VNU University of Economics and Business (UEB) in Hanoi to launch the Vietnam Annual Economic Report 2024.

If public spending meets its targets and foreign direct investment does not see any unusual developments in the second half this year, researchers project a baseline gross domestic product (GDP) growth of 5.85 per cent this year and inflation at 4.5 per cent, with the possibility of a devaluation of the Vietnamese dong of around 5-6 per cent.

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Source: fibre2fashion.com– June 23, 2024

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South Korea & Germany boost economic ties & industrial cooperation

South Korea's trade, industry, and energy minister Dukgeun Ahn met with Germany's vice chancellor and federal minister for economic affairs and climate action, Robert Habeck, on June 21 in Seoul. The meeting, attended by a German economic delegation comprising representatives from 13 German companies, focused on discussing global economic issues and bilateral cooperation measures aimed at enhancing future industrial competitiveness.

The discussions led to agreements on several key areas. Both countries will continue joint efforts in establishing standards and data sharing to facilitate the digital transition and accelerate the utilisation of industrial AI. The Korean-German Energy Partnership will be a platform for maintaining cooperation and understanding on energy policies. Additionally, the two nations will bolster their mutually complementary relations through joint R&D projects, particularly in the field of future mobility, South Korea's ministry of trade, industry, and energy said in a press release.

In his welcome address, minister Ahn highlighted the strong potential synergy between Korea and Germany in terms of industrial competitiveness, digital innovation, and decarbonisation, citing their robust manufacturing bases. With Germany being Korea's largest trading partner in Europe, both sides reaffirmed their close economic ties, especially considering the record-high bilateral trade volume achieved last year.

Source: fibre2fashion.com– June 23, 2024

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Regulatory barriers hamper investment in Indonesia's textile industry

Indonesia's textile and textile products industry is finding it tough to attract investment, especially in polyester production lines, primarily due to unclear and inconsistent regulations, according to the Indonesian Fibre and Filament Yarn Producers Association (APSyFI).

A number of investments in this sector are still stalled, including investment plans from the Tongkun Group, a polyester producer from China, the association said on its website.

"We have heard for a long time that Tongkun will invest in polyester raw materials, but until now it has not been realised," said APSyFI general chair Redma G. Wirawasta.

Redma feels investors need long-term regulatory certainty to ensure the sustainability of their businesses.

The country's minister of industry Agus Gumiwang Kartasasmita has said the domestic fashion industry is projected to grow at an average of 4.26 per cent per year until 2029, with a market value reaching $9.6 billion. The sector has a workforce of more than 1.6 million people.

Creative industry players in Indonesia should be able to take advantage of this opportunity to become hosts in their own country and win the domestic market amidst competition from imported products, the association noted.

Kartasasmita said the perception of the domestic textile industry being a sunset industry must be broken.

In the first quarter this year, the export value of the domestic textile industry increased by 0.19 per cent.

Source: fibre2fashion.com– June 23, 2024

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Developing Asia sees significant surge in greenfield FDI in 2023

In 2023, developing economies in Asia experienced a significant surge in greenfield foreign direct investment (FDI), according to the World Investment Report 2024 by the United Nations Trade and Development (UNCTAD). The overall value of greenfield investment announcements increased by 44 per cent, while the number of such announcements rose by 22 per cent. This growth indicates companies' efforts to establish or expand their operations overseas.

Despite a broader decline in foreign investment flows to developing Asia, the region maintained a high level of FDI, totalling $621 billion. Led by East and Southeast Asia, the continent continued to be the world's largest recipient of FDI, accounting for nearly half of global inflows.

However, cross-border mergers and acquisitions, which typically constitute 10 to 15 per cent of foreign investments in developing Asia, fell by almost $30 billion to $57 billion in 2023. This decline represented about half of the total drop in FDI inflows to the region.

China and its Hong Kong Special Administrative Region (SAR) remain the largest investors in the region by total FDI stock, followed by the US, Japan, and Singapore.

In East Asia, FDI inflows decreased by 9 per cent, primarily due to declines in China and Hong Kong SAR. While the estimated value of greenfield announcements soared by 65 per cent, overall growth was mitigated by a 58 per cent decline in the value of project finance deals.

FDI inflows to Southeast Asia remained stable, supported by an increase in mergers and acquisition sales. The number of greenfield announcements surged by 42 per cent, adding $62 billion in value. However, this gain was offset by a $64 billion decline in the value of international project finance deals.

South Asia experienced a decline in FDI inflows, largely driven by a 43 per cent drop in India, while flows to other countries in the subregion remained relatively stable.

In West Asia, FDI fell by 9 per cent due to lower mergers and acquisition sales. Nonetheless, the region showed growth in both the number and value of greenfield investments and project finance deal announcements, particularly in Saudi Arabia, Turkiye, and the United Arab Emirates.

Central Asia saw a 27 per cent reduction in FDI. Despite this, stable performance in greenfield investment announcements and international project finance deals provides optimism for improved prospects in 2024.

Across developing Asia, investment in sectors related to the sustainable development goals (SDGs) saw modest growth. The number of announced greenfield projects in these sectors increased by 30 per cent to 1,225 projects, with a 54 per cent rise in value, especially in renewable energy, transport, and telecommunication sectors.

Conversely, the number of international project finance deals decreased by 17 per cent, partially offsetting the gains in greenfield FDI for sustainable development.

Source: fibre2fashion.com– June 22, 2024

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Bangladesh: Piled-up import containers congest Ctg port

Despite observing an eight-hour closure in the whole Eid-ul-Azha holidays, Chattogram port was hit by a stockpile of import containers, as very few businesses show up to take delivery of the containers in the last one week.

The operational activities of the port start feeling the pinch when 80 per cent of its storage capacity gets occupied and this is actually what happened to the Chattogram port this time, port officials and users said.

The Chattogram port has a storage capacity of 53,518 TEUs (twenty-foot equivalent units) of import, export and empty containers and its designated import yards can store at best 44,018 TEUs import laden containers.

At 8am today, the import yards were choked with 40,038 TEUs of containers, exceeding 91 percent of the capacity.

But only seven days ago on June 15, the figure stood at its normal level of 26,007 TEUs.

Port data shows, 3,700 TEUs of import containers on an average were unloaded from ships every day in last seven days.

Container delivery was slow during the holidays but unloading of import containers from ships went on in full swing, except facing a drop on Eid day, said Bangladesh Shipping Agents Association Chairman Syed Md Arif.

The port usually sees delivery of over 4,500 TEUs of import containers in any working day whereas businesses took delivery of 2,239 TEUs on June 15 and only 389 TEUs on June 16.

Not a single import container was released in the next two days for Eid-ul-Azha holiday.
Delivery began again on June 19 with the release of 1,000 TEUs, which increased to 4,578 TEUs the next day.

But, again, delivery slowed to a great extent in the next two days for the beginning of the weekend on June 21.

To avoid such congestion, the Chattogram Port Authority (CPA) sat with the stakeholders and sent letters to different business associations, including Chittagong Chamber of Commerce, the Federation of Bangladesh Chambers of Commerce and Industry and Bangladesh Garment Manufacturers and Exporters Association, much ahead of the festival requesting all to keep taking delivery of the containers during Eid holidays and in the following weekend.

The port saw poor delivery of containers until today, as most factories are yet to be opened, CPA Secretary Md Omar Faruk said.

He hoped the delivery would increase from tomorrow with the opening of the industrial units.

Source: thedailystar.net– June 22, 2024

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Pakistan: Mayday call for textile sector

This becomes more critical when various studies project the export potential at $50 billion per year by 2030, though they were worth only $16.5 billion in FY 2022-23 with the historical maximum reaching $22.1 billion in FY22.

Some sources put this potential even at $100 billion. If realised, it can easily pull us out of the perennial malaise of the deficit in balance of payments, the primary cause of all of our economic woes. What further accentuates this inference is that the textile sector employs about 45% of the total labour force associated with the manufacturing sector.

Also, the industry is heavily dependent on cotton, therefore, any disturbance in the cotton crop also affects the performance of the sector and the economy.

Cotton's challenges have only grown with time. Its yield was 615 kg per hectare in 1990 and 617 kg in 2020, which is a stark reflection of the poor performance in this segment, especially when China's yield, now touching 2027 kg/hectare, grew by more than 150% during the said 30 years.

The decades of negligence in conjunction with the exponential rise in prices of natural gas and electricity over the past 18 months appears to have finally placed the industry on ventilator.

Expecting the bureaucrats managing such value chains to provide required solutions is a great fallacy. Devoid of the subject knowledge and required corporate leadership experience, they entirely lack the essential tools.

What further worsens this handicap is the fact that incompetence does not come alone; it also breeds intolerance, arrogance and cronyism and together they crowd all merit and professionalism out of the boardrooms. Isn't this the story of our, almost, every PSE?

Factors affecting growth

Textile sector is plagued with several challenges, foremost being the rising production costs, particularly rooted in the double jeopardy of not only lack of reliable fuel supplies, but also higher prices. For instance, after the phenomenal rise of the industry during 2020-22, the increase in electricity prices in March 2023 immediately resulted in reversing the trend.

As a result, exports came down from $22.1 billion in FY22 to $16.5 billion in FY23 because the associated power tariffs were hiked from 9 cents/kWh to 17.5 cents/kWh. Gas prices have been raised by 223% since January 2023 till now. Another challenge is the lack of diversification. We still mostly rely on yarn and raw, unprocessed and unfinished ie, grey, fabric, which, due to marginal value addition, only fetches meagre profits.

While 63% of the global textile and apparel trade is now based on man-made fibres (MMF), however, as per pertaining annual report of the Textile Commissioner of Pakistan, synthetic fabrics contributed only 2.39% export earnings to the aggregate exports in FY21, while the contribution of cotton and cotton-based textiles remained at 97.1%.

One of the contributing factors appears to be the import duty structure for polyester staple fibre (PSF), the basic raw material required for MMF production. Thirdly; we lack in R&D. Unesco statistics tell us that Pakistan spends only 0.16% of its GDP on R&D, while India allocates 0.65% and Vietnam 0.43%. Also, an excellent study of PIDE tells us that 88% of the engineering firms in Pakistan do not allocate any funds, whatsoever, to this essential expense head.

The fourth factor is our general apathy towards environment. Toxic air emissions are a mammoth challenge. To remain eligible for supplying textile to the EU, Pakistan must begin transition towards net-zero emissions in earnest.

Another associated challenge is the discharge of chemicals-loaded wastewater from mills into water bodies because studies indicate that only 15% of Pakistan’s municipal and industrial wastewater goes through any treatment before disposal.

What is to be done

From the above analysis, it is obvious that if immediate remedial measures are not initiated, we may lose even the existing textile markets, let alone expecting any expansion.

An economy having the required depth and diversity in terms of value chains and value-added products may have been able to afford such a loss. However, in our case, when there is no other value chain which can even replace it partially, it would be nothing less than a socio-economic hara-kiri.

Therefore, it seems imperative to undertake the following steps on priority.

1) Identify and support techno-commercial options for the exploitation of indigenous sources of natural gas where conventional development is uneconomical. For example, possibilities exist where instead of transmission infrastructure, mini-LNG plants and LNG trucking may prove more feasible. Similarly, the development of some fields by deploying a hub strategy may prove more economical. 2) A few strategically located bio-methane plants in each textile district can help in mitigating natural gas consumption and associated costs.

3) Increase the consumption of grid electricity in the domestic sector, while targeting to possibly replace gas consumption, which may help in reducing capacity charges and diverting that gas to the textile sector.

4) Business units may consider undertaking energy audits ie, a rigorous ascertainment of their energy consumption on the basis of available industrial yardsticks and design efficiencies. They would be of further value if conducted in conjunction with management audits in the context of optimisation of workflow, performance logs, etc. This exercise may give surprises to owners with respect to cost optimisation opportunities. 5) Introduce automation and process design efficiencies in mills such as PLC systems, modern boilers, heat exchangers, etc.

6) More than 50% of our textile exports are made to the US and Europe. Therefore, managing the Carbon Border Adjustment Mechanism (CBAM) of the EU and the associated Carbon Border Tax, expected to be applicable by 2030, can throw a major challenge to our already fragile industry.

Thus, timely measures for monitoring and mitigating the emissions are imperative. Casual handling can lead us to meeting the same fate as that of PIA. The implementation can be financed by establishing a dedicated carbon credits market in Pakistan and green financing loans from the pertaining international institutions. 7) The industry may consider establishing centres of excellence, one each in Karachi, Lahore and

Faisalabad, comprising a diploma institute for textile technicians and a training institute for grooming leaders for the industry.

8) Proactive adoption of synthetic fibres.

Source: brecorder.com– June 21, 2024

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NATIONAL NEWS

S&P retains India FY25 GDP growth estimate at 6.8%; forecast lower than RBI

S&P Global Ratings on Monday retained India's GDP growth forecast for the current financial year at 6.8 per cent and said high interest rates and lower fiscal spur would temper demand.

In its economic outlook for Asia Pacific, S&P Global Ratings said India's economic growth continues to surprise on the upside with the economy growing 8.2 per cent in fiscal year 2023-24.

"We expect growth to moderate to 6.8 per cent this fiscal year, with high interest rates and lower fiscal spur tempering demand in the non-agricultural sectors," it said.

For the fiscal years 2025-26 and 2026-27, S&P projected growth rates of 6.9 per cent and 7 per cent, respectively.

S&P's estimates for FY'25 is lower than that of the Reserve Bank of India (RBI), which earlier this month projected the Indian economy to expand at 7.2 per cent in the current fiscal, on the back of improving rural demand and moderating inflation.

While another rating agency Fitch estimates India's growth at 7.2 per cent in FY'25, the Asian Development Bank (ADB) estimates India's GDP to grow at 7 per cent. Moody's Ratings and Deloitte India estimates India's GDP to grow at 6.6 per cent in 2024-25 fiscal, while Morgan Stanley projects growth rate of 6.8 per cent.

For China, S&P raised its 2024 GDP growth forecast to 4.8 per cent, from 4.6 per cent but sees a sequential slowdown in the second quarter. The combination of subdued consumption and robust manufacturing investment will weigh on prices and profit margins, it said.

Source: business-standard.com– June 24, 2024

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'Commerce ministry in talks with South Korea to upgrade existing FTA'

With talks to upgrade the existing free trade agreement (FTA) moving forward between India and Korea, the department of commerce is engaging with different ministries, including heavy industries, steel, and chemicals, to prepare the offer list, an official said.

Preparation of the list is part of the negotiations, which are underway, for the upgrade of the existing FTA between the two countries, dubbed as comprehensive economic partnership agreement (CEPA). The agreement was operationalised in January 2010. So far, 10 rounds of talks have been concluded.

The official said both sides have exchanged the request list and "are working on the offer list" and for that the commerce ministry is holding discussions with different ministries, including steel, heavy industries, textiles, chemicals and petrochemicals.

India has sought greater market access for certain products such as steel, rice, and shrimp from South Korea with a view to boost exports of these goods, the official added.

India has flagged issues over Korean firms not buying Indian steel.

The exercise assumes significance as both sides have shared the hope that the CEPA upgradation negotiations would play an important role in strengthening and deepening economic cooperation between both countries.

In such agreements, two or more countries either significantly reduce or eliminate customs duties on the maximum number of goods added between and ease norms to promote trade in services and boost investments.

Both sides review the agreement at a mutually agreed time period.

In general, such review or upgrade exercises include implementation issues, rules of origin; verification process and release of consignments; customs procedures; further liberalisation of trade in goods; and sharing and exchange of trade data.

India has also raised concerns on the growing trade deficit between the two countries. India's exports to Korea dipped to $6.41 billion in 2023-24 from $6.65 billion in 2022-23 and $8 billion in 2021-22.

The imports stood at $21.13 billion in the last fiscal as against $21.22 billion in 2022-23 and $17.5 billion in 2021-22.

According to economic think tank Global Trade Research Initiative (GTRI), India's trade deficit with South Korea increased at a much higher rate compared to its trade deficit with the world.

It said India's trade with South Korea has shown significant changes in the periods before and after the implementation of the CEPA.

The average exports from India to South Korea before the CEPA (2007-09) were valued at $3.4 billion, while the average imports stood at $7.3 billion, leading to an average trade deficit of $4 billion.

Post-CEPA (2022-24), the average exports increased to $7.1 billion, and imports surged to $19.9 billion, resulting in a much larger average trade deficit of $12.8 billion, the GTRI report said, adding this indicates an increase in the trade deficit by $7.2 billion from the pre-CEPA period to the post-CEPA period, marking a 220 per cent increase.

Besides, it said Indian exporters are facing various non-tariff barriers in South Korea, including stringent standards, regulations, and certification requirements and these barriers make it difficult for Indian goods to penetrate the South Korean market.

"There are challenges related to gaining better market access for Indian agricultural products like shrimp, rice, steel, pharmaceuticals, and services in South Korea. Indian businesses seek more favourable terms to compete effectively in these sectors," GTRI Founder Ajay Srivastava said. There are concerns regarding the rules of origin provisions under the CEPA, which determine the eligibility of products for preferential tariffs, he said, adding that India aims to ensure that these rules are not overly restrictive and that they facilitate trade rather than hinder it.

According to the GTRI, India is looking for greater liberalisation in the services sector, including healthcare and information technology (IT), and easier access for Indian professionals and service providers in the South Korean market.

There is a need for mutual recognition of standards, qualifications, and certifications to facilitate smoother trade and investment flows between the two countries, it said.

It added that while India has granted significant tariff concessions under the CEPA, there is a push for South Korea to reciprocate with more meaningful concessions, especially in sectors where Indian products have competitive advantages.

"Addressing these issues is crucial for India to achieve a more equitable and mutually beneficial trade relationship with South Korea under the CEPA framework," Srivastava said.

Source: business-standard.com– June 23, 2024

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DGFT, Revenue dept working on dedicated hubs to boost e-commerce exports

In a bid to boost India's e-commerce exports, the Directorate General of Foreign Trade (DGFT) is working with the Department of Revenue to establish designated e-commerce hubs across the country to streamline the process for online export shipments.

The country's e-commerce exports currently stand at $ 2 billion as compared to China's staggering $ 350 billion, according to industry sources.

The government aims at bridging the gap by establishing a supportive e-commerce ecosystem, they said.

"A lot of streamlining is required in this regard. We are working with the Department of Revenue to have designated e-commerce hubs so that clearance of goods happens fast," Director General of Foreign Trade Santosh Kumar Sarangi told PTI.

He said these hubs will have facilities like dedicated customs and security checks, allowing cleared parcels to proceed through a green channel at airports, eliminating the need for further inspections.

This approach mirrors best practices observed in other countries, Sarangi said.

He also pointed out that the e-commerce hubs will be built and maintained by private entities, while the government will oversee security and customs clearances.

In addition to expediting clearances, the proposed hubs would offer warehousing facilities, returns processing, labelling, product testing, and repackaging services.

This public-private partnership aims at creating a robust infrastructure for efficient e-commerce exports, the official said.

These hubs could function similarly to bonded zones, facilitating e-commerce exports, said Ajay Sahai, Director General of the Federation of Indian Export Organisations (FIEO).

A report estimated that with policy reorientation, India's e-commerce exports could reach $ 350 billion by 2030.

Streamlining the export process through dedicated hubs is a crucial step in this direction, experts mentioned.

Source: business-standard.com– June 23, 2024

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Centre should probe alleged leak of confidential data from ICEGATE

In a welcome move last Monday, the Central Board of Indirect Taxes and Customs (CBIC) started a campaign against frauds committed in the name of Indian Customs.

It should start a similar campaign to clear the name of ICEGATE (Indian Customs Electronic Data Exchange Gateway) that is besmirched due to suspicions of leaking confidential data of importers/exporters.

The CBIC has cautioned the public that fraudulent persons posing as Customs officers are using phone calls/SMSes, with specific intent to extract money by causing fear of immediate penal action.

The fraudsters, initially masquerading as couriers, contact the targeted person and claim that his/her package has been seized by Customs due to illegal contents (such as drugs/foreign currency/fake passport/contraband items) or violations of some Customs laws.

Then they impersonate Customs/Police/CBI officials, and threaten legal action and demand payments of customs duties, penalties and other service charges to resolve the issue.

The CBIC says that the Customs officers never contact the general public via phone/SMS/e-mail for payment of duty in private accounts and that all communications from the Customs consist of a document identification number (DIN), which can be verified at https://esanchar.cbic.gov.in/DIN/DINSearch. The targeted individuals should disconnect calls and never respond to messages that they suspect of fraud or any irregularities.

They should immediately report such cases to www.cybercrime.gov.in or helpline number 1930. They should never share/disclose any personal information (passwords/CVV/Aadhar number, etc.), or send money to unknown individuals/organizations without verifying their identity and legitimacy, says the CBIC.

In order to counter these frauds, the CBIC has launched an awareness campaign through newspaper advertisements, SMSes/e-mails to the general public, social media campaigns in several languages and awareness drives by CBIC field formations across the country in coordination with local administrations and trade bodies. It is not enough. The CBIC should also cause investigations to be launched to trace, apprehend and punish the guilty.

Another similar issue that demands the attention of CBIC is the alleged leakage of confidential data furnished by the importers and exporters at the Customs portal ICEGATE. Some individuals/organisations sell information regarding the port-wise exports/imports of any item or by any importer/exporter for any period. They initially send an email offering the information service and follow up with phone calls claiming they are giving authentic data from Customs database.

They share some sample data and after receipt of their fees, give complete information, including name of importer/exporter, name of buyer/consignee, item description, HSN code, bill of lading number and date, quantity, price, value etc. Some give even the shipping bill or bill of entry details. The persons, who have bought such data, say that it is authentic and could have come only from ICEGATE.

Recognizing that publishing or making public such confidential data furnished to the Customs, in printed/electronic form, jeopardizes the interests of the importers/exporters. Section 135 AA was introduced in the Customs Act, 1962 two years back, making such activities punishable with imprisonment up to six months or with a fine up to Rs 50,000 or with both. Still, that has not deterred the individuals/organisations selling such confidential data.

The government should immediately initiate investigations to identify such individuals/organisations and punish them. The government should also investigate from where they get the confidential data as the faith in the security of data furnished to ICEGATE is at stake.

Source: business-standard.com– June 23, 2024

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Govt may overhaul PLI schemes: Quarterly incentive payments on the table

To burnish production-linked incentive (PLI) schemes, the government is considering an overhaul of some of them relating to sectors such as textiles and pharma, and making incentive payments quarterly, officials in the know said.

In a bid to cut the delay in processing incentive claims, the government is looking at switching to a quarterly disbursement of incentives. Currently, in most schemes, incentives are annual. As a result, hardly any progress is seen for most of the year.

The industry department, in charge of coordinating the development and progress of the schemes, has been asking other departments to shift to it. During 2023-24, Rs 6,800 crore has been disbursed as compared to the government's estimate of Rs 11,000 crore.

New schemes for labour-incentive sectors such as apparel, toys, and footwear are also in the offing as part of the government's efforts to create jobs, officials aware of the matter said.

"The timing of the launch of the new PLI schemes has not been decided. A Cabinet note is being prepared for the new schemes as well as for the (proposed) changes in the existing one," one of the persons cited above said.

Questions sent to the Department of Promotion of Industry and Internal Trade via email did not elicit any response till the time of going to press.
In 2020-21 and 2021-22, PLI schemes for 14 sectors, including mobiles, drones, telecom, textile, automobile, white goods, and pharmaceutical drugs, were launched.

However, progress has been uneven. The scheme for large-scale electronics manufacturing that mainly focuses on smartphones has been most successful, propelling a sharp jump in exports over the last two years. On the other hand, the government had recognised progress was largely on track in sectors pharmaceutical drugs, telecom, food products, drones, with slower than expected progress in the case of some sectors such as steel, textile, battery, and automobiles.

For instance, due to a lukewarm response from private players, the textiles ministry has been pushing to make the PLI scheme attractive by offering more flexibility by adding more product lines. The government hopes to see more applications and investment proposals with the change.

In the case of PLI for bulk drugs, some changes in guidelines are expected and the tenure of the scheme may be extended to 2028-29 from 2027-28. All these changes will require approval from the Cabinet, one of the officials cited above said.

On the anvil?

- New schemes for labour-intensive sectors, such as apparel, toys, and footwear in the offing
- PLI schemes for textiles and pharma sectors may be overhauled
- Bulk drugs PLI may witness changes to guidelines; the tenure may be extended to 2028-29 from 2027-28

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

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India's cotton support price hike may throw new challenges to textile industry

The Indian government has increased the minimum support price (MSP) for cotton by ₹501 to ₹7,121 a quintal, offering crucial support to growers but the hike will throw new challenges for the textile industry in general, say industry and trade officials.

While fixing the MSP for medium staple cotton at ₹7,121 from ₹6,620, it raised the support price for long stable cotton to ₹7,521 from ₹7,020. "The recent hike in the MSP for cotton has created a complex situation. Over the past four years, the MSP has increased from ₹6,025 per quintal to ₹7,521. This rise is mainly due to higher farming costs and lower yields," said Ramanuj Das Boob, a sourcing agent for multinationals based in Raichur, Karnataka. He is also vice-president of the All-India Cotton Brokers Association.

Opportunities

The hike offers opportunities and challenges. In the short term, there will be an impact on price, which will react to the increase in MSP. "But it could be limited because of global demand being lukewarm," said Das Boob.

Following the MSP hike, the Cotton Corporation of India (CCI) increased its rates on Thursday offering the natural fibre by ₹200 per candy (356 kg) and selling 80,000 bales (170 kg). "On Friday again, it increased the prices by ₹400," he said.

"Cotton sowing has been reported to be lower till now. However, the MSP hike will encourage farmers to increase the crop's acreage. Overall, there is likely to be a marginal drop in the area under cotton," said Anand Popat, a Rajkot-based trader in cotton, yarn and cotton waste.

Rise in acreage?

The trade and industry could initially feel uneasy but soon the mindset will change and adapt to the situation, he said. Das Boob concurred with the view saying, "The higher MSP might encourage farmers to plant more cotton, despite earlier expectations of a decline."

While sowing is almost complete in Punjab, Haryana and Rajasthan, there could be some gains in Gujarat, Maharashtra, Karnataka, Telangana, Andhra Pradesh and Tamil Nadu.

MSP is one way of supporting farmers from the policy-making point of view, said the Indian Texpreneurs Federation convenor Prabhu Dhamodharan. “At the same time, increasing the yield is the best and permanent way forward to address this issue. with such effort, the Indian textile and apparel sector will get raw material security at competitive prices,” he said.

Floor price set?

Parallelly, efforts must be made to improve the yield within a specific timeframe. “1,000 kg per hectare is the best way forward (for increasing the yield)”, the ITF convenor said. Currently, India’s per-hectare cotton yield is 447 kg.

Das Boob said farmers might hold back their produce (kapas or unprocessed cotton) until the new season, reducing the immediate supply.

With speculation pinning down cotton futures on the InterContinental Exchange, New York, domestic prices may not see much increase. “However, they may not drop below ₹60,000 per candy once the season begins in October,” he said.

On Friday, Shankar-6 cotton, the benchmark for exports, was quoted at ₹56,300 a candy. On the ICE, July futures ended at 70.85 US cents a pound (₹46,830 a candy). On MCX, July contracts were quoted on Friday at ₹57,890 a candy, gaining ₹100.

‘Scrap import duty’

“Policymakers now need to seriously consider the removal of import duty in the coming cotton year to bring a balance in the trade,” said Dhamodharan. India imposes an 11 per cent duty on shipments into the country.

Das Boob said with global cotton prices ruling low and a large new crop expected, cotton imports into the country may increase.

Popat said if cotton prices decline below the MSP level in the new season starting on October 1, the CCI might step in to procure. “What CCI procures may not come to the market and prices may rise as a result,” he said.

CCI operations

The CCI may need to expand its operations to support the higher MSP, acting as a buffer to ensure a steady supply for mills, said the All-India Cotton Brokers Association vice-president.

World apparel trade works in a hyper-competitive environment and “sharp pricing” is necessary to improve India’s market share in finished products. “Any artificial deviation from international prices at the raw material stage will erode our competitiveness in apparel exports,” said the ITF convenor.

Popat said yarn and apparel manufacturers could look towards a corresponding rise in the prices of their products. “The market goes by sentiment and it will begin accepting the revised prices,” he said.

Das Boob and Popat said cotton exports may be affected as India could be out-priced in the global market. Earlier this week, the Cotton Association of India pegged exports for the current season to September 68 per cent higher at 26 lakh bales from 15.5 lakh bales last season.

He said spinners and ginners may increase their purchases in case the supply of cotton declines.

Shift to other fibres

The cotton sourcing agent from Raichur said textile mills may switch over to man-made fibres, which are currently in higher demand, potentially reducing cotton consumption.

Dhamodaran said alternate fibres are penetrating rapidly into the fashion world and taking away the market share of cotton every year due to its cost advantages combined with improved functional aspects of those fibres.

Das Boob said the textile industry may face higher costs that could be passed on to consumers, thereby reducing demand for cotton products.

He called for long-term strategies to ensure the MSP hike leads to sustainable growth in the cotton sector. “A balanced approach is essential to maximise the benefits of the MSP while minimising its negative impacts on the economy and the cotton value chain,” said Das Boob.

ITF’s Dhamodaran said improving the yield will protect the farmers’ income, cotton share in fashion and Indian Apparel exports growth.

Source: thehindubusinessline.com– June 22, 2024

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India plans global trade promotion body for MSME exports, to be announced in budget

New Delhi: The Centre may propose a global trade promotion body focused on boosting MSME exports in the upcoming Union budget, three people aware of the development said. The move comes on the backdrop of India's rising trade deficit and the urgent need to boost exports, the people said on condition of anonymity.

The new global trade promotion organization (GTPO) is being conceptualized on the lines of the Japan External Trade Organization (JETRO) and Australian Trade and Investment Commission (AUSTRADE), and will have branches in major economies.

Focused towards MSMEs

“There has been a demand and also a consideration for a trade promotion body that would have offices abroad and work hands-on in terms of promoting exports for MSMEs who do not the economic muscle to promote their goods and establish a market abroad on their own,” said one of the people cited above.

Another person said that although there are sector-specific trade promotion bodies in the country along with the India Trade Promotion Organisation (ITPO), they do not have a robust presence globally and mostly work out of India.

The GTPO is aimed to help small businesses with registration, licensing, and certification required for exports of goods and services to different developed and developing economies, and creating business opportunities for them in coordination with India's consulates abroad.

“It will work like a one-stop solution for MSME firms. The commerce ministry is hoping that it will play a key role in reducing trade deficit by encouraging MSME exports,” the third person said, adding that it would also help smaller business participate in global exhibitions, trade shows and buyer-seller meets.

Queries sent to the ministries of commerce, MSME and finance remained unanswered till press time.

“Such a trade promotion body with its branches in other countries is key for the country's MSMEs,” Vinod Kumar, president of India SME Forum said. "It would be apt if such a body is given a target to increase India's exports to $1 trillion."

India's merchandise exports in the just-concluded financial year (FY24) fell by 3.11% to $437.06 billion as against $451.07 billion in FY23, as per commerce ministry data.

The trade situation

The country's merchandise trade deficit widened to a seven-month high in May, but largely due to a surge in imports. The deficit stood at $23.78 billion in May, up 5.5% year-on-year and up 24.5% from April.

Merchandise exports increased to $38.13 billion in May, up from $34.95 billion in May 2023 and $34.99 billion in April.

Imports, however, saw a sharper rise, reaching $61.91 billion in May, up from $57.48 billion in May 2023 and $54.09 billion in the previous month.

Why MSMEs are important

MSMEs are a key constituent of the Indian exports ecosystem, contributing about 45% to the country's total exports, according to a Global Trade Research Initiative (GTRI) report. They also account for around 38% of India's manufacturing output.

MSMEs also contribute about 27% to India's GDP and employ more than 110 million people, making it the largest employer after agriculture (about 148 million employed, according to GTRI).

A NITI Aayog report on MSME exports released in March this year said: "Exports represent an enormous and under-utilized opportunity for the MSME sector. Sectors where Indian MSMEs can participate and compete in export markets include handicrafts, handloom textiles, ayurveda and herbal supplements, leather goods, imitation jewellery and wooden products. Globally, these sectors constitute substantial markets exceeding $340 billion, whereas their domestic market is considerably smaller."

Noting that over time, small firms have encountered difficulties in tapping into export markets due to the inherent obstacles posed by economies of scale, the report said that it's more challenging for small enterprises to enter foreign markets, adhere to compliance requirements, achieve cost-effective production, and efficiently manage logistics for clients.

“Exporting is crucial for Indian MSMEs to break away from dwarfism and unlock their true growth potential. Exporting can allow 54 lakh (5.4 million) manufacturing MSMEs to tap into new markets and expand their customer base, leading to increased revenue and profit,” it said.

Source: livemint.com – June 23, 2024

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Tiruppur knitwear industry decides to set up committees to address major challenges

The Tirupur Stakeholders Forum, which includes members of the knitwear industry, trade unions, NGOs, government departments and brands and buyers, has decided to constitute committees that will identify major challenges in the Tiruppur knitwear cluster and arrive at deliverable solutions.

The first meeting of the Forum held in Tiruppur on Friday, June 21, 2024, decided to have committees with all stakeholders to chalk out a roadmap and design programmes with clear deliverables, identify core challenges, come out with long-term solutions for major issues related to migrant workers, grievance redressal of workers, gender-based violence complaints, and psychological health fitness of workers, corporate social responsibility (CSR) and human resources (HR), and documenting sustainability initiatives.

The Tirupur District Collector T. Christuraj, who presided over the meeting said the Forum was re-launched last October 2023 and the first meeting was held on Friday to boost the growth of Tirppur.

M. Prathap, Director of Tamil Nadu Women's Employment and Safety, said Tiruppur should implement programmes to promote employment of women and protect them as almost 80 % of the workforce in Tiruppur's garment industries are women.

Founder and honorary chairman of Tiruppur Exporters Association A. Sakthivel, highlighted the sustainability efforts of Tiruppur cluster such as zero-liquid discharge (ZLD) and recycling of yarn and fabric for eco-friendly and sustainable production.

President of the association K. M. Subramanian, explained the ESG (environmental, social and governance) measures taken by the cluster, including adoption of government schools for the benefit of the workers, construction of roads, bamboo park, construction and maintenance of crematoriums, and healthcare facilities, creating rain water harvesting structures and conducting medical camps and screening camps for women.

"Tiruppur attracts a large number of workers from different districts and States and provides a safe working environment," he said.

Source: thehindu.com– June 22, 2024

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