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| USD | EUR | GBP | JPY |
| 84.41 | 89.08 | 107.14 | 0.54 |

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# INTERNATIONAL NEWS

## Tariffs, Trade Preferences and Trump: The USFIA Explains

A nervous energy permeated the Apparel Importers Trade & Transportation Conference at the Fashion Institute of Technology in New York City on Wednesday. It was just over a week after Donald Trump handily trounced Kamala Harris in the polls to become the 47th president of the United States.

News of political appointees—both rumored and confirmed—had already been trickling in, including ones that would most impact the textile and apparel industry: Former U.S. trade representative Bob Lighthizer for trade czar, South Dakota governor Kristi Noem for homeland security, former WWE exec Linda McMahon for commerce and Florida congressman Mike Waltz for national security.

Trump has also tapped Florida senator Marco Rubio, one of the architects of the Uyghur Forced Labor Prevention Act (UFLPA) and as hawkish a China hawk as you can get, as his secretary of State. Translation: Prepare to see a lot more people added to the UFLPA Entity List—the so-called "bad guys' list" of companies with cited ties to the persecution of Turkic Muslim minorities—and increased enforcement of the rebuttable presumption that all goods made in whole or in part from the Xinjiang Uyghur Autonomous Region are the product of forced labor and therefore barred from entry, said David Spooner, partner at Barnes & Thornburg and Washington counsel at the United States Fashion Industry Association (USFIA), the trade group behind the event.

But there are other ways Rubio could reshape the landscape of American diplomacy. The State Department, as Spooner pointed out, plays an outsized role in negotiations with and over Taiwan. Rubio, the virulently anti-Communist son of Cuban immigrants, could move to jettison Nicaragua from the Dominican Republic-Central America Free Trade Agreement known as CAFTA-DR to stem the flow of money to Daniel Ortega's government—even though it might violate the treaty.

Then again, CAFTA-DR might be not long for the world. Despite the Biden administration "working quite hard" to see what it could do, economically or trade-wise, to curtail the tide of migrants crossing over from Central

America—something that resulted in the Commerce Department's Office of Textiles and Apparel becoming more nimble in its consideration of so-called short-supply petitions that seek more liberal treatment of apparel made in the region—the previous Trump regime has "not been a fan of trade concessions," Spooner said. "I think trade initiatives are going to pass away."

That could include the Generalized System of Preferences (GSP), which provided duty-free entry for certain products imported from developing countries until it expired at the close of 2020. One reason GSP has been expired for so long is that the Trump administration derailed efforts to renew it right before the Republican leader's tenure because "they don't like trade preferences," Spooner said.

Same with the Haitian Hemisphere Opportunity through Partnership Encouragement (HOPE), the Haitian Economic Lift Program (HELP) and the African Growth and Opportunity Act (AGOA), all of which are set to expire in 2025. "Renewing those can be a big, big deal," Spooner said. On the flip side, it was Rubio who introduced legislation in 2021 to renew HOPE and HELP until 2035, so it's still anyone's guess how things will ultimately shake out.

Equally murky is what will become of the United States-Mexico-Canada Agreement (USMCA), colloquially known as the "new NAFTA," that is set for a joint review in 2026.

"I honestly don't know what a Trump administration would do," Spooner said. "On the one hand, the Trump administration crowed about how great the new USMCA was, but we could also see the Trump administration going in and saying, 'It's not good enough, we need to change.'"

'Tariff armageddon' ahoy

Peals of laughter—albeit some that were pointedly strangled—rang out when Spooner clicked over to a slide that bore just one phrase: Tariff armageddon. "We're downplaying it, right?" quipped Julia K. Hughes, president of the UFIA.

Trump's proposed tariffs—60 percent on Chinese imports, as much as 100 percent on Mexico's and 10-20 percent for any other nation that's been, in his words, "ripping off" America—are a topic that's been on everyone's mind.

Already, Mexico's economy minister said this week that his country could retaliate with tit-for-tat restrictions of its own, auguring one if not several tariff wars.

There are five "vehicles" that the incoming regime could use to implement these tariffs. The first is legislatively through offsets in a tax extenders bill that must pass in 2025. Because the U.S. Constitution explicitly gives Congress the power to control trade with foreign nations, this would be the "traditional and less controversial" way of doing things, Spooner said.

"I'll be surprised if this is what Trump does, but a huge tax bill has to move this year," he said. "And there's some talk about when you have tax cuts or tax extenders, you need to 'pay' for those that decrease in government revenue. And there's some talk that the Trump administration might actually do things the traditional way and urge Congress to have tariff increases in the tax bill that moves this year to 'pay for the tax cuts.'"

Short of going to Congress? Here's what else Trump 2.0 could do. He could leverage the International Emergency Economic Powers Act, or IEEPA (pronounced "yeepa"), which gives the president a "ton of discretion" to impose tariffs or other trade restrictions during a national emergency. (Trump 1.0 threatened to use IEEPA to impose tariffs on Mexico, for instance, if it didn't halt the "caravan" of migrants traveling across the border.)

More familiar to importers would be Section 301 of the 1974 Trade Act, which allows the president to impose tariffs or quotas on imports from countries that either are not living up to their trade agreements with the United States or that discriminate against American commerce. "That's what President Trump used to impose the Chinese tariffs in the first term," which Biden then chose to maintain and even expand upon, Spooner said.

The 47th president could also wield Section 232 of the 1962 Trade Expansion Act, another tool that provides great executive latitude if there's a threat to national security. The Trump administration used it to impose steel and aluminum tariffs in his first term.

Finally, there's Section 201 of the 1974 Trade Act, which lets the president impose tariffs or quotas on imports if they're surging or injuring American industry. It was most recently employed by the Biden administration in May to impose a 5-gigawatt tariff-rate quota for imported solar cells to expand solar manufacturing in the United States.

"Sections 301, 232, and 201 are all of questionable legality with the WTO," Spooner said, using an acronym for the World Trade Organisation, which manages the global rules of trade. "The U.S. in prior years lost every single 201 case that went to the WTO. But the WTO recently has not been functioning very well, and we've had a couple of administrations who sort of say, 'We don't care about the WTO.'"

When the office of the U.S. trade representative concluded a "sunset review" on Section 301 tariffs on China a few months ago, it resulted in a new exclusion process for certain products and increased tariffs on certain products. Spooner said it'd be interesting to see if the 47th administration maintains these tariff increases and production exclusions.

Another hot topic is that of de minimis, a law and some say loophole that lets importers sidestep U.S. taxes and tariffs if the shipments don't exceed $800 in value. It's also one of the rare issues that both sides of a very divided aisle can agree is a legislative priority to grapple with the billion-or-so low-value packages that wend their way past the border without more than a cursory glance each year.

In April, the House Committee on Ways and Means O.K.ed a bill to limit the de minimis exception, declaring that goods subject to the aforementioned special tariffs cannot be eligible. A few months later, Senate Finance Committee chairman Ron Wyden, a Democrat from Oregon, introduced legislation that would deny "import-sensitive" goods such as textiles and apparel from being imported through de minimis.

"White will no longer be the chairman of the Finance Committee because the Republicans are taking over," Spooner said. "So a lot to see what the new chairman Mike Crapo might run things." He noted, however, that Finance is run in a more bipartisan way than Ways and Means, and that White and Crapo have worked closely together in the past.

President Biden also announced in September that his administration would undertake rulemaking that would exclude from de minimis any goods that are subject to Sections 201, 301 and 232, though those regulations have yet to manifest despite promises that they will.

Hughes said that a lot of what will happen is hard to predict. Much also hinges on Trump's nominees and how much shock and awe the administration will want to elicit out of the gate.

"My gut right now says it looks like the administration is looking for how much can we do this big splash on Day 1," she said. "So that makes me anxious about what might be, what will be on the table. But I think we need to see who are going to be the people in the positions as well, so that we might understand better what the recommendations would be. We don't have all the answers yet."

Source: sourcingjournal.com– Nov 15, 2024

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# New orders for manufactured goods in US down 0.5% MoM in Sept 2024

New orders for manufactured goods in the United States in September this year decreased by $2.8 billion, or 0.5 per cent, month on month (MoM) to $584.2 billion, according to the Census Bureau. These were down in four of the last five months; the drop was 0.8 per cent MoM in August.

New orders for manufactured non-durable goods decreased by $0.7 billion, or 0.2 per cent, MoM to $299.4 billion.

Shipments, down in two consecutive months, decreased by $2.2 billion, or 0.4 per cent, MoM to $586.9 billion in the month. This followed a 0.7-per cent MoM decrease in August.

Shipments of manufactured durable goods in September, down two consecutive months, decreased by $1.6 billion, or 0.5 per cent, MoM to $287.5 billion, up from the previously published 0.6-per cent decrease. This followed a 0.6-per cent August decrease MoM.

Shipments of manufactured non-durable goods, down two consecutive months, decreased by $0.7 billion, or 0.2 per cent, to $299.4 billion. This followed a 0.7 per cent August decrease MoM.

Unfilled orders, up in 49 of the last 50 months, increased by $2.1 billion, or 0.2 per cent, MoM to $1,391 billion in September. This followed a 0.2 per cent August increase MoM. The unfilled orders-to-shipments ratio in the country was 6.94, up from 6.86 in August.

Inventories, down following two consecutive monthly increases, decreased by $1.9 billion, or 0.2 per cent, MoM to $858.1 billion. This followed a 0.1 per cent August increase MoM. The inventories-to-shipments ratio was 1.46, unchanged from August, a release from the Census Bureau said.

Source: fibre2fashion.com– Nov 17, 2024

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# US cotton exports to decline to the lowest in nine year in MY2024-25: USDA

USDA has forecasted a 2 per cent decline in US cotton exports to 11.5 million bales for the MY 2024-25, marking the lowest level in nine years. As of now, the US has shipped about 1.5 million bales, only 13 per cent of the USDA's export target, the slowest pace since the 2017/18 season.

This decline is attributed to a combination of factors, including reduced production due to adverse weather conditions in key growing regions and increased competition from other cotton-producing countries like Brazil and Australia.

In early 2024, US cotton prices surged to contract highs, making American cotton less competitive, particularly in markets like China. Brazilian cotton, which is cheaper, has become a strong alternative for Chinese buyers, further diminishing US export prospects. As a result, China has turned to other countries for cotton, impacting US shipments.

US exporters are now focusing on markets like Pakistan and Vietnam, where exports have risen significantly by 77 per cent and 60 per cent, respectively, in MY 2024-25. However, despite these gains, they have not been sufficient to offset the loss in exports to China. Much of the decline in US cotton exports can be attributed to global supply shifts, rather than broader economic concerns or reduced Chinese demand alone.

China's cotton imports have surged in 2024, reaching 2.28 million bales by Sep'24, more than double the volume imported in the same period in 2023. Brazilian cotton has played a major role in this increase, as the country's higher production and lower prices allowed it to overtake the US as China's top supplier in 2023-24. As a result, US cotton exports have been further limited, despite a recovery in domestic production.

Meanwhile, Australian cotton exports, which were previously hampered by diplomatic tensions with China, are recovering. Although China's demand for Australian cotton remains lower than before, shipments to countries like Vietnam, Indonesia, and Bangladesh continue to support strong exports from Australia.

Overall, the global cotton market is seeing shifts in supply dynamics, with Brazil's growing competitiveness and China's diversified sourcing strategies reshaping trade patterns.

Source: fashionatingworld.com– Nov 16, 2024

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# S&P Global expects ~3% US holiday sales growth in 2024 vs 4.7% in 2023

S&P Global Ratings expects US holiday sales growth to slow to about 3 per cent this year from 4.7 per cent last year, remaining below the 10-year average of 5.3 per cent.

Price actions, as well as modest volume gains given our expectation for a cautious but resilient middle to higher income consumer, support our growth forecast, the rating agency said in a release.

Value perception will separate retailers, and it expects those with the right merchandise at the right price to emerge as winners this holiday season. Retailers will need to spend more on advertising to offset lower traffic trends and compete for attention.

Retailers that are exposed to discretionary spending are nearly 1.5 times as likely to face a downgrade within the next one to two years than retailers whose sales rely on more stable non-discretionary spending.

US retailers' margins are expected to remain steady because of broad cost-savings initiatives implemented throughout the year despite increased promotional activity, said S&P Global.

The outlook is influenced by waning—but persistent—inflation that has pressured household budgets. Additionally, the late Thanksgiving holiday will result in five fewer shopping days than last year, which may weigh on sales.

However, a loosening but resilient labour market and further anticipated interest rate cuts support consumer confidence levels.

Moreover, many retailers have pulled ahead inventory orders, positioning themselves well for any potential supply-chain disruptions, S&P Global noted.

Retailers with heavy exposure to discretionary categories—such as department stores, furniture and home furnishing stores, and sporting goods stores—continue to struggle; sales decreased year over year. As a result, S&P Global expects such retailers to rely on promotions to generate demand. Otherwise, they risk a disappointing holiday season.

Retail sales data for September reveals that consumers are ready to spend when the price is right.

As the US labour market shows clear signs of cooling; real income growth has been running behind real spending growth since the middle of last year; the household savings rate is at a two-year low; and delinquency rates for credit cards and autos are above pre-pandemic levels and still edging higher, S&P Global expects consumers will maintain tight budgets and seek value in the form of promotions as they enter the holiday season.

Source: fibre2fashion.com– Nov 15, 2024

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# Global personal luxury goods market may dip 2% to $381.74 bn in 2024

The global personal luxury goods market is likely to dip by 2 per cent to €363 billion ($381.74 billion) this year, according to the 23rd edition of the Bain & Company Luxury Study, released in collaboration with Italian luxury goods body Fondazione Altagamma.

The forecast reflects continued strength in Japan, solidity in southern Europe and a progressively improving trajectory in the United States, but also a rapid slowdown in China and challenging conditions in South Korea, an article on the Bain website noted.

The strongest category growth globally was found in beauty and eyewear. Jewelry was the most resilient core luxury category. Shoes and watches struggled.

The tighter conditions are polarising the market. The study estimates that only about a third of luxury brands will emerge from 2024 with positive growth—down from two-thirds a year earlier—with many brands suffering a drop in their revenue.

In this context, pressure on profitability is mounting, setting the scene for an increased focus on performance improvement and technology next year.

Longer-term market growth should be solid, thanks to anticipated increases in wealth and the luxury consumer base.

Unlocking that growth will require clarity in strategy and execution, the Boston-headquartered management consulting company added.

Source: fibre2fashion.com– Nov 16, 2024

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# Export and Demand Headwinds Continue to Pressure Cotton Prices

Cotton prices struggled all week to hold the 70-cent level but failed day after day to close above its critical support at the 69-70 cent range. December settled the week at 66.81, down nearly 4 cents on the week.

And to think I had turned positive on the market.

The prior week's close was essentially 71 cents, and traders expected cotton futures, basis December, to move above 72 cents and challenge 73 cents. In other reports, all news appeared negative for a price return above 72 cents.

U.S. export sales were weak, the Producer Price Index (a proxy for inflation) indicated the U.S. economy was inflating at a higher pace than expected, the Consumer Price Index itself showed growing inflation, and interest rates defied the Fed's attempt to lower rates as the 5-, 10-, and 20-year rates moved measurably higher. However, retail sales continued to increase, but apparel sales did not.

Thus, the demand for cotton continues very weak. More concerning, however, only slight improvement is expected until mid-year 2025, at the earliest. However, new crop export sales are nonexistent – a sign that cotton's demand woes could last the entirety of 2025.

The rest of 2024 will likely see the nearby contract trade in the six cent 66-72 cent range – both a lower and wider price range than previously predicted. Yet, most of the trading will be within the 67-71 cent range with a bias to climb back to 70 cents.

As reflected in trading, it is difficult to find any bullish signal in the market. As much as I would prefer to discuss higher prices, I simply cannot invent bullish comments. Neither can I use simple adjectives that would allow one to infer that the bears are ready to hibernate. They will, but not until sometime in 2025. The only bullish factor is the adage "Low prices cure low prices." Sounds good, and it is true.

However, most tend to forget, or even realize, that the U.S. has lost its leadership position in the world cotton economy. Long ago, 30 years or more, the U.S. lost any relevance as a textile manufacturer. Today, the U.S. has only 1% or less of the world's textile spinning industry. The U.S. has slipped to the fourth slot in world cotton production. Forever, the U.S was the world's major exporter of cotton. Two years ago, that crown was lost.

The combination of these shifts has left the U.S. as just a player in the world cotton industry. This is just an anomaly and takes me back to my soldier days in Vietnam where we quickly learned the expression “Never Happen GI.” These changes will not change, Never Happen GI. They are permanent. The structure of the world cotton industry has changed. The U.S. grower must get back to leading the parade or it will run over him.

The change in market structure caught us napping. The U.S. does not have a dedicated promotion program. The U.S. had previously never been challenged in the export market and is fumbling, with no plan to promote U.S. cotton.

Most mills prefer U.S. cotton for three primary reasons:

- U.S. cotton tends to be more uniform and is easier to spin.
- Delivery is highly reliable and allows for smoother operations.
- The U.S. cotton trade is supported by an effective, self-regulated contractual system, protecting the buyer and seller.

In fact, most mills are willing to pay 100-200 points more for U.S. cotton compared to comparable growths. However, the cost of production is 5-7 cents per pound lower for Brazilian cotton. This cost of production advantage allows Brazil to take market share. It allows Brazil to increase its land area planted to cotton. More importantly, it allows Brazilian growers to cover their cost of production at current New York futures prices, while U.S. growers cannot justify planting cotton at current prices. Thus, without promotion efforts, U.S. cotton production will continue to decline.

Despite research, the U.S. has become a high-cost producer and, more often than not, New York futures will not cover production costs except for the low-cost producers.

December is entering its expiry period; thus, March will be the lead contract. Prices are expected to return to the 70-cent mark, basis the March contract. Too, price advancement will struggle to move closer to 74 cents.

Source: cottongrower.com– Nov 17, 2024

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# UK Q3 2024 production output down 0.2% QoQ, manufacturing up 0.2%: ONS

UK production output for the third quarter (Q3) this year is estimated to have decreased by 0.2 per cent quarter on quarter (QoQ), following a QoQ fall of 0.3 per cent in Q2, according to the Office of National Statistics (ONS).

Manufacturing output increased by 0.2 per cent QoQ in Q3 2024; this was largely because of monthly weakness during April and May this year, affecting Q2 manufacturing output which down by 0.7 per cent QoQ.

Production output is estimated to have decreased by 0.5 per cent month on month (MoM) in September this year; this follows a decrease of 0.7 per cent in July and an increase of 0.5 per cent in August (both unrevised).

Monthly production output in September was at its lowest level since May 2020, an ONS release said.

The monthly production output decrease in September resulted primarily from a decrease of 1 per cent in manufacturing, which saw decreases in eight of its 13 sub-sectors.

Source: fibre2fashion.com– Nov 18, 2024

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# US exports up 3.7% YoY, imports up 5.3% YoY in 1st 3 quarters of 2024

The US international trade deficit in goods and services increased to $84.4 billion in September this year from $70.8 billion in August as exports decreased and imports increased, according to the Census Bureau.

September exports were worth $267.9 billion, $3.2 billion less than the August figure. Imports in the month were worth $352.3 billion, $10.3 billion more than the figure in the preceding month.

The September increase in the goods and services deficit reflected an increase in the goods deficit of $14.2 billion to $109.0 billion and an increase in the services surplus of $0.6 billion to $24.6 billion.

In the first three quarters this year, the goods and services deficit increased by $69.6 billion, or 11.8 per cent year on year (YoY). Exports increased by $84.7 billion, or 3.7 per cent YoY, while imports increased by $154.4 billion, or 5.3 per cent YoY during the period.

The September figures show surpluses with South and Central America ($3.5 billion), the Netherlands ($3.2 billion), Hong Kong ($2.2 billion), the United Kingdom ($1.4 billion), Australia ($1.4 billion), Singapore ($1.3 billion), Brazil ($1.1 billion) and Belgium ($0.3 billion).

Deficits were recorded with China ($26.9 billion), the European Union ($23.8 billion), Mexico ($16 billion), Vietnam ($12.2 billion), Ireland ($9.3 billion), Taiwan ($7 billion), Germany ($7 billion), Canada ($5.7 billion), South Korea ($5.7 billion), Japan ($5.3 billion), India ($3.4 billion), Italy ($3.4 billion), Switzerland ($2.3 billion), Malaysia ($2.1 billion), France ($1.1 billion), Israel ($0.8 billion) and Saudi Arabia ($0.2 billion).

Source: fibre2fashion.com– Nov 16, 2024

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# What's left of globalisation without the US?

If Donald Trump follows through on his promised tariffs, the United States will likely trade much, much less with other countries. But what about the rest of the world? Would US tariffs end or even reverse the era of trade liberalisation begun in the 1980s? Perhaps not.

Bloomberg Economics' model of Trump's proposed tariffs expects that other countries will offset most of their lost trade with the US simply by trading more with each other. That points to the possibility that globalisation could keep on humming — just without the US at its center. To explore that scenario, Bloomberg Weekend spoke to Maeva Cousin, chief trade and climate economist at Bloomberg Economics, about her forecast.

What will happen if Donald Trump follows through on his tariff promises? The change in tariff rates on all US goods imports would be huge — it would take us back to levels last seen in the 1940s. Trump has proposed a 60% tariff on China and a 20% tariff on the rest of the world. Right now the average effective tariff rate on US imports is around 3%, up from 1.5% before the US trade war with China. The Smoot-Hawley tariff of the early 1930s took the average effective tariff close to 20%, but from a higher rate of around 14%. So that would be the same level, but a much bigger shock.

It's very difficult to look at historical precedents, so we turn to a computable general equilibrium model, a large-scale model of the global economy. Our model suggests that US imports of goods would drop by about 50% from everywhere, and goods from China would drop by 90%. So nearly no trade left between the US and China.

What about US exports?

Even without retaliation you would see a very large decline in US exports — around 40%. When you start putting tariffs on imports, all the intermediate inputs that you're using from foreign companies get more expensive. The result is that US exports become less competitive.

If countries retaliate, then the drop in US exports is even larger — around 60%. Since exports fall alongside imports, the US trade deficit stays generally the same.

Are there US sectors you expect to come out ahead from tariffs?

If you're in a sector that competes with a lot of imports, then tariffs could be good for you. In our model, mining benefits because the US imports a lot of minerals. The other sector that benefits is textiles.

You're projecting that other countries start trading with each other a lot more. Will the world be drawn closer together, economically, by the US trading less?

Of all the goods traded globally, 20% either go to the US or come from the US. In our model with tariffs, we're looking at that falling to 9%. Other countries will have to replace the market that they have lost in the US and replace some of the goods that they're not importing from the US anymore. But most countries can replace a lot of that loss by exporting to and importing from the rest of the world. We project trade of goods between all other countries to increase by 5%. So total world trade goes down by just 7.5%.

So the global economy's reliance on trade might be a little bit lower than before, but the final result would be that the world is drawn closer together. The US is a major partner for many countries, but compared with the rest of the world taken together it's still actually quite small. (There are two exceptions, and you could guess them: Mexico and Canada.)

China exports much more than it imports currently. Much of that is to the US. If that gets cut off, can China's trade surplus continue?

I think China has a lot of potential to readjust in terms of domestic supply and productive capacity — in the first trade war, they readjusted. In our model, we expect they will find all the new markets that they need. But politically is that going to be too much of a strain on the rest of the world in terms of competition and concerns over reliance on China? That's a challenge, and not something our model can fully capture.

What if we just get high tariffs on China and no or low tariffs on the rest of the world? In that scenario do we see trade basically rerouted through "connector" economies?

Yes, my assumption would be that you get connector economies rewiring supply chains. And then the question is whether there is an effort to plug the loopholes.

Say we're looking back in 10 years with the benefit of hindsight: we get the tariffs, we get the retaliation. And instead of more trade between other countries, we are seeing a retreat from trade. What would that scenario entail that the model isn’t expecting?

US trade policy could inspire copycats. More tariffs between other countries could mean less trade between the rest of the world.

What would tariffs mean for innovation and productivity around the world?

In our model, if you trade with partners that are more advanced and closer to the technological frontier, you’re more likely to make productivity gains. So when you cut out the US, which of course is quite ahead in technology, for some partners it can have a negative impact on future productivity growth. This could be a factor for Mexico, for example. From the US perspective, if you have to focus on producing textiles or mining, you end up reallocating more resources to those activities and fewer resources to more higher-productivity sectors.

What metrics should readers keep an eye on?

I’d definitely be watching what happens to trade flows to the US, and how quickly they adjust to the shock. I will be watching PPI in China to see whether lower demand is feeding through to prices and if you see some deflation. One way it could play out is that China sees factory price deflation if they don't find enough market for exports. And I would be watching inflation in the US to see if tariffs are forcing a switch to more expensive products that is passed through to consumers.

Advocates of tariffs are betting that conventional economics is wrong about all of this. Are there any open economic questions that a tariff shock would help to answer?

For me it’s really how quickly the adjustment takes place. We know companies can be very, very agile when it comes to finding new ways of producing and organizing the product so that they don't rely on imports. But how quickly do they adjust when the tariffs are much higher, and on a much wider range of goods?

Source: economictimes.com– Nov 16, 2024

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# Vietnam and Italy team up to promote fashion, art, and tourism

The Cuu Village Show, due to take place in Cuu Village in Phu Xuyen District on December 21-22, 2024, will popularize the unique image of Cuu Village, a historic settlement over 500 years old situated by the tranquil Nhue River, said the administration of Phu Xuyen District at a recent press briefing.

The festival aims to help this craft village integrate internationally while boosting the local economy. In addition, it will foster trade and tourism connections between Vietnam and Italy through various promotional activities, said a local official.

Visitors will have the chance to witness the intricate process of crafting exquisite ceramics and decorative arts, from shaping and carving to pattern decoration that vividly illustrates part of Vietnam's rich cultural heritage.

As part of the festival, "Meet The Arts" will showcase artistic works and traditional handcrafted products, such as ceramics, textiles, and decorative items created by local artisans. Meanwhile, "Meet The Poet" will allow poets from both countries to share and exchange selected works, offering moments of immersion in language and emotion.

A fashion show will showcase the latest collections that beautifully blend traditional elements with modern designs. Designers will creatively reinterpret traditional attire, promoting Vietnamese and Italian fashion culture with a contemporary flair.

The "Trade Development" workshop will feature economic experts discussing market development strategies. Businesses will have the opportunity to learn and exchange ideas on collaboration, enhancing their competitiveness and fostering international trade between Vietnam, Italy, and Europe.

Another activity is the "Cooking School" where renowned chefs will present the culinary arts of Vietnam and Italy through signature dishes. Participants in the cooking classes can explore unique cooking techniques and the rich cultural narratives reflected in each dish.

Furthermore, “Meet The Music” will introduce talented artists from both Vietnam and Italy, showcasing a blend of traditional and modern music. In the “Meet The Tourism” corner, travel agencies from both countries will display captivating images and information about special destinations in Vietnam and Italy, opening up new travel exploration opportunities.

The festival is expected to enhance cultural and economic exchanges while fostering sustainable partnerships between Vietnam, Italy, and other European partners, said local authorities.

Source: vietnamnet.vn– Nov 18, 2024

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# Pakistan becomes largest importer of US cotton

LAHORE: Pakistan has become the largest buyer of American cotton for the first time in history because of sales, tax-free imports and lower-than-expected production of the local crop, whose quality has also been affected by adverse weather conditions.

A report by the US Department of Agriculture suggests that a total of 1.192 million bales (160 kg each) have been shipped to Pakistan, the highest in the world. Vietnam is second, Turkiye third, Switzerland fourth, Mexico fifth, China sixth, and India is the seventh largest buyer of US cotton.

According to a cautious estimate, Pakistan has signed contracts for 3.0m to 3.5m bales of cotton from the United States, Brazil and other countries, while more contracts are in the pipeline.

Pakistani textile mills are expected to import up to 5.5m bales to meet their requirements this year. Cotton Ginners Forum chairman Ihsanul Haq believes that an 18 per cent sales tax on local white lint has encouraged millers to import tax-free lint to meet their requirements.

He says that besides cotton, yarn import has also been exempted from sales tax, causing a great concern among the domestic cotton sector because the measure is keeping the prices of the local crop depressed to the disadvantage of the cotton growers.

He claims that Indian yarn is also making its way into the local market through Dubai.

Against Pakistan's import of over 1.19m bales, Vietnam has so far bought 0.96m bales, Turkiye 0.67m bales, Switzerland 0.65m bales, Mexico 0.59m bales, China 0.52m bales, and India only 0.258m bales from of US cotton.

Source: dawn.com – Nov 16, 2024

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# Pakistan: Value-addition, diversification: APTMA secures Jam's support to boost exports

Federal Minister for Commerce, Jam Kamal Khan has assured the delegation of All Pakistan Textile Mills Association (Aptma) of the government's commitment to facilitate textiles and apparel sector to promote value-addition and product/market diversification and boost exports.

In a meeting with the Aptma representatives led by its Chairman, Kamran Arshad, the minister emphasized the importance of textiles and apparel industry vis-a-viz socio-economic development and growth.
The delegation of Aptma included Aamir Fayyaz Sheikh, Chairperson Textile Council (Kohinoor Mills), Anees Khawaja (Mahmood Group), Rahim Nasir (Ayesha Group), Naveed Ahmad (Indus Dyeing), Naveed Gulzar (Crescent Mills), Asad Shafi (Cross Stitch), Ali Ahsan (Ashiana Cotton), Shahid Sattar (Executive Director, APTMA), and Raza Baqir (Secretary General, APTMA North).

Kamran Arshad outlined the critical challenges facing the textiles and apparel sector and their implications, including potential disconnection of gas supplies to industrial captive power plants, high electricity prices, high taxes and liquidity crunch which may erode the industry's competitiveness and adversely impact exports.

The representatives of Aptma also raised their concerns on withdrawal of sales tax exemption on local procurement for exporters under Export Facilitation Scheme (EFS) of Federal Board of Revenue, introduced in the Finance Act 2024.

They explained that while imports of the same inputs remain tax-free, locally procured materials are now subject to 18% sales tax. Delays in refunding these taxes through the FASTER system have further strained exporters, pushing them toward imports and jeopardizing the domestic supply chain.

Arshad urged the government to renegotiate its commitment with the International Monetary Fund and reconsider the decision of cutting off captive gas supply by end of January 2025 so that sector was able to regain lost ground and enhance exports.

Federal Minister Jam Kamal Khan reaffirmed the government's support, recognizing the textiles and apparel sector is a cornerstone of Pakistan's exports and economy.

"The textiles and apparel industry is the established sector, and government will extend maximum support for its sustainability and growth," he stated.

The minister expressed optimism about increasing textiles and apparel exports through collaborative efforts and supportive policies.

He encouraged a focus on potential in existing markets, exploring new markets and diversifying more to new value-added finished products.

"The Ministry of Commerce is committed to addressing these challenges. I will personally engage with the relevant authorities to find solutions," the minister assured.

The meeting concluded with a renewed pledge to facilitate and uplift Pakistan's textiles and apparel industry, a vital driver of exports and employment generation for the masses.

Source: brecorder.com– Nov 16, 2024

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# NATIONAL NEWS

## India waiting for new UK govt to resume FTA talks

India is waiting for the UK's new Labour government to come to the table to resume negotiations for the proposed India-UK free trade agreement (FTA) as talks have been paused since the UK general elections in May 2024, sources said.

"We are giving them time to make up their mind about the way they want to take the FTA talks forward because every government has its own priority," a senior official told businessline.

The Labour party, led by Prime Minister Keir Starmer, swept to office after a decade in July this year as the country grappled with inflation and slow growth. "The new government was so far busy with its first budget. Now that the budget session is over, New Delhi is hopeful that the FTA dialogue could resume shortly," the official added.

Boost for bilateral trade

The India-UK FTA talks began under the Conservative government, led by former PM Boris Johnson, in January 2022. Initially, urgency was shown by both sides to conclude the talks early and Johnson set a deadline of Diwali 2022, which was missed. A second informal deadline to conclude the talks by the Diwali of 2023 was also missed as the two sides struggled to deal with a handful of tricky issues.

With the Labour government now at the helm, New Delhi is hopeful that it will be as enthusiastic about the free trade deal as the Conservatives as it seeks to benefit both sides. The FTA, once implemented, is estimated to double bilateral trade to $100 billion by 2030 opening up new markets for businesses in both countries.

"If you look at the UK, you will find that there are bipartisan positive sentiments for the FTA. In fact Prime Minister Starmer had also stated at that point of time (when he just got elected) that India was a top priority in terms of FTA," the official said.

“The only issue is that they are taking time before they come for the round. This could be because a lot of briefings are needed to come to grips with the negotiating position,” the official added.

‘On the slow track’

But, some sources tracking the UK government said the new regime may be taking it slow as its focus right now is on accelerating economic activity, increasing revenue earnings and controlling inflation in the unstable global environment. “The UK government has to show definite gains flowing from potential FTAs to the people as there are apprehensions of job losses or decline in manufacturing activities due to FTAs giving greater market access to partner countries,” the source said.

The UK wants India to bring down import duties steeply in sectors such as Scotch and automobiles, give greater access in financial and legal services, and bring in stronger IPR rules, to provide additional protection to pharmaceutical majors.

India, on the other hand, has demanded easier work visa norms for its professionals apart from more market access for a number of goods.

Source: thehindubusinessline.com– Nov 17, 2024

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# Commerce Dept plans meetings with heads of missions in key countries to boost exports

The Commerce Department has initiated a series of meetings with the heads of missions in twenty high potential export growth countries across Europe, America, Asia and Africa to formulate strategies to push exports with the overall goal of touching a combined $2 trillion target in goods and services by 2030.

"The Commerce & Industry Minister and the Commerce Secretary will be taking these meetings with heads of missions from about 20 countries in a number of rounds," an official told businessline.

The first round of meetings has already taken place with the European countries on November 13. "It included Ambassadors and senior officials from missions in the UK, Germany, the Netherlands, France, Italy and Turkey... which have been identified as the highest export potential countries in Europe," the official said

The next round will be with the Americas followed by Asia Pacific, the official added.

The fourth round of meetings will be with the mission heads of the GCC and African countries.

This exercise is part of the government's efforts to increase exports by focussing on six high potential products and 20 countries.

"The 20 countries that have been identified for special focus account for 60 per cent of global imports. It is not that India would stop focussing on other countries. But given the growth potential the identified countries hold, there is more emphasis on strengthening foothold in these markets," the official said.

The six focus sectors with share of 67 per cent of global imports include engineering goods, electronic goods, chemicals and plastics, drugs and pharmaceuticals, agriculture and allied products and textiles
Shipments up

After a decline in goods exports in FY24 by 3 per cent to $437 billion, amidst global slowdown and geopolitical uncertainties caused by the West Asia crisis and Russia's war in Ukraine, exports have started looking up recently.

Exports in October 2024 increased 17 per cent (year-on-year), the sharpest in about two years, to $39.2 billion.

"With this kind of focussed strategy on exports, it has not only shown us results till October, but will also help us in showing excellent results by the end of this financial year," the official said.

According to the plan, attempt would be made to go for deeper economic integration in focus countries. This could be achieved through greater market access through balanced trade agreements, economic partnerships for investments and technological collaboration in emerging areas and promoting 'Brand India' for better export realisation and sustenance.

Addressing non-tariff barriers and holding trade promotional events would also be incorporated in the strategy, the official said.

Source: thehindubusinessline.com– Nov 17, 2024

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# Indian economy in sweet spot, 7.2% growth projected in 2024: Moody's

Projecting a 7.2-per cent gross domestic product (GDP) growth for India this year, Moody's Ratings recently said the country's economy is in a sweet spot, but inflation risks may prompt the central bank to retain a relatively tight monetary policy this year.

"... from a macroeconomic perspective, the Indian economy is in a sweet spot, with the mix of solid growth and moderating inflation. We forecast 7.2 per cent growth for calendar year 2024, followed by 6.6 per cent in 2025 and 6.5 per cent in 2026," Moody's said.

Despite the near-term uptick, retail inflation should moderate toward the Reserve Bank of India's (RBI) target in the next few months as food prices ease amid higher sowing and adequate food grain buffer stocks, it said.

Retail inflation rose to a 14-month high of 6.21 per cent, beyond the RBI's upper tolerance limit, on a sharp jump in vegetable prices. Sporadic food price pressures continue to inject volatility in the disinflation trajectory, the rating agency said.

"Potential risks to inflation from heightened geopolitical tensions and extreme weather events underscore the RBI's cautious approach to policy easing. Although the central bank shifted its monetary policy stance to neutral while keeping the repo rate steady at 6.5 per cent in October, it will likely retain relatively tight monetary policy settings into next year, given the fairly healthy growth dynamics and inflation risks," Moody's said.

Household consumption is poised to grow, Moody's said in its Global Macro Outlook 2025-26. Additionally, rising capacity utilisation, upbeat business sentiment and the government's continued thrust on infrastructure spending should support private investment.

India's real GDP expanded 6.7 per cent year on year in the second quarter this year, driven by a revival in household consumption, robust investment and strong manufacturing activity. There are indications of a steady economic momentum in the July-September quarter as well.

Sound economic fundamentals, including healthy corporate and bank balance sheets, a stronger external position, and ample foreign exchange reserves also bode well for the growth outlook, it added.

Source: fibre2fashion.com– Nov 18, 2024

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# TN in favour of setting up tech textile hub: Giriraj Singh

Chennai: Union minister for textiles Giriraj Singh on Sunday said the Tamil Nadu govt is in favour of setting up a technical textile hub in the state.

A dedicated National Technical Textile Mission with a budget of 1,400 crore was launched to drive research and development, marketing, export promotion, and education in technical textiles. "The vision of our department is to expand the market size of the textile industry from $176 billion to $ 350 billion by 2030," Giriraj Singh said, addressing reporters at the National Institute of Fashion Technology, Chennai. He also took part in the review meeting with stake holders of textiles, handloom and handicraft sectors.

"The textile sector workforce will increase to six crore in 2030 from 4.6 crore. We will need extra fabric, fibre, yarn, and the ministry is discussing with industry and farmers on meeting this demand," the minister said.

Asked about the Bangladesh crisis, he said that country has only a 45 lakh strong workforce, which is one-tenth of the workforce of India. Singh said the domestic challenge is about two crore children born in the country, and the ministry is ensuring clothing for them as well.

He said the industry is growing because of the labour availability in Uttar Pradesh, Rajasthan, Madhya Pradesh, Chhattisgarh, and Jharkhand. He also said the NIFT Chennai's Vision Next lab is forecasting trends in colour and fashion based on AI tools. "So far, we are following the US and European trends. Now, we are creating our own forecast of future designs," he added.

In a social media post, Tamil Nadu industries minister T R B Rajaa said he made a request to Union minister for textiles Giriraj ``Singh to set up mini textile parks across the state in SIPCOT industrial estates. Rajaa also said he sought help for expanding the textile industry in districts including Virudhunagar, Karur, Tirupur, Salem, Erode, and Nagapattinam.

Source: timesofindia.com– Nov 18, 2024

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# India's T&A exports sustain momentum in Oct 2024, industry optimistic

India's textile and apparel (T&A) exports maintained positive growth for the second consecutive month in October 2024, with cumulative trade in the first seven months of the current fiscal (April-October 2024) showing notable improvement.

Exports rose by 7.08 per cent, reaching $20.721 billion during this period. October 2024 recorded robust growth, with exports increasing by 19.93 per cent. Apparel exports, in particular, surged by 35.06 per cent, indicating a continued recovery following a prolonged period of sluggish foreign trade.

Textile exports grew by 4.01 per cent to $11.988 billion in the first seven months of FY 2024-25, compared to $11.526 billion in the same period of the previous year. Apparel exports rose by 11.60 per cent, reaching $8.732 billion, up from $7.825 billion in the corresponding period last fiscal. The share of textiles and apparel (T&A) in India's total merchandise exports increased to 8.21 per cent during this period, as per the Ministry of Commerce and Trade.

Within the textile sector, exports of cotton yarn, fabrics, made-ups, and handloom products increased modestly by 1.66 per cent, reaching $6.991 billion in the first seven months of this fiscal. Exports of man-made yarn, fabrics, and made-ups rose by 4.36 per cent to $2.843 billion, while carpet exports saw a significant 12.26 per cent increase to $892.51 million.

In October 2024, T&A exports totalled $3.061 billion. Textile exports rose by 11.56 per cent, reaching $1.833 billion, up from $1.643 billion in October 2023. Garment shipments grew sharply by 35.06 per cent, totalling $3.061 billion, compared to $2.552 billion in October 2023. Under textiles, the export of cotton yarn, fabrics, made-ups, and handloom products grew by 6.96 per cent to $1,045.57 million, while man-made yarn, fabrics, and made-ups exports surged by 12.89 per cent to $438.03 million. Carpet exports also increased significantly, rising by 16.79 per cent to $146.79 million.

Imports of raw cotton and waste climbed by 37.92 per cent to $605.10 million in April-October 2024, compared to $438.73 million in the same period of 2023. Imports of textile yarn, fabrics, and made-ups increased by 3.98 per cent, rising from $1,353.14 million to $1,407.04 million. The import of raw cotton and waste surged by an astonishing 248.17 per cent, from $36.68 million to $127.71 million. Similarly, imports of textile yarn, fabrics, and made-ups rose by 8.80 per cent to $234.56 million in October 2024.

In FY 2023-24, India's textile and apparel exports amounted to $34.430 billion, a 3.24 per cent decline from $35.581 billion in FY 2022-23. Apparel exports dropped by 10.25 per cent, falling to $14.532 billion from $16.190 billion. Conversely, textile exports grew by 2.62 per cent, reaching $19.898 billion from $19.390 billion in FY 2022-23.

India's imports of raw cotton and waste were valued at $598.63 million in FY 2023-24, a 58.39 per cent decrease from $1,439.70 million in the previous fiscal. Imports of textile yarn, fabrics, and made-ups also declined by 12.98 per cent to $2,277.85 million, compared to $2,617.74 million in FY 2022-23.

Commenting on the export growth, Rakesh Mehra, chairman of the Confederation of Indian Textile Industry (CITI), remarked, "The growth reflects not only the resilience and adaptability of our industry but also underscores India's strengthening position in the global textile and apparel markets." He attributed this success to factors such as increased market share in the US and government initiatives like the extension of the Remission of Duties and Taxes on Export Products (RoDTEP) and Interest Equalisation Scheme (IES). He also highlighted the sector's focus on quality, innovation, and sustainability, which has established India as a preferred global sourcing destination.

Sanjay K Jain, chairman of the ICC National Committee and managing director of TT Limited, added, "The growth continued for the second consecutive month in October 2024, following more than a year of degrowth and stagnation. The Indian textile industry is finally turning around."

Source: fibre2fashion.com– Nov 15, 2024

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# Exports of apparels surge despite global tensions, market challenges

Despite continuing wars and the Red Sea issue and India not taking any meaningful slice of the Bangladesh's market, India's garment exports are rising. Exporters attribute this to mainly to the depletion of stocks with the buyers and many economies doing better.

India's garment exports hit a peak of $16.71 billion in 2017-18. In April-October 2024, these exports were $8.7 billion, 11.6 per cent higher than the corresponding period of last year, raising hopes that 2024-25 could better the 2017-18 high.

Achieving record performance this year would have been a cinch if only India had had manufacturing capacities to take on jobs that would have normally gone to Bangladesh, which is in a socio-political wobble. India is playing catch-up with China and China-invested countries like Vietnam and Indonesia — the hope is that India will get a share of the Bangladesh's market, but that is for later.

Key markets

In the current year, the good growth is all because of better demand from the two big markets — US (11.5 per cent growth) and UK (7 per cent) — though there is also a bump-up in demand from smaller markets, such as the Netherlands (27 per cent) and Spain (18 per cent).

The April-October 2024 number is actually 4.7 per cent lower than the comparable period of 2022-23, a good year in which exports touched $16.19 billion, thanks to post-Covid demand. However, this year, the rising trend in exports is more sustainable. "Our capacity is booked till March," says N Thirukkumaran of ESSTEE Exports, who is also the General Secretary of Tiruppur Exporters Association.

Sivaramakrishnan Ganapathi, V-C & MD of Gokaldas Exports, observes that immediately after the pandemic, the sudden resurgence in demand combined with a supply-demand mismatch between consuming and manufacturing hubs in Asia, scared retailers into stocking-up. However, as demand subsided and inflation peaked, retailers faced high inventory levels, prompting them to reduce apparel imports, allowing existing inventory to sell naturally.

Falling imports

“This trend was evident in the declines in apparel imports by -22 per cent, -16 per cent, and -26 per cent in the US, EU-27, and UK, respectively, during 2023 equivalent to drawdowns witnessed during the pandemic,” Ganapathi told businessline. Now, the decline in imports subsided in the H12024, with a recovery in the first two months of the third quarter of 2024.

“The pipeline inventories in the US and the other developed countries, which had ordered extra goods post-Covid, have now dried up. Hence, their imports are coming to a normal level,” Sanjay K Jain, Chairman of ICC National Expert Committee on Textiles, told businessline.

Source: thehindubusinessline.com– Nov 17, 2024

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# Turmoil in Bangladesh an opportunity to boost exports and create jobs, Congress tells Finance Minister

The political turmoil in Bangladesh offers India an opportunity to boost its garment exports and create crores of jobs, the All India Professional Congress (AIPC) has said in a letter to Finance Minister Nirmala Sitharaman.

In the letter, dated November 12, AIPC chairperson Praveen Chakravarty said it was offering two concrete suggestions after holding extensive discussions with 120 textile and apparel manufacturers in Coimbatore.

Former Finance Minister P. Chidambaram, eminent economist Rathin Roy and Mr. Chakravarty were part of these discussions that took place on October 2.

‘Cut import tariff’

Suggesting policy changes for Budget 2025, Mr. Chakravarty wrote that the top five apparel importing countries such as the U.S., Germany, Japan, France and Britain bought 70% synthetic garments and 30% natural fabric apparel. “But India exports more natural fabrics and less synthetic garments. This is because of a skewed import tariff structure on synthetic fabrics of 20%, which is hurting India’s apparel exports tremendously,” the AIPC chairperson said, adding, “It is recommended that the import tariff on synthetic fabrics be reduced significantly”.

Collateral-free credit

The second suggestion was with regard to formulating a special collateral-free credit scheme linked to exports for textile and apparel makers that would be impactful in scaling garment exports significantly and quickly.

Mr. Chakravarty quoted NITI Aayog’s estimates about how every $1 billion of garment exports created 1.25 lakh direct and five lakh indirect jobs.

“Most importantly, 70% of these jobs are for women. In this context, it is a matter of grave concern that India’s share of the global garments market has remained stagnant over the last decade while Bangladesh and Vietnam have doubled their share,” he said.

“Now, with Bangladesh in political turmoil [after the fall of the Sheikh Hasina government], it is perhaps an opportunity for India to seize the opportunity to boost garment exports and create crores of jobs,” the AIPC chief added.

The Congress functionary also said the free trade agreements with the European Union, the United Kingdom and the U.S. would help India compete with Bangladesh, as the latter received preferential duty treatment from these nations as a Least Developed Country (LDC).

“There is a unique opportunity for India to double apparel exports from the current $15bn to $30bn, same as Vietnam. This can help create one crore new direct jobs, mainly for women,” Mr. Chakravarty stated, adding that “the letter is written purely in the larger national interest, keeping politics aside”.

Source: thehindu.com– Nov 15, 2024

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# RCEP benefit minimal for India due to China's opaque trade practices: GTRI

India will not be able to reap greater benefits from the Regional Comprehensive Economic Partnership (RCEP) agreement due to widening trade deficits with member countries and China's opaque trade practices, think tank GTRI said in its report.

In 2019, India decided not to join the RCEP bloc due to concerns about trade imbalances and its impact on the domestic industries.

The RCEP pact, a kind of comprehensive free trade agreement (FTA), was negotiated among the 10 ASEAN member states -- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam -- and their six free trade partners -- China, India, South Korea, Japan, New Zealand, and Australia).

The countries account for about 30 per cent of the global gross domestic product (GDP) and trade and nearly half of the world's population.

"Any benefits from RCEP would likely be minimal and incremental, especially considering China's opaque trade practices. India cannot have a bilateral FTA with China due to its large trade deficit. However, joining RCEP would be even more problematic," according to the report prepared by GTRI Founder Ajay Srivastava and trade expert Abhijit Das.

It added that in a bilateral free trade pact with China, India could delay tariff reductions, but under RCEP, Chinese goods can enter India easily through other RCEP countries with minimal processing right from the day one of the implementation.

The remarks in the report assume significance as Niti Aayog CEO BVR Subrahmanyam has earlier this month stated that India should be a part of the RCEP and Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

On the argument that RCEP can grant India access to a massive trade area, the report said India already has FTAs with 13 of the 15 RCEP countries, excluding only New Zealand and China.

RCEP would likely add little new export opportunity for India as its exports to China are not growing since the last five years, it said.

"Another argument suggests RCEP membership would help India integrate into regional value chains (GVCs). But despite having zero-tariff trade of most industrial goods with ASEAN, Japan, and South Korea for over a decade, India has not become a significant GVC player," it said.

Time-taking port-customs clearance and low ease-of-doing-business are key barriers.

It also said the possibility of expanding markets for Indian MSMEs is also frequently cited, but in reality the domestic MSMEs struggle to compete with large-scale Chinese manufacturers.

"Introducing tariff-free Chinese goods into India could overwhelm MSMEs, as their smaller-scale operations are unlikely to withstand competition from China's mass manufacturing," it said, adding that RCEP membership is seen by a few economists as a pathway to attract more Foreign Direct Investment (FDI) to India, but the link between FTAs and FDI growth is mixed.

The challenges RCEP poses for India's domestic industries, particularly MSMEs and agriculture, suggest a cautious approach, it added.

Another significant concern is India's rising trade deficits with ASEAN, South Korea, and Japan, that is yet another reason for staying out of RCEP. Post-FTAs, the report said, India's trade deficits with ASEAN, South Korea, and Japan increased more than its global trade deficit.

From 2007-09 to 2020-22, the trade deficit grew 302.9 per cent with ASEAN, 164.1 per cent with South Korea, and 138.2 per cent with Japan, compared to an 81.2 per cent increase globally, the GTRI said.

"This trend continued in 2023. Without any major tariff concessions to China, India's deficit with China exceeded $85 billion in FY24. If India had joined RCEP, the deficit would have been much worse due to zero tariff imports," it added.

Source: thehindubusinessline.com– Nov 17, 2024

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# India's FTA with Oman hits deadlock over revision in market access offer

The proposed free trade agreement (FTA) between India and Oman has hit a deadlock, as the West Asian nation has asked New Delhi to revise its market access offer on certain products.

Government officials said that the negotiations were completed earlier in March and revising India's offer would mean restarting inter-ministerial consultations to firm up India's revised stance.

"India is not ready to restart discussions after already seeking inter-ministerial approval in the past," a person aware of the told Business Standard.

Besides, there is a growing feeling amid policymakers that India needs to be more cautious before signing any FTA. This is because of its past experiences, with the latest one being with the United Arab Emirates (UAE), signed in 2022. There has been a surge in imports of precious metals and some food items post India-UAE trade agreement implementation.

India now wants to be more cautious in the case of Oman, also because both Oman and UAE are part of the six-member Gulf Cooperation Council (GCC), the person cited above said.

"There's another view that since Oman is a much smaller country as compared to India, growth in trade and gains for New Delhi could be limited. As a result, India needs to be clear regarding its gain before signing a trade agreement," another person said.

As far as market access is concerned, one of the main areas of contention has been the pressure on New Delhi to give greater market access to polyethylene and polypropylene — intermediates used to manufacture plastics, medical devices, electronics and automobile components.

These petrochemical products attract 7.5 per cent import duty in India.

It is learnt that India is ready to impose a cap or tariff rate quota (TRQ) on the import of polyethylene and polypropylene. The formal commencement of the India-Oman FTA negotiations started in November last year. Negotiations on the text of most of the chapters were concluded by the duo by January.

The idea was to sign the agreement post Lok Sabha elections in India — as soon as the new government in India assumes charge in New Delhi in June. However, fresh demand from Oman for a revised offer has put the deal on a deadlock, the first person cited above said.

Government officials had earlier said the India-UAE agreement was expected to be replicated in the case of the trade pact with Oman, making it easier for the two countries to negotiate.

Oman is India's 30th largest trading partner, but the third largest export destination among the GCC countries, after UAE and Saudi Arabia.

Bilateral trade between the two countries stood at $8.9 billion in the financial year 2023-24.

Source: business-standard.com– Nov 17, 2024

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## CBIC should do away with IGCRS Rules for the export oriented units

The export oriented units (EOUs) continue to struggle with various processes involved in complying with the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 (IGCRS Rules), mainly due to incompetence of the Central Board of Indirect Taxes and Customs (CBIC) and its online functionality, Indian Customs Electronic Gateway (ICEGATE).

The EOUs import their requirements without any duty payment, under the notification 52/2003-Customs dated 31.3.2003, which requires them to follow the IGCRS Rules. In August, the CBIC, without adequate preparation, asked the EOUs to adopt electronic processes through ICEGATE.

Since then, the EOUs have been struggling through various processes of generating new unique IGCRS identification number (IIN), uploading the bond details, furnishing intimation of imports to be made, filing bills of entry quoting the IIN, filing monthly returns of receipt and consumption of imported inputs and getting credits in their running bond accounts. The ICEGATE officials are solving the problems pointed out by the EOUs but it is evident that they made the software programmes to electronically enable the IGCRS processes, without adequate knowledge of the legal provisions, departmental instructions and the processes involved.

The Export Promotion Council for EOUs and Special Economic Zones (EPCES) has created a 'Whatsapp' group where the EOUs post their difficulties in following the electronic procedures and the ICEGATE officials guide them.

Many queries posted in the group get answers from the officials but on many matters it is the EOUs that are telling the officials about the correct legal provisions and procedures and what needs to be done.

The EOUs were required to file only a single B-17 bond for all their activities but now they are required to file a continuity bond every year in addition to the B-17 bond.

The EOUs could maintain their own running bond account debiting it when imports were made and crediting it when exports or domestic tariff area clearances were made and such debits/credits were subject to periodic audits. Now, the EOUs are required to submit details of imports/exports along with supporting documents to the jurisdictional Customs officers, who will authorize the credits - a process involving unnecessary paperwork, unwarranted delays and unacceptable costs. The ICEGATE officials were not aware that in respect of capital goods, only 25 per cent of the duty saved had to be debited and credited to the running bond account.

The online system now requires filing the monthly returns of imports separately for each port. Instead of auto-populating the details or allowing upload of a spreadsheet file prepared off-line, ICEGATE wants the EOUs to manually enter all the import/export details in the online IGCR-3 monthly returns module, which is time-consuming and carries risks of typographical errors. The IGCR-3A return format calls for one-to-one correlation of consumption of inputs/components/consumables imported under particular bills of entry with finished goods exported under particular shipping bills, which is near impossible in some sectors.

The EOUs are struggling with many such issues that ICEGATE may tackle in coming weeks/months but in the meantime, they are incurring heavy costs imposed by the CBIC/ICEGATE. The CBIC should do away with the IGCRS Rules for the EOUs, as they serve no useful purpose, only cause harassment and encourage corruption. The functioning of EOUs can very well be monitored through periodic returns and audits alone.

Source: business-standard.com– Nov 17, 2024

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# Two logistics firms selected to set up ecommerce export hubs on pilot basis around Delhi

Logistics aggregator Shiprocket and air cargo handling company Cargo Service Centre (CSC) have been selected by the government on a pilot basis to set up ecommerce export hubs in the country, a senior official said on Thursday.

The ecommerce export hubs (EECH) will come in and around Delhi airport and begin operations in February next year, Director General of Foreign Trade Santosh Kumar Sarangi told reporters here.

While Shiprocket is headquartered in Gurugram, the CSC is Mumbai-based.

"We have approved two agencies to set up pilot e-commerce export hubs in Delhi," he said.

The hub will have facilities for expedited customs and security clearance in-house. Provision for quality and certifying agencies will also happen within the hub.

It will also have an easy re-import policy, he added. This policy will enable the return of ecommerce consignments and rejects without payment of import duty.

He added that based on the feedback received from these firms on the running of these pilots, the government will come out with detailed guidelines to set up more such hubs across the country.

These guidelines will require policy tweaks or regulatory tweaks in different departments.

"Our expectation is that the successful rollout of the pilot and subsequent scaling up will have a large number of these hubs operating in different parts of the country," Sarangi said.

He added that ecommerce exports have the potential to grow to over USD 100 billion by 2030 and then further to USD 200-250 billion in the coming years.

As per estimates, global ecommerce exports are expected to touch USD 2 trillion in 2030 from USD 800 billion now. India's exports through this medium are only about USD 5 billion compared to China's USD 250 billion annually.

China, which is a leader in ecommerce exports, is also a pioneer in export hubs for ecommerce. China's exports through this route are 6.4 per cent of its total merchandise exports in 2023.

"This (ECEH) will be a key element in furthering our exports from our country and allowing exporters from the hinterland to send a diverse basket of goods. It could be pharma goods, it could be textiles, home textiles, apparel, jewellery, Ayush products, and beauty products. So there is a whole range of things which can go," the DGFT added.

In the Foreign Trade Policy of 2023, the intent and roadmap for setting up ecommerce export hubs were outlined. The applications for setting these hubs for running pilots were called in late August.

Source: economictimes.com– Nov 14, 2024

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# MIP may be woven into textiles as imports rise

The government is examining if minimum import price (MIP) can be imposed on certain textile products which have seen a spike in imports in the last few months and injured the domestic industry.

The textiles ministry is studying at least six products including viscose rayon yarn, woven fabric of polyester and cotton shorts, most of which come from China.

"The government is studying if MIP can be applied on products facing a surge in imports. Domestic industry is being consulted to see where all India has capacity to meet the local demand," said an official.

MIP is a temporary measure to provide protection to domestic industry from predatory pricing of cheaper imports and help in improving the domestic price. MIP prohibits imports if they are priced below the prescribed amount. Flax, laminated and coated fabrics of plastics and pile fabrics of manmade fibres (MMF) are also on the list of products being examined.

Flax imports have grown 78.7% on-year in April-August this year while those of viscose rayon yarn are up 10%. Inbound shipments of fabrics coated with polyurethane (PU) were up 28.8% in the period.

As per industry analysis, a whopping 99% of the total import of $133.79 million worth of viscose rayon yarn came from China in the first five months of FY25, while 93% of the MMF pile fabrics was imported from there. New Delhi had a $40.81 billion trade deficit with Beijing in April-August 2024-25.

"There are certain products with significant import dependence and which negatively impact the domestic industry. The government is checking for such disturbances so that appropriate action can be taken," said a representative of the cotton textile industry.

China is also the top source of India's coated fabrics of plastics and PU with a share of 68% and 52%, respectively, while Belgium and France are the key flax suppliers to India. Bangladesh is the top exporter of cotton shorts and trouser bib and brace overalls to India with an 81% share.

Last month, the government extended the MIP of $3.5 per kg on synthetic knitted fabrics till December 31 this year to discourage inbound shipments of cheap fabrics. The MIP was also extended for eight new kinds of knitted fabrics including printed, bleached, unbleached and crocheted fabrics.

Source: economictimes.com – Nov 18, 2024

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# Markets that have freedom to source are more competitive; trade barriers create distortion: Lenzing CEO

Lenzing Group, a global fibre manufacturer headquartered in Austria, is among the world's largest producers of viscose staple fibre, a key raw material input in the textiles value chain. In a conversation with Aggam Walia, Rohit Aggarwal, Lenzing's CEO, spoke about the fragmentation of global trade and its impact on the textile industry, India's quality control order (QCO) on the import of viscose fibre, and the importance of viscose in plugging the cellulosic gap. Edited excerpts:

Global trade is getting increasingly fragmented, in part due to geopolitical issues and countries becoming more protectionist. Given that Lenzing has production units in Europe and Southeast Asia, how do you see this trend shaping up in the textile industry?

Textiles is one of the few industries where supply chains can move extremely fast, which means depending on geopolitical tensions, market competitiveness, trends, and fibre types, you do see certain shifts take place in supply chains. Therefore, it's very important for the textile sector to be able to source material, work through the supply chain, and stay competitive. Two, sustainability has always been on the agenda but in the last three to five years, it has grown multifold. It's not just climate change concerns or regulations to meet carbon emission targets, but it's also consumers getting much more aware. From a trend standpoint, that's going to accelerate even further, which is why industry needs to be able to source environment friendly fibres. Three, innovation and access to innovation is going to be key. To stay competitive, industry not only has to do more of what they're doing in a more cost efficient way, but access to innovation allows them to do things differently and better. Among these three parameters, the industry has to make choices on how to remain competitive.

India brought in a QCO on the import of viscose fibre in 2023 to ensure that poor quality imports do not enter the domestic market. There have also been concerns around dumping of viscose fibre from ASEAN. Now, your units in Europe got the Bureau of Indian Standards (BIS) certification needed to export to India but your Indonesian and Thai units are yet to receive it, making it difficult for them to access the Indian market. How do you look at this situation?

Lenzing Group operates to the same standards everywhere. We do not differentiate in terms of what and how we produce in our sites in Europe or in Southeast Asia. We have strived very hard to not only meet regulatory standards, like the BIS standard for viscose fibre, but we have our own standards that are compliant or even higher than those standards. Our customers continue to ask why they can't get our fibres from Southeast Asia and it becomes a challenge for Lenzing to not be able to participate and help the industry gain access to them.

I would appeal to the regulators and the industry that they will be in a better place and not in a lesser place by allowing the approval of our two sites. Any kind of trade barriers create, in the end, a distortion of free market economics. While it may seem initially that it is helping the industry, in the mid- to long-term that always creates other challenges for industry competitiveness. We do see that markets which have the freedom to source and to choose are going to be more competitive and that's just because they have access to a better choice available.

There has been a lot of focus on increasing foreign direct investment (FDI) into India and strengthening domestic manufacturing supply chains. Does Lenzing see itself setting up a unit in India?

With Lenzing being a global company, we are always going to look at markets which are attractive and India would be no different. The challenge that we have is that if today we are not even able to participate well, then it makes it very difficult for us to think about investments. If we were able to trade, that's the first step always, that allows us to ensure that we are able to serve customers, and when we build the business, the investment case becomes very attractive. India remains a key market for textiles, and we believe that Lenzing should be there as long as we are able to trade in an open and free environment that allows us the opportunity to assess our investment case.

In India, the textile industry is still heavily tilted towards cotton and among man-made fibres, polyester dominates. Where is the scope for viscose in terms of demand and growth?

Cellulosic fibre will remain a preferred fibre in many areas of articles that human beings consume. Coming from India myself, I've seen that cotton was always a preferred fibre of choice. The challenges with that are that cotton continues to diminish in its ability to increase production because the acreage is limited. It's also very much affected as a natural crop with challenges around climate control and so on. The industry has to look for a similar fibre to fill what we call a cellulosic gap, which is going to be filled by man-made fibres. Today, man-made fibres are plant-based, they align with the sustainability angle and also give the comfort, feel, and touch that people get from cotton.

Countries and economic blocs are likely to begin enforcing sustainability standards in the trade of textiles. Is that a concern?

The regulation will come and it is not a bad thing because it brings more transparency and discipline. It also separates responsible companies from others and helps the end consumer with choices they should make for responsible fashion. We have FSC (Forest Stewardship Council) certification. We know the source of our raw material supplies. If all players do this, the industry will have a positive impact. In the end, transparency and traceability of the industry supply chain is a crucial issue. A few years back, a major concern among brands and retailers used to be water and energy utilisation. Now, concerns are around transparency, traceability, and their ability to say with confidence that the products they use have come from sustainable sources. It is important that the certifications and the regulatory framework allows the industry to move to a better place.

Source: indianexpress.com – Nov 18, 2024

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