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30th

April
2024

News Highlights

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India a potential superpower, will seal FTAs on our terms: Goyal

India is a potential superpower and would not rush into closing **Free Trade Agreements** (FTAs) unless these are on New Delhi's own terms, said Piyush Goyal, Union Minister of Commerce and Industry, Consumer Affairs and Food & Public Distribution, and Textiles.

Responding to a question at The Indian Express's Idea Exchange (a detailed transcript will be published Monday) on **FTA talks between India and the UK**, and the failure of the two countries to reach a consensus ahead of 2024 Lok Sabha elections, Goyal said, "India now is not the India of 2009 or 2010… The Modi government goes about FTA negotiations very cautiously, with a great deal of stakeholder consultations, and negotiates very hard from a position of strength. The world today knows that when you negotiate with India, you're negotiating with a $35 trillion economy, not a $3.5 trillion economy. In an FTA, one has to do crystal gazing and see what is good for the country over the next 20-30-50 years. These are long sustaining agreements and unless we get that on our terms, we don't rush into closing any FTA negotiation."

Pointing out that negotiations are confidential, Goyal said one small item or many items could hold back an agreement. "But we are okay with it. The country's farmers, fishermen, MSMEs have to be protected, domestic manufacturing has to have a level playing field, and there has to be transparency on both sides in how countries operate. We have to ensure that we do not allow people to come in from unfriendly countries through the backdoor. So, many significant issues have to be balanced in a larger perspective," he said.

Goyal, who is set to contest the 2024 Lok Sabha elections from Mumbai North constituency, and holding daily meetings in the area, said that he aimed to make the area slum free and significantly enhance the quality of municipal schools.

"I've been toying for many years with an idea of how to make the country slum-free. And now that I get an opportunity to represent an area, it will be a good 'laboratory' for me to see how we can work to make that entire area slum-free. And I think one of the ways will be getting more and more people to work in the spirit of cooperatives, rather than being always dependent on real estate builders, and the big guys to come in and solve this problem."

On public education, he said, "Through digital connect technology, I'll be able to pick up the entire municipal school infrastructure and bring them to a stage where they also get the same quality of education that a student gets at a private school."

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Hard work needed for India tobe 3rd largest economy: FM

India's aim to become the third-largest economy in the next few years is not an 'arithmetic inevitability' as claimed by Congress leader P Chidambaram, but requires a lot of efforts and visionary leadership of Prime Minister Narendra Modi, Finance Minister Nirmala Sitharaman said on Monday.

Addressing Viksit Bharat Ambassador Campus Dialogue at Gitam University in Visakhapatnam, Sitharaman said that "the previous Congress-led government could increase the Indian economy's ranking just by two places from 12th to 10th in 2004-2014, but it improved to 5th place under Modi's tenure between 2014-2024."

Recently, former finance minister Chidambaram said no matter who the prime minister is, India's GDP will become the third largest in the world. "There is no magic in it. It is an arithmetic inevitability given the size of India's population," he had said.

Sitharaman said that economic growth needed a visionary leader who would ensure that corruption did not eat into the goodwill and earnings of common people. "PM Modi has given a guarantee and with clean and transparent administration, we will make sure India reaches the third rank soon," she said.

"It's not a mathematical inevitability. You need effort, you need a visionary leader, you need to stop corruption, you need to make sure that skills are available for our students, you need to make sure functions in delivering welfare schemes for common people, you need to make sure that poor get their due and you also need to make sure businesses have an environment to grow," she said.

Except for the global financial crisis in 2008, there were no major problems in those (Congress-led) 10 years while there was a global pandemic in 2020 and despite that India reached the fifth rank from the 10th rank in the last 10 years, she added.

According to the International Monetary Fund, Indian economy is projected to have a size of $5.153 trillion in 2027 (FY28), up from $3.386 trillion in 2022 (FY23), which necessitates 52% growth in five years. Though this is not a growth rate that is very high or unprecedented by India's growth in the recent decades, it would still enable it to overtake both Germany ($4.947 trillion) and Japan ($5.077 trillion), to be on the third slot in the global economic pecking order by 2027, as these economies might continue to grow at anemic rates. Between 2014 and 2027, India will have jumped from 10th to the third rank among national economies.

India will likely overtake Japan and Germany to become the world's third-largest economy with a gross domestic product (GDP) of $7.3 trillion by 2030, S&P Global Market Intelligence said recently.

Responding to a question, the finance minister said sunrise sectors including renewables, advanced chemistry, green hydrogen, artificial intelligence, agro-processing and fintech have huge potential for growth in India.

Finance Ministry's economists led by Chief Economic Adviser V. Anantha Nageswaran recently said the India will become the third largest economy in the next three years with a $5 trillion GDP.

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IIP growth seen slowing to 4.7% in FY25

The growth in factory output, as measured by the Index of Industrial Production (IIP), is likely to slow down to around 4.7% in FY25 from an estimated 6.1% in FY24, in the backdrop of the statistical effect of a high base and fading away of pent-up demand, say economists.

In April-February FY24, IIP growth has averaged 6%.

An expectation of a slower IIP growth would also mean GDP growth in FY25 may end up lower than 7.5% projected by the National Statistical Office for FY24.

The Centre for Monitoring Indian Economy (CMIE) expects all three sectors – ‘mining & quarrying’, ‘manufacturing’, and ‘electricity’ to register a slower growth in the current fiscal year as compared to FY24.

‘Mining & quarrying’ is likely to grow at 4.8% in FY25, down from 8.8% in FY24, and ‘manufacturing’ growth is seen slowing to 4.5% from 5.6%. ‘Electricity’ output growth is also likely to slow down to 5.8% in FY25 from 7.2% in FY24.

Within manufacturing – which accounts for about 78% of the IIP – the output of coke and refined petroleum products, food, beverages and textiles is likely to grow at a faster pace in FY25 as against FY24. CMIE expects coke and refined petroleum products to drive much of manufacturing and IIP growth this year, as major capacity additions are planned this year. The sub-segment carries a weight of 14% in the manufacturing group.

As per CMIE’s Capex database, six projects belonging to the refinery industry worth Rs.31,630 crore are expected to be completed during FY25. Of these, two projects from Hindustan Petroleum Corporation Ltd (HPCL) and Indian Oil Corporation Ltd (IOCL) are expected to add capacity of 16.2 million tonnes (MT) on petroleum products.

Within the use-based category, the output of consumer durables and non-durables goods are likely to witness an accelerated growth due to low base and revival in rural demand; while the growth of capital goods is likely to ease, along with intermediate and infrastructure goods.

“While we do expect some revival in private capex, it may come later in the year supported by revamped PLI and improving capacity utilisation,” said Anitha Rangan, economist, Equirus Securities. “Therefore overall, capital goods could be the slowest in growth.”

Both consumer durables and non-durables recorded a growth of 3.3% and 4.2%, respectively, in the first eleven months of FY24. This is only likely to grow forward, thereby helping push up the IIP growth.

"Consumption growth in FY25 will be led by rural demand with monsoon expected to be better, supported by La Nina conditions. In FY24 rural demand has been weak as crop output was impacted by uneven monsoon," said Gaura Sen Gupta, economist, IDFC FIRST Bank.

Sen Gupta sees GDP growing at 6.5% in the current fiscal – largely due to rise in input costs and increase in GDP deflator (growth in y-o-y terms). In FY24, a GDP deflator of 1.5% y-o-y likely boosted real GDP growth, but this year the deflator is expected to be much higher with increase in WPI inflation.

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Export credit access may become easier amid geopolitical tensions

export credit: Export credit access may become easier amid geopolitical tensions - The Economic Times (indiatimes.com)

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India's Leading Economic Index Dips In March 2024: TCB

The leading economic index (LEI) for India saw a decline of 0.6 per cent in March 2024, settling at 157.1, according to a recent update from The Conference Board (TCB). This downturn follows a consistent upward trend over the previous seven months. Despite the recent dip, the LEI has still managed a growth of 2.5 per cent over the six months spanning from September 2023 to March 2024. This rate, however, is slower compared to the 3 per cent increase observed in the preceding six months.
The coincident economic index (CEI) for India, which measures current economic activity, significantly fell by 4.2 per cent in March 2024 to 145.3. This drop partially reverses the substantial gains seen in the first two months of the year. Overall, the CEI grew by a marginal 0.3 per cent over the same six-month period, a stark deceleration from the 3.5 per cent growth recorded in the prior six months, as per TCB.

Despite the mixed performance of these economic indicators, The Conference Board remains optimistic about India's economic prospects. India is projected to retain its status as the fastest growing major economy in 2024, with an expected growth rate of 7.1 per cent, slightly down from the 7.7 per cent growth achieved in the previous year.

"The LEI for India fell in March," said *Ian Hu, economic research associate, at The Conference Board*. "A substantial decrease in merchandise exports, as well as much smaller negative contributions from cargo handled and exchange rates, fuelled the decline in the LEI. Despite this, the level of each component of the LEI remains higher than six months ago. Additionally, semi-annual and annual changes continue to show positive growth, indicating that the ongoing economic expansion is likely to be sustained throughout 2024."

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Expectations of future policy impact markets more than rate announcements: RBI paper

Indian equity markets are affected more by the changes in the market's expectations of future monetary policy than the policy rate surprise on the day the Reserve Bank of India announces the policy, according to a working paper released by the RBI.
This is in agreement with the conventional thinking that equity markets are forward-looking, the paper said. "We also find that volatility in equity markets is affected by both target factor (announcement of the policy) and path factor (expectations about the policy) as markets digest the policy announcements and traders adjust their portfolios throughout the day," the RBI analysis prepared by RBI officials said.
"Using an alternative specification to examine the potential asymmetric impact, we find an increased negative sensitivity of equity returns with respect to the path factor when repo rate is altered vis-à-vis when the rate is left unaltered," the RBI paper said. For volatility, the sensitivity to the path factor continues to be significant, it said.

According to the paper, while the intraday analysis with narrow windows of 30 and 60 minutes is aimed at controlling for other potential drivers of equity prices, it may be noted that the monetary policy announcements are accompanied by regulatory and developmental measures which can also impact markets. "The sparse trading on occasions in the OIS (overnight indexed swap) markets as well as other domestic and global developments during the narrow window can also impact the analysis," it said
As per the regression analysis, Repo rate surprises, as captured by the target factor, have almost no effect on equity returns. "The market's expectations of the future path of monetary policy, as captured by the path factor, however, remain significant. This

corroborates the conventional thinking that markets are forward-looking, and the expected path of monetary policy could have implications for the cost of capital for corporates, affecting future earnings, and hence, equity returns," the RBI analysis said.

Further, equity markets' volatility is affected by both the target and path factors, as markets digest the policy announcements throughout the day and traders adjust their portfolios. Stock prices react differently when policy rates are altered compared with when policy rates are left unchanged, the paper said. For returns, an increased negative asset price sensitivity with respect to the path factor is observed when the repo rate is altered. For volatility, the sensitivity to the path factor continues to be significant, however, target factor is found to be insignificant, it said.
The RBI analysis covers the period starting with the implicit adoption of a flexible inflation targeting regime in India — from January 2014 to July 2022.

Overnight Indexed Swap (OIS) is an interest rate swap where the floating leg of the swap is linked to an overnight index (MIBOR in case of India), compounded every day over the payment period.

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RBI Launches Two Key Surveys For Monetary Policy Inputs

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Indian economy expected to achieve higher than 7% growth in 2024-25: NCAER

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FinMin studying HC order on PSBs' look out circulars for wilful defaulters

The Finance Ministry is studying the recent Bombay High Court order banning public sector banks from seeking the issuance of look out circulars, or LOCs, against wilful defaulters, sources said.

Quashing the powers granted by the Union government to public sector banks (PSBs) to act against wilful defaulters, the High Court said it is arbitrary and violative of a person's fundamental rights.

The finance ministry is aware of the April 26 judgement and will make a detailed assessment of the order, sources said, adding that the next course of action will be decided after studying the order.

A division bench of Justice Gautam Patel and Justice Madhav Jamdar had on April 23 held as unconstitutional the clause of an office memorandum issued by the central government empowering the Chairman, Managing Directors and Chief Executive Officers of public sector banks to seek issuance of LOCs against default borrowers or even persons who stood guarantee for such borrowers.

In its 289-page judgement made available on April 26, the bench said an executive function cannot substitute a statute and the executive cannot in any event contravene the Constitution.

Commenting on the Bombay High Court order, former Financial Services Secretary D K Mittal said it is not proper on behalf of banks to seek issuance of LOC against a defaulter as it is not done after thorough investigation and that is why the High Court has termed it arbitrary.

However, he said, investigative agencies like the Central Bureau Investigation (CBI) do it after proper investigation in any matter.

Default by a borrower can take place due to various reasons, including business failure, economic condition turning adverse, global factors, etc, he said, adding that there are only a few wilful borrowers whose intension is not to pay.

Additionally, he said, banks often hastily label borrowers as willful defaulters without thorough investigation, severely impacting their future business prospects.

Without mediation, companies are forced into bankruptcy, sold at reduced values, leading to losses for shareholders, banks, and promoters.

The recent recommendation by an expert committee for a voluntary mediation framework under the Insolvency and Bankruptcy Code (IBC) is timely.

An expert panel set up by the Insolvency and Bankruptcy Board of India (IBBI) made such recommendation of introduction of voluntary mediation as a complementary mechanism for the resolution of disputes.

It has recommended a phased introduction of voluntary mediation as a dispute resolution mechanism under the Code while maintaining the sanctity of the timelines for various existing insolvency resolution processes.

The core essence of the framework is its independence and flexibility to provide room for quick incorporation of implementational learning.

It has suggested establishment of a dedicated and specialised NCLT-annexed insolvency mediation cell with an independent secretariat to administer, oversee, and manage the conduct of insolvency mediations under the Code.

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CBIC develops common bank audit plan for central, state GST officers

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Punjab's cotton production surges despite dip in area

Despite having the lowest-ever area under cotton cultivation in Punjab during the 2023-24 season, the state has witnessed a notable increase in production of the crop compared to the previous year.
Even as the area under cotton has decreased by 80,000 hectares compared to the previous year, Punjab has recorded significant gains in yield per hectare. Punjab is among the three states of the north zone where cotton is cultivated.
The other two are Haryana and Rajasthan.
According to data sourced from the Cotton Association of India (CAI) and the Office of the Textile Commissioner under the Union Ministry of Textiles, Punjab's cotton production stands at 59,500 tonnes (equivalent to 3.50 lakh pressed cotton bales) as of March 31, 2024.

This marks a considerable increase from last year's production of 46,740 tonnes (2.75 lakh bales) by the same date. Notably, one bale equals 170 kg.
The latest report from the CAI suggests that Punjab's cotton production is poised to rise further. Given Punjab's cotton season spanning from October to September, cotton arrivals in the mandis continue throughout the year. The Office of the Textile Commissioner estimates Punjab's total production to reach 4.89 lakh bales by the end of this season, compared to around 4.44 lakh bales last year.
Yield and area trends

Punjab's cotton cultivation area this year stood at approximately 1.69 lakh hectares, marking an all-time low in over six decades. Despite this, the yield per hectare in Punjab reached around 491.89 kilograms, equivalent to approximately 4.92 quintals per hectare. Last year, Punjab cultivated cotton on 2.49 lakh hectares, an 80,000-hectare difference from this season. However, due to one of the lowest yields recorded in the past decade, the state's cotton production was significantly lower, with only 314.06 kg of cotton per hectare.

Regional comparisons

In comparison, Haryana and Rajasthan, the other two North Zone states cultivating cotton, have also witnessed increases in yield per hectare this year compared to the previous year.

Haryana: Recorded 13.50 lakh bales against 11 lakh bales last year by March 31. The cultivation area increased from 5.75 lakh hectares last year to 6.83 lakh hectares this year, with yield per hectare rising from 295.95 kg to 360.91 kg.
Rajasthan: Recorded 29 lakh bales against 29.25 lakh bales last year by March 31. The cultivation area decreased from 8.15 lakh hectares to 7.91 lakh hectares, with yield per hectare increasing from 578.63 kg to 589.52 kg.
The increase in yield per hectare in these states has contributed to the overall growth in cotton production despite variations in cultivation area.

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Telangana: Handlooms & Textiles department launches 'T-Nethanna' app

To learn and address the issues faced by the powerloom unit owners and workers, the Handlooms and Textiles department has developed the T-Nethanna app.

The department said that by downloading the app on Google Play Store and registering through the application, those involved in the textiles sector can lodge complaints with geo-tagged photos, learn the eligibility for relevant schemes, and receive immediate SMS notifications about any changes or additions to the schemes, including the Thrift Fund Scheme and Netanna Bhima.

The department has also mandated all employees, labourers, and allied workers of the sector involved in the Thrift Fund Scheme to register their details on the app by April 30. It said that failure to do so will result in the withdrawal of funds credited to respective accounts under the scheme by the department.

Powerloom units to hold event today to secure orders

Several powerloom unit owners, mutually aided cooperative societies and small-scale Industries (SSIs) will be holding an event at Shivalayam in BY Nagar in Sircilla at 11 am on Monday to secure orders from interested buyers. Textile businesses from Patarghat in Hyderabad, will be in attendance to place cloth orders as needed.

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GLOBAL

Nepal Investment Summit concludes; funding worth NRs 9 billion approved

Investments worth more than NRs 9 billion have been approved for four projects in Nepal as a key investment summit, which witnessed the participation of hundreds of investors from various countries, including India, concluded here on Monday.

Prime Minister Pushpa Kamal Dahal 'Prachanda' Sunday inaugurated the third edition of the Nepal Investment Summit 2024 with the theme 'Emerging Nepal'.

"The third investment summit attracted 2,500 guests, including 800 potential international investors, Sushil Bhatta, CEO of the Investment Board Nepal (IBN), said at the closing ceremony here on Monday.

Altogether, 152 projects were showcased and good responses were shown by the investors, Bhatta said.

Investments worth more than NRs 9 billion have been approved for four projects in Nepal, officials said.

Some 12 foreign investors, including those from India, China, the US and the UK, directly met with Prime Minister Prachanda during the two-day summit. Thirty delegates held meetings with top officials of different ministries, including the Ministry for Industry and Commerce and Finance, according to IBN.

Inaugurating the summit, Prachanda said Nepal is a suitable destination for investment and there are immense opportunities in the country.

Prachanda, who is leading a government dominated by left parties, said that Nepal is fully committed to a liberal economic policy, providing full protection to investors.

He urged investors from across the globe to seize the opportunity and benefit from it.

The summit witnessed the inking of about 12 MoUs between Nepal and its development partners and foreign investors. The summit attracted investors from around four dozen countries, including, India, China, Japan, the UK, the US, the UAE and Germany.

Nepal's BLC (Bhuramal Lunkarandas Conglomerate) belonging to Chaudhary Group and India's Yotta Data Services Pvt. Ltd. Signed an agreement for the establishment and operation of a Data Centre in Nepal.

On the sidelines of the summit, Finance Minister Barsha Man Pun on Monday released a handbook for Indian investors keen on exploring more business opportunities in Nepal.

Published by the Nepal India Chamber of Commerce and Industries, the handbook consists of insights into rules, regulations, taxation, investment climate, intellectual property rights, and investment procedures for prospective investors looking to engage with Nepal's market.

Speaking at a plenary session on the second day of the summit, Deputy Prime Minister and Home Minister Ravi Lamichhane called foreign investors to invest in Nepal in different sectors. He assured them of a safe and conducive investment climate in the country.

Addressing the closing ceremony, former prime minister and CPN-UML chairman K P Sharma Oli said Nepal is emerging as a new investment destination. He assured support from all the political parties to the foreign investors and said that foreign investment will help Nepal attain rapid economic growth and social transformation.

Former prime minister and Nepali Congress president Sher Bahadur Deuba extended his party's full support to investors. He said that his party had paved the way for the entry of foreign investment by pursuing a liberal economic policy and reforms in the 1990s.

In 2017, Nepal hosted the first investment summit, drawing investment commitments worth USD 13.5 billion from different countries.

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US Imports Shift Towards Closer Shores As Reshoring Gains Momentum

The US market is increasingly favouring goods manufactured closer to home, particularly in North America, while reducing its reliance on goods from Asian low-cost country regions (LCCRs), according to the 2024 Kearney Reshoring Index. This shift underscores a strategic pivot in US import patterns, influenced by ongoing industrial reshoring and nearshoring initiatives.

US imports from 14 Asian LCCRs fell sharply from $1.022 billion in 2022 to $878 billion in 2023, primarily due to a significant 20 per cent reduction in imports from China. Notably, for the first time since the inception of the Reshoring Index in 2013, other Asian nations like Vietnam and Malaysia also experienced declines in their export volumes to the US, as per Kearney's 'Made in America: Here to stay?' report.

Meanwhile, the trade landscape with North American neighbours has flourished. Canada's exports to the US have consistently increased post-pandemic, aligning closely with the trends in Asian LCCR imports. More strikingly, Mexico has emerged as a powerhouse, overtaking mainland China in 2023 as the largest exporter to the US Mexican imports have surged by 32 per cent since the pre-COVID period, climbing from $320 billion to $422 billion.

This reorientation towards North American manufacturing sources can be attributed to a combination of economic, geopolitical, and logistical factors that favour the proximity of supply chains. The stable output in domestic manufacturing gross output (MGO), despite the reduction in Asian imports, further signals a robust commitment to revitalising American industrial capabilities.

The movement towards bringing production closer to the US market reflects a broader strategy embraced by American corporations, driven by high-level executive interest in reshoring to enhance operational efficiency and market responsiveness. This trend, popularly encapsulated by the sentiment 'Born in the USA', marks a decisive shift in the landscape of global manufacturing and trade, positioning North America at the forefront of US industrial sourcing strategies.

"While it sounds like an election year bumper sticker, the phrase 'Made in America, for America' could describe the foreseeable future of industrial manufacturing in the Western hemisphere," said *Patrick Van den Bossche, partner and lead author of the annual Reshoring Index report*. "However, that doesn't mean mainland China and other producer nations are sitting idly by as more and more nearshored goods flow into the US market. Our research shows an emerging correlation between the uptick in US imports from Asian LCCRs other than mainland China and the rise in imports these countries see from mainland China. Mainland China is now running trade surpluses with Vietnam, India, and Thailand, which in turn are running widening surpluses with the US."

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Kenyan Cabinet Secretary Hints Progress In Kenya-US Trade Talks

The Bangladesh Export Processing Zones Authority (BEPZA) has extended an invitation to South Korean investors to boost their investments in the Export Processing Zones (EPZs) across Bangladesh, including the BEPZA Economic Zone situated in Mirsarai, in the port city of Chittagong.
Major General Abul Kalam Md. Ziaur Rahman, the executive chairman of BEPZA, conveyed this message during his participation as the chief guest at a recent seminar, which took place in Seoul, South Korea recently.

Organised jointly by the Korean community in Bangladesh, Kido Industrial Co. Ltd., and Giant BD Company Ltd., the seminar also saw the presence of ambassador Park Young Sik of South Korea to Bangladesh and ambassador Md. Delwar Hossain of Bangladesh to South Korea.

Approximately 60 participants representing various South Korean investment organisations and industrial groups attended the seminar. Major General Kalam provided insights into Bangladesh's favourable investment climate, particularly for Foreign Direct Investment (FDI), emphasising the nation's remarkable growth trajectory over the past decade.

He underscored Bangladesh's strategic geographical location, demographic dividend, expansive domestic market, and stable socio-political environment as pivotal factors contributing to its rapid economic development.

Highlighting Bangladesh's cost-effective and skilled workforce as a key attraction for investors, Major General Kalam noted the country's competitive advantage with the lowest minimum wage in Asia even as he outlined the incentives and facilities provided by the government to investors, including the "One Stop Service Act," aimed at streamlining investment procedures.

Regarding BEPZA's expansion plans, Major General Kalam disclosed ongoing efforts to establish an Economic Zone in Mirsarai, Chittagong, alongside the operational EPZs. He revealed that 28 industries have already been attracted to this development, with several already in production.

Additionally, the establishment of three new EPZs is underway, slated for completion by 2025.

Meanwhile, ambassador Park Young Sik commended Bangladesh's success story in the garment sector and highlighted investment opportunities across various sectors, including infrastructure development and the nation's aspiration to become a Smart Bangladesh.

Ambassador Md. Delwar Hossain echoed the sentiment, emphasising the government's commitment to fostering an investment-friendly environment and encouraging Korean investors to explore opportunities in Bangladesh.

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China-Ecuador FTA To Be Effective From May 1

The China-Ecuador free trade agreement (FTA) will become effective from May 1 as domestic approval processes are over on both sides, the Chinese commerce ministry announced recently.
The FTA signed in May 2023 is expected to promote comprehensive upgrading of bilateral economic and trade cooperation, and benefit enterprises and people on both sides, the ministry said.

According to the FTA, nearly nine-tenths of the products traded between China and Ecuador will be exempt from tariffs, while about 60 per cent of them will immediately enjoy zero tariffs, a state-controlled news outlet reported.

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US apparel industry against higher tariffs on apparel imports

A coalition of US apparel and retail organisations is urging the US Trade Commission to eliminate import tariffs on apparel sourced from key sourcing countries and to renew and expand the scope of the Generalised System of Preferences (GSP) to include certain apparel products.

The American Apparel and Footwear Association (AAFA), the National Retail Federation (NRF), the Retail Industry Leaders Association (RILA), and the United States Fashion Industry Associated (USFIA) have submitted a post hearing statement to the chairman of the US International Trade Commission.

The organisations argued the US imposes higher "most-favoured-nation duty rates" on apparel products than nearly any other sector which also factors into the cost competitiveness of source countries.

The coalition highlighted that despite being ineligible for duty free treatment under the GSP, which excludes apparel products, countries like Bangladesh, India, Indonesia, Cambodia and Pakistan remain competitive. This, according to the organisations, reflects the important role these countries play in the broader supply chain diversification efforts of apparel and retailers.

The organisations shared increased costs to both businesses and American customers was evident from the imposition of the section 301 tariffs on products from China. They said: "Tariffs are taxes that are paid by the importer and eventually paid by the consumer."

The coalition argued that higher tariffs on apparel would have the biggest impact on low and middle-income consumers. Therefore, the coalition pointed out that imposing tariffs on other source countries would be "counterproductive."

They stated: "The decision to source products from a particular country depends on a variety of factors. These factors include, in no particular order: vertical integration; speed to market; cost competitiveness; product capability; the skillset of the available labour force; geopolitical stability; proximity to raw materials; adherence to quality, social and environmental compliance standards; capacity; supplier relationships; ongoing supplier investments in capabilities like automation for embellishments; and available infrastructure and logistics considerations. Supplier relationships based on longevity and rooted in trust are also incredibly important for our members."

The organisations instead urged the US government to accelerate ongoing supply chain diversification efforts through renewal of the GSP programme. They added that the GSP programme should be expanded further to include certain apparel products.

The coalition also encouraged the US government to pursue "high ambition" trade agreements with Indo-Pacific countries that lower tariff and non-tariff barriers, raise standards - including labour and environmental standards, and contain strong dispute settlement provisions.

Earlier this month the AAFA expressed support for the renewal of the Generalised System of Preferences (GSP) Reform Act which is aimed at bolstering the competitiveness of US companies while also supporting global economic development.

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