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USD	EUR	GBP	JPY
87.12	92.60	111.46	0.58

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INTERNATIONAL NEWS

Trump Drops 25% Duties on Canada, Mexico, Fueling Trade War

President Donald Trump laid down the hammer on Mexico and Canada Tuesday, hitting the United States' North American neighbors with 25-percent duties on a range of products and services after a month-long deferral failed to lead to a resolution.

Eleventh-hour behind the scenes talks between the trade partners could not stop the president from moving forward with his plans to penalize the nations with new tariffs under the International Emergency Economic Powers Act (IEEPA). The duties went into effect at 12:01 am.

"While President Trump gave both Canada and Mexico ample opportunity to curb the dangerous cartel activity and influx of lethal drugs flowing into our country, they have failed to adequately address the situation," the White House wrote in a fact sheet on the decision.

Canadian Prime Minister Justin Trudeau and Mexican President Claudia Sheinbaum made repeated overtures in recent days to try and stave off the trade action, with Sheinbaum saying in a Monday morning press conference that Mexico has taken in nearly 20,000 deportees from the U.S. since Trump took office. Nonetheless, Trump confirmed his plans from the White House on Monday, saying there was "no room left for Mexico or for Canada" to negotiate.

Notably, though, the president amended his previous executive order to stipulate that de minimis trade exception will remain in place for both countries until "adequate systems are in place" to handle the processing of tariff revenue for small shipments worth $800 or less.

Trudeau responded swiftly, saying, "Canada will not let this unjustified decision go unanswered." The country plans to immediately hit back with 25-percent counter-duties on about $100 billion-worth of U.S.-made products. Rolled out in two tranches, the first $20-million list will include apparel, alcohol and certain household products (mostly made in conservative states), and the second $90-billion wave will be announced in about three weeks, the prime minister said.

The Trump administration also confirmed in a Monday memo that it would up punitive duties on China from the 10 percent announced in early February to 20 percent due to a determination that “the PRC has not taken adequate steps to alleviate the illicit drug crisis through cooperative enforcement actions.”

China’s government retaliated expeditiously, announcing 15-percent duties on American agricultural products like cotton, chicken, corn and wheat, as well as 10-percent tariffs on pork, beef, dairy products, seafood, soybeans and sorghum, all of which will take effect March 10. The country also added 10 U.S. corporations that develop defense technology to its “unreliable entity” list, and 15 firms to an “export control” list.

At a morning press conference on Tuesday, China Foreign Ministry Spokesperson Lin Jian told reporters that the country would not be bullied or intimidated by Trump’s trade aggression.

“Anyone using maximum pressure on China is picking the wrong guy and miscalculating,” he said. “If the U.S. truly wants to solve the fentanyl issue, then the right thing to do is to consult with China on the basis of equality, mutual respect and mutual benefit to address each other’s concerns. If the U.S. has other agenda in mind and if war is what the U.S. wants, be it a tariff war, a trade war or any other type of war, we’re ready to fight till the end.”

Trump’s confirmation that the duties would indeed move forward was enough to send stocks into a free fall on Monday. The Dow Jones Industrial Average dropped 649.6 points by late afternoon (1.48 percent). The S&P 500 saw its worst day since December, with the broad index falling 1.76 percent to end at 5,849.72.

During an earnings call Tuesday morning, Target intimated that the duties on Mexico would force it to raise prices on certain produce as soon as this week. Alongside rising consumer uncertainty, the added tariffs on all countries will put “meaningful” profit pressure on the big box retailer’s first-quarter sales, CEO Brian Cornell said.

The retail environment has been bracing for new duties since the president signed the decree for the Mexico and Canada tariffs in early February, though he promptly pushed out their start date for a month with the intent of continuing bilateral talks with both Trudeau and Sheinbaum, putting firms in a holding pattern with regard to future sourcing strategies.

Both countries made concessions and commitments in an effort to avoid what has now become an all-out trade war.

Canada committed to a $1.3-billion border security program that would include 10,000 new personnel and programs to constrain migration. While just 43 pounds of fentanyl—about 1 percent of the volume that enters the U.S. annually—comes in through Canada, and the country's illegal border crossings pale in comparison to the volume seen at the Southern border, Trudeau appointed a "Fenanyl Czar" and complied with the Trump administration's mandate to list cartels as terrorist organizations.

Mexico, too, committed 10,000 Mexican National Guard troops to its border with the U.S., imposed new duties on foreign inputs for its apparel supply chain, and is mulling targeting China with wide-ranging tariffs at the behest of the Trump administration.

Source: sourcingjournal.com– Mar 04, 2025

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Industry Laments 'Potentially Crushing Burden' of Trump's Tariffs

The White House's Tuesday tariff announcement was confirmation, not a revelation, but it still sent shockwaves through the markets. Now, groups representing the interests of apparel, footwear, textiles and retail are grappling with the long- and short-term implications of 25-percent tariffs on goods from Mexico and Canada and a deepening of duties on China-made product.

Whether their members are U.S. brands and retailers dealing in finished goods or American manufacturers trading in inputs and materials, industry advocacy groups bemoaned what they view as the skewering of a collaborative hemispheric supply chain and a strong, interconnected consumer market bolstered by free trade.

The unprecedented trade actions against the nation's North American neighbors represent a significant backslide when it comes to U.S. trade policy, according to American Apparel and Footwear Association president and CEO Steve Lamar.

"By targeting our [U.S.-Mexico-Canada Agreement] partnership, these tariff actions place a huge stumbling block in front of our nearshoring efforts," he told Sourcing Journal. "Not only does this introduce high tariff costs, making the economic model unsustainable, but it undermines the investment value and certainty of free trade agreement programs, casting doubt as to whether the U.S. is a responsible partner."

While the centerpiece of Trump's trade agenda was once punishing China (forcing American companies to further divest from the sourcing superpower), Trump 2.0 is taking on the alternative production partners that have been working to solidify trade relationships with U.S. companies in recent years.

"At a time when the Trump Administration is urging countries to come to the negotiating table, this action screams 'Don't Bother,'" Lamar added.

And of course, there are the impacts to both shoppers and workers. These new duties, which are "compounding rapidly" on an almost weekly basis, could snowball into a "potentially crushing burden on American businesses and hardworking American families," the AAFA lead remarked. “Uncertainty and instability are corrosive, undermining the vitality of our consumer driven economy, and the 3.5 million American jobs created by our industry.”

Lamar said he hopes that the industry’s discussions with Trump administration officials like U.S. Trade Representative Ambassador Jamieson Greer and Commerce Secretary Howard Lutnick will allow for the creation of “guardrails” that could mitigate some of the domestic impacts of the president’s trade policies.

U.S. Fashion Industry Association (USFIA) president Julie Hughes also expressed dismay at the president’s decision to take on the industry’s major nearshore trading partners, saying that the tariffs “ignore the complex Western Hemisphere supply chains and close trade ties created by textile and apparel companies during the more than 30 years since a regional free trade agreement first went into effect.”

According to Hughes, farmers, retailers and shoppers will bear the brunt of the impact of tit-for-tat trade wars. Canada on Tuesday announced its own duties on more than $100 billion in American-made goods—starting with apparel, among other categories. Mexican President Claudia Sheinbaum said her government would respond imminently with its own duties on U.S. goods.

“The Western Hemisphere’s apparel and textile supply chain is deeply intertwined and retaliation will hurt Americans,” Hughes said. “The ‘Made in’ label only tells part of a garment’s story,” she added, noting that the journey of even a simple cotton T-shirt can be a winding one, incorporating inputs and labor from multiple markets. U.S. cotton growers, for example, supply about 60 percent of the raw material to support Mexico’s textile production needs.

And together, Mexico and Canada supplied about $3.1 billion apparel imports to the U.S. in 2024.

China, too, still has an outsized role to play in the life of the American consumer, despite Trump’s longstanding political objectives in targeting the PRC, the USFIA lead said. “There will be a major impact on costs and inflation from the 20 percent additional tariffs on imports from China,” she added. “Apparel and textile products already face some of the highest tariff rates of any U.S. imports, reaching as high as 32 percent.”

Meanwhile, Trump's resounding reasoning for the tariffs—to stop the flow of fentanyl and inhibit illegal migration—isn't cutting it, David French, executive vice president of government relations for the National Retail Federation (NRF) said. "Tariffs are just one tool at the administration's disposal to achieve a secure border, and we urge it to explore other options to accomplish the same goals."

Speaking specifically to the president's decision to target Mexico and Canada, French called the action "a significant measure…that will only hurt hardworking Americans and the businesses that strive to provide customers with the products they want and need on a daily basis."

Retail Industry Leaders Association (RILA) senior executive vice president Michael Hanson agreed, saying that in a moment where Americans are looking to the White House to alleviate the strain on their finances and fuel economic growth, "Tariffs on Canada and Mexico put those goals in serious jeopardy and risk destabilizing the North American economy."

"Stacking tariffs on household goods will also raise costs on American families, millions of whom have struggled through the worst bout of inflation in 40 years," he added.

Providing a more complex outlook on America's trade relationships and the role that duties and sanctions have to play in bolstering U.S. industry, National Council of Textile Organizations (NCTO) president and CEO Kim Glas condemned the administration's actions against Canada and Mexico while commending the stacking of duties on China-made goods.

Glas said NCTO, which represents the country's textile mills, trims suppliers and raw materials producers, believes there's got to be "another way that achieves critical objectives that grow U.S. jobs, stabilizes the Western Hemisphere, and closes dangerous tariff loopholes that are hurting us all."

The newly imposed tariffs on imports from Mexico and Canada "threaten a crucial textile and apparel coproduction chain with our two valued trade partners—one that sustains nearly 500,000 American jobs and a total of 1.6 million jobs across North America," she said.

As it stands, the U.S. textile industry ships $12.3 billion—around 53 percent—of its total global exports to Mexico and Canada, and those materials and inputs often make their way back to the U.S. market duty-free under USMCA. That intermingled production ecosystem represents a whopping $20 billion in trade, and the interest in shortening supply chains that has taken hold in recent years has spurred consistent investment across the region.

“Equally as important, it serves as an alternative and counterweight to the China-led, Asia- based production platform that competes based on illegal tactics, such as the used of forced labor, subsidies and counterfeits, and has largely come to dominate global trade,” Glas said. She believes penalty tariffs on North American nations will only serve to benefit the Asian trade bloc in the long run, undermining nearshoring efforts and putting the ball back in China’s court.

For that reason, Glas said the group welcomes Trump’s new 10-percent penalty tariffs on China, which will double up on the 10 percent announced earlier in February. In fact, she’d like to see that number jacked up further for finished apparel and textile products.

Drawing a deep line in the sand, Footwear Distributors and Retailers of America (FDRA) president and CEO Matt Priest lambasted the president’s new duties—across all trade partners, friends or foe—for what he sees as inevitable impacts to U.S. shoppers already reeling from the effects of inflation.

“It’s a totally avoidable, unfortunate economic disaster in the making,” he said. “It’s like there’s a hurricane off the coast and it’s just starting to make landfall, and you’re starting to see the effects of what that wind and rain can do.”

The U.S. consumer goods industry is already being swept up in the maelstrom, he said, referencing recent reports about consumer confidence in free-fall. Meanwhile, FDRA members, which include footwear firms and retailers large and small, reported that shoe sales also took a plunge last month; for the week ending Feb. 22, sales fell 26.2 percent from the same period the year prior. “The consumer has clammed up, and we’re seeing it in real time,” Priest said.

That on-the-ground viewpoint, provided by 3,000 stores across the country, will only become more pronounced as the months wear on, he believes. In the face of steep new duties—especially on China—footwear brands will also be forced to raise prices. About 64 percent of FDRA members said price hikes were on the table on Tuesday, up from 22 percent who said the same when asked three weeks ago.

Those increases will cause cash-strapped shoppers to pull back even more, Priest believes.

“I think the administration’s on super thin ice on its ability to reverse the narrative that seems to be setting in with American consumers, with the business community and with the market,” he said—namely, that tariffs will hit them all where it hurts.

Well, maybe all except for the actual target of the trade action. “I talk to our members all the time, including those that have been sourcing footwear for generations, and they sit across the table from their Chinese counterparts and negotiate these deals, and never have they had the Chinese partner take on all the added increase in tariffs, not once,” the FDRA lead said.

Meanwhile, the administration’s “unhealthy obsession” with addressing America’s trade deficits with other nations has led to a “pie in the sky notion” that erecting walls against trade will prop up domestic production. That’s not the reality, according to Priest. “If less shoes are being purchased, our companies will have less opportunity to grow. If you drive up costs across the board… you’re going to really hamper the ability for the consumer to get ahead, for the dollar to go further, and for American companies to continue to flourish.”

“Love it or hate it, we import stuff, and we have millions of jobs that rely on that in this country,” he added.

Source: sourcingjournal.com– Mar 04, 2025

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ASEAN manufacturing sees strongest growth in seven months: S&P Global

Manufacturing conditions across the ASEAN region experienced their strongest improvement in seven months during February, according to the latest S&P Global ASEAN Manufacturing Purchasing Managers' Index (PMI).

The index rose to 51.5 from 50.4 in January, marking continued monthly gains since the start of 2024.

Manufacturing output increased at its fastest pace since July 2023. Employment levels expanded at an accelerated rate. Business confidence soared to a 22-month high. New orders saw a solid and quicker uptick, driving production growth.

Following modest gains observed from September 2023 through January 2024, February recorded a notable surge in manufacturing activity. Businesses responded to the increase in new orders by expanding operational capacity, leading to stronger growth in both employment and purchasing activity.

ASEAN manufacturers showed heightened confidence in production prospects, bringing the index closer to its long-term average. This optimism led firms to bolster their inventories and increase their purchasing activity. Notably, purchase stock levels grew for the first time in eight months, reflecting a positive outlook for future demand.

February's report indicated that rising production requirements and anticipated workload increases prompted firms to enhance their operational capabilities. While backlog accumulation extended its year-long trend, the rate of increase slowed compared to January. This suggests that production support measures helped ease capacity pressures.

Cost pressures remained stable in February, aligning with January's levels. Meanwhile, output charge inflation remained modest, with rates of inflation continuing to be weaker than their respective series averages. This stability suggests that cost increases are not significantly impacting manufacturers' pricing strategies at present.

“February saw a significant improvement in ASEAN manufacturing conditions. Strong underlying demand trends contributed to solid growth in total new orders, prompting firms to increase their production levels at a comparable pace.

Optimism strengthened among manufacturers, with projections for the year ahead outlook for output reaching its highest in 22 months. In preparation for higher workloads and to meet current production needs, both employment and input purchases were also increased.

Encouragingly, despite the recent uptick in activity within the region's manufacturing sector, inflationary pressures remained contained and historically subdued, “Maryam Baluch, Economist at S&P Global Market Intelligence, said in a release.

Source: fibre2fashion.com– Mar 04, 2025

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Trump trade threats compound global ocean shipping uncertainty

LONG BEACH: The global ocean shipping industry that handles 80% of world trade is navigating a sea of uncertainty as U.S. President Donald Trump stokes trade and geopolitical tensions with historical foes as well as neighbours and allies.

That is the backdrop for this week's S&P Global TPM container shipping and supply chain conference in Long Beach, California, an annual event that marks the start of container shipping contract negotiating season.

Attendees this year include industry heavyweights like container carriers MSC, Maersk and Hapag-Lloyd , marquee customers such as Walmart, and major logistics firms including DSV and DHL.

These companies will be grappling with the ripple effects of increased protectionism, which could reduce international trade while weakening the negotiating position of massive container ship owners that have drawn robust profits and for years held the upper hand in pricing.

Trump has already slapped an additional 10% tariff on goods from China, the world's largest exporter, and has proposed million-dollar port entry fees for Chinese-built ships.

The U.S. on Tuesday plans to impose 25% tariffs on goods like avocados and tequila from Mexico, and beef and lumber from Canada. It also will put a 10% duty on Canadian oil.

Trump has threatened to levy an additional 10% tariff on Chinese goods. His administration also plans new or higher tariffs on steel and aluminum and has floated 25% duties on products from the European Union.

"The world has become very unpredictable," Hapag-Lloyd CEO Rolf Habben Jansen told reporters on Monday.

"Having higher tariffs and additional fees is not good for the global economy," he said, adding that those would pressure industry growth and the consumers that underpin it.

The world's biggest importer's shift away from free trade hits as global supply chains are managing higher costs from global warming-fuelled severe weather and routing ships away from the Suez Canal to avoid attacks by Iran-backed Houthi militants in support of Palestinians in Gaza.

Unprecedented in scope

U.S. container imports of everything from plastic toys to machine parts have surged, in part due to early purchases to avoid tariffs. But trade experts warn that a pullback is likely once new import taxes kick in, targeted nations retaliate, and inflation-weary shoppers absorb the brunt of tariff-related cost increases - something that could pressure shipping demand and prices. The Drewry World Container Index's spot rate for a 40-foot container was $2,629 as of Thursday, 75% below the pandemic peak of $10,377 in September 2021 and lowest since May 2024.

"The geopolitical landscape has of course become more complex which could lead to wild swings for freight rates in either direction, but our base case is for a moderation throughout 2025," Jefferies analysts said in a recent note. In another move that has set off alarms around the globe, the U.S. Trade Representative on February 21 proposed hefty fees on Chinese-built vessels entering U.S. ports under a union-supported plan to spur U.S. shipbuilding.

Under the proposal, a vessel owned by Chinese maritime transport operators including state-owned COSCO would pay a port entrance fee of up to $1 million per vessel. The fee for other operators using Chinese-built ships could top out at $1.5 million. The change could benefit Taiwanese and South Korean liner operators. Still, experts warn it will have a major impact on container carriers and could translate into steeper consumer prices for goods from toys and clothing to food and fuel.

"The economic burden on U.S. exporters and importers will be huge," container shipping expert Lars Jensen said on LinkedIn. "The actions taken by the U.S. administration over the past four weeks are unprecedented in scope and scale.

Source: economictimes.com– Mar 04, 2025

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Eurozone factories remained in contraction; optimism rose: S&P Global

The euro area's manufacturing sector remained in contraction during February, but signs of stabilisation emerged as the HCOB Eurozone Manufacturing PMI, compiled by S&P Global, reached a two-year high of 47.6.

This marked an improvement from January's reading of 46.6 and indicated the mildest downturn in the sector since early 2023.

While factory production remained weak, the pace of decline was at its softest in nine months, supported by an easing in the reduction of new orders, both domestic and international. The slowdown in demand deterioration helped factories moderate their cutbacks on pre-production inventory and purchasing, reflecting a cautious yet improving outlook, S&P Global said in a release.

Despite the signs of recovery, employment in the manufacturing sector suffered its sharpest decline in four-and-a-half years as businesses continued to cut their workforce. Meanwhile, cost pressures mounted, with input price inflation hitting a six-month high. However, companies struggled to pass on these higher expenses, leading to a marginal drop in output charges.

Most eurozone nations saw a slight improvement in their manufacturing performance. Germany, France, Italy, and Austria all reported softer rates of contraction, while the Netherlands' factory conditions stabilised after seven months of deterioration. Ireland stood out with a stronger expansion. Conversely, Spain saw a decline in manufacturing health for the first time in over a year.

Despite the ongoing challenges, eurozone manufacturers maintained a positive outlook for the next 12 months. Business confidence remained among its highest levels since Russia's full-scale invasion of Ukraine in early 2022, suggesting hope for future growth in industrial output.

Source: fibre2fashion.com– Mar 04, 2025

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Chicken, corn, and cotton: China slaps 10-15% tariff on US goods from March 10

China will impose additional tariffs of 10-15% on certain U.S. imports starting March 10, the Chinese Ministry of Finance announced. The tariffs will apply to key American exports, including chicken, wheat, corn, and cotton. This decision marks another escalation in the ongoing trade dispute between the world's two largest economies.

Imports of U.S. grown chicken, wheat, corn and cotton will face an extra 15% tariff, it said. The tariff on sorghum, soybeans, pork, beef, seafoods, fruit, vegetables and dairy products will be increased by 10%.

Also Tuesday, China added 15 U.S. companies to its unreliable entities list, which could potentially bar them from engaging in China-related import or export activities and from making new investments in the country.

As reported by Bloomberg, the Chinese Ministry of Commerce has also mentioned in their statement that it would put at least 10 American companies on an unreliable entity list, most of which are involved in defence work. It has also added 15 firms, including defence contractors General Dynamics Land Systems and Skydio Inc., to an export control list.

Senior executives of these companies will also be banned from entering China and work permits, and Chinese visitor and residency permissions also will be revoked, the Commerce Ministry said.

The companies were placed on the list for selling arms to or cooperating on military technologies with Taiwan in recent years, the ministry said. China claims the self-governed island as its own territory.

The addition of the 10 companies comes after China last month added two firms, fashion company PVH Group and biotechnology company Illumina, to the unreliable entities list.

A Trade War Reignited

Just after midnight on Tuesday, the U.S. implemented sweeping tariffs on imports from China, Canada, and Mexico. These new levies push U.S. tariffs to historic levels, unsettling businesses and foreign governments alike. As of 12:01 a.m., the Trump administration imposed a 25% tariff on all imports from Canada and Mexico, while increasing tariffs on Chinese goods by an additional 10%, on top of existing duties.

The White House framed these measures as part of its broader strategy to reshape America's trade relationships. "What they have to do is build their car plants, frankly, and other things in the United States, in which case they have no tariffs," President Trump said. However, experts caution that such a drastic move could disrupt global supply chains and raise costs for American consumers.

The Impact on North American Trade

Canada and Mexico, two of the U.S.'s largest trading partners, reacted swiftly. Canadian Prime Minister Justin Trudeau condemned the tariffs as an "unjustified decision" and vowed retaliation. Canada announced its own set of tariffs, imposing a 25% duty on $155 billion worth of American goods. Of that, $30 billion in tariffs took effect immediately, with the rest scheduled to follow in the coming weeks.

Meanwhile, Mexico has been stepping up border enforcement efforts in a bid to maintain trade stability. The government has intensified crackdowns on drug cartels and deployed 10,000 National Guard troops to curb migration flows into the U.S. Despite these efforts, the new tariffs came as a blow to Mexico's economic stability, given that roughly 80% of its exports are sent to the U.S.

China Stands Its Ground

Unlike Canada and Mexico, China has shown little inclination to negotiate under pressure. The Chinese government has consistently resisted making concessions without a clear understanding of Washington's demands. In a statement, a spokesperson for China's Ministry of Commerce expressed strong dissatisfaction, calling the U.S. actions "bullying" and vowing to take countermeasures to "safeguard its own rights and interests."

With only about 15% of its exports directed to the U.S., China is less vulnerable to trade disruptions than Canada or Mexico. However, the tariffs are expected to add costs for American manufacturers reliant on Chinese materials and components.

The Economic Fallout

According to an NYT report, analysts warn that the tariffs could deal a significant blow to economic growth across North America. Gustavo Flores-Macías, a professor of public policy at Cornell University, emphasised that the trade war could have lasting repercussions. “The U.S. economy is larger and can better absorb the negative consequences of a trade war, but a simultaneous trade war with its three main trade partners will affect all parties negatively,” he said.

The manufacturing sector is already feeling the strain. Brian Bryant, President of the International Association of Machinists and Aerospace Workers, criticised the move, stating: “This decision will disrupt industries that rely on integrated supply chains, hurting workers on both sides of the border.” Similarly, Gary Shapiro, CEO of the Consumer Technology Association, warned that tariffs would ultimately burden American consumers. “Tariffs are taxes on Americans and American business, not foreign governments or companies,” he said.

"However, the large number of products involved this time will add further difficulties to China's aquatic product exports to the U.S., especially tilapia exports. With the additional 10% tariff, the tariff on tilapia exports to the U.S. will reach 45%, making it basically impossible to export to the US," Rosa Wang, analyst, Shanghai-based agro-consultancy JCI told Reuters.

Meanwhile, the consumer technology sector has raised alarms about rising costs. "Tariffs are taxes on Americans and American businesses, not foreign governments or companies," said Gary Shapiro, CEO of the Consumer Technology Association. "Adding tariffs on imports from Canada, Mexico, and China will raise prices for Americans at a time when inflation and affordability are top concerns."

Medical Sector Among the Hardest Hit

The medical industry is one of many sectors bracing for disruption. Casey Hite, CEO of Aeroflow Health, which supplies medical devices such as breast pumps and CPAP machines, explained that tariffs could force his company to cut product lines. “If tariffs erase profit margins for certain medical devices, we simply won’t offer those models,” he said. This could lead to fewer choices for patients and higher insurance premiums in the long run.

The Trump administration has hinted at further tariffs, with new levies on foreign steel and aluminium set to take effect on March 12. Future measures on foreign cars, copper, and timber are also under discussion. Business leaders and policymakers now face the challenge of mitigating the economic and diplomatic fallout.

With trade relations at their most fragile in decades, the question remains: will diplomacy prevail, or are we on the verge of a prolonged economic standoff?

Source: economictimes.com– Mar 04, 2025

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Uzbekistan's textile sector contributes over 10% to total exports

According to the Statistics Agency, Uzbekistan exported nearly $2.9 billion worth of textile products between January and December 2024.

This accounted for 10.6% of the country's total exports.

The breakdown of textile exports is as follows:

- Cotton yarn – $1.237 billion
- Finished textile products – $1.124 billion
- Knitwear fabric – $292.1 million
- Fabrics – $145.9 million
- Socks and hosiery – $42.6 million

Source: kun.uz– Mar 04, 2025

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EBRD expects Turkish economy to grow 3% in 2025, 3.5% in 2026

The European Bank for Reconstruction and Development (EBRD) expects Turkiye's economy to grow by 3 per cent in 2025—unchanged from its September 2024 forecast—and then by 3.5 per cent in 2026.

The forecasts were published recently in the bank's Regional Economic Prospects report, which indicates that tighter monetary and fiscal policies have led to a significant reduction in inflation and improvements in the country's external position, with net exports rising and current account deficit declining steadily.

However, the report warns against premature loosening of policy measures, with continued high inflation, geopolitical uncertainties and the impact of the real appreciation of the Turkish lira on export competitiveness all posing downside risks to the economy, an EBRD release said.

At the same time, Turkiye's high short-term external financing needs also mean that its economic outlook is sensitive to global financing conditions.

EBRD invested a record €2.6 billion ($2.7 billion) in Turkiye last year, driven by the private sector's appetite for green investments and the bank's continuing support for the region affected by the February 2023 earthquake.

The bank's cumulative investment in the country passed the €20 billion ($20.82 billion) mark in 2024. It now stands at over €22 billion, with the bank's current portfolio in the country totalling more than €8 billion.

Source: fibre2fashion.com– Mar 03, 2025

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Consumers' shift to cheaper clothing options boosts Temu, Shein's popularity in Nigeria

A cause of concern to local fashion brands, e-commerce platforms Temu and Shein are witnessing a rise in popularity in Nigeria as more consumers choose cheaper clothing options and opt for aggressive marketing tactics.

Known for their low prices, referral-based promotions, and constant social media advertising, these platforms have attracted a growing number of Nigerian shoppers. Many customers are drawn to the promise of free gifts for referring friends, while others take advantage of clothing items that cost as little as ₦5,000—a sharp contrast to the prices of many Nigerian fashion brands, which are often higher due to quality materials and production costs.

Social media has played a significant role in this shift, with Temu and SHEIN investing heavily in targeted ads across platforms like Instagram, Facebook, and TikTok.

This constant visibility has made it difficult for Nigerian brands to compete, as they often lack the financial resources for large-scale digital marketing campaigns. As more Nigerians turn to these global platforms, sales of many local designers are on a decline. The focus on fast, mass-produced fashion is drawing consumers away from homegrown brands that emphasize creativity, quality, and craftsmanship.

Industry analysts suggest, higher import duties on fast fashion could help protect Nigerian businesses, while others believe local brands need to adjust their strategies by improving their online presence, offering competitive discounts, and adopting flexible payment options.

Despite these challenges, some Nigerian fashion brands are looking for ways to adapt and stay competitive. Many are exploring more affordable product lines, loyalty programs, and stronger digital marketing strategies to attract and retain customers. Others are emphasizing the uniqueness, durability, and cultural value of their designs, hoping to appeal to consumers who appreciate quality over fast fashion trends.

Source: fashionatingworld.com– Mar 03, 2025

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Urban Revivo, Chinese fashion brand, expands globally with US, Europe push

Chinese fashion brand Urban Revivo is making a bold move into Western markets, set to open its first US flagship store in New York's Soho. The Guangzhou-based retailer, which already has more stores in China than Zara and H&M, plans 25 new outlets outside China this year, including two in London and several in Japan and the Middle East.

Founder Leo Li aims to accelerate overseas expansion, with 100 global stores by next year. To support growth, Urban Revivo is developing a supply chain outside China, starting production in Turkey for Europe and exploring local partners for the US.

Unlike Shein's online-first strategy, Urban Revivo is betting on physical retail. Many Chinese brands have struggled to gain traction in Western markets, but Li believes leveraging China's efficient supply chain and e-commerce expertise will give it a competitive edge over Zara and H&M.

Facing slowing domestic demand, Chinese apparel brands are pushing global growth. Li sees Western markets eventually making up 30 per cent of sales. By moving production closer to consumers, Urban Revivo aims to cut costs and stay competitive in fast fashion's shifting landscape.

Source: fashionatingworld.com– Mar 04, 2025

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Inflation likely to rise in Vietnam in near future: Standard Chartered

Inflation in Vietnam would have increased to 3.8 per cent year on year (YoY) in February this year—up from 3.6 per cent in January, Standard Chartered Bank recently projected.

This would mark the seventh consecutive month of inflation.

However, economists at the bank anticipate the recent upward reversal since December to have continued in February; any moderation would have been only temporary.

Demand-driven factors may contribute to further inflationary pressure in the near future, Vietnamese media outlets reported citing a latest macroeconomic update about the country from bank.

The Vietnamese government has raised its 2025 growth target to at least 8 per cent from 6.5-7 per cent, with a higher inflation expectation of 4.5-5 per cent to create room for monetary policy flexibility.

The stronger growth outlook could help sustain low interest rates in the short term. However, Standard Chartered expects the State Bank of Vietnam to raise interest rates by 50 bps in the second quarter this year in response to rising inflation.

Retail sales growth is likely to have eased to 8.2 per cent YoY in February—down from 9.5 per cent in January, the economists forecast.

Export growth, meanwhile, might have risen to 23.2 per cent YoY, supported by a low base and continued improvements in electronics exports. Imports and industrial production likely grew by 24 per cent and 6.2 per cent YoY respectively.

However, Vietnam's monthly trade surplus might have narrowed to $1.5 billion—down from $3 billion.

Source: fibre2fashion.com– Mar 05, 2025

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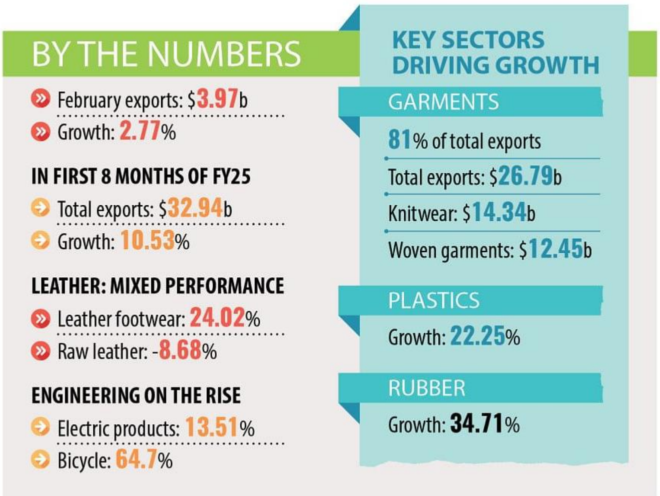
Bangladesh: Exports edge up in further relief to economy

Bangladesh's exports have shown resilience, displaying steady growth in key sectors such as garments, plastics and seafood in the first eight months of fiscal year (FY) 2024-25, somewhat defying global economic headwinds and domestic concerns like high inflation and political uncertainty.

In February, export earnings stood at $3.97 billion, a 2.77 percent year-on-year increase from $3.86 billion, according to data published by the Export Promotion Bureau (EPB) yesterday.



This development comes days after the Bangladesh Bank reported a jump in remittance inflows, which surged 25 percent year-on-year to $2.52 billion last month, offering much-needed relief to a strained economy.

Total exports in the first eight months of FY25 reached $32.94 billion, up 10.5 percent year-on-year.

Exports of the readymade garment (RMG) sector, Bangladesh's largest export earner, grew 1.66 percent last month.

Overall, apparel exports rose 10.64 percent to $26.79 billion in the July-February period compared to the preceding year.

In the same period, knitwear exports climbed 11.01 percent to $14.34 billion, while exports of woven garments increased 10.22 percent to $12.45 billion.

The RMG sector accounted for over 81 percent of total export earnings, yet again underlining its dominance in the country's export basket.

"The outlook of our garment exports is promising as work orders are rebounding," said Faruque Hassan, a former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

However, he said law and order must be improved as international clothing retailers frequently raise concerns over security.

According to Hassan, the country is also benefiting from US President Donald Trump's tariff policies. Higher tariffs on Chinese and Mexican apparel exports to the US are redirecting orders to Bangladeshi manufacturers, he opined.

However, low pricing remains a key challenge, he mentioned.

Manufactured goods, which make up the bulk of exports, saw a 10.49 percent increase to $31.87 billion in the first eight months of the fiscal year. Key segments such as plastic products, rubber and headgear posted strong growth of 22.25 percent, 34.71 percent and 11.40 percent, respectively.

Leather and leather products showed mixed results. While total exports in this category rose 8.48 percent to $757.50 million, raw leather exports fell 8.68 percent.

In contrast, leather footwear exports surged 24.02 percent to $450.88 million, showing a shift towards higher-value products.

The engineering sector recorded a 7.48 percent rise, led by electric products and bicycle exports, which grew by 13.51 percent and 64.7 percent, respectively.

Specialised textiles, including knitted and woven fabrics, also saw strong growth, increasing 21.62 percent.

Terry towel exports grew by just 3.11 percent in the first seven months but plunged 41 percent in February to $1.5 million from $2.54 million a year earlier.

M Shahadat Hossain Sohel, chairman of the Bangladesh Terry Towel and Linen Manufacturers and Exporters Association, linked the sector's declining competitiveness to rising production costs driven by increased gas and power prices and higher wages.

He said that corruption at customs, including bribes during raw material imports and product shipments, has further complicated the situation.

"Without immediate reforms and a reduction in production costs, the sector may struggle to remain competitive in international markets," Sohel commented.

RN Paul, managing director of RFL Group, said strong performance in the plastics sector was driven by export orders from new destinations.

Previously reliant on European markets, the industry has recently expanded to North America, Australia and parts of Africa.

Paul said RFL registered export growth of 35 percent in the past eight months and anticipates further expansion, particularly with the addition of new products such as toys.

Commenting on the export figures, Selim Raihan, executive director of the South Asian Network on Economic Modeling, expressed mixed sentiments.

The economist said that the sustainability of export growth remains uncertain due to challenges such as stagnant private investment, high inflation and security concerns. The upcoming general election adds to the macroeconomic uncertainty, he noted.

Still, Raihan said the export growth figures are encouraging although the earnings largely came from previous orders.

Source: thedailystar.net– Mar 05, 2025

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NATIONAL NEWS

PM Shri Narendra Modi addresses Post Budget Webinar on Manufacturing, Exports and Nuclear Energy

As part of the Post-Budget Webinar on the Union Budget 2025-26, organized by NITI Aayog, various outreach sessions on Theme 3 comprising of discussions on the topics - Manufacturing, Exports and Nuclear Energy Missions, were successfully held on March 4, 2025. The Exports session, led by the Ministry of Commerce & Industry in consultation with the Ministry of Electronics & Information Technology (MeitY), brought together key stakeholders, including industry leaders, exporters, entrepreneurs, and policymakers, to deliberate on strategies to enhance India's export capabilities and fortify the country's global trade position.

At the outset, Prime Minister of India addressed the participants of the Webinar. He highlighted the reforms undertaken by the Government to create an enabling and nurturing ecosystem for promoting Manufacturing and Exports in the country. He highlighted the transformative approach of the Union Budget 2025-26 which is in line with the reform-oriented agenda undertaken of the Government.

He encouraged the participants to come forward with fresh and innovative ideas and contribute to policy formulation and implementation on the themes of Manufacturing, Exports, and Nuclear Energy with a view to promote India's Exports to the world. His ideas were appreciated by all the stakeholders and shaped the subsequent discussion on various themes.

Subsequently, the Breakout session on Exports was moderated by Shri Sanjay Nayyar, President ASSOCHAM, with an esteemed panel comprising of Shri Rajesh Nambiar, President, NASSCOM, Shri Ajay Sahai, Director General, Federation of Indian Export Organization (FIEO), Shri Pankaj Mohindroo, President, Indian Cellular and Electronics Association (ICEA), Shri Kalyan Basu, Managing Director, MonetaGo, Ms. Jyoti Vij, Director General, FICCI, and Ms. Nivruti Rai, CEO, Invest India. Their insights and expertise contributed to meaningful discussions on fostering a conducive ecosystem for exports and driving economic growth through policy interventions and digital innovation.

During the deliberations, several key initiatives were discussed as potential pathways to strengthening India's exports. Among them was the Export Promotion Mission (EPM), a proposed ₹2,250 crore initiative aimed at boosting India's exports, particularly for MSMEs, by providing financial incentives, market access support, and compliance facilitation. Participants emphasized that a partnership-driven, whole-of-government approach is needed to address market access issues and facilitate the growth of new and e-commerce exporters.

Additional strategic policy recommendations included expanding Export Credit Guarantee Corporation (ECGC) coverage to high-risk markets, enhancing collateral-free export credit through EXIM Bank, and providing incentives for MSMEs to adopt sustainability standards and global certifications. Industry experts also stressed the need to strengthen the Driving International Holistic Market Access Initiative (DISHA) to offer sector-specific MSME support.

Participants also highlighted the importance of Export Readiness Programs to train MSMEs in e-commerce, digital marketing, and international trade regulations. The expansion of the E-Commerce Niryat Credit Card Scheme was another key area of discussion to bolster cross-border digital trade.

Another major point of discussion was BharatTradeNet (BTN), envisioned as a pioneering Digital Public Infrastructure (DPI) initiative designed to create a seamless, electronic and paperless trade ecosystem for international trade and trade finance. Institutionalizing BharatTradeNet as India’s Digital Public Infrastructure for Trade, integrating it with Aadhaar, DigiLocker, UPI, and other digital platforms, and aligning it with financial institutions for seamless trade finance approvals were also considered integral to simplifying export operations. Strengthening State/District Export Cells, expanding Buyer-Seller Meet (BSM) Programs, and developing a Central Trade Registry and Interoperability Framework for BharatTradeNet were seen as critical steps toward increasing efficiency in trade facilitation. Stakeholders suggested that by aligning with global trade facilitation standards, BTN could help streamline trade documentation, enhance trade financing, and deepen export credit accessibility. It was also suggested that one of the ways to prioritise implementation of BTN would be, by establishing a Special Purpose Vehicle (SPV).

A structured plan under the National Framework for GCCs was also discussed to expand Global Capability Centres (GCCs) beyond Tier-1 cities by re-orienting regulations, taxation policies, and infrastructure. Based on the discussion, the following recommendations were made by the panellists for the dispersal of GCCs into emerging GCC cities: reducing compliance burden and ease of doing business, building a quality talent pool and talent pipeline, GCCs partnerships in R&D with academia, a national framework on GCC and dedicated policy interventions, the GIFT city model for emerging Tier 2 cities, tax incentives for GCCs in SEZ in Tier 2 cities, a national policy to streamline incentives for GCCs such as incentivizing employment generation, R&D activities, and skilling, transfer pricing rationalization, improving physical and digital infrastructure in emerging Tier-2 hubs for GCC, partnership with National Mission e.g. AI and Quantum, and marketing and branding of GCCs in India and emerging Tier 2 cities.

The session concluded with a final address by Union Minister of State for Commerce and Industry, Shri Jitin Prasada, who highlighted the government's unwavering commitment to creating a globally competitive export ecosystem and ensuring the seamless integration of Indian enterprises into global value chains.

The Breakout Session on Exports successfully provided a forward-looking actionable roadmap, capturing key insights and recommendations from industry experts, policymakers, and entrepreneurs. These discussions will play a crucial role in shaping future policies for strengthening India's exports through policy reforms, infrastructure development, and digital transformation. The key takeaways from the session shall be implemented by the respective departments.

Source: pib.gov.in– Mar 04, 2025

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US President Donald Trump and trade policy: What should India do?

President Donald Trump's threat to impose reciprocal tariffs on India is both ominous and obnoxious. But it cannot be wished away. So, the country needs to consider: What type of response is in national interest?

Answering this question requires realising that India's trade regime is a sitting duck for the likes of President Trump. The problems are multiple: Magnitudes, uncertainty, and complexity.

First, India's tariffs are higher than anywhere else. Manufacturing tariffs average 13.4 per cent, more than three times as high as in the US or Europe (see table). Agricultural tariffs are even higher than those for manufacturing, with an even greater wedge relative to other countries. And many more goods than in other countries are subject to very high tariffs, as measured by the number of HS 4-digit categories subject to tariffs above 50 per cent.

Second, even these high rates are not guaranteed to importers, because India's "bindings" to the World Trade Organisation (WTO) are greater than its actual tariffs, giving the government the freedom — which it often utilises — to raise rates without violating international obligations. Accordingly, India's trade regime is subject to considerable uncertainty.

Third, the tariff system is highly complex. In 2024, before the rationalisation in the recent Budget, India had no less than 65 different ad valorem applied rates and 145 unique specific tariffs, according to official data the government submitted to the WTO. This is because India imposes a web of cesses on top of its standard Most Favoured Nation (MFN) rates. Adding to this, significant non-tariff barriers like the newly imposed Quality Control Orders (QCOs) further complicate trade.

Consider one example highlighting the endemic costs of complexity. Volkswagen was recently asked to pay $1.4 billion because the company imported auto parts in "separate" shipments, with a 5-15 per cent tariff, rather than in a single shipment, with a 30-35 per cent rate. From the company's perspective, this was probably sound business sense. From the authorities' perspective, this was tariff evasion.

In short, India does indeed have one of the most restrictive trade regimes in the world. So, it’s not hard to imagine the US imposing some harsh “reciprocal tariffs”. Indeed, it is not inconceivable that the US might announce some 100 per cent tariffs on the grounds that they are equivalent to the cost of the QCOs, such as those on polyester and viscose. If this occurred, India would soon be facing steep export barriers, with attendant damage to investor confidence and the country’s trade reputation.

In these circumstances, India could respond in two main ways. One approach would be transactional, to negotiate a deal with the US, lowering some tariffs, making selective promises, and offering some side arrangements. But this would be risky. A deal would inevitably take time to reach, with claims and counter-claims about magnitudes, creating deep uncertainty in the meantime, and causing firms to delay decisions or even reconsider India as a favourable investment destination. This could severely weaken India’s China-plus-one opportunity.

Moreover, even after a deal is reached, there should be no illusions about the consequences. President Trump is determined to avoid the experience of his first term, when, in his perception, India made promises but did not deliver. That means monitoring by the US will be close and the timing demanding.

So, it’s important to consider an alternative, principled approach of rationalising trade policies unilaterally, as was initiated in the 2025 Budget. There is an important domestic economic reason to do so, namely that the protectionism of the past decade has undermined “Make in India”. An explicit goal was to raise manufacturing’s share of GDP and boost exports. But in the event this ratio has continued to decline, along with India’s share of those global manufacturing exports that create the maximum jobs (see figure).

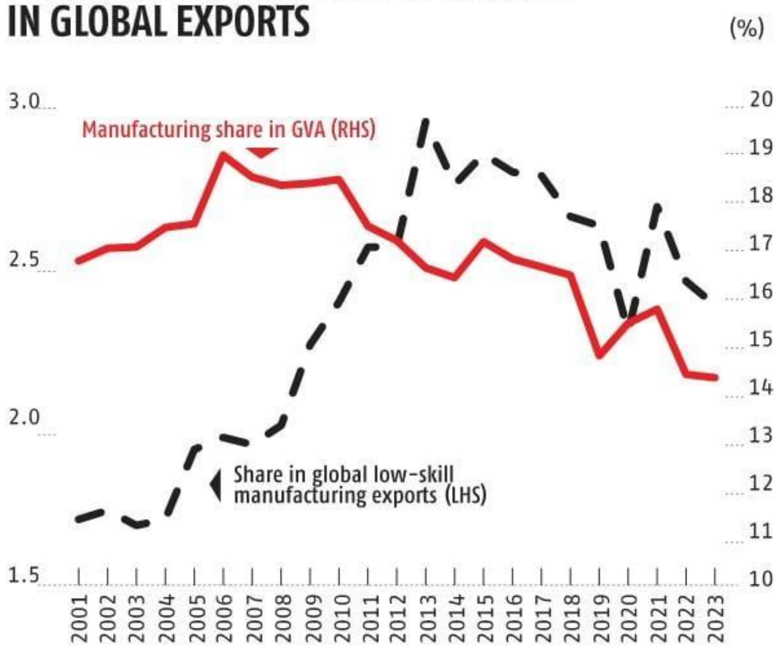
Many factors have contributed to this failure: The risks of doing business in India, which have increased in recent years; an overvalued exchange rate since 2022, because of misguided Reserve Bank of India (RBI) policies; and a production-linked incentive (PLI) regime that favoured capital- and technology-intensive rather than labour-intensive exports. For example, the textile and apparel sectors, which account for 16.5 per cent of formal sector employment, were allocated 5.4 per cent of PLI outlays, and actually received only 0.3 per cent of the cumulative disbursements.

AVERAGE APPLIED DUTIES (%), 2024

	India	USA	EU	China
All trade	17.1	4.0	4.7	7.3
Industrial (HS 28–96)	13.4	3.6	3.8	6.6
Agriculture + Food (HS 1–24)	40.0	7.1	9.4	11.5

HS refers to harmonised system of customs nomenclature. Numbers are MFN tariffs inclusive of cesses. Source: Tariff Analysis Online – WTO, https://tao.wto.org/

MANUFACTURING SHARE IN GVA AND IN GLOBAL EXPORTS



Note: Manufacturing share in GVA in current prices. Low-skill manufacturing includes HS codes 35, 41–65 and 94.
Source: International Trade Centre, Geneva

But an undeniable part of the failure owes to protectionist trade policies, now severely intensified by QCOs. Economic nationalists fail to understand that in the modern world, exporting requires importing. In other words, if India wants to produce garments competitively, it needs to offer firms access to competitively priced inputs, which often come from outside the country. So, when the government makes importing man-made fibres difficult, it kills garment export activity.

It is true that the global export market is not as buoyant as it used to be. But it remains a ripe prospect, because there is tremendous scope for India to gain market share: there is not only a China-plus-one opportunity, but a Vietnam-plus-one and lately, even a Bangladesh-plus-one opportunity. If India could grab some of the space vacated by declining low-skilled exports from these countries, a huge local manufacturing boom could be ignited. Relying instead on the “large domestic market” offers fewer rewards, as the global market is many times larger.

To take advantage of this opportunity, the government could announce a uniform tariff (inclusive of cesses) of somewhere between 5 and 10 per cent, or a two-tiered structure with, say, a 5 per cent tariff on inputs and 10 per cent on final goods (anything more complicated would lead to the GST trap). All the announced QCOs must be eliminated. Such a strategy would have several intrinsic advantages. Low and uniform tariffs would reduce inefficiency, delays and corruption in customs administration. Access to inexpensive imported inputs would improve competitiveness.

And critically, these actions would reduce the risk and magnitude of Trumpian retaliation.

Admittedly, reducing tariffs could create problems for some firms. But the government has ways to address any issues that arise. In manufacturing, it would still be able to use safeguard, anti-dumping, and countervailing duty actions in specific cases. And in agriculture, India would still be able to use procurement, cash transfers, and other policies to ensure that farmers' interests are protected.

One big question remains – of whether the tariff reduction should apply to all countries (MFN basis) or, preferentially, only to the US. We favour the former for manufacturing, because India will only be able to revive the sector when firms are free to source low-cost inputs from wherever they might find them (aside from a small number of sectors where there are serious security concerns). In the case of agriculture, however, it might be worth considering extending tariff reductions only to the US, since America's major exports of soyabean, meats, maize and nuts — unlike those from other countries — do not pose a threat to farming livelihoods. A broader overhaul of the agricultural trade regime can await further discussion within India.

In sum, the government should think as big and bold as Dr Manmohan Singh did in 1991. It should convert the Trump threat to an India opportunity, re-embracing a more liberal trade regime as a way of reviving manufacturing output and exports. After all, India has undertaken three experiments on trade policy: A near closed economy during the planning era, opening in 1991, and protectionism since 2018. The sample may be small. But is there any doubt about the outcome?

Source: business-standard.com– Mar 04, 2025

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Total FDI inflows into India in Apr-Dec 2024 worth $62.4 bn: DPIIT

The total foreign direct investment (FDI) inflows between April and December last year, including fresh equity, reinvested earnings and other capital, were worth $62.4 billion against $51.5 billion in the same period of 2023, according to statistics released by the department for promotion of industry and internal trade (DPIIT).

FDI equity inflows into India dropped by 6 per cent year on year (YoY) to $10.8 billion in the fourth quarter (Q4) last year.

The data implies more investor-friendly steps, including structural changes, may be needed to boost FDI, especially in the manufacturing sector.

India had set an annual FDI target of $100 billion. FDI equity inflows in Q3 2024 stood at $13.6 billion and in Q2 at $16.1 billion; between April and December, these were up by 27 per cent YoY to $40.6 billion.

The biggest sources of FDI during Q4 2024 were Singapore at $4.4 billion, Mauritius at $1.6 billion and the United States at $1.1 billion.

During the April-December 2024-25, FDI equity inflows rose from major countries, including Singapore $12 billion against $7.44 billion), the US ($3.73 billion against $2.83 billion), the Netherlands ($4 billion against USD $billion), the UAE ($4.14 billion against $2.43 billion), Cayman Islands ($296 million against $215 million) and Cyprus ($1.18 billion against $796 million). However, inflows declined from Mauritius, Japan, the United Kingdom and Germany.

Source: fibre2fashion.com– Mar 05, 2025

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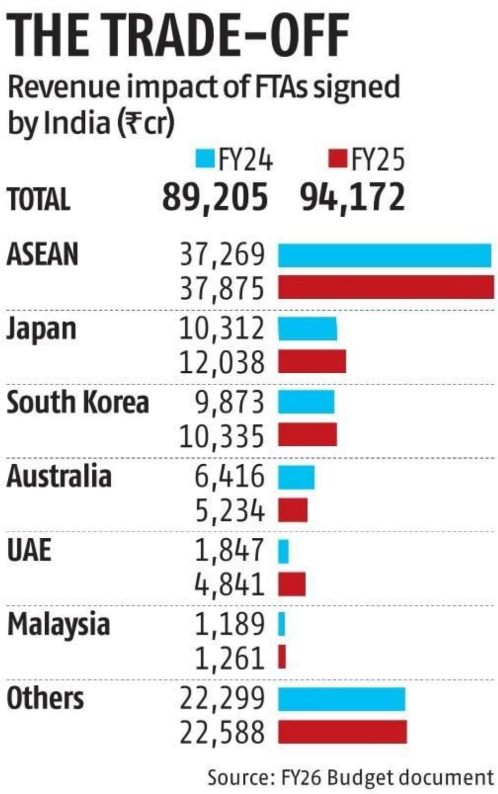
Free trade agreement tariff concessions cost India Rs 94,172 crore in FY25

With India negotiating trade deals with developed economies like the United States (US), European Union (EU), and United Kingdom (UK), its customs duty collection, budgeted to grow only 2.1 per cent to ₹2.4 trillion in FY26, may come under more pressure than it is now.

India had forgone ₹94,172 crore as customs duty in FY25 due to preferential tariff reductions under free-trade agreements (FTAs) signed with entities such as Japan, South Korea, and the Association of Southeast Asian Nations (Asean).



While India and the US have agreed to begin negotiations on a "first tranche of a mutually beneficial, multi-sector" bilateral trade agreement (BTA) in the next seven to eight months, India and the EU have set a December deadline to conclude the long-pending FTA negotiations.

While the UK and India have not set a deadline, Commerce Minister Piyush Goyal has said that the trade deal will be done with "speed" and not in "haste".

According to FY26 Budget documents, the revenue impact due to signing an FTA was the highest in the case of Asean, ₹37,875 crore in FY25, followed by Japan (₹12,038 crore) and South Korea (₹10,335 crore).

India's high tariffs require substantial customs duty reductions during FTA negotiations to provide market access for partner countries.

The revenue forgone due to such tariff concessions has been an issue with revenue-department officials, who have argued against such trade deals. However, it is widely acknowledged that customs duties should not serve as a revenue-generating tool.

Ajay Srivastava, founder, Global Trade Research Initiative (GTRI), said the duty forgone for India was high because "our non-discriminatory (most favoured nation) tariffs" were high (a weighted average around 12 per cent).

"Countries such as Australia, New Zealand, and Japan, which have signed many FTAs, have 80-90 per cent of their imports through countries they have such deals with. But we import only about 25 per cent from such nations. Once we sign FTAs with the US, UK and EU, this will rise to 60-65 per cent and naturally the revenue forgone on this front will increase," he added.

Srivastava, however, said revenue collection through customs duties should no longer be an objective.

"Customs duties used to have two objectives — revenue collection and infant industry protection. Now, revenue collection is no more an objective. It should be used only when the government needs to protect its industry," he added.

Source: business-standard.com– Mar 04, 2025

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Reciprocal tariffs against India from April 2: Trump in US Congress address

During his first address of his second term to a joint session of Congress, US President Donald Trump defended his strict tariff policies, emphasising that the country has long faced high tariffs from several nations, including India. He said that his administration will implement reciprocal tariffs on multiple nations beginning April 2.

Trump said there are countries that impose significant tariffs on the US, including India. “On average, the European Union, China, Brazil, India, Mexico and Canada … have you heard of them? And countless other nations charge us tremendously high tariffs than we charge them,” he said.

“It’s very unfair,” he added.

He further added, “If you don’t make your product in America under the Trump administration, you will pay a tariff, and in some cases, a rather large one. Other countries have used tariffs against us for decades and now it's our turn to start using them against those other countries."

Reciprocal tariffs from April 2

Trump declared that the US would implement reciprocal tariffs on multiple nations beginning April 2, deliberately avoiding April 1 to prevent any association with 'April Fools’ Day'.

"On April 2, I wanted to make it April 1 but didn't want it to be accused of April Fools’ Day... it's a lot of money. April 2, reciprocal tariffs kick in, whatever they tariff us, we will tariff them, a reciprocal back and forth... if they do non-monetary tariffs to keep us out of their market, we will do non-monetary barriers to keep them out of our market," Trump said during his speech.

Trump said this move would enable the US to generate "trillions" of dollars while boosting employment. “We will take in trillions and trillions of dollars and create jobs like we have never seen before. I did it with China and I did it with others, and the Biden administration couldn't do anything about it,” he said during his address to the US Congress.

What are reciprocal tariffs?

Reciprocal tariffs refer to duties imposed by one country on another to match the tariff rates set by the latter. These tariffs are applied to imported goods from the respective country as a countermeasure.

If the US enforces reciprocal tariffs on India, the cost of Indian-made goods in the US market will rise due to higher import duties. This could make Indian exports less competitive and reduce their attractiveness to US buyers.

Source: business-standard.com– Mar 05, 2025

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How quality control orders are crippling India's trade competitiveness

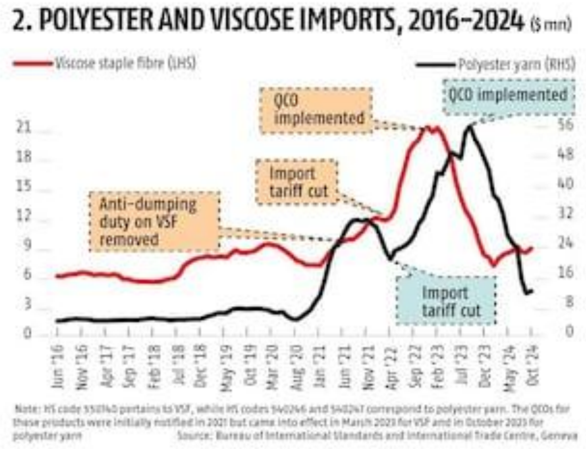
Just when exporters are coming under threat from abroad, they are also apparently facing disability from within the country. They have been hit by Quality Control Orders (QCOs), a new instrument which combines the worst of policy's protectionist, non-transparent, discretionary and micro-management instincts. This would be a costly combination at any time, but now is a particularly bad moment to make life more difficult for exporters. The QCOs must be eliminated urgently.

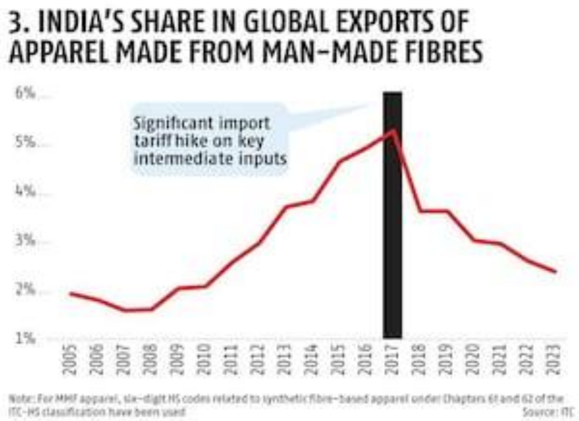
A quick history: Following 25 years of slow but steady opening, India reversed course in 2018 and turned back towards protectionism. This was part of a new strategy (aatmanirbharta) to revive manufacturing, which included raising tariffs and granting industrial subsidies under the production-linked incentive (PLI) scheme. In 2022, the government again started to reduce input tariffs, giving rise to hopes that it was rejoining the path of openness. But QCOs, as highlighted by Mihir S Sharma in these pages too, have now crushed those hopes, so much so that in protectionist magnitude and interventionist texture India's trade policy regime is now creeping back to that of the pre-liberalisation era.

As Figure 1 shows, there has been a veritable explosion of QCOs, with close to 775 of them having been notified, covering more than 100 sectors. In some sectors, such as man-made textile fibre and yarn (MMF), these cover nearly 100 per cent of imports. And this might just be the beginning. The government has apparently declared that many more QCOs are in the works. When the dust settles, we could be looking at around 2,600 products under QCO mandates — an astonishing expansion of bureaucratic control over trade.

QCOs are supposedly an innocuous instrument to make sure that Indian consumers are protected from low-quality foreign goods. In principle, domestic producers must also meet these standards, but in practice they are certified with alacrity. It is not so for foreign producers. When a QCO is notified, the Bureau of Indian Standards (BIS) must certify that foreign suppliers in the covered sectors meet Indian standards, meaning that officials must travel abroad to inspect every supplier's factories, assess production processes, and conduct rigorous testing. Until this occurs and approval is granted, no imports are allowed. In some cases, it is not obvious why the new standards are better than international ones that imports typically comply with; in others, even what the new standards are is unclear.

Note the many ways in which QCOs can be applied to foreign suppliers. Firms could be forced to wait long periods before officials come for a visit; they could be denied certification, which would lead to a broad import squeeze; and some might be certified but not others, like discriminatory tariffs. Indonesia recently officially raised a concern against India at the World Trade Organization (WTO) for not certifying its viscose exporters.





Consider the consequences of QCOs in the apparel sector. The most dynamic export segment in this sector is garments from man-made fibres, not surprisingly since most global brands use MMF; they are used in every Nike or Uniqlo product. Accordingly, Figure 2 shows imports of polyester and viscose, which are key MMF inputs in apparels. It is obvious that the shifts in the policy regime have had major impacts: Restrictions initially kept imports low, then a tariff reduction in 2022 finally allowed domestic apparel firms to start tapping foreign suppliers, but then the imposition of QCOs caused imports to collapse.

The cost of the renewed protectionism has been large: India's share in global MMF apparel exports, which had been growing, fell by half after import tariffs were nearly doubled in 2017, driving up production costs and eroding competitiveness. The rollback of these tariffs in 2022 could have helped revive this sector, but this measure was offset by the imposition of QCOs, causing serious damage to the industry — as garment exporter associations have been explaining to anyone willing to listen.

The country pays for these QCOs by way of exports, growth — and jobs. After all, the garment sector is highly labour-intensive, in contrast to polyester and viscose production, which is capital- and energy-intensive. So, on balance, the current regime destroys jobs domestically. What it does is to create windfall gains for a few very large and influential business groups, which are near-monopoly domestic producers of MMFs.

QCOs affect far more than the garment industry. Most notably, they are pervasive in the footwear sector, where they are imposed on the final product rather than on inputs, and in the solar panel industry, where they serve to raise the price of renewable energy and set back India's transition to renewables. At the current pace, no sector seems likely to be spared from QCOs.

The wise statesman C Rajagopalachari coined the term licence-quota-permit-Raj to describe the folly of policies in the planning era. QCOs represent a lapse back to those policies, as they fuse together economic nationalism, arbitrary interventionism, and crony capitalism.

India's exporters are already under dire threat from the US. That only makes it more important that they should not be attacked from the domestic side. QCOs must be eliminated immediately. It literally is a matter of life or death for this vital sector of the Indian economy.

Source: business-standard.com– Mar 04, 2025

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Non-tariff measures limit market access for Indian exports, says DGFT

Non-tariff measures being announced by developed economies such as European Union's carbon tax and deforestation regulation limit market access for Indian goods in those markets, a senior government official said on Tuesday. Addressing a post-Budget webinar, Director General of Foreign Trade (DGFT) Santosh Kumar Sarangi said that the other challenges before Indian exports include insufficient integration with global value chains, high import duties, technology disadvantage, and high cost of logistics (about 8-9 per cent of GDP against 5-6 per cent in developed nations).

He added that the export window is also narrowing because of aggressive industrial policies of advanced nations like USA's Inflation Reduction Act and Chips Act, and UK's advanced manufacturing plan.

Most non-tariff measures (NTMs) are domestic rules created by countries with an aim to protect human, animal or plant health and the environment. NTM may be technical measures like regulations, standards, testing, certification, pre-shipment inspection or non-technical measures like quotas, import licensing, subsidies, and government procurement restrictions.

When NTMs become arbitrary, beyond scientific justification, they create hurdles for trade and are called NTBs (non-tariff barriers).

Sarangi further said that export credit as a percentage of total merchandise exports is only 28.5 per cent in India.

He noted that total export credit provided is estimated at USD 124.7 billion as against the estimated requirement of USD 284 billion for a total merchandise export of USD 437 billion in 2023-24.

"Total export credit requirement is estimated for 2030 (USD one trillion goods exports target) at USD 650 billion," he added.

At current levels of financing of USD 124.7 billion, the trade credit gap is estimated to reach USD 525 billion by 2030.

The Export Credit Guarantee Corporation of India (ECGC) extends a total insurance cover of only USD 44.9 billion out of a total export credit of USD 124.7 billion.

The government is framing schemes for MSME exporters to provide credit at easy terms, promote alternate financing instruments through strengthening factoring services for them, and offer assistance to deal with non-tariff measures imposed by other countries.

The commerce, MSME and finance ministries are working on these schemes..

These schemes are being formulated under the export promotion mission, announced in the Union Budget for 2025-26. The Budget has also announced the setting up of BharatTradeNet as a unified platform for trade documentation and financing solutions.

Source: economictimes.com– Mar 04, 2025

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India's exports face pressure from US, EU trade policies, govt official says

Indian exports are facing mounting pressure from aggressive trade policies by partners such as the United States and the European Union, a senior trade ministry official said on Tuesday.

Citing the U.S. decision to raise import tariffs and initiatives like the CHIPS Act, Santosh Sarangi, head of the Directorate General of Foreign Trade (DGFT), said it was "high time India also looked at our trade and industrial policies comprehensively". U.S. President Donald Trump's proposal to impose reciprocal tariffs from early April on trading partners including India is worrying Indian exporters in sectors ranging from autos to agriculture, with Citi Research analysts estimating potential losses at about $7 billion a year.

Indian trade minister Piyush Goyal started on a trip to the United States on Monday to pursue trade talks, ahead of Trump's planned tariff measures. Limited integration into global value chains, high import tariffs on raw materials, and technological disadvantages in certain manufacturing sectors are hurting India's export ambitions, Sarangi told business leaders in a virtual address. "India needs an average growth of 14.4% per annum to achieve the target of $2 trillion in overall exports by 2030/31," he said, calling the goal "daunting" given that overall goods and services exports have grown at an average of just 5.2% annually over the past decade.

Total exports rose to $682.59 billion in the first ten months of 2024/25 fiscal year through January, up 7.2% year-on-year, from $636.69 billion a year earlier, while imports hit $770 billion, leaving a trade deficit of $87.47 billion, commerce ministry data showed. The European Union's carbon tax and growing use of protective non-tariff measures are also hurting Indian exports, Sarangi said.

"While exports are growing, India continues to experience a trade deficit, suggesting a need to boost export competitiveness and diversify export markets," he added.

Source: economictimes.com– Mar 04, 2025

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TN govt will release new textile policy soon: Minister

Coimbatore: The Tamil Nadu govt will release a new textile policy within ten days, minister for handlooms and textiles R Gandhi said in Coimbatore on Tuesday.

"We will release the textile policy within a week to ten days. Additionally, a separate project for the powerloom sector will be announced in the upcoming budget," he said.

The minister, along with minister for electricity, prohibition and excise V Senthil Balaji, inaugurated a five-day programme on entrepreneurship development in technical textiles under the National Technical Textile Mission (NTTM) of the ministry of textiles. The event, organised in association with the Tamil Nadu department of textiles, took place at the South India Textile Research Association (SITRA) here.

Speaking at the event, Gandhi said the state govt had approved 17 proposals from entrepreneurs to establish mini textile parks. Eight of these proposals are from Karur and five from Tirupur.

"We announced a 6% interest subvention scheme to modernise spinning machines, aiming at enhancing the competitiveness and productivity of the textile industry. This initiative, with an estimated cost of ₹500 crore, will be implemented over the next ten years," he said.

Addressing reporters after the inauguration, the minister emphasised the importance of technical textiles in the industry. "To support skill development training in technical textiles for entrepreneurs, the Union govt is providing ₹10,000 while the state govt is offering an additional ₹5,000 as assistance," he added.

When asked about the implementation of monthly billing for domestic electricity consumers, minister Senthil Balaji stated that the govt had cancelled the global tender for the procurement of smart meters and would soon float a retender. "Once the installation of smart meters is complete, we will introduce monthly billing for domestic consumers," he said.

Source: timesofindia.com– Mar 04, 2025

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