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INTERNATIONAL NEWS

US economy continues strong recovery amid tightening monetary policy

The US economy has maintained a robust recovery since the COVID-19 pandemic, characterised by rising wages and increased labour market participation, even amidst significant monetary policy tightening aimed at reducing elevated inflation, according to the latest OECD Economic Survey of the US.

The OECD projects that US GDP growth will slightly increase from 2.5 per cent in 2023 to 2.6 per cent in 2024, before slowing to 1.8 per cent in 2025. This growth is expected to be driven by consumer spending, continued labour market strength, and eventual monetary policy easing. Core inflation is forecasted to decline from 4.1 per cent in 2023 to 2.6 per cent in 2024, and further to 2.1 per cent in 2025, as wage growth and housing inflation moderate.

General government debt in the US has risen to 122 per cent of GDP in 2023, marking its highest level since World War II and the fourth highest in the OECD. The debt-to-GDP ratio is projected to continue increasing significantly over the coming decades under current tax and spending policies, as per the survey.

The OECD suggests that achieving fiscal sustainability would reduce the economy's vulnerability to future shocks and ensure the government can maintain key functions. A steady, multi-year fiscal adjustment, including spending adjustments, is recommended to place government debt on a more prudent path. Replacing the debt ceiling with a simple medium-term debt ratio target would simplify existing legislative budget rules and provide clearer guidance for public budgeting.

The survey highlights weakened competition in parts of the economy, underscoring the importance of maintaining and strengthening open investment and trade policies. Productivity growth is expected to benefit from adjustments in education and immigration policies to ensure an adequate supply of highly skilled workers. This could involve expanding tailored measures to accelerate the learning of disadvantaged students.

The report also notes a significant acceleration in efforts to achieve the US climate goals, including the target of net zero emissions by 2050. While current measures are a step in the right direction, the OECD emphasises that additional policies will likely be needed to fully achieve climate objectives. A well-balanced policy mix, including carbon pricing, sectoral regulations, and subsidies, is recommended to meet these goals.

“The US has recovered swiftly and strongly from the pandemic, with strong growth in jobs and wages, while inflation is coming down. Monetary policy easing will be appropriate once there are clearer signs that inflation is durably moderating to meet the Federal Reserve’s 2 per cent target,” said OECD secretary-general Mathias Cormann.

Source: fibre2fashion.com– June 28, 2024

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Major growth divergence across emerging markets in 2024: S&P Global

S&P Global's macroeconomic baseline for emerging markets (EMs) for the third quarter (Q3) this year remains broadly unchanged from that of Q2, with most EMs' gross domestic product (GDP) growth set to be moderately stronger this year than in the last.

"We continue to expect 2024 to show significant growth divergence across emerging markets (EMs). Growth outperformers in 2023 (such as Brazil, Mexico, and India) will experience moderate deceleration in growth rates in 2024, although their growth will remain relatively strong. Conversely, last year's growth underperformers (among them Chile, Colombia, Peru, Thailand, Hungary, Poland and South Africa) will experience modest acceleration in growth in 2024," S&P Global said in a note.

In the coming quarters, EMs will continue to encounter risks to growth, including the lagged impact of high interest rates and an expected deceleration in US economic growth, it observed.

Policy-related risks have risen following electoral outcomes that generate uncertainty over reforms, fiscal trajectories and institutional frameworks in several EMs.

Most EMs' growth will strengthen in 2024, mainly due to strong domestic demand. In most EMs, unemployment rates remain near record lows, helped by the recovery from the COVID-19 pandemic and in most cases by fiscal support. This has pushed consumption past pre-pandemic levels in all EMs.

Trade weakness has bottomed out. However, further improvement remains highly vulnerable to setbacks. EMs with strong trade ties with advanced Europe are benefiting from a modest recovery in household spending, with positive effects on manufacturing production.

Manufacturing sectors in emerging Asia, especially those exposed to the improving electronics trade cycle, are also recovering. Continued strength in U.S. demand is also helping manufacturing production in several Latin American economies.

However, the expected deceleration in US growth and the lagged impact of high interest rates across other advanced economies mean that the speed and duration of trade cycle improvement are far from assured, noted S&P Global.

A later-than-anticipated start to interest rate cuts by the US Federal Reserve (Fed) will contribute to slower monetary policy normalisation in most major EMs, though the rating agency's view on terminal benchmark interest rates remains unchanged. It now expects Fed funds rate cuts will start in December this year and last into late 2026. Disinflation continues across EMs.

S&P Global's 2024 real GDP growth forecast for EMs excluding China remains unchanged at 3.9 per cent, following a 4.2-per cent expansion in 2023. However, it adjusted its 2024 GDP growth forecasts for several countries.

It made the largest upward revisions to Turkiye (plus 50 basis points) and Chile (plus 40 basis points), in both cases due to stronger-than-expected first-quarter GDP reports.

It lowered its growth projections the most for Saudi Arabia (minus 70 basis points), Thailand (minus 50 basis points) and South Africa (minus 40 basis points).

Its 2024 real GDP growth forecast for Latin America remains unchanged at 1.2 per cent (or 2 per cent excluding Argentina), although it revised expectations for several countries.

It made no major changes to its 2024 growth forecasts in Southeast Asia, except in Thailand, where lower-than-expected first-quarter GDP growth prompted the rating agency to lower its projection to 3.5 per cent from 3.9 per cent. It forecasts growth for the region at 4.8 per cent compared with 4.4 per cent in 2023.

Inflation is controlled in emerging Asia overall. Some economies are facing inflationary pressure from food prices, but core inflation is contained across the region, it added.

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US net cotton export sales decline; Upland down 52%, Pima 40%

Net sales of Upland cotton in the US totalling 90,600 RB (running bales, each weighing 226.8 kg or 500 pounds) for 2023-24 were down 52 per cent from the previous week and 50 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 20, the increases were primarily for China (20,000 RB, including decreases of 1,300 RB), Pakistan (16,700 RB), Vietnam (13,600 RB, including decreases of 700 RB), India (12,700 RB), and Indonesia (9,800 RB), which were offset by reductions for Turkiye (800 RB).

For this week, the net sales of 67,600 RB for 2024-25 were primarily for China (35,600 RB), Guatemala (10,700 RB), Vietnam (7,900 RB), Indonesia (4,400 RB), and Peru (3,300 RB). The exports of 141,000 RB were down 29 per cent from the previous week and 21 per cent from the prior 4-week average. The destinations were primarily China (28,700 RB), Pakistan (22,400 RB), Turkiye (19,200 RB), Vietnam (18,600 RB), and Mexico (12,000 RB).

Net sales of Pima cotton totalling 4,800 RB for 2023-24 were down 40 per cent from the previous week, but up 1 per cent from the prior 4-week average. The increases were primarily for India (3,200 RB) and Peru (1,700 RB), offset by reductions for China (400 RB).

Total net sales reductions of 400 RB for 2024-25 were for Peru. Exports of 6,200 RB were up 7 per cent from the previous week, but down 15 per cent from the prior 4-week average. The destinations were primarily Vietnam (3,900 RB), India (1,500 RB), Peru (300 RB), Turkiye (300 RB), and Germany (100 RB).

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ITMF & IAF to lead textile collaboration summit in Samarkand

As frequent visitors of the ITMF and IAF annual conferences have come to expect, industry experts will share the cutting edge of the developments that currently define the textile-apparel industrial complex.

The unique collaboration of the textile industry federation ITMF and the apparel industry federation IAF allows the organizers to give a full supply chain picture. At a time when collaboration across the entire chain is indispensable to meet the many challenges, this is a great asset.

Collaboration is also a central theme of a session featuring Inditex, Epic Group and International Finance Corporation (IFC, part of the World Bank Group). The speakers will focus on decarbonization and show how a collaborative approach across the supply chain can achieve the real progress that our industry needs.

The apparel and textile industries are rapidly becoming more regulated, heightening the pressure to create real and significant environmental and social improvements. In a unique, global regulation session, representatives of the American Apparel & Footwear Association (AAFA), the China National Textile & Apparel Council (CNTAC), the European Textile & Apparel Industry Federation (EURATEX), and the Japan Textile Federation (JTF), will explain the shape that regulation will take in their countries and regions in the coming years.

These topics and several more about fibers, digitalization, AI, etc. will be discussed in the ancient city of Samarkand, Uzbekistan, a country with a rapidly growing textile and apparel industry, attracting interests from across the world. This convention will be a unique industrial gathering of leaders from across the entire textile and apparel supply chain, from all parts of the world.

Source: fibre2fashion.com– June 27, 2024

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Chinese textile exports begin their return to growth

Textile exports totalled 52.6 billion euros, up 2.6% on the same period the previous year. In the clothing sector, exports remained stable at +0.2%, with 54.1 billion euros worth of products shipped.

May could mark a breakthrough. While exports rose by just 0.8% over the January-April period, exports of textiles and clothing rose by 4.7% in May. This acceleration particularly affected textiles (+8.1%) and, to a lesser extent, clothing (+1.6%).

"Since the second quarter, the situation for Chinese textile and clothing exports has improved compared with the first quarter, but the pressure from companies' foreign trade remains strong and the order situation has not improved significantly," says CCPIT-tex. "This rebound in exports may be due to a shortage. It remains to be seen whether it will form part of a continuing upward trend."

The Chinese Textile Authority points out that, since the start of the year, the situation on the international retail market has remained stable overall. But behind this stability, markets in most developed countries have only been able to maintain weak growth, leaving some doubt as to whether consumption will pick up again soon.

Last year, China exported the equivalent of 269.4 billion euros worth of textiles and clothing. After exchange rate effects, these were falls of 8.1% and 2.9% respectively, caused mainly by inflation, which is holding back Western consumption, but also by the effects of the zero-Covid policy, which was finally lifted at the start of the year.

Source: fashionnetwork.com– June 27, 2024

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ICE cotton prices rise amid technical buying, USDA report awaited

ICE cotton prices rose further yesterday as technical buying supported market sentiments. Traders were keenly awaiting the export sales data report and the US crop report. They expect that US cotton may trend upward if it finds a trigger from the upcoming crop report. However, external factors remained negative for cotton futures. A stronger US dollar put pressure on cotton buyers as it will make cotton purchases costlier.

Yesterday, the ICE cotton December contract settled at 75.34 cents per pound (0.453 kg), up by 45 points. ICE cotton closed slightly higher yesterday, hitting a nearly one-month high at the beginning of the session, according to trade analysts. The dollar index was noted nearly 0.45 per cent higher, making cotton purchases more expensive for foreign buyers. Cotton futures managed to register gains yesterday.

The trading volume was 33,036 contracts, with 36,303 contracts cleared the previous day. Open interest was 212,400 contracts, up by 309 contracts. Certified stocks in the ICE cotton exchange began the day at 97,562 bales, down 2,819 bales due to decertification. The decertifications are not tied to July notices, with the first delivery day being July 1. There were zero bales awaiting review.

The US Department of Agriculture (USDA) will release its weekly export sales report today. Market participants are also anticipating the USDA's annual crop acreage report, which may impact market expectations and prices. It is set to be released on 29 June. The market was showing some technical buying, which may improve after any adversity in the data in the coming days.

On Thursday, ICE cotton for July 2024 traded 0.10 cents higher at 72.70 cents per pound. Cash cotton traded at 68.59 cents (up 0.38 cents), the October contract at 74.59 cents (up 0.38 cents), the December 2024 contract at 75.09 cents (down 0.25 cents), the March 2025 contract at 76.47 cents per pound (down 0.28 cents), and the May 2025 contract at 77.64 cents (down 0.29 cents). A few contracts were seen at the level of the last closing, with no trading noted today.

Source: fibre2fashion.com– June 27, 2024

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Textiles Demand Expected to Improve by Q1 of 2025

Weak to moderate textiles demand hopes to show improvement by the first quarter of 2025.

Inflation, Chinese economy, tariffs on Chinese goods, ongoing conflicts in Eastern Europe and Middle East, and elections in major economies like United States, United Kingdom and India all influence textile demand.

Inflation will be one of the key issues that will be debated when President Biden and former President Trump meet face to face in the first presidential debate during this election cycle.

Inflation is still high in the United States, although the price of groceries and non-essentials is coming down. According to recent data from the U.S. Bureau of Labor Statistics, all items, less food and energy index, rose by 3.4% on a year-on-year basis. This shows that the inflation is still riding high and that a federal funds rate cut is not expected anytime soon.

While inflation has come down to the desired level of 2% in the United Kingdom, Bank of England is not expected to make rate cuts until November.

In the United States, inflation is high, and although it has come down significantly from the 2022 level, it is yet to reach the 2% level. Given this scenario, the current federal funds rate at 5 1/4 to 5 1/2 is not expected to be cut soon (This view was highlighted by Michelle Bowman, member of Board of Governors of U.S. Federal Reserve System, in a recent talk at Policy Exchange in London).

Inflation has been coming down since its peak of 9.1% in 2022 and, if the price declining trend continues, the Federal Reserve must cut the rate as the inflation reaches 2%, which may not happen until the end of the year.

Rate cuts are critical to increasing consumer confidence as they will enable a decrease in borrowing rates, enabling additional dollars in the pockets of consumers. Spending for textiles and non-essentials is dependent on this discretionary amount after taking care of essentials such as food, medicine, mortgage, and automobile payments.

With the decreasing trend in prices and four meetings of the Federal Reserve left this year – and given the desired level is reached by November – the Fed may cut rates so that the monetary policy is not restrictive. Also, by November, elections in the United States will be over, and clear economic and tariff policies will emerge.

Policies will be aimed at curbing Chinese imports to boost confidence in domestic manufacturing and supporting job growth. Both Biden and Trump are for tariffs against the flooding of cheap imported goods, but the approach and levels may vary. While there are analyses indicating tariffs may increase the cost of consumer goods, it is important that domestic manufacturing is strengthened, enabling high paying jobs so growth happens across different sectors.

On the effect of tariff regimes in the international space, tariffs imposed on Chinese EVs by the United States, Germany, and Canada affect the Chinese economy, which influences the global economy. In the mid-to-long term, economic policies in China need changes to boost domestic consumption. The 7-10% growth witnessed in the past two decades in China based on exports is not happening, and the growth is expected to be around 5%.

Shifting focus towards domestic consumption will increase the appetite for raw materials such as cotton, enabling more exports of cotton from the United States. If the Chinese government focuses on domestic growth policies, imports of raw materials for their different manufacturing sectors must increase to support growth in domestic consumption as well as exports. The latest data indicates that the unadjusted price increase for apparel on a year-over-year basis in the United States is less than 1%, which is less than the overall inflation rate, indicating a positive trend enabling demand.

With the hope that the inflation will slide towards the desired level and tariffs on Chinese goods settles at a stable level, there will be revival of demand in textiles such as home textiles, and apparels. All eyes will be on national banks like the Federal Reserve and Bank of England to see what happens with rate cuts in autumn. It is hoped that there will be demand enhancement of textiles and allied materials by the first quarter of 2025.

Source: cottongrower.com– June 27, 2024

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Sustainable Fabric Production Using Biotechnology: A Path to Eco-Friendly Textiles

The fashion and garment industry has a significant role in the degradation of the environment, mostly due to its resource-intensive production processes. In this context, looking into the potential applications of biotechnology for production of sustainable textiles using microorganisms like fungi, algae, and other organic materials acquires significance. The benefits of these biotechnological fabrics for the environment, future technological advancements, and practical applications are explored in this study. It gives a complete picture of how the manufacture of these textiles can have a smaller environmental impact than that of conventional textiles.

An increasing amount of attention is being paid to the textile industry's effects on the environment, particularly carbon emissions, chemical use, and water consumption. Because traditional cloth production techniques are not sustainable, it is vital to investigate inventive substitutes. Because biotechnology can take advantage of germs, it presents a feasible option. It examines the development of textiles made from fungi, algae, and other organic elements to evaluate the potential for biotechnological advancements in fabric production to revolutionise the industry.

Traditional textile manufacturing has well-known environmental costs. For example, cultivating cotton requires a lot of water—up to 20,000 gallons are thought to be needed to produce one kilogram of cotton fabric (Chapagain et al., 2006). In addition, the process of dyeing textiles sends toxic chemicals into rivers, endangering both aquatic life and human health (Kant, 2012). Nayak et al. (2014) claim that synthetic fibres, such as polyester, significantly raise carbon emissions, exacerbating climate change.

Biotechnology in Textile Production

Using live organisms to create textiles is a more environmentally friendly option made possible by biotechnology. Previous research has shown that bacteria, fungi, and algae can all create textiles (Jones & Wang, 2018). Kirchherr et al. (2017) claim that these biotechnology methods offer reduced resource use and environmental effects, which is in line with the concepts of a circular economy.

Using a comprehensive review of the literature on the evolution of biotechnological textiles, this article examines case studies of companies and academic institutions that are setting the standard in this field and assesses the benefits these innovative textiles offer to the environment, the procedures used in their manufacture, and any disadvantages. A comprehensive analysis of the current and potential future states of biotechnological textiles is provided by the data gathered from industry reports, case studies, and peer-reviewed publications.

Algae, particularly microalgae, are becoming a more versatile supply for eco-friendly textiles. These microorganisms can be grown in wastewater, saltwater, and freshwater. Notable conclusions include:

Algal Biomass: Textiles can be made from algae by processing them into fibres. Since algae break down naturally, they offer a sustainable alternative to manufactured fibres (Volland et al., 2020).

Natural Colours: Algae offer safe, biodegradable natural colours that can be used in place of synthetic dyes without harming the environment (Kim et al., 2014).

Carbon Sequestration: Carbon emissions are decreased because photosynthetic algae absorb atmospheric carbon dioxide (Hannon et al., 2010).

Fungi-Related Fabrics

Mycelium, the vegetative part of fungi, holds enormous potential for the creation of sustainable fabrics. Crucial attributes include:

Biodegradability: Fabrics made of mycelium are naturally biodegradable, reducing the amount of trash that ends up in landfills (Jones et al., 2020).

Low Resource Requirements: Growing on agricultural waste and requiring minimal water, mycelium is a sustainable and effective option (Attias et al., 2021).

Versatility: A multitude of fashion applications are made possible by the ability to create mycelium to have a wide range of textures and properties (Elsacker et al., 2019).

Further Natural Resources

Research is also being done on the possibilities of bacterial cellulose and non-traditional plant fibres in the production of sustainable textiles:

Bacterial Cellulose: A naturally occurring polymer with a high tensile strength and water-holding capacity, cellulose is produced by some bacteria, according to Klemm et al. (2005). It is perfect for use in textile applications because of this.

Plant-Based Fibres: Processing fibres from hemp, bamboo, and banana plants is less harmful to the environment than processing cotton, according to Zhao et al. (2014).

Production of Biotechnological Textiles

Numerous companies and academic institutions are setting the standard for the production of biotechnological textiles. Leading examples include:

AlgiKnit: This firm produces biodegradable yarn from kelp, a form of seaweed. AlgiKnit's yarn is designed to break down, offering a sustainable option to synthetic fibres (AlgiKnit, 2023).

MycoWorks: Using materials derived from mycelium, MycoWorks produces Reishi, a sustainable substitute for leather used in clothing and upholstery (MycoWorks, 2022).

Spinnova: Spinnova uses wood pulp and agricultural waste to manufacture sustainable fibres without the need of dangerous chemicals, producing the least amount of waste (Spinnova, 2021).

click here for more details

Source: fibre2fashion.com– June 26, 2024

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USA: It's Plastic Free July—And This Is Why Consumers are Concerned About Synthetics

Amazon recently announced it has replaced 95 percent of the plastic pillows used for packaging in the U.S. and plans to phase them out entirely by the end of the year. The move comes as more consumers say they are somewhat or very concerned about microplastics and the repercussions they have on human health. In the fashion sector, microplastic pollution stems from petroleum-based fabrics such as polyester, nylon and acrylic. And like Amazon, there is something apparel brands can do to change course for the better.

Amazon's announcement preceded the kickoff of Plastic Free July, an initiative of the Plastic Free Foundation whose mission is to work toward a world free of plastic waste. In the fashion sector, that comes down to reducing the use of petroleum-based textiles like polyester. That's because synthetic textiles like polyester shed tiny microplastic particles, whether during wear or through laundering, adding to the planet's microplastic pollution problem.

In a recent American Apparel & Footwear Association webinar, Dr. Partik Ichhaporia, vice president of technical services, North America, for Eurofins MTS, a consumer product testing firm, explained the microplastic pollution from textiles is poised to grow significantly by 2030 unless there is a sea change within the fashion industry.

"Just the global apparel consumption could increase by as much as 63 percent, so you're not really reducing our use of the textile materials overall," Ichhaporia said. "And the proportion of the polyester tends to be increasing as compared to other fibers. We are increasing the consumption and also the proportion of the synthetics, especially polyester, which seems to be the primary microparticle that will be increasing. So, this is a challenge or a problem that we need to be aware of and start addressing."

It seems apparel shoppers would appreciate if the fashion industry took up this issue, as well. Nearly half of all consumers (45 percent) say they are aware of current concerns about clothing microfibers polluting our oceans and waters, according to the Cotton Incorporated Lifestyle Monitor™ Survey. Of those who are aware, 65 percent know it comes from clothing made from synthetic fibers, especially during washing. A single

load of laundry could release 700,000 microplastic fibers, which wind up in waterways, food supplies and drinking water.

This concern about microplastic pollution from synthetic apparel carries over to what consumers want to purchase. The majority of consumers (70 percent) say their awareness of microplastics factors into the clothing they buy, according to Cotton Incorporated's 2022 Laundering & Microplastics Survey. Further, the majority of moms and dads (61 percent) agree they would prefer their children wear clothes that do not create microplastic pollution, according to the Monitor™ research.

The awareness of microplastics is having an impact on consumer behavior—73 percent of consumers say their awareness factors into how they do their laundry. Out of those 73 percent, most consumers (51 percent), say they purchase clothing and textiles made of natural fibers to reduce microplastic pollution from synthetic apparel, according to the 2022 Laundering & Microplastics research.

And when it comes to sustainability, 75 percent of consumers say it is important their apparel be made from materials that can biodegrade, according to Cotton Incorporated's 2022 Apparel Sustainability and Back to Office Study.

"[Sustainability means] natural fibers and materials used from the environment. Ones that are easily collected and gathered without harming animals or agriculture," according to a response in Cotton Incorporated's 2023 Global Sustainability Study, U.S.

And that's where the difference between a natural fiber like cotton and a synthetic, petroleum-based textile like polyester stands in sharp relief. Research conducted by North Carolina State University shows that when cotton and polyester were put in wastewater for 32 days, 94 percent of the polyester remained, while just 8 percent of the cotton remained. In fresh water, 100 percent of polyester remained, compared to just 21 percent of cotton.

The situation is the same when apparel was put to degradation tests in soil. After 90 days in a compost, a cotton shirt saw 78 percent decomposition versus 18 percent for a polyester shirt.

But microplastic fibers are not only in water and soil. The particles blow through the air and are found in crops, too. The microplastic fibers have entered the food chain, are in our drinking water and enter our respiratory systems. Research is showing microplastics can "cause a variety of human health concerns, including neurotoxicity, dermal irritation and organ inflammation," according to SGS (Société Générale de Surveillance), a global inspection, verification, testing and certification company.

Recent research published by Cotton Incorporated highlights the significant environmental impact of synthetic clothing, which generates 7.4 million tons of plastic pollution annually. This pollution is equivalent to the weight of 820 Eiffel Towers. The study underscores the apparel industry's role in contributing to plastic leakage, with synthetic garments being a major culprit.

"The impact of synthetic garments on plastic pollution is staggering, with at least 10 times more leakage than cotton clothing," said Jesse Daystar, Ph.D., vice president and chief sustainability officer at Cotton Incorporated. "Designing with natural fibers, like cotton, is one of the key strategies to reduce plastic leakage from the apparel industry."

Fashion designers likely wouldn't want to be seen as playing a part in consumers' health issues. But the fact remains that most brands rely heavily on manmade fibers, to the point that most apparel (69 percent) is made partially or entirely of synthetic fibers like polyester, which are derived from crude oil, according to EarthDay.org. The group also points out that the average person buys 60 percent more garments than they did 15 years ago, but keeps them for only half as long before discarding them.

Perhaps this is why more than three-quarters of all consumers (77 percent) say they are interested in clothing that is designed with durability (lasting a long time) in mind, according to Cotton Incorporated's 2023 Circularity Survey. That's followed by interest in biodegradable clothes that can decompose and return to the earth (65 percent), clothes that can be repaired to extend a garment's life (68 percent), and apparel that can be composted into nutrient-rich soil (58 percent).

The Plastic Free Foundation says choosing "timeless pieces made from natural fibers is a powerful way to support more sustainability in fashion and reduce microplastics."

And as Lindsay Miles, educator and author, states, “Plastic Free July is an opportunity not only to look at our own plastic use and make individual changes, but a chance to be part of something bigger—to join with others and belong to a movement leading the way in changing both behavior and policy.”

Source: sourcingjournal.com– June 27, 2024

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Vietnam overtakes China to lead market share of textile-garment exports to US

During the first five months of this year, Vietnam overtook China as the country with the largest market share of textile and garment exports to the United States. The country also achieved the highest export growth for these items among the world's top three exporters, the Vietnam National Textile and Garment Group (Vinatex) reported.

According to Vinatex, Vietnam's textile and apparel exports from January to May totaled around US $ 16 billion, up 5 per cent from the previous year. Of that amount, US $ 6 billion came from the US market, a 4 per cent increase from the same period last year.

With such results, Vietnam has surpassed China to claim the lead in the global market share of textile and garment exports to the United States. Among the top three exporters of these goods worldwide during this time, Vietnam has also experienced the strongest export growth, according to Vinatex general director Cao Huu Hieu.

The other two nations in the top three are Bangladesh and China. According to Vinatex data, Bangladesh earned US $ 21.7 billion, up 3.9 per cent, while China's total textile-garment export turnover from January to May was US $ 66 billion, down 2 per cent from the previous year.

However, Vinatex pointed out that rather than being the result of rising demand worldwide, Vietnam's rise has mostly been caused by a transfer of numerous orders from other nations to Vietnam and a 5 per cent decline in the value of the Vietnamese dong relative to the US dollar.

Many textile businesses have had to adapt to the intense competition in the market by producing items made of blended and recycled fibres, which are outside their areas of expertise, in order to gain traction in niche markets. These businesses nevertheless produce traditional cotton fibre products. Simultaneously, they are upgrading production technology, promoting new product research and development, and attempting to find new customers in order to lessen reliance on established markets.

Source: apparelresources.com– June 26, 2024

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Indonesia to increase import taxes to protect local textile industry

The Indonesian government on June 25 said that it will issue two protection policies, namely Safeguard Measures Import Duty (BMTP) and Anti-Dumping Import Duty (BMAD), for textiles and textile products as an effort to protect the local industry from surging imported textiles.

The BMTP is a state levy to prevent the threat of serious losses suffered by the domestic industry as a result of a surge in the number of imported goods that directly compete with the domestic products.

Meanwhile, the BMAD will be an additional import duty.

Finance Minister Sri Mulyani Indrawati revealed that a protection policy for the textile and textile products industry from the invasion of imported goods will be issued.

After a cabinet meeting at the Presidential Palace in Jakarta, the minister said that two new regulations will be issued in accordance with the Minister of Trade and the Minister of Industry.

On the same occasion, Minister of Trade Zulkifli Hasan said that President Joko Widodo had agreed to release the policies to protect local industries.

Data from the Indonesia Statistics showed that the import value of clothing and accessories had shown an increasing trend during the first quarter of this year. In January, the import value was recorded at 12.26 million USD, then it increased to 20.87 million USD the next month. The value rose again in March to 23.98 million USD.

Source: en.vietnamplus.vn– June 25, 2024

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Bangladesh, China eye 'game-changing' economic partnership

Bangladesh and China seek to take the bilateral economic partnership to the next level through a potential Free Trade Agreement (FTA) with experts saying it could be a game-changer for both countries. Prime Minister Sheikh Hasina is expected to visit China on 8-11 July in a crucial step to solidify the partnership. Her visit is aimed at addressing the trade gap, which is over $17 billion in favour of China, and attracting more Chinese investment in Bangladesh.

Experts pointed out that under the principle of mutual benefit and win-win, China and Bangladesh could strive to strike an FTA as a driving force for the economic development of both countries. They observed that the proposed agreement will be a win-win for the two countries, offering Bangladesh access to China's massive market and attracting more Chinese investment in Bangladesh.

The agreement may conclude before Bangladesh graduates from the group of least developed countries (LDCs) in 2026 aiming to boost bilateral trade and investment as well as employment generation. In a recent programme, Chinese Ambassador to Bangladesh Yao Wen said the visit of Prime Minister Sheikh Hasina to Beijing will be a 'game-changer.'

"In terms of trade, China has maintained its position as Bangladesh's largest trading partner for 13 consecutive years, with bilateral goods trade reaching $24 billion in 2023. In terms of investment, China's foreign direct investment (FDI) stock in Bangladesh reached $3.2 billion by 2023, making China the second-largest investing country in Bangladesh," he stated.

The Chinese envoy explained that in terms of contracting, Chinese enterprises have constructed seven railway tracks, 12 roads, 21 bridges and 31 power plants in Bangladesh. The China-Bangladesh FTA covers areas such as trade in goods, trade in services, investment, e-commerce and high-tech industry cooperation, providing a basic framework and solid guarantee for future bilateral economic and trade cooperation.

Yao Wen commented that China stands ready to work together with Bangladesh to announce the conclusion of the feasibility study of the China-Bangladesh FTA shortly and strive to officially initiate negotiations

within this year, so as to conclude the negotiations before 2026, commencing the building of a bilateral free trade zone.

According to data from the Export Promotion Bureau (EPB) and Bangladesh Bank, the bilateral trade between Bangladesh and China was $18.5 billion in fiscal year 2022-2023. Bangladesh imported products worth $17.83 billion from China against exports worth $677.36 million. So, there was a trade gap of over $17.15 billion. Bangladesh imported goods worth $19.35 billion against $683.43 million exports in FY22 while $12.93 billion against $680.66 million in FY21, $11.49 billion against $600.11 million in FY20 and imported products worth $13.85 billion against the exports of $831.20 million in FY19.

Bangladesh mainly exports single yarn of jute and textile bast fibres, T-shirts, cotton-made trousers, breeches, jerseys, pullovers, industrial monocarboxylic fatty acids and acid oils from refining, and live eels to China.

On the other hand, Bangladesh imports many items, including textiles and textile articles, machinery and mechanical appliances, electrical equipment, parts thereof, and parts and accessories of such articles, medical instruments and apparatus, and products of the chemical or allied industries, from China.

A win-win FTA

Chairman of Research and Policy Integration for Development (RAPID) Mohammad Abdur Razzaque said China has been the world’s second-largest economy since 2010 thanks to providing new opportunities for specialisation, efficiency gains, export market diversification and attracting investment. “China will soon become the world’s largest retail market. The country is the largest trading partner for more than 120 countries. Partnering with Chinese companies can unlock funding, new markets and technological opportunities,” he said.

The economist said there is evidence to suggest that FTAs with China will have a positive impact on GDP, exports and imports. “FTAs often attract investors to member countries and help with global supply chain participation. FTAs facilitate the exchange of technology and expertise between member countries, fostering innovation, and consumers gain access to a wider variety of goods and services,” he added.

Dr Razzaque stated that the Bangladesh-China partnership under the Belt and Road Initiative (BRI) presents an opportunity for enhanced cooperation in investment and technology. And this needs to be linked to Bangladesh export supply capacity building. “If the FTA can be complemented by investment from China, the impact would be much greater. Due to heightened geopolitical competition, Bangladesh can be an ideal destination for investment in export-oriented manufacturing production. In an FTA with China, due attention should be given to trade-in services and technology transfer,” he said.

The economist said engaging in multiple FTAs will help mitigate risks associated with geopolitical tensions. East Asian countries have successfully hedged their bets by signing FTAs with both China and other major economies. “China should extend the duty-free market access benefit to Bangladesh. Bangladesh should explore the options for expanded trade in services and transfer of technology from China,” he also said.

Talking to the Daily Sun, Executive Director of the Institute for Inclusive Finance and Development Mustafa Kamal Mujeri said currently China is much ahead in trade with Bangladesh. “So, Bangladesh must adopt an active policy to take the benefit after signing the FTA.” “Bangladesh has to enter the Chinese market with quality products at competitive prices,” he said.

Bangladesh China Chamber of Commerce and Industry (BCCCI) Secretary General Al Mamun Mridha said by learning from the experiences of countries like Vietnam, Indonesia, Australia and Pakistan, Bangladesh can strategically negotiate a win-win FTA with China.

This can pave the way for increased FDI, fostering economic growth and development in the private sector. “ASEAN-China FTA came into effect in 2010. In 2023 alone, China invested over $3.96 billion in Vietnam. Between 2019 and 2022, Chinese investors invested $20.9 billion across 9,080 projects in Indonesia,” he said.

Source: daily-sun.com– June 26, 2024

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NATIONAL NEWS

Piyush Goyal meets exporters; reviews trade scenario, non-tariff barriers

Commerce and Industry Minister Piyush Goyal on Thursday held meetings with export promotion councils as well as industry associations to discuss strategies to enhance global market outreach, further boost India's exports by focusing on key sectors, and addressing trade barriers.

Exporters asked the government to firm up a strategy to deal with the issue of non-tariff barriers imposed by trade partners that ultimately hurts India's exports.

Federation of Indian Export Organisations (FIEO), the apex body for exporters, urged the government to set up a separate division in the department of commerce to deal with such trade barriers, amid rising non-trade issues. This would help in dealing with challenges faced by the industry in flagging the issues at the bilateral or regional level.

Another person who attended the meeting said that some exporters requested the government to take a look into the non-tariff barrier-related challenges to ensure smooth working, especially for the small businesses. This is the first review meeting since Goyal took over as the commerce and industry minister earlier this month.

"The shortage of MAI (Market Access Initiative) funds is affecting showcasing of our exports. The fund of Rs 200 crores is grossly inadequate to support exports of $500 billion or more. We require a corpus of Rs 500 crore annually for the scheme as the participation cost has significantly increased. Moreover, we request early approval to the MAI calendar so that the participants get adequate time for their visa and book their tickets much in advance as international fairs are skyrocketing," according to FIEO.

Exporters also called for an extension of the interest equalisation scheme for five years. The scheme is valid till June 30. Under the scheme, banks provide loans to exporters at a lower interest rate, and the lenders are thereafter compensated by the government.

Amid a rise in interest rates consequent to increase in repo rate from 4.4 per cent to 6.5 per cent in the last two years, exporters said that the subvention rates need to be increased from 3 per cent to 5 per cent.

Exporters also called for the need to bring in a national shipping company to break the monopoly of foreign shipping companies.

Source: business-standard.com– June 28, 2024

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Railway faces supply disruption of forged wheels amid Red Sea crisis

The ministry of railways is staring at a brief blip in its supply plans of forged wheels, which are used in high-speed trains and locomotives, as the Red Sea-induced container crisis has delayed the national transporter's inbound shipments till August.

"There has been a non-availability of shipping containers worldwide during June and it is expected to continue in July, due to which there may be a delay in supply of imported wheels. Only critical quantities of wheels required, at a minimum scale, will be diverted to railways from the consignment that has already been dispatched," said a senior government official in the know.

"The situation is temporary and expected to normalise in August," the official added. The issue has been communicated to zonal railways and production and maintenance units responsible for rolling stock.

Forged wheels are used in Vande Bharat trains and high-speed locomotives, and a domestic crisis of forged and semi-forged wheels had prompted the government to import Vande Bharat wheels from China in 2022. Following that, the Centre has been pushing extensively to indigenise the manufacturing of these wheels.

Queries sent to the ministry of railways remained unanswered till the time of publishing. In the July-September quarter, the ministry of railways expects that around 13,000 forged wheels will be required. Another official said that consignments from China have been facing delays for a few months now.

Container rates have been skyrocketing in the past few months because of the Red Sea crisis.

As of Thursday, the Drewry World Container Index is at $5318 per 40-ft equivalent unit (FEU) container, which is 274 per cent higher than pre-pandemic levels. The same index at the end of November 2023 was around $1300 and had cooled down to $2700 following the first Red Sea crisis peak.

According to Union Minister Ashwini Vaishnaw, the upcoming Rs 12000-crore forged wheel facility, won through a tendering process by a consortium led by Ramkrishna Forgings in 2023, will help India become an exporter of forged wheels.

The railways typically needs 80,000 forged wheels a year, according to the minister.

Source: business-standard.com– June 28, 2024

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MSME ministry targets onboarding 500,000 micro, small enterprises on ONDC

The government on Thursday launched an initiative to facilitate onboarding of 5,00,000 micro and small enterprises on the Open Network for Digital Commerce (ONDC) platform.

The initiative, titled 'MSME TEAM', was launched by Union Minister for Micro, Small & Medium Enterprises (MSMEs) Jitan Ram Manjhi. It will provide financial assistance for onboarding, cataloguing, account management, logistics, packaging material, and design.

"Half of these beneficiary MSMEs will be women-owned enterprises," the ministry said in a statement on International MSME Day.

Addressing an event, Manjhi said that MSMEs will be a key force in the movement towards 'Atmanirbhar' and 'Viksit Bharat'.

Manjhi said that his ministry has identified six priority areas. They are formalisation and access to credit; increased access to markets and e-commerce adoption; increased productivity through modern technology; enhanced skill levels and digitalisation in the service sector; support to Khadi Village and Coir industry to globalise them; and empowerment of women and artisans through enterprise creation.

The minister also launched the Yashasvini campaign for mass awareness aimed at formalising women-owned informal micro-enterprises. It will provide capacity building, training, handholding, and mentorship to these enterprises.

"A series of campaigns will be organised by the Ministry of MSME in collaboration with other Central Ministries/Departments/State Governments and Women Industry Associations during FY24-25, focusing on tier 2 and 3 cities in the country," the ministry said in the release.

Manjhi highlighted the need for adopting digital and technological solutions by MSMEs in a rapidly changing industrial landscape. He mentioned that legal reforms in the MSME sector, as part of ongoing government reforms, will act as a force multiplier.

The event was also attended by Union Minister of State (Independent Charge) for Law and Justice Arjun Ram Meghwal, Union Minister of State for MSME Shobha Karandlaje; World Bank Country Director Auguste Tano Kouame; India International Arbitration Centre Chairperson Justice (Retd.) Hemant Gupta; law secretary Rajiv Mani; and MSME secretary S.C.L. Das.

Source: business-standard.com– June 27, 2024

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PLI: At least six of eight sectors likely to switch to quarterly disbursals soon

Quarterly disbursement of incentives will soon start under the Production Linked Incentive (PLI) scheme for at least six of the eight sectors that currently disburse annually, including automobiles and parts, telecom and networking, electronics products, white goods, food products, textile products and drones, to speed up claim processing, sources said.

“The most successful PLI scheme till now in terms of investments and production is that of smartphones which is one the six sectors for which the provision of quarterly disbursement already exists. The government, therefore, drew the conclusion that quarterly disbursement is a good incentive and should be extended to the remaining eight sectors as well,” an official tracking the matter told businessline.

The Department for Promotion of Industry and Internal Trade (DPIIT), the nodal department for the PLI scheme, is also planning to hold the next stakeholder review of the PLI scheme sometime next month or just after the budget announcement for 2024-25, the official added.

Apart form increasing the frequency of disbursement of incentives, the government is looking at revamping the scheme in a number of sectors such as textiles, white goods, electronics and solar PVs to make it more attractive to investors.

The quarterly disbursement of funds was likely to start in one or two months as it would take some time for the line Ministries and Departments to complete all the required processes, the official said. “Most of the eight sectors, except one or two such as speciality steel and solar PV modules, where proper disbursement of incentive is yet to begin, are expected to manage the switchover soon,” they added.

Investments attracted

In 2021-22, the government announced the PLI scheme with an outlay of ₹1.97-lakh crore, initially for 13 sectors and later extended to 14 sectors, to incentivise local production in strategic areas and encourage exports. These include mobile manufacturing and specified electronic components; drug intermediaries & APIs; medical devices; automobiles and auto components; pharmaceuticals drugs, specialty steel, telecom &

networking products; electronic/technology products; white goods (ACs and LEDs), food products, textiles (MMF segment and technical textiles), high efficiency solar PV modules, ACC battery, and drones & components.

While the scheme showed excellent results for the mobile manufacturing sector, it has started to pick up in some, such as the three pharmaceutical related sectors and the IT hardware sector, yet, for some others, it still is a long way to go.

Per latest estimates, the PLI scheme has attracted ₹1.5-lakh crore investments, led to production worth ₹8-9 lakh crore of which ₹3-3.5-lakh crore were exported, the official said.

Total disbursement of incentives touched ₹10,000 crore, but were mostly in just a handful of sectors.

Apart form increasing the frequency of disbursement of incentives, the government is looking at revamping the scheme in a number of sectors such as textiles, white goods, electronics and solar PVs to make it more attractive to investors, the official added.

Source: thehindubusinessline.com– June 27, 2024

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Prioritise deep trade agreements

It is encouraging to note that the Ministry of Commerce organised a "Chintan Shivir" last month to develop strategies and standard operating procedures for future free-trade agreement (FTA) negotiations. It is a timely initiative given that negotiations towards deeper FTAs with the European Union and the UK have seen repeated postponements of deadlines, and review of other FTAs, including with the Asean, is yet to be concluded long after initiation.

In this context, it would be useful for India to formulate its FTA strategy with a focus on core issues in deep trade agreements rather than continuing with limited, shallow trade liberalisation as in the past. Developing an understanding of deep FTAs as instruments facilitating movement of intermediate goods across multiple borders, and, hence, integration with global value chains (GVCs) will help yield better outcomes in future FTA negotiations.

The guiding factor in India's FTA negotiations, thus far, has been the past experience of increasing bilateral trade deficits with FTA partner economies. Consequently, FTA negotiations by India are undertaken with a degree of scepticism. Instead, the appropriate experiential learning from our earlier FTAs should have been to reduce the preferential margin offered in FTAs and increase manufacturing sector export competitiveness.

Compared to the global average most favoured nation (MFN) tariffs of 0-5 per cent that ensure negligible preferential margin in FTAs for most economies, India's relatively high and progressively increasing applied MFN tariffs, especially in the manufacturing sector, inevitably create the scope for a higher preferential margin (clustered around 10-15 per cent) and, hence, bilateral trade in favour of the FTA partner.

Therefore, a reduction of average applied MFN tariffs in the manufacturing sector in India and aligning them with those of comparator emerging market economies should be a necessary trade policy reform for future FTA negotiations. This should be combined with carefully calibrated preferential tariffs offered in the FTA such that GVC dynamic sectors are at an advantage.

Comparative advantage at the task level, coupled with possible complementarities in the partner country/ member economies' production networks, should be the basis of calibrating the extent and time schedule for tariff preferences in the FTA. This will also assist India in deepening its tariff liberalisation in the FTAs to the World Trade Organization-stipulated "substantially all trade" levels.

Manufacturing sector competitiveness can be enhanced through participation in deep FTAs, as they help anchor domestic producers in GVCs. Deep FTAs cover regulatory policy issues in addition to liberalisation of trade in goods and services. Their focus, broadly, is on liberalisation of investment, protection of intellectual property rights (IPRs) and environment, social and governance (ESG) issues. Constituent provisions in these areas are invariably WTO-plus, that is, they extend beyond commitments made at the WTO and/ or include aspects not covered by the WTO.

India has thus far found negotiating the deeper provisions of investment liberalisation and ESG difficult. This has been a limiting issue in its FTA negotiations with both the EU and the UK. The Australia-India economic cooperation and trade agreement, signed in 2022, also does not include an investment chapter. However, globally, the number of deep trade agreements and deeper provisions therein has increased in the last decade. While the EU and the US have been in the lead, the East Asian economies have also upgraded with membership of the Regional Comprehensive Economic Partnership (Rcep) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Although the coverage and depth of provisions in these areas in deep FTAs has been idiosyncratic and tailored to context, India's approach of classifying these policy areas as "non-trade" issues and refusing to negotiate is probably outdated and unproductive. Empirical literature provides evidence that deep trade agreements facilitate the movement of intermediate goods/GVC trade, which continues to be the predominant component of global goods trade post-pandemic and despite trade shocks. Hence, it is important for India to focus on participation in deep trade agreements from the perspectives of increasing its integration with GVCs and facilitating import of intermediate goods to enhance its manufacturing and export competitiveness and even for the success of its production-linked incentive scheme.

Intermediate goods in GVC-led trade are differentiated parts and components, each being highly specialised to its intended use and, therefore, customised to the requirements of the buyer. So, GVC related-investments involving cross-border transactions in differentiated intermediate goods require specific contractual obligations, safeguards and distinctive rules and standards to be negotiated among participant countries. A coordinated and complementary approach towards trade policy, investment and protection of IPRs, given the scope for investment accompanying transfer of technology/ know-how across borders, therefore becomes essential for the multiple countries involved across complex GVCs.

Empirical analysis also shows a positive relationship between additional provisions on investment liberalisation, facilitation, IPRs and investor protection on foreign direct investment (FDI) inflows that are integral to GVC participation. Appropriately designed investment and related regulatory provisions not only help the investment inflows and transfer of technology but also signal commitment towards upgrading the domestic regulatory framework in this respect.

There is, therefore, the additional advantage of MFN applicability of the regulatory framework and certainty of business environment. Together with goods and services trade liberalisation, the investment-related provisions in deep FTAs help reduce costs of doing business and trade costs for MNCs operating in multiple locations and production networks. In comparison, standalone bilateral investment treaties (BITs) are a far more restrictive tool and empirical evidence of their impact on FDI inflows has been largely ambiguous.

Negotiating the investment provisions in its FTAs would also require India to evolve its position on the appropriate investor protection mechanism. Most countries have adopted a combination of investor-state dispute settlement and state-state investor protection mechanism, whereas India, drawing upon its model BIT 2016, continues to insist upon exhaustion of domestic remedies as a prior mechanism. However, this may become increasingly difficult as the CPTPP, already in effect, and of which both the Asean and UK are members, enables investors to commence arbitration without any prior recourse to domestic processes. The EU in its FTAs has proposed an alternative akin to a multilateral court for dispute resolution, but this has yet to be ratified.

Therefore, FTA negotiations cannot be business as usual anymore. To be an attractive alternative investment location in the GVC diversification strategy of large corporations and thereby enhance its manufacturing and export competitiveness, India will need to aim for an early conclusion of the deeper trade agreements.

Source: business-standard.com– June 26, 2024

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73rd meeting of Network Planning Group under PM GatiShakti evaluates eight key infrastructure projects

The 73rd meeting of the Network Planning Group (NPG) was convened in New Delhi on 21st June, 2024. The meeting was chaired by the Additional Secretary, Department for Promotion of Industry and Internal Trade (DPIIT), Shri Rajeev Singh Thakur. The meeting focused on evaluating 8 significant infrastructure projects, two from the Ministry of Railways (MoR) and six from National Industrial Corridor Development Corporation (NICDC), DPIIT.

The first project from the Ministry of Railways pertains to construction of 4th broad gauge railway line of 160 kms from Manmad to Jalgaon in Maharashtra's Nashik and Jalgaon districts. With an estimated investment of INR 2,594 crores, the project seeks to enhance the section capacity of the existing line, facilitating smoother movement of cargo and passenger trains. It aligns closely with national infrastructure priorities and is crucial for meeting future transportation demands in the region.

The second project from the Ministry of Railways pertains to construction of 3rd & 4th broad gauge railway lines of 130.5 kms from Bhusawal in Jalgaon district of Maharashtra to Burhanpur and Khandwa districts of Madhya Pradesh. With an estimated cost of INR 3,285 crores, the project is expected to significantly enhance section capacity, promote regional development, and bolster the Indian Railways' market share in the logistics sector, thus contributing to economic growth and sustainable transportation solutions for the region.

Both projects are a part of the Energy Mineral Cement Corridor (EMCC) program of the Ministry of Railways, for providing connectivity to coal, cement and mineral production areas.

Four projects from NICDC pertain to development of Integrated Manufacturing Clusters (IMCs) in Agra and Prayagraj in Uttar Pradesh, Hisar in Haryana and Gaya in Bihar with an estimated investment of INR 8,175 crores. The projects aim to develop state-of-the-art manufacturing hubs adhering to Industry 4.0 standards, including smart technologies, logistics, residential, and commercial facilities, along with educational and healthcare services. The IMCs will cater to sectors such as E-Mobility, food processing, FMCG, leather, apparel, among others.

Two projects from NICDC involve development of Oravakal Industrial Area in Kurnool district and Kopparthy Industrial Area in YSR Kadapa district of Andhra Pradesh, with an estimated investment of INR 5,367 crores. The project aims to create advanced infrastructure to attract industries and they are strategically located near major highways, railway lines, and seaports. These projects aim to stimulate socio-economic progress and generate significant employment opportunities.

During the meeting, all projects were evaluated for their integrated planning and conformity with the PM GatiShakti principles. Emphasis was placed on the socio-economic benefits, improved connectivity, reduced transit costs and enhanced efficiency.

These projects are expected to play a pivotal role in improving connectivity, enhancing logistics efficiency, and establishing advanced manufacturing ecosystems across India, poised to drive industrial growth, boost competitiveness, and contribute significantly to the nation's economic development goals.

Source: pib.gov.in– June 27, 2024

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CBIC issues valuation norms for foreign company supplies to Indian subsidiaries

Foreign companies are relieved as the Central Board of Indirect Taxes & Customs (CBIC) has issued valuation norms for supply by these companies to their offices in India, who get full Input Tax Credit (ITC). This is one of 16 circulars issued by the board. In another circular, the board clarified that the year of issuance of invoices under the Reverse Charge Mechanism (RCM) will be the year for calculating the time limit to avail of ITC.

Relief to Foreign Companies

In a circular, CBIC clarified that in cases if a foreign company is providing certain services to its subsidiary here, which is eligible to get full input tax credit, the value of such supply of services declared in the invoice by the related domestic entity 'may be deemed as open market value'. However, if the subsidiary does not issue an invoice for any service provided by the foreign affiliate, the value of such services may be declared as Nil and deemed as open market value.

This mechanism is similar to domestic companies headquartered in one state and branches in another. Last year, the board said in respect of the supply of services by the Head Office (HO) to Branch Offices (BO) of an organisation, the value of the said supply of services declared in the invoice by HO shall be deemed to be the open market value of such services if the recipient BO is eligible for full input tax credit. If the invoice is not issued, the value will be Nil and may be deemed open market value.

According to Harsh Shah, Partner with Economic Laws Practice, this clarification would significantly reduce litigation as regards taxability and valuation of cross border inter-company transactions where full credit is eligible to the Indian entity. "This will put rest to stringent scrutiny of cross border inter-company transactions by the GST authorities during audits as long as the Indian entity is eligible for full credit," he said.
Calculation of ITC time limit under RCM

A reverse charge mechanism is in place to facilitate truncation between registered and unregistered persons. The registered person is responsible for paying the GST and gets ITC. The time limit for availing of ITC is only up to September/November of the following financial year.. Now CBIC has

clarified that the relevant financial year for calculation of time limit for availment of ITC will be the financial year in which the recipient has issued the invoice, subject to payment of taxes.... However, if the recipient issues the invoice after the time of supply and pays tax accordingly, he will be required to pay interest on such delayed tax payment. Also, there could be penal action against the supplier for delayed invoice issuance.

According to Shah, a critical point of caution though is that the clarification would apply only in cases where the supplier is unregistered. "There can be several instances of tax payable under reverse charge where the supplier can very well be registered, and the clarification would not apply for the same," he said.

Source: thehindubusinessline.com– June 27, 2024

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SISPA urges CCI to sell cotton to MSME mills on priority

The South India Spinners Association (SISPA) has sought an immediate intervention of the Cotton Corporation of India (CCI) to prioritise the sale of cotton to Micro, Small, and Medium Enterprise (MSME) spinning mills from July 1. The SISPA urged for the continuation of the present sale of cotton from the CCI for the next three months.

"The textile sector in India is at a critical juncture, grappling with significant financial strain. Numerous spinning mills have ceased operations due to liquidity crises, high operational costs, and market volatility. These challenges are compounded by a notable decline in export for yarn and textiles, as well as increased pressure from imports," said S Jagadesh Chandran, Secretary of SISPA. He also warned that selling cotton to traders leads to speculative practices, resulting in inflated prices and market instability. "Despite the challenges, there are promising signs of revival within the spinning sector. Recent increases in garment export orders have enabled many mills to resume operations, leading to a growing demand for cotton to meet production needs.

Our request to the CCI is to refrain from diverting cotton stocks of 24 lakh bales, which is just one month of mill consumption. In the last three days, 2.5 lakh bales were sold to mills and if this trend continues in a month all stock will be sold. So we request to stop selling to traders and instead retain these stocks for exclusive sale to mills," he added.

"Cotton prices suddenly increased from Rs 58,000 to Rs 63,000 per candy four months ago, when c. At that time, we requested the Ministry of Textiles and CCI not to sell cotton to traders. Based on our request the Union Ministry of Textiles advised the CCI not to sell cotton to traders. Therefore, CCI stopped selling cotton to traders.

As a result, the cotton price immediately dropped down to Rs 57,000 per candy and remained stable for the last four months. The cotton prices in the open market were also stable because CCI's prices acted as a benchmark. If CCI resumes selling to traders, the prices will rise again," he said.

Source: newindianexpress.com– June 27, 2024

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