LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Talks With India Can Reduce Challenges In Cooperation: Bangladesh PM

Bangladesh Prime Minister Sheikh Hasina, who is on a two-day visit to New Delhi, has called for dialogue as a way to reduce challenges being faced by both sides in their activities related to economic development cooperation.

"We could exchange our experiences and the challenges we are experiencing for our economic development. And we could resolve those through dialogues," she said as Indian external affairs minister S Jaishankar called on her.

In the last ten years, bilateral ties have reached such a height where it could be taken to a new chapter, and “that would be in done in the areas of trade”, Jaishankar was quoted as saying by principal secretary to Hasina M Tofazzel Hossain Miah.

India wants to work more with Bangladesh in logistics, energy and connectivity, Miah said.

Jaishankar urged Hasina to take a new role for the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), and hoped for her presence at the next BIMSTEC meeting in September in Thailand.

Strengthening BIMSTEC would benefit Bangladesh in terms of trade, connectivity and digitalization, both the leaders agreed, a Bangladesh news agency reported.

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FM Sitharaman assures state support in GST Council meet, emphasises tax devolution

The Goods and Services Tax (GST) Council, on Saturday, June 22, convened under the leadership of Union Finance Minister Nirmala Sitharaman. The meeting, announced shortly after Sitharaman assumed office as Union Minister of Finance and Corporate Affairs, underscores the council's active role in current economic policy.

During the session, Finance Minister Sitharaman reaffirmed the Union Government's commitment to supporting states through timely tax devolution, Finance Commission grants, and settlements of GST compensation.

She highlighted the 'Scheme for Special Assistance to States for Capital Investment', emphasising that while most loans are unrestricted, a portion is contingent upon states implementing citizen-centric reforms and specific capital projects across various sectors. Sitharaman encouraged states to utilise these loans effectively by meeting the prescribed criteria.

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India can grow at 8 pc ifinflation keeps falling:Ashima Goyal, an externalmember of MPC

https://m.economictimes.com/news/economy/indicators/india-can-grow-at-8-pc-if-inflation-keeps-falling-ashima-goyal-an-external-member-of-mpc/articleshow/111212395.cms#:~:text=Synopsis,for%20the%20current%20fiscal%20year.

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Commerce min engagingwith differentdepartments on India,Korea FTA upgrade talks:Official

https://m.economictimes.com/news/economy/foreign-trade/commerce-min-engaging-with-different-departments-on-india-korea-fta-upgrade-talks-official/articleshow/111207517.cms

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Over 350 domestic exhibitors, foreign buyers from 50 countries to participate in garment fair

Over 350 domestic players and foreign buyers from more than 50 nations will participate in the garment fair, beginning from June 25, Apparel Export Promotion Council (AEPC) said on Sunday.

The fair, aimed at boosting garment exports from India, will be inaugurated by Textiles Minister Giriraj Singh at the Yashobhoomi Convention Centre Dwarka, here, it said.

AEPC Chairman Sudhir Sekhri said that the garment exports rose by 10 per cent in May.

“As we are seeing a spike in demand from across the world from the last two months, this fair presents to us the opportunity of harnessing the potential arising from the growth in demand,” he said.

Mithileshwar Thakur, Secretary General AEPC, said that the objective of the India International Garment Fair (IIGF) is to provide a marketing platform to micro, small and medium exporters to showcase the latest garment and fashion accessories trends and the range and variety of Indian offerings to the rest of the world. (PTI)

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India, Korea start trade pact review

The talks between India and Korea on the review of the Comprehensive Economic Partnership Agreement (CEPA) have made significant headway, with both sides exchanging the list of ‘requests’ where they want further opening up of trade.

From the Korean side the demand has come in regard to sectors like automobiles, textiles, chemicals and petrochemicals while India is seeking greater access to the Korean markets for steel, rice, shrimp and clothing.

“The requests made by Korea are being discussed with the ministries of steel, textiles, chemicals and petrochemicals and heavy industries. Based on the discussions, offers of the request will be finalised,” senior official said.

The revision of the CEPA has been painfully slow as both sides are approaching the matter from different standpoints. Korea wants to expand the agreement while India is seeking review to address the expanding trade deficit with Korea. The review of CEPA – which was signed in 2009 and came into force in 2010 – was agreed to in 2016. Since then ten rounds of talks have been held. The last round of discussions on the subject were held earlier this year. Some Korean officials have been on record saying that talks may finally conclude in 2024 but dates for the next round of talks is yet to be finalised. Officials say that the next dates of next round of talks will be finalised when both sides are ready with their offers.

According to experts, Korea's attempt is to increase the level of openness of the Indian market or atleast get it on par with India-Japan FTA. From South Korea's perspective, the effectiveness of bilateral trade liberalisation has been questioned as key export sectors such as automobiles have been excluded from concessions.

Indian exporters have complained of the unwillingness of the Korean industry to buy items like steel from India despite the competitiveness. Apparel makers have complained of safety standards being kept so high as to make exports difficult.

The agreement covers trade in goods, investments, services, and bilateral cooperation in areas of common interest. Under the CEPA, Korea was to phase out/reduce tariffs on 90 percent of Indian exports, while India would phase out/eliminate tariffs on 85 percent of Korean exports.

Total merchandise trade between India and South Korea grew from $16.91 billion in 2011 to $ 27.5 billion last year. While India's exports have stayed in $ 5-7 billion range during the period, imports have increased from $ 12.4 billion in 2011 to $ 21.1 billion in 2023-24.

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GLOBAL

South Korea & Germany Boost Economic Ties & Industrial Cooperation

South Korea's trade, industry, and energy minister Dukgeun Ahn met with Germany's vice chancellor and federal minister for economic affairs and climate action, Robert Habeck, on June 21 in Seoul. The meeting, attended by a German economic delegation comprising representatives from 13 German companies, focused on discussing global economic issues and bilateral cooperation measures aimed at enhancing future industrial competitiveness.

The discussions led to agreements on several key areas. Both countries will continue joint efforts in establishing standards and data sharing to facilitate the digital transition and accelerate the utilisation of industrial AI. The Korean-German Energy Partnership will be a platform for maintaining cooperation and understanding on energy policies. Additionally, the two nations will bolster their mutually complementary relations through joint R&D projects, particularly in the field of future mobility, South Korea's ministry of trade, industry, and energy said in a press release.

In his welcome address, minister Ahn highlighted the strong potential synergy between Korea and Germany in terms of industrial competitiveness, digital innovation, and decarbonisation, citing their robust manufacturing bases. With Germany being Korea's largest trading partner in Europe, both sides reaffirmed their close economic ties, especially considering the record-high bilateral trade volume achieved last year.

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Global EPR Policies Crucial For Tackling Textile Waste: Report

Fashion and textile waste presents a significant global challenge, necessitating robust extended producer responsibility (EPR) policies and collaboration, according to a recent report by the Ellen MacArthur Foundation, a circular economy non-profit.
To establish large-scale separate textile collection systems, dedicated, ongoing, and sufficient funding is essential to cover the net costs of managing all discarded textiles, not just those with high reuse value. EPR policies are identified as crucial mechanisms to secure such funding. EPR policies assign responsibility to producers for the collection, sorting, and recirculation of their products once discarded by consumers. When well-designed, these policies can significantly improve the cost-revenue dynamics for the separate collection, sorting, reuse, repair, and recycling of textiles. EPR also enhances transparency and traceability of global material flows and attracts capital investments necessary for infrastructure to reuse and recycle textiles at scale.

Brands and retailers need to design products for prolonged use and recycling. Low durability standards and the diverse materials and blends on the market complicate the efforts of collectors and recyclers to capture the full material value. EPR schemes risk losing effectiveness if products are not designed for durability and recyclability. Additionally, brands should ensure that virgin materials are sourced from renewable resources and produced through regenerative agricultural practices. EPR policies are more effective when coupled with industry efforts to adopt circular business models. These models, including repair, rental, remaking, and resale, offer revenue and cost benefits while yielding significant environmental savings, as per the 'Pushing the boundaries of EPR policy for textiles (2024)' report.

Collaborative, multi-brand systems are vital for achieving scale. A circular textiles system requires both local and global networks for collection, sorting, laundry, repair, resale, and recycling services. All industry actors must collaborate to co-create a circular supply network, sharing associated costs and risks.

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Developing Asia Sees Significant Surge In Greenfield FDI In 2023

In 2023, developing economies in Asia experienced a significant surge in greenfield foreign direct investment (FDI), according to the World Investment Report 2024 by the United Nations Trade and Development (UNCTAD). The overall value of greenfield investment announcements increased by 44 per cent, while the number of such announcements rose by 22 per cent. This growth indicates companies' efforts to establish or expand their operations overseas.

Despite a broader decline in foreign investment flows to developing Asia, the region maintained a high level of FDI, totalling $621 billion. Led by East and Southeast Asia, the continent continued to be the world's largest recipient of FDI, accounting for nearly half of global inflows.

However, cross-border mergers and acquisitions, which typically constitute 10 to 15 per cent of foreign investments in developing Asia, fell by almost $30 billion to $57 billion in 2023. This decline represented about half of the total drop in FDI inflows to the region.

China and its Hong Kong Special Administrative Region (SAR) remain the largest investors in the region by total FDI stock, followed by the US, Japan, and Singapore.

In East Asia, FDI inflows decreased by 9 per cent, primarily due to declines in China and Hong Kong SAR. While the estimated value of greenfield announcements soared by 65 per cent, overall growth was mitigated by a 58 per cent decline in the value of project finance deals.

FDI inflows to Southeast Asia remained stable, supported by an increase in mergers and acquisition sales. The number of greenfield announcements surged by 42 per cent, adding $62 billion in value. However, this gain was offset by a $64 billion decline in the value of international project finance deals.

South Asia experienced a decline in FDI inflows, largely driven by a 43 per cent drop in India, while flows to other countries in the subregion remained relatively stable.

In West Asia, FDI fell by 9 per cent due to lower mergers and acquisition sales. Nonetheless, the region showed growth in both the number and value of greenfield investments and project finance deal announcements, particularly in Saudi Arabia, Turkiye, and the United Arab Emirates.

Central Asia saw a 27 per cent reduction in FDI. Despite this, stable performance in greenfield investment announcements and international project finance deals provides optimism for improved prospects in 2024.

Across developing Asia, investment in sectors related to the sustainable development goals (SDGs) saw modest growth. The number of announced greenfield projects in these sectors increased by 30 per cent to 1,225 projects, with a 54 per cent rise in value, especially in renewable energy, transport, and telecommunication sectors.

Conversely, the number of international project finance deals decreased by 17 per cent, partially offsetting the gains in greenfield FDI for sustainable development.

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Medium-Term Outlook For Euro Area Remains Challenging: IMF

The International Monetary Fund (IMF) has projected a modest growth pick-up in the euro area for this year—strengthening further in 2025—but the medium-term outlook remains challenging.

Euro area growth is picking up, albeit from a low rate. In 2024, increasing real wages and some drawdown of household savings are expected to contribute to a consumption-led recovery, the IMF said in its concluding statement of the 2024 mission on common policies for member countries.

In 2025, easing financing conditions are projected to support a recovery in investment in the euro area, while healthy employment and nominal wage growth continue to support consumption.

In the medium term, however, growth is expected to be held down by population aging and low productivity growth.

Inflation is projected to return to target in the second half of 2025. The 2022-23 monetary policy tightening is helping to bring down inflation and will continue to do so for some time to come, the IMF statement said.

Past declines in commodity prices are also contributing to the reduction in headline inflation in the zone.

Risks to growth are on the downside while they are two-sided for inflation. Past monetary policy tightening could put a stronger drag on output than expected. Growth can also be lower due to adverse external developments, such as intensifying geopolitical tensions or weaker global demand, the IMF noted.

Moreover, consumption growth may not pick up as envisaged if labour markets cool, hurting consumer sentiment. These factors could also drag inflation below the baseline.

“Europe’s economy is hamstrung by low productivity growth, which will be increasingly problematic for the growth of living standards as adverse demographic trends intensify. Insufficient private and public investment, low R&D expenditure in digital technologies, administrative barriers to entry of firms and rigid labour markets are all contributing factors,” the statement said.

“Without further financial market integration and deepening, Europe will not only fall short of its transformative goals of energy security, climate change mitigation and digital transition but also risk falling behind global peers,” it noted.

The European Union should enhance its budget to lift and better target public investment and prioritise strengthening the single market while avoiding distortive industrial and trade policies, it added.

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Global Textile Sector Sees Marginal Gains Amid Stagnant Climate: ITMF

The May 2024 ITMF Global Textile Industry Survey (GTIS) indicates a continued stagnation in the textile business climate, with a marginal improvement of the economic situation due to more companies deeming business “satisfactory”. On the other hand, business expectations have stagnated in positive territory for a year, reflecting optimism rather than actual improvement, as the entire supply chain suffers from a lack of orders and high costs that affect profit margins.

The balance between “good” and “poor” order intake has improved slightly, and expectations for order intake in six months are trending upwards. Since summer 2023, order backlog has fluctuated around two months on average, rising slightly from 1.9 months in March 2024 to 2.1 months in May, though it is too early to interpret this as a positive trend. The reported average capacity utilization rate increased marginally to 71% in May 2024, after declining from a peak of 80% at the end of 2021. Survey participants expect better capacity utilization in six months.

Weak demand remains the main concern since September 2022, though its importance has decreased in the last six months. Other concerns include high raw material prices, geopolitics, high energy prices, and a lack of workers and talents. Globally, 58% of respondents did not experience any order cancellations in May 2024, slightly down from 59% in March. Africa and Europe had relatively low order cancellations, while the Americas experienced more, with spinners and finishers/dyers/printers reporting the highest levels.

In May 2024, 59% of companies reported average inventory levels. North America registered the highest levels among regions, and spinners among segments. Inventories at brands and retailers remain high but are slowly decreasing. The prolonged negative business cycle often forces companies to produce at a loss or lower capacity utilization, with no significant change expected in 2024.

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