LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

FEB CPI INFLATION SEEN UNCHANGED AT 5.1%, JAN IIP GROWTH AT 3-MONTH HIGH OF 4.2%

India's headline retail inflation rate in February is not likely to have changed from January's 5.1 percent, extending its stay within the Reserve Bank of India's (RBI) tolerance range of 2-6 percent to a sixth consecutive month, according to a Moneycontrol survey of 15 economists.

Industrial growth, however, may have edged up to a three-month high of 4.2 percent in January, the survey showed.

The Ministry of Statistics and Programme Implementation will release retail inflation data for February and industrial production data for January at 5:30 pm on March 12.

Inflation and monetary policy

After a 0.7 percent month-on-month (MoM) decline in the food index helped drag down food inflation to 8.30 percent and the headline Consumer Price Index (CPI) inflation number to a three-month low of 5.10 percent in January, economists see an uptick in some food prices as the key reason for the overall inflation print for February not falling from the previous month.

"Even as prices of vegetables, such as potatoes, onions, and tomatoes, have remained virtually flat MoM, prices of other vegetables are likely to have edged higher," ANZ economists said in a note on March 8.

"On a sequential basis, the increase in food CPI was driven by cereals, fruits, and meat, which was partly offset by a drop in prices for eggs, pulses, and spices," economists from Barclays added.

Home

India's GDP To Grow At 6.8% In FY25, $7-Trn Economy By 2031: CRISIL

India's real gross domestic product (GDP) growth will moderate to 6.8 per cent in fiscal 2024-25 (FY25) following a better-than-expected 7.6 per cent expansion this fiscal, as higher interest rates and lower fiscal impulse temper demand, according to Indian rating agency CRISIL.
Yet, India will retain its position as the fastest-growing large economy, CRISIL said in a release.

The fiscal impulse will be lesser because of the need to reduce the fiscal deficit to 5.1 per cent of GDP next fiscal, according to the glide path presaged. However, the nature of government spending will provide some support to the investment cycle and rural incomes.

Inflation softened this fiscal due to easing input costs and slower domestic demand. CRISIL expects the softening to continue in the next fiscal on the back of healthier agriculture output that tames food inflation, and benign oil and commodity prices.

Growth momentum will continue through this decade, piggybacking significant private investments in emerging sectors, continuing government spending on infrastructure buildout, ongoing reforms push and efficiency gains from increasing digitalisation and physical connectivity, CRISIL noted.

"The next seven fiscals will see the Indian economy cross the $5 trillion mark and close in on $7 trillion at an estimated 6.7 per cent average annual growth. By fiscal 2031, India will be the No. 3 economy and an upper middle-income country, which will be a big positive for domestic consumption," Amish Mehta, managing director and chief executive officer of CRISIL, said.

"India's manufacturing sector is at a sweet spot due to high capacity utilisation across key sectors, opportunities from global supply-chain diversification, thrust on infrastructure investment, the green-transition imperative and strong balance sheets of lenders. Continuous reforms, enhanced global competitiveness and moving up the value chain will boost the share of manufacturing in India's GDP beyond the projected 20 per cent in fiscal 2031," he added.

CRISIL's analysis shows industrial capital expenditure will rise to ₹6.5 lakh crore (~$78.58 billion) annually on average between fiscals 2024 and 2028 from ₹3.9 lakh crore (~$47.146 billion) in the preceding five fiscals.

There will be near- and medium-term challenges posed by geopolitical uncertainties, global indebtedness, uneven economic recovery, climate change and technological disruptions. However, growth will take support from domestic structural factors and cyclical levers, CRISIL added.

Overall, there is a deserved sense of optimism about India given its resilience and enormous growth opportunities.

Home

India-EFTA pact: India to phase out import duties on chocolates, watches, textiles, smartphones

Read more at : India-EFTA pact: India to phase out import duties on chocolates, watches, textiles, smartphones - The Hindu BusinessLine

Home

India inks pact with EFTA, gets $100 billion commitment

Read more at : EFTA: India inks pact with EFTA, gets $100 billion commitment - The Economic Times (indiatimes.com) EFTA: India inks pact with EFTA, gets $100 billion commitment - The Economic Times (indiatimes.com)

Home

India signs trade agreement with EFTA: What is the significance of the deal?

India on Sunday (March 10) **signed a trade agreement** with the four-nation European Free Trade Association (EFTA), an intergovernmental grouping of Iceland, Liechtenstein, Norway and Switzerland. The deal brings in $100 billion in investment over 15 years, with the EFTA looking at joint ventures that will help India diversify imports away from China.
Here, we explain its significance for India.
Why is the timing of the signing crucial for India?
Over 64 countries, including India, are headed into elections this year, which could mean a long pause in free trade agreements (FTAs) for India and its trade partners. However, time is running out as the global supply chain is fast undergoing a reset with investment, for the first time in the recent past, moving away from China.

While India is seen as a top contender by global inventors, the Vietnam-led Association of Southeast Asian Nations (**ASEAN nations)** and North American nations like Mexico are also emerging as favourable investment destinations. A delay in streamlining investment flows and renewed attempts at global integration may turn out to be a missed geo-political opportunity.

While the India-EFTA trade deal has been inked, major deals such as India's FTA with the UK and EU still run the risk of political uncertainty.
Why did India push for investment commitment in the EFTA deal?
India runs a trade deficit with most of its top trade partners, except for the US. This is also true in the case of FTAs that India has signed in the past, especially with ASEAN nations. While the ASEAN FTA did help India secure intermediate products, India's increasing average tariffs (18 per cent) have meant that India's FTA partners have better access to the Indian market after tariff elimination. Average tariffs in developed nations hover around 5 per cent.

The India-EFTA deal is also expected to widen the trade gap. Even as the legality of the $100 billion investment commitment by EFTA remains unclear, such investment could help India generate economic activity and jobs in exchange for giving market access to EFTA.

Moreover, India could see gains in the services sector and the deal could help India power its services sector further.

Which Indian sectors could EFTA investment benefit?
The funds from the EFTA region include Norway's $1.6 trillion sovereign wealth fund, the world's largest such 'pension' fund, which posted a record profit of $213 billion in 2023 on the back of strong returns on its investments in technology stocks.
The Indian Express earlier reported that India could see investment flow into the pharma, chemical sectors, food processing and engineering sectors. Government officials said that EFTA is also looking at joint ventures (JVs) in the above-mentioned sectors that will help India **diversify imports away from China.**
Currently, India's imports of chemical products from China in FY23 alone stood at a massive $20.08 billion. It imported $3.4 billion worth of medical and bulk drugs worth nearly $7 billion from China, as per commerce and industry ministry data.

Why will it be difficult for India to access the EFTA market?
Switzerland, which is India's biggest trade partner among EFTA countries, decided to eliminate import duties on all industrial goods for all countries starting from January 1, 2024.

The abolition of tariffs on all industrial products, including chemicals, consumer goods, vehicles and clothing is a concern for India as industrial goods accounts for 98 per cent of India's $1.3 billion merchandise exports to Switzerland in FY2023. India's goods will face stiffer competition despite any tariff elimination that would be part of the deal.
Think tank Global Trade Research Initiative (GTRI) said that exporting agricultural produce to Switzerland remains challenging due to the complex web of tariffs, quality standards, and approval requirements. EFTA has not shown any inclination to make agriculture tariffs zero on most basic agricultural produce.

Home

India-EFTA Trade and Economic Partnership Agreement

India-European Free Trade Association signeda Trade and Economic Partnership Agreement (TEPA) today i.e. on 10th March 2024.

India has been working on a Trade and Economic Partnership Agreement (TEPA) with EFTA countries comprising Switzerland, Iceland, Norway & Liechtenstein. The Union Cabinet chaired by the Hon'ble Prime Minister has approved signing of the TEPA with EFTA States. EFTA is an inter-governmental organization set up in 1960 for the promotion of free trade and economic integration for the benefit of its four Member States.

Speaking on the occasion, Shri Piyush Goyal, Minister of Commerce and Industry, Food and Consumer Affairs and Textiles said:

"TEPA is a modern and ambitious Trade Agreement. For the first time, India is signing FTA with four developed nations - an important economic bloc in Europe. For the first time in history of FTAs, binding commitment of $100 bn investment and 1 million direct jobs in the next 15 years has been given. The agreement will give a boost to Make in India and provide opportunities to young & talented workforce. The FTA will provide a window to Indian exporters to access large European and global markets."

The agreement comprises of 14 chapters with main focus on market access related to goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, intellectual property rights, trade and sustainable development and other legal and horizontal provisions.

EFTA is an important regional group, with several growing opportunities for enhancing international trade in goods and services.EFTA is one important economic block out of the three (other two - EU &UK) in Europe. Among EFTA countries, Switzerland is the largest trading partner of India followed by Norway.

The highlights of the agreement are:

- EFTA has committed to promote investments with the aim to increase the stock of foreign direct investments by USD 100 billion in India in the next 15 years, and to facilitate the generation of 1 million direct employment in India, through such investments. The investments do not cover foreign portfolio investment.
- For the first ever time in the history of FTAs, a legal commitment is being made about promoting target-oriented investment and creation of jobs.
- EFTA is offering 92.2% of its tariff lines which covers 99.6% of India's exports. The EFTA's market access offer covers 100% of non-agri products and tariff concession on Processed Agricultural Products (PAP).
- India is offering 82.7% of its tariff lines which covers 95.3% of EFTA exports of which more than 80% import is Gold. The effective duty on Gold remains untouched.Sensitivity related to PLI in sectors such as pharma, medical devices & processed food etc. have been taken while extending offers. Sectors such as dairy, soya, coal and sensitive agricultural products are kept in exclusion list.
- India has offered 105 sub-sectors to the EFTA and secured commitments in 128 sub-sectors from Switzerland, 114 from Norway, 107 from Liechtenstein, and 110 from Iceland.
- TEPA would stimulate our services exports in sectors of our key strength / interest such as IT services, business services, personal, cultural, sporting and recreational services, other education services, audio-visual services etc**.**
- Services offers from EFTA include better access through digital delivery of Services (Mode 1), commercial presence (Mode 3) and improved commitments and certainty for entry and temporary stay of key personnel (Mode 4).
- TEPA has provisions for Mutual Recognition Agreements in Professional Services like nursing, chartered accountants, architects etc.

- Commitments related to Intellectual Property Rights in TEPA are at TRIPS level. The IPR chapter with Switzerland, which has high standard for IPR,shows our robust IPR regime.India's interests in generic medicines and concerns related to evergreening of patents have been fully addressed.
- India signals its commitment to Sustainable development, inclusive growth, social development and environmental protection
- Fosters transparency, efficiency, simplification, harmonization and consistency of trade procedures
- TEPA will empower our exporters access to specialized inputs and create conducive trade and investment environment. This would boost exports of Indian made goods as well as provide opportunities for services sector to access more markets.
- TEPA provides an opportunity to integrate into EU markets. Over 40% of Switzerland's global services exports are to the EU. Indian companies can look to Switzerland as a base for extending its market reach to EU.
- TEPA will give impetus to "Make in India" and Atmanirbhar Bharat by encouraging domestic manufacturing in sectors such as Infrastructure and Connectivity, Manufacturing, Machinery, Pharmaceuticals, Chemicals, Food Processing, Transport and Logistics, Banking and Financial Services and Insurance.
- TEPA would accelerate creation of large number of direct jobs for India's young aspirational workforce in next 15 years in India, including better facilities for vocational and technical training. TEPA also facilitates technology collaboration and access to world leading technologies in precision engineering, health sciences, renewable energy, Innovation and R&D.

Home

Trade agreement to provide zero tariffs on almost all of its exports to India, says Norway

Norway on Sunday announced that the Trade and Economic Participation Agreement (TEPA) between the European Free Trade Association (EFTA) will provide zero tariffs on almost all of its exports to India. The country also announced there will be no capping on number of professionals, planning to come there for work.

Norway is a member of EFTA along with Iceland, Liechtenstein and Switzerland. The Prime Minister of Norway, Jonas Gahr Store said that India will provide big export opportunities for Norwegian businesses. “After the agreement, this could become one of the most important trade agreements Norway has ever entered,” he said in a statement.

The agreement was signed on Sunday. Describing the event as ‘tremendous’, Norway’s Minister of Trade and Industry, Jan Christian Vestre said: “Norwegian businesses that export to India, today, meet high tariff barriers of up to 40 per cent in certain goods. With the new agreements, we have secured zero tariff on almost all the exports.” Vestre was addressing a press conference in the national capital after signing of the agreement.

The trade agreement is a part of the government export initiative ‘Hele Norge Eksporterer’. Accordingly, as the first in Europe, Norwegian enterprises get exemption from custom duties on most of the goods they export to India. These are advantage enterprises in EU countries and the UK do not have, a statement issued by the Norwegian embassy said.

Further, it said that a good example is seafood businesses that today must pay 33 per cent tariff in India. With this agreement, Salmon and mackerel from Norway will be subject to zero tariffs after five years. “This gives Norwegian exporters large competitive advantages compared to competitors in Europe and the rest of the world,” Vestre said.

He also said that the agreement contributes to strengthening the cooperations between the countries and provides Norway with a new platform for discussion with India. “In a turbulent world, with geopolitical tensions, it is important to strengthen the ties between India and the West. The agreement also elevates climate ambitions and will ensure workers and women’s rights,” he said.

The agreement talks about a $100 billion foreign direct investment in India which will create one million jobs in India over a period of 15 years. “The EFTA countries commit to promoting investments and creation of more jobs in India. A designated officer will be established in India to support Norwegian businesses in India,” Vestre added. As on date, 130 companies from Norway are already working in India.

The Minister highlighted that India will undergo a major green and digital transition and, in this context, Norwegian businesses have a lot to offer within everything from renewal energy, health technology, green mobility and seafood. “The agreement provides large possibilities for trade and investments in a market that is growing rapidly. Through investments in India, Norwegian businesses can contribute to sustainable development,” he said.

Among EFTA members, India has received about $10 billion in foreign direct investments (FDI) from Switzerland between April, 2000 and December, 2023. It is the 12th largest investor in India. The FDI inflow was $721.52 million from Norway, $29.26 million from Iceland and $105.22 million from Liechtenstein during the period.

Home

India, EFTA sign trade deal; PM Modi says 'watershed moment'

India and the European Free Trade Association (EFTA), comprising Iceland, Liechtenstein, Norway and Switzerland, on Sunday signed a trade deal securing duty-free access for Indian rice to the bloc, easy services exports and a "binding commitment" on investments of $100 billion and creation of a million jobs over 15 years.
Union minister for commerce & industry Piyush Goyal addresses the media regarding the the India-European Free Trade Association trade deal in New Delhi on Sunday. (PTI)
The Trade and Economic Partnership Agreement (TEPA) will also ease imports of high-value wine, chocolates and watches from the four countries. Swiss chocolates and watches of famous brands such as Rolex, Omega and Cartier are set to become cheaper for Indian consumers.

India will give duty concessions on chocolates, watches and wine, but wine costing below $5 won't enjoy concessions to protect local manufacturers, a commerce ministry official said requesting anonymity. Basmati and non-basmati rice from India will get duty concession in EFTA countries without any reciprocity, he said.
In a statement, Prime Minister Narendra Modi called the signing of the deal "a watershed moment" and said that "the global leadership of EFTA countries in innovation and R&D across diverse spheres" will open new doors of collaboration. He pointed to foreign direct investment (FDI) opportunities for the European bloc in India's growing sectors such as digital trade, banking, financial services, transport, logistics, industrial machinery, biotechnology, pharmaceuticals, chemicals, food processing and clean energy.
Commerce minister Piyush Goyal said, "For the first time in history of FTAs [free trade agreements], a binding commitment of $100 billion investment and one million direct jobs in the next 15 years has been given." The commerce ministry said in a statement: "For the first ever time in the history of FTAs, a legal commitment is being made about promoting target-oriented investment and creation of jobs."
Norway's trade minister Jan Christian Vestre told a media briefing the four states aren't deciding where private companies should invest, and investments "won't be guaranteed by the TEPA" because the private sector decides on FDI. "It's up to the private sector, private

companies and private businesses. We can't make any guarantees on their behalf but the goal is $100 billion," he said.

If this figure isn't reached in 15 to 20 years, both sides will sit down and "look at different mechanisms to make sure it happens", Vestre said. Both sides have a concrete action plan to follow up on this issue by creating the right framework conditions and matchmaking, including establishing an office in India to promote investments.

Two officials with direct knowledge of the matter said the figure of $100 billion for FDI from the bloc – $50 billion in the first 10 years and another $50 billion in the next five years – was arrived at after thoroughly considering all economic factors, and India can withdraw tariff concessions in case EFTA fails to meet the commitment.

"Hence, it is a legally binding commitment and part of the deal," one of them said. The FDI commitment is based on India's rapid economic development in the past two decades, when the country's annual nominal GDP growth rate was around 9.5% in US dollar terms. There is a 13% annual increase in FDI flow from the EFTA countries into India during this period, totalling $10.7 billion in 2022.

"The agreement, however, excludes sovereign wealth funds from FDI promotion obligations, but investments of an EFTA entity routed through other countries will also be counted in the $100 billion obligation," the second official said. Both officials requested anonymity as they are not authorised to talk to the press.

The agreement envisages that India will also create an environment conducive to increased investment flows and technology collaboration, which excludes technology transfer. Both parties have agreed to establish a sub-committee on investment promotion and cooperation for this purpose, the officials said.

Switzerland alone accounts for almost 80% of the investments of $10.7 billion by the private sector from EFTA. The four countries have also created about 150,000 jobs in India so far. Norway's sovereign fund alone has invested $17 billion in India and its climate fund is eyeing large investments in the country that Vestre said are aimed at helping propel New Delhi's ambitious climate transition plans.

Speaking about the TEPA, Goyal said it will boost "Make in India" and "provide a window to Indian exporters" to access large European and global markets. The pact comprises 14 chapters focused on subjects such as market access for goods and services, rules of origin, trade facilitation, trade remedies, investment promotion, intellectual property rights and trade and sustainable development. The agreement will come into force after formal ratification in all the countries.

Goyal and EFTA ministers said both sides acknowledged and respected each other's sensitives, particularly on agriculture. Hence, sectors such as dairy, soya, coal and sensitive agricultural products were kept in the exclusion list. India's interests in generic

medicines and concerns related to evergreening of patents have been fully addressed, he said.
According to the deal, EFTA is offering 92.2% of its tariff lines that cover 99.6% of India's exports, which includes 100% of non-agri products, and tariff concession on processed agricultural products (PAP). India is offering 82.7% of its tariff lines that cover 95.3% of EFTA exports, of which more than 80% is gold. "The effective duty on gold remains untouched," a commerce ministry official said, adding that sectors covered under production linked incentive (PLI) scheme such as pharma, medical devices and processed food have also been protected.
"The deal is particularly beneficial for Indian services sector as easy mobility is secured for professionals providing IT services, business services, education services and audio-visual services. India will be treated at par with MFNs (most favoured nations) barring EU for easier visa," he said, adding India's services exports are larger than merchandise exports to EFTA. India's annual services exports to EFTA is around $4 billion, he added.
According to a government data, India's exports to EFTA in January-December 2023 was $1.87 billion, but its import from the group was in excess of $20.45 billion, where Switzerland's share was $19.65 billion due to purchase of gold.
The FTA also has provisions for mutual recognition agreements (MRAs) in professional services such as nursing, chartered accountants and architects, which will enable these professionals to work in EFTA countries, the commerce ministry official said.
TEPA was signed by Goyal, Swiss federal councillor and head of the federal department of economic affairs Guy Parmelin, Iceland's foreign minister Bjarni Benediktsson, Liechtenstein's foreign minister Dominique Hasler and Norway's trade minister Jan Christian Vestre. After inking the agreement that also covered issues such as environment, gender and trade and sustainable development, Goyal said it reflects a "new resurgent India, full of self-confidence".
The industry experts lauded FDI component of TEPA. "A trade pact coupled with the unique pledge by EFTA members on $100 billion investment will help sectors such as engineering, pharmaceuticals, food processing, apparel and others to grow and also help both sides to address third markets together," said CII president R Dinesh.
Talks on the India-EFTA trade deal began in January 2008 but remained dormant after 2013, until the negotiations were revived last year. India's key imports from the four countries are gold ($20.7 billion in 2021-22), silver, coal, pharmaceuticals, vegetable oil, dairy machinery, medical items, crude and scientific equipment. It exports chemicals, iron and steel, gold, precious stones, yarns, sports goods, glassware and bulk drugs to these nations.

Home

EFTA Deal: India to link duty cuts with investments from companies of member nations

Read more at : [free trade agreement: EFTA Deal: India to link duty cuts with investments from companies of member nations - The Economic Times (indiatimes.com)]

Home

GLOBAL

Global Cotton Market: Lower U.S. Production, Increased Demand Drive Trade Dynamics

Lowered U.S. cotton production and reduced ending stocks alongside heightened global consumption and trade mark the 2023/24 season. Despite challenges, stable prices and evolving trade patterns signal resilience in the global cotton market.

Highlights

U.S. Cotton Production Forecast: Production for the 2023/24 U.S. cotton season is reduced to 12.1 million bales, a decrease of 334,000 bales from the previous month's forecast. Final estimates for area, yield, and production will be available in the May 2024 Crop Production report.

Ending Stocks: Ending stocks for U.S. cotton are projected at 2.5 million bales, down by 300,000 bales from the previous month. Stocks as a share of use are estimated at 18%, the lowest since 2020/21.

Price Projection: The projected marketing year average price received by upland producers remains unchanged at 77.0 cents per pound, maintaining stability in the market.

Global Supply and Demand: Global cotton supply and demand estimates for 2023/24 indicate higher production, consumption, and trade, but lower ending stocks. World production sees a 130,000 bales increase, primarily due to a significant rise in India's crop.

Global Consumption and Trade: Global consumption rises by almost 500,000 bales, with notable increases in China and India offsetting lower estimates for Turkey and other countries. World trade increases by about 400,000 bales, mainly driven by higher imports in China.

Exports: Exports are projected higher for India, Australia, and Turkey, reflecting increased global trade dynamics.

Ending Stocks: Global ending stocks see a marginal decrease, down by 353,000 bales to 83.3 million, indicating a relatively balanced global cotton market.

The latest forecasts reveal a nuanced landscape in the global cotton market, with reduced U.S. production and tighter ending stocks contrasting with increased global demand and trade activities. Stable prices amidst these shifts underscore the market's adaptability and resilience. However, uncertainties persist, particularly in supply dynamics and global trade patterns, emphasizing the need for stakeholders to remain agile and informed in navigating the evolving cotton market landscape.

Home

Uzbek Cotton Sector To Benefit From Aid From Jeddah-Based ITFC

Jeddah-based International Islamic Trade Finance Corp (ITFC) signed agreements worth $715 million with Uzbekistan at the Arab Coordination Group meeting in Tashkent recently. The financing will support production of cotton and wheat and the trade finance needs of the private sector, especially small and medium enterprises (SMEs); ensure food security; and help stabilise prices of essential commodities.

The first agreement worth $600 million aims at strengthening areas of cooperation between ITFC and Uzbekistan, focusing on trade finance, agricultural and food security financing for the public sector, support for state-owned enterprises, and financing for SMEs in sectors like pharmaceuticals, food and agriculture, textile and manufacturing.

The second agreement is a $100-million Murabaha financing deal that will contribute to food security and agriculture in Uzbekistan.

ITFC has also pledged to extend support to local banks with technical assistance through new Integrated Trade Solutions in the coming years, according to a newspaper report in Saudi Arabia.

ITFC, a member of the Islamic Development Bank Group, has been supporting government and local banks in Uzbekistan since 2018.

The collaboration also covers the ‘Trade Connect Central Asia+’ programme, a flagship initiative by ITFC that targets expansion and economic integration of trade and investment cooperation among six countries: Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

ITFC also signed a $15-million line-of-trade financing agreement with Uzbekistan's AgroBank and its subsidiary SmartBank to support SMEs and the private sector in the latter, an IFTC release said. This financing will focus on sectors like agriculture, manufacturing and textile, and will aim to promote financing of green projects.

Home