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INTERNATIONAL NEWS

US ban on Xinjiang imports hits China's supply chain

BEIJING: After finding out that the Chinese products are produced with forced labour, the US imposed a ban on Xinjiang imports, which hit China's supply chain.

In 2021, the Uyghur Forced Labour Prevention Act (UFLPA) was signed into law, under which the US government assumes that anything made even partially, in the Chinese manufacturing hub of Xinjiang is produced with forced labour and therefore, can't be imported into the US unless companies are able to provide "clear and compelling evidence" to the contrary.

Earlier, the US imposed several restrictions in place for imports from Xinjiang, where human rights groups claim Uyghurs and other ethnic minorities continue to face a series of rights abuses, including being placed in mass internment (re-education) camps.

With the US trying to rally its allies to this anti-China law, an opportunity arises for countries like India to step into the vacuum created by imports from Xinjiang.

As per the new law, all goods from Xinjiang (People's Republic of China)are barred from being imported into the US unless it can be proven otherwise. The law makes the case that Chinese authorities have established detention camps for Uyghurs and other Muslim groups in Xinjiang and are using forced labour to produce goods for export requiring a legal route to impact Chinese actions. The US has said that China is committing genocide of the Uyghur population.

The US Customs and Border Protection said it would strictly enforce the rules and is likely to aggravate the already tense relations between the US and China. Zhao Lijian, spokesperson for China's Ministry of Foreign Affairs had warned prior to the coming into force of the new Act that if implemented, "it will severely disrupt normal cooperation between China and the US, and global industrial and production chains." He added that "China will take robust measures to uphold its own rights and interests as well as its dignity."

There is cause for concern within the US and elsewhere, over the new Act targeted at China, as Xinjiang accounts for 20 per cent of the world's cotton and 80 per cent of China's domestic production. Xinjiang has a robust industrial, mining, and agricultural sector and produces everything from peppers and walnuts to electrical equipment and polysilicon, a key material for making solar panels, which is exported to the US. The new law is of particular concern for the global solar industry, which saw about 50 per cent of the world's supply of polysilicon come from the Xinjiang region in 2021.

While Chinese companies and retailers brace for chaos as US Customs begins to enforce a ban on imports from Xinjiang, companies are also trying to understand how the new rules could affect their business and supply chains.

Asian clothing suppliers, international retail chains, US solar-panel makers and Chinese floor tile material makers among scores of groups are all looking at the possibility of their US-bound shipments being seized.

Considerable data on forced labour being used by China has been generated by the Xinjiang Papers and the Australian Strategic Policy Institute (ASPI) 2020 report "Uyghurs for Sale". More recently, the UK's Sheffield Hallam University released a report (June 2022) documenting the use of forced labour in Xinjiang to manufacture polyvinyl chloride, a core component in floor tiling.

The report investigates the increased manufacturing of PVC in the Uyghur Region, the manufacturers' use of state-sponsored labour transfers, the environmental damage this is causing, and the routes by which the resulting PVC-based products make their way into international markets.

The report highlights the case of the Zhongtai Group, a Chinese state-owned enterprise, which manufactures 2.33 million tons of PVC annually.

It is found that "During the COVID-19 pandemic lockdown, Zhongtai Group reported having received 1,180 transferred employees from Uyghur and other Indigenous communities in the Xinjiang - Uygur Autonomous Region (XUAR) in only two weeks".

Academics and media organisations have published numerous reports detailing the systematic use of forced labour among Uyghurs in what critics describe as internment camps. China, which initially denied the existence of such facilities, later said they were vocational training centres which were designed to combat the rise of religious and separatist extremism.

Pertinently, the Sheffield Hallam Report states that Zhongtai also runs ideological and vocational training schools that have trained thousands of rural farmers to become compliant factory labourers. Information on the supply of forced labour from Xinjiang comes from research produced by Adrian Zenz and the Asian Society Policy Institute (ASPI). There are reports of detainees being moved out of Xinjiang to work in other parts of the country, while components produced in the region have been traced to US-bound exports shipped from elsewhere in China.

President Biden's administration wants global supply chains to be free from forced labour. Therefore, the new American measure will not have a lasting impact unless countries like Canada, Europe, and others involved in procurement, refuse to pull their weight. Consequently, goods will simply be redirected and, the new law will have little impact on the ground.

The Uyghur Act of 2021, brands a 'high priority' for seizure, all US-bound imports traced to Xinjiang, including cotton, tomatoes, floor tiles and solar panel materials. More than 900 shipments from the region were seized in the last quarter of 2021 by US authorities under earlier trade restrictions. But US trade and business groups said the new legislation's vague wording threatened to put the bulk of China's USD 500billion in annual shipments bound for the US at risk.

There is undoubtedly an opportunity for countries like India to capitalise on this opportunity and fill the likely vacuum created by textiles from China. India's textile industry will have to increase its production capacity. Reports indicate that companies have already started expanding their capacity to produce on a large scale. However, the ground reality is that it may take a year or so for units to be ready with more capacity. The expectation is that the Production Linked Incentive will help and encourage industrial units to expand capacity.

In the long run, the UFLPA is a step in the direction of tightening US legal responses to China's alleged ill-treatment of the Uyghur in Xinjiang. The effectiveness of the Act will depend on cooperation from Europe and Canada. Further, UFLPA cannot function in isolation.

The US under Joe Biden has to turn its attention solely on China and necessarily away from Russia if a comprehensive China strategy is to be put in place. In the absence of a grand strategy toward China, the UFLPA will remain an episodic event in US-China relations with little to show on the ground.

Source: newindianexpress.com– Jul 11, 2022

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Volume at US Ports Hits All-Time High

U.S. cargo imports set another record high this spring as the country's major container ports worked to reduce congestion and retailers stocked up before dockworkers' West Coast labor contract expired. That deadline, originally July 1, has been extended.

According to the monthly Global Port Tracker report from the National Retail Federation (NRF) and Hackett Associates, U.S. ports handled 2.4 million 20-foot containers or equivalent units (TEU) in May, up 6 percent from April and 2.7 percent more year over year. This was also a new record for the number of containers imported in a single month since NRF began tracking imports in 2002, topping 2.34 million TEU from the month prior.

"Cargo volume is expected to remain high as we head into the peak shipping season and it is essential that all ports continue to operate with minimal disruption," Jonathan Gold, NRF vice president for supply chain and customs policy, said. "Supply chain challenges will continue throughout the remainder of the year, and it is particularly important that labor and management at West Coast ports remain at the bargaining table and reach an agreement."

The contract talks between the International Longshore and Warehouse Union and the Pacific Maritime Association are continuing. NRF and more than 150 groups wrote to President Biden last week asking the administration to work with both sides to avoid disruption.

Ports saw a surge in activity this spring as a slowdown in cargo from Chinese factories closed by Covid-19 gave them a chance to clear built-up congestion. Retailers bringing in seasonal merchandise and importing other goods early to avoid any problems related to the contract negotiations might have also contributed to the large volume.

"Congestion of ships waiting to berth on the West Coast has eased and we expect to see the same on the East Coast as carriers begin to return to their normal patterns of port calls," Hackett Associates founder Ben Hackett said.

Ports have not yet reported June numbers, but Global Port Tracker projected the month at 2.25 million TEU, a 4.8 percent increase from the same month in 2021. That would bring the first half of the year to 13.5 million TEU, a 5.4 percent year-over-year increase.

July cargo shipments reaching U.S. ports are forecast at 2.31 million TEU, up 5.3 percent from last year, while August is projected to dip 0.5 percent to 2.26 million TEU and September to be down 0.8 percent to 2.12 million TEU. Looking ahead to the fall, October container imports are also expected to reach 2.12 million TEU, a 4.1 percent decline from the same month last year, and November to be down 2.5 percent to 2.06 million TEU.

The year-over-year declines during the second half of the year contrast with unusually high numbers during the same period in 2021, but remain elevated, and the full year is still expected to see a net increase over 2021, Global Port Tracker noted. Cargo container imports for all of 2021 totaled 25.8 million TEU, a 17.4 percent increase over 2020's previous annual record of 22 million TEU.

Global Port Tracker, which is produced for NRF by Hackett Associates, provides historical data and forecasts for the U.S. ports of Los Angeles-Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., on the West Coast; New York-New Jersey; Port of Virginia; Charleston, S.C.; Savannah, Ga., and Port Everglades, Miami and Jacksonville, Fla., on the East Coast, and Houston on the Gulf Coast.

Source: sourcingjournal.com– Jul 11, 2022

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EAC member states split over African trade pact regulations

Member states of the East African Community (EAC) are reportedly lacking a consensus over preferential Rules of Origin and tariffs on textile and apparel and goods produced in special economic zones (SEZs) among other products. Rising protectionism could expose the region to unfair trade practices under the African trade pact AfCFTA.

The requirement for local content is 40 per cent now, and is considered too steep for sustainable production, according to a report in a Kenyan newspaper.

The Democratic Republic of Congo, Kenya and Burundi support the African Continental Free Trade Area (AfCFTA) Secretariat's position. Rwanda is undertaking internal consultations to joining them, while South Sudan and Tanzania are split on the review terms as they seek to allow more imports.

Though the draft ministerial regulation states that goods produced in SEZs shall be treated as originating goods provided they satisfy the rules of origin, member states are yet to agree on import duties being paid on the inputs of these products.

The private sector in East Africa, which feels it makes economic sense to treat such goods as originating, provided they satisfy the AfCFTA rules of origin, attributes the divergence between the EAC partner states to the lack of a regional policy on goods produced in SEZs.

“This is due to the fact that goods produced in SEZs are already circulating freely in COMESA and SADC, and that the same will apply to the Tripartite Free Trade Area once the agreement establishes the TFTA enters into force,” a report by the East African Business Council (EABC) states.

Countries in the region, which enjoy a huge export market under agreements like US African Growth Opportunity Act, have also differed on imports of raw material for the local textile and apparel industries as those seek to curb cheap imports.

There are at least 44 elements on textile that are yet to be agreed upon related to natural fibres, man-made staple fibres, chemical materials and textile pulp.

EABC experts say the fact that Rules of Origin alone will not solve all the historic challenges facing the textile-apparel sector, there is a need for a deliberate industrialisation strategy that puts in place the right policy mix and environment to support the development of a vertically integrated value chain.

This should include affordable credit and energy, advanced technology, a skilled and productive workforce, and a favourable regulatory and policy environment. It proposes the provision of preferential market access for African textiles and garments in the uniform market, including police, military, schools and hospitals.

Companies should also be allowed to import fabric, fibre and yarn not available in Africa, EABC says. “Stringent rules of origin will lock out trade in textiles and apparel in the continent against the objectives of AfCFTA,” EABC notes.

Source: fibre2fashion.com– Jul 11, 2022

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More apparel brands need to switch up cotton, polyester sourcing

Textile Exchange, which has published reports for both its Sustainable Cotton Challenge and Recycled Polyester Challenge, explains it has successfully encouraged apparel brands to use lower impact sourcing to replace conventional counterparts, rather than substitute other fibre categories or justify increased industry growth.

However, the organisation is urging more apparel brands to take part in the initiatives in order to help the wider apparel industry tackle the ambitious targets required by 2030.

Lower impact sourcing for cotton and polyester

The non-profit organisation, which focuses on driving positive impact on climate change across the global apparel industry, believes lower impact sourcing needs to be combined with:

Innovation-based investments
Reduced material consumption overall
The scaling of existing solutions
A focus on degrowth
Improving the data used to measure impacts

This it says will help the industry meet its climate goals in time for 2030, which is when greenhouse gas emissions need to be halved to make a real difference to climate change.

The reports detail the progress that has already been made by the apparel brand signatories so far.

Sustainable Cotton Challenge 2025

The 2025 Sustainable Cotton Challenge requires apparel brands to sign a pledge which means being committed to sourcing 100% of their cotton from one or more of the recognised programmes and initiatives by 2025.
The long list of brands who have already committed to the challenge include household names such as adidas, Nike, H&M Group, C&A, Gap, Marks & Spencer, Ted Baker and ASOS.

In fact, by 2020, 127 brands had signed up to the pledge and by December 2021 this figure had increased to 162.

A quarter of the brands (25%) successfully sourced all of of their cotton (100%) from one or more of the recognised programmes and initiatives by 2020 with almost three quarters (72%) of the total amount of cotton sourced by all the signatories together coming from recognised programmes and initiatives in 2020.

Textile Exchange says this significantly outperforms the 30% sourced from these programmes by the industry overall in 2020. However, the market share of the reporting signatory brands and retailers was only roughly 7% of the total cotton market that year.

The third annual Sustainable Cotton Challenge 2025 report, which was published this month (July 2022) focuses on the progress made by the original 127 brands who made the pledge in 2020.

Rui Fontoura, the fibre and materials strategy lead for cotton and crops at Textile Exchange explains: “The challenge inspires retailers and brands to champion the greater use of sustainable cotton by aiming for 100% of the cotton in their supply chains to come from the most sustainable sources by 2025 – in just three years.”

He says the report outlines how brands and supply chain actors are increasingly adopting sustainable cotton production practices, which has a direct impact on social quality, biodiversity, water quality and availability. He points out these issues are all components of Textile Exchange’s Climate+ strategy, which calls for the textile industry to achieve a 45% reduction in greenhouse gas emissions within fibre and raw material – cotton – by 2030.

Fontoura is also keen to encourage more brands and supply chain actors involved in the cotton production to join the 2025 Sustainable Cotton Challenge.

Textile Exchange’s vision for cotton

The goal is to develop and support thriving rural communities where soils will be healthy, biodiversity flourishing, and people have both food security and economic stability. Responsibly grown cotton using regenerative practices will be central to delivering on this vision.

The aim for 2025 is for over half of cotton volume to be converted to more sustainable solutions. The rest of the industry should also understand the issues and solutions and be following the lead.

The vision for 2030 is for the United Nations Sustainable Development Goals Textile Sector Report to communicate significant impacts around water use and quality, biodiversity, food security and to have case studies supporting the journey to regenerative agriculture and resilient communities.

Recycled Polyester Challenge 2025

A total of 132 companies signed up to the 2025 Recycled Polyester challenge between its launch in April 2021 and December 2021. By signing the pledge, they committed to targets ranging from having 45% to 100% recycled polyester by 2025.

Companies committed to the initiative are required to annually report their polyester consumption to Textile Exchange's Corporate Fiber and Materials Benchmark (CFMB) survey, which tracks progress across all participating brands towards the collective goal.

The first annual report, which was published this month (July 2022) explains that in 2019, the baseline year for the 2025 Recycled Polyester Challenge, the apparel industry accounted for 32m tonnes of the 58 million tonnes of polyester fibre used that year. Only approximately 14% of this was recycled, despite having a significantly lower carbon footprint than its conventional counterpart.

To keep the industry on track toward its climate targets, Textile Exchange says this percentage needs to increase to 45% by 2025, assuming a 3% growth rate in the apparel industry. The long-term vision is to bring this up to 90% by 2030.

The organisation also notes that its goal for recycled polyester is that it should replace virgin synthetic feedstocks, rather than substitute other fibre categories or justify increased industry growth.

The key takeaways from the initial report include:

Over half (56%) of the 132 companies (including subsidiaries) have committed to replacing 100% of their virgin fossil-based polyester with recycled by 2025.

Almost a fifth (17%) already use more than 45% recycled polyester and 7% achieved their target in 2020

Almost a third (31%) reduced their total polyester fibre volume from 2019 to 2020.

Almost half (49%) were able to report their total polyester volumes not only for 2020 but also for 2019.

Textile Exchange's vision for polyester

While the industry may celebrate the progress made, Textile Exchange says further acceleration is urgently needed:

More companies need to join the 2025 Recycled Polyester Challenge and commit to increasingly ambitious targets for the industry to achieve an overall reduction of 45%.

All companies have to set ambitious targets.

Overall material consumption, particularly but not only fossil-based, needs to be reduced.

Source: just-style.com– Jul 11, 2022

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Sourcing in Crisis: Sri Lankan President, PM to Resign, Myanmar Garment Workers Strike

Global unrest is putting a strain on sourcing nations—and the timely delivery of goods in jeopardy.

Sri Lanka's president and prime minister will step down, making way for an "all-party government" to lead the bankrupt nation.

President Gotabaya Rajapaksa's resignation plans were first announced this weekend by Mahinda Yapa Abeywardena, the speaker of Sri Lanka's parliament. Though Rajapaksa has kept out of sight since protestors stormed his home over the weekend, Prime Minister and Finance Minister Ranil Wickremesinghe said Monday that Rajapaksa had confirmed plans to return and resign by Wednesday. Wickremesinghe, whose private home was also targeted by protesters, announced plans to resign on Twitter Saturday.

"To ensure the continuation of the Government including the safety of all citizens I accept the best recommendation of the Party Leaders today, to make way for an All-Party Government," Wickremesinghe wrote. "To facilitate this I will resign as Prime Minister."

News of the two leaders' planned resignations came days after the prime minister, discussing a potential 17th rescue program from the International Monetary Fund (IMF), told parliament the country was "bankrupt."

"We are now participating in the negotiations [with the IMF] as a bankrupt country," Wickremesinghe said. "Therefore, we have to face a more difficult and complicated situation than previous negotiations."

The tumultuous past week capped off months of economic and political turmoil, including widespread shortages of food—three in 10 households are food insecure, the World Food Programme reported Wednesday—and fuel—the nation's petrol resolves were just below one day's worth of consumption on July 3, according to power and energy minister Kanchana Wijesekera. The apparel industry, however, appears to be one of the few silver linings.

“It’s a bit of a sweet spot in the middle of a tornado,” said Yohan Lawrence, secretary general, Joint Apparel Association Forum (JAAF), in reference to how the apparel industry has continued to grow over these past months, even as Sri Lanka declined into economic chaos. “The country is now on the path that is set by the economists not by politicians. There’s a lot that is happening.”

Having said that, Lawrence is not sweetening the pill. Apparel manufacturers are barely finding ways to keep labor afloat, let alone obtain enough fuel to bring workers to the factories and keep the machines running. In late May, JAAF warned that unless policymakers stopped dragging their feet on sweeping reforms, softening global consumer sentiment could drive a one-fifth reduction in next season’s orders.

“Overall it is a very difficult time,” Shiran Fernando, chief economist, Ceylon Chamber of Commerce told Sourcing Journal. “Right now, we are negotiating an IMF program for macro-stabilization, so a lot of reforms for state-owned enterprises, labor and energy are likely to get tied into this program. The crisis has accelerated a few reform areas, which previously were moving very slowly.”

“I don’t think we will see immediate results from the reforms, but what will be more key over the next six months is to see how we can continue to get steady earnings from exports and services. The priority has been given to exports and that is a continuing focus,” he added, noting that the results of a recent survey on exports showed that even though the economy is not doing well, exporters are still seeing a rise and growing potential.

The results from the apparel sector, which accounts for approximately 6 percent of Sri Lanka’s gross domestic product (GDP) and almost half of all merchandise exports, support the point.

In May, exports hit $446 million, a 30 percent increase from $344 million a year earlier. Year-to-date, earnings totaled $2.2 billion, a 16 percent year-over-year increase. JAAF said it is “hopeful” it will reach $6 billion by the end of 2022.

Lawrence noted a number of reasons that the industry is continuing to survive and prosper.

For one, companies are able to buy diesel directly from providers and don't have to wait in the queues, which are long, and therefore have largely had sufficient diesel to function, he said. Second, the ports have continued to work throughout this crisis, even as day-to-day life is impacted greatly.

"Last year this time we were still coming out of Covid recovery stage," Lawrence said. "In our view, we're doing OK. The concern is in the future months. Right now, petrol is a big issue, people are carpooling, doing whatever they can to keep plants operational, so a lot of on-the-ground thinking. Big companies are helping out smaller companies where they can, also conscious of looking after employees, and providing them relief financial and non-financial. It's a time when everybody is coming together."

The government also has announced an extension of the debt moratorium. Companies can apply on a case-by-case basis.

"In addition to ensuring that large manufacturers are able to maintain production, much more needs to be done to prioritize support for the small and medium apparel producers, who are an equally essential component of the industry," Lawrence said. "We are seeing a level of cooperation between manufacturers that we've never seen. There is a genuine country-first approach, and that is something. Although it's not been a walk in the park."

Myanmar garment workers strike

Meanwhile in Myanmar, roughly 2,000 garment workers in Mingaladon Township went on strike Thursday morning, according to the news site Myanmar Now.

The workers were reportedly employees of the JW factory in the Zaykabar Industrial Park. According to the publication, it is owned by Great Glowing Investment and operated by another factory in the park, ADK.

Both facilities are managed by Canadian nationals, the Myanmar-based outlet said, citing the country's Directorate of Investment and Company Administration. The factories manufacture clothing for international sportswear brands, including Crivit, and employ nearly 7,000 people.

A 22-year-old worker quoted by the publication said she was required to work 12-hour shifts six days per week. Meeting management’s high expectations had made it difficult to take a half-hour lunch break and to use the toilet, she added.

“We can barely make 45 pieces an hour but now they’re asking us to finish 62 pieces an hour,” she told Myanmar Now. “Injustice is widespread here. The workers are not able to practice any of the rights we are entitled to.”

Another worker said she had only been paid a monthly salary of $145 despite working more than 100 overtime hours.

Myanmar Now, citing the striking workers, said roughly 20 junta soldiers and police arrived at the industrial park Thursday morning to speak with factory management. The outcome of this meeting was unknown as of press time.

Labor organizers, many of which have been forced into exile since last year’s military coup, have long warned of deteriorating working conditions in Myanmar. In December, Khaing Zar Aung, the exiled president of the Industrial Workers Federation of Myanmar (IWFM), a trade union, warned that “forced labor” was “rampant in many factories.”

According to a January report from the International Labour Organization (ILO), production stabilized “to some degree towards the end of the year, with an estimated 220,000 jobs—roughly 27 percent of all garment manufacturing jobs—lost in 2021. Women accounted for nearly nine in 10 of these estimated losses, the ILO said.

Labor campaigners have pushed for a complete shutdowns of apparel operations, arguing that a return to democracy is the only path forward. In December, ACT (Action, Collaboration, Transformation), a multi-stakeholder initiative that seeks to improve living wages for garment workers, ceased all activities in Myanmar after IndustriALL Global Union’s local affiliate, Industrial Workers Federation of Myanmar (IWFM), said it was no longer able to operate freely under current circumstances. The following month, the U.S. Departments of Commerce, Homeland Security, Labor, State and the Treasury, along with the Office of the U.S. Trade Representative, issued a business advisory warning of the “heightened risks” associated with doing business that could benefit the military regime.

An ongoing fuel shortage, however, could be the “final straw” for Western brand holdouts—Primark, H&M, Bestseller, Next and Inditex source from the country—Sofia Nazalya, senior human-rights analyst at global risk-intelligence company Verisk Maplecroft, said last month. Khaing Zar Aung said she hadn’t heard of factories closing due to power shortages, but predicted that any cash flow problems would be borne by workers.

Fuel shortage in Pakistan could cost $1B

In Pakistan, a lack of gas and electricity supply has forced 400 textile mills in Punjab province to temporarily close their doors, the Pakistani news channel ARY News reported last week.

Like Sri Lanka and Myanmar, Pakistan is wrestling with the consequences of soaring energy prices. In June, state-owned Pakistan LNG failed to complete a purchase tender for July shipments of liquefied natural gas for the third time due to its spiraling cost. Weeks earlier, the government backtracked on the six-day work week Prime Minister Shehbaz Sharif implemented in April—introduced to increase productivity, the policy was eating into the already stretched-thin fuel supply.

In a letter addressed to Sharif and shared on Twitter, the All Pakistan Textile Mills Association’s (APTMA) patron-in-chief Gohar Ejaz warned that a two-week suspension in energy deliveries would translate to a loss of at least $1 billion. He urged the government restore the gas and re-gasified liquefied natural gas supply of “export-oriented industry” “immediately.”

“It is inexplicable that the exporting sector which has the capacity to deliver over $2 billion in exports per month is being denied energy/gas and consequently exports will be significantly lower, much to the detriment of Pakistan’s economy,” Ejaz wrote.

The letter, dated July 1, said “gas/RLNG to the industry has been suspended from July 1 to July 8.” Eid holidays would stretch the shutdown through to July 14, Ejaz noted.

“More than 50 percent of output will be lost in this month, with the very real risk of losing orders on a permanent basis as well as loss of repeat business due to delays in delivery of orders,” Ejaz said.

According to APTMA patron-in-chief, Pakistan's textile exports reached "a new record" of "nearly $20 billion" in the fiscal year ended June 30, up from $12.5 billion two years earlier. He attributed this "fantastic growth" to the implementation of a regionally competitive energy tariff (RCET), as well as the investment of more than $5 billion in the expansion and establishment of 100 new textile "units." Textile exports, Ejaz wrote, were expected to reach more than $25 billion in the new fiscal year.

The overlapping power and economic crises are "heaping" pressure on Sharif's recently installed government, Joseph Parkes, senior Asia analyst at Verisk Maplecroft, said. "The window in which he can pin the blame on his predecessor is diminishing," he added. Securing the next phase of an "unpopular but necessary" IMF program will only "further strain" the government's standing with its citizens, Parkes noted.

"The soaring cost of living is already driving unrest, and the shuttering of industry—including garment factories—to reduce energy demand will add to the pain," he said. "The disruption to export-orientated industries like the garment sector will compound the pressure on government finances."

Parkes said the government has responded to the garment sector's concerns with efforts to restore energy to the industry, "but the extent of the crisis means further disruption is guaranteed."

Source: sourcingjournal.com– Jul 11, 2022

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2022 China state cotton reserves settled, no surprise to the market

On the night of Jul 8, 2022, China announced to organize the first batch of cotton reserves in 2022. ICE cotton futures market climbed up, but then fell down, and ZCE overnight cotton futures also rose first and then slipped. The news about the state cotton reserves gave no big support to cotton market, mainly due to the reserving price.

The bidding process will be subjected to a maximum price, which will be settled by the Chinese spot cotton price in prior working day, and If the Chinese spot cotton price is higher than 18,600yuan/mt in the prior working day, the reserves will be suspended. The reserving price is easy to go downward gradually. The changes of cotton reserves in recent years are analyzed below.

Comparison of state cotton reserves policy

	2011	2012	2013	2019	2022
Time	Sep 1, 2011-Mar 31, 2012	Sep 1, 2012-Mar 31, 2013	Sep 1, 2013-Mar 31, 2014	Dec 2, 2019-Mar 31, 2020	starting from Jul 13, 2022
Reserved cotton	2011/12 upcountry cotton+Xinjiang cotton	2012/13 upcountry cotton+Xinjiang cotton	2013/14 upcountry cotton+Xinjiang cotton	2019/20 Xinjiang cotton	2021/22 Xinjiang cotton
Planned reserving volume	No limitation	No limitation	No limitation	500kt in total, daily volumes of 7,000 tons	300-500kt in total, daily volumes arranged in balance and adjusted dynamically
Actual reserving volumes	3,250kt	6,670kt	6,600kt	371.3kt	
Reserving price	19,800yuan/mt	20,400yuan/mt	20,400yuan/mt	The maximum price of reserved cotton (grade3128 cotton)=average price of prior week's domestic cotton prices*(1+2%)	The maximum price of reserved cotton (grade-3128 cotton)=Chinese spot cotton price in prior working day
Cotton quality	Color: grade 1-4 white cotton Length: 27mm and above Micronaire: A, B, C2	Color: grade 1-4 white cotton Length: 27mm and above Micronaire: A, B, C2	Color: grade 1-4 white cotton, light spotted grade 1-2 cotton Length: 27mm and above Micronaire: A, B, C2 Length uniformity: U1, U2, U3, U4 breaking tenacity: S1, S2, S3, S4	Color: grade 1-3 white cotton Length: 28mm and above Micronaire: B and above Breaking tenacity: medium and above	Color: grade4 white cotton and above, and light spotted grade-1 cotton Length: 28mm and above Micronaire: proportion of cotton with B and above no less than 80% Breaking tenacity: medium and above
Rules	When market price is lower than reserving price for five consecutive days, the reserves will start.	When market price is lower than reserving price for five consecutive days, the reserves will start.	When market price is lower than reserving price for five consecutive days, the reserves will start.	If the price spread exceeded 800yuan/mt for three consecutive working days, the reserves would be suspended, and when it fell back to 800yuan/mt, the reserves would restart.	If the Chinese spot cotton price is below 18,600yuan/mt in the prior working day, the reserves will start, while if the price is higher than 18,600yuan/mt, the reserves will be suspended.

1. The changes of reserving price: after the significant fall of cotton prices in 2011, reserving prices were fixed in 2011-2013, at 19,800yuan/mt, 20,400yuan/mt and 20,400yuan/mt respectively, which gave strong support to cotton market. In 2019 and 2020, the bidding process was subjected to a maximum price, but the maximum price was (CCindex 3128B+CNcottonB 3128)/2*(1+2%), slightly higher than market prices, and the price was adjusted every week. When cotton prices declined within the week, the reserving prices would use the higher prices in the previous week, so the support to cotton prices was still larger than this time. In 2020, no reserves were seen as the price spread between Chinese and international cotton failed to be within 800yuan/mt. In 2022, the maximum price of reserves is (CCindex 3128B+CNcottonB 3128)/2, without the coefficient of (1+2%) in 2019, and the price is adjusted on daily basis, and If the Chinese spot cotton price is higher than 18,600yuan/mt in the prior working day, the reserves will be suspended. The reserving price is easy to go downward gradually, and the support to cotton market is lower than market anticipation.

Date	CNCotton B	CC Index 3128B	Ceiling price of reserved cotton	CCFGroup Cotton 3128B	Ceiling price-CCFGroup cotton 3128B
Jul 4, 2022	18086	18,172	18,129	18,170	-41
Jul 5, 2022	18,082	18,131	18,107	18,025	82
Jul 6, 2022	17,782	17,919	17,851	17,670	181
Jul 7, 2022	17,732	17,720	17,726	17,575	151
Jul 8, 2022	17,636	17,703	17,670	17,280	390

The state cotton reserves will start from July 13, 2022, and the daily ceiling price of reserves is not confirmed currently. Looking from the Chinese spot cotton price index last week, the ceiling price has no big difference from market price. Besides, the ceiling price is the delivered price, and the warehouses of China Reserve Cotton Management Co., Ltd. are basically in inland warehouse, so the reserving price has no obvious advantages. Therefore, the reserving price in 2022 is much closer to the spot market, giving no big support to cotton prices, only adding a method of spot cotton circulation. The reserves will depend on whether ginners can accept the price level.

2. Changes of reserved cotton quality: the requirement on color index relaxes somewhat in 2022 with the coming new season, to be grade-4 white cotton and above and light spotted grade-1 cotton, while the proportion of cotton with Micronaire B-grade and above is no less than 80%.

3. Reserving volumes: currently, the reserved cotton is the first batch, and there is no confirmed news whether there will be further reserves. The quantity is 300-500kt this time, but there is more than 2.00 million tons of 2021/22 Xinjiang cotton to be sold. However, the cotton reserve policy can absorb certain quantity of Xinjiang cotton that is under the impact of Xinjiang cotton ban. Meanwhile, there is rumor that reserved imported cotton will be sold later. Pay attention to the news about the state cotton reserves sales policy.

In general, the reserving price is much closer to the market price this time, and the reserves policy may not reduce the losses of Xinjiang ginners and solve the large quantity of Xinjiang cotton inventory, but may add a new way for Xinjiang cotton to be digested under the impact of Xinjiang cotton ban. Of course, the calculation method is easy to make the price go downward gradually, and the support to cotton market is lower than market anticipation.

Source: ccfgroup.com– Jul 11, 2022

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US Jeans Imports Point to Ongoing Denim Demand

To keep up with the strong denim jeans demand, U.S. brands and retailers imported 40.78 percent more product year over year through May compared to the same period in 2021, for a total value of $1.61 billion, according to new data from the Commerce Department's Office of Textiles & Apparel (OTEXA).

This was steady with pace of blue denim apparel imports in the first four months of 2022.

Chip Bergh, president and CEO of Levi Strauss Co., told investors on a conference call Thursday that the company has been "moving with agility to capitalize on global casualization trends, fueling strong growth for Levi's, while also driving strong underlying category growth that continues to outpace apparel."

"The continuation of casualization is a dynamic that's playing out globally," Bergh said. "But the U.S. jeans market–just got the data for the last 12 months ending May–U.S. jeans [sales] were up 19 percent and that was faster than total apparel."

He said according to some recent consumer research, more consumers are now wearing jeans in professional settings.

"The CEO is probably just happy that people are coming into work and wearing a pair of jeans is perfectly acceptable today," Bergh said. "And that's very different than a pre-pandemic world. More than half of the people that were surveyed…say they can now wear jeans to work."

Imports from top supplier Bangladesh increased 54.16 percent to $336.61 million, outpacing the 51 percent year to date gain through April and giving the country a 22.1 percent market share.

Among neighboring Asian nations in the Top 10 producers, Pakistan's shipments rose 67.29 percent to $195 million, slightly below the prior month's 72.48 percent year-to-date gain. Imports from Vietnam were on par with the prior month with a 40.94 percent increase to $170.54 million, while China's shipments rose 24.82 percent to $146.38 million, gaining ground on the 20.23 percent year-to-date hike in April.

Imports from Cambodia increased up 38.19 percent in the first five months to a value of $82.81 million, up from a 25.7 percent rise previously, and Sri Lanka saw an 11.34 percent year-to-date gain to $26.14 million, slowing from a 21.26 percent pickup in the prior month, even as the country remains in turmoil.

Mexico led Western Hemisphere suppliers in the period, with imports rising 26.17 percent to $293.67 million. This gave the No. 2 overall producer for U.S. companies a 17.25 percent import market share, as nearshoring continues to become more attractive.

Also from the region, shipments from Nicaragua rose 31.95 percent in the five-month period to $55.83 million, imports from Colombia were up 91.1 percent to $16.93 million and goods arriving from Guatemala rose 61.25 percent to $9.83 million.

As evidence of the nearshoring trend, U.S. imports from the Western Hemisphere increased 30.02 percent year to date through May to a value of $380.79 million. Taken as a group, the region's market share stood at 22.68 percent, which topped any one country supplying the U.S., OTEXA reported.

Source: sourcingjournal.com– Jul 11, 2022

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52% of UK manufacturers intend to grow business by over 20% in 5 yrs

If manufacturing output as a share of UK gross domestic product (GDP) were to increase from 10 per cent to 15 per cent this year, that could result in an extra £142 billion to the UK economy, according to a survey by Make UK, the British manufacturers' organisation. Fifty-two per cent of manufacturers intend to grow their business by over 20 per cent in the next five years.

Around a quarter aims to grow business by up to 20 per cent, while 18 per cent of respondent manufacturers have plans to grow by up to 10 per cent.

While three-quarters of manufacturers are unaware of the government's plan for growth, nine in 10 manufacturers think that the government should introduce a national target to grow manufacturing's share of GDP.

Manufacturers are clear that without a strategic plan for how the country tackles the immediate issues as well as plan for the future, it risks shrinking the industrial base at a time when it needs it the most.

Every manufacturer surveyed agreed that government should introduce a long-term manufacturing strategy.

Twenty-one per cent of the manufacturers said business growth will lead to employment growth of over 20 per cent in the next five years. Almost one in five said staff numbers would increase by up to 20 per cent. Thirty-five per cent said employment would increase by up to 10 per cent.

Manufacturers ranked government policy support as follows: incentives for investment, investment in apprenticeships, stronger local industrial strategies, greater support for exports, greater investment in infrastructure, better incentives to invest in research and development (R&D) , a reduction in regulation, better access to finance, help for investment in digital technologies and a more competitive business rate regime.

Over 1 in 5 manufacturers said greater support for exports will help them grow their business. Around the same number of manufacturers said better incentives to invest in R&D was key for growth.

Thirteen per cent of manufacturers said help to invest in digital technologies will enable them to grow. Forty-six per cent of manufacturers said greater incentives to invest would help them grow their business. Over 1 in 5 said improved infrastructure will help them grow their business, while some 16 per cent cited a reduction in regulation.

Seventeen per cent of manufacturers chose better access to finance to help make a difference to growing their business.

Source: fibre2fashion.com– Jul 11, 2022

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Fitch Ratings expects US economy to slow in H2 2022, 2023

Fitch Ratings recently said it expects the US economy will slow in the second half of this year and over the course of 2023, with below trend growth of 1.5 per cent in 2023 and 1.3 per cent in 2024. Fitch's 2022 and 2023 annual average inflation forecasts have risen to 7.8 per cent and 3.7 per cent respectively.

Fitch expects a growth of 2.9 per cent in 2022 in the country, driven by consumption underpinned by continued labour market strength with solid growth in both employment and nominal wages.

The rating agency recently affirmed the United States' long-term foreign currency issuer default rating (IDR) at 'AAA', and has revised the rating outlook to stable from negative. The outlook revision to stable reflects the improved near-term government debt dynamics driven by the strong post-pandemic economic recovery and buoyant government revenues.

Fitch expects government revenues to grow by 19 per cent in 2022, propelled by strong personal and corporate income taxes.

Fitch has substantially improved its fiscal and debt projections since its last review. It now forecasts a decline in the general government debt ratio to 113 per cent of the gross domestic product (GDP) at 2022 end from 118 per cent in 2021 (and a peak of 123 per cent in 2020) before beginning to rise again at a gradual pace in 2024.

Fitch considers US debt tolerance to be higher than that of other 'AAA' sovereigns, it said in a release.

A stronger-than-expected economic recovery has led public finances to outperform Fitch's expectations at the last review, generating higher tax revenues while most pandemic-related spending has wound down.

Fitch forecasts a general government deficit at 5 per cent of GDP, down from an estimated 10.2 per cent of GDP in 2021. State and local governments continue to perform well, and could result in an even lower general government outturn.

Headline consumer price inflation rose to 8.6 per cent YOY in May, the highest rate since the early 1980s, driven by service inflation and a jump in food price inflation. Russia's invasion of Ukraine has increased commodity prices, especially oil prices, while the lockdowns in China have exacerbated supply chain issues and pressured core goods prices.

Fitch now expects the US Federal Reserve to hike rates at a more aggressive pace to restrictive levels after hiking rates by 75 basis points at its June meeting. The agency expects the Fed to hike rates at each of the next three meetings to 3 per cent by the year end. It expects further hikes in the first quarter of 2023, reaching 3.5 per cent and remaining at this level through 2024.

Source: fibre2fashion.com– Jul 11, 2022

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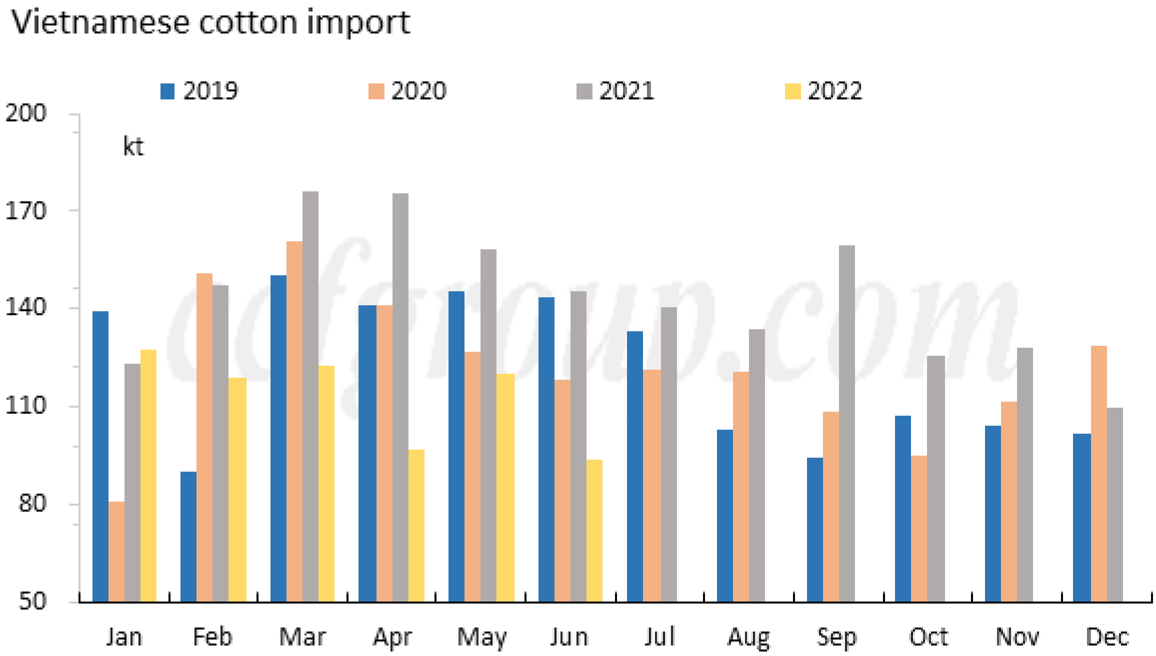
Vietnamese textile and apparel export in Jun showed the second high in H1 2022

In Jun 2022, Vietnamese cotton import dropped by 35.8% year-on-year and 22.4% month-on-month. Vietnamese yarn imports moved down by 1.6% year-on-year and 10.8% month-on-month, and its exports dropped by 23.6% year-on-year and 3.9% month-on-month, respectively.

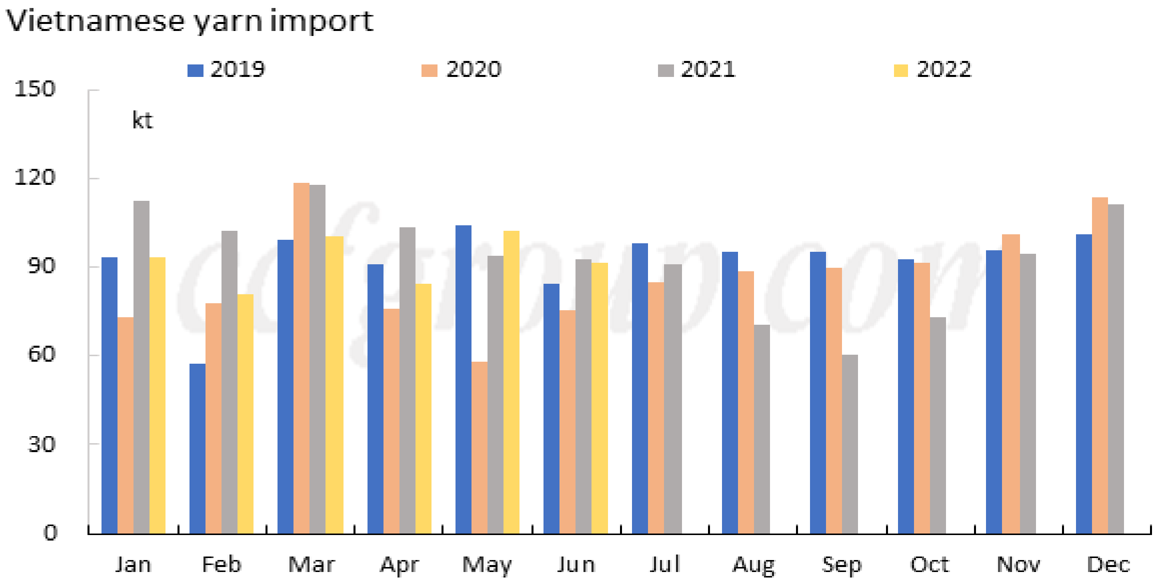
Vietnamese fabrics imports decreased 6.2% year-on-year and 18.4% month-on-month. Vietnamese textiles and apparel exports moved up by 17% year-on-year and 13.1% month-on-month. The export value was second only to the highest level of 3.6 billion USD in Jan 2022, the second highest in the first half of 2022.

1. Vietnamese cotton import moved down in Jun year-on-year



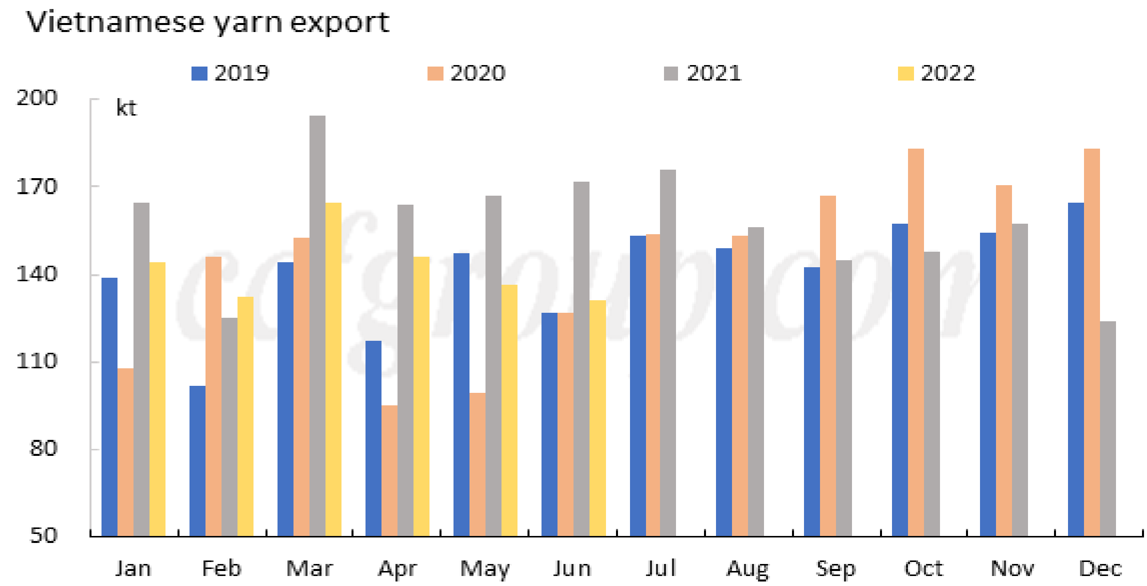
Vietnamese cotton imports in Jun reached 93,500tons, down 35.8% over the same period last year and 22.4% from the previous month. U.S. was the main source of Vietnam's cotton imports, with 53,681 tons of imports, accounting for 57.4% of the total imports, followed by Brazil and Australia, accounting for 17.2% and 9.9%, respectively.

2. Vietnamese yarn import reduced in Jun both year-on-year and month-on-month



In Jun, Vietnam imported 91,300tons of yarns, down 1.6% year-on-year and 10.8% month-on-month respectively. By country, its yarn imports in Jun were mostly originated from China, China Taiwan and Korea. Of this total, 59,919tons of yarns were from China, 12,695tons from China Taiwan, and 5,197tons from Korea, accounting for 65.6%, 13.9% and 5.7% respectively.

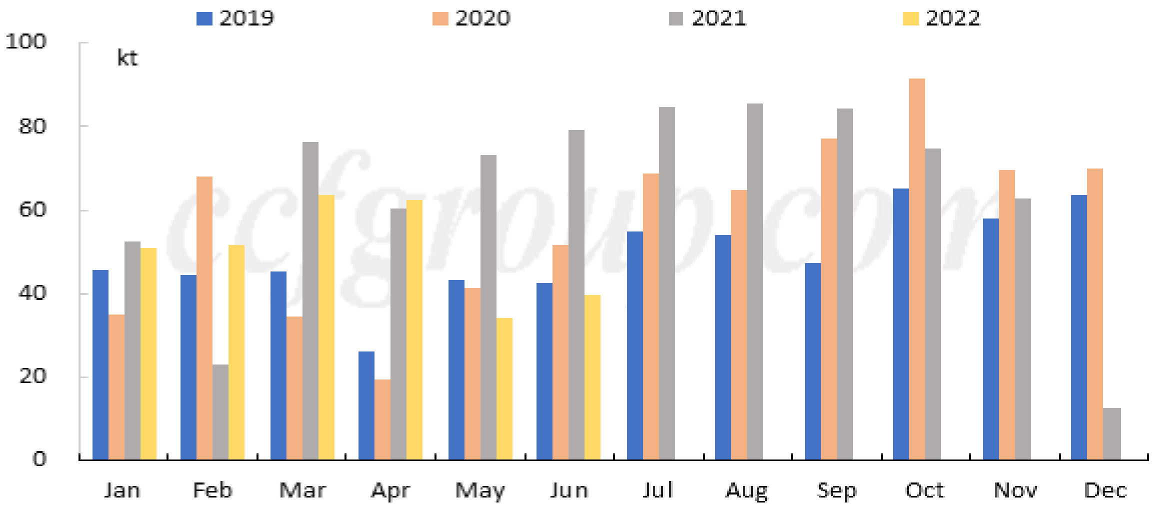
3. Vietnamese yarn export moved down year-on-year and month-on-month in Jun



Vietnamese yarn exports reached 131,200tons, down 23.6% over the same period last year and 3.9% from the previous month. By country, the exports to China, South Korea and India were 47,850tons, 13,914tons, and 8,604tons, accounting for 36.5%, 10.6% and 6.6% respectively.

4. Vietnamese yarn net exports declined sharply year-on-year and month-on-month

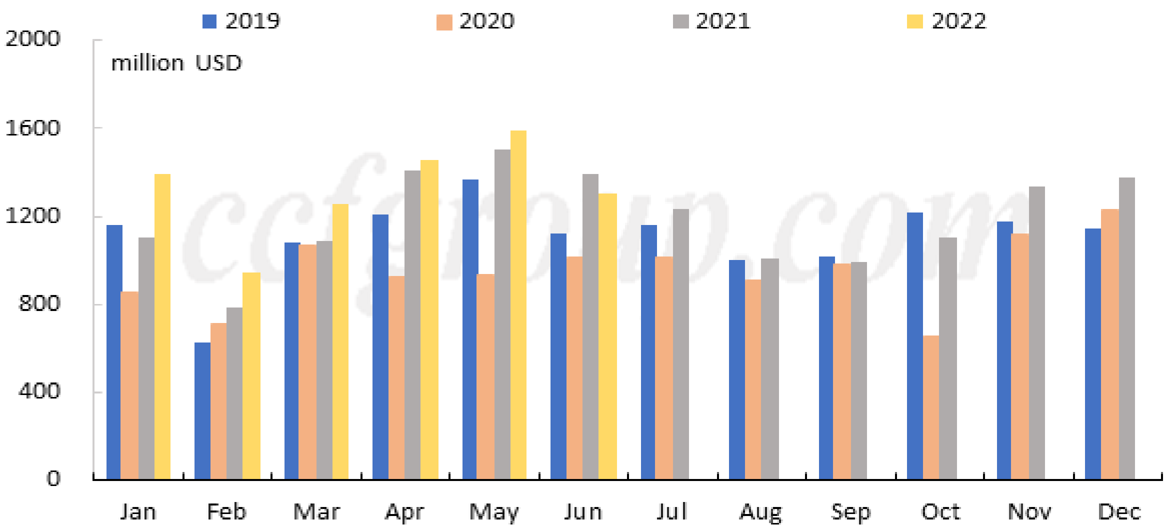
Vietnamese yarn net exports



Vietnamese yarn net exports reached 39,800tons, down 49.6% year-on-year and 16.8% month-on-month respectively.

5. Vietnamese fabrics imports decreased year-on-year and month-on-month in Jun

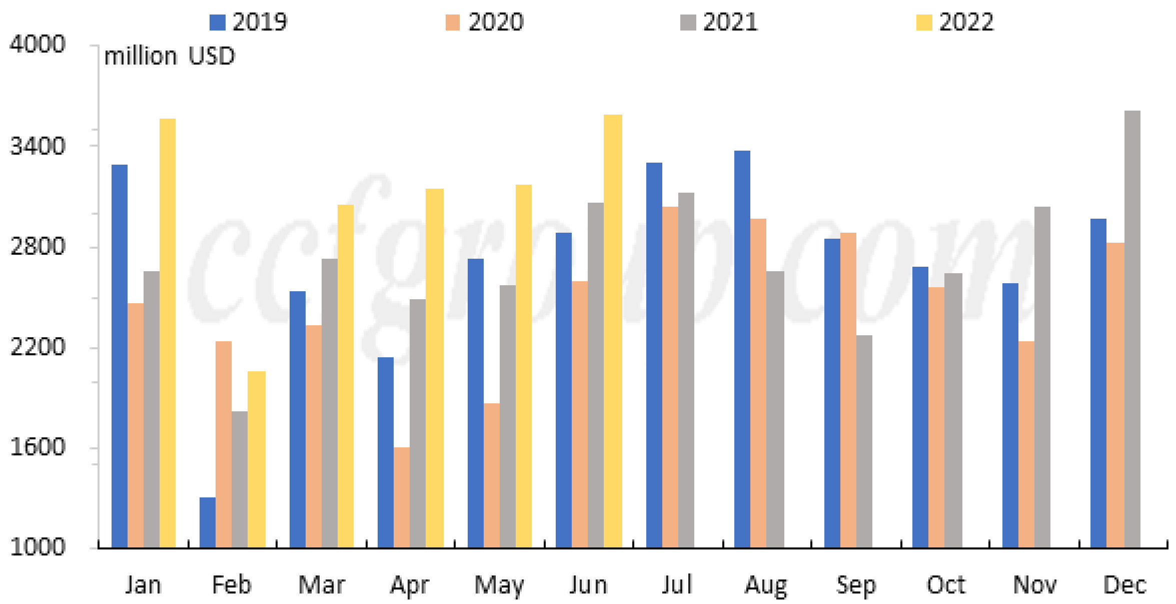
Vietnamese fabrics imports



Vietnamese fabrics imports in Jun were 1.302billion USD, down 6.2% over the same period last year and 18.4% month-on-month. By country, its fabrics imports in Jun were mostly originated from China, China Taiwan, and South Korea, of which 850 million USD worth of fabrics were from China, 130 million USD worth of fabrics from China Taiwan and 160 million USD worth of fabrics from South Korea.

6. Vietnamese textiles and apparel exports value rose both year-on-year and month-on-month in Jun

Vietnamese textiles and apparel exports value



Vietnamese textiles and apparel exports in Jun reached 3.586billion USD, up 17% year-on-year and 13.1% month-on-month respectively. By country, Vietnam exported 1,800million USD worth of textiles and apparel to US, 330million USD to Japan, and 200million USD to South Korea, accounting for 50.2%, 9.3% and 5.7% respectively.

In conclusion, Vietnamese textile and apparel exports in Jun increased for four consecutive months, which were second only to the highest level in the first half of 2022, but its cotton imports, yarn imports and grey fabric imports all decreased year-on-year and month-on-month.

Source: ccfgroup.com– Jul 12, 2022

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Textile and Apparel SEA - Vietnam Summit 2022 on October 27-28

Textile and Apparel SEA - Vietnam Summit 2022, the most influential textile and apparel summit covering the SEA (Southeast Asia) region, will be held on October 27-28, 2022, in Pan Pacific Hanoi, Vietnam. The summit aims to provide an opportunity for industry stakeholders to win textile and apparel business and ensure growth in the SEA Region.

The SEA region plays an important role in the global textile and apparel industry owing to its strong comparative advantages for manufacturers, like market access, low labour costs, investment incentives and existing industrial base, according to organisers Godiasia.

In Asia, the textile and apparel industry is developing rapidly in Vietnam, Myanmar, Cambodia, Bangladesh, India and other countries. The host country for the event, i.e., Vietnam is also witnessing rapid growth and the country currently exports its apparel and textile products to 180 countries. Vietnam's textile and garment industry is expected to maintain high growth potential until 2035 with an estimated export turnover of about $200 billion, Godiasia said in a pre-event statement.

However, the textile and apparel industry in the SEA region also faces challenges, with the main ones being rising wages, unskilled labour force and international competition. The Textile and Apparel SEA Summit 2022 will grasp the latest opportunity and trends, together with good practice sharing to accelerate industry upgrade and development. The event will have four themes as under:

Session 1: Policy, Current Situation and Opportunities
Session 2 :Sourcing Strategy and Supply Chain
Session 3: Labor, Production and Technology
Session 4 :Smart Factory and Sustainable Development

At the sessions, relevant high-level leaders will discuss the highlights on Policy, Current Situation, Opportunities, Sourcing Strategy, Supply Chain Management, Raw Materials, Production, Technology Upgrade, Quality Assurance and Sustainable Development.

Source: fibre2fashion.com- Jul 11, 2022

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NATIONAL NEWS

RBI allows international trade settlement in Rupee

The Reserve Bank of India (RBI) on Monday decided to put in place an additional arrangement for invoicing, payment, and settlement of exports/ imports in Indian Rupee (INR) in the backdrop of the domestic currency sinking to a fresh closing low of 79.4375 per Dollar (USD) due to FPI equity outflows and a strong USD.

The measure relating to international trade settlement in rupee comes even as the central bank took a host of measures last week to augment supply of dollar to prop up the weakening rupee, which has depreciated about 4.79 per cent since March-end.

RBI expects its latest measure to promote growth of global trade with emphasis on exports from India and "to support the increasing interest of global trading community in INR".

As per the broad framework for cross-border trade transactions in INR under Foreign Exchange Management Act, 1999 (FEMA), all exports and imports under this arrangement may be denominated and invoiced in INR; and the exchange rate between the currencies of the two trading partner countries may be market determined.

Further, for settlement of trade transactions with any country, a bank authorised to deal in foreign exchange in India can open Special Rupee Vostro Accounts of correspondent bank/s of the partner trading country.

In order to allow settlement of international trade transactions through this arrangement, Indian importers can pay in INR which will be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller/supplier.

Indian exporters, undertaking exports of goods and services through this mechanism, will be paid the export proceeds in INR from the balances in the designated Special Vostro account of the correspondent bank of the partner country.

RBI said Indian exporters may receive advance payment against exports from overseas importers in Indian rupees through this Rupee Payment Mechanism. Issue of Bank Guarantee for trade transactions, undertaken through this arrangement, is permitted, subject to subject to adherence to provisions of FEMA and Master Direction on Guarantees & Co-acceptances.

'Set-off' of export receivables against import payables in respect of the same overseas buyer and supplier with facility to make/receive payment of the balance of export receivables/import payables, if any, through the Rupee Payment Mechanism may be allowed, subject to conditions.

RBI said the balance in Special Vostro Accounts can be used for: payments for projects and investments; export/ import advance flow management; and investment in Government Treasury Bills, Government securities, etc. Forex dealers say the this Rupee Payment Mechanism could be used by Indian exporters/ importers for their trade with countries such as Russia, Iran and Sri Lanka.

To alleviate dollar tightness, RBI last week announced temporary measures including exempting Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) Term Deposits from maintenance of reserve ratios; doing away with ceilings on interest rates on these deposits; and doubling the limit for eligible borrowers under external commercial borrowing to $1.50 billion per year.

Rahul Bajoria, MD & Chief India Economist, Barclays, observed that the latest RBI measure, which comes amid ongoing Rupee weakness, appears to be aimed at reducing demand for foreign exchange, by promoting rupee settlement of trade flows.

"While incremental for now, we see these measures as useful long-term steps, which can enable greater use of INR in foreign trade," he said.

Rupee at record low

Meanwhile, the Rupee declined 0.23 per cent to a record closing low of 79.4375 per Dollar as the greenback gained strength against other currencies comprising the Dollar Index

Anindya Banerjee, Vice President, Kotak Securities Ltd, noted that strong US Dollar Index and spike in US bond yields caused Rupee to depreciate.

"We suspect intervention from the central bank prevented a sharper depreciation. Over the near term, FPI outflows and speculative short build up in Rupee can drive USDINR even higher, towards 79.75/80 levels. We expect a range of 79.20 and 79.80/85 on spot," he said.

Source: thehindubusinessline.com- Jul 11, 2022

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Default, delay in some cotton imports into India since March

Cotton imports by a few spinning mills in Tamil Nadu are likely to result in trade disputes with the buyers yet to get delivery of consignments over the past few months.

Some of the mills which had to receive these imported cargoes in March and April have not got any response from the sellers over the delay, according to the Tamil Nadu Spinning Mills Association (TASMA). "Some of our members had signed contracts with suppliers and shippers for delivery of cotton in March and April this year and they have reported that the deals have not been honoured. Though four months have lapsed in some cases, suppliers and shippers are not providing any satisfactory reply," said K Venkatachalam, Chief Advisor, TASMA.

Missing deadline

Cargoes due to be delivered during May-June have also missed the deadline, he told BusinessLine. In view of the suppliers' and shippers' silence, TASMA has taken up the issue with the International Cotton Association (ICA).

Spinning mills in Tamil Nadu have entered into deals worth a total of ₹400 crore. "Our members have paid ₹60 crore as a 15 per cent advance has to be paid out of the total contract cost," he said.

ICA was yet to respond to a mail seeking clarification on the issue when this report was published. "The consignments have not reached the buyers due to congestion at ports. There is also container shortage as cotton is shipped in containers," said a trade source, not wishing to identify.

Prices fluctuating

Venkatachalam said the non-fulfilment of the contracts was a cause for concern as cotton prices were fluctuating sharply as also the value of currencies. Stating that prices, when the contracts were signed, were not valid anymore, he said the delay in getting the shipments was affecting mills' delivery of yarn to their buyers.

The TASMA advisor said mills would send a copy of their mail to ICA on the default by the suppliers and shippers and the contracts should be totally renegotiated on mutually agreed terms.

The trade source said the current situation in which cotton prices have dropped sharply could result in “a lot of trade disputes” this year. “Since the deals have not been executed, buyers will demand renegotiations at current global prices,” the source said.

Venkatachalam told the ICA that the renegotiation of contracts should include compensation to his association members for the inordinate delays in delivering cotton.

‘One-sided’ contracts

“These contracts have to be respected in letter and spirit by both the parties signing the contracts,” he said. The TASMA advisor said currently contracts for imports were “one-sided, favouring suppliers and shippers”. Such deals are “devoid of any merits and expected ethics in business-related transactions”, he said.
There were no clauses in the contract to tackle inordinate delays, he said, urging ICA to forward the contract format that TASMA could vet “suitably” and make modification to ensure a “win-win” situation for all.

Venkatachalam said some of the loopholes in the contracts were that when suppliers or shippers defaulted, they were liable to pay penalty with four per cent interest whereas in the case of buyers’ default the interest was 18 per cent. “There are also problems of shortage in weight and the consignments not meeting quality norms. When questions are raised on these, there are no responses,” he said.

Sellers market

On why mills should sign “one-sided” contracts, he said buyers had no choice in a “seller’s market”. “The sellers will cancel the contract if buyers do not sign them immediately and send it back. No negotiation is allowed,” he said. Trade sources said some mills had resorted to panic purchases when domestic prices headed towards ₹1,00,000 a candy (356 kg). Currently, Shankar-6 ginned cotton, the benchmark for exports, is quoted at ₹86,500 a candy. Quality cotton costs higher.

In the terminal markets across the country, the net weighted average modal price of raw cotton (kapas) is ₹10,050 a quintal, down from the highs of ₹12,000 seen in May.

Cotlook Index

In the global market, the benchmark Cotlook A index is currently at 132.20, but Cotlook A futures index is 109.45. On the Inter Continental Exchange, New York, benchmark cotton futures are currently ruling at 101.28 US cents a pound (₹63,750 a candy).

Cotton prices in the global market have recovered from the nine-month low of 94.7 cents recorded last week. Prices had surged to a 11-year high of 158 cents in May. Since then, fears of economic slowdown, recession and re-emergence of the Covid pandemic in China have dragged prices lower.

Source: thehindubusinessline.com- Jul 11, 2022

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India notifies changes in textile HS codes, Lucknow chikan introduced

India's ministry of commerce and industry has issued a notification making some changes in ITC HS codes to sync with Finance Act, 2022. The government had proposed these changes in Union Budget 2022-23. HS codes related to yarn, fibre, garments and some other goods are amended. GI patented Lucknow chikan craft will be now referred to as embroidery.

The government made changes in textiles sector's most important chapter 62 which covers cotton garments. Changes have also been made under HS codes 54 (polyester), 55 wood fibre (viscose), 56 man-made filaments, 58 cotton embroidery, 59 (geo-technical textile- knitted or woven) and 60 synthetic fibres.

The Harmonised Commodity Description and Coding System generally referred to as 'Harmonised System' or simply 'HS' is a multipurpose international product nomenclature developed by the World Customs Organisation (WCO). These are 6-digit codes which cannot be altered unilaterally by any country. But the 8-digit code (after adding 2 digits at the end) can be changed.

In India, the 8-digit codes known as ITC (HS) code/Indian Trade Classification/ Indian Tariff Code are developed and maintained by the Directorate General of Foreign Trade.

The ministry had issued the notification last week for syncing of ITC (HS), 2022- Schedule-1 (Import policy) with the Finance Act, 2022. The notification to introduce, delete, amend, split or merge ITC (HS) codes has come into effect immediately.

Source: fibre2fashion.com– Jul 11, 2022

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Global apparel companies seek better rates as rupee falls

Global apparel brands are negotiating hard with Indian exporters as cotton prices have fallen 15% and rupee has depreciated against the dollar favouring the latter. They have asked Indian apparel exporters to supply garments at the pre-covid level prices.

The impending recessionary pressure in the US and Europe are forcing global brands to negotiate hard with Indian exporters, who have now started looking at other countries like Japan, Australia and Latin America for developing new markets for Indian apparels.

"Cotton prices have dropped by 15% from the high of Rs 1 lakh per candy (356 kg). It will fall further in the coming weeks," said Narendra Goenka, chairman, Apparel Export Promotion Council (AEPC).

But the drop in cotton prices have prompted global brands to initiate hard negotiation in the price front. Raja M Shanmugham, president, Tirupur Exporters Association (TEA) said "Global buyers now want garments at the pre-covid prices. For instance, the price of a product which we have sold at $7 this year due to high cotton prices, they are now asking to offer it at $5 - the price at which we had sold in pre-covid times."

Since rupee has depreciated against dollar, foreign buyers are driving hard bargains to lower the prices of garments. On account of rising dollar index and economic worries, rupee weakened to a fresh record low of 79.41 against the US dollar on Monday as investors continue to favour greenback as safe haven bet. In early morning deals, at the interbank foreign exchange, Indian rupee opened lower at 79.30 and went on to slide further, breaching its previous record low of 79.37 levels.

"Despite rupee weakening, we cannot give such a huge discount because cotton prices have not come down to the 2019 level. At best, we can offer a price which is 15% lesser than what we are offering now," said the TEA president.

The AEPC chairman said the recessionary trend in the US and Europe will impact the orders for Spring 2023 that are manufactured and shipped between October to March.

"We are expecting a decline of export orders up to 10 per cent for the Spring 2023, which will impact our second half of current financial year," said Goenka.

This means that the projected garment exports for FY23 of $19 billon will be missed. In FY22, India had exported garments worth $16 billion.

"We are now looking at newer markets like Japan, Latin America and Australia to make up the expected losses," the AEPC chairman added.

Source: economictimes.com– Jul 11, 2022

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Steady decline in India's apparel & home textiles imports from China

There is a steady decline in the value of apparel and home textiles that India imports from China. The downtrend is clearly visible for the five-month period from December 2021 to April 2022. Actually, the declining trend has set in much earlier as last year both apparel and home textiles imports from China were the lowest since 2017.

According to Fibre2Fashion's market insight tool TexPro, India's apparel imports from China stood at $17.441 million in April 2022, compared to $19.835 million in March, $23.274 million in February, $27.577 million in January 2022 and $27.970 million in December 2021.

In 2021, India imported apparel worth $279.094 million from China. The comparative figure was $301.772 million in 2020, $330.935 million in 2019, $316.116 million in 2018 and $271.877 million in 2017, as per TexPro.

India's home textiles imports from China were valued at $8.600 million in April 2022, compared to $9.229 million in March, $16.089 million in February, $17.020 million in January 2022 and $20.153 million in December 2021, data from TexPro showed.

In 2021, India imported home textiles of $192.267 million from China. In comparison, the figure was $238.379 million in 2020, $208.269 million in 2019, $223.338 million in 2018 and $190.203 million in 2017, as per the data.

Even in India's overall imports, China's share has declined to 15.4 per cent in April 2021- March 2022 from 16.5 per cent in 2020-21.

Source: fibre2fashion.com– Jul 12, 2022

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Parameswaran Iyer, who handled Swachh Bharat, takes charge as Niti CEO

Parameswaran Iyer, who had spearheaded the implementation of the flagship USD 20 billion Swachh Bharat Mission, on Monday took charge as the CEO of NITI Aayog.

A 1981-batch IAS officer of Uttar Pradesh cadre, Iyer has worked with both the public and private sectors, according to an official statement.

He was secretary in the Ministry of Drinking Water and Sanitation during 201620.

"With over 25 years of experience in the water and sanitation sector, Iyer spearheaded the implementation of the India's flagship USD 20 billion Swachh Bharat Mission, which successfully delivered access to safe sanitation to 550 million people," the statement said.

In the statement, Iyer said he was honoured and humbled to have been given the incredible opportunity to serve the country again, this time as NITI Aayog CEO.

Iyer also said that he was deeply grateful to Prime Minister Narendra Modi for another chance to work under his leadership towards a transformed India.

Source: business-standard.com– Jul 12, 2022

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RBI allows settlement in rupee to settle trade with Russia, Sri Lanka

The Reserve Bank of India (RBI) has allowed trade settlements between India and other countries, including Sri Lanka and Russia, in rupees.

"In order to promote the growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR, it has been decided to put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in INR," the RBI said in a notification on Monday.

Banks have to take approval on doing such transactions.

"(The) exchange rate between the currencies of the two trading partner countries may be market-determined," the RBI said.

Ananth Narayan, associate professor at the S P Jain Institute of Management and Research, told Business Standard: "On first reading, this circular seems geared towards enabling rouble-rupee trades settled in rupees. The language also seems to envisage alternative financial messaging to SWIFT (Society for Worldwide Interbank Financial Telecommunications), if so needed."

Banks in India are permitted to open Vostro accounts in rupees (Vostro accounts are arrangements between banks across geographies). The RBI said for settling trade transactions with any country, banks in India might open special rupee Vostro accounts of correspondent bank/s of the partner-country in trading.

"Indian importers undertaking imports through this mechanism shall make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller/supplier," the RBI said.

Indian exporters sending out goods and services through this mechanism should be paid in rupees from the balances in the designated special Vostro account of the correspondent bank of the partner country, the notification said.

“At first glance, the move clearly looks like it is aimed at facilitating easier trade with Sri Lanka. The step to bring about denomination in rupees (for invoicing of exports and imports) definitely suggests that it is aimed at other countries in our neighbourhood so as to remove the dollar exchange rate risk. There is also the element of facilitating trade with Russia, which is also a factor,” a senior economist with a large bank said.

According to the Sri Lankan High Commission, in 2020 India was Sri Lanka’s second-largest trading partner with bilateral merchandise trade amounting to around $3.6 billion.

“The rupee has not weakened against every currency. In fact, it has strengthened against the currencies of most major countries. It seems like it is aimed at curbing that currency volatility. In principle, this is a good step because it gives more flexibility to both importers and exporters,” said Rahul Bajoria, managing director and chief India economist, Barclays.

The RBI has said Indian exporters may receive advance payment in rupees through this mechanism.

“Before allowing any such receipt of advance payment against exports, Indian Banks shall ensure that available funds in these accounts are first used towards payment obligations arising out of already executed export orders / export payments in the pipeline,” the notification said.

Regarding the use of its surplus balance, the RBI said it could be used for capital and current account transactions in accordance with mutual agreements. The balance in special Vostro accounts can be utilised for payments for projects and investments, export and import advance flow management, and investment in government securities, the central bank said.

Source: business-standard.com– Jul 12, 2022

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Walking a fine line

The India-EU FTA negotiations have been languishing since 2013 after 16 rounds of talks, with the EU stressing upon India reducing high import duties and India wanting greater access to the EU market for Indian professionals. Now, after nine years, India and the EU have resumed FTA talks from June 27. In 2021, India's trade with the EU crossed the $100-billion mark, with the country recording a trade surplus of $13.1 billion.

Given the positive trade balance in favour of India and the untapped bilateral trade potential on both sides, tariff liberalisation under the proposed FTA with the EU would lead to greater gains for both parties.

India faces strong competition from its Asian peers like Vietnam and Bangladesh as they have much more favourable terms of trade with the EU. The EU is the largest apparel importer globally and imported both knitted and non-knitted articles worth $178.8 billion in 2021. India ranks among the top 10 exporters of the product globally.

Currently, the EU's knitted and non-knitted apparel imports from India amount to $5.5 billion and face a 9.4% and 9% tariff respectively, while competitors like Bangladesh and Vietnam avail a much lower rate of tariff. Bangladesh is the second largest import source of apparel to the EU with exports amounting to $24.3 billion, and through its EBA eligibility has no tariff. Vietnam, due to its FTA with the EU, has a tariff rate of 3.8% and 6.3%, respectively, and exports $5.2 billion worth of apparel.

India is the 12th largest exporter of footwear globally, exporting goods worth $2.3 billion. The EU imported footwear worth $59.6 billion in 2021. While India exported $1.4 billion worth of footwear to the EU under a tariff of 6.6%, Vietnam exported $7.5 billion worth of products under a preferential tariff of 2.1%. This has placed Indian goods at a disadvantage.

Additionally, the EU's services sector is restricts India majorly through restrictions on foreign entry and movement of people, which is of specific interest to Indian professionals whose entry is limited by the imposition of the Economic Needs Test (ENT) and the Labour Market Test (LMT) requirement.

These requirements make the entry of foreigner workers conditional upon the fulfilment of certain criteria like domestic economic interest and unavailability of domestic labour. Except France, Portugal, Slovenia, and Spain, EU economies have imposed ENT/LMT requirement across sectors, varying in degree. Thus, India needs to work towards mutual recognition agreement with the EU in education, experience, licensing , and procedures in professional services.

The EU demands greater market access in sectors such as alcoholic beverages, automobile, and dairy. India imposes the highest tariff of 111% for beverages, spirits, and vinegar, which accounted for total imports of $134.8 million from the EU in 2021. Around 50% of India's imports from the EU under the category are whisky and vodka, which attract a tariff of 150%, as alcoholic beverages are not covered under the GST framework.

Their inclusion would directly impact revenues of the states while the revenue would be lower than anticipated due to the limitation of four-tier slabs in GST regime. Similarly, India's imports of transport vehicles amounted to $1.4 billion while the EU's global exports amounted to $686 billion in 2021. India imposes an average tariff of 24.5% at two-digit HS level on the EU, while cars imported have a tariff of 125%. Automobiles present another challenge as India's existing partners like Japan and South Korea, which are top producers in the sector, may also seek for a level-playing field once greater market access is granted to the EU.

In the dairy sector, India requires certification from exporters that products are from animals that have never consumed food containing internal organs and blood meal. This requirement, along with a high tariff ranging between 30% to 60%, continues to restrict the EU's milk and dairy exports to India. Opening up the dairy sector for the EU can distort the domestic market as the farmers may not be able to withstand the cheap dairy imports from the EU. Now is the time for Indian diplomacy to stay sangfroid and bring the EU to the negotiating table. It should strive to get tariff concession in apparels and footwear, which the EU has already conceded in its recent FTAs, while also protecting the interest of the local economy and millions of livelihoods.

Source: financialexpress.com– Jul 12, 2022

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Recycle Textile Federation formed, plans to unite mills across nation

Tamil Nadu have come together and formed a recycle textile federation. "Creating awareness among our members on the markets where our products and services have demand is our top focus," said president of Recycle Textile Federation Jayabal in a statement on Sunday.

Headquartered in Coimbatore, the federation presently has 230 members representing various mills from Tamil Nadu, he said.

The fedeartion has plans to bring together such mills across the country to collectively address the needs of the industry, identify markets in different parts of the world, and direct its members to cater to places that need their products and services, Jayabal said.

Stating that there are 400 mills in Tamil Nadu that process/recycle cotton waste and PET bottles into yarns and garments, with Coimbatore and Tiruppur having 180, he said the federation would first strive to bring them together and function as an entity that would represent their common needs and demands, and would also go for national and international coordination.

Sathyaseelan was elected vice-president and Manoharas as secretary, Raghu as joint secretary and Ranganathan as treasurer, he pointed out.

Source: economictimes.com– Jul 10, 2022

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Punjab CM makes U-turn on the proposed Textile Industrial project near Mattewara forest

Due to the ongoing protest over the proposed site of the Textile Industrial project, Punjab CM Bhagwant Mann after a meeting with the Public Action Committee announced that no Industrial unit will be set up at the planned location.

"I will categorically like to announce that not only in Mattewara but the state government will not allow any industry to come up on the river banks of Punjab for avoiding any sort of water pollution in them. Punjab government will preserve these 'green arteries' of the state by all means ,"Mann said.

The state government will now allocate a new piece of land for the Textile Park with the condition that it doesn't pollute the waters of the state.

The site for the Textile Region and Apparel Park was originally approved by the previous administration.

Locals citizens and environmentalists have red-flagged the location on the ground that it will disturb the biodiversity of the protected forest and lead to chemical discharge from factories into the river.

Source: knnindia.co.in– Jul 11, 2022

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