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USD	EUR	GBP	JPY
83.56	89.80	106.49	0.53

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INTERNATIONAL NEWS

Taiwan's cotton yarn mills challenged by suspension of tariff concession

According to the Ministry of Finance of People's Republic of China, due to the long-term discriminatory trade restrictions imposed unilaterally by the Taiwan provincial authorities on the mainland China, which violate the provisions of the Economic Cooperation Framework Agreement (ECFA) regarding "reducing and eliminating substantial tariffs and barriers in bilateral trade in goods". The Tariff Commission of China's State Council issued a notice on May 30th. Starting from June 15, 2024, the preferential tariff rates under the ECFA for 134 import goods originating from Taiwan, China, will be suspended.

Starting from January 1, 2024, the agreement tariff rates applicable to 12 imported products including propylene, Paraxylene, etc. originating from Taiwan will be suspended, and the current relevant regulations will be implemented.

The list of tariff concession suspensions this time includes more categories such as chemicals, metal products, textiles, and electromechanical parts. Among them, 16 types of textile products, including cotton yarn, synthetic fibers, fabrics, and knitted fabrics, are listed.

The export value of the products involved in this round accounts for more than half of the total exports from Taiwan province, making the impact significant. If they lose the tariff preferences, the competitiveness of these products in exports to the mainland China will be significantly weakened.

HS code	Description	Count	Mainstream specification
52051100	Uncombed single cotton yarn, cotton≥85%, yarn≥714.29decitex	uncombed single yarn below 8s	OE5S, OE6S, OE7S
52051200	Uncombed single cotton yarn, cotton≥85%, 232.56≤yarn＜714.29decitex	uncombed single yarn 8-25s	OE10S, OE12S, OE16S, OE21S

Currently, the cotton yarn trade industry is mostly affected by two categories: 52051100(Uncombed single cotton yarn, cotton≥85%, yarn≥714.29decitex)and 52051200(Uncombed single cotton yarn, cotton≥85%, 232.56≤yarn＜714.29decitex).

Corresponding to the market circulation specifications, they mainly include uncombed single yarn below 8s and uncombed single yarn of 8-25s, which are the mainstream specifications of cotton yarn factories in Taiwan, China.

According to the operating reports of the following manufacturers, Taiwan's open-end yarn mills mainly serve the mainland market, with exports accounting for as much as 60-70% in recent years. Therefore, their biggest competition undoubtedly comes from mainland and Xinjiang local yarn mills, as well as some yarn mills in Pakistan (0% cotton yarn import tariff), India (3.5% cotton yarn import tariff), Vietnam (0% cotton yarn import tariff), Malaysia (0% cotton yarn import tariff), and other regions that also export to China.

Previously, with the advantage of import tariff reductions and geographical location, Taiwan, China's imported yarn had a competitive edge over cotton yarn from other Asian production areas in terms of price, delivery time, shipping costs, and duration, maintaining a stable sales share year after year.

After the suspension of tariff concessions on June 15th, taking example of open-end yarn 10s contamination controlled with an export price of $1.88/kg, if the import tariff is restored to 5%, the customs clearance cost from Taiwan, China for open-end yarn will be forced to increase by about 400yuan/mt.

Unit: tons	**Cotton yarn imported from Taiwan, China**	**52051100+ 52051200 import volume**	**52051100+ 52051200 proportion**	**Blended yarn imported from Taiwan, China(cotton＜85%)**	**Blended yarn imported from Vietnam (cotton＜85%)**
Jan-Apr 2024	12518.066	12469.107	99.61%	3350.61	39972.35
2023	40043.798	39840.695	99.49%	5937.24	112718.05
2022	47481.234	47313.227	99.65%	4666.84	62914.51

With the thin profits in yarn imports, this will significantly reduce the attractiveness to mainland traders, possibly leading to a situation where profit turns into losses. It will create a significant price competitiveness gap compared to open-end yarn from Vietnam, Malaysia, and Indonesia, which primarily use US cotton as the main raw material and enjoy zero tariffs.

According to customs data, in recent years, imported yarn from Taiwan Province has mainly been cotton yarn, with categories 52051100 and 52051200 accounting for over 99% of the total imports, making them the dominant categories.

The suspension of tariff concessions has undoubtedly targeted the key sector of cotton yarn exports from Taiwan Province. Currently, blended yarns (cotton＜85%) are not included in the list, but the export volume of blended yarns is relatively small compared to cotton yarn, indicating that Taiwanese yarn mills may shift towards self-rescue and transformation by gradually increasing the production and export of blended and synthetic yarns and gradually shifting sales markets to Southeast Asia.

However, Vietnam remains the largest source of blended (CVC, TC) yarn imported into the Chinese market, with a share that is more than ten or even twenty times that of blended yarn imported from Taiwan Province.

Source: ccfgroup.com– June 11, 2024

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US Imports Expect to Hit Two-Year Peak This Summer

Monthly inbound cargo volume at major U.S. ports is expected to reach its highest level in nearly two years this summer.

U.S. ports covered by the Global Port Tracker handled 2.02 million 20-foot equivalent units (TEUs) in April, ahead of the prior month's projections of 1.96 million TEUs.

That represents 13.2 percent year-over-year growth and a 4.6 percent increase from March. The April import volume was the highest number since the 2.06 million TEU that entered the nation's ports last October.

According to the monthly report comprised by the National Retail Federation (NRF) and maritime trade consultancy Hackett Associates, inbound cargo volume expectations from May through September have now been increased from the previous expectations—indicating a flurry of goods into the U.S. ahead of and during the August-to-October peak season.

"Consumers are continuing to spend more than last year, and retailers are stocking up to meet demand, especially as we head into peak shipping season," said Jonathan Gold, vice president for supply chain and customs policy, NRF.

Ports have not yet officially reported May's numbers, but Global Port Tracker projected that inbound cargo volume rose to 2.09 million TEUs, up 8.3 percent year over year for the highest level since 2.26 million recorded in August 2022.

June is forecast to go even higher at 2.11 million TEUs, up 15.2 percent year over year. Similarly, July is forecast at 2.1 million TEUs, a 9.5 percent jump over the prior year; while August is anticipated to reel in the most cargo throughout the year at 2.17 million TEU, which would represent a 10.6 percent upsurge from 2023 numbers.

In September, the number is projected to inch back down to 2.06 million TEU, which would be just a 1.7 percent uptick. And finally, October is slightly surpassing the 2-million threshold at 2.01 million TEUs, the first anticipated year-over-year decrease in imports from the year before at a 2.3 decline.

“The high level of imports expected over the next several months is an encouraging sign that retailers are confident in strong sales throughout the remainder of the year,” Gold said. “Unfortunately, retailers are also facing supply chain challenges again, this time with congestion at overseas ports that are affecting operations and shipping rates.”

The congestion at global ports such as Singapore, Shanghai and Ningbo in Southeast Asia has become more of a concern for shippers as it further extends waiting times, particularly on the Asia-to-Europe trade lane directly impacted by the container shipping diversions away from the Red Sea.

The capacity issues resulting from the congestion at the ports, the lengthier routes vessels are now taking around southern Africa to avoid the Suez Canal and an ensuing rising container shortage are all contributing to a rise in freight rates—particularly out of China. As of June 6, ocean spot freight rates increased 12 percent week over week to $4,716 per 40-foot container, according to data from Drewry’s World Container Index (WCI).

In a six-week stretch, these spot rates have escalated 74 percent since April 25.

According to Hackett Associates founder Ben Hackett, the potential seven-month string of import levels above 2 million TEUs—a level reached only twice since October 2022—is partly due to changes in the annual peak season for shipping.

“Imports of containerized goods at U.S. ports are booming, with particularly strong growth on the West Coast,” Hackett said. “In the last couple of years, we have witnessed a flattened peak season that has stretched out the volume of imports over extra months versus the strong, consolidated surge seen in the past. Reasons range from retailers restocking following strong sales after the pandemic to trying to get ahead of increased tariffs on goods from China set to take effect in August and ensuring sufficient inventories for the holiday season amid strong consumer demand.”

In total, the deluge of imports throughout the first half resulted in escalating expectations for total inbound volume. The first half of 2024 is expected to total 12.1 million TEUs, up 15 percent from the same period last year and 1 million TEUs ahead of initial projections of 11.1 million TEUs.

Imports during 2023 totaled 22.3 million TEU, down 12.8 percent from 2022.

The import numbers come as NRF is forecasting 2024 retail sales growth between 2.5 percent and 3.5 percent over 2023. Those percentages excluded auto dealers, gas stations and restaurants to focus on core retail.

Source: sourcingjournal.com– June 11, 2024

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Trust and Transparency Key to Supply Chain Resilience, Experts Say

Brands across the globe are navigating a new sourcing landscape riddled with challenges and complexities. And they're learning that ensuring compliance and mitigating risks takes true trust and cooperation with partners throughout the supply chain.

At a webinar hosted by QIMA on Tuesday, sourcing experts from Skims, Untuckit, True Classic and the American Apparel and Footwear Association (AAFA) spoke to the need for increased transparency and traceability in the face of new regulations, geopolitical tensions and unexpected headwinds.

Collaboration across the value chain will be essential as the sector works to adapt to new sustainability legislation, like the EU's corporate sustainability due diligence directive (CSDDD), which was signed into law last month, as well as its companion, the corporate sustainability reporting directive (CSRD).

AAFA director of sustainability Chelsea Murtha said brands should also be prepared for the regulations taking shape stateside. "The U.S. doesn't do comprehensive legislation in the way that the EU does, but that does mean that we get a lot of piecemeal things happening in different places, which can make it harder to actually do your job as a compliance professional," she said.

The U.S. has taken a lead on eliminating PFAS, for example, through about 40 different bills being proposed across different states, she said. She also pointed to California's proposed extended producer responsibility (EPR) bill, which would compel producers of apparel and textiles to manage their own waste.

"I think this is potentially kind of a sea change for the industry going forward, as I think the idea has always been just to find whatever the lowest standard is and march towards that," she said. "I'm skeptical that's going to continue to be a strategy that works."

"Trying to follow the lowest standard is really not the best practice," Skims senior manager of product integrity and compliance Priscilla Pacheco said. One benefit for the Kim Kardashian-founded, California-based

brand is that it operates in "the most stringent state" in the country when it comes to environmental practices, meaning that it is consistently pushed to stay abreast of regulatory proposals.

The viral shapewear and women's wear label is also leaning into advanced technology to ensure that stakeholders always have a full view of global risks.

"We're seeing a lot of cool innovations like AI for demand forecasting blockchain for transparency and traceability efforts," she said. "I think what really excites me on the social responsibility side is the transparency and traceability risk management tools," like those from Altana. Pacheco said Skims uses the technology to determine exposures across a number of different standards, "whether it's the UFLPA or other sanctions—they have many variables you can look into."

"While it may not be tracing your specific supply chain, you can use it as a first line of defense for onboarding or pre-sourcing and take it from there," she explained. The compliance lead said she believes a combination of AI and manual processes is necessary for lean teams like hers. AI and blockchain allow "really help to minimize a lot of those manual processes," she said.

While technology has come to play a more significant role in supply chain management, True Classic vice president of sourcing, product development and production Linda Ollman said visiting suppliers and vendors in person remains an indispensable part of creating and maintaining a responsible supply chain.

"The partnership you have with your vendors, visiting them having face to face—it's a partnership outside of just the work day, and you have to trust them 100 percent," she said. "It's not all about the bottom-line FOB… you want it to be fair for both sides of the partnership."

Untuckit's chief product and supply chain officer, Björn Bengtsson, said the men's shirting brand has been working to diversify its sourcing matrix "so we have coverage for any eventualities."

The pandemic illuminated a need to "spread your eggs around the world," he said, rather than keeping them in one basket (usually an Asian sourcing hub). Whether roadblocks spring up as a result of a global health crisis or

a war in Ukraine, the lesson is the same, he believes. The industry must lean on partnerships to weather uncertainty.

“At Untuckit we definitely put a great emphasis on having suppliers that are with us for the long haul… If you want resiliency and you want flexibility, you have to do partnerships,” he added, noting that he has never seen an era as turbulent as the past five to eight years.

Because of that, consistency is key. “I think the days of opportunistic sourcing are coming to an end. It’s impossible to drive an opportunistic sourcing machine where you send tech packs to five different factories and you take the best price and the lowest risk,” Bengtsson said.

“The partnership aspect of manufacturing becoming more and more important—that you really know your vendors, and I don’t mean just in the consumption element of it, but you also trust each other,” he added.

“I do agree that having the trust with your supply chain partners, maintaining those open lines of communications, showing them that you’re there as a resource and not just someone to give them a little slap on the hand if they’re if they’re not doing something the way that you want it to… I think it’s all working on a continuous improvement model,” Skims’ Pacheco added.

“It’s making sure that you have those regular check-ins; we have vendor summit once a year,” she said. “We have partners visiting the factories in different countries, and I make sure to keep the lines of communication open outside of audits and the remediation processes—I want to understand what they’re facing.”

Source: sourcingjournal.com– June 11, 2024

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ICE cotton down as strong dollar, good crop conditions weigh on market

ICE cotton experienced heavy losses on the first day of this week. The downward trend continued, and US cotton further declined due to a stronger dollar index and favourable weather conditions. The market touched new yearly lows amid weak sentiments. Even stronger crude oil prices could not support the cotton market to avoid a heavy sell-off.

According to trade analysts, the US cotton July contract settled 203 points lower at 71.81 cents per pound (0.453 kg). The December contract settled down 130 points at 71.59 cents on Monday. All cotton future contracts settled with losses, breaking major support levels in the technical chart.

The dollar index was stronger yesterday, settling above a level of 105. A higher dollar index encouraged buying in cotton futures. A stronger dollar makes US cotton purchases more expensive.

Crude oil rallied on Monday, which should support cotton as expensive crude oil increases prices in the polyester value chain. However, it was unable to support cotton yesterday. Although, it can be said that stronger crude oil limited the decline in US cotton futures.

Certified stocks began the day at 132,467 bales, up 1,430 bales due to new certifications. There were 4,128 bales awaiting review. The net increase in certified stocks last week was 6,792 bales.

The USDA US Crop Progress report was released after the close, showing 80 per cent of US cotton planted by June 9, matching the 5-year average. Cotton squaring was at 14 per cent, above the 5-year average of 12 per cent.

The condition report indicated 56 per cent of crops in good or excellent condition, down from 61 per cent last week but better than 49 per cent a year ago.

Traders are waiting for the US export sales report and the WASDE report for further information about the demand and supply scenario. Currently, no significant changes are expected in the cotton markets, which may remain under pressure until there is any improvement in demand.

On Tuesday, ICE cotton July 2024 was traded 0.15 cents higher at 71.96 cents per pound. Cash cotton was traded at 68.06 cents (down 2.03 cents), the October (new crop) contract at 72.78 cents (down 1.42 cents), the December 2024 contract at 71.89 cents (up 0.30 cents), the March 2025 contract at 73.35 cents per pound (up 0.11 cents), and the May 2025 contract at 74.78 cents (unchanged).

Source: fibre2fashion.com– June 11, 2024

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European textile and clothing exports continue to slow down

The decline in clothing exports, which fell by 4% to 9.3 billion euros according to customs figures processed by the Institut Français de la Mode, did not affect Asia. The European Union boosted its shipments to the region by 12%, while shipments to the Mediterranean shrank by 9%.

The EU's biggest customers, Switzerland, the United Kingdom and the United States, all fell back. China, Hong Kong and Macao are up, while Japan remains stable. The United Arab Emirates, Ukraine and Vietnam also made progress. As for textile exports, which totalled €6.6 billion (-6%), Asia once again escaped the downturn, posting an 11% increase over the January-March period.

European orders were dominated by the United States (-3%), the United Kingdom (-13%) and China (+22%). India posted a 38% increase, compared with 24% for Vietnam and 18% for the United Arab Emirates.

Imports getting back on track

Imports of clothing, which had peaked in 2022, continued the fall that began in 2023 in the first quarter of 2024, with goods worth €19.2 billion, down 14%. Faced with a European market hit by inflation and a decline in clothing consumption, this fall affects both Asian (-15%) and Mediterranean (-12%) production.

China (-10%) is less affected than Bangladesh (-21%), Turkey (-14%), India (-22%) and Vietnam (-14%). There were also sharp falls in imports from Myanmar (-22%), Indonesia (-23%) and Switzerland (-21%).

Textile imports fell by 11% over the quarter, to €7.4 billion. The decline affected both Asia (-12%) and the Mediterranean region (-8%). Among Europe's main suppliers, China (-6%), Turkey (-6%) and Pakistan (-18%) stand out. However, Tunisia (-1%) and Morocco (+1%) showed strong resistance.

Source: au.fashionnetwork.com– June 11, 2024

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Is the Denim Industry Ready for Digital Product Passports?

"You can be down with DPP or you can be out of business."

That was Crispin Argento, managing director of cotton-sourcing platform The Sourcery, speaking about digital product passports at the recent Kingpins show in Amsterdam.

With the European Council's adoption of the ecodesign for sustainable products regulation, or ESPR, last month, DPPs are all but inevitable. All that needs to happen now to formalize the decision is one last sign-off from the European Parliament and Council presidents and publication in the European Union's official journal, following which the legislation will enter into force 20 days later. Two years from that, the ESPR—DPPs, included—will become the law of the land, at least officially speaking.

Jan Mercx, sustainability specialist at GS1 Netherlands, the preeminent barcode standards organization, expects DPPs to be mandatory for textiles no earlier than the third quarter of 2027. It's a "really slow process," he said at the same session, mostly because no one's settled on what they should contain.

"There's a lot of consultations to see what are the important criteria, which we need to put in the DPP," Mercx said. "So we can have longer lasting products which will be recyclable and which will be recycled at the end."

Imagine different countries all building rail systems, he said. If the train tracks aren't all the same width, anyone traveling from Warsaw to Zurich to Berlin will have to keep changing trains. That's what the EU wants to avoid with data, which needs interoperability between platforms to chug along unencumbered.

DPPs aren't a traceability tool per se, Mercx said. They're meant to provide downstream information on how to use, reuse, repair and recycle products so they retain their highest value. But the ESPR itself requires life-cycle assessment information that can only be obtained by having an intimate knowledge of one's upstream partners.

It’s why Besim Ozek, strategy and business director at Bossa, says that digitalization of the supply chain is going to be so important. Already, the Turkish textile mill is fielding requests from buyers who want to kind of data that DPPs are set to provide because “they’re not willing to wait three more years.”

“We should have very detailed information about all of our value chain,” he told the Kingpins audience. “At the end of the day, we’re a denim producer and our biggest raw material is cotton. I should know who my farmer is, who my dealer is, where it is produced for all of my value chain.” Most denim makers are vertically integrated, meaning they do their own yarn spinning, fabric weaving, washing, dyeing, cutting and sewing. Other sectors—knitwear, for instance—are more fragmented, making gathering information about various production stages a harder lift.

In short, if suppliers are not conducting LCAs to suss out their water usage or carbon footprint per garment, they need to be investing in them now, Ozek said. They should have a “beautiful” enterprise resource planning or materials requirements planning system that easily communicates with brand systems. Otherwise, everything will take too long.

“For example, today I am doing a manually with some of my customers; it takes two hours for one brand,” he said. “Imagine that I get over 50 brands. So everything should be digitalized. Everything should be automatically taken from our system and uploaded to the brand system directly.”

Iris Skrami, co-founder of Renoon, a Dutch transparency and compliance management platform, agreed. New regulations are demanding that companies not only capture data but also process, display and make it meaningful. One of the big questions her firm is wrestling with is how to use DPPs, which will soon be a matter of compliance, as more than compliance vehicles.

“That’s also what I think is an opportunity in our industry, that we have a product that is a sexy product that people want to buy for different reasons,” she said. “And so actually having the DPP opens up a new channel, where you can communicate and you can utilize.”

Denim brands are already doing this. AGI Denim revealed in April that it’s working with sustainability analytics firm Green Story to present its social and environmental impacts in a visually engaging manner via a QR code-

enabled DPP that creates a "chain of trust." The first garments from Gucci's recycled and regenerative Denim Project, poised for release later this year, will also include a DPP tracing their development and production journey while supplying information about care and repair. Y/Project's DPP adds exclusive blockchain-enabled features, such as authentication, transfer of ownership, product history and personalized offers from the brand.

But "direct" data points such as country of origin or fiber content are one thing. More subjective data related to say, footprint calculations, are quite another. Methodologies for measuring impact can vary widely and so can the assumptions that influence calculations—and conclusions. Cautious brands might feel a little stuck now because they're wary of falling into greenwashing territory, at least until the EU provides more clarity through delegated acts.

'Massive opportunities'

Even so, DPPs don't have to be viewed as an albatross, said Jenny Wärn, head of implementation at TrusTrace, just before the Stockholm-based supply chain traceability firm launched a playbook on the topic at the Global Fashion Summit: Copenhagen Edition in Denmark last month.

The information sharing that DPPs facilitate can provide companies with "massive opportunities" to understand how their products are being used and disposed of. They might even "go wild" and create a community of customers whose engagement with a brand extends beyond the point of sale. And while not explicitly set up for that purpose, as Mercx mentioned, the data within DPPs can fulfill other legislative requirements on both regional and global levels, such as supply chain due diligence or extended producer responsibility.

Take new denim entrant Marimekko, which ran a DPP pilot with TrusTrace.

"They discovered that given that there will be so many more touch points with consumers post sale, that it increases their ability to add value to create that community," said Anja Sadock, head of marketing at TrusTrace. "That could be value creation that they could potentially commercialize or it could just be driving more affinity with the brand."

Supply chain resilience is another benefit. Having the right data at their fingertips gives companies an eagle's eye view of where potential disruptions could arise, as well as a better idea of how they can swerve them, Sadock said. As the pandemic demonstrated, those who are agile, win.

What it comes down to, however, is that businesses that don't comply with DPP legislation won't be able to sell into the world's largest single market. That might be a bigger financial blow than not doing the work.

Or as Argento put it, "It's not a ticket, it's not jail time; you just don't get to play the game."

Source: sourcingjournal.com– June 11, 2024

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Report: As African Apparel Imports Dwindle, the Time for AGOA Renewal is Now

The clock is officially ticking on the Africa Growth and Opportunity Act (AGOA), and uncertainty about the trade preference program's future is already eroding U.S. imports from sub-Saharan African (SSA) nations.

Office of Textiles and Apparel (OTEXA) data from April revealed a concerning trend: imports from AGOA beneficiary countries decreased by more than 23 percent in value and nearly 22 percent in quantity compared to the same period last year. Just 1.7 percent of all U.S. global apparel imports came from AGOA members in the first four months of this year, down from 2 percent during the first four months of 2023.

By contrast, with U.S. imports from China cooling off, 2023 saw Asian suppliers gobbling up market share. Vietnam, Bangladesh, India, Indonesia and Cambodia are picking up China's slack; collectively, the five countries accounted for 43 percent of U.S. apparel imports last year.

With those stats as a backdrop, Dr. Sheng Lu, professor and director of graduate studies in the Department of Fashion and Apparel Studies at the University of Delaware, said Africa's opportunity for growth into a leading apparel sourcing hub hinges on the swift and long-term renewal of AGOA.

In a study released this week, Lu analyzed the region's capabilities and capacity to take on more apparel sourcing from Asia as China continues to shed market share. "The SSA region was often regarded as one of the most popular alternative sourcing destinations thanks to its large population, relatively low labor costs, and shorter shipping distance to U.S. ports compared to most Asian [sourcing hubs]," he wrote.

But despite the U.S. government's aim to boost trade with Africa through the creation of AGOA 24 years ago, growth has been slow-going. The trade deal, which allows a multitude of products from nearly three dozen sub-Saharan African countries to enter the U.S. duty free, creates substantial financial incentives to source from members, but "empirical trade data shows that U.S. apparel imports from SSA members have stagnated over the past decades without evident growth," the report said.

The reasoning for that is multifaceted. The academic examined 10,000 apparel SKUs—half from SSA countries, and half from Asian suppliers—and noted stark differences in the characteristics of the products available. According to Lu, the results showed that U.S. fashion companies tend to source "simple and basic apparel categories containing African cultural elements and targeting the luxury and premium market segment" from Africa, like knitwear, T-shirts and slacks. More established apparel sourcing countries in Asia, by comparison, are able to produce everything from low-cost mass-market clothing to luxury goods, outerwear, swimwear and activewear.

Additionally, U.S. apparel imports from SSA countries were mostly made with cotton and polyester, while Asian imports were much more diverse, containing fiber types ranging from nylon to rayon, viscose, wool and recycled textiles.

"Theoretically [SSA suppliers] should have no problem with textile raw materials, because the AGOA rules of origin are very liberal; developing countries there can use the third-country fabric rule, which means they can really import materials from anywhere in the world," Lu told Sourcing Journal Monday.

But in practice, liberal rules of origin haven't solved the "fabric access problem" for African nations looking to produce apparel. "If you cannot make them locally, you have to rely on importing all these raw materials—it's not practical in the end, and it can be extremely costly, both in terms of production costs and time," he added.

Complex products like outerwear incorporate highly technical fabrics and components, and importing all those parts and pieces is a near impossibility for many African producers. Advanced materials can also require different machinery and assembly techniques than SSA producers are equipped to provide. "Unlike Asia or even compared to Central America, the labor force in Africa needs more training and more skill sets to engage in making more sophisticated products."

According to Lu, liberal rules of origin simply can't, and won't, supersede the need for AGOA members to develop their own textile manufacturing capabilities. "Without a robust local textile manufacturing sector, SSA countries would encounter significant challenges in diversifying their product offerings to include more complex and versatile clothing categories," he believes. The research also suggests that building a more

verticalized supply chain in SSA could be a boon to business, helping African nations become more nimble and cost-competitive.

That's where AGOA reenters the chat. "When we're talking about AGOA, it's not just about offering the duty free benefits, it's about giving an assured business environment that can drive more investment to be made into the region," Lu said. "These investments can be in building new production capabilities, sourcing capabilities, or the commitment of sourcing orders from the region."

U.S. companies are unlikely to continue to invest in building out the SSA supply chain—or commit to purchasing from AGOA members for their forthcoming collections—if they're not sure whether the preference program will exist in 15 months, he believes.

AGOA may not be a perfect program—there have been rumblings about the need for revisions to social and environmental standards, for example—but without it, the region is sure to falter in its mission to become an apparel sourcing hub for the Western world, Lu said. He would like to see the trade law renewed for a longer period—say 20 years. "The more we can create a stable and foreseeable market outlook, the more likely we can drive more needed investment to the region," he added.

Those that are skeptical of AGOA's efficacy need look no further than Ethiopia. The country, which saw its AGOA eligibility rescinded in 2022, has seen its exports to the U.S. market drop precipitously since then. American apparel imports from Ethiopia took a nosedive in 2024, dropping 40 percent from last year.

At U.S. Senate Committee on Finance hearing last week, lawmakers discussed the revitalization and renewal of trade preference programs like AGOA, with witnesses making the case for its swift renewal.

Melissa Nelson, general counsel and corporate secretary for Washington-based SanMar Corporation, told Senate leaders that more than 10,000 U.S. and SSA jobs tied to the company's products rely on the program's continuation. Last year, SanMar imported more than 58 million pieces from AGOA countries to be finished in the U.S.

"If you look inside the label of one of our shirts there's a good chance that would say made in Ghana or made in Madagascar, but the vast majority of

the value of that shirt is created in the United States—and it all depends on having access to AGOA."

Nelson said building a supply chain in SSA has taken much time and investment from SanMar, underscoring the need for a long renewal period. "The product development cycle when sourcing from even an established factory in these countries is close to 18 months, and with the program set to expire next September, we are already within that window and making business decisions with the expiration date in mind," she said.

"There is so much potential in vertical integration, but companies are hesitant to invest when the benefits of AGOA could expire before a return on investment," she added. "The region has phenomenal potential, but businesses need the stability of a long term renewal to create a sustainable manufacturing base."

Source: sourcingjournal.com– June 11, 2024

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Apr Turkish textile-clothing-footwear retail sales volume up 1.5% YoY

Trade sales volume in Turkiye increased by 2.5 per cent year on year (YoY) and decreased by 4.6 per cent month on month (MoM) in April this year, according to Turkish Statistical Institute (Turkstat).

In the same month, wholesale trade sales volume increased by 4.5 per cent YoY and decreased by 5.7 per cent, while retail trade sales volume increased by 10.2 per cent YoY and decreased by 1.8 per cent.

Retail sales volume of textiles, clothing and footwear in the month increased by 1.5 per cent YoY and fell by 1.5 per cent MoM.

Source: fibre2fashion.com– June 12, 2024

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European road freight industry slightly better in 2024: BCG report

Conditions in the European road freight industry have slightly improved this year after a challenging 2023, with load demand and truck supply in the market coming more into balance, according to a report by US global management consulting firm Boston Consulting Group (BCG).

But shippers relying on road freight services should not relax just yet. A variety of localised and more broad factors are creating a dynamic market that shippers will need to manage for the foreseeable future, the report, titled 'A Bumpy Road for Europe's Freight Shippers', said.

Those that successfully navigate the challenges can improve their supply-chain performance, with a measurable impact on operations and the bottom line, it noted.

BCG recently partnered with Alpega, a logistics software company offering end-to-end solutions that cover all transport needs, including transport management services and freight exchanges. Using Alpega's data, it analysed the spot and contract European road freight market from 2019 till early 2024.

For both international and domestic routes, road freight demand grew in the first half of 2024, fuelled by improved economic conditions.

In addition, major regional disruptions—for example, a rail strike in Germany (now resolved) and ongoing attacks on cargo ships in the Red Sea—have pushed shippers to use road freight over other channels.

Capacity has slightly decreased but will likely recover soon, the report said. Available spot capacity decreased in the first quarter of 2024 due to short-term factors such as a driver shortage, still-elevated inflation and interest rates and regional transportation strikes like the ones in Poland and Spain.

Additionally, lower fuel prices are reducing operating costs for operators, leading to an increase in available spot capacity.

Overall, the market is growing more balanced in the short term. Over the last several quarters, better alignment between supply and demand is leading to a more balanced road freight marketplace.

The load-to-truck ratio—which measures the number of loads for every truck posted on Alpega freight exchanges—is moving closer to 1.0 for both international and domestic routes. Currently the ratio is still less than 1.0, suggesting excess capacity, but as that gap closes, spot trucking rates could rise, BCG said in a release.

Shippers are increasing their contracted shipping volume. Given the currently favorable conditions, shippers are contracting more of their overall freight volume to limit their exposure to the spot market, lock in favorable rates, and avoid potential disruptions.

Source: fibre2fashion.com– June 12, 2024

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China's Loom in Pakistan: A growing threat or opportunity for Indian textiles?

China's deepening economic ties with Pakistan are sending ripples through the South Asian textile industry, particularly impacting India, a long-standing competitor in the global market.

Collaboration that fosters growth

As per WTO, China is the world's largest textile and apparel exporter, accounting for over 33 per cent of global textile exports in 2022. India meanwhile is the second-largest exporter, holding a 13 per cent share. Though smaller, Pakistan holds a significant 4 per cent share in global textile exports. : As per Pakistan Bureau of Statistics the country's textile exports have been steadily increasing, reaching $35 billion in 2023.

This growth is partly due to the China-Pakistan Economic Corridor (CPEC) initiative, which has seen significant Chinese investments in Pakistani infrastructure and textile production facilities. As per CPEC Authority, China has invested over $25 billion in Pakistan's textile sector since 2015. This investment is expected to create numerous textile zones and modernize Pakistan's textile infrastructure.

Indeed, China's strategic investment in Pakistan's textile sector, through the China-Pakistan Economic Corridor (CPEC) initiative, is fostering closer collaboration.

Existing FTAs between China and Pakistan allow duty-free movement of raw materials and finished goods, making Pakistan a competitive production hub for Chinese companies. Also, CPEC projects are improving transportation and logistics networks within Pakistan, facilitating faster movement of textiles between China and global markets.
Sector-wise scrutiny

Fiber: India enjoys a natural advantage in cotton production, a key textile fiber. However, China's dominance in synthetic fibers like polyester could pose a threat if Pakistan leverages Chinese technology and lower production costs.

Pakistan signed a $1.5 billion deal with China in 2023 to import high-yielding cotton seeds, potentially reducing reliance on Indian cotton. The Spinners' Association of India (SAI) has expressed concerns about rising yarn imports from China into Pakistan, which could be re-exported to other markets at lower prices. India however, can focus on specialty fibers like organic cotton or high-performance fibers to cater to niche markets.

Yarns: Both India and China are major yarn producers. Increased competition from China-Pakistan collaboration could put pressure on Indian yarn exports, particularly in low-cost segments.

Fabrics: Here, the story is nuanced. India has a strong reputation for high-quality fabrics like silk and cotton. China excels in mass-produced, cheaper fabrics. Pakistan can potentially bridge the gap, offering a mix of quality and affordability. This could create a three-way competition, potentially benefiting consumers. However, India's strength lies in diverse fabric production. Focusing on traditional textiles and value-added fabrics can create a unique market position.

Apparel: China is a powerhouse in ready-made garments. While Pakistan has growing apparel industry, India boasts a strong domestic market and established brands. The impact on India's apparel exports hinges on Pakistan's ability to scale and cater to international markets. Joint ventures between Chinese and Pakistani apparel companies could lead to increased competition for Indian garment exporters, especially in low-cost segments. In Tirupur, the knitwear hub for example, while some fear job losses due to rising competition, others see it as an opportunity to innovate and focus on high-value knitwear segments. In Surat, the MMF hub of India, the industry acknowledges the challenge but emphasizes the need for skill development and technological advancements to stay competitive.

Indeed, China's growing presence in Pakistan's textile sector presents both challenges and opportunities for India. While competition might intensify in certain segments, India can leverage its strengths in diverse fabric production, skilled labor, and a large domestic market to carve a niche in the global textile landscape. Investing in research & development, technological advancements, and brand building will be crucial for India's textile industry to thrive in the face of this evolving dynamic.

Source: fashionatingworld.com– June 11, 2024

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Vietnamese exports recover in 2024, still face challenges

Vietnam's exports to key markets in the first five months of 2024 increased by 15% over the same period last year, in which fashion, furniture and household appliances led the recovery.

Ta Hoang Linh, Director of the European-American Market Department under the Ministry of Industry and Trade (MoIT), said that export turnover of Vietnam's textile and garment sector since the beginning of the year has reached 12.8 billion USD, up 7.4% over the same period.

The footwear and handbag sector reached nearly 7.9 billion USD, an increase of 7.3%; wood and products from wood account for a large proportion of the furniture and household appliances industry, also reached 4.9 billion USD, an increase of more than 25% compared to last year.

Duong Thi Minh Tue, a member of the Handicraft and Wood Industry Association of HCM City (HAWA), said that the US might cut interest rates, which would stimulate consumer demand and demand for imports.

The European market had also overcome a recession and inventory of the previous period had run out, so demand had begun to increase again. Many Vietnamese wood industry enterprises had orders until the end of 2024, she said.

Regarding the textile sector, Vice President of the Vietnam Textile and Apparel Association (VITAS) Tran Nhu Tung said that the target export turnover of the textile and garment industry in 2024 was set at 44 billion USD.

Through the first five months of the year, the orders of textile and garment enterprises had improved. Vietnamese fashion products had many competitive advantages in product quality and the ability to meet strict labour and environmental requirements.

More importantly, Vietnamese fashion was taking advantage of the many combined incentives of 16 bilateral and regional free trade agreements.

In addition, these countries were continuing to promote strategies to diversify sources of supply, supply chains and investment, which made Vietnam's exports play an important role and participate more deeply in the production chain and global value.

However, many businesses were facing difficulties because key export markets such as the US, the EU, Northeast Asian countries or CPTPP countries were increasingly setting new and more stringent standards such as environmentally friendly, sustainable development criteria and circular production.

Export products needed to meet higher requirements on material traceability, safety certification, business reporting, as well as regulations on forest management and chemical use.

Therefore, to be able to meet the requirements of these markets, Vietnamese businesses would need to modernise production lines and apply the circular economy model.

In addition, with product lines required to constantly change designs to suit market trends and tastes, businesses must always proactively change designs and update market trends.

Vietnamese businesses needed to use clean energy, make specific commitments and actions to convert to sustainable and environmentally friendly production to meet increasingly strict requirements, Tung said.

Director of the HCM City Investment and Trade Promotion Centre (ITPC) Tran Phu Lu said that Vietnamese fashion, furniture and household goods held export advantages, especially in terms of product quality. However, finance and personnel limitations had made it hard for domestic enterprises to compete with big global brands.

He suggested they optimise digital transformation in production, closely coordinate with suppliers, put forth flexible production and management plans, and keep a close watch on market changes.

Source: en.vietnamplus.vn– June 11, 2024

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‘Intensified competition with China’ dents Pakistan’s textile sector: Economic Survey 2023-24

“The textile sector witnessed a dip of 8.3% during July-March of 2024, compared to a contraction of 16% in the same period last year,” read the Economic Survey 2023-24, released on Tuesday.

As per the survey, significant decline was seen in cotton yarn at 12.2%, and cotton cloth at 7.3%, which account for more than 80% of the textile sector. “The leading cause of reduced production was the drop in the unit value of exports amidst weak external demand for textiles, coupled with intensified competition from China,” the survey highlighted.

“Additionally, increased power tariffs following the removal of energy subsidies for export-oriented sectors, high cost of imported raw materials, the phasing out of the Export Finance Scheme, and high interest rates were among the significant factors affecting textile output,” it added.

The textile sector remains Pakistan’s most critical manufacturing sector. The sector contributes nearly one-fourth of industrial value-added and employs about 40% of the industrial labor force. “Barring seasonal and cyclical fluctuations, textile products have maintained an average share of about 54.5% in national exports,” read the survey.

The Economic Survey found that the country’s cloth sector produces comparatively low value-added grey cloth of mostly inferior quality due to poor technology, scarcity of quality yarn, and lack of institutional financing.

The production of cotton cloth decreased by 5.54% during the fiscal, clocking in at 5.9 billion square meters in FY23-24, as compared to 6.2 billion square meters in the same period last fiscal.

Meanwhile, the exports increased in quantity only, whereas value-wise cotton cloth only $1.42 billion in FY24, as compared to $1.53 billion in FY23, down 7.5%.

Source: brecorder.com– June 11, 2024

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Pakistan: Import of cotton: APTMA opposes govt's plan to impose duties

All Pakistan Textile Mills Association (APTMA) has strongly opposed government's intention to impose duties on import of cotton in budget 2024-25, urging improvement in quality, productivity and yield of domestic cotton for better returns.

In a letter to Commerce Minister, Jam Kamal Khan, Secretary General, APTMA, Shahid Sattar, has conveyed textile sector's grave concern regarding government's contemplation to impose customs duties on cotton imports in the upcoming budget for FY25, saying that this measure will pose a severe threat to the textile sector, particularly to the Small and Medium Enterprises (SMEs) that dominate the value chain and will undoubtedly lead to serious economic repercussions.

APTMA argues that the current economic environment, characterized by uncompetitive energy costs, prohibitive borrowing costs, and a dysfunctional tax regime, has already forced over 60 percent of basic industry to shut down.

Imports of cotton yarn, for instance, have skyrocketed from around 2 million KG in July 2023 to 14 million KG in May 2024, indicating the inability of yarn manufacturers to compete with international prices.

"The imposition of duties on cotton will have a serious negative impact on the SME sector, including domestic yarn and cloth manufacturing. Textile and apparel manufacturing in Pakistan is highly disaggregated.

Very few firms possess full vertical integration, and the benefits of duty-free import schemes such as the Export Facilitation Scheme (EFS) do not extend across the entire value chain," Sattar added.

For instance, a spinner cannot import under EFS because the yarn they manufacture goes through several stages of value addition—such as weaving, processing, and dyeing—before reaching the final exporter. Despite persistent requests for a multi-stage EFS with a robust traceability system, the multi-stage EFS has been effectively sabotaged by the FBR.

The destructive impact of these duties will also spill over to the domestic cotton sector. Rather than focusing on measures to enhance cotton productivity and yield to improve farmers' returns, the government is again resorting to the outdated, tried, tested and failed approach of import protection, which will prove counterproductive as has occurred in the past, he continued.

APTMA further contended that as evidenced by the historic unfair treatment and exploitation of farmers on part of ginners, the benefits of import protection will become concentrated at the ginning stage and not passed on to farmers.

The import protection will lead to further stagnation in domestic cotton productivity and a shift away from domestic cotton, yarn, cloth, and other inputs as exporting firms will increasingly utilize EFS on their own to substitute all domestic inputs, manufactured with expensive imported cotton (following import duty) or low-quality domestic cotton, with imported ones.

"In effect, import duty on cotton will subsidize foreign manufacturers of yarn and greige cloth by making production more expensive for local manufacturers, favouring them as preferred suppliers to downstream manufacturers and exporters," Sattar maintained.

Moreover, the introduction of customs duties on cotton will result in closure of businesses, job losses, reduced exports and economic downturn. Cotton is the primary raw material for the textile sector, which accounts for over 50 percent of Pakistan's total exports.

The industry consumes around 14-16 million bales of cotton annually. However, the current season has witnessed a significant reduction in cotton cultivation, exacerbating an already dire situation.

APTMA claimed that for the current season, area under cotton cultivation has reduced by 30-35 percent, amounting to only 4.415 million acres compared to 6.62 million acres last year. In Punjab, the sowing target was reduced from 5 million acres to 4 million acres, but less than 3 million acres have been sown. This reduced sowing area will yield no more than 4.5 million bales.

Similarly, Sindh and Balochistan have also slightly reduced their cotton sowing areas. Nationally, with the current sowing area of approximately 4.4 million acres, production is not expected to exceed 7-8 million bales. This represents only 50-60% of the industry's consumption needs. Consequently, Pakistan will need to import significantly more cotton compared to last year to meet export requirements.

The situation is further exacerbated by climatic challenges. So far, about 50,000 acres of cotton plantations, constituting 9.0 percent of the total, have been damaged by abnormal heat in Sindh, one of the country's most fertile provinces.

The Pakistan Meteorological Department has predicted the rapid onset of a fresh drought in June due to low rainfall and high temperatures. This phenomenon is leading to crop failure, wildfires and water shortages in the country's South, further threatening domestic cotton supply.

"We strongly urge the government to properly evaluate and reconsider any such proposal while taking all stakeholders into confidence," Sattar recommended.

APTMA has suggested that the government should focus on enhancing quality, productivity and yield of domestic cotton, which is the primary factor behind low returns for farmers, so it can compete better with imported cotton and thereby improve farmers' incomes, and implementing a multi-stage EFS with robust traceability which will support the entire textile value chain and foster sustainable growth.

"Issues such as uncompetitive energy costs, prohibitive borrowing rates, and the dysfunctional tax regime must also be addressed to stimulate growth in the industry which will increase demand for domestic cotton and therefore automatically increase its price and returns to farmers," Sattar said.

Source: brecorder.com – June 12, 2024

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Bangladesh economy to grow 5.7% in FY25: WB

Bangladesh's economy is likely to grow 5.7 percent in 2024-25 fiscal year, much lower than the government's projection, supported by increased private consumption for easing inflation and a pick-up in overall investment for implementation of large investment projects, the World Bank said today.

"Shortages of inputs and imported goods are expected to ease gradually. A more flexible exchange rate policy is envisaged to help increase remittance inflows and reduce balance of payments pressures," the multilateral lender said in its Global Economic Prospects released today.

The outlook by the WB comes couple of days after the government, in the budget for FY25, projected a 6.75 percent growth of the gross domestic product -- the final value of goods and services produced in an economy in a certain period -- for FY25.

The WB's forecast is roughly one percentage point lower than the government's target for the year. The Washington-based agency in April predicted 5.7 percent growth for Bangladesh's economy for next fiscal year and it kept the projections unchanged in the latest report.

The agency said overall output would expand 5.6 percent in the FY24 ending this June.

The Bangladesh Bureau of Statistics (BBS) provisionally estimates GDP growth at 5.82 percent for FY24.

The WB said industrial activity was disrupted in Bangladesh partly due to ongoing import restrictions, which have caused shortages of materials and intermediate goods.

"The government consumption and investment have supported activity, while elevated inflation has dampened real wage growth and the purchasing power of households, and weighed on private consumption," it said in its Global Economic Prospects.

"Additionally, higher borrowing costs have weighed on demand. High levels of non-performing loans in the banking sector dampened investor confidence."

The multilateral lender raised its global growth outlook on Tuesday on the back of resilient consumer spending in the United States, but warned that growth remains weak by historical standards, reports Reuters.

In updated forecasts, the Washington-based development lender said it now expects the world economy to grow by 2.6 percent this year in real terms, up 0.2 percentage points from its last update in January.

Source: thedailystar.net – June 11, 2024

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NATIONAL NEWS

Union Minister Shri Piyush Goyal holds review meeting with officials of Ministry of Commerce and Industry

Union Minister Shri Piyush Goyal officially took charge of the Ministry of Commerce and Industry for a second consecutive term in New Delhi today. Upon assuming office, Shri Goyal immediately convened a review meeting with senior officers from both departments within the Ministry of Commerce and Industry.

Minister of State, Ministry of Commerce and Industry, Shri Jitin Prasada also attended the meeting. During the meeting, the Commerce Secretary and DPIIT Secretary presented a brief on the ongoing proposals and action items of the ministry.

Shri Goyal emphasized the importance of continued collaboration and directed that a series of meetings must be scheduled in the coming days to delve into the details of various policies and action items that have to be finalized.

Expressing his gratitude and enthusiasm, Shri Piyush Goyal stated, "I am delighted to be part of PM Modi's third term and am grateful to the people of Mumbai North for electing me. As I take charge, I come to you with a lot of fresh perspectives about India and about ground zero."

Shri Piyush Goyal said that there is a need to introspect and coordinate better between departments. Shri Piyush Goyal emphasized upon the importance of Research & Development (R&D) and strengthening Public Private Partnership (PPP) model of governance.

He urged the officers to focus upon integrity, speed, skill and scale. He said that Steering Committee on Advancing Local value-add & Exports (SCALE) Committee and Production Linked Incentive (PLI) Schemes must be utilized to their full potential to boost exports and domestic production.

Highlighting the achievements of his previous term, Shri Goyal cited the boost in overall exports from India, signing of various Free Trade Agreements (FTAs), significant inflow of Foreign Direct Investment (FDI) into the country, etc. With a renewed commitment to driving economic

growth and fostering international trade, the Minister expressed hope to lead the Ministry of Commerce and Industry towards new heights, ensuring that India's progress remains steadfast and inclusive.

Shri Goyal encouraged the officers of the Ministry to make Quality the mantra to ensure India’s progress. Shri Goyal noted that the timely sharing of data and transparency in exports and imports will encourage investors to invest more confidently. He said that India is positioned in a sweet spot and it is the right time to convert our challenges into opportunities.

Source: pib.gov.in– June 11, 2024

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India to remain fastest-growing among major economies, says World Bank

The World Bank has upwardly revised India's GDP growth forecast for the current financial year 2024-25 by 20 basis points to 6.6 per cent from its earlier projection of 6.4 per cent made in January.

World Bank said India will remain the fastest-growing of the world's largest economies, although its pace of expansion is expected to moderate.

In its latest Global Economic Prospects report, the international financial institution attributed the revision in India's growth projections to strong public investment accompanied by private capex and rise in private consumption.

Growth in India's industrial activity, including manufacturing and construction, was stronger than expected, alongside resilient services activity, which helped offset a slowdown in agricultural production partly caused by monsoons.

Growth of domestic demand remained robust, with a surge in investment, including in infrastructure, offsetting a moderation of consumption growth as post-pandemic pent-up demand eased.

For 2025-26, World Bank similarly raised the growth projections from 6.5 per cent to 6.7 per cent.

"India's economy has been buoyed by strong domestic demand, with a surge in investment, and robust services activity. It is projected to grow an average of 6.7 per cent per fiscal year from 2024 through 2026--making South Asia the world's fastest-growing region," the World Bank report read.

GDP per capita in EMDEs (emerging market and developing economies), which include India, is forecast to grow at about 3 per cent on average over 2024-26, well below the average in 2010-19."Some large EMDEs, such as India, are expected to see continued solid per capita growth," it said.

Activity in commodity importers excluding China has been robust. "This mostly reflects resilience in some large economies, notably India, owing to continued strength in domestic demand. Growth has been more muted in other commodity importers so far this year."

According to official data of the Indian government, its GDP grew at a massive 8.2 per cent during the financial year 2023-24, and the country continued to remain the fastest-growing major economy. India's economy grew 7.2 per cent in 2022-23 and 8.7 per cent in 2021-22, respectively.

The Reserve Bank of India in its latest monetary policy meeting raised the GDP forecast for the current for 2024-25 to 7.2 per cent from 7 per cent earlier.

Morgan Stanley forecasts 6.8 per cent growth in India in 2024. India is set to remain the fastest-growing among major economies in 2024, according to latest International Monetary Fund's latest World Economic Outlook. IMF, in its latest outlook, raised India's growth projections for 2024 from 6.5 per cent to 6.8 per cent.

The United Nations recently upwardly raised India's economic growth projections for 2024 from 6.2 per cent to 6.9 per cent mainly driven by strong public investment and resilient private consumption.

Moody's Ratings expects India to grow at 6.6 per cent in the current financial year 2024-25.Organisation for Economic Co-operation and Development (OECD) projects India to grow 6.6 per cent in the next two years.

The Asian Development Bank (ADB) had upgraded India's gross domestic product (GDP) growth forecast for financial year 2024 from 6.7 per cent to 7 per.

Source: thehindubusinessline.com– June 12, 2024

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Union Minister Shri Giriraj Singh takes charge of Ministry of Textiles

Union Minister Shri Giriraj Singh officially took charge of the Ministry of Textiles, here today. Former Union Minister of Textiles Shri Piyush Goyal handed over the charge to Shri Singh in the presence of Minister of State, Shri Pabitra Margherita.

Smt. Rachna Shah, Secretary, Ministry of Textiles along with other senior officers of the Ministry were also present.

On the occasion of assuming charge, the Union Minister for Textiles, Shri Singh said, “Textiles sector has huge employment opportunities. The industry also holds a large share in terms of global exports as well.” Shri Singh further asserted that textiles industry is also linked to the farmers and there will be efforts under the guidance of Prime Minister Narendra Modi to take the industry forward.

Source: pib.gov.in– June 11, 2024

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Shri Pabitra Margherita takes charge as the Minister of State in the Ministry of Textiles

Shri Pabitra Margherita took charge as Minister of State in the Ministry of Textiles, here today. Shri Margherita is a Rajya Sabha member, elected from Margherita legislative constituency in Assam.

Former Union Minister of Textiles Shri Piyush Goyal presented bouquet to Shri Margherita in the presence of Union Minister of Textiles, Shri Giriraj Singh. Smt. Rachna Shah, Secretary, Ministry of Textiles along with other senior officers of the Ministry were also present during the occasion.

Source: pib.gov.in– June 11, 2024

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Focus is on job creation, farmers getting good prices: Giriraj Singh

New Delhi: The government's focus is to create employment and ensure that farmers get good prices, newly appointed textiles minister Giriraj Singh said Tuesday.

"Textile sector is the largest generator of employment. Not only 100 days, but we will work 24/7 so that farmers get good prices and employment is created," Singh said while taking charge of the textiles ministry.

He said the textiles sector has huge employment opportunities and the industry also holds a large share in terms of global exports as well.

"A lot of research has been done and we want to be ahead of the world, not behind it. We are developing a kind of cotton which is a premier cotton for the world," Singh said.

Emphasizing that textiles industry is also linked to the farmer, he said there will be efforts to take the industry forward and look at the competitiveness of cotton textiles as compared to manmade fibre. He also said that the government will focus on giving a push to the handloom sector.

Source: economictimes.com– June 11, 2024

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On Goyal's plate: Unfinished FTAs, EU's green challenge

Retained as Commerce and Industry Minister in the Modi 3.0 government, Piyush Goyal has his task cut out with multiple free trade agreements (FTAs) under negotiations, exporters seeking assistance to achieve the $2-trillion goods and services export target for 2030 and Western nations, especially the EU, coming up with new environment-related restrictions such as the Carbon Border Adjustment Mechanism (CBAM) and the Deforestation Regulation.

Other issues that would need attention, perhaps as part of the 100-day agenda, include the long-pending SEZ Amendment Bill to give added flexibility to units, notification of a balanced e-commerce policy, development of e-commerce hubs to promote online exports, and launch of initiatives such as the 'Trade Connect e-Platform' to handhold exporters. Review of the FDI policy in sectors such as banking, insurance and defence may also be on the agenda.

Core values continue

With Goyal familiar with the issues and the players, both locally and internationally, policy continuity in trade and investment is likely. However, greater care is needed in decisions affecting areas like agriculture and employment, as the sensitivities of the coalition partners in the NDA alliance have to be factored in.

The FTAs that are under negotiation include the India-Oman FTA, which was ready to be signed but for the election model code of conduct setting in.

While the proposed India-UK FTA may take more time with the announcement of UK elections for next month, negotiations with the EU and Australia are expected to pick up pace.

When asked whether there will a re-think and more consultations on the FTA negotiations that are underway to also take into consideration the views of the BJP allies, an official said that "continuity with change" was what the buzzword likely to be.

The Commerce and Industry Ministry was committed towards turning India into 'Viksit Bharat' (Developed India) by 2047, Goyal said in his interaction with the media after assuming office on Tuesday. BJP leader Jitin Prasada also took charge as Minister of State for Commerce & Industry. "The Minister met officials from the Ministry to discuss proposals framed by them under the 100-day agenda and plan for expedited implementation," another official told businessline.

Fostering free trade

Goyal will also need to find ways to boost the export sector to achieve the stiff target of $1 trillion of goods export by 2030. A similar target has been fixed for services exports.

In FY24, goods exports declined 3.11 per cent to $437 billion with the continued slowdown in global demand due to multiple factors including the ongoing conflict in Ukraine and West Asia.

Exporters, however, are optimistic about this fiscal owing to an increase in queries from foreign buyers. They have submitted a charter of demands, including access to easier and cheaper credit (increase in interest subvention rates), increased allocation for the Market Access Initiative (MAI) scheme, higher rates under the RoDTEP scheme for input tax remission, substantial allocation under the District as Export Hub scheme, and the removal of inverted duties that make imports of final products cheaper than import of inputs.

Goyal will need to weigh which of the demands can be met and how to prioritise them.
Green laws

Two of the EU's regulations linked to environmental preservation need serious attention as they can impact exports. The EU's Deforestation Regulation, which kicks in as early as December 30, 2024, is likely to affect Indian export of meat products, leather, chocolate, coffee, palm nuts, palm oil derivatives, glycerol, natural rubber products, soyabeans, soyabean flour and oil, fuel wood, wood products, pulp and paper, and printed books, as per industry analysis.

The regulation requires the items to be 'deforestation-free', namely not linked to recent (post December 31, 2020) deforestation, forest degradation, or breaches of local environmental and social laws.

The second such legislation is the CBAM, under which the EU can impose a carbon tax on certain carbon-intensive imports including cement, iron and steel, aluminium, fertilizers, electricity, and hydrogen products, if emissions exceed certain levels.

The US, too, is contemplating a carbon tax, which could impact Indian exports.

Source: thehindubusinessline.com– June 11, 2024

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India targets $250 billion in textile production by 2030

Under the leadership of Prime Minister, Narendera Modi, the Central Government has set a target to boost its textile production to $250 billion by 2030. The government also aims to increase textile exports to $100 billion by 2030, with $40 billion specifically from apparel exports. A significant industry for India, the textile and apparel industry currently contributes to over 4 per cent of its total GDP and 14 per cent of its total annual export earnings.

Impacted by the COVID-19 pandemic, India's textile and apparel industry has struggled to recover fully, raising concerns among industry stakeholders and the government. The government has implemented several measures to enhance the sector's global competitiveness, focusing on a holistic approach to make it more vibrant and innovative.

One of the largest manufacturing sectors in the country, the textile and apparel sector has a rich history of development in India. The country is the world's second-largest textile exporter with a 7.4 per cent share in the global market. India is also world's fifth-largest garment exporter with a 3.1 per centshare in the global market, as per WTO data released in 2023.

Apparel production in India is currently valued at $52 billion, with $14 to $17 billion from exports and around $35 to $38 billion from the domestic market. In the last five years, India's garment exports remained stable between $14 billion and $17 billion. In the fiscal year 2023-24, garment exports from the country declined by 10.2 per cent to $14.53 billion, compared to $16.19 billion in FY 2022-23.

Textile exports also declined by 12.5 per centto $19.4 billion in 2022 with a global market share of 7.4 per cent, according to the WTO data. However, the Manufacturing of Textiles Index for FY 2023-24 increased by 0.4 per cent to 108.2 compared to the previous year (APEC).

To boost exports growth, the Indian government has introduced various schemes such as Remission of Duties and Taxes on Exported Products (RoDTEP), Rebate of State and Central Taxes and Levies (RoSCTL), the Production Linked Incentive (PLI) scheme, and the PM Mega Integrated Textile Region and Apparel (PM MITRA) park. Free trade agreements (FTAs) are also being explored to reduce non-tariff barriers in existing markets.

The PLI scheme aims to increase participation in the man-made fiber and technical textile sectors, while the PM-MITRA park is designed to enhance scalability. Additionally, initiatives like RoDTEP and RoSCTL ensure the stability of incentives for exporters.

Source: fashionatingworld.com– June 11, 2024

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'DGFT should review Para 2.12 of FTP'

Are we required to pay IGST on reverse charge basis on foreign bank charges recovered by our bank from us on our import/export transactions?

The issue regarding whether the foreign banks provide services to the banks in India that put through the transactions on your instructions or whether the foreign banks provide services to you, with the Indian banks acting only as intermediaries is far from settled. The Commissioner of Service Tax, Mumbai had issued Trade Notice no.20/2013-14-ST-1 dated 10-02-2014 clarifying that where the foreign banks are recovering certain charges for processing of import/export documents regarding remittance of foreign currency, the banks in India would be treated as recipient of service and therefore required to pay Service Tax. Some Tribunal decisions were also on the same lines.

However, in the case of State Bank of Bikaner and Jaipur [2021(45) GSTL 293 (Tri.Del)], the Tribunal ruled that the bank is not the recipient of any service given by the foreign bank. The government appeal against this decision to the Supreme Court has been admitted [(2023) 12 Centax 308 (SC)]].

My opinion is that even in situations where an itermediary is reimbursed any expenses incurred as 'pure agent', it cannot be said that the principal reimbursing the expenses becomes the recipient of any service that the intermediary procures. So, in my view, the bank should pay the IGST on foreign bank charges and recover the same from you as part of the expenses incurred as 'pure agent.'

Para 2.12 of FTP says that goods already imported/shipped/arrived, in advance, but not cleared from the Customs may also be cleared against an authorisation issued subsequently. However, we do not understand why this Para requires that such goods already imported/shipped/ arrived in advance are first warehoused against bill of entry for warehousing and then cleared for home consumption against an authorisation issued subsequently. Also, the provision that this facility will however be not available to 'restricted' items or items traded through STEs, unless specifically allowed by DGFT is also difficult to understand. Can you please clarify?

I do not think the requirement to warehouse the goods before clearance for home consumption makes any sense. Also, I am of the view that the DGFT should review the policy of limiting the facility to allow clearance of goods imported/shipped/arrived against authorisations issued later only for items that are not restricted or traded through STEs.

One of our subsidiaries abroad has received huge export orders that they cannot execute with their installed capacity. We have several idle machines that they can install and use in their unit. We want to know whether we can export second hand machines on sale basis and whether we have to take care of any particular aspect. Please clarify.

You can export second hand machinery at the depreciated value under free shipping. In the export valuation form, you must declare that your export is to a related party and that the relationship has not influenced the price.

Source: business-standard.com– June 11, 2024

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Exports from special economic zones up 4% to $163.69 bn in 2023-24

Exports from special economic zones (SEZs) rose by over 4 per cent to $163.69 billion in 2023-24 even though the country's total shipments dipped by more than 3 per cent in the last fiscal.

According to the data of the commerce ministry, exports from these zones stood at $157.24 billion in 2022-23 and $133 billion in 2021-22.

SEZs are key export hubs which contributed over one-third of the country's total outbound shipments in the last fiscal.

SEZs are enclosures that are treated as foreign territories for trade and customs duties, with restrictions on duty-free sales outside these zones in the domestic market.

As many as 423 such zones have been approved by the government, out of which 280 are operational as of March 31 this year. As many as 5,711 units are approved in these zones till December 31, 2023.

The data also showed that as on December 31, 2023, over Rs 6.92 lakh crore have been invested in these zones and a total of 30.70 lakh people are employed there.

The major export destinations include the United Arab Emirates, the US, the UK, Australia and Singapore.

To give a push to these zones, the government is considering several measures such as a flexible framework for the sale of products manufactured in SEZs in the domestic market, and streamlining approval processes for units.

In a report, think tank Global Trade Research Initiative (GTRI) suggested the government allow the sale of products manufactured in SEZs in the domestic market on payment of duty foregone on inputs as that would help promote value addition.

At present, units in SEZs are allowed to sell their products in DTA on payment of duties on an output basis (finished goods).

SEZs being set up under the SEZ Act, 2005 and SEZ Rule, 2006 are primarily private investment driven. Post enactment of SEZ Act, 2005 the Centre has not set up any SEZ in the country.

The maximum number of operational SEZs are in states, including Karnataka, Maharashtra, Telangana, Tamil Nadu, Andhra Pradesh, Gujarat, Kerala and Uttar Pradesh.

The country's merchandise exports dipped by 3.11 per cent to $437 billion in 2023-24. Imports too dipped by over 8 per cent to $677.24 billion.

Source: business-standard.com– June 11, 2024

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Global standards with FTAs

India recently concluded a trade and economic partnership agreement (TEPA) with European Free Trade Association (EFTA), a group comprising Iceland, Liechtenstein, Norway and Switzerland. The agreement has two distinctive features: an innovative chapter linking potential investment with the extent of tariff liberalisation, and a chapter on trade and sustainable development.

The latter is a significant step forward for India, which has avoided including 'non-trade issues' in FTAs. Although some earlier agreements have references to sustainability, this is the first time a full chapter on trade and sustainable development has been incorporated. From a plain reading, the chapter shows:

India is prepared to take that extra step to build preferential trade frameworks with the developed world. This is imperative if it wishes to expand its trade further with regions such as the EU and North America.

New Delhi's reluctance to use FTAs as tools for trade expansion is possibly easing out.

When read with the investment cooperation chapter, India has signalled the need for investments and preparedness to walk that extra mile.

For an open economy, nations should devise as many instruments as there are targets to hit. Jagdish Bhagwati has used the same concept to negate the idea of mixing environmental policies with trade policies. His rationale stems from the fact that both are technical areas, requiring separate specialised agencies to deal with them. However, advanced nations have chosen trade agreements, instead of multilateral environmental agreements, as instruments to achieve their growth objectives. There is no denying that this is also a subterfuge for sometimes couching their protectionist intent.

Having failed to introduce such issues in WTO, advanced nations have found FTAs easier to incorporate. All trade agreements by these nations contain non- trade issues, such as environment, labour standards and gender. Like many other developing nations, India has been reluctant to do so.

The extent to which such non-trade issues are accepted in FTAs should be determined by several factors. At present, the following are essential determinants:

India's economic policy actions must align with its ambition to become a developed country by 2047.

WTO is unlikely to be effective for the next few years. Hence, FTAs are important tools for trade and industry policy.

Due to its ambivalence on FTAs, India has allowed itself to be excluded from major regional trade arrangements, thereby losing potential trade advantages to its competitors.

India is a signatory to most multilateral environmental agreements and labour- and gender-related conventions. It shouldn't be shy about conforming to those obligations.

It has taken ambitious policy action to conform to its obligations, so much so that its development plans include ambitious targets in some areas, such as climate mitigation and decarbonisation.

Emerging geopolitical dynamics and its forward policy action positions India at a vantage point for forward movement.

India would continue to offer a vast market of middle-class buyers for many years. It could leverage this market for its trade expansion. It can, consequently, calibrate the pace at which it would adopt such obligations.

It's hard to maintain that trade has nothing to do with some non-trade issues, such as environment and some labour-related aspects. So, the argument that they should remain separate is no longer tenable. The strong argument for developing countries should be differentiated responsibility, and the need to address lack of physical and financial capacities.

This must guide India's negotiating positions.
- Present-generation FTAs have three enforceability templates:
- Expressing a mere understanding of a specific non-trade issue.
- Using consultation as a means of pursuing respective interests.
- Enforcing obligations through a dispute-settlement system.

Recognising its long-term economic objectives, India can adopt a carefully calibrated approach that safeguards its interests, while reassuring its trading partners. An incremental approach safeguarding long-term economic objectives, such as achieving SDG goals, would suit India the best.

Commitments that contradict fundamentals of the multilateral trade regime are avoidable. A potential trading partner's financial and technology commitments performance should determine how India could move up the value chain of obligations.

A preambular commitment to recognising developing-country rights to priority use of the fast-depleting carbon space, co-development of environmental technologies and their joint exploitation, and a joint carbon trading initiative, could be some other innovative ways to bring in the trade partner's involvement in the long-term development of green trade.

It's hard to avoid trade agreements with green elements. The faster we decide, innovate and prepare, the better for us.

Source: economictimes.com– June 11, 2024

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Textile industry in TN looks up to central govt to regain its past glory

COIMBATORE: Decline in orders from the West has affected at least 35% of spinning mills and fabric manufacturers in Coimbatore and Tiruppur districts. Further, industry associations say they are unable to compete with Bangladesh, China and Vietnam despite price of cotton candy falling from Rs 1.10 lakh in 2021- 22 to -57,000 - Rs 60,000, because of imposition of 11% duty on cotton import and quality control order on certain varieties of fibre, and appealed to the union government to address the issue.

K Selvaraju, secretary general of The Southern India Mills' Association (SIMA) said, "Despite cotton prices coming down, mills could not take advantage due to import of cotton and synthetic fabrics from Bangladesh which are cheaper by 15%, and 8 %- 15% respectively. Exports are hit as orders from western countries have fallen considerably. The government must remove the 11% import duty on cotton and help India become competitive in the global market."

Further, he said import norms of synthetic fibre should be eased as the under the quality control order system, users can purchase polyester staple fibre from BIS licensees.

S Jagadesh Chandran, secretary of the South Indian Spinners Association (SISPA), said "Around 25% out of 2000 spinning mills in Tamil Nadu stopped operations as several leading brands have started importing fabric from Bangladesh.

Other factors such as EB tariff, labour cost also impact spinning mills. Irrespective of the size, mills incur operating loss of around `20 to produce one kilo of yarn."

Prabhu Dhamodharan, convener of Indian Textreneurs Federation (ITF) said, "Retailers in developed markets exhausted inventory in the last two quarters of 2023 and have been buying since the beginning of this year. Even though orders are coming, we are facing intense competition from Bangladesh and Vietnam.

The current stability in cotton price is favourable, but we have to build competitiveness and product diversification to mitigate pressure emerging out of competition."

He said that industry expects new measures from the government to regain competitiveness and specialization to utilize the China plus one opportunity. "We expect considerable drop in import of dyed knitted fabric from China after the imposition of additional duty which will domestic sector to gain volumes from July," he said.

Source: newindianexpress.com– June 12, 2024

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