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TEXPROCIL NEWS CLIPPINGS

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

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Currency Watch			
USD	EUR	GBP	JPY
83.63	92.91	111.64	0.58

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INTERNATIONAL NEWS

AAFA Calls on Biden to Intervene in East Coast Port Talks

With the Sept. 30 East and Gulf Coast port dockworker contract expiration date now just one week away, the American Apparel & Footwear Association (AAFA) is calling on the Biden administration to intervene to avoid a potential strike.

AAFA president and CEO Steve Lamar sent the letter Monday, months after the association first pled with the president in March to help restart contract negotiations between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX). The talks resumed before being called off again in June, with both sides remaining at an impasse, making the prospects of a work stoppage more likely by the day.

This time, Lamar pointed to the impacts of potential port strains on its members, saying "if they can get their product to market at all during the critical holiday shopping season, [they] will only be able to do so with massive delays and at exorbitant cost."

"The apparel, footwear and accessories industry is dependent on imports to meet the needs of American consumers. In 2023, the East and Gulf Coast ports accounted for 53 percent of all U.S. apparel, footwear and accessories imports, amounting to over $92 billion (about $280 per person in the U.S.) in value," Lamar wrote. "Again, this disruption would occur during peak holiday shipping season and raise the price of goods even higher, sending inflation skyrocketing. This potential shipping crisis will create a scarcity of goods, while goods that are still available will be costly for American families."

This letter comes less than a week after the organization signed off on another letter led by the National Retail Federation (NRF), calling on the White House to immediately work with both parties to resume contract talks and ensure no disruption to port operations if a new contract isn't reached by Oct. 1.

The Biden administration is reportedly shying away from invoking the Taft-Hartley Act, which would force both parties to continue working on a new deal for another 80 days after Sept. 30—thus likely averting a strike entirely. The administration hasn't publicly given a position ahead of the contract deadline.

Republican lawmakers sent a letter to President Joe Biden Thursday urging the administration to aid in the negotiations and "utilize every authority at its disposal" to maintain the flow of goods if a strike indeed happens.

Although the trade associations and politicians alike have expressed their concerns, Douglas Kent, executive vice president of corporate and strategic alliances at the Association for Supply Chain Management (ASCM), noted that retailers he spoke to recently did not share the same fears.

"They're telling me the majority of those goods are already here. The buying pattern for the Christmas holiday, it keeps creeping in earlier. People are already buying early, so the inventory is here early. I think they have optimism that there's going to be a relatively swift resolution," Kent told Sourcing Journal. "Why we emotionally are feeling like we're so optimistic, it baffles me, but most of them don't seem to be that worried about it."

Kent noted that the optimism shippers likely stems from last year's West Coast contract resolution and the recent federal intervention in the Canadian railroad negotiations.

As it stands currently, industries including furniture sellers, automotive parts and accessories, semiconductors and medicines and vaccines have the most to lose by a shutdown at the ports, according to U.S. Census Bureau data of imports through the East and Gulf Coasts.

While apparel, footwear and other industries wait with bated breath on the possibility of a strike, the ports themselves are starting their prep for a work stoppage.

Individual terminal operators at the Port of New York & New Jersey, as well as two terminals at the South Carolina Ports, have implemented contingency plans to mitigate the impacts.

In New Jersey, APM Terminals Elizabeth has already extended gate operational hours from 4 p.m. to 7 p.m., with the operator saying it will ensure there are "sufficient levels of import pick up appointments to provide every opportunity possible to support cargo delivery." Gate hours will go back to normal on Sept. 30.

The terminal also added a Saturday gate opening for imports for both Sept. 21 and Sept. 28.

Port Newark Container Terminal is also opening gate operations on Saturday, both for import cargo and empties. Importers are advised to pick up cargo prior to Sept. 30.

Both terminals will not accept exports on Saturday.

At the South Carolina Ports, Wando Welch and North Charleston Terminals also opened extended cargo hours for dry containers last Saturday, Sept. 21, from 6 a.m. until 5 p.m.

Future extended gate hours will be determined based on demand. is. Charleston marine terminals will continue to receive and deliver all import, export and empty containers through Sept. 30.

For the duration of any impact to regular gate hours, SC Ports will waive loaded container storage charges to the ocean carriers, and chassis billing will be paused for any units leaving from Charleston locations.

The USMX said in a Monday statement that it has made additional attempts to engage with the ILA. However, the USMX says the union has been unable to schedule a meeting to continue negotiations.

"There is no indication that the ILA is interested in negotiating at this time," the USMX said.

Source: sourcingjournal.com– Sep 23, 2024

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China: Fiber, textile and clothing industry chain export in August

Despite the average export value, if converted to actual export volume, the overall performance of exports this year has been relatively good, just showing a trend of increasing volume and decreasing price. The export data for August has already been released, and so far, this trend has continued.

According to the latest customs data, after converting to export volume, Chapter 50-63 grew by 10% in August this year, and from January to August, the cumulative year-on-year growth was 9%. If calculated separately in three major classifications, the growth rates are as follows:

		Jan-Aug, 2023	Jan-Aug, 2024
50-55	Fiber and yarn	6%	3%
56-60	Fabric and other textiles	0%	13%
61-63	Garment	-4%	11%
50-63	**Total**	**0%**	**9%**

It can be seen that the growth rate of fabric and other textiles is still at the forefront, with impressive incremental exports of garment, while the growth rate of fiber and yarn is relatively weak.

By examining the monthly export trends, it is evident that a significant increase in export data began in August last year. Since then, a relatively stable growth trend has been maintained. Even with a high base last year, this trend is still continuing.

The growth in August last year could be attributed to the market's perception of the start of the overseas inventory replenishment cycle, but there could also be reasons tied to pricing factors.

Comparing the unit price with the year-on-year growth rate of export volume, a clear correlation can be observed. In August of last year, the export unit price fell significantly, and at the same time, the export volume began to increase significantly.

The year-on-year growth rates of export volumes from January to August are as follows:

Chapter	Product	Jan-Aug,2024 y-o-y
Chapter 50	SILK	-18%
Chapter 51	WOOL, FINE OR COARSE ANIMAL HAIR; HORSEHAIR YARN AND WOVEN FABRIC	-2%
Chapter 52	COTTON	7%
Chapter 53	OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YARN	21%
Chapter 54	MAN-MADE FILAMENTS; STRIP AND THE LIKE OF MAN-MADE TEXTILE MATERIALS	1%
Chapter 55	MAN-MADE STAPLE FIBRES	6%
Chapter 56	WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF	16%
Chapter 57	CARPETS AND OTHER TEXTILE FLOOR COVERINGS	19%
Chapter 58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY	14%
Chapter 59	IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS; TEXTILE ARTICLES OF A KIND SUITABLE FOR INDUSTRIAL USE	6%
Chapter 60	KNITTED OR CROCHETED FABRICS	15%
Chapter 61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED	9%
Chapter 62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED	8%
Chapter 63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	16%

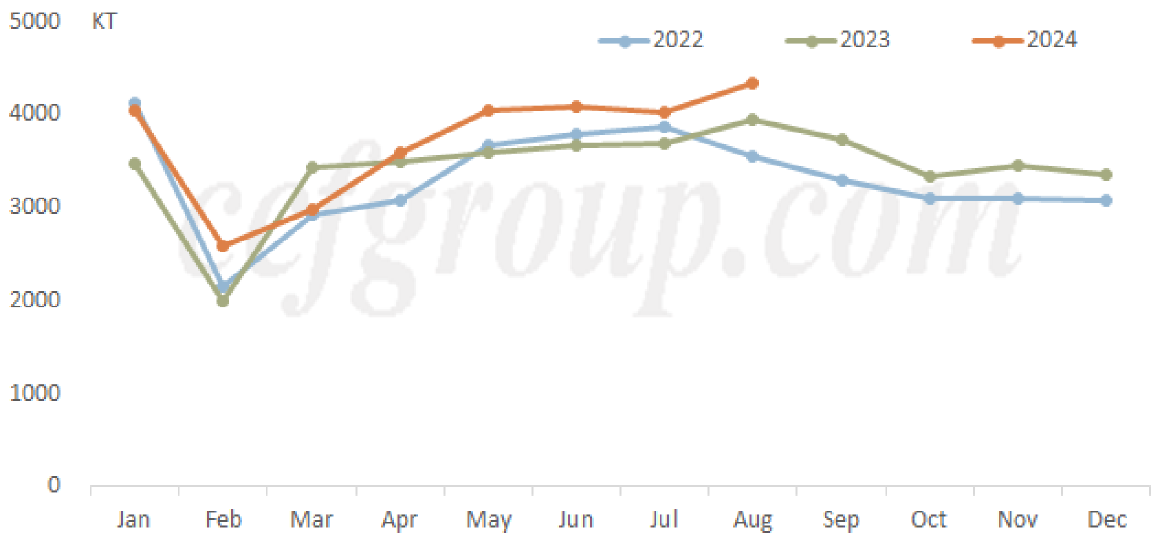
Since then, except for some disturbances during the Spring Festival, the unit price has been significantly decreasing overall, while the year-on-year growth rate of export volume has reached a high level of around 10% for most of the time.

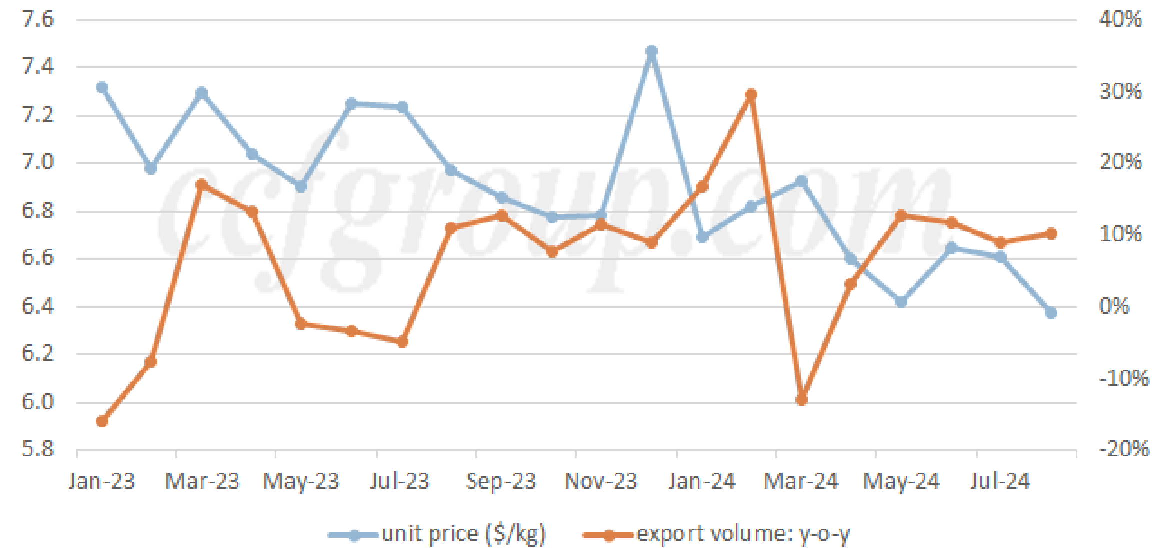
Taking into account the potential influence of the RMB exchange rate, we further analyze the statistics in RMB terms and find that the overall trend is still consistent. This indicates a clear correlation between the increase in exports and the decline in unit prices.

However, August is becoming a key point of concern. One reason is that the base effect may gradually emerge, while another is based on the potential impact of exchange rate fluctuations.

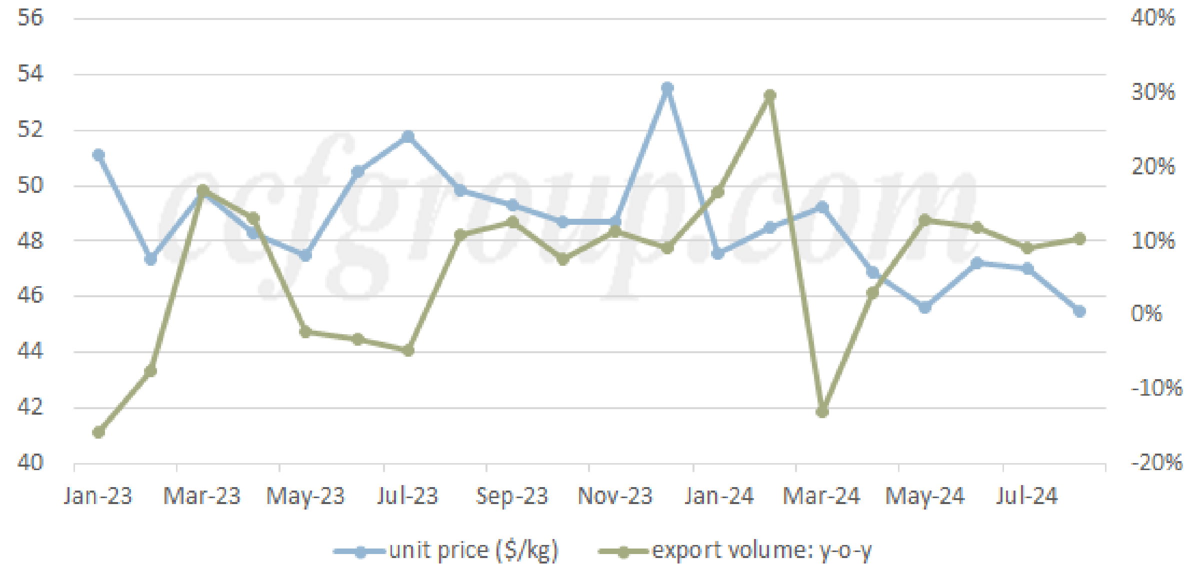
Since August this year, driven by expectations of a Federal Reserve interest rate cut, the US dollar has temporarily weakened rapidly, pushing up China's yuan against the US dollar.

Monthly export volume for Chapters 50-63

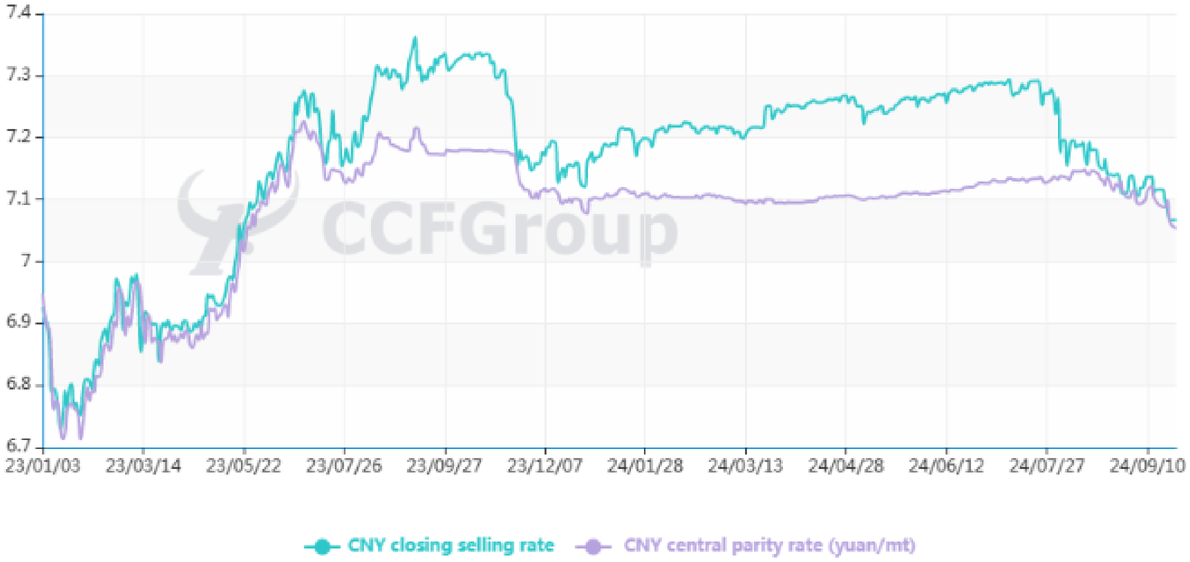




The volatile exchange rate market has left many companies facing certain concerns in negotiating export orders.



Although this factor has not yet been reflected in the export data for August, considering the time lag, we need to pay attention to whether the impact will begin to emerge in September.



Source: ccfgroup.com– Sep 24, 2024

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Cambodia's trade with RCEP hits $22.92 bn in Jan-Aug; 17.2% YoY growth

Cambodia's trade volume with member nations of the Regional Comprehensive Economic Partnership (RCEP) rose to $22.92 billion in the first eight months this year—a 17.2-per cent increase compared to $19.55 billion during the same period last year, according to the general department of customs and excise.

The country exported products worth $6.05 billion to fellow RCEP members—a 15-per cent rise year on year (YoY). Imports from RCEP nations were worth $16.87 billion—up by 18 per cent YoY.

Trade with RCEP nations accounted for 62 per cent of the country's total trade volume.

China, Vietnam, Thailand, Japan and Singapore were the top five RCEP trading partners, according to domestic media reports.

Source: fibre2fashion.com– Sep 23, 2024

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Misconceptions Fueling Textile Waste Debate, Industry Leaders Say

The used textile market is hanging on by a thread.

To avoid negative outcomes, collaboration and innovation are critical to creating a circular economy throughout the international supply chain.

This promotion of textile circularity was the central message of the Bureau of International Recycling (BIR)'s first international textile recycling conference, held in Brussels on Sept. 17. President Susie Burrage OBE welcomed delegates by way of a pre-recorded video message calling on intervention to save the sector from collapse, as collective efforts to deliver proper sorting, reuse, recycling and repurposing were "vital" to achieving textile circularity in both developed and developing countries.

"The narrative around end-of-life or end-of-use textiles is becoming increasingly tangled," she said to attendees via video. "Media headlines often paint a one-sided picture, leaving the public confused about the real story of used clothing."

The conference kicked off with a session chaired by Alan Wheeler, chief executive officer of the UK-based Textile Recycling Association (TRA), who was met with a "defiant" African perspective from panelist Marlvin Owusu, an executive member of the Ghana Used Clothing Dealers Association (GUCDA).

"One of the biggest challenges we have is simply the misconception of secondhand clothing," he said during the panel, which discussed the relatively polarizing practice of exporting used textiles to Sub-Saharan countries.

While the European Union law defines "waste" as discarded materials no longer intended for their original use, Owusu continued, the "Ghanaian view" was that it was clothing that could no longer be reused or repurposed. Further, a report released by GUCDA in May claimed that less than 5 percent of the secondhand clothing imported into the West African nation from offshore locales is waste within this definition. This figure is "far below the exaggerated figures that have been put on media outlets for a long time," he said, suggesting data from the likes of The Or Foundation—which has previously stated 40 percent of clothing in

Ghana's Kantamanto Market ends up as waste—is "not to be trusted" as "there is no business model in the world that could support a waste level of 40 percent."

Teresiah Wairimu, chair of the Mitumba Consortium Association of Kenya (MCAK), had similar sentiments, speaking of "unverified figures" for waste from "those with no understanding of the African market." In Nairobi, she said, that percentage drops to 1.89 percent. As the representative for 2 million clothing industry employees (and another 20-plus million who depend on its success), Wairimu expressed frustrations with the supposed sensationalism.

"We are businesspeople, we import goods for sale and our government regulates and forbids waste," she said. "In Kenya, we only import sorted clothes, and we are leading the way on building a circular economy through textile use…it is very insulting to hear we are importing waste."

Wheeler—who has served as general delegate of the textiles division for BIR since 2013, according to LinkedIn—highlighted the importance of hearing the voices of the Global South.

In discussing the Owino market in Kampala, Uganda, Michelle Wilson, director of programs for WasteAid, referenced the UK-based charity's extensive study investigating waste management in Uganda. The biggest source of waste, she said, is not from the hundreds of sellers at the market but from the dozens of machinists repurposing clothing within the market. While the final report is still underway, preliminary findings suggested waste levels of 1 percent.

Those unclear definitions of waste could be the culprit for such discrepancy between local figures and the Ghana-based nonprofit's claims, Wilson suggested, using the local term "fagi" to describe textiles that might not sell because they're undesirable.
"When we talk about waste, we think of something that is ruined but, in the markets, fagi might go round and round until something else happens to it," she said. "The [actual] waste is quite low but there is lots of other materials that stay in circular for quite a long time."

All three panelists agreed, per BIR, that the bigger challenge was for governments and businesses to improve the domestic waste management of all waste in their countries.

But Martin Böschen, president of BIR's textile division and CEO of the Switzerland-based Texaid, was concerned about the consequences of tightening regulations on EU textile exports.

"Are we not then opening this [African] market to others such as China or other countries that are going to export their post-consumer textiles under much less regulation and then kill this industry in Europe?" he asked.

The state of Europe's used textile trade was also flagged by Mariska Boer, president of EuRIC Textiles and co-owner of Boer Group.

"Our biggest challenge is finding a way to regain a competitive position on the global market for textile reuse," Boer said. "It's only through that we can continue to build a resilient and vibrant industry here in Europe."

Touching on the steady decline in clothing quality over the last decade or so as more brands are peddling ultra-fast fashion, Boer acknowledged the ramifications that Shein hauls will have on the secondhand sector.

"If you get a lower quality in your sorting plant, you can't possibly sort a higher quality out," she said.

Other factors influencing the reuse trade—like labor costs, energy prices and the continuing war in Ukraine—Bower noted that the proposed regulations at hand would be beneficial eventually, but the industry needs immediate intercession.

"We call for financial incentives to support those companies within Europe that make an impactful contribution to a sustainable and circular textile value chain," she said. "And we need to restrict the import of 'throwaway' fashion within the EU."

And it's not just the EU that needs help. Wheeler pointed out this problem is a global one, hitting the UK's used textile industry particularly hard, with many TRA members reportedly shuttering operations if change is not imminent.

Following the Challenging Circularity Conference, Wheeler wrote a list of requests for the UK government to take into consideration. The trade body called for business rate exemptions, fuel and energy cost assistance as well as support with wage costs and staff shortages caused by Brexit.

"We have a really great sector here that is doing some vital and amazing work right now. What is more, there are some exciting innovators working in the field that have the potential to deliver new markets and new efficiencies," he wrote. "However, we need the support now to help overcome the economic woes the sector is in. With the right policies being implemented, this will help to get money into the system and attract investment from industry."

Source: sourcingjournal.com– Sep 23, 2024

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Growth Opportunities for Cotton

Member states of the United Nations are committed to implementing the Sustainability Development Agenda by 2030. As part of the plan eradication of poverty is the priority, which requires sustainable growth in all forms. Cotton and other agricultural crops fit well in the sustainability agenda as they impact lives of farmers, manufacturers, exporters, retailers, and consumers.

Impact on Lives and Economy

Cotton is a drought resistant crop requiring less water compared to some food crops and hence vital for farmers in arid and semiarid zones of the world. Although not a food crop it offers livelihood for small farmers in rainfed areas. Even in developed nations such as the United States and Australia farmers use sustainable practices as stewards of the environment. In West Texas, cotton farming is split between dryland and irrigation, and in irrigated lands, it is supplemental emphasizing the importance of saving resources and energy for future generations. The consumption of cotton is related to economy, which influences the demand.

This is the situation we are currently experiencing adding stress to the entire cotton ecosystem. Global cotton industry must use adverse situations such as the current one to plan solutions for such scenarios in future and create new opportunities. It is important for the cotton sector to chart mid and long-term strategies for: 1) increasing the demand for cotton and cotton goods; 2) increasing the yield in low productivity countries like India; 3) increasing the profitability across the supply chain; 4) enhancing the awareness on cotton and the industry to broad consumers; and 5) collaboration with government, brands and retailers.
Increasing the Demand

Recent discussions in local and national cotton meetings clearly highlight the lack of demand for cotton and the need to boost the consumption of cotton. Macro economy, affordability and competition from other fibers are factors influencing the demand. While the industry has little control over economy, efforts must be made to penetrate markets, beyond fiber to fashion supply chain such as advanced textiles, where there are opportunities.

Cotton has been a preferred next-to-skin friendly apparel as it is presold based on comfort. Cotton is penetrating beyond the commodity markets and concerted efforts by the industry are needed to enhance the penetration into non-commodity markets. Engaging with R&D organizations, brands, and retailers to take cotton into functional, advanced and activewear products is the need of the hour.

A classic example of cotton industry working with brands to enable the penetration of cotton into activewear is the effort by the United States' Cotton Incorporated with Under Armour. The cotton industry has invested heavily in understanding microplastic issues as a way of advocating the positive aspects of non-microplastic fiber such as cotton. Efforts should be made to engage more with consumers on the health issues of microplastics and promote cotton as a viable candidate.

The medical industry has shifted away from using cotton drapes and overalls due to the cost competitiveness of spunbond-meltblown-spunbond products.

Environmental issues and the comfort aspects of multi-use cotton surgical drapes must be relayed to the medical community. There are opportunities for single-use cotton products in the medical and health care sector. Opportunities are there in industrial sectors where sustainability values are gaining popularity. Major brands and private labels are incorporating cotton and other natural fibers in their products. Costco Wholesale Corporation was one of the early entrants to release Kirkland wipes made with cotton. Stakeholders in the industry must go on high gear to find new and value-added markets.

Productivity Improvement

India and cotton growing African countries have productivity issue. In India, farmers, spinners, and textile exporters are striving hard to improve the productivity. Government is urged to continue and enhance the support for cotton missions aimed at increasing yield per hectare, quality enhancement and contamination elimination. Good breeding programs by national agricultural organizations like ICAR-CICR, Nagpur and state agricultural universities and extension stations such as the Tamil Nadu Agricultural University and Navsari University need to be supported with funding boost.

The stakeholders particularly cotton farmers should engage regularly with extension specialists and with researchers during the growing season about treating pests, handling weeds, irrigation practices as these depend on weather and environmental conditions. In Lubbock, which is the epicenter for cotton production in the United States, such engagement efforts are well organized throughout the year by the cotton producers' organization, Plains Cotton Growers.

In India grassroot level producer spearheaded activities are needed to boost the yield and quality. Information exchanged among farmers, seed and chemical companies, and marketers will prove beneficial in terms of handling issues that affect the yield and quality.

More importantly in India and Africa where land holding by individual farmer is far less than those by producers in the United States, Brazil, and Australia, uncertainties and variabilities are pronounced, which necessitates the need for timely knowledge dissemination.

Technology and marketing information need to be shared in timely fashion so that they can be implemented in the growing season. The textile sector for its own benefit should enable grassroot level efforts at farm levels. High yielding and stress tolerant varieties should be developed based on soil and environmental conditions. Governments have a role to play in boosting funding support to seed companies and breeders so that quality seeds can be developed at competitive cost.

Outreach and Engagement

Sustainability is the way forward in the textiles and manufacturing sectors. Outreach and educating the consumers and brands are strategies that will help with enhancing the consumption of natural fibers. Also, as natural fibers have not penetrated technical textiles as much as synthetics, given the need for sustainable products, efforts must be made towards research, dissemination of results, and outreach. It may not be possible to find use in all sectors of advanced textiles, but areas such as environmental protection, insulation, and health offer immediate possibilities.

Opportunities for cotton in advanced textiles must be disseminated to young leaders and consumers to boost its consumption.

Our laboratory has been engaging with wide spectrum of population such as Gen Z, to highlight the usefulness and advantages of cotton. On July 12, 2024, two young leaders from Africa visited the Cotton and Advanced Materials Laboratory at Texas Tech University (TTU). In their first visit to the United States as Mandela Washington fellows funded by the United States' government, they are spending 6 weeks at TTU.

Dr. Idda Mihindi is a medical doctor from Tanzania who has founded Fursa Foundation, which manufactures and distributes washable cotton-based sanitary pads for rural women and secondary school girls, who cannot afford hygiene products. Greogory Rakobe is from Botswana and has interest in using native plants to develop skin and health care products. As these two young leaders work in the sustainability area, they expressed interest in visiting the Advanced Materials Laboratory to learn about industrial applications of cotton.

Mihindi and Rakobe conducted experiments using waste cotton based nonwoven pads and understood the oil sorption capabilities of cotton. "The sustainable role of cotton used is eye-opening to me," stated Idda Mihindi. Visitors interacted with graduate students in the laboratory who work in cotton and sustainability projects enabling advanced applications for cotton.

Timely disseminating information on new applications of cotton and natural materials will advance the sustainability goals of textiles and manufacturing sectors. As African continent has large population and is advancing in its economy, engaging with next generation leaders will boost the consumption of natural fibers. The industry should look for opportunities for natural fibers and recycled natural products in the advanced textiles industry.

Four-Legged Table Approach

While cotton and textile sectors are aware of the persistent problems facing the sectors, it is imperative that a win-win development plan is formulated. Governments must play a supporting role in reducing the risks. In the United States the five-year Farm Bill has been a successful mechanism in mitigating risks. Current Farm Bill expires this September, and we are witnessing the campaigns across the country to get this bill reenacted in a timely fashion.

Imagining the strategy as a four-legged table, to have a balanced table, all four legs are needed. The four pillars are: 1) technology enhancement; 2) market development; 3) new product development and 4) outreach and engagement.

Note: Appeared in the Conference Book of the "All India Cotton Conference," September 20-21, 2024, held at Aurangabad. The conference was organized by the Cotton Association of India an Maharashtra Cotton Ginners Association with Khandesh Ginners Association and Vidarbha Cotton Association.

Source: cottongrower.com– Sep 23, 2024

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Eurasian Economic Commission, UAE to further trade collaboration

UAE minister of state for foreign trade Thani bin Ahmed Al Zeyoudi recently met Andrey Slepnev, minister in charge of trade for the Eurasian Economic Commission (EEC), in Moscow and discussed expanding bilateral trade and investment opportunities.

The Eurasian Economic Union (EEU) includes Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan.

The two ministers reviewed progress on the ongoing negotiations towards a comprehensive economic partnership agreement that are at an advanced stage.

Both discussed potential sectors for cooperation like logistics, manufacturing, agriculture and transport, and the increasing opportunity for a north-south trade corridor connecting the United Arab Emirates and Russia.

“With its industrial capabilities, strong food production sector and strategic location straddling two continents, the Eurasian Economic Union is a key focus of these efforts, and my discussions this week underline a shared vision of closer economic integration," Al Zeyoudi was quoted as saying by media reports from the Gulf.

Tangible results were achieved following the four rounds of negotiations on the Economic Partnership Agreement, Slepnev said.

EEU has been a key partner of the UAE since its formation a decade ago. In the first half this year, the value of non-oil trade between the UAE and EEU members reached $13.7 billion—a 29.6-per cent rise year on year.

Source: fibre2fashion.com– Sep 23, 2024

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Saudi fashion market to grow to $42 billion by 2028: Report

Valued at about $30 billion in 2023, the Saudi fashion market is expected to reach $42 billion by 2028, as per the annual report published by Saudi Fashion Commission.

Tilted, 'The State of Fashion Sector in Saudi Arabia 2024,' the report states, from 1.4 per cent in 2022, the fashion industry's contribution to Saudi Arabia's GDP increased to 2.5 per cent in 2023 with contribution to jobs increasing by 320,000 jobs and the share of women in the fashion workforce was 52 per cent in the same year.

Burak Cakmak, CEO, Saudi Fashion Commission, affirms, the Commission aims to provide a data center to make the report available to the public, and highlight showcase opportunities across the value chain.

The report is a part of the Saudi Fashion Commission's commitment to promote a vibrant and sustainable fashion ecosystem in Saudi Arabia. Through this report, the Commission aims to provide latest insights that help shape the regional fashion industry besides highlighting the value chain of the local fashion industry.

Source: fashionatingworld.com– Sep 23, 2024

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Pakistan: Race to plug apparel void

Business sources claim, given the right policy environment, textile exports could surge from current $16.5 billion to $20.5bn, marking a record $4bn gain within a year. Government circles, however, are less optimistic, projecting an increase of $2bn to $3bn in textile exports for FY25.

The recent monetary policy statement touched on this potential, noting the brighter outlook for textile trade. It stated: “Export earnings are expected to remain stable as the growth in high value-added textiles is expected to compensate for the likely reduction in rice exports.”

Textile exports saw a modest increase of 0.9 per cent in FY24, rising to $16.55bn from $16.50bn the previous year, according to data from the Pakistan Bureau of Statistics.

Textile millers acknowledged a modest uptick in industrial activity, but many leaders voiced strong criticism, accusing the government of squandering their opportunity to make a mark in the global textiles market. They argued that stifling policies are squeezing the sector, leaving it unable to rise up to the challenge of becoming a reliable supply source for Western brands.

Stuck refunds and high taxation were cited as causing liquidity problems for businesses receiving new orders. Additionally, they expressed frustration over excessively high energy costs and uncertainty surrounding gas-based captive power plants.

Government officials assert they are doing everything within their means to support the textile sector, recognising the substantial investment in technology upgrades made over the last two years to stay competitive globally. They believe textile plants are operating at full capacity and highlighted companies like Style Textile, Interloop, Nishat, Artistic Milliners and Yunus Textiles among key beneficiaries of the diverted demand.

Addressing the frustration among textile exporters, Ali Pervaiz Malik, Minister of State for Finance, Revenue and Power, stated, “I remain in constant dialogue with them. The flow of refunds has improved after some temporary setbacks, and the deferred sales tax refunds are being addressed.

“The shift of captive power plants to the national grid is a continuing requirement from the previous IMF [International Monetary Fund] programme. Moreover, using captive power plants with a 30pc heat rate for a scarce fuel is not sustainable. The government is committed to working on a viable transition plan.

“As for taxation policy, most presumptive taxes have been dismantled in line with the principle of horizontal equity. The government intends to address any anomalies once advance tax data for the first quarter is available for exporters. We fully understand the critical role exports play in our economy, but the country cannot risk jeopardising the $7bn IMF programme,” he explained.

Khurram Mukhtar, Chief Patron, Pakistan Textile Exporters Association, expressed doubts about the government’s readiness to fully capitalise on the current opportunity. He noted that as textile exports surge, “Western buyers increasingly view Pakistan as a reliable supplier, offering comprehensive solutions.”

However, Mr Mukhtar emphasised that to scale up textile exports to $19bn in FY25 and potentially $25bn in two years, critical reforms are needed. High operational costs, particularly for energy and taxes, must be addressed. Additionally, working capital tied up in the refund regime needs to be released.

“Despite showing resilience with $1.64bn exports in August 2024, exporters face an undue burden from taxation and uncertainty around energy policy, especially reports of co-gen power plants shutting down, poses a major challenge. Does the government have a clear strategy to support the industry, or will it continue imposing hurdles that stifle its potential?” questioned Mr Mukhtar.

Shahid Sattar, Secretary General, All Pakistan Textile Mills Association has raised concerns about the sector’s viability. He pointed out that the textile and apparel industry operates on thin margins and is burdened by an 18pc tax on inputs, a 1.25pc minimum turnover tax, and a 1.25pc tax on export proceeds, including the Export Development Fund surcharge.

Mr Sattar also warned of the potential additional withholding taxes and severe cuts or freezes in sales tax refunds, which could further strain exporters.

He criticised the government for setting power tariffs above 15 cents/kWh, making grid electricity financially unviable compared to competitors in India, Bangladesh and Vietnam, who pay just six-nine cents/kWh.

With many in the sector relying on gas-fired captive power plants to survive, the government's move to phase them out is seen as counterproductive. "Captive power is crucial to industrial processes globally, and reclassifying it under the industrial gas tariff category is essential. Penalising captive users with high gas tariffs, laden with cross-subsidies and the gas companies' losses, amounts to self-sabotage," Mr Sattar argued.

Mudassar Raza Siddiqui, DG Textiles, Ministry of Commerce, believes Pakistan's textile and apparel industry is well-positioned to absorb displaced orders from Bangladesh and attract new business from existing and potential buyers. "The industry remains optimistic about a recovery in exports this fiscal year, with August 2024 showing a 13pc increase in textile and apparel exports compared to the same month in fiscal year 2023," he stated.

While acknowledging the challenges, Mr Siddiqui emphasised the government's ongoing efforts to ease pressure on exporters, noting: "The Ministry of Commerce recently released Rs2.5bn to clear verified claims under duty drawback schemes, with more efforts underway." Jawad Paul, Secretary Commerce, agreed with the views expressed by the DG Textiles.

Source: dawn.com– Sep 23, 2024

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Pakistan partners Ruyi Shangdong to set up textile parks across the country

In a meeting attended by Jam Kamal Khan, Commerce Minister, and Awais Ahmed Khan Leghari, Power Minister, Pakistan's Board of Investment signed an MoU with Chinese textile giant Ruyi Shandong to establish internationally-standard textile parks in Pakistan.

The MoU was signed in the presence of Shehbaz Sharif, Prime Minister and a nine-member delegation from the Ruyi Group, led by Qiu Yafu, Chairman. It aims to boost Pakistan's textile exports to $5 billion and create up to 500,000 jobs. According to the terms of this agreement, Pakistan will develop textile parks in the provinces of Sindh and Punjab, with approximately 100 Chinese textile firms invited to invest in these parks.

These textile parks' aim to position Pakistan as a leading global hub for textile and garment manufacturing, said Yafu at the meeting. They will be powered by solar energy and fully automated, with a goal of achieving $2 billion in exports during the first phase, followed by $5 billion in the second phase. The project is expected to generate between 300,000 and 500,000 jobs. Construction on the textile parks will begin by the end of the year, with the project estimated to complete in around three years. Additionally, Ruyi plans to establish wholesale commodity centers in Karachi and Lahore.

The meeting also led to the creation of working groups in Islamabad and Beijing to fast-track the project's development. Prime Minister Sharif appointed a special committee, led by Ishaq Dar, Finance Minister to oversee the process. The committee includes federal ministers for commerce, investment, industries, production, and privatisation, as well as senior officials from the Special Investment Facilitation Council and the Ministry of Foreign Affairs.

Yafu emphasised on Ruyi's longstanding relationship with Pakistan, noting that the company's involvement extends beyond investment to friendship.

Source: fashionatingworld.com– Sep 23, 2024

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Bangladesh: Exports rose 2.9% in July

Exports grew 2.9 percent in July, the first month of fiscal year 2024-25, driven by higher shipments of winter clothes for the Western markets.

Woven and knitwear apparel, which accounted for 83 percent of total export earnings, led the gains, according to the National Board of Revenue data compiled by the Bangladesh Bank.

Exports of woven garments rose 3.94 percent year-on-year to $1.39 billion in July while knitwear, the main item in the export basket, edged up 2 percent to $1.72 billion.

Exports of woven garments rose 3.94 percent year-on-year to $1.39 billion in July while knitwear exports edged up 2 percent to $1.72 billion

"This is not significant. July is generally the last month of shipment for winter clothes. The growth might be due to the impact of that," said Md Fazlul Hoque, managing director of Plummy Fashions Ltd, a green composite knitwear maker and exporter.

The uptick in shipments comes after Bangladesh clocked a 4.34 percent year-on-year decline in exports in FY24 owing to falling earnings from the readymade garments sector.
The world's second-biggest clothing producer fetched $44.47 billion in FY24, according to data published by the central bank.

Hoque, also a former president of the Bangladesh Knitwear Manufacturers and Exporters Association, said exports may drop in August as production suffered due to multiple factors. These include the ouster of the Sheikh Hasina-led Awami League government in a mass uprising, supply chain disruptions caused by devastating floods in eastern regions, and unrest in the Ashulia industrial belt.

"So, it appears that the first quarter of this fiscal will be very challenging," he said. The export data published by the central bank also showed that home textiles, agricultural items and leather and leather products recovered from a downturn.

Eleash Mridha, managing director of Pran Group, said a combination of factors led to the recovery of agricultural exports.

"Our biscuit and spice exports have soared. We have been able to increase sales to the Asean region," he said. Exporters also got a breather as the Red Sea crisis, which hindered the shipment of goods, eased and freight costs dropped.

"In my opinion, export growth will continue. Presently, there is congestion at ports. An end to the congestion will buoy exports," Mridha said. However, exporters of jute and jute goods as well as frozen and live fish continued to suffer from downbeat shipments.

The BB said the export of chemical products got the maximum hit followed by jute and jute goods, engineering products, and frozen and live fish in July this year compared to the year prior, casting doubts over the attainment of export targets for FY25.

The interim government has targeted 12.4 percent year-on-year growth in exports to $50 billion in the current fiscal year. Khondaker Golam Moazzem, a research director at the Centre for Policy Dialogue, said the slow growth of exports in July signalled that the export target is ambitious. "Global factors are more responsible for export slowdown than domestic factors. We make garments for the low-income segment. And high inflation in the USA and Europe has worsened the purchasing power of consumers there," he said.

"As a result of this, demand for our products is sluggish. Against these circumstances, it will be difficult to achieve high growth in exports." Besides, there remains uncertainty over the smooth operation of industrial activities in the short term because of the weak law and order situation and workers' unrest.

For a while, orders from international buyers may continue to be shifted away from Bangladesh since uncertainty persists over a sound political settlement and stability, Moazzem said. Hence, it will be tough to ensure double-digit growth in exports this fiscal year, he said.

Moazzem said the Middle East has emerged as a potential market for apparel, adding that exporters should focus on ways to increase shipments to China and India.

Source: thedailystar.net– Sep 24, 2024

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Bangladesh: Duty-free access for all products to China from Dec

A statement from the Chinese embassy in Dhaka yesterday said its Tariff Commission decided to open its markets for all products from the LDCs having diplomatic relations with China, including 33 countries in Africa.

"This has made China the first major developing country and the first major economy to take such a step," said the statement from the world's second largest economy.

In his keynote address at the opening ceremony of the Beijing Summit of the Forum on China-Africa Cooperation on 5 September this year, President Xi Jinping announced that China will voluntarily and unilaterally open its market wider.

In 2022, China had granted duty-free access to 98 percent of Bangladeshi goods, including 383 new products, especially leather and leather goods.

In 2020, it was for 97 percent of Bangladeshi products.

China is Bangladesh's largest trading partner. It exported products to Bangladesh worth more than $18.6 billion in fiscal year 2022-23, while Bangladesh's exports to China were worth about $676 million.

Source: thedailystar.net– Sep 24, 2024

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RBI projects GDP growth at 7% in Q2 FY25

The Reserve Bank of India's (RBI) economic activity index (EAI) projects gross domestic product (GDP) growth at 7 per cent in the second quarter (Q2) of this fiscal (FY25) on the back of a ticking up of momentum relative to the preceding quarter.

High-frequency indicators show that demand remained firm in August 2024, with e-way bills reaching a record high, according to the latest RBI Bulletin.

Headline inflation edged up to 3.7 per cent in August this year from 3.6 per cent in July. The marginal increase in inflation came entirely from an unfavourable base effect of around 5 basis points (bps), while the index remained unchanged at the previous month's level.

The purchasing managers' index (PMI) for August indicated that the rate of expansion of input costs and selling prices moderated for manufacturing. Manufacturing PMI input costs declined to a five-month low.

India's merchandise exports at $34.7 billion contracted by 9.3 per cent year on year (YoY) in August, mainly due to an unfavourable base effect that more than offset the positive momentum. Exports of 11 out of 30 major commodities (accounting for 37.8 per cent of the export basket) contracted on an YoY basis in the month.

Recent research on the energy outlook indicates that energy transition has accelerated in recent years, with the pace of clean technology deployment and capital investment surging to record levels, the newsletter noted.

Source: fibre2fashion.com– Sep 23, 2024

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Empowering artisans and enhancing India's position in the global textile industry main focus of Ministry of Textiles in first 100 days of government

As part of the Government's transformative vision for the textiles sector, the Ministry of Textiles has focused on strengthening the sector's contribution to India's socio-economic progress, empowering artisans, and enhancing India's position in the global textile industry during the first 100 days of this Government. Below are some of the key highlights:

1. 10th National Handloom Day Celebration

On August 7, 2024, the Ministry of Textiles celebrated National Handloom Day, raising awareness about the handloom industry's pivotal role in India's economy. The Vice-President, Shri Jagdeep Dhankhar conferred 5 Sant Kabir Handloom Awards and 17 National Handloom Awards.

Various activities were organized across the country to promote handlooms, with participation from State Governments, Weaver Service Centres, and various educational and handloom institutions. These included a social media campaign through the My Gov portal, a Special Sourcing Show (B2B) in Varanasi by the Handloom Export Promotion Council, and the "Know Your Weaves" event at the Crafts Museum, which raised awareness among 9,000 Delhi school students.

Additionally, the Virasat exhibition of handloom products was held at Handloom Haat and Delhi Haat, with expos and awareness activities in colleges. Institutions like NIFT and Indian Institutes of Handloom Technology (IIHTs) also organized thematic displays, weaving demonstrations, panel discussions, quizzes, and fashion presentations.

2. Skilling Programme in 100 Handloom & Handicrafts Clusters

On July 27, 2024, the Ministry launched the 'Bunkar and Karigar Utthan Upskilling Programme' to enhance technical and soft skills among artisans and handloom weavers. So far, 3,600 artisans and weavers have benefited, with certificates and toolkits distributed to improve their craft and market competitiveness. The initiative is aimed at fulfilling the current demand & design needs of the market.

3. ‘Shilp Didi Mahotsav 2024’

Launched on August 22, 2024, the ‘Shilp Didi Mahotsav 2024’ empowered 100 women artisans known as Shilp Didis from 72 districts across 23 states. Through this fortnight long initiative, women artisans were provided marketing opportunities at Dilli Haat, INA, fostering economic independence and entrepreneurship among women artisans.

4. Textile Gallery Inauguration at Crafts Museum

On August 8, 2024, the Union Minister of Textiles, Shri Giriraj Singh inaugurated a new Textile Gallery at the Crafts Museum, showcasing India's rich handloom and handcrafted textile heritage. The gallery features around 28,000 handmade artifacts, with 150 displayed items reflecting the country’s vibrant cultural legacy.

5. Eri Sericulture Promotional Project in Gujarat

In a major boost to sustainable agriculture, the Ministry launched the Eri Sericulture Promotional Project on August 9, 2024, aimed at encouraging 500 castor-growing farmers to adopt Eri culture. This initiative has so far educated 100 farmers and aims to provide an additional income stream for farmers in Gujarat, leveraging the state's abundant castor plants.

6. Startups in Technical Textiles

On September 6, 2024, the Ministry approved 12 startup proposals under the component for Grant for Research and Entrepreneurship across Aspiring Innovators in Technical Textiles (GREAT) initiative under National Technical Textiles Mission. Support up to ₹50 lakhs per startup is provided under the Scheme. These startups focus on innovative fields such as composites, medical textiles, smart textiles, and sustainable textiles, driving job creation and reducing dependency on imports.

7. New Pricing Methodology for Jute Sacking Bags

In a landmark decision on August 28, 2024, the Government approved a new pricing methodology for jute sacking bags based on Tariff Commission study report, which will provide better pricing to jute mills. This move benefits around 4 lakh jute mill workers and 40 lakh farmer families engaged in jute cultivation, primarily in West Bengal.

This would facilitate jute mills for investment in the jute industry for modernization and diversification. The decision is aligned with the vision of Aatmanirbhar Bharat by promoting domestic jute production and protecting the environment through the use of biodegradable and renewable jute.

8. VisioNxt Fashion Trend Insight and Forecasting System

On September 5, 2024, the Ministry launched VisioNxt, a pioneering fashion trend insight and forecasting system using Artificial Intelligence (AI) and Emotional Intelligence (EI). This initiative aims to support weavers, manufacturers, startups, and retailers by providing accurate trend forecasts, thus strengthening India's position in the global fashion industry.

VisioNxt has developed a comprehensive Web Portal, a bilingual Fashion Trend Book available in both Hindi and English, and a detailed Taxonomy E-book. These tools are designed to be easily accessible and provide valuable insights and trends that can help industry professionals stay ahead in the dynamic world of fashion.

9. Curtain Raiser of Bharat Tex 2025

On September 4, 2024, the Ministry unveiled the website and brochure for Bharat Tex 2025, a mega global textile event promoting India as a sourcing and investment destination. Over 5,000 exhibitors, 6,000 international buyers from 110 countries, and more than 120,000 visitors are expected to participate, making it one of the largest global textiles shows.

The event aims to build on the tremendous success of its last edition in 2024. Centered around the themes of resilient global value chains and textile sustainability, this year's show promises to be even more dynamic and engaging. It is expected to attract top policymakers, global CEOs, international exhibitors, and buyers from around the world, making it an even more vibrant and influential platform than the first edition.

10. International Conference on Technical Textiles

From September 6-7, 2024, the Ministry organized an international conference that brought together industry leaders, researchers, state governments, line Ministries and international stakeholders to discuss the future of technical textiles. This conference aimed at promoting indigenous products and developing new markets for technical textiles in both domestic and export segments.

The direct engagement and exhibition of products provided valuable insights into the requirements for technical textiles and the availability of indigenous products. Additionally, participating State Governments informed participants about their investment policies and incentive structures. This initiative is expected to stimulate market growth in new application areas and open up new avenues for exports, further enhancing the industry's development.

These achievements highlight the Ministry of Textiles' commitment to revitalizing India's textile sector, fostering innovation, and improving the livelihoods of artisans and weavers across the country.

Source: pib.gov.in– Sep 23, 2024

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S&P Global retains India's GDP forecast at 6.8%, expects policy rate cut next month

S&P Global on Tuesday retained India's economic growth, measured in terms of change in GDP (Gross Domestic Products) at 6.8 per cent. It expects RBI's Monetary Policy Committee (MPC) to cut policy interest rate next month.

In its report, titled 'Economic Outlook Asia-Pacific Q4 2024', the agency noted that GDP growth moderated in the June quarter as high interest rates temper urban demand. However, this was "in line with our projection of 6.8 per cent GDP for the full fiscal year 2024-2025."

Further, it said that the July budget confirmed that the government remains committed to fiscal consolidation and to keeping the focus of public expenditure on infrastructure. The agency has projected growth at 6.9 per cent for fiscal year 2025-26 and 7 per cent for fiscal years 2026-27 and 2027-28.

The agency's forecast for current fiscal is at par with OECD's projection of 6.8 per cent but lower than World Bank, IMF and ADB (all at 7 per cent).

Moody's, Fitch and RBI have projected growth rate much higher at 7.2 per cent, although, government's projection is slightly lower.

In its monthly economic review, released last month, the Finance Ministry said, "As of now, the projection of real GDP growth of 6.5-7.0 per cent for FY25, made in the Economic Survey for 2023-24, seems appropriate."
Inflation

Meanwhile, S&P Global noted that though inflation has receded in Asia-Pacific region, but not in Australia and India. However, it emphasised that in India, solid growth allows the RBI to focus on bringing inflation in line with its target.

"The RBI considers food inflation a hurdle for rate cuts. It reckons that unless there is a lasting and meaningful decline in the rate at which food prices are increasing it will be tough to maintain headline inflation at 4 per cent," it said.

Earlier this month, data released by Government's Statistics Ministry showed that rise in vegetable and fruitprices pushed the retailinflation rate slightly higher at 3.7 per cent in August.

The rate was 3.6 per cent in July. Despite the rise, the retail inflation, based on Consumer Price Index (CPI), is second lowest in the last 59 months. Also, this is the second successive month of sub-4 per cent retail inflation rate.

But the expectation is that the rate may go up further in September. Keeping this in mind, the October review meeting of the Monetary Policy Committee (MPC) is unlikely to make any change in policy review in October.

However, S&P Global has a different take. Our outlook remains unchanged. We expect the RBI to begin cutting rates in October at the earliest and have penciled in two rate cuts this fiscal year (year ending March 2025)." It may be noted that the Committee under the Chairmanship of RBI Governor Shaktikanta Das is scheduled to meet during October 7 to 9, 2024.

This would be last meeting of present Committee as terms of three Government nominees set to end with this meeting. It is also expected that new government nominees will be announced on the eve of the said meeting.

Source: thehindubusinessline.com– Sep 24, 2024

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India, EU seek to close gaps in 9th round of negotiations for free trade pact

India is hoping for some assurance from the EU on mitigating the industry's concerns on complying with the bloc's environmental rules, such as the Carbon Border Adjustment Mechanism (CBAM) and the Deforestation-free products Regulation (EU-DR), at the five-day negotiations for the India-EU Broad-based Trade and Investment Agreement (BTIA) starting in Delhi this week.

While focus of the ninth round of the negotiations, scheduled on September 23-27, will also be on bridging disagreements in various areas such as tariff cuts, other market access issues, services, investments, intellectual property and sustainability, Indian negotiators are likely to continue to play up concerns related to environmental rules, sources said.

"Indian firms are concerned about the potential negative impacts of regulations like the CBAM, EU-DR and supply chain regulation. These regulations would adversely impact India's exports to EU. After implementation of the FTA, the EU products will continue to enter India at zero duties, but Indian products may pay 20-35 per cent tariff equivalent as CBAM charges," according to Ajay Srivastava from Delhi-based research body Global Trade and Research Initiative.

While the CBAM will result in levies on items identified as carbon-intensive, such as steel and cement, imported from non-EU countries beginning January 2026, the EU-DR, under which the exporters of certain identified items will have to prove that their products do not contribute to deforestation, can hurt Indian exports of over $1 billion, per industry estimates.

"A suitable text may be inserted in the FTA chapters dealing with this possibility," a report compiled by GTRI suggested.

The FTA talks between India and the EU, which first began in 2007 but reached a stalemate in 2013 over issues such as market access for specific goods, specifically automobiles and wines & spirits, were re-started in 2022. While a lot of ground has been covered in the tricky areas, there are some differences yet to be ironed out, sources said.

The main areas of negotiations include tariff reductions, improving market access for goods and services, protecting intellectual property, enhancing trade in services, protecting investments, government procurement, sustainability issues including environmental and labor standards, data protection and data flow, harmonising regulations and standards and establishing mechanisms to resolve trade disputes.

The EU is India's largest trading partner, accounting for €124 billion worth of trade in goods in 2023 or 12.2 per cent of total Indian trade, topping the USA (10.8%) and China (10.5%), according to the EU.

Source: thehindubusinessline.com– Sep 23, 2024

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Next meeting of IPEF's Supply Chain Council in Dec: Commerce ministry

The next meeting of the Supply Chain Council, set up under an agreement of the 14-member IPEF, will be held in December, the commerce ministry said on Monday.

The IPEF (Indo-Pacific Economic Framework for Prosperity) bloc was launched jointly by the US and other partner countries of the Indo-Pacific region on May 23, 2022, in Tokyo.

Together, they account for 40 per cent of the world's economic output and 28 per cent of trade.

The framework is structured around four pillars relating to trade, supply chains, clean economy and fair economy. India has joined all the pillars except the trade.

Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the US, and Vietnam are members of the bloc.

The Supply Chain Resilience Agreement came into effect on February 24. It seeks to strengthen supply chains through engagement among the partner countries.

Under this agreement, three institutional bodies have been created - Supply Chain Council (SCC), Crisis Response Network (CRN) and the Labour Rights Advisory Board (LRAB) - with specific functions to achieve the objectives of the pact.

The first meeting of the Supply Chain Council was held in Washington DC on September 12.

While the US is the Chair, India is the vice Chair of the council.

"The next meeting of the Supply Chain Council will be in held December this year," the ministry said.

In the first meeting, the council established three action plan teams in three sectors - Semiconductors; Critical Minerals with a focus on batteries; and Chemicals.

The ministry said that it has also been principally agreed by the partner countries to establish another action plan team related to the healthcare/pharma sector.

These teams, it added, will commence work shortly to prepare its recommendations for the Council on possible collaborative and co-operative efforts among the partner countries for bringing in resilience in the supply chain pertaining to those specific critical sectors and key goods.

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

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Enabling IGCRS rules for EOUs electronically to cut transaction costs

Export-oriented units (EOUs) can now use the facility of electronically filing their bond, giving intimation of goods to be imported, intimating any shortage in receipt of imported goods, filing the monthly returns, and taking credit in the running bond account under the Customs (Import of Goods at Concessional Rate of Duty or for Specific End Use) Rules, 2022 (IGCRS Rules).

EOUs are allowed to import their requirement of raw materials, components, consumables, capital goods, spares etc. without payment of any duty under the Customs exemption notification no.52/2003-Customs dated March 31, 2003.

Initially, the notification stipulated that for availing of the exemption, the EOUs should follow the procedures prescribed in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996.

These rules gave way to new rules by the same name in March 2016 and then, when the goods and services tax (GST) regime was introduced, to Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules).

In December 2021 and February 2022, the government introduced significant changes by simplifying and automating the procedures in the IGCR Rules and making available the online functionality in the Customs portal, Indian Customs Electronic Gateway (ICEGATE).

However, the Central Board of Indirect Taxes & Customs (CBIC) said in its circular no.04/2022-Customs dated February 27, 2022 that the system architecture with respect to above rule in respect of EOUs is under development and that till it is developed, procurement certificates can continue to be submitted by the EOUs for import of goods in lieu of generating the unique IGCR identification number (IIN) in the system. In September 2022, the government superseded the IGCR Rules and introduced the IGCRS Rules, vastly expanding the coverage, but the EOUs continued with the existing procedure.

On the 25th of last month, the CBIC circular no.11/2024-Customs said that necessary developments have since been completed on the system and that automation in the IGCRS Rules for EOUs will be implemented from the 1st of this month.

However, the system did not work properly and the director general of the export promotion council for the EOUs took up the matter strongly with the CBIC, and the CBIC decided to postpone implementation of its instructions till the 17th of this month. Last week, the CBIC decided to further postpone the implementation of its instructions till the 25th of this month.

In the meantime, ICEGATE has issued a set of draft frequently asked questions (FAQs) on the enablement of IGCRS Rules for EOUs. There are 36 questions and answers in the FAQs dealing with several situations. From these FAQs, it appears the IIN has to be generated unit-wise i.e., for each Letter of Approval/ Permission to set up EOU, a separate IIN has to be obtained.

Secondly, a continuity bond has to be furnished every year, regardless of the B-17 bond that is already furnished. The FAQs also says that the credit or re-credit of bond happens at the officer's end, which is quite unclear to many EOUs. On some points the FAQs say that the CBIC will clarify the matter.

Enabling IGCRS Rules electronically for imports by EOUs is a significant step forward that will reduce the transaction costs. The EOUs should quickly familiarise themselves with the new procedures and raise any doubts/difficulties with the CBIC and ICEGATE, preferably before the coming Wednesday.

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

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