LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

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In next 10 years, we need to make India's economy self-reliant: PM Narendra Modi

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PM asks RBI to consider innovative credit policies for youth in new sectors

With several new sectors coming up and creating newer opportunities for the country's youth, the Reserve Bank of India (RBI) must explore out-of-the-box policies to ensure credit availability for these emerging fields, Prime Minister Narendra Modi said on Monday. He was speaking at a ceremony to mark the 90th year of the Indian central bank.

He highlighted the growth of the green energy sector, specifically the advances in solar energy, green hydrogen and ethanolblending. He mentioned the 5G technology and rising defence sector exports, and emphasised the importance of setting clear targets for the next decade. The PM pointed out the need to monitor the changes brought about by the cashless economy while promoting digital transactions.

Among those in attendance were Reliance Industries Chairman Mukesh Ambani, Mahindra Group Chairman Anand Mahindra, Tata Sons Chairman Natarajan Chandrasekaran, 16th Finance Commission Chairman Arvind Panagariya, former RBI Governor Urjit Patel, SBI Chairman Dinesh Khara, and CEOs of banks.

Modi commended the RBI for its efforts in revitalising financially distressed banks and transforming them into profitable institutions. “In 2014, when I attended the programme for the completion of the RBI’s 80 years, the situation was very different. The entire banking sector in India was struggling with problems and challenges. Everyone was doubtful regarding the stability and future of India’s banking system.”

“The situation (then) was so bad that public-sector banks were not able to provide enough boost to the country’s economic progress. Today, India’s banking system is seen as strong and sustainable,” he said.

The PM asserted that the banking sector’s profitability and the surge in credit growth were outcomes of collaborative efforts between his government and the RBI over the past decade. He also highlighted a remarkable decline in gross non-performing assets (NPAs) of public-sector banks — from 11.25 per cent in 2018 to under 3 per cent by September 2023.

On the once-prevalent ‘twin-balance sheet’ issue, Modi declared the problem resolved, with banks now witnessing robust credit growth of 15 per cent. He acknowledged the RBI’s substantial contribution to these achievements.

PM Modi emphasised the imperative of accelerating digital transactions over the next decade and underscored the importance of monitoring advances in the cashless economy. “We will have to grow digital transactions in the next 10 years. We will also have to keep an eye on the developments coming from the cashless economy... What happened in the past 10 years was just a trailer, still a lot is to be done to take the country much further,” he said.

Confident of another term, the PM, on a lighter note, told RBI officials that their work would increase on the very next day of his swearing-in. “I am busy with elections for the next 100 days. So, you have a lot of time to think about (new policies),” he said.

The country is gearing up for general elections, starting on April 19, in which the Modi-led Bharatiya Janata Party (BJP) will be vying for a third term in office. The election results are scheduled to be announced on June 4. Modi also mentioned more than 12 billion monthly transactions via Unified Payments Interface (UPI) making it a globally recognised platform. On the work being done on the Central Bank Digital Currency, he said the transformations of the past 10 years had enabled the creation of a new banking system, economy and currency experience.

In his speech, RBI Governor Shaktikanta Das said the well-calibrated and coordinated monetary and fiscal policies adopted in the country went a long way in shielding the economy from the shocks of Covid-19 pandemic and geopolitical hostilities and helped India emerge even stronger than before. “It is a matter of satisfaction that today our GDP growth is robust, inflation is moderating, the financial sector is stable, the external sector remains resilient, and the forex reserves are at an all-time high,” he said, adding the RBI had emerged as a symbol of stability, resilience and commitment to the welfare of the citizens.

“As we move towards RBI@100, the Reserve Bank remains focused on ensuring a stable and strong financial system that would act as bedrock for our country’s economic progress,” Das said.

Finance Minister Nirmala Sitharaman said the stability in government securities yields had bolstered overall financial market resilience and investor confidence in the Indian economy. She emphasised that the measures undertaken for monetary tightening had effectively stabilised the G-Sec yields. “The stability in the G-Sec market has contributed to overall financial market resilience and investors’ confidence in the Indian economy,” she said.

Sitharaman lauded the RBI’s proactive approach in addressing inflation, a persistent concern in many economies, as well as its innovative strategies to uphold financial stability.

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Here's why the India-EFTA free trade agreement will herald a new phase of trade policy

Sixteen years and as many as 21 rounds of negotiations—that is what it took India and the four-nation European bloc of Iceland, Switzerland, Norway, and Liechtenstein to sign the Trade and Economic Partnership Agreement (TEPA) on March 10.

Through the agreement, the European Free Trade Association (EFTA) is committed to promoting foreign direct investments of $100 billion in the next 15 years. It is also likely to create 1 million jobs in that period.

The EFTA is offering 92.2% of its tariff lines, which covers 99.6% of India's exports, while India is offering 82.7% of its tariff lines which covers 95.3% of EFTA exports. A tariff line is an item listed in a country's tariff schedule. This means that gradual reductions in customs duty would help lower the prices of a number of goods imported from these countries.
An analysis by the Global Trade Research Initiative (GTRI) revealed that for wines priced between $5 and $15, the import duty will be cut to 100% from the prevailing 150% in the first year, and gradually thereafter in 10 equal instalments. This will take the final duty to 50% at the end of the tenth year. Tariffs on clocks and watches will be lowered to zero in seven years, while tariff on items like olives, avocados, apricots, coffee, and chocolate would be reduced to zero in 10 years.
While there remain questions about how investments and consequent job creation will pan out, given that they will be driven by the private sector, experts note that this free trade agreement (FTA) is significant as it is the first to be signed with an important European economic bloc. Pacts with the European Union and the UK are still under negotiation.
Agneshwar Sen, Partner-Tax and Economic Policy Group at EY India, says the pact is different from the previous agreements, which were limited in scope.
"For the first time in the EFTA pact, India has stepped into the next phase, where we are now looking at issues like sustainability, labour, and gender. India has given concessions on tariff, but we have also sought what we require from these countries—investments," he says.

For now, with the EFTA pact done, hopes remain that similar agreements with Oman and the UK will materialise soon.

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Indian Export Industry Leaders Demand Exemption From Section 43B(H)

Indian exporters are concerned about the new Section 43B(h) of the Income Tax Act, which mandates timely payments to micro and small enterprises. They are worried they will lose opportunities to their competitors in the global market in the absence of a level playing field because of this section. India's export promotion councils have written a letter to Prime Minister Narendra Modi, demanding an exemption for exporters from this mandate, as it might create significant trouble for them.
Major export promotion councils have stated in a letter to the PM that the provision should not apply to exports. The supplies of goods from micro and small units to exporting units,

either for manufacturing export products or for further exports, should be exempted from this provision.

The export promotion councils have pointed out that the average lead time for an export consignment is about 90 days, compared to a shorter time for domestic consignments. Foreign buyers generally make payments within 30 days after receiving the goods.

Ajay Srivastava, founder of the Global Trade Research Initiative (GTRI), said in a LinkedIn post that the Reserve Bank of India (RBI) allows nine months for realising money from foreign buyers. In contrast, China provides long credit lines to its buyers. The current provision will immediately impact India's exports from small firms and weaken the Indian export narrative and targets.

He stated that there is a need for wider consultation on the provision. The government should exempt exporters and reconsider application on small firms. Section 43B(h) excludes 'medium enterprises'—those with investments in plant and machinery or equipment not exceeding ₹50 crore and a turnover not exceeding ₹250 crore. It defines micro and small enterprises based on investment and turnover limits.

Srivastava mentioned that there is nothing apparently wrong with it. Section 43B(h) is an effort on part of the government to support MSMEs' financial stability and operational success, alongside similar measures in GST law. Yet, the rule is expected to increase compliance efforts and financial strain for companies.

He added that the government should not enforce this law retrospectively, i.e., for invoices or dues after April 1, 2023. It should apply to invoices or dues after April 1, 2024.

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ITA & ACIMIT Announce Tech Workshops To Boost Indo-Italian Textile Biz

The Italian Trade Agency (Trade Promotion Section of the Italian Embassy), in collaboration with Association of Italian Textile Machinery Manufacturers (ACIMIT), has announced a delegation visit of 11 prominent Italian textile machinery manufacturers to India, set to take place from April 9-12, 2024. The visit aims to foster stronger business cooperation between India and Italy through a series of technology showcase events in Delhi and Mumbai.

Scheduled for April 9, 2024, at the Hyatt Regency Hotel in New Delhi and April 11 at the Hyatt Centric Juhu Hotel in Mumbai, the workshops will focus on the latest italian technology of the entire value chain from spinning, knitting, weaving, nonwovens, dyeing, and finishing. These events represent a significant opportunity for decision-makers and experts from the Indian textile and nonwovens industry to learn about the latest solutions aimed at making their textile business more sustainable and efficient.

The Italian delegation comprises renowned companies that span the entire textile value chain, including spinning, knitting, weaving, nonwovens, dyeing, and finishing sectors. This initiative not only highlights the innovative technologies that Italian manufacturers bring to the global textile industry but also underscores the potential for enhanced Indo-Italian collaboration in this vital economic sector.

Among the visiting companies are Testa Group, known for its customised textile finishing machinery; Cubotex, a leading producer of dyeing machines and dryers; and Monti-Mac, specialising in the automation of sewing processes.

Other notable participants include MCS Officina Meccanica Spa, offering advanced solutions for dyeing and finishing; Danitech, focusing on eco-friendly dyeing machinery; and SICAM, providing

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GLOBAL

US economy strengthens, sluggish China welcomes FDI as investments pour in

US President Joe Biden delivered his State of the Union address to the US Congress on 7th March. On the other side of the Pacific in China, the 21st National People's Congress held its plenum.

Biden made a pitch for higher taxes and more social sector expenditure. These reflect traditional Democratic Party positions. But there was a strong partisan slant in an election year, which will ensure that American polity will remain polarized. On China, the President was cautious. He mentioned ‘We want competition with China, but not conflict.’ While the ‘work paper’ presented in the Chinese Communist Party National Congress emphasized Taiwan and hiked up defense expenditure.

Biden Cautious on China

President Biden defined his position in contrast to Trump’s positions on a range of foreign and domestic policy issues. He mentioned ‘Putin of Russia is on the march, invading Ukraine and sowing chaos throughout Europe and beyond.’ He underlined his administration’s commitment to Ukraine and NATO. He contrasted this with his predecessor’s position, ‘a former Republican President’, who told Putin, ‘Do whatever the hell you want.’ On China, he struck a more cautious note. He said ‘our GDP is up’, and ‘our trade deficit with China is down to the lowest point in over a decade.’ He said that America ‘is standing up for peace and stability across the Taiwan Strait.’ He added that he has ensured ‘that the most advanced American technologies can’t be used in China’s weapons.’

President Biden reiterated traditional Democrat positions on abortion, gun control, and taxes, contrasting them with the Republican positions. He said that a $2 Trillion tax cut by the previous administration ‘overwhelmingly benefits the very wealthy and the biggest corporations and exploded the federal deficit.’ On his part, he suggested that the corporate minimum tax be raised from 15 percent to 21 percent. Whatever the merits of the positions of the two parties, this suggests that the American polity will remain deeply divided. The division already extends to Congress, where the Democrats control the Senate, while the Republicans control the House. The House decides the budget. Thus, President Biden will have little control over the budget process necessary to support his agenda. He will have to depend upon the monetary policy, which is controlled by the Federal Reserve and the Treasury. The administration will have to depend upon debt, rather than taxes, to finance social spending and economic programs.

China Addresses Economic Concern

The Chinese Premier did not address the customary press conference which used to give the outside world a peek in the closed world of the Middle Kingdom. *The increase in defense expenditure (7.5 percent) outstrips the projected growth of Chinese GDP (5 percent).* This is perhaps a more significant outcome than the downgrading of the prime minister's office. It also has direct implications for India's security. The reference to the Taiwan Strait issue in the working document omitted the caveat 'peaceful resolution'.

The outcome focused on economic issues. At the same time, the role of the state in the economy would grow. China will support its companies in setting up e-commerce businesses abroad. This is a response to growing protectionism. China has also welcomed FDI. This is a signal to the US companies who have invested a great deal in China in the past. Wall Street, particularly the US financial sector, still regards China as a good bet. The Chinese would like to lure them to build up a hedge against Trump's win in the Presidential elections which might see a return to tariff wars.

The 'work paper' presented by the Chinese Government to the People's Congress emphasized that renewable energy has exceeded coal in terms of capacity. This is a wordplay. There is a distinction between capacity and generation. Renewables due to intermittency and low PLF have relatively lower generation. In China's case, the renewables share in the generation is 24 percent according to IEA. However, coal still accounts for more than 60 percent of generation. This year alone, nearly 200 GW of new coal-based power plants have been sanctioned or are under construction. This is nearly 80 percent of India's total installed capacity. The Chinese are highlighting the increase in renewables to disguise the much larger thermal power sector which China is expanding at a furious pace. The larger message is that China would like to capture more of the meager carbon space remaining before it 'peaks' its emission in 2030.

And Money Continues to Flow

The US economy is in strong shape, while the Chinese economy is slowing down. Yet the money is pouring into the Chinese economy. According to a Wall Street Journal report, Hang Seng and Shanghai Composite index both went down last year. MSCI World Index was up by 22 percent. This was a 33 percent difference over the MSCI China index, which went down by 11 percent. Yet global investors are investing more in China. They feel that recovery when it comes, will bring excellent returns over current Chinese stock valuations. Out of $ 18 billion that went into global equity funds, $ 12 billion went into Chinese equity. Out of the $ 20.8 billion investment that went into the Emerging Markets, $ 19.8 billion inflows went into Chinese stocks.

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NBR Starts Aligning Bangladesh's Tariff Structure With WTO Commitments

A review of Bangladesh's tariff regime by the National Board of Revenue (NBR) has identified 60 tariff lines where customs duties and associated charges now exceed the bound rates set up in World Trade Organisation (WTO) agreements.

Customs duties on six items have been reduced initially.

The plan is to gradually adjust these rates to fall within the WTO-agreed bound tariffs by 2026, according to domestic media reports.

Bound tariffs represent the maximum most-favoured nation (MFN) tariff rate a country commits to at the WTO, serving as a ceiling that applied tariffs cannot exceed.

Generally, bound tariffs are negotiated when countries accede to the WTO or through subsequent trade negotiations, setting these rates higher than their applied tariffs to retain policy flexibility.

However, exceeding these bound rates without proper adjustments can lead to disputes and demands for compensation; hence the need to adhere to them.

The Bangladesh government has also resolved to eliminate the minimum import price requirement, already removing it from 55 items with a strategic plan to phase it out entirely from the remaining 130 products by 2026. This is aimed at simplifying the import process and fostering a more competitive market environment.

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Sri Lanka Decides To Switch To Dollar In ISB Exchange: Reports

The Treasury's recent announcement unveils a potential shift in Sri Lanka's financial landscape, as it explores a US dollar-denominated International Sovereign Bonds (ISBs) exchange offer.

This is as per reports, which added the call for Request for Proposals (RfPs) seeks interested parties to serve as dealer cum manager in this initiative.

Described by the Ministry of Finance, Economic Stabilisation, and National Policies as the "Potential International Sovereign Bonds Exchange Offer," the endeavour aims to restructure existing ISBs.◇

The government intends to replace current US dollar denominated ISBs with new ones in the same currency. The outstanding value of these ISBs amounts to $12.1 billion, a significant portion of the $22 billion external debt slated for restructuring.

Banks are invited to submit proposals to be considered for the role of Dealer Manager, collaborating with financial and legal advisors Lazard Frères SAS and Clifford Chance LLP. Simultaneously, Treasury and Central Bank officials are in London negotiating with commercial creditors, including ISB holders.

The Dealer Manager's responsibilities encompass various tasks customary in sovereign debt exchange offers. These include preparing the exchange offer, coordinating with stakeholders to maximise ISB holder identification, assisting in the design and execution of the exchange offer strategy, and monitoring market conditions.

Observers view this move as pivotal for Sri Lanka's financial outlook, potentially paving the way for increased international financial aid.

Charlie Robertson, head of macro strategy at FIM Partners, noted the significance, suggesting it signals progress toward a deal. Such exchanges have gained traction amid economic challenges exacerbated by the pandemic, with countries like Argentina relying on similar strategies to manage their finances post-default.

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Nigerian govt urged to revive country's T&A industry

In an effort to create two million jobs and lower the annual cost of over $4 billion incurred on the importation of clothing and textiles, the Nigerian government recently encouraged to revitalize and invest in the textile industry.

The National Union of Textile Garment and Tailoring Workers of Nigeria (NUTGTWN) recently held its 13th national delegates conference. During the conference, John Adaji, the union's outgoing president said that 90% of textile items in Nigeria are currently imported.

But, due to a lack of facilities, high energy prices, and insufficient support from government agencies, the cost of producing textile materials domestically is also high.

In order to boost production, there should be more renewed emphasis on textile and power industry. So need a new power policy to give room for effective power plants in the country.

Additionally, Joe Ajaero, the president of the Nigeria Labour Congress (NLC), urged the government to act quickly to revive the textile sector.

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Myanmar aims to plant over 600,000 acres of cotton in 2024-25 FY

Read more at : Myanmar aims to plant over 600,000 acres of cotton in 2024-25 FY (uniindia.com)

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A brief guide to clothes recycling – sustainability expert unpicks how your discarded garments get processed

Have you ever paused to ponder the fate of those bags of old clothes you carefully deposit into the charity bin at the end of the street or within the bustle of a supermarket parking lot? It's easy to imagine that those garments get magically transformed into fresh, wearable fashion, but in the UK, the reality is much more complicated.

The truth behind clothing donation and recycling is a journey fraught with complexities often not visible to the public eye. Textile waste – the clothing that we all buy, use and dispose of – is a significant environmental problem that often goes unnoticed.

Globally 88% of our clothing still ends up in landfills. The mountains of textile waste will be getting higher as garment production rises at an alarming rate. In 2000, global manufacturers churned out 50 million tonnes of textiles, according to the European parliament. By 2020, this figure had more than doubled to 109 million tonnes and global textile production is predicted to grow to 145 million tonnes by 2030.

While writing my chapter for the book Recycling and Lifetime Management in the Textile and Fashion Sector, I researched the policies and technological advancements that facilitate the process of textile recycling.

Used or unwanted clothing gets collected from various sources, including donation centres, textile recycling bins, charity stores or direct from consumers. Once collected, the textiles undergo sorting at UK facilities based on what type of material it is, colour and condition. Garments that are deemed reusable – those that aren't stained, soiled or torn – are shipped to countries in Africa and Asia.

However, market sellers in these countries that receive these used garments often complain that the clothing is not fit for resale and ends up in a landfill.

A textile sorter and processor based in the east Midlands told me that approximately 40% of sorted garments were not fit for reuse and needed a recycling solution.

Fibre-to-fibre recycling is different to reuse. Reuse means that a garment is fit to have a second life and can be donated to charity or resold on websites such as Vinted. Fibre-to-fibre recycling is the process of breaking down the material of the garments so that it returns to its original state of a fibre, which may resemble pieces of fluff. That's either done mechanically or chemically.

Mechanical recycling involves chopping up old clothes into tiny pieces – a bit like shredding paper. Materials are sometimes moistened with water to enhance the tearing process. The fibres are then separated using a process called "carding", which involves using a machine to comb out and straighten the fibres, ready to be used to make new products.

To transform the fibres into textile yarn, mechanically recycled fibres are mixed with virgin fibres – because these new fibres are longer, they add strength to the yarn when spun.

Chemical recycling involves breaking down fragments of old clothes into smaller parts. These are then cleaned and purified using filters and separators. Chemical solvents are used to break down polymers, remove dyes and dissolve other additives. Once clean, broken down fibres can be spun to make new yarn, just like making cotton from scratch. This recycled yarn can be woven into fabric using industrial weaving machines.

Transforming textiles

Mechanical recycling produces short lengths of fibre and results in poor quality yarn. Relying on raw virgin fibre to add length and strength can be costly.

Chemical recycling of polyesters, which are made from plastic, can create harmful tiny particles of microplastics in the air and waterways. Volatile organic compounds – chemicals that exist in gaseous form – can be inhaled and cause health problems, such as damaged liver, kidneys and central nervous system, and cancers affecting the lungs and blood. The process also emits carbon dioxide and methane, both greenhouse gases that contribute to global warming.

Expanding these recycling methods is expensive and potentially damaging to the environment. Systematic change begins when influential fashion brands reduce overproduction and waste by streamlining their production processes and designing products that are easy to recycle as part of a more circular economy.

While green chemistry and circular design solutions could make recycling textile waste more efficient, more effective and safer for humans and the planet, the issue of excess waste still needs to be addressed. As shoppers, we can all make a difference by being mindful of our purchasing habits, appreciating the clothing we already own and repairing items instead of discarding them.

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Garment exporters call for construction of textile mills Garment exporters call for construction of textile mills

A trade association of garment exporters is urging the government to facilitate the construction of new textile factories in the country, in anticipation of an increase in the demand for these goods once the Philippines enter into a free trade agreement (FTA) with the European Union (EU).

Robert Young, president of the Foreign Buyers Association of the Philippines (FOBAP), said last week they have been requesting the government to build a pilot commercial-scale wearable textile factory.

"Just one will be enough, we have to quickly start something so that these foreign investors will follow suit," Young said in a statement.

"Garments, once it's there, can be a lifesaver to any economy just like in Bangladesh and Vietnam, India, Laos, (and) Cambodia," added Young, who is also the trustee for the textile, yarn and fabric sector at the Philippine Exporters Confederation Inc. (Philexport)

Young, who is the head of the group which exports around $1 billion worth of garments and apparels overseas, also said that Philippine garment exports are currently subjected to a 12-percent tariff or even more.

Expected rise in PH garments

He said that this is due to the strict rules of origin, which imposes a ceiling for value-added inputs sourced from a country which is not a beneficiary under the EU's Generalized Scheme of Preferences (GSP) scheme.

"They (EU) prefer that the fabric we will be using will be sourced from the Philippines. So, this is one way of saying the Philippines has to produce its own fabric," he said.

Further, the FOBAP official said that building a pilot factory in the Philippines so the country can produce its own fabric or textile is necessary given expectations that the revival of negotiations for an FTA with the EU will also prescribe the same requirements.

He said that with EU's enforcement of these strict rules, industry players are expected to hit just 80 percent of their target garment and apparel exports of at least $1 billion this year.

Aside from the suggestion of building a pilot commercial-scale wearable textile factory, Young said that they have also asked the government to make a formal request to the EU to allow the Philippines to use imported materials while qualifying for zero duties while the facility is being built.

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