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INTERNATIONAL NEWS

Amid Concerns About China's Influence, Is the US-Mexico-Canada Agreement on the Chopping Block?

Amid Concerns About China's Influence, Is the US-Mexico-Canada Agreement on the Chopping Block?

Mexico is under mounting pressure to address China's influence on cross-border trade with its North American neighbors—and the fate of the U.S.-Mexico-Canada Agreement (USMCA) may depend on it.

Both president-elect Donald Trump and Canadian Prime Minister Justin Trudeau have been banging the drum about the potential acceleration of transshipments from China making their way into the U.S. and Canada.

Lawmakers and trade enforcement officials in Washington have also been looking into the matter in recent months. With new tariffs on China-made goods likely on the way, the country may be developing other avenues into the U.S. market that will allow its products to evade heavy duties—including setting up manufacturing operations to finish goods made with Chinese inputs, they believe.

Trump said throughout his campaign that he plans to invoke a six-year review of USMCA in July 2026, with the goal of renegotiating a deal that better protects American interests and industry.

Notably, Mexico replaced China as the biggest trading partner to the U.S. in 2023—but the country has also dramatically upped its trade with China. Freight analytics platform Xeneta's data showed China-to-Mexico container trade grew by more than 26 percent between January and July of this year, after growing by a total of 33 percent in 2023.

"Trade between China and Mexico has been in the spotlight during 2024 due to suspicions it is being used as a backdoor into the U.S. to avoid import tariffs," Xeneta chief analyst Peter Sand wrote in a blog post on Friday. "If this is true, then the arrival of Donald Trump for a second term in the White House could have significant implications given his stance on increasing tariffs on imports from both China and Mexico."

Trump has been unwavering on his proposal to up tariffs on China when he takes office, and his protectionist attitude toward the Asian superpower comes as no surprise given the actions he took during his first term. But recently, he's also floated the idea of hitting Mexican goods with tariffs of up to 100 percent if the country doesn't get a handle on the border crisis.

With concern solidifying around Mexico's role as a pipeline for Chinese products, the president-elect may have another reason to adopt a trigger-happy stance on duties—and a review of USMCA.

Mexican President Claudia Sheinbaum hit back at the assertion during a Friday morning press conference. "In the meetings we have with Canada and Trump, we'll show that the idea that [Chinese] products are entering through Mexico is false," she said. One day earlier, she also responded to president-elect Trump's plans for mass deportations of migrants, saying, "In case there are deportations, we are going to receive Mexicans and we have a plan for that."

Sheinbaum is simultaneously trying to assuage Canada's anxieties about the future of the three-way trade pact.

She met with Trudeau on the sidelines of the G20 leaders' summit in Brazil last week, and the Prime Minister said he brought "real and genuine concerns about Chinese investment into Mexico" directly to Sheinbaum, according to Canadian outlet GlobalNews. While he would prefer that Mexico remain a part of USMCA, Trudeau said Canada "may have to look at other options" if the country can't adequately address concerns about China's influence and the risks posed by transshipment.

"Ideally," though, Trudeau hopes the continental bloc can remain a "united North American market."

Other Canadian lawmakers are pushing to cut Mexico out of the trade deal altogether, expressing a desire to form a new bilateral trade agreement with the U.S. instead.

Ontario Premier Doug Ford has been among the most vocal leaders behind a potential USMCA takedown. Ford held a call with 13 other Canadian territorial and provincial premiers last week, uniting them in a mission to push for a U.S.-Canada agreement "now," not in 2026, according to Canadian news network CBC.

“They’ve had an opportunity to fix these concerns for years and they just don’t want to,” Ford said of Mexico. “So they’ve shown their cards, and we’ll do a bilateral trade deal with them, and a separate one with the U.S.”

While his time in the Oval Office is winding down, President Joe Biden is also on Sheinbaum’s list of hopeful allies.

Biden’s presidency has been plagued by concerns about mass migration, but he views the trade relationship with Mexico as a point of pride—especially with regard to the countries’ renewed commitment to co-production and Western Hemisphere sourcing.

The Mexican president met with Biden at the G20, where he congratulated her on her recent election victory.

“The two leaders underscored the importance of maintaining cooperation on migration, security and tackling the scourge of transnational criminal violence, and economic issues, building on the strong bilateral partnership between the United States and Mexico,” the White House wrote.

Source: sourcingjournal.com– Nov 25, 2024

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Is China's losing its grip on global textile & apparel imports?

For decades, China reigned supreme as the world's leading textile and apparel (T&A) manufacturer and exporter. Its dominance in the global market has been undeniable, supplying a significant portion of clothing and textiles to countries worldwide. However, recent trends suggest a potential shift in this dynamic.

While China's market share peaked in the mid-2000s in the US market, both in terms of value and units, there has been a gradual decline in recent years. This decline, while subtle, indicates the US is increasingly diversifying its sourcing, potentially looking beyond China for its T&A needs.

What led to the change…

There are several reasons for this change. Rising production costs is foremost. As China's economic growth has led to higher labor and manufacturing costs, making it less competitive compared to other emerging economies in Southeast Asia. Moreover, ongoing trade disputes between China and major economies like the US have prompted businesses to explore alternative sourcing destinations.

Meanwhile, the COVID-19 pandemic exposed the vulnerabilities of relying heavily on a single source for critical goods. Consequently, companies are actively seeking to diversify supply chains and reduce dependence on China. Growing awareness about environmental and social issues associated with textile production in China has encouraged brands to seek more sustainable and ethical sourcing options.

Global trends

In fact, this shift is not limited to the US market. Evidence suggests a broader trend of diversification in textile and apparel imports globally.

For example, Australia despite fluctuating diplomatic relations, China remains Australia's primary apparel supplier. However, its share has decreased from a peak of 66.11 per cent in 2020 to 59.12 per cent in the first quarter of the current year. This indicates a growing inclination towards alternative sourcing destinations.

The EU too has been actively seeking to reduce its reliance on Chinese T&A imports. While China remains a significant supplier, countries like Bangladesh, Vietnam, and Turkey have increased their market share in recent years. This diversification strategy is driven by factors like cost competitiveness, sustainability concerns, and a desire to support regional economic growth.

In future, while China will likely remain a major player in the global textile and apparel market, its dominance is gradually eroding. The future points towards a more diversified landscape, with businesses spreading their sourcing across various countries. This shift presents both challenges and opportunities for different players in the global T&A industry.

The challenges include, maintaining cost competitiveness. As production shifts to other countries, maintaining cost competitiveness will be crucial for businesses. Ensuring ethical and sustainable practices is also a must. Companies must prioritize ethical and sustainable sourcing practices across their diversified supply chains. And businesses need to be agile and adaptable to navigate geopolitical risks and potential disruptions in global trade.

The opportunities

The opportunities are numerous for emerging economies. The shift away from China creates opportunities for emerging economies in Southeast Asia and other regions to expand their T&A industries. Diversified supply chains enhance resilience and reduce dependence on a single source, mitigating risks associated with disruptions. The trend towards diversification allows companies to prioritize sustainability and ethical practices in their sourcing decisions.

Thus the global T&A industry is undergoing a change. While China remains a key player, its dominance is gradually reducing as businesses seek to diversify their sourcing. This presents both challenges and opportunities for stakeholders in the global T&A landscape. Adaptability, ethical sourcing practices, and a focus on sustainability will be crucial for navigating this evolving terrain and ensuring a thriving future for the industry.

Source: fashionatingworld.com– Nov 25, 2024

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IMF, Sri Lanka agree for 3rd review of economic reforms under EFF

The International Monetary Fund (IMF) and the Sri Lankan government recently reached a staff-level agreement on economic policies to conclude the third review of the country's economic reform programme supported by the former's four-year Extended Fund Facility (EFF) arrangement. The arrangement was approved by the IMF executive board for a total amount of SDR 2.3 billion (~$3 billion) on March 20 last year. Once the review is approved by the IMF management and completed by its executive board, Sri Lanka will have access to about $333 million in financing, and that would bring the total IMF financial support disbursed under the arrangement to SDR 1,016 million ($1,333 million).

The new government's commitment to the programme objectives has enhanced confidence and ensures policy continuity. Sustaining the reform momentum is critical to safeguarding the hard-won gains under the programme thus far and putting the economy on a path towards durable recovery and stable and inclusive growth, an IMF release noted.

An IMF team led by Peter Breuer, senior mission chief for Sri Lanka, visited Colombo from November 17 to 23 this year. "Sri Lanka's ambitious reform agenda supported by the EFF is delivering commendable outcomes. The economy expanded on average by 4 per cent YoY [year on year] in the four quarters ending in June 2024. High-frequency indicators point to continued expansion across all sectors," Breuer and deputy mission chief Katsiaryna Svirydzenka said in the release:

"Average headline and core inflation remained contained at 0.8 and 3.8 per cent during the third quarter. Gross official reserves increased to $6.4 billion at end-October 2024 with sizeable foreign exchange purchases by the central bank. Public finances have strengthened following substantial fiscal reforms," they noted. "Programme performance was strong, with all quantitative performance criteria and indicative targets (IT) for end-June 2024 met, as well as the ITs for end-September 2024, except for the IT on social spending. Most structural benchmarks due before October-2024 were either met or implemented with delay; some benchmarks are delayed because of the election cycle," they added.

Source: fibre2fashion.com– Nov 25, 2024

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Cotton Market Shows Life as March Contract Period Begins

Strong export sales, coupled with the beginning of the December contract's expiry, brought life to the cotton market. The expiring December contract had a limit and near limit-up move as December futures gave way to the March contract as the nearby trading contract.

Prices on the expiring December climbed above 71 cents before giving way to March as the nearby trading contract. Yet, the March contract continues to be beset with cotton's primary distraction – weak demand. March futures are not out of the woods, as trading on a new nearby contract typically moves down to the expiring month's trading level. Thus, while March will be active between 70.50 and 71.50 cents, the threat of 67-69 cents will continue to hang over trading at least until the January-February period.

May futures should move to 72.50-73.50 cents. Yet, I do not rule out a 74-75 cent trade in the May contract. As we have long held, the new crop December contract does have the look of 80 cents, but only later in the year. Cotton is too cheap, even at depressionary levels of demand.

December shorts stayed bearish too long as prices rallied the 300-point limit the day prior to first notice day and were caught in a short squeeze in the December contract. It was a happy and welcome reminder of the late Raymond Cooper and Julian Hohenberg, although both liked the October squeeze more than the December.

The limit up move confused some into thinking the bulls were coming back to town as the price occurred just before December's first notice day and just after release of the best export sales report of the year. Yet, as December rallied, the oncoming March contract saw only a 30–40-point gain, a clear indication that market fundamentals had not turned bullish.

Fundamentally, the bears still control the market. However, the market bottom is now established – the long term 66-67 cent level and likely the 68-69 cent level on the March contract. That has been the established bottom for some time, but some of us, including myself, felt like we were out of that hole a few months ago.

The weekly export sales report pegged sales as the strongest of the first 14 weeks of the 2024-25 marketing season -almost double that of any prior week. Net sales of upland totaled 318,500 bales. Primary buyers were Vietnam (132,800 bales), Pakistan (55,400), China (30,200), Turkey (23,200), Bangladesh (20,200), and Thailand (11,900 bales). A total of 16 countries made purchases.

All indications are that another strong week is forthcoming. Too, with the past two weeks at sub-70 cent trading, increased sales were expected. However, weekly shipments continue to be a drag on market prices. Shipments speak more to immediate demand than sales during these periods of slow business. Shipments lag the pace needed to meet USDA's current year export estimate of 11.2 million bales. Weekly shipments totaled 148,200 bales, with Vietnam, Pakistan, China, and Turkey being the primary destinations.

One analyst suggested that cotton demand awaits an increase in disposal income. Real per-capita disposal income has sharply increased since the first quarter of 2022. Cotton demand has slipped every quarter during that period. Cotton's real culprit is, unfortunately, itself. It has fallen out of favor with the consumer as the consumer's income is increasing. Simply cotton is only getting a decreasing share of that increased disposal income. The challenge is for cotton's leadership to recognize the industry's failure to promote itself and to adjust.

The old crop May contract can trade to 75 cents, but the market is not expected to cover storage and carrying costs. Again, the new crop December seems to have 80 cents written all over it.

Source: cottongrower.com– Nov 25, 2024

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RoK Government holds roundtable with companies operating in Vietnam

Vietnam is the RoK's third-largest trading partner, with 9,000 Korean companies currently operating in the country in industries including electronics, semiconductors, and textiles.

The Republic of Korea (RoK)'s Ministry of Trade, Industry, and Energy on November 25 organised a roundtable with Korean businesses operating in Vietnam to discuss strategies to respond to potential changes in US trade policies under the incoming administration of President-elected Donald Trump.

According to the ministry, the meeting, held in Seoul, came amid potential shifts under the second Trump administration, including the implementation of blanket tariffs on all imports, which are expected to impact Korean firms operating overseas as well.

Trade Minister Cheong In-kyo said at the meeting that the RoK Government plans to utilise communication channels with Vietnam, including the joint committee on the bilateral free trade agreement scheduled for next month, to minimise uncertainties for Korean firms operating in the Southeast Asian country.

The ministry said that Vietnam is the RoK's third-largest trading partner, with 9,000 Korean companies currently operating in the country in industries including electronics, semiconductors, and textiles.

The RoK will continue to closely monitor the global trade environment and maintain active communication with industries to proactively address potential changes, the ministry added.

Source: vietnamnet.vn– Nov 26, 2024

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Farmers bets more heavily on cotton in Brazil's newest farming region

BRAZIL: Farmers in Brazil's most recent agricultural expansion region are planting more cotton and less corn in the new crop, after a successful previous season that saw Brazil surpass the United States to become the world's largest exporter of the fibre.

Cotton growing continues to make inroads in the sprawling farms around Luis Eduardo Magalhaes in the western part of Bahia state, where the "cerradp" (savannah) climate predominates. The well-defined wet and dry periods have made the region a natural expansion place for cotton growing.

"We plan to plant 25% more cotton this year," said Moises Schmidt, a partner at Agricola Schmidt, an agricultural group that cultivates around 35,000 hectares (86,490 acres) of farmland in Bahia, one of the states forming the new frontier known as Matopiba (Maranhao, Tocantins, Piaui and Bahia).

The movement in Bahia is a sign that Brazil will likely increase its share of the global cotton trade, the latest positive mark in a story that saw the country lead exports in soybeans and corn in recent years. Brazil is also the largest exporter of coffee and sugar.

Bahia is Brazil's second largest cotton producing state, only behind grains king Mato Grosso. Large circular bales of cotton wrapped in colourful plastic covers can be seen piled up in farms and at storage areas of co-ops and cotton processors in the region, waiting to be shipped abroad.

Agricultural consultancy Veeries projects that Bahia cotton area will grow by 9.5% in the new crop that is being planted to a record 379,000 hectares (936,530 acres).

In the case of Agricola Schmidt, it is cutting soy area to give room for more cotton.

"China's soy demand has kind of stabilised, it seems to have reached a peak, so cotton looks more attractive," said Schmidt, referring to the country that over the last decade was the main driver of Brazil's soy production jump. China buys around 70% of all soy exported by Brazil.

Veeries, however, sees soy area in the state little changed in the new crop. The one paying the price for cotton's expansion is corn (first crop), which is seen falling 9.2% to 363,000 hectares (896,990 acres), the smallest area in six years.

"Considering expected profit margins, cotton will give better returns than soy, and much more than summer corn," said Fabio Meneghin, lead analyst and partner at Veeries.

Looking at the whole country, cotton area is seen growing 7.9% to 2.15 million hectares (5.31 million acres), according to consultancy Safras & Mercado, which projects production at 3.89 million tones of cotton lint, 5.6% more.

Source: economictimes.com– Nov 26, 2024

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Higher-value trade, reforms key to high income for Vietnam: World Bank

Vietnam will need to transition from labour-intensive, low value-added final assembly into higher value-added manufacturing and services to sustain rapid growth, according to Manuela V Ferro, World Bank vice president for East Asia and Pacific.

“In addition, amid global trade shifts and rising uncertainty, diversifying trade and investment partnerships will be essential for building resilience and ensuring long-term success,” he said in the context of a new World Bank report that explores how the country can upgrade its participation in global value chains to achieve high income status by 2045.

In the report titled ‘Vietnam 2045: Trading Up in a Changing World—Pathways to a High-Income Future’, the World Bank has proposed a multipronged approach to the country to unlock productivity growth, attract private investment and upgrade participation in global value chains.

Policy options include deepening regional trade integration; linking domestic enterprises to global supply chains; promoting skill- and technology-intensive manufacturing and high-value-added services; and transitioning to low-carbon, climate-resilient production.

The report’s findings were presented at a high-level workshop with Vietnamese policymakers in Hanoi recently.

Integration into global markets has been the key driver of Vietnam’s development success over the past 40 years, propelling one of the longest and fastest economic expansions in modern history.

Today, the country is one of the most open economies in the world with about half of the country’s gross domestic product and every second job directly and indirectly depending on exports.

The report was prepared with financial support from the Australian government through the Australia– World Bank Strategic Partnership.

Source: fibre2fashion.com– Nov 25, 2024

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BIDA urges Chinese investors to invest in Bangladesh

The Bangladesh Investment Development Authority (BIDA) recently invited Chinese manufacturers to invest in Bangladesh.

In an open letter to investors in China, BIDA executive chairman Chowdhury Ashik Mahmud Bin Harun wrote that Bangladesh will emerge as a potential destination for manufacturers planning to relocate or diversify their footprint.

"The post-election developments in the US signal big increases in tariffs and duties for China-based manufacturers," he wrote. "In this context, we extend an open invitation to our investor friends in China and are committed to supporting them in navigating the evolving landscape," the letter said.

"We see potential in industries like garments, electronics, solar value chain and automotive. We are committed to tailoring a favourable investment environment for the investors with attractive incentive programmes and benefits," domestic media outlets reported quoting the letter.

The BIDA chief said Bangladesh's economy will hugely benefit in Donald Trump's second term as president.

"We are already witnessing quite a lot of interest from China-based manufacturers seeking to diversify their risks and manufacturing bases," his letter said.

Source: fibre2fashion.com – Nov 25, 2024

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Bangladesh: Understanding foreigners key to efficient cross-border trade

With an increase in international trade of Bangladesh, efficient cross-border trade will have notable implications for its LDC graduation process. It is, therefore, imperative to understand the country's foreign business partners.

International trade finance landscape is also facing increasing risks due to geopolitical tensions and complex regulations such as new US sanctions targeting specific jurisdictions.

Mahbubur Rahman, president, International Chamber of Commerce (ICC) - Bangladesh, said this as the chief guest at the concluding session and certificate-giving ceremony of a daylong workshop styled 'Trade Finance Legal Challenges and International Sanctions Regime & Requirements'.

To effectively manage these risks and reduce the risk inherent to trade-based money laundering (TBML), according to him, a connected risk and compliance approach to cross-border trading and finance is essential.

The ICCB co-hosted the event with Moody's and ICC United Arab Emirates (UAE) at a city hotel on Saturday, according to a media statement.

Mohamed Daoud, director and industry practice lead for Moody's Financial Crime Compliance across the Middle East and India, and Vincent O'Brien, director, ICC UAE, attended the event moderated by ICCB secretary general Ataur Rahman.

At the event, ICCB president Mahbub said, "The financing of international trade transactions plays a crucial role in facilitating global commerce."

However, it operates within a complex legal framework shaped by regulatory requirements, including sanctions, presenting significant challenges for financial institutions and businesses dealing with international trade.

Therefore, according to the ICCB president, financial institutions and businesses must navigate a labyrinth of sanctions imposed by various jurisdictions.

These sanctions can target specific countries, entities or individuals, and often differ between regions, leading to complexities in ensuring compliance.

Highlighting the role of lending organisations, Mr Mahbub said banks were obligated to conduct thorough due diligence to prevent money laundering and terrorist financing.

This involves verifying the identities of clients and understanding the nature of their business activities, which can be resource-intensive and legally complex.

Mr Mahbub said the evolving geopolitical landscape, which introduced new sanctions, has increased the compliance burden on banks and businesses engaged in international trade.

To navigate these challenges, he added, financial institutions and businesses should establish comprehensive policies, follow regulatory requirements and educate employees on the latest developments in sanctions laws and compliance obligations.

Some 106 participants from different government agencies like the Financial Institutions Division, banks, financial institutions and international agencies took part in the event.

There were four sessions on different topics-modern trade finance, risk management, international sanctions, and TBML.

A similar workshop was also held in Chattogram on Sunday.

Source: thefinancialexpress.com.bd– Nov 25, 2024

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Pakistan: Oh, Textiles! What business you are in?

"A slow sort of country!" said the Queen. "Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!" Alice in Wonderland.

A common gripe in Islamabad is that these manufacturers/exporters, call them entrepreneurs, more specifically textile and apparel entrepreneurs, are failed subsidy hogs. They cite:

State Exhibit No 1: There has been no quantum increase in textile exports, and

State Exhibit No 2: No new products in the export portfolio and so on.

Such uninformed fusillades are nothing but old wives' tales, factoids and more ominously reflections on the poor understanding of how businesses invest.

Generally, an existing business invests by borrowing all or major fraction of the required capital expenditure, capex, needed to set up/restore/enhance capacity.

Depending upon the context, investment is generally of two types: BMR, Balancing, Modernization and Replacement, meant for debottlenecking and restoring/maintaining generally its current capacities and efficiency as old machines consume more energy, and may not produce in line with current trends. This capex may or may not increase output significantly.

The other kind increases the enterprise's capacity from, let us say, 50,000 T-shirts (Tees)/day to 75,000 Tees/day. It may use up some existing slack or could simply be a new line. This is where production goes up meaningfully, exports go up, more revenue, more contribution and hopefully more profit after absorbing the incremental operating expenses and full capex cost. These are routine business decisions.

There is, however, another kind of sinister capex, endemic to Pakistan. This kind does not necessarily increase the production capacity, does not reduce costs; actually increases them. It forces the entrepreneur to finance power producing equipment by borrowing, recently at as high as 22.5

percent + spread, that his international competitors do not have to. He has no choice here. If he does not invest in these non-core assets, production will plummet. Such investment diversions to non-core assets have happened one time too many.

When the Tee manufacturing facility was set up, a DISCO / KE had energized it-KE landscape is tougher. Then the grid ran aground, the Tee-wala was forced to go for gas-fired generation, bought engines/turbines, paid for a pipeline, a CMS, coughed up collaterals for the respective Sui gas. The Sui gas then discovered the gas deficit and made the Tee-wala wean off gas, forcing him to go for RFO-fired engines, storage tanks, etc.

Now he has a three-layered defence, aka stranded assets with carrying costs, against an enemy, energy shortage, which he was not supposed to have. He was supposed to build and paddle his Tees, which he knows quite well. This investment diversion to non-core assets is on account of infrastructural failure by the public sector at a colossal level. Exporter's trial is, however, not over yet.

His international customers then tell our exporter to decarbonize. Dutifully, he finds extra funds, debt and equity, and invests in renewables, biomass boilers, solar and in some case even wind power.

With a Jurassic World of non-core energy assets, he must wonder about the new business that he is now in. He was good at Tees and wanted to make more of them, but was forced to divert investible funds into assets and businesses, which were never his wont. His competition abroad does not have to carry such deadweight on their balance sheet.

He must not be producing his own power-5 or more different debt-financed energy platforms-yet he has to. He is not supposed to truck in its own water, but cannot do without. Not supposed to have own security, own transportation. No choice for him here, as well. He just wanted to sell Tees. He is but an IPP, a security company, a transport contractor who also happens to build and sell Tees.

Energy assets, as a percentage of total fixed asset base, could be as high as 20-25 percent. How can one make a business grow with such a high percentage of expensive capital trapped into these dead, non-core assets? Collective and continuous failure of various Blocks at Pak Secretariat, Islamabad, forced exporters to fend for themselves.

They had to divert expensive, scarce capital and foreign exchange to "unproductive assets" to maintain their current levels of production. "All the running he can do, to stay in the same place."

Islamabad must realize it is solely culpable for these increased costs and management drag for exporters and must atone by providing them with 20-year loans to cater for these non-core assets, to lighten the cash flowload off them. And after doing all this by themselves, the following is what they get in return:

As the Tee-wala receives its export proceeds, the P-Block deducts 2.25 percent of its export proceeds, 2 percent of which go to prepay his, as yet undetermined, final tax liability at 39 percent of it taxable income. I mean, come on.

USBC issues LEED certifications, Gold, Platinum, to qualified factories, signifying their success in meeting certain environmental and green standards.

Now this investment, hundreds of millions rupees per factory, does not confer immediate revenues and profit streams. In a leading textile exporting nation, the taxman reduces the tax rate by 2 percent, from 12 percent to 10 percent, for such LEED certified factories, acknowledging perhaps the argument this scribe made in the lines above.

Source: brecorder.com– Nov 26, 2024

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NATIONAL NEWS

S&P Global cuts Indian growth forecast to 6.7% for FY26, 6.8% for FY27

S&P Global Ratings recently maintained its forecast for India's gross domestic product (GDP) growth in fiscal 2024-25 (FY25) at 6.8 per cent, but the forecasts for FY26 and FY27 were reduced by 20 basis points to 6.7 per cent and 6.8 per cent respectively.

High interest rates and reduced fiscal stimulus are likely to curb urban demand in India. While purchasing manager indices remain strong, other indicators suggest temporary slowing of momentum, notably due to a setback in the construction sector during the September quarter, the global rating agency noted.

India's central bank has projected the country's GDP growth at 7.2 per cent for FY25.

India's economy expanded by 8.2 per cent in FY24.

S&P Global Ratings pointed to climate change-related disruptions and supply shocks in agriculture as key contributors to rising food prices in the country, complicating the inflation outlook.

Source: fibre2fashion.com– Nov 25, 2024

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Tirupur's textile industry sees resurgence as US & UK orders surge amid Bangladesh instability

India's textile hub of Tirupur is facing a revival of fortunes after nearly two years with a flurry of orders from the US and UK, helped also by political instability in neighbouring Bangladesh. With this, the city's 5,000 apparel export units are buzzing with activity with their factories operating at 95% capacity.

K M Subramanian, president of Tirupur Exporters Association (TEA) said new apparel buyers from the UK are seeking samples in anticipation that a much-awaited Free Trade Agreement (FTA) will be signed soon between India and the UK. Last week, the Union commerce ministry said talks on the FTA will resume early next year.

"The units are getting orders from the US for the upcoming Spring season. A few months ago, the units were operating at 60-65% capacity. But that has changed now," said Subramanian.

He said some US-based companies who were earlier sourcing from Bangladesh are now tapping Indian suppliers. "In FY24, Tirupur had clocked a revenue of Rs 35,000 crore which is likely to increase to Rs 40,000 crore in FY25," he added.

India's apparel exports surged by 35% in October to $1.22 billion from $908.78 million a year earlier, as per the commerce ministry.

Punit Lalbhai, vice chairman and executive director of textile maker Arvind Ltd, said during the company's Q2 earnings call, "As far as garments go, currently, anybody who is a credible garment player, who has capacities, will be full because the demand scenario is pretty good. And India is a preferred location, where people want to diversify their sourcing metrics, too. So, that explains why everybody has good visibility and a good order book."

The US had significantly reduced garment imports after the pandemic. "The US pipeline of garments is shallow, and they are putting in fresh orders. Some orders are coming from Bangladesh too because of the ongoing political unrest," said Sanjay Jain, chairman of the Indian Chamber of Commerce National Committee on Textiles. "We are expecting to achieve around $18.5-$19 billion of apparel exports in FY25

from $16 billion in FY24 and the growth momentum will continue for at least two years in the near term," he said.

Sudhir Dhingra, owner of Gurugram-based exporter Orient Craft noted that even though orders meant for Bangladesh are being diverted to India, many Indian textile makers do not have the necessary infrastructure to handle large orders.

"The big ones will be able to take orders. But the smaller ones, which are large in numbers, may not be able to do so. The opportunity from Bangladesh is huge, and the Indian apparel industry can leverage it only if the government gives incentives like Production Linked Incentive (PLI) for garment manufacturing units and banks come forward to give working capital loans to the smaller units," he said.

In the earnings call, Lalbhai had said "Vietnam and Bangladesh were already approaching saturation as (it was a case of) too many eggs in one basket for many customers. I think from that perspective, this unrest in Bangladesh only reinforces the need to have more sourcing locations. And India ticks a lot of boxes amongst the future candidates for further diversification."

Commenting on the India-UK FTA in an earnings call recently, Sivaramakrishnan Ganapathi, vice chairman and managing director, Gokaldas Exports had said, "And it is positive, definitely more positive for me, because we already are working with some UK-based clients in anticipation, and they will only increase their sourcing. But regardless of that, I am seeing that, with problems in Bangladesh, I am finding even UK-based customers who currently enjoy a 12% delta in import duty between India and Bangladesh because Bangladesh goes duty-free are looking at outsourcing more from India. So, we are seeing traction coming from there which will only accelerate if the FTA happens."

"US apparel imports are now trending up over the previous year. After a major period of excess inventory, which the brands were consciously trying to liquidate, inventory holdings have reached a low level and brands have started purchasing again," said Ganapathi.

Source: economictimes.com– Nov 26, 2024

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India must recalibrate its FTA strategy

After a decade-long hiatus, India resumed signing Free Trade Agreements (FTAs) in 2021, completing four deals in three years in fast track mode with Mauritius, the UAE, Australia, and EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein).

However, India's approach to FTAs has now entered a phase of recalibration, focusing on securing better outcomes and avoiding past pitfalls. This cautious strategy has slowed negotiations with the UK, Oman, and Peru, even though talks are at advanced stages.

Key issues India needs to address include: Calls to join RCEP, a review of the UAE FTA, remaining out of the IPEF Trade Pillar and streamlining trade policies. These issues are discussed further below.

A growing narrative pushes India to reconsider joining RCEP, with institutions like the World Bank, NITI Aayog, and economists highlighting benefits such as deeper economic integration in Asia, support for MSMEs, and improved export competitiveness. However, critics warn of challenges, including a widening trade deficit and increased competition for MSMEs from cheaper imports.

India's significant trade deficit with China rules out a bilateral FTA, but joining RCEP presents an even more significant challenge. Unlike bilateral deals, where tariff reductions can be phased in, RCEP would allow Chinese goods to enter India easily through other member countries with minimal processing from day one. The government must carefully weigh these factors before making a decision.

The India-UAE FTA, effective May 1, 2022, aimed to boost bilateral trade by eliminating tariffs on essential commodities. However, its provision for unlimited duty-free imports of gold, silver, platinum, and diamonds has led to a sharp increase in imports of these items from Dubai.

To curb the surge, the government reduced import duties on gold and silver from 15 per cent to 6 per cent in the 2024 Budget. However, this offered only partial relief, as tariffs on these items from Dubai are set to drop to zero in the coming years, likely fuelling further increases in imports. As a result, renegotiating the CEPA (Comprehensive Economic Partnership Agreement) to revoke these concessions has become the

government's only feasible option. Reducing MFN tariffs to zero was ruled out due to concerns over excessive imports and forex outflows.

The UAE does not produce gold or silver, and the FTA has incentivised suppliers to reroute shipments through Dubai to benefit from the tariff concessions — an arrangement that deviates from everyday trade practices. This has contributed to a 70.4 per cent year-on-year increase in India's trade deficit with the UAE in October 2024.

India should rethink its strategy for including gold and silver in FTAs. Similar challenges could arise with the proposed FTA with Peru, from which India already sources 93 per cent of its gold.
No to IPEF trade pillar

With Donald Trump elected as the next US President, India may face renewed pressure to join the Trade Pillar of the Indo-Pacific Economic Framework (IPEF). While India has committed to three of the four pillars in this 14-nation initiative, it has prudently refrained from joining the trade-focused component.

The IPEF Trade Pillar advocates for the free cross-border flow of data, a key demand of American technology companies. Trump's administration may urge India to adopt more open data-sharing policies, which could undermine the country's digital sovereignty. For example, Elon Musk's Starlink has sought permission to provide satellite-based internet services in India. Granting such access could result in sensitive Indian data being stored on US servers, diminish India's control over digital content, and create a dependency on foreign providers — potentially rendering India a "digital colony" of the US.

Starlink represents a critical test case. Conceding to its requests could open the door to similar pressures in the future. Joining the IPEF Trade Pillar would further erode India's ability to independently assess such proposals, as it would be bound by rules favouring unrestricted data flows across borders.

India has rightly opted out of the IPEF Trade Pillar, which imposes constraints on domestic policies related to digital trade and labour standards without offering reciprocal benefits like tariff reductions. Maintaining this stance is essential to safeguard India's digital and economic interests.

India currently has 14 trade agreements with 25 countries and six smaller agreements with 26 more. The government should release a status paper assessing the performance of these FTAs, including details on trade utilising FTA benefits and sectoral gains and losses.

India also needs to invest in building a larger team of expert negotiators. Indian teams are smaller than those of other countries, with just one or two people in a subgroup. In contrast, for instance, Japan's negotiating team for rules of origin in an FTA included 20 members. While one negotiates, others observe and learn over the years, eventually becoming a seasoned negotiator. India should adopt a similar approach to training future negotiators.

Although the government is developing internal SOPs for negotiators, these guidelines are like training manuals for fighter pilots — they provide structure and information but cannot replace the value of extensive on-the-job experience.

The government could create a common offer list for merchandise trade and adjust it for individual FTAs. This would reduce the need for separate approvals from administrative ministries for each FTA and prevent oversights, such as allowing zero-duty imports of gold, silver, and platinum under the UAE FTA. The government must build expertise in emerging non-trade areas such as sustainability, labour, and gender. Without this, India may be forced to adopt regulations from partner countries that may not align with its interests.

India's current FTA strategy reflects a pragmatic shift towards protecting national interests while fostering global trade partnerships. The government's cautious stance and structural reforms in trade policy and negotiation practices will be essential to achieving balanced and sustainable growth in international trade.

Source: thehindubusinessline.com– Nov 25, 2024

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Policy decision of Trump administration to play crucial role in shaping global trade dynamics: Report

The Finance Ministry in its latest monthly economic review stated that the upcoming administration in US after the win of Donald Trump in the latest elections is set to play an important role in trade dynamics globally.

The report noted that global economic factors, including shifts in interest rates, earnings growth, and geopolitical developments, will significantly influence trade and capital flows.

It said "Apart from the emerging indications of domestic growth and stability, the dynamics of global interest rates, earning growth and valuation, geopolitical developments and policy decisions of the next administration in the United States will determine the course of trade and capital flows".

It also added that the geopolitical tensions, especially the ongoing conflict between Russia and Ukraine, have added to financial market uncertainty. Safe-haven assets like U.S. Treasuries and gold have seen increased demand as investors look for stability.

These fragile conditions continue to weigh on global markets and could impact India's trade environment.

It said "Recent developments in the ongoing conflict between Russia and Ukraine have caused some concern in financial markets with safe-haven assets such as US Treasuries and gold finding a bid".

The report also noted that India's export growth may encounter hurdles in the coming months due to weakening demand in developed markets. While the global slowdown poses challenges for merchandise exports, the ministry noted that the services trade continues to maintain its strong momentum.

It said "On the external front, India's export recovery may encounter challenges due to softening demand in developed markets. However, trade in the services sector is sustaining momentum".

Despite these external challenges, the report outlined that the India's domestic economic outlook remains cautiously optimistic. Agriculture, in particular, is set to benefit from favorable monsoon conditions, higher minimum support prices, and sufficient input supplies.

Strong agricultural production prospects are expected to keep inflation in check, despite existing price pressures in some food items. Early November trends have already shown a moderation in key food prices. However, geopolitical risks could still affect domestic inflation and supply chains.

The report highlighted that the high-frequency indicators of economic activity in India have shown signs of recovery after a brief slowdown during the monsoon months.

In October, indicators such as the Purchasing Managers' Index (PMI), E-way bill generation, and metrics of rural and urban demand exhibited a positive rebound. The formal employment sector is also seeing growth, with an expanding workforce in manufacturing and a significant inflow of young workers into organized sectors.

These trends signal a strengthening domestic economy, even as India navigates a challenging global environment.

Source: economictimes.com– Nov 26, 2024

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We should focus on marketing of GI tagged products: HMOT Shri Giriraj Singh

The "GI & Beyond 2024" Summit, organized by the Office of the Development Commissioner for Handlooms, Ministry of Textiles, in collaboration with the Handloom Export Promotion Council (HEPC), successfully concluded on 25.11.2024 at New Delhi. The event highlighted the exceptional skills of artisans who manufactured India's Geographical Indication (GI) tagged handloom and handicraft products and their global significance.

The event was inaugurated by Shri Giriraj Singh, Hon'ble Union Minister of Textiles as chief guest who highlighted the importance of GI products in promoting India's rich cultural heritage and invited attention of the gathering on the attractive tourism concepts like heritage and cultural tourism for marketing GI goods. HMOT distributed GI certificates to 10 artisans from various parts of the country. Speaking on the occasion, Shri Giriraj Singh said that India received its 1st GI certification in 2004 and now our focus is to increase the income of artisans and how to make GI tagged products go global.

The Minister exhorted that we should progress the GI tagged products from "Gaon to Global". HMOT emphasised the importance of marketing and telling the world about the creativity of our artisans for the promotion of GI products and incorporate the GI tagged products as part of religious and cultural tourism. The Minister appealed the states having GI tagged products to collaborate with Textile Ministry to organize trade festivals exclusively for the promotion and marketing of the products, in the lines of Kutch festival. HMOT highlighted honourable Prime Minister's vision of Atmanirbhar Bharat and emphasized that along with Vikas we need our Virasat as well. GI tag represents our heritage and as we heading towards Vikasit Bharat, our heritage is our capital, the Minister added.

Shri Pabitra Margherita, Hon'ble Minister of state for Textiles, Government of India graced the occasion as guest of Honour. Speaking at the occasion the MoS pointed out that handloom and handicrafts sector are not just industries, and they are the testament of our country's diversity, creativity and legacy. Each craft and each artisan tell us a story of its people and its traditions.GI is a tool for empowerment and a shield of our heritage and a bridge to the global market., MOS added.

Smt.Rachana Shah, Secretary Textiles and Dr.M.Beena, Development Commissioner for Handlooms ,Ms. Amrit Raj, Development Commissioner for Handicraft, Ms.Roop Rashi, Textile Commissioner and Shri Unnat Pandit, Controller General of Patents, Trademark & GI also graced the occasion.

The event had representation from 13 countries spread across 4 continents and witnessed around 20 overseas buyers, 50 exporters & MNCs, 70 GI authorised users and 40 officials from various departments including state governments. The diverse representation from various stakeholder of the industry fostered meaningful discussions and collaborations to expand the market potential for GI-tagged products

The technical session on various domains of the trade emphasized the integration of traditional handwoven and handcrafted skill with modern business practices to enhance the global appeal of India's traditional textiles and craft.

During the event, overseas buyers and domestic exporters interacted with the authorized users of Geographical Indications (GI). The overseas buyer applauded this event which beautifully narrated the tale of ethnic handwoven and handcrafted tradition of India. The domestic exporters stated that the products displayed are quite impressive and captivating. The exporters and overseas buyers expressed their willingness to extend possible support in promoting and to enhance the global presence of GI products.

A special thematic display showcased an array of GI-tagged handloom and handicraft products across India, with participation from GI holders and authorized users. The display highlighted the regional uniqueness and cultural value of these artisanal products, attracting significant interest from attendees.

The summit concluded with a collective commitment to continue supporting India's handloom and handicraft sector, ensuring that the legacy of GI products thrives both nationally and internationally.

Source: pib.gov.in– Nov 25, 2024

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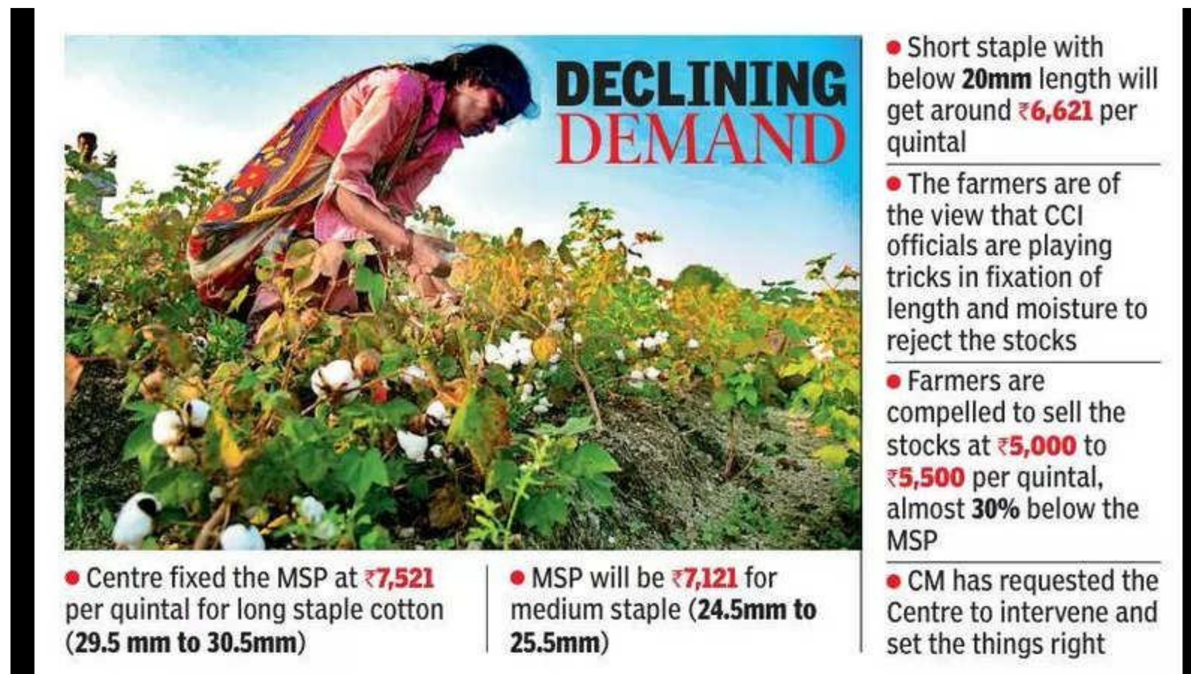
Cotton farmers seek Centre's support as CCI slow to buy stock

Vijayawada: Cotton Corporation of India (CCI) has pushed farmers into deep trouble by refusing to pick up stocks citing high moisture presence. Taking the situation to advantage, middlemen and cotton traders are picking up stocks at low price resulting massive losses to the growers.



Chief minister N Chandrababu Naidu has asked the Centre to immediately intervene to set the things right with regard to cotton procurement in the state.

Farmers are alleging that the CCI officials are deliberately rejecting the stocks only to help the private people. CCI opened about 60 procurement centres in ginning mills and 11 centres in market yards across the state. However, procurement is not going on at anticipated levels due to high rate of rejections. Shocked with the CCI's decision to reject the stocks, the growers are selling produce at low price to local traders as they could not take the entire stock back home by taking transport costs.

The Centre has promised to pick up cotton at Rs.7521 per quintal during the current crop season. Surprisingly, the traders are picking up the stock at Rs.5,000-Rs.5,500 per quintal resulting a loss to the tune of Rs.2,000-Rs.2500 per quintal.

Agriculture minister K Atchannaidu said that CCI needed to gear up to procure the stocks from the farmers without creating troubles to the farmers. He said that the chief minister Chandrababu Naidu had already took the issue to the notice of the union agriculture minister Giriraj Kishore and asked him to issue necessary instructions to the officials.

In fact, high demand for cotton in the global market in the last four years left the CCI almost idle as over 90-95 percent of the stock was purchased by the private players by offering higher than the Minimum Support Price (MSP) announced by the Centre.

Cotton farmers gained huge in the last four years as the prices zoomed past Rs.10,000-Rs.120,00 per quintal in the retail market.

However, the prices nosedived to Rs.5,000 per quintal during the current season prompting the CCI to enter the market to procure the stock. To the utter shock of the farmers, CCI is also playing delaying tactics by rejecting massive volume of stocks.

"The CCI officials are looked working under pressure from the private exporters and dealers as they are refusing the stocks. The connivance of the CCI officials is visible as they are not showing any sympathy for the farmers. The CCI's actions are only helping the private players to exploit the farmers' distress," said CPI (M) district secretary Pasam Ramarao.

Sensing the trouble in his constituency, Union minister for rural development, Pemmasani Chandrasekhar too reviewed the cotton procurement situation with the officials and requested them to be liberal in picking up the stocks. However, the CCI officials made it clear that they could procure the stocks as the norms fixed by the Centre.

Source: timesofindia.indiatimes.com– Nov 25, 2024

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