LETTER

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News Highlights

NATIONAL

FM Says Reassuring Measures Being Taken to Lower Debt-to-GDP Ratio

Develop umbrella policies for cotton, closed jute mills: Parliamentary panel to govt

Govt. has set up a task force to resolve non-tariff barriers: Piyush Goyal

Businesses pledged ₹1.07 trillion of investments under PLI scheme: Sitharaman

Some amount of trade with Pakistan going on through air, sea routes: Govt

Indian Traders Urge FM To Implement New Payment Rule In Phased Manner

Foreign Minister Sabry Says Sri Lanka To Sign FTA With India This Year

RBI Monetary Policy Committee projects India's real GDP growth at 7% for FY25

India-China bilateral trade hit a new record in 2023: Envoy

GLOBAL

US' SAC & SLCP Unite For Expanded Impact In Apparel Sustainability

BGMEA President Advocates Branding To Propel Bangladesh

Bangladesh Makes Advance In Logistics Competency

Olam Agri launches regenerative cotton program in US

NATIONAL

FM SAYS REASSURING MEASURES BEING TAKEN TO LOWER DEBT-TO-GDP RATIO

Read more at:
FM Nirmala Sitharaman says reassuring measures being taken to lower debt-to-GDP ratio - The Economic Times (indiatimes.com)

Home

Develop umbrella policies for cotton, closed jute mills: Parliamentary panel to govt

Read more at : import duties: Develop umbrella policies for cotton, closed jute mills: Parliamentary panel to govt - The Economic Times (indiatimes.com)

Home

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Home

Businesses pledged ₹1.07 trillion of investments under PLI scheme: Sitharaman

Businesses have committed about ₹1.07 trillion of investments under the government's production-linked incentive (PLI) scheme to scale up domestic manufacturing, helping create job opportunities for over 700,000 people, finance minister Nirmala Sitharaman said on Wednesday.

"Manufacturing locations (under the PLI scheme) are coming up in 24 states and more than 150 districts," Sitharaman said.

The PLI scheme has led to ₹3.4 trillion of exports and ₹8.7 trillion of production and sales, and 176 small businesses have been selected as direct beneficiaries of the scheme, Sitharaman added.

PLI schemes across 14 key sectors were announced by the Centre in 2020 with an outlay of ₹1.97 trillion (over $26 billion) for a period of five years starting from 2021-22 to enhance manufacturing capabilities.

The purposes of the PLI scheme is to attract investments and cutting-edge technology across key sectors, ensure efficiency, and bring economies of size and scale in the manufacturing sector to make Indian companies globally competitive.

Responding to questions from members of parliament on concerns about the Centre allegedly not making enough funds available to states, Sitharaman said the government has followed the recommendations of successive finance commissions "to the last word".

She refuted the Karnataka government's charge of denying special grants to the southern state despite the recommendations of the 15th Finance Commission.

"I want to assure this House, whatever the finance commission has recommended I follow it to the last word," Sitharaman said.

The finance minister said Karnataka received ₹61,691 crore as tax devolution proceeds from during FY2011-FY2015, and ₹1.5 trillion from FY16 to FY21.

For the four years from FY22 to FY25, Karnataka had received tax devolution proceeds of nearly ₹1.3 trillion.

The state is expected to receive tax devolution of ₹1.7 trillion during the five-year period between FY2022-2026, Sitharaman said.

So far, Karnataka has also received about ₹6,280 crore under the Centre's 50-year interest-free loan scheme, she added.

Speaking on inflation, the finance minister said retail inflation, currently stable and within the Reserve Bank of India's (RBI) tolerance band of 2-6%, declined from an average of 6.8% in April-December 2022, to 5.5% in the April-December 2023 period, while core inflation declined from 5.1% in April 2023 to 3.8% in December 2023.

"As a result of steps taken by the government, prices of essentials like atta, dal, onion and rice have also come down," Sitharaman said.

"2.37 lakh tonne of 'Bharat' atta at the rate of ₹27.5 a kilogram has already been sold to the public. To that extent, the price has gone down," Sitharaman added.

The minister also said 396,000 tonnes of onion at ₹25 a kg have been offloaded into the market by 3 February. Dal and rice are also being sold to the public at subsidised prices.

The minister said the unemployment rate has decreased from 6% in 2017-18 to 3.2% in 2022-23.

The labour force of the youth has also increased over the last five years, Sitharaman said.

"Since May 2023, the number of new subscribers to Employees Provident Fund Organization (EPFO), these are net figures, not gross figures, in the age group of 18-25 years has consistently exceeded 55% of the total new EPF subscribers," the minister added.

Home

Some amount of trade with Pakistan going on through air, sea routes: Govt

The government on Wednesday said some amount of trade with Pakistan is being conducted through land and sea routes but all business through the land border has been stopped by the neighbouring country "unilaterally".

Union Minister of State for Commerce and Industry Anupriya Patel also said in Lok Sabha that it is the responsibility of Pakistan to allow transit of Indian goods to Central Asian countries through its territory.

Patel said earlier whatever trade had happened, everything was done through Attari-Wagah border and through Karachi port.

"Now, no trade is being done through land route. But some trade is being done through sea and air," she said.

The minister said this trade through sea and air routes with Pakistan is being done through the Jawaharlal Nehru Port Trust, Inland Container Depot, Tughlakabad, Mundra SEZ, Air Cargo Complex Mumbaiand Air Cargo Complex Hyderabad among others.

Replying to a question on the possibility of trade with Central Asian countries, she said: "We have not stopped trade with Pakistan. With regard to trade with Central Asia, any of our trade transaction arrangement has to be through Pakistan. So, it is the responsibility of Pakistan to open the trade route". Patel said the suspension of trade was "imposed unilaterally" by Pakistan, not by India.

"So responsibility lies with Pakistan as transit will have to take place through their territory," she said.

In 2019, Pakistan suspended bilateral trade with India and expelled its High Commissioner in Islamabad after New Delhi abrogated Article 370 that granted special status to Jammu and Kashmir.

India has been maintaining that it desires normal neighbourly relations with Pakistan while insisting that the onus is on Islamabad to create an environment that is free from terror and hostility for such an engagement.

Home

Indian Traders Urge FM To Implement New Payment Rule In Phased Manner

Trading activities in India have been hindered to some extent in recent days due to the implementation of Section 43B(h) of the Income Tax Act 2013. As the current fiscal 2023-24, during which the payment rule has been implemented, is ending rapidly, trading activities have slowed down across the country. Trade organisations have approached finance minister Nirmala Sitharaman and demanded the implementation of the rule in a phased manner so that traders can adopt the new practice without disrupting their business.

Although the payment rule came into effect on April 1, 2023, with the Finance Act 2023, trade and industry did not take notice until the end of the first three quarters of the current fiscal. According to Section 43B(h), any sum payable by a taxpayer to a micro and small enterprise beyond the time limit specified in Section 15 of the Micro, Small and Medium Enterprises Development (MSMED) Act shall be allowed only in computing the income of the previous year in which the sum has been actually paid. Therefore, taxpayers (buyers) will face difficulties in the next assessment year 2024-25, which will start from April 1, 2024.

Several trade and industry organisations have approached the finance minister for relief. A large number of trade organisations like the Clothing Manufacturers Association of India (CMAI), Southern Gujarat Chamber of Commerce & Industry, and Bangalore Wholesale Cloth Merchants' Association demanded the finance minister implement the rule in a phased manner.

Rajesh Masand, president of CMAI, urged the finance minister to immediately withhold the implementation of the new rule. “The government should amend the rule to provide a credit time limit of up to 90 days for the year ending March 31, 2025. The credit time limit may be reduced to 60 days for fiscal 2026 and 45 days for the fiscal 2027. It will provide enough time for traders to adopt the new payment rule. It cannot be implemented all at once.”

Trade organisations said that although the government may have brought the provision with good intentions to help micro and small businesses, it lacks industry-specific considerations, potentially leading to unintended and adverse consequences across various sectors. Implementing a stringent credit policy without a thorough industry-specific study may result in far-reaching negative effects.

They said that the new rule may hinder the growth of smaller players. Medium players could exploit the opportunity to offer longer credit terms. In the textile industry, varying credit periods for different stages of production make a one-size-fits-all credit policy impractical and detrimental. Credit, being a mutual and personal agreement, involves market inquiries, credit checks, and discussions between buyers and sellers. Interfering with these terms may create a general sense of mistrust between business partners.

The focus on outstanding dues on March 31 will encourage customers to avoid transactions with registered micro and small traders in the last quarter, which will lead to potential stockpile issues. Buyers may prefer larger suppliers to mitigate compliance issues, even at a slightly higher cost, causing SMEs to suffer further in February and March every year.

Textile exports, heavily reliant on credit for working capital balance, will face challenges and uncertainties due to this provision. Organisations requested the government to reconsider delaying or scrapping the implementation of Section 43B(h) to safeguard the interests of businesses, especially SMEs, and preserve the trust and harmony built over the years.

Home

Foreign Minister Sabry Says Sri Lanka To Sign FTA With India This Year

Sri Lanka plans to sign a free trade agreement (FTA) with India by the end of this year, the former's foreign minister Ali Sabry said recently in Colombo.
Similar FTAs would be worked out for Indonesia, Malaysia, Vietnam and China as well by the year end, he said. The country signed an FTA with Thailand last week, giving the former access to a $2.2-billion market, he informed.

The FTAs will open up newer markets for cash-strapped businesses in the island nation, as its government struggles to restructure its external debt on the one hand while raising utility rates and taxes on the other, a news agency reported.

Sri Lanka and India resumed talks on the Economic and Technology Cooperation Agreement in Colombo at the 12th round in October last year. The original talks were stalled after several rounds between 2016 and 2018 due to political and trade union opposition.

While exports contributed 30 per cent to Sri Lanka's gross domestic product (GDP) in the 1990s, that share has reduced to 15 per cent now, which reflects a missed opportunity, he noted.

Limited market access was the main reason behind the country's export struggles, he added.

Home

RBI Monetary Policy Committee projects India's real GDP growth at 7% for FY25

The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) has kept its growth projection for India's GDP at 7% for the 2024-25 financial year, Governor Shaktikanta Das announced on Thursday, February 8. For the first three-quarters of FY25, the GDP growth rates are estimated at 7.2%, 6.8%, and 7%.

RBI GDP ESTIMATES

	GDP CURRENT ESTS	GDP PREVIOUS ESTS
FY25	7%	
Q1FY25	7.2%	6.7%
Q2FY25	6.8%	6.5%
Q3FY25	7%	6.4%
Q4FY25	6.9%	---

CNBC TV18

"This is the 3rd successive year of growth above 7%, FY24 momentum is expected to continue in FY25," Das said. The governor stressed that the risks to growth are evenly balanced. The central bank governor said that private investments are picking up, and rural demand is gathering pace.

The consumer price index inflation target of 4% is yet to be reached, Das stated, noting that the monetary policy committee has to remain vigilant to ensure a successful last-mile navigation of disinflation. "Stable and low inflation at 4% will provide the bedrock of economic growth," the Governor said.

RBI CPI ESTIMATES

	CPI CURRENT ESTS	CPI PREVIOUS ESTS
FY24	5.4%	5.4%
FY25	4.5%	
Q4FY24	5%	5.2%
Q1FY25	5%	5.2%
Q2FY25	4%	4%
Q3FY25	4.6%	4.7%
Q4FY25	4.7%	

The Reserve Bank of India did not hike its lending rate (repo rate), in line with the consensus expectations of market watchers and economists. The repo rate was left at 6.5%, unchanged for the sixth quarter in a row.

Home

India-China bilateral trade hit a new record in 2023: Envoy

India and China trade reached record levels in 2023, said the Chinese envoy to India, indicating that bilateral trade had surpassed 2022 figures despite a slowdown mid-year. Speaking at an event in Delhi celebrating the Chinese New Year, the envoy, Charge D'Affaires Ma Jia said that the growth in trade, to US $136.2 billion went along with other areas of “improvement” in bilateral ties, pointing to the informal meeting between PM Narendra Modi and Chinese President Xi Jinping in August.

In 2022, bilateral trade had reached a record $135.98, while the trade deficit in favour of China had crossed a mammoth $100 billion driven by a 21% rise in Imports from China into India, despite continuing bilateral tensions over the military standoff at the Line of Actual Control (LAC).

“Over the past year, China-India relations have shown a positive momentum of improvement. The two sides maintained high-level communications and interactions. President Xi Jinping and Prime Minister Modi reached important consensus on stabilizing bilateral ties. China supported India's presidency of both G20 and SCO,” Ms. Ma said, addressing guests at a reception held at the Chinese Embassy in Delhi on Tuesday.

“Bilateral trade volume reached 136.2 billion US dollars last year, with a year-on-year growth of 1.5%. India's exports to China also increased by 6% last year,” she added, indicating that the bilateral trade deficit, which India has been seeking to decrease could also be lower, according to the figures, that were announced officially for the first time.

Despite the increase in engagement, China has not appointed an Ambassador to Delhi in over 16 months, the longest such period thus far, and Ms. Ma is due to complete her assignment in Delhi soon. The two countries have also not resumed direct flights between them, and the increase in trade comes in spite of the other restrictions on trade and investment placed by India since 2020 in the wake of the Galwan clashes and killing of soldiers.

"As the spring comes, we hope the window for communications gets bigger, the platform of practical cooperation becomes larger, the bridge for people-to-people exchanges will be rebuilt, and the two peoples can invest in and travel to each other's country freely and conveniently," Ms. Ma said, also commending India for its "best-ever performance in the Asian Games," in Hangzhou last year.

The Chinese envoy didn't make any direct reference to the tensions at the LAC, where military commanders have held 20 rounds of talks since China amaassed troops along the LAC in April 2020 and clashes ensued. Despite the multiple rounds, and the informal meeting between the leaders on the sidelines of the BRICS summit in South Africa last year, talks remain deadlocked on at least two friction points at Demchok and Depsang.

Instead , referring to the 70th anniversary of the India-China Panchsheel agreement this year, Ms. Ma called the five principles of peaceful coexistence "a basic norm governing international relations."

"In 2024, we hope conflicts and wars will be brought to an end, displaced people return to their home at an early date, and international justice and fairness will be truly upheld," Ms. Ma said.

Home

GLOBAL

US' SAC & SLCP Unite For Expanded Impact In Apparel Sustainability

In a milestone development, the Sustainable Apparel Coalition (SAC) and the Social & Labor Convergence Program (SLCP) have announced a deepened strategic collaboration as SLCP has completed its separation from SAC and transitioned into an independent non-profit foundation.
Recognising the importance of industry convergence, the organisations will work together to expand the reach of the Converged Assessment Framework (CAF) into adjacent product categories and industries. This joint effort aims to streamline assessments, reduce duplication, and foster harmonisation in social and labour tools across sectors. Moreover, SAC and SLCP will synergise their efforts to accelerate insights based on CAF/ Higg Facility Social & Labor Module (FSLM) data. This collaboration extends to the production of aggregated industry reports, providing stakeholders with comprehensive and actionable information.

In September 2023, SLCP signatories voted in favour of SLCP's five-year Strategy, which included the plan to transition to an independent organisation. That same month, the SAC Board also approved the plans for separation. SLCP officially separated from SAC on February 1, 2024. Its new legal entity is a Dutch non-profit foundation known as a 'Stichting', SAC said in a press release.

"As both organisations navigate this exciting new phase, our commitment to shared goals and values is greater than ever and propels us toward catalysing collective action at scale," said *Andrew Martin, executive vice president at SAC*. "Leaders stand out by their ethics, integrity, accountability, and responsibility. It is no longer enough to deliver value to shareholders without lasting positive human impact and societal change. We believe our collaborative efforts will continue to uphold safe, respectful working conditions and establish new benchmarks for sustainability and social responsibility."

"We are excited to be moving forward with the next stage of SLCP's evolution, building on the strong foundation and the impact we have already achieved with SAC, our signatories, and partners," said *Janet Mensink, chief executive officer at SLCP*. "Our collaboration with SAC is a testament to the power of industry-wide cooperation. Through the adoption of the CAF and the Higg FSLM, we are able to create a more streamlined approach to social compliance assessments and reallocate resources to fulfil our shared ambition of improving working conditions. We are grateful to everyone who has helped and supported us to get to this point, and I look forward to continuing and deepening our relationship with SAC to drive even greater impact."

Since its inception in 2015 by the SAC, the SLCP has made significant strides towards reducing audit fatigue and enhancing working conditions within the apparel industry. Over the span of eight years, SLCP has witnessed growth, attracting more than 250 signatories and rolling out the CAF across more than 60 countries.

Among SLCP's key accomplishments, over 11,000 facilities worldwide have completed SLCP-verified assessments, demonstrating the framework's widespread adoption across various sectors. This initiative has also led to substantial financial benefits, unlocking an estimated $23 million annually by minimising the need for duplicative audits. Furthermore, the public endorsement of SLCP data by over 70 leading brands and organisations highlights the significant impact and collective success of these collaborative efforts in driving positive change within the global apparel sector.

Both SAC and SLCP reaffirm their commitment to a closely-knit strategic collaboration, aligning their tools and strategies for a shared vision of improved global working conditions. The SAC is steadfast in supporting and incorporating the CAF as the preferred social compliance assessment framework for its Higg FSLM tool.

“SLCP has just completed its first five years as a live programme,” said *Jonathan Obermeister, SLCP’s independent chair*. “During that time, we have demonstrated the value we can bring, built critical mass and achieved financial self-sufficiency. We’re now ready to take the next step as a fully independent organisation, with ambitious plans for growth while maintaining the multi-stakeholder ethos which has been such an important factor in our success so far. The new foundation board has total confidence in SLCP’s future and high-performing team, and we are excited about what we can accomplish together in the years ahead.”

“Together, SAC and SLCP will continue to call for harmonised assessment frameworks and increased adoption, fostering a culture of responsibility and accountability within the industry,” said *Tamar Hoek, SAC board chair*. “This collaboration is a testament to what can be achieved when organisations work together with a shared vision for a better, more sustainable future.”

Home

BGMEA President Advocates Branding To Propel Bangladesh

President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Faruque Hassan, has highlighted the crucial role of branding in attracting investments and consolidating Bangladesh's global standing.
Addressing a business seminar organised recently by the Ministry of Commerce and the Export Promotion Bureau (EPB), Hassan also emphasised the significance of nation branding to propel the country forward in its pursuit of further growth.

At the seminar titled *‘Branding Bangladesh’,* held at the Bangabandhu Bangladesh-China Friendship Exhibition Centre in Dhaka, notable figures including Ahasanul Islam (Titu), state minister of the Ministry of Commerce; Tapan Kanti Ghosh, senior secretary of the Commerce Ministry; A. H. M. Ahsan, vice chairman of EPB; and Abdul Muktadir, senior vice president of the Bangladesh Association of Pharmaceuticals Industries, also addressed the audience.

Hassan proudly noted Bangladesh's status as the world's second-largest apparel exporting nation, with garments reaching over 160 countries.

He stressed the imperative of strengthening this position through effective nation branding, asserting that it is time for Bangladesh to transcend its identity solely as a manufacturer and establish itself as a distinctive brand.

Moreover, Hassan highlighted BGMEA's commitment to addressing misconceptions and biased perceptions surrounding the readymade garment (RMG) industry.

He underscored BGMEA's focus on “apparel diplomacy,” which includes efforts to promote the positive narrative of the industry's evolution and its contributions to Bangladesh's transformation.

Home

Bangladesh Makes Advance In Logistics Competency

Bangladesh's logistics sector has made a further progress, climbing to 33rd position among the top 50 emerging logistics markets worldwide in 2024.
This is as per the Agility Emerging Markets Logistics Index.

The index evaluates competitiveness based on domestic and international logistics opportunities, business fundamentals, and digital readiness.

Bangladesh scored 4.61 out of 10 in these metrics.

Bangladesh’s rise is primarily attributed to domestic logistics, digital readiness, and business fundamentals.

Despite the improvement, Bangladesh still lags other South Asian economies.

India ranked second, offering attractive investment prospects as an alternative to China while Sri Lanka and Pakistan held 26th and 29th positions, respectively.

The country has remained the lowest ranked among South Asian peers since 2019.

Meanwhile, Syed Ershad Ahmed, president of the American Chamber of Commerce in Bangladesh, applauded the sector's advancement, highlighting its role in bolstering competitiveness.

He stressed the necessity for a National Logistics Policy and enhanced customs clearance processes for further progress.

Home

Olam Agri launches regenerative cotton program in US

Olam Agri, a global agribusiness in food, feed, and fiber, announced the start of its regenerative agriculture program across the U.S. cotton belt with the goal of satisfying the increasing demand for traceable and sustainably cultivated cotton.

Olam Agri began implementing regenerative agriculture in cotton in 2020 with the goal of giving cotton producers the means, resources, and market access to reduce climate risk, improve soil fertility, sequester carbon, promote biodiversity, and control energy and water use.

This work has culminated in a new program that will provide clients with cotton goods that have full chain of custody certification, starting with production and continuing through harvesting, ginning, storage, and shipping. Every farm and ginning facility involved in the initiative holds a regenagri certification.

Furthermore, Olam Agri intends to pay those who use regenerative approaches as part of the program directly. It is anticipated that this technique of incentivization will increase farmer engagement and advance sustainable farming practices more broadly.

Olam Agri has been certified by regenagri to operate three ginning plants and 15,000 hectares of farmland that together produce 20,000 MT of cotton in the United States.

Olam Agri, one of the biggest cotton merchants in the world, has worked closely with smallholder farmers in Africa and large-scale farmers in Australia and the Americas for decades to develop an integrated global cotton business. Around the world, 350 million people, including 100mn farmers, depend directly on cotton for their livelihoods.

Home