IBTEX No. 137 of 2024 August 20, 2024

Currency Watch			
USD	EUR	GBP	JPY
83.79	92.80	108.72	0.57

INTERNATIONAL NEWS	
No	Topics
1	US Election Puts Business Focus on Trade, Tariffs and Labor Issues
2	US' small businesses face growing concerns over economic uncertainty
3	China now 6th largest investor in Vietnam, 7-fold rise in new projects
4	Cotton harvesting & processing activities progressing in Brazil
5	Turkey Is The Latest Country With a Customs Crackdown Targeting Temu, Shein
6	China's retail sales rise 2.7% to $528.82 bn in July 2024
7	Sri Lanka's manufacturing expands in July; suppliers' delivery time up
8	Vietnam: Textile-garment production chain goes green to meet export standards
9	Vietnam's textile industry gains edge with high-value production capabilities
10	S Korea unveils Textile and Fashion Industry Competitiveness Strategy

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify "the sender" by return e-mail and delete the message from "your system". Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any "information" in this message that does not relate to "official business" shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.

11	Pakistan: Cotton production plummets 50pc, textile sector in crisis
12	Pakistan: Spot rate gains Rs300 per maund amid slow trading
13	Dhaka EPZ continues to face disruptions amid protests of jobseekers
14	Bangladesh: BGMEA's opposition panel demands cancellation of existing board
15	60 out of top 100 LEED-certified factories across world in Bangladesh

NATIONAL NEWS

No	Topics
1	Commerce dept mulls options for key export schemes
2	Unilateral environment measures like carbon tax hamper global trade: Govt
3	As Zara, H&M swelter over Bangladesh turmoil, this is what India can stitch up
4	EU's forest rules can hurt India's agri exports
5	Bangladesh crisis slows down garment transshipment from Delhi
6	Sustainability standards to shape future of global trade; must take seriously: Welspun Living CEO & MD
7	India Ports Could Strike, Compounding Capacity Issues Into US East Coast
8	Ambani takes Shein's help to battle Tata in race to sell affordable fashion

INTERNATIONAL NEWS

US Election Puts Business Focus on Trade, Tariffs and Labor Issues

As the democratic party puts its best foot forward with the Democratic National Convention starting Monday, economic strategists have already begun analyzing party platforms.

Currently, the Democratic presidential front-runner vice president Kamala Harris—she's expected to secure the party nomination Thursday night—and her running mate Minnesota Governor Tim Walz have a slight national lead over Republican nominee and former president Donald Trump and his running mate U.S. Senator from Ohio J.D. Vance, according to a Washington Post-ABC-Ipsos poll.

A CBS News/YouGov Battleground Tracker has Harris ahead with a projected 225 electoral votes and Trump with 219 as of Aug. 18. Key battleground states that are still considered toss-ups include Arizona, Georgia, Michigan, North Carolina, and Pennsylvania, among others. Florida appears to be leaning toward Trump, while Minnesota seems to be leaning towards Harris.

Meanwhile, some economists are analyzing the candidates' stated political goals and implications for trade and tariff policies.

The global economics team at Goldman Sachs led by chief economist Jan Hatzius in a research note on Thursday concluded that increases on China tariffs would raise risks of a global trade war that would have "significant impacts" on growth and trade, while increases on tariffs on goods from other countries could result in them raising prices on consumers goods imports from the U.S.

The Goldman Sachs team is expecting "significant increases" in tariffs on China—it assigned a high probability at 90 percent odds—if former President Donald Trump wins re-election, the impact of which could slow growth and raise inflation in major economies such as the U.S. and Europe.

"In addition, shifting trade policy could prompt companies to rethink their supply chains, leading to a reallocation of global trade that benefits some countries but hurts others, particularly China," the report said.

The analysis suggests that higher tariffs could reallocate trade across various economies, with Mexico and Southeast Asia benefiting from tariff-driven trade reallocation, while China and other East Asian economies would face headwinds from shifts in net trade toward lower-cost countries.

Jaret Seilberg, a managing director at TD Cowen Washington Research Group said Friday that should vice president Kamala Harris win the U.S. presidential election, she is expected to continue Biden's major regulatory policies. "We believe she is likely to favor moderation. We also see her as likely to have a more traditional view of monetary policy and trade," Seilberg concluded.

Seilberg's colleague and Washington strategist Chris Krueger is projecting that Trump's "10 percent tariff is off the table along with the potential labor supply shock of deporting millions of undocumented immigrants."

In contrast, a Trump win could see the repeal of Permanent Normal Trade Relations (PNTR) with China, which was passed after China joined the World Trade Organization in 2001.

Krueger cited data from the U.S.-China Business Council that forecasted a broad raise of current tariffs from 19 percent to 61 percent—with subsequent Chinese retaliation—should Trump win and obtain a repealing of the PNTR.

Krueger also foresees broad impact to the labor market should a Trump win see him implement a stated goal in connection with the largest deportation effort in U.S. history.

That could pave the way for other policy changes per the GOP Platform, including the repeal of DACA (Deferred Action for Childhood Arrivals; policy recipients are also known as "DREAMers") and TPS (temporary protected status) for hundreds of thousands, a reinstatement of "Remain in Mexico," and the return of a "Travel Ban" targeting immigration from specific countries, among other bans and limitations on access to the U.S.

According to TD Cowen research, "tariff risks are underestimated, particularly if implemented without control." Analysts at TD Cowen noted that retailers have been pulling forward shipments ahead of peak shipping season, a move triggered by election and tariff concerns. In addition, there's been concern about ongoing maritime-shipping disruptions in the Red Sea region.

Source: sourcingjournal.com– Aug 19, 2024

HOME

****

US' small businesses face growing concerns over economic uncertainty

Small business owners across the US have expressed growing concerns over economic and governmental uncertainties, as well as rising cost pressures, according to a recent report by the National Federation of Independent Business (NFIB). The report highlights the evolving challenges faced by small businesses in 2024 compared to previous years.

One of the most significant findings is the increased importance of 'uncertainty over economic conditions' and 'uncertainty over government actions.' These issues have risen sharply in priority since 2020. 'Uncertainty over economic conditions' is now ranked as the third most severe problem, up from ninth place in 2020, with 22 per cent of small business owners identifying it as critical. Similarly, 'uncertainty over government actions' has moved up to eighth place and is considered critical by 23 per cent of business owners, as per the Small Business Problems and Priorities report.

The challenge of 'locating qualified employees' remains a pressing issue, ranking fifth overall and deemed critical by 28 per cent of respondents. This ongoing difficulty underscores the labour market pressures that small businesses continue to face.

Cost pressures remain a significant and persistent concern. The 'cost of health insurance' continues to be the number one chronic issue for small business owners, unchanged since 1986. The 'cost of supplies and inventories' has surged in importance, moving from 12th place in 2020 to the second most severe issue in 2024. This shift is largely attributed to the historic inflation seen over the past two years, with 20 per cent of owners now finding it a critical problem, up from 9 per cent in 2020.

Energy-related costs also feature prominently among the top concerns. The 'cost of natural gas, propane, gasoline, diesel, fuel oil' is ranked as the sixth most severe problem, with nearly one in four business owners reporting it as critical. Additionally, 'electricity costs (rates)' has become a significant issue, ranking 10th in 2024, and is considered critical by 16 per cent of respondents.

Another issue that has grown in importance is 'interest rates,' which has seen a dramatic rise in concern, moving from 56th place in 2020 to 13th in 2024. This reflects the impact of rising interest rates on small businesses, which are often more sensitive to changes in borrowing costs.

Tax-related concerns continue to be significant for small business owners, with two of the top ten problems being tax-related. The most severe tax issue is 'federal taxes on business income,' which ranks fourth overall, down one position from 2020. Despite the benefits of the Tax Cuts and Jobs Act for many small businesses, a quarter of small business owners still consider the federal tax burden a critical problem, an increase of five percentage points from four years ago. The potential expiration of the Small Business Deduction at the end of 2025 could exacerbate this issue, leading to a significant tax hike for small businesses.

'State taxes on business income' also remains a key concern, ranking as the second most severe tax issue. Twenty-two per cent of respondents report it as critical, up from 19 per cent in 2020.

Source: fibre2fashion.com– Aug 20, 2024

HOME

****

China now 6th largest investor in Vietnam, 7-fold rise in new projects

China is now the sixth largest investor in Vietnam with a seven-fold rise in new projects, according to the latter's Foreign Investment Agency.

Minister of planning and investment Nguyen Chi Dung sees a positive shift in Chinese investment toward hi-tech and green energy sectors like manufacturing, renewable energy, electric vehicles, technology, and infrastructure—a departure from traditional investments in labour-intensive industries like furniture, steel and apparel.

Chinese giants like Goertek, BYD, Radian, Brotex, Wingtech, Deli and Trina Solar have a presence in Vietnam, a news agency reported.

Goldwind, a global leader in wind turbine manufacturing, has shown interest in setting up a state-of-the-art wind turbine component manufacturing and assembly plant in the northern port city of Hai Phong.

The recent Hai Phong investment promotion conference in China's Shenzhen city saw the awarding of seven new and expanded investment certificates to Chinese investors, totaling nearly $200 million.

These investments cover solar panel production, electronic components and automotive parts manufacturing.

The Hai Phong Economic Zone Authority also signed four memoranda of understanding with major Chinese investors.

Association of Foreign Invested Enterprises chairman Nguyen Mai attributed the country's appeal to its favourable geographic location, lower labour costs, affordable land rentals, tax incentives and the availability of locally-produced raw materials.

Source: fibre2fashion.com– Aug 18, 2024

HOME

****

Cotton harvesting & processing activities progressing in Brazil

As harvesting and processing activities continue to advance, market participants are increasingly focused on fulfilling term contracts secured at more favourable rates than those currently observed in the spot market.

Despite ongoing trading activity, the disparity between prices and quality is limiting the pace of transactions within the domestic market, the Center for Advanced Studies on Applied Economics (CEPEA) of University of Sao Paulo, said in its cotton market report for the first fortnight of August 2024.

Over the period between July 31 and August 15, the CEPEA/ESALQ cotton index, with payment terms set at eight days, saw a decline of 1.37 per cent, closing at BRL 4.0197 per pound on 15 August.

According to CEPEA calculations, export parity prices (Free Alongside Ship - FAS) experienced a 4.9 per cent decrease from August 5-12, reaching BRL 3.7602 per pound ($0.6833 per pound) at the port of Santos and BRL 3.7708 per pound ($0.6852 per pound) at the port of Paranaguá on August 12.

Additionally, the Cotlook A Index, reflecting product delivered to the Far East, decreased by 0.82 per cent during the same period, standing at $0.7870 per pound on August 12. The Brazilian Real also depreciated by 4.05 per cent against the US dollar in this timeframe, closing at BRL 5.503.

In terms of production, Conab (Companhia Nacional de Abastecimento or The National Supply Company) has projected that the cotton planting area in Brazil for the 2023-24 season will cover 1.944 million hectares, marking a 16.9 per cent increase from the previous season.

However, productivity is expected to decline by 1.7 per cent, with yields forecasted at 1,874 kilograms per hectare. Despite this, overall production is anticipated to grow by 14.8 per cent compared to the 2022-23 season, reaching 3.644 million tonnes. Conab also reported that as of August 11, 55.3 per cent of the cotton crop in Brazil had been harvested.

On the global stage, the USDA released its estimates on August 12, projecting that global cotton production for the 2024-25 season will total 25.612 million tonnes, reflecting a 2.1 per cent decrease from the July forecast, yet still representing a 3.6 per cent increase compared to the 2023-24 season. Global consumption is expected to decline by 0.8 per cent from the previous report but is forecasted to rise by 3.4 per cent year-on-year to 25.302 million tonnes, which is 1.21 per cent below the anticipated supply.

These developments highlight the ongoing challenges and adjustments within the cotton market as producers and traders navigate fluctuating prices and evolving global dynamics, CEPEA said.

Source: fibre2fashion.com– Aug 19, 2024

HOME

****

Turkey Is The Latest Country With a Customs Crackdown Targeting Temu, Shein

Turkey is the latest country to raise customs duty rates and reduce de minimis in hopes of giving local e-tailers a fighting chance against the likes of Shein and Temu.

President Recep Tayyip Erdoğan signed the new decision, published in the Official Gazette on Aug. 6, drastically increasing taxes on products ordered from foreign websites.

The amendment to certain articles of Law No. 4458 on Customs follows recent hints from Turkey's trade minister, Omer Bolat, about upcoming regulations vis-à-vis online shopping through platforms like these Chinese-owned options, as made popular by AliExpress.

The overseas fast cargo shopping limit has been reduced from 150 euros ($164) to 30 euros ($33), effective as of Aug. 21. The import duty on European packages will increase to 30 percent, compared to the current 18 percent. The tax rate on goods originating from outside the European Union was previously at 30 percent but has now doubled to 60 percent. This applies to goods arriving by mail or express cargo to an individual in Turkey.

In addition to the rate changes and allowance reduction, an extra tax will be applied in an attempt to support local businesses and protect domestic industries. If the goods fall under the category stipulated in the Special Consumption Tax Law (namely luxury goods), an extra 20 percent fine will be tacked on.

For items over 30 euros ($33) but under 1,500 euros ($1,643) and not in commercial quantities, all customs procedures and declarations must be followed, according to the amendment.

The news comes a month after Shein's plans to source its clothes for the European market from Turkey in an attempt to reduce criticism of its use of Chinese labor were revealed by UK publication This is Money.

Turkey isn't alone in its concern about how these imports impact local industry.

Earlier this month, a bipartisan group of congressional lawmakers introduced legislation to reform the de minimis trade provision and prevent cheap, illicitly produced goods from entering the American market.

Dubbed the Fighting Illicit Goods, Helping Trustworthy Importers, and Netting Gains (FIGHTING) for America Act, the proposed law would help "empower" Customs and Border Protection (CBP) to curb the influx of prohibited products by barring certain categories of products from using de minimis. This includes those designated as "import-sensitive" under the Generalized System of Preferences (GSP)—including textiles, apparel and leather goods.

Ideally, by tightening the import requirements for low-value shipments, the FIGHTING Act would kneecap Shein and Temu's access to American consumers.

Last month, the European Commission was assembling a plan to impose customs duties on low-priced imports from online retailers, ditching the current duty-free threshold of 150 euros ($164). In June, South Africa closed its de minimis "loophole," with small overseas shipments valued at under 500 South African rands ($27) now taxed at the same rate as higher ones.

Neither Shein nor Temu responded to Sourcing Journal's request for comment.

Source: sourcingjournal.com– Aug 13, 2024

HOME

****

China's retail sales rise 2.7% to $528.82 bn in July 2024

China's retail sales of consumer goods saw a year-on-year (YoY) increase of 2.7 per cent in July, reaching nearly 3.78 trillion yuan (approximately $528.82 billion), according to data released by the National Bureau of Statistics (NBS). This growth rate marks a 0.7 percentage point rise compared to June.

In July, retail sales in urban areas totalled approximately 3.27 trillion yuan, representing a 2.4 per cent YoY increase. Meanwhile, rural areas recorded retail sales of 506.6 billion yuan, marking a stronger growth of 4.6 per cent YoY.

Over the first seven months of the year, total retail sales climbed 3.5 per cent compared to the same period last year, surpassing 27.37 trillion yuan.

China's online retail sector continued its robust performance, with sales rising 9.5 per cent YoY during the first seven months of the year, bolstered by promotional activities and innovative e-commerce models. Sales of physical goods online increased by 8.7 per cent, accounting for 25.6 per cent of the total retail sales during this period, according to Chinese media reports.

In addition to retail sales, China's value-added industrial output, a key indicator of economic health, grew by 5.1 per cent YoY in July. On a monthly basis, the industrial output saw a slight increase of 0.35 per cent from June.

Source: fibre2fashion.com– Aug 19, 2024

HOME

****

Sri Lanka's manufacturing expands in July; suppliers' delivery time up

Sri Lanka's purchasing managers' index (PMI) for manufacturing was 59.5 in July this year, indicating a continuous expansion in manufacturing activities, the country's central bank (CBSL) recently said.

All sub-indices contributed positively to this improvement, a CBSL release said.

The increase in new orders was driven by the textiles and apparel sector.

Moreover, production increased during the month, mainly due to the improved performance in the manufacture of food & beverages and textiles & apparel sectors.

Employment turned positive in July, mainly attributed to the manufacture of textiles & apparel.

Stock of purchases also expanded in line with the increased demand for materials.

Meanwhile, suppliers' delivery time increased further in July.

Source: fibre2fashion.com– Aug 20, 2024

HOME

****

Vietnam: Textile-garment production chain goes green to meet export standards

The European Union (EU), one of the main export markets for Vietnam's textile-garment industry, is vigorously pursuing the European Green Deal, aiming to reduce net emissions by 55% by 2030 compared to the 1990 level and achieve carbon neutrality by 2050.

According to the Ministry of Industry and Trade, the strategy serves as a pillar within the industry, guiding the EU in revising new regulations in various sectors. For the textile and garment industry, key regulations include the ecodesign requirements for sustainable products, waste directives, and extended producer responsibility programmes.

Facing these new demands and challenges, May 10 Corporation has been greening its production processes for about three years by investing in modern machinery and equipment that consume less electricity. While making significant expenditure on solar energy systems and rooftop power, the company has integrated supply chains within Vietnam and abroad to maximise the use of recycled and natural materials and ensure that the fibre content in their products meets customers' requirements for origin.

General Director of May 10 Than Duc Viet underscored that greener production is no longer a choice but a mandatory requirement. The gradual adaptation of Vietnamese enterprises will facilitate sustainable export practices.

The garment company is also transitioning from coal-based fuels to biomass electricity to minimise carbon emissions. By 2024, if all of its projects become operational, May 10 expects to reduce the emissions by more than 20,000 tonnes annually.

Currently, the Vietnam National Textile and Garment Group (Vinatex) is implementing carbon reduction solutions by measuring the carbon footprint across product life cycles and developing a green, circular production strategy. So far, the group's members have reduced electricity consumption per product unit by 2% compared to 2022.

However, according to the Vietnam Textile and Apparel Association (VITAS), domestic legal frameworks remain limited, with no specific policies or regulations for the sector regarding the circular economy. Regulations on greenhouse gas inventory and carbon taxes are lagging behind international timelines.

VITAS Deputy Secretary General Nguyen Thi Tuyet Mai noted that major global fashion brands have been increasingly prioritising green enterprises or requiring suppliers to adopt green practices. This approach not only protects their reputation and business philosophy but also complies with increasingly stringent regulations.

However, the reality is that meeting green standards in the textile industry requires substantial conversion costs and long transition periods. Most Vietnamese textile exporters are small- and medium-sized enterprises, therefore their switching of internal control systems and conduction of greenhouse gas inventories need to be faster and more cost-effective.

"Green transition is an inevitable path – a game we have no choice but to play," Mai said. Yet, more than 80% of small and medium enterprises in the sector currently lack the capital needed for green production transition.

To cope with these challenges, in the short term, enterprises are advised to continue to operate flexibly, seizing market opportunities and focusing on technically demanding, small-batch, high-value-added products rather than low-cost, popular items that are difficult to compete with.

Source: vietnamnet.vn– Aug 19, 2024

HOME

****

Vietnam's textile industry gains edge with high-value production capabilities

The survey shows that Vietnam is having better competitive edge thanks to its ability to produce a diverse range of high-value products.

Vietnam is currently leading in the capability to produce a wide variety of products quickly, which is a result of its investments in machinery and skilled labour. However, in the long term, other countries may catch up, potentially reducing this advantage.

In 2020, Bangladesh was the world's third-largest textile exporter, following Vietnam and China, with an export value of 29.8 billion USD. However, the nation has risen to the second position globally since 2022, with its export value reaching 49 billion USD. In 2023, Bangladesh reported a textile export turnover of 50.3 billion USD, up nearly 70% compared to 2020.

Meanwhile, Vietnam's exports in the sector increased from 35.3 billion USD in 2020 to 44.6 billion USD in 2022 but fell by over 10% in 2023 to 39.6 billion USD. The world's leading textile exporter, China, saw only a 3.7% increase in 2023 compared to 2020.

Source: vietnamplus.vn– Aug 19, 2024

HOME

****

S Korea unveils Textile and Fashion Industry Competitiveness Strategy

South Korea recently unveiled its Textile and Fashion Industry Competitiveness Strategy aimed at effectively responding to the rapid growth of the industrial textile market, the accelerating demand for eco-friendly transition led by advanced countries and the diffusion of digital transformation across all areas, including product planning, production and logistics.

Trade, industry and energy minister Dukgeun Ahn made the announcement while meeting representatives from domestic textile and fashion companies and experts at the Textile Centre in Seoul to discuss industry issues and future directions.

His ministry is focused on leveraging the strategy to nurture advanced industrial textiles, facilitate the eco-friendly transition of the textile and fashion value chain, diffuse the application of artificial intelligence (AI) and digital technology, and bolster the textile and fashion industrial base, an official release said.

The objective is to help the domestic industry overcome production contractions as latecomer countries are gaining ground and by 2030, expand the current 2-3-per cent global market share of industrial and eco-friendly textiles to 10 per cent and raise the level of digital transformation from the 35 per cent now to 60 per cent to develop Korea into a textile and fashion powerhouse.

The ministry plans to prioritise the development of key technologies in advanced industrial textiles to world-class level by 2030, including high-performance aramids, high-strength carbon fibres, extreme-condition resistant marine fibres, import-dependent advanced eco-friendly textiles and next-generation electronic communication textiles.

An Industrial Textile Alliance will be launched this year to uncover promising products and technologies, while a Tech Textile Product Certification Evaluation Support Centre will be set up next year to assist the credibility verification on industrial textile quality and performance.

Meanwhile, a KRW-2.9 trillion policy funding will be used this year for supporting the technical consulting and facility investment efforts of apparel companies that incorporate industrial textiles in their product portfolio. The ministry will assist the eco-friendly transition of the textile and fashion industry value chain, for which the ministry aims to secure technologies on fibre-to-fibre textile recycling, plant-based vegan leather and such biomass fibres, and biodegradable (at least 90 per cent) fibre manufacturing by 2030.

Not only that, KRW 31 billion will be injected into developing technologies for waterless dyeing, wastewater reduction and improving energy efficiency to support green and low-carbon transition of textile production processes, and also go towards providing waste heat recovery facility to more than 200 small and medium enterprises by 2026. The ministry plans to establish and distribute the 'Carbon Emissions Measurement Standardisation Model' by 2026 and introduce the K-Eco Design Guidelines in 2025 (to be enforced in 2027) to promote the recycling and use of eco-friendly materials in textile and apparel manufacturing.

By 2026, the ministry intends to develop an AI system for harnessing data and AI in new product planning that would shorten the design period by over 80 per cent, while also laying the initial groundwork this year for a connected micro factory that would enable high-speed production based on business collaborations. Automation facilities will be supplied to over 250 companies by 2028 for processes that are repetitive and in severe lack of manpower. Two more Meta Fashion Playgrounds will be added to the current one to expand the space for experiencing and creating to support the growth of the meta fashion market.

The ministry will also continue to strengthen the textile and fashion industry base. By 2028, 1,000 professional master's and doctoral graduates in eco-friendly and digital will be trained to meet the rising demand for talent in such high-tech areas across the textile and fashion industry. In addition, it plans to engage in cross-ministerial consultations on measures for obtaining globally recognised sustainability certifications for overseas market penetration, participating in more international exhibitions, and expanding the use of quality homegrown textiles in public sectors.

Source: fibre2fashion.com– Aug 18, 2024

HOME

****

Pakistan: Cotton production plummets 50pc, textile sector in crisis

A drastic drop in cotton production and a significant variation in the crop production data of Pakistan Cotton Ginners Association (PCGA) and Punjab's Crop Reporting Service have worried the local textile industry, which is hurrying towards foreign markets to meet its yarn requirements.

The data released by the PCGA on Sunday revealed that a total of 1.75 million bales have been produced in the country till August 15 this season, compared to 2.11m bales during the same period last year, a drop of almost 50 per cent.

Punjab produced about 392,000 bales, Sindh 682,000 bales and Balochistan about 26,000 bales, as per PCGA statistics.

The Crop Reporting Service of Punjab, however, put the cotton production data at 636,000 bales in the province that is close to the output of Sindh and around 62pc higher than what is reported by the ginners' body. However, even then the output is 19.4pc less than that of last year's for this period.

Justifying the figures, a CRS official says that so far 40pc of crop has been picked in the province against 52pc picking by this time last year, whereas this year 0.87pc increase in the weight of cotton bolls (3.46g against 3.43g during 2022-23 crop year) has been recorded.

Cotton Ginners Forum chairman Ihsanul Haq says the difference in the figures of two reliable bodies is very much worrying for the cotton stakeholders, particularly the textile industry which is in a fix which report to believe for devising its lint import strategy.

Reports suggest that major textile players have signed agreements for import of cotton from the United States, Brazil, Tanzania and Afghanistan, and that Pakistan was the largest US cotton importer with 47,800 bales during the week ending Aug 8, he adds.

Karachi Cotton Brokers Forum's Naseem Usman says as the local textile industry requires at least 12.5m cotton bales, the country will need to import 3.5m bales to overcome the shortfall in the local production, which is likely to remain around 8.0 to 8.5m bales.

This statistics is very worrying for the national economy and the cotton industry. This year the production target has been set at around 11m bales which does not seem to be achieved.

Experts say long duration of heat waves in the months of June and July caused shedding of fruit and flowers by the plants, while heavy rains across the country, especially in the cotton belt, was an added damage to the crop only to be followed by the whitefly attack.

A shrinking crop acreage because of unjust prices of their produce, manipulation of the price mechanism by some players in the market, non-announcement of support price by the government, increasing cost of production, use of substandard seed by the growers, and a lack of investment in research and development are the other reasons being put forward for the decline in cotton output.

"We are being given the examples of [better farm produce in] India but being given resources like Cambodia, and are expecting good production like China," laments Sajid Mahmood, head of Technology Transfer Department at Central Cotton Research Institute, Multan.

Pointing towards poor funding for research and development, he calls for joint efforts by the textile industry, government and research institutions on urgent basis for the promotion of cotton.

Pakistan Central Cotton Committee vice-president fears that the crop output may further fall if the government continues to ignore R&D, rule of middlemen in the market and payment of unjust prices to the growers.

Source: dawn.com– Aug 19, 2024

HOME

****

Pakistan: Spot rate gains Rs300 per maund amid slow trading

The Spot Rate Committee of the Karachi Cotton Association (KCA) on Monday increased the spot rate by Rs 300 per maund and closed it at Rs 17,800 per maund.

Cotton Analyst Naseem Usman told Business Recorder that the local cotton market remained steady and the trading volume remained low.

Seed Cotton (Phutti) equivalent to over one million (10,75,028) bales have reached ginning factories across Pakistan till August 15, 2024.

According to a fortnightly report of Pakistan Cotton Ginners Association (PCGA) issued to media on Sunday, Punjab ginning factories recorded cotton arrival figures of 3,92,736 bales while arrivals to ginneries in Sindh recorded at 6,82,292 bales including 5,12,203 reaching ginneries in Sanghar district alone.

Arrivals in Baluchistan were recorded at 26,100 bales. Out of the total arrivals, seed cotton converted into bales was recorded at 10,34,675 bales.

Exporters/traders bought 400 cotton bales while textile sector bought total 10,06,517 bales. Trading Corporation of Pakistan (TCP) has not yet started procuring cotton in 2024,25, says the report. As many as 68511 unsold bales stock was present.

Total 296 ginning factories were operational in the country. He also told that the rate of cotton in Sindh is in between Rs 17,800 to Rs 18,000 per maund. The rate of Phutti in Sindh is in between Rs 6,500 to Rs 8,000 per 40 kg.

The rate of cotton in Punjab is in between Rs 18,200 to Rs 18,600 per maund. The rate of Phutti in Punjab is in between Rs 6,700 to Rs 8,100 per 40 kg.

The rate of cotton in Balochistan is in between Rs 17,500 to Rs 17,900 per maund. The rate of Phutti in Balochistan is in between Rs 6,700 to Rs 8,200 per 40 kg.

Around, 1000 bales of Tando Adam were sold at Rs 18,000 per maund, 1600 bales of Sanghar were sold at Rs 17,800 per maund, 600 bales of Shahdad Pur were sold at Rs 17,700 to Rs 17,800 per maund, 1100 bales of Nawabshah were sold at Rs 18,000 per maund, 700 bales of Vehari were sold at Rs 18,200 to Rs 18,400 per maund.

The Spot Rate Committee of the Karachi Cotton Association on Monday increased the spot rate by Rs 300 per maund and closed it at Rs 17,800 per maund. The rate of Polyester Fiber decreased by Rs 3 and was available at Rs 362 per kg.

Source: brecorder.com– Aug 20, 2024

HOME

****

Dhaka EPZ continues to face disruptions amid protests of jobseekers

Activities at the Dhaka Export Processing Zone (DEPZ) in Savar continued to face disruptions as protesters, who are campaigning for equal opportunities, hampered production at units inside the facility for a third consecutive day.

The disruption to one of the biggest export processing zones in the country is another setback for an economy that has been struggling to find stability in recent times.

Mohammad Sarowar Alom, SP of Ashulia Industrial Police -1, told The Daily Star that around half of the factories inside the DEPZ were closed due to the protests.

Transportation was also significantly hindered as demonstrators blocked the Nabinagar-Chandra highway in front of the DEPZ since the morning
Transportation was also significantly hindered as demonstrators blocked the Nabinagar-Chandra highway in front of the DEPZ since the morning, causing severe traffic jams.

While visiting the DEPZ area around 12:00pm, this correspondent saw that around 200 protestors had blocked the highway, leading to a three-kilometre gridlock.

Members of the Army and Ashulia Industrial Police-1 were also seen taking up positions inside the main gate of the DEPZ.

According to the protesters, jobs inside the DEPZ are disproportionately given to women.

A jobseeker, who did not want to be named, told The Daily Star: "We are not here to fight. We are here to raise fair demands. We come here again and again for jobs. But while females are given jobs, males are not. Everyone aged 18 to 45 should be given a job according to merit," he said. "If necessary, we should be trained and given jobs. We want equal opportunities for males and females. We demonstrated yesterday and will continue to demonstrate if our demands remain unmet."

Subrata Kumar, assistant superintendent of police (ASP) of Ashulia Industrial Police-1, said protesters paid no heed to requests to clear the road.

Anwar Parvez, executive director (public relations) at Bepza, claimed 79,588 workers are employed in the DEPZ, of which 51 percent are female and 49 percent male.

"The DEPZ recruits workers based on merit. There is no discrimination between males and females. Some industries such as garments need more female workers, while some industries like textile need more male workers," he said.

For an example, he said about 80 percent of workers in one of the garment units located inside the DEPZ are women. But at the same time, around 90 percent of workers in an accessories factory are males.

"It depends on their requirement. Some factories have more male workers while some have more female workers. But the overall female-male ratio is almost 50/50."

Asked about SP Alom's claim that about half of the factories inside the DEPZ were closed due to the protest, he said: "No, all the factories in the new zone are open. Some factories in the old zone were closed after lunch as food supply was hampered due to protests on yesterday."

He added that efforts were being made to reach a fair settlement with the protesters.

"However, each time one group is being addressed, another group voices slogans saying that they don't agree. Each group is presenting a different demand at a different time," he said.

He added that protesters had been asked to submit their CVs, but many left without doing so.

In Bangladesh, quota protests led by students since July 1 and subsequent violence were met with a sudden curfew and a crippling internet shutdown.

Although the movement culminated in Sheikh Hasina handing in her resignation and fleeing the country on August 5, violence continued.

At least 535 individuals lost their lives as of August 7 while public assets were vandalised or set ablaze in arson attacks.

As a result of the tense atmosphere, the economy slowed to a crawl.

Production in factories was also disrupted for many days and many investors are concerned about timely production and export of goods. They also fear that further disruptions could result in export orders being cancelled and diverted to competing countries.

Currently, as the interim government tries to restore law and order to stabilise the economy, this protest has disrupted the working environment at the DEPZ.

Source: thedailystar.net– Aug 20, 2024

HOME

****

Bangladesh: BGMEA's opposition panel demands cancellation of existing board

The Forum, the opposition panel of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), today demanded cancellation of the current board of the trade body and formation of an interim committee for holding a free, fair and credible election.

The leaders of the Forum panel today submitted an application to the commerce ministry addressing the commerce adviser in this regard, according to the letter obtained by The Daily Star.

In the letter, the Forum said the last BGMEA election that was held in February this year was not free and fair and a lot of anomalies took place because of the influence of the Sheikh Hasina-led government.

In the last election, many fake factories, which have no trade licence and did not submit the tax file, were also allowed to give votes, the Forum said in the letter.

Many individuals and factories, which are not involved in apparel export business, had also been provided with the voting rights, the Forum said.

So, the Forum demanded intervention of the commerce adviser and the interim government to save the garment sector.

Source: thedailystar.net– Aug 20, 2024

HOME

****

60 out of top 100 LEED-certified factories across world in Bangladesh

Bangladesh now hosts 60 out of the top 100 highest rated factories certified by the Leadership in Energy and Environmental Design (LEED) across the world.

Two more garment factories—Saadatia Sweaters Ltd in Dhaka's Ashulia and Executive Greentex Ltd in Gazipur's Sreepur—recently received LEED certification by the United States Green Building Council (USGBC), raising the total number of green factories in the country to 226, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said.

Saadatia Sweaters earned Platinum certification with a score of 91, while Executive Greentex earned Gold certification with 69. There are 89 Platinum and 123 Gold-certified factories in the country, domestic media outlets reported.

The council honours factories based on criteria like transformation performance and energy, water and waste management.

Source: fibre2fashion.com– Aug 18, 2024

HOME

****

NATIONAL NEWS

Commerce dept mulls options for key export schemes

New Delhi: The commerce and industry ministry is pushing for the continuation of two key export incentive schemes even as it weighs various options such as lowering the sops if they're not allocated more funds.

The ministry has moved a note for the approval of the Expenditure Finance Committee (EFC) to extend to the Interest Equalisation scheme by five years, which is available for small businesses and products falling under 401 tariff codes, till August 31. The total outlay of the scheme is capped at Rs 750 crore.

Separately, it has also sought that duty remission benefits granted to exporters, under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme are extended beyond September.

The extension of the schemes is crucial as muted global demand, geopolitical challenges and a drop in crude, commodities and metal prices dragged India's goods export growth to an eight-month low in July, with outbound shipments contracting 1.47% to $33.98 billion.

"Our review suggests that if exports continue at the same pace, then we might just manage with the existing RoDTEP outlay," said an official.

However, if exports grow at a faster pace, the ministry expects to use the residual outlay of around Rs 800 crore of a third scheme which is the Rebate of State and Central Taxes and Levies (RoSCTL) scheme for apparel, garments and made-ups.

RoDTEP and RoSCTL are e-scrips issued by customs in in respect of remission of embedded local duties/ taxes/ levies in exported goods.

"We forecast some savings under RoSCTL because textile exports haven't grown as much and can be accommodated in RoDTEP," the official said, adding that a review would be done when the new finance secretary takes charge.

However, the incentives could be reduced in case no extra allocation is given. The current RoDTEP rates range from 0.3- 4.3%.

Budget FY25 gave Rs 16,500 crore for the scheme.

The government has announced the continuation of the RoSCTL upto March 31, 2026 for apparel, garments and made-ups. The other textiles products which are not covered under RoSCTL are eligible to avail the benefits, if any, under RoDTEP along with other products.

Source: economictimes.com– Aug 18, 2024

HOME

****

Unilateral environment measures like carbon tax hamper global trade: Govt

India on Saturday said that unilateral environmental measures such as the European Union's (EU) carbon tax do not reflect the principles of equity and hamper equitable world trade.

Commerce Secretary Sunil Barthwal said that the Global South countries are facing challenges both in terms of developing climate and sustainable development strategies and responding to unilateral measures such as CBAM (carbon border adjustment mechanism).

"Unilateral environment measures do not reflect the principles of equity and common but differentiated responsibilities; and hamper equitable world trade," he said in a virtual address at the third Voice of Global South Summit.

India has on different platforms raised its concerns over the EU's decision to impose carbon tax on certain sectors as it would hurt the country's exports. The country is in discussions with the EU on the subject.

The EU has decided to impose a CBAM, or carbon tax, which will come into effect from January 1, 2026. Initially, it would be imposed on seven carbon-intensive sectors, including steel, cement, fertiliser, aluminium and hydrocarbon products.

According to the think tank GTRI, the EU-CBAM when fully implemented will result in a 20-35 per cent import tax on Indian firms and the domestic industry will have to share all plant and production details with the EU.
The Global South countries include both developing and least developed nations (LDCs).

The secretary also said that these countries need to increase cooperation in areas of food security and global value chains; address challenges faced by MSMEs and also the challenges posed by the current international trading system.

He advocated for investments in advanced manufacturing while also nurturing a workforce with requisite skills to take up high end manufacturing as it is crucial for developing and least-developed countries (LDCs) to move up the value chain.

On services exports, the secretary said that developing countries account for 24 per cent of global services trade and LDCs share is only 0.61 per cent.

"We need to develop a vibrant services sector our people providing services in other countries is the major contribution to the global wealth," Barthwal said adding in 2023, developing countries including LDCs received about USD 687 billion in remittances.

However, the high cost of the transfer of remittances is a concern for developing and LDCs, he said.

Citing an example, he said reduction in cost by 5 per cent would provide an additional USD 40 billion to recipient countries.

India's proposal to lower the cost of cross-border remittances has found support from several members of the WTO (World Trade Organisation).
On the issue of food security, the secretary said that the Global South countries need to collaborate and find solutions to address the challenges of securing food security.

Further, he said that the MSMEs play a key role in trade growth and employment generation but they face problems such as high trade finance cost, information gaps and lack of capacity to access foreign export markets.

"I must emphasise that digital solutions offer promise in addressing issues of trade cost in accessing the export markets for MSMEs. In this regard, Global South countries should consider implementing payment systems interoperability to enable greater trade linkages and benefit MSMEs to improve their access to global markets," Barthwal said.

He added that these enterprises also face issues with regard to trade and logistics facilitation infrastructure.

The secretary said that they face barriers in accessing foreign markets due to high trade compliance costs related to custom clearances, procedures and other regulations.

"We need to address all of these through our united voice," he said.

He added that the developing nations and LDCs need to be provided flexibility in the forms of SDT (special and differential treatment) and CBDR (Common but Differentiated Responsibilities) principles so that they may preserve their policy space to achieve development goals.

"SDT remains crucial and non-negotiable right under the WTO framework to ensure that global trade is fair, inclusive and sustainable," he said.

Source: business-standard.com– Aug 17, 2024

HOME

****

As Zara, H&M swelter over Bangladesh turmoil, this is what India can stitch up

The recent political developments in Bangladesh, one of the world's largest readymade garment hubs, has triggered a supply-chain rethink among global brands. What kind of opportunity will this create for Indian companies?

The Bangladesh garments industry, the lifeline of the country's economy, has weathered several challenges. Only late last year, Bangladesh was rocked by the worst labour unrest in a decade, with tens of thousands of workers taking to the streets clashing with the police, demanding a near-tripling of the minimum wage to 23,000 taka (USD208). Scores of garment factories were hit.

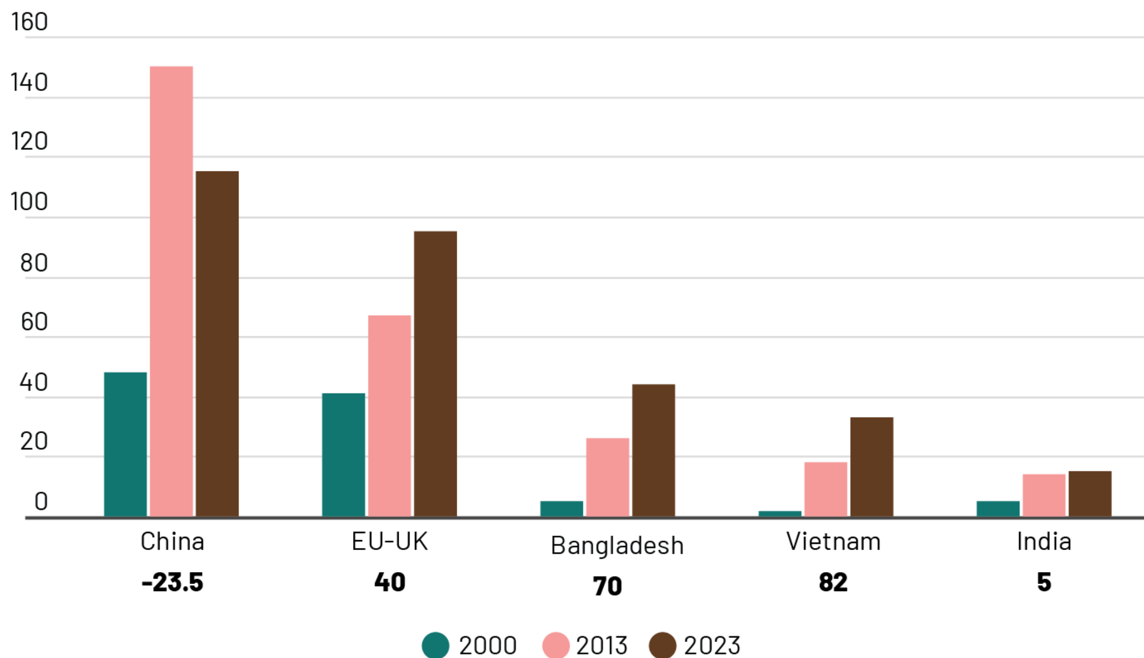
But this time, it's quite a tricky one, as the country faces a political turmoil like never before. Can the country, one of the largest suppliers of readymade garments to big global brands like Walmart, Zara, H&M, GAP, and online retailers like Amazon and Zalando, weather the storm? Will some business get shifted to companies in India?

To be sure Bangladesh features prominently on the global garments industry map. Over the past decade and a half, it has emerged as a global hotspot for sourcing readymade garments by major global players.

As per a report by Global Trade Research Initiative, in 2023, garment exports from Bangladesh stood at USD44 billion, only behind China's USD114 billion and EU-UK's USD94 billion. India's garment exports significantly trail these major exporters at around USD14.5 billion.

The spillover effect

Due to the political situation and curfews, several factories were shut last month. However, as per reports, many of them have now reopened. This is good news for a highly critical sector in Bangladesh's economy, as the readymade garments sector accounts for a whopping 84% of the country's goods exports, employing millions working across thousands of factories. Women form a large portion of this workforce.



However, experiencing delays, several major global brands have been forced to rethink their garment supply chains. If the situation in Bangladesh doesn't change, ripple effects would be felt in retail markets across the globe, affecting inventory and sales. Garment companies with exposure to Bangladesh, will, therefore, have to diversify their supply chains.

Can Indian garment manufacturers take advantage of the situation? The stock market is already sensing something positive.

Early last week, shares of Gokaldas Exports, a leading manufacturer and exporter of apparel in India, zoomed 18% to a fresh 52-week high of INR1,089.40 on the NSE. Other textile stocks that gained were KPR Mill (16%), Arvind Ltd (11%), SP Apparels (18%), Century Enka (20%), Kitex Garments (16%), and Nahar Spinning (14%).

At least in the short term, India may see an increase in orders.

"We had just shortlisted suppliers for a large European firm that wanted to source children's garments, baby and maternity wear. And then this happened in Bangladesh," says Pankaj Tuteja, head of operations at Mumbai-based Dragon Sourcing, which helps global companies find suppliers from emerging markets like Bangladesh, Pakistan, India and Vietnam.

Tuteja is already seeing some business spilling over to India. "We are already getting enquiries for Indian suppliers from Tiruppur, India's Textile city in Tamil Nadu which is home to highly price-competitive suppliers of cotton garments. Depending on how the situation pans out, a good 20% of the business going to Bangladesh can shift to India," he says.

Indian companies will gain further if Bangladesh doesn't get back to business by next month. This is because, for the summer of next year, buyers will place orders by September/October this year. Therefore, foreseeing disruption, buyers will try to divert a minimum quantity of orders to other destinations as a de-risking strategy for their supply chains.

Orders diverted from Bangladesh may move to China, India and Pakistan. Each country has strengths in certain styles of garments. The cotton garment demand will come to India. Denim orders will go to Pakistan since it has many denim factories. Orders for things like jackets etc.may move to China; men and women's trousers, lowers and suits may go to countries like Morocco, Romania and Bulgaria. Lot of European clients will also opt for near-sourcing options like Turkey in Eastern Europe to cut down on time taken for logistics. Turkey of late has become a significant sourcing location for global apparel chains.

Advantage will still be with Bangladesh

For many global apparel brands having significant investments in Bangladesh, it won't be easy to turn their backs on Bangladesh. And if they do so, it won't be easy to come back too soon. This is because the garment supply chain is tricky, unlike many other products. "Brands spend a lot of capital and time developing certain styles of garments. The same is highly labour-intensive. It will be difficult for companies to go back to Bangladesh for these styles in the near future," says Tuteja of Dragon Sourcing.

While that sounds like good news, will the supply chain shift last long? The most reasonable answer is no.

The current developments have definitely created a dent in the buyers' sentiment. However, Bangladesh will still continue to hold a considerable market share. This is because once stability is restored, competitiveness will come into play.

"For India, a small window of opportunity is that it will gain as a more stable destination with reliable delivery timelines, compared to countries like Bangladesh and other parts of the world that are seeing disruptions," says Prabhu Dhamodharan, convenor, Indian Texpreneurs Federation.

Bangladesh's readymade garment (RMG) sector has many pluses to its side.

Advantage #1: Easy market access – The biggest advantage it has to its side is duty-free access to the European Union and UK markets. So, if an exporter from Coimbatore, India pays 10% duty to access these markets, the Bangladesh exporter doesn't need to pay the same.

And that is not the only thing. "Bangladesh has used this advantage of zero-duty access to build scale and competitiveness. For example, for the US market, wherein duty rates are the same for India and Bangladesh, the latter has a 50% higher market share than India," says Prabhu.

Advantage #2: Cost competitiveness – The Bangladesh RMG industry has multiple other structural advantages to sharpen its competitiveness. For example, the country has very low labour costs, compared to competing countries. So, producing a wide variety of garments in Bangladesh is much cheaper. The country maintains that status even after labour wage revisions following a string of worker protests demanding higher wages and better working conditions. The industry has grown to adopt highly mechanised and modern practices.

Advantage #3: Shorter lead time – In the apparel supply chain, more than price, timely delivery is critical. A major supply-chain advantage Bangladesh has is shorter lead time compared to other nations because of the huge manufacturing capacities it has built over years.

Suppliers in Bangladesh are large players, with garment factories having in-house vertical units such as dyeing, stitching, weaving, knitting, printing, embroidery, etc. This leads to shorter turnaround times than other countries, where these specialised processes are typically outsourced.

Also, factories have all the required quality certifications which makes it easy for global brands to work with them.

Global players, the likes of Zara or H&M, quickly turn fast fashion trends into affordable clothing. This requires suppliers to deliver promptly while adhering to labour and other regulations.

Delays can result in outdated products and financial losses. As per a report by Global Trade Research Initiative, "Indian exporters struggle to keep up with the fast-paced demands of the fast fashion industry (FFI)."

The report adds: A critical measure in the FFI industry is the standard allowed minute (SAM), which gauges the time needed to make a garment. This efficiency metric influences how FFI companies choose their suppliers, prioritising those with skilled labor and advanced technology. Currently, 80% of Indian exporters fail to meet SAM or other FFI requirements.

Why Bangladesh is important for India

While India competes with Bangladesh in the apparel space, it is also a partner to the growth story of its neighbour and supplies intermediate raw material. Bangladesh may have a solid footing in apparel making but does not have the wherewithal in spinning and weaving — segments where India is a much stronger player and consistently growing.

The spinning industry takes textile fibres and filaments and makes them into yarn. The weaving sector uses yarn to make fabrics. States like Tamil Nadu, Gujarat and Maharashtra and Punjab are the major producers of cotton fabrics and yarn.

India's exports of cotton to Bangladesh stood at USD2.18 billion in 2023. Therefore, a stable Bangladesh is important for these exporting units.

As per media reports last week, yarn exports from Punjab, one of the major exporters of cotton and synthetic yarn to Bangladesh, were affected severely with many trucks stranded at Petrapole in West Bengal along the Bangladesh border. The situation has resulted in losses worth crores of rupees for exporters.

As per garment industry experts, if the situation in Bangladesh deteriorates, these two sectors might feel a bit of discomfort. But if it recovers, India is expected to see a surge in demand because of the lack of utilisation of Bangladesh's own spinning industry in the past few weeks.

Spinning is a power-intensive industry and increasing electricity costs have been a major challenge for spinning units in Bangladesh.

China plus one is a bigger opportunity

"India needs to work structurally by strengthening its own apparel ecosystem by way of scale, competitiveness and specialisation to use the China plus one opportunity. That is the real game, instead of leveraging on the short-term crisis in a neighboring market," says Damodharan of Indian Texpreneurs Federation.

China plus one is a much larger opportunity for India to bank on. Bangladesh currently exports apparels worth USD3.8 billion in a month. For India, the number is USD1.3 billion. In comparison, China clocks USD10 billion. Even a 10% market share shift can create a big ecosystem in India and other countries.

To win this game, India needs to invest in scale, a very competitive manufacturing ecosystem and specialization. As of now, India's gains from the Bangladesh situation may be limited because it faces capacity challenges which cannot be addressed quickly.

What gives a ray of hope to the industry is the planned PM Mega Integrated Textiles Region and Apparel Parks (PM MITRA) across the country with a total outlay of INR4,445 crore. Reportedly, seven sites have been finalised for these Parks – Tamil Nadu (Virudhnagar), Telangana (Warangal), Gujarat (Navsari), Karnataka (Kalaburagi), Madhya Pradesh (Dhar), Uttar Pradesh (Lucknow) and Maharashtra (Amravati). However, this upcoming capacity will take time to come up.

Both India and Bangladesh have strengths mostly in cotton apparel. At the same time, they have much lower market share in man-made fibre-based apparel such as polyester, viscose etc. Globally, synthetics have overtaken cotton and are being preferred by the fast fashion industry, including sports and formal wear since these fabrics are durable and do not fade.

“China commands the man-made apparel industry. India should develop capabilities in this segment in a big way because fashion is moving towards this segment,” says Prabhu at Indian Texpreneurs Federation.

Having a low base for synthetics manufacturing also affects worker wages. As per the GTRI report, since India is mainly an informal cotton wear exporting country, wages remain at the minimal. So, a worker making a suit would earn more money than a worker making a shirt.

Source: economictimes.com– Aug 19, 2024

HOME

****

EU's forest rules can hurt India's agri exports

Regulation (EU) 2023/1115 of the European Parliament and of the Council of May 31, 2023, is on making available in the European Union (EU) market and the export from the EU of certain commodities and products associated with deforestation and forest degradation.

The avowed objective of the Regulation — referred to as 'Deforestation Rules' or 'Rules' in the ensuing narrative — is to minimise the EU's contribution to deforestation and forest degradation worldwide, with the consequential benefits of reducing the EU's contribution to greenhouse gas emissions and global biodiversity loss.

The Regulation, as stated in Article 1, lays down rules regarding products, as listed in Annex I, containing, or have been fed with or have been made using, relevant commodities. The relevant commodities are cattle, cocoa, coffee, oil palm, rubber, soya and wood. However, it does not apply to goods that are produced entirely from material that has completed its life-cycle and would have otherwise been discarded as waste.

The thrust of the article is to bring home the risks faced by exporters from India into the EU. The preamble somewhat pre-empts any future claims that these are violative of the WTO fair trade framework. Noting that Indian exports of agri-commodities are currently running at $50 billion and likely to expand, the Rules may have a significant impact in India's future plans.

What is prohibited

Article 3, 'Prohibition', states that 'relevant commodities and relevant products shall not be placed or made available on the market or exported, unless all the following conditions are fulfilled: (1) they are deforestation-free; (2) they have been produced in accordance with the relevant legislation of the country of production; and (3) they are covered by a due diligence statement'.

In order to understand the implication of the words 'deforestation-free', one must look at the meaning of the word 'deforestation' which per Article 2(3) is defined as the 'conversion of forest to agriculture use, whether human-induced or not'. 'Agriculture use' is defined per Article 2(5) as

inclusive of agricultural plantations, set-aside agricultural areas, and for rearing livestock.

Going further to 2(13), the clause defines ‘deforestation-free’ as meaning: (a) the relevant products contain, have been fed with or have been made using the relevant commodities that were produced on land that has not been subject to deforestation after December 31, 2020; and (b) in the case of wood, that the wood had been harvested without inducing forest degradation after December 31, 2020.

It is noteworthy that the corresponding Indian statute, the Forest (Conservation) Act, 1980 as amended by the Forest (Conservation) Amendment Act, 2023 states that provisions of this clause shall not apply to such land, which has been changed from forest use to use for non-forest purpose on or before December 12, 1996. It should also be noted that the definitions of ‘forest’ are not aligned and that should anyone wish to do business with the EU, then the EU Regulation will have to be followed.

Conversion of forests

The crux of the matter, therefore, is whether forests were converted for non-permissible uses after December 31, 2020. As defined by Article 2(27), plot of land means a single real-estate property that allows an evaluation of the aggregate level risk of deforestation and forest degradation associated with the relevant commodities produced on the land.

Further, there is a need for establishing the ‘geolocation’ with reference to the plot of land with the relevant latitude and longitude coordinates. This is one of the most difficult conditions to satisfy since the evidence has to go back to December 31, 2020. The Frequently Asked Questions (FAQ) published gives an array of information, clarifications and advice on tech-based solutions for establishing the status of land as at December 31, 2020.

It is important to note that in (a) above, the word ‘deforestation’ has been used whereas in (b) the key words are ‘forest degradation’. Article 2 (7) defines ‘forest degradation’ as meaning structural changes to forest cover taking the form of the conversion of primary forest or naturally regenerating forests into plantation forests, wooded land or into planted forests.

It is, therefore, clear that in the case of deforestation, there has to be a conversion of forests into agricultural use for the rules to apply whereas in the case of wood and its usage, even conversion of forests into plantation forests, wooded land, and planted forests is prohibited. This is to ensure that the indigenous people who live off the land in forests are protected whereas, presumably, wood is associated with commercial interests.

Operators and traders

The rules place a heavy responsibility on operators and traders in the EU. An operator is defined by Article 2(15) as a person (including a legal person) who in the course of a commercial activity 'places' relevant products on the market or exports them. A trader is defined per Article 2(17) as a person (including a legal person) in the supply-chain other than the operator who in the course of a commercial activity 'makes' relevant products available on the market for distribution, consumption or use. It therefore follows that a trader is a step-down entity unless, of course, the operator acts as a trader as well. A branch/subsidiary owned by an Indian-entity in the EU will, therefore, be considered an operator or trader depending on the manner of functioning.

The responsibilities of the operator extend to conducting due diligence with regard to all relevant products supplied by each supplier. For this purpose, the operator should collect information, verify it and analyse the data and documents needed to support the conclusion that the products are deforestation-free per the requirements of Article 9. The operator should also carry out a risk assessment as to whether there is any non-compliance per Article 10 and take steps for risk mitigation per Article 11 prior to placing the relevant materials on the market. SMEs (per EU definition) have different rules.

Penalties

Exporters of commodities and products should be concerned with these developments in view of the penalties that can be invoked by the operators placing these products in the EU. Corrective actions will mean preventing the relevant product from being placed, withdrawing the product from the market and recalling it if sold. There are also huge penalties on the operators which will eventually be passed on to the Indian exporters who in addition face the risk of being blacklisted. Noting that the bulk of the rules including Article 3 'prohibition' will become effective from December 30, 2024 (other than SMEs to whom different rules will apply), there isn't

much time left. One immediate development will be the rewriting of trade agreements.

Another issue that can come up is whether the principles of revenue recognition need to be changed since it raises the question of when the transfer of goods happens with the attendant tax implications. Accountants and auditors will need to address this issue immediately.

Source: thehindubusinessline.com– Aug 19, 2024

HOME

****

Bangladesh crisis slows down garment transshipment from Delhi

The recent political upheaval in Bangladesh temporarily halted the transshipment of ready-made garments via Delhi but after days of the logjam, the situation has eased.

Consignments that were stuck at the India-Bangladesh border are now en route to Delhi and the airport operator has chalked out plans for quick processing of goods for their re-export.

Cargo hub

Delhi Airport positioned itself as a leading transshipment cargo hub in the region after handling the first consignment of Bangladesh-origin cargo last February. In FY24, Delhi airport handled 13,000 tonnes of cargo from Bangladesh. The major export markets for Bangladesh-manufactured garments include France, the Netherlands, Spain, and the UK

The peak season for garment exports runs from August to December and then from February to March every year. Delhi Airport registered a 25 per cent growth in ready-made garment exports in the first quarter of FY25. These included exports from both India and Bangladesh. The increase was driven by a shift of some trade from sea to air due to the Red Sea crisis and an increase in Indian exports due to a shift of orders from Bangladesh.

However, volumes of Bangladesh-origin exports handled by Delhi airport decreased by 30 per cent in the April-June quarter compared to the January-March period. This was due to the lean season and ongoing situation in Bangladesh, Delhi International Airport Ltd (DIAL) spokesperson said.

"We are continuously in touch with our partners in Bangladesh and evaluating the situation. We are in touch with the Land Port Authority of India, Petrapole, West Bengal to help trade with streamlining of the supply chain disruptions," DIAL said.

The airport said it has chalked out plans for the swift processing of cargo upon its arrival in Delhi by road. Additionally, to manage increased volumes, the airport has installed two additional X-ray machines and opened extra truck docks.

Market impact

Garment production units in Bangladesh were shut down amid political protests in the country. A the Financial Times report on August 15 noted that global fashion brands shifted their orders from Bangladesh to other countries in South-east Asia fearing delivery delays ahead of winter retail season.

The Union Textile Ministry has also held discussions with Indian exporters about capitalising on business opportunities as brands seek to reduce their exposure to Bangladesh.

The recent protests have also disrupted air cargo movements from Bangladesh, leading to increasing processing times and rates. However, the situation is now improving.

"While we experienced some disruptions we've resolved them, and our operations are now running smoothly," said Tarun Patwary, country manager (Bangladesh) of global freight forwarder Kuehne+Nagel.

Source: thehindubusinessline.com– Aug 18, 2024

HOME

****

Sustainability standards to shape future of global trade; must take seriously: Welspun Living CEO & MD

India's home textile market, valued at $9.6 billion in 2024, is projected to grow to over $15 billion within the next five years, according to Mordor Intelligence. The country accounts for nearly 7 per cent of the global home textiles trade, with a significant share of exports to the United States.

Welspun Living Ltd is a major player in the industry with a market capitalization of approximately $2 billion. In an interview with Aggam Walia, Dipali Goenka, CEO and Managing Director of Welspun Living, discussed sluggish domestic demand, competitiveness of the Indian textile industry, and emerging sustainability standards in global trade. Edited Excerpts:

Post-Covid, there has been a trend of premiumisation in various consumer sectors. There have also been concerns around a K-shaped trajectory of economic recovery. Is that a trend you see in the textile sector as well?

Yes, you are right. Let's talk about the GDP of India, a steady state GDP of around 7 per cent and inflation also controlled. Having said that, last year saw slow growth in the whole consumption story. The whole investment was in infrastructure and that's where the growth was coming in. But the consumer was not buying. It was really very slow. Having said that, the luxury segment was growing.

Now as we go forward, I think we are seeing an off take happening. But let me also tell you that the first quarter started very slow with single digit growth. Now, with the holiday season coming in–they always say August 15 to Jan 26 is India's season of festivals–we'll see how that pans out. The signals are coming in that it's going to be reasonably okay.

The textile sector is one area where the government is focussing on increasing exports. However, Vietnam and Bangladesh are seen to be more cost-competitive compared to India. Do you see things changing?

When you talk about competitiveness, India is in a very good spot, both in terms of its consumer story and its position in the world supply chain. In my category, cotton, India is now the biggest producer and exporter, especially after the Xinjiang issue in China.

Looking at countries like Bangladesh, Vietnam, and Pakistan– Bangladesh has been at the epicentre of the textile value chain due to low manpower costs. But they're struggling now with a single port, infrastructure issues, rising power costs, and recent unrest causing instability. Vietnam is like a satellite for Chinese companies, and minimum wages are rising there too. Pakistan also faces challenges. India, on the other hand, is a stable democracy with a young workforce. The government is taking many initiatives in skilling and improving competitiveness. The recent budget highlighted skilling opportunities, including for women. We see India in a very good position right now. It's also up to us to make this happen or lose the opportunity.

One problem stakeholders in the midstream segment talk about is an uncompetitive raw material supply chain, specifically for man-made fibres. Do you think that's a concern?

India is primarily a cotton-growing country, focused on natural fibres. When you talk about polyester, China definitely has a competitive edge. But with the PLI schemes coming in and the government's impetus on manmade fibres, that's something we'll have to watch going forward. For Welspun, though, we're in a good spot, as we consume more than 85 to 90 per cent natural fibre.

Europe is looking at introducing sustainability standards for textile imports, like it has done for steel. Now, the steel industry has been scrambling to become compliant. Do you see similar challenges for the textile industry?

I'm very happy it will happen because It's something the textile industry urgently needs to tackle, especially with the landfill challenges we're facing. At Welspun, we've committed to a 2030 target, with clear milestones that we report on a quarterly basis. This includes being energy and water positive and minimising our environmental impact.

One of the biggest challenges is post-consumer waste, particularly when exported products need to be reintegrated into our value chain. The infrastructure to handle this is still developing, but we're actively working on recycling and innovative solutions. I believe Europe's lead in ESG practices sets a crucial example.

We must take these requirements seriously, as they'll shape the future of global trade. We've already seen the benefits of moving towards

sustainability. For example, our Anjar facility operates entirely on recycled water. We're also transitioning to green energy by 2030, driven by past experiences where the rising costs of coal imports caused significant disruptions. Running plants on green energy not only gives savings of 30 to 40 per cent, but also ensures long-term stability and competitiveness in an uncertain energy market.

Welspun exports heavily to the US and some other locations as well. How do markets abroad compare with India?

The American consumer is highly capable, with the United States accounting for 30 percent of global home textile consumption. The UK and Europe follow, but their market is fragmented. India is slowly emerging, though its base remains small. The American market is huge and highly engaged, with frequent buying occasions like college events, Mother's Day, Father's Day, and Black Friday sales.

America's consumer economy presents great opportunities due to its large base. Even if I grow at 4 or 5 per cent, though we are growing at a close double digit, we see that it's good enough because the base is so huge. The UK and Europe have been struggling, but the European economy is showing signs of improvement. Japan is increasingly looking towards India as an alternative to China for outsourcing. The Middle East is experiencing rapid growth, especially in the luxury segment. For example, our Christy brand is growing at over 35 percent there.

How do you see the relationship between e-commerce and traditional retail evolving in India?

In the US, e-commerce is growing significantly. Before Covid, we thought it was cannibalising retailers and offline stores. But they're now learning to coexist. It's become quite beautiful – as a consumer, I can buy offline, online, or pick up from the store. Stores are becoming like warehouses. You have inventory there, can dispatch from the store, or buy from the store. It's called BOPIS – buy online, pick up in store. In India, while organised retail exists, mom-and-pop stores still rule. The kind of service they provide is unmatched. They're going to be a very important and integral part of India's entire ecosystem.

Source: indianexpress.com– Aug 19, 2024

HOME

****

India Ports Could Strike, Compounding Capacity Issues Into US East Coast

The U.S. East and Gulf Coasts aren't the only hotbeds of a potential port strike that could upend apparel trade.

Dockworkers across India's 12 largest ports announced on Aug. 10 they would be going on an indefinite strike starting August 28 if a new contract agreement is not met. Union workers are have been looking to resolve issues over pay wages, pension, benefits and allowance—which is comparable to U.S. overtime pay—for nearly three years.

This could mean 3 percent of the world's clothing is hanging in the balance, according to estimates from the World Trade Organization (WTO), with India exporting $15.4 billion in apparel in 2023. India is the fifth-largest apparel exporter in the world, after China, Bangladesh, Vietnam and Turkey.

Such a strike would worsen congestion problems at major Asian ports like Shanghai, Singapore, Ningbo and Chattogram among others, as more shipments out of India get delayed.

Additionally, a work stoppage would come on the heels of an already concerning capacity shakeup in May after major carriers Hapag-Lloyd and Ocean Network Express (ONE) withdrew from a prior India-to-U.S. East Coast service line with CMA CGM to launch their own standalone service lines.

The All India Port Workers' Federation, which includes the national coordination committees of six major port workers' unions and federations throughout the country, said that the last settlement on wages and benefits expired on Dec. 31, 2021.

The collective is calling for the agreements to be retroactive to January 2022, when the next contract should have begun.

The unions alleged that industrial relations at the ports were in a "pathetic situation," according to Indian publication The Hindu.

No new talks are scheduled, but the government may intervene in the next two weeks in an attempt to compel the sides back to the negotiating table.

The annual cargo handling capacity of major Indian ports such as Chennai, Cochin and Mumbai totaled 1.62 billion metric tons, according to India's Ministry of Ports, Shipping and Waterways.

An Indian port strike may not be the only major concern for American shippers, compounding the fact that ocean carriers were already offering less space to shippers seeking to move cargo out of the country to the U.S. East Coast.

According to Joseph Firrincieli, sales supervisor at OEC Group New York, when CMA CGM and Hapag-Lloyd ended their joint "Indamex" partnership in June and opted to start their own stand-alone services in August, "that caused a lot of space issues, naturally, because that was a very sought after service."

ONE's WIN service on the trade lane had gained favor since launching in May, and was presented as a more competitive price alternative, but the Indamex shaking shifted the balance of both space and costs, Firrincieli said.

"ONE was a great service on paper. There was really no issues with it, but CMA and Hapag blanking Indamex 2 for the entire month of July then caused a huge space crunch, because everybody tried using ONE at that point. So ONE then started increasing prices, and that started causing further space issues and further equipment issues."

The capacity concerns have sent ocean spot rates on the India-to-U.S. East Coast route skyrocketing since mid-June. As of Aug. 16, rates for 40-foot containers on that trade lane were $10,000 on average, a 410 percent bump over just two months prior at June 14, according to S&P Global.

"The advice I've been giving most of the clients I have that import out of India into the US, specifically the U.S. East Coast, is to provide a longer forecast, ideally four to six weeks and book cargo in advance, even though the rate might not be available because we're seeing rates fluctuate. Carriers change rates every two weeks out of India."

The good news is Firrincieli said OEC expects the rates to decline as more capacity comes into the market, particularly starting in the second half of August as the standalone service lines settle in.

"By September, more like October, we should start to see normalcy in the market, where rates might start to come down and space and equipment issues might start to lessen as well," Firrincieli said.

According to the U.S. International Trade Commission (USTIC), India has become increasingly reliant on America for its apparel trade. As of 2023, 35 percent of India's garment exports go to the U.S. East and West Coast ports, up from 23 percent in 2013.

While the countdown is on for India's ports, Australia is currently enduring a strike of its own at its largest container and cargo port Fremantle after vessel traffic service officers and small craft personnel stopped work Sunday. The 48-hour strike is set to end Tuesday morning at 5:30 a.m. local time.

Vessel cargo and terminal yard operations have not been impacted by the industrial action, but both the berthing of incoming container ships and the departure of vessels have been delayed.

The Australian Maritime Officers Union is calling for raises of $15,000 to $20,000 Australian dollars ($9,900 to $13,200) on base salaries of approximately $140,000 Australian dollars ($92,350).

Source: sourcingjournal.com– Aug 19, 2024

HOME

****

Ambani takes Shein's help to battle Tata in race to sell affordable fashion

Asia's richest man, who made a glamorous splash this year with a $600 million wedding bash for his son, is now in a battle to hawk fashion to paying customers. Yet in this fight, Mukesh Ambani is getting beaten by a much older conglomerate. Things are becoming serious enough for him to enlist Chinese help.

Sales at Trent Ltd., the retail unit of the $165 billion Tata Group, have tripled over their pre-pandemic levels in dollar terms. Net profit has surged 12 times. Zudio, the retailer's in-house fast-fashion brand, has caught the imagination of a young clientele with trendy clothing at cheap prices.

Four years ago, there were 80 Zudio stores in the world's most-populous nation. Last quarter, the count reached nearly 560 — in 164 cities. Quick inventory turnover in places where rents are reasonable means high profits even at low margins.

All of this is a problem for Ambani. Apart from being a petrochemicals czar, a telecom titan and a media mogul, the 67-year-old is also India's largest vendor of all kinds of merchandise. His flagship Reliance Industries Ltd. has poured more than $2 billion into its retailing unit over the past year, according to a recent report in The Economic Times.

That isn't all. Reliance Retail raised over $6 billion during the pandemic from sovereign wealth funds in the Middle East and Singapore, along with General Atlantic and Silver Lake Partners. Last year, it took in more money from Qatar Investment Authority, Abu Dhabi Investment Authority and KKR & Co. at a valuation of $100 billion. Ambani's No. 1 task is to now lead the unit to a blockbuster initial public offering or a spinoff. For that, he badly needs the fast-fashion crown.

Enter — or rather, reenter — Shein. New Delhi had responded to its 2020 border skirmishes with China by banning some Chinese apps. The e-commerce firm, wildly popular with Indian teenagers, had to leave. As the government starts relaxing its stance, Shein is making a comeback, according to media reports, but with platform, data and operations reportedly controlled by Reliance.

It's good news for Shein. The world's largest web-only fashion brand, founded in Nanjing and now headquartered in Singapore, has its own IPO coming up. A partnership with the firm may be the sharpest arrow in Ambani's quiver.

A year ago, Ambani launched Yousta, a store where everything is available under Rs 999 ($12), pitching it directly against Zudio. But the results aren't showing, yet. Reliance Retail's 8 per cent year-on-year sales growth in the June quarter was largely from air-conditioners, refrigerators, TVs and groceries. The company cited "tepid discretionary demand" for fashion and lifestyle.

Granted, with revenue of more than $36 billion, Reliance Retail is a lot bigger than Trent's $1.5 billion-a-year franchise. Nevertheless, the Tata firm racked up 56 per cent expansion in sales last quarter.

Growing 5 percentage points faster than overall sales, value retail, excluding food and grocery, will be a $170 billion market in India by 2026, according to consulting firm Wazir Advisors. Apparel accounts for the biggest share of the pie. With a public float drawing near, Ambani needs a quick win. As part of his succession plan, the tycoon appears to have earmarked retail for his 32-year-old daughter, Isha Ambani. He would rather hand over a mature business — a solid No. 1 in key categories — rather than one scrambling for market share and guzzling cash.

That should set up an interesting competition between Ambani and Noel Tata. The half-brother of Ratan Tata, the 86-year-old chairman emeritus of the group's holding company, set out to build a cheaper, more ubiquitous Indian version of Zara. (Zara's owner Inditex SA has been a long-time Tata partner.) He has delivered. Trent shares have tripled in the past year.

What's more, Trent is replicating the success of Zudio's private brands elsewhere. At Star, the hypermarket chain it runs in collaboration with UK's Tesco Plc, the share of in-house labels has grown to 72 per cent from 63 per cent in one year, according to the latest quarterly earnings presentation. That figure is not more than 15 per cent to 20 per cent for Reliance Retail, according to the Ken, a news website. Ambani has some catching-up to do. Shein is a great name to throw at young buyers, but it may not be enough to close the gap.

The stakes are high on the other side, too. Sustaining the success at Trent is also important to Noel Tata, 67. He has a shot at joining the board of the holding company that controls the sprawling empire.

Whatever the outcome of the contest, one thing is clear: When it comes to affordable casual wear, young adults in India are about to be spoiled for choice by two of its largest conglomerates — and all for under $12.

Source: business-standard.com– Aug 19, 2024

HOME

****