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INTERNATIONAL NEWS

EU Adopts Forced Labor Regulation

The European Union's forced labor regulation has received its final green light, clearing the runway for a ban on all goods made in whole or in part with modern slavery in all 27 members of the world's largest single market.

Adopted Tuesday following the European Council's approval—the last hurdle in the decision-making process—the legislation will enter into force after it's signed by the respective presidents of the European Council and Parliament and published in the Official Journal of the European Union. Member states will have three years to begin implementing the law alongside the bloc's corporate sustainability due diligence directive, whose complementary supply chain due diligence requirements were O.K.ed in May.

The prohibition, which European Commission president Ursula von der Leyen introduced in her State of the Union speech in 2021, covers both domestically produced and imported products.

Its goal is to free from the global supply chain the 27.6 million people that the International Labour Organization estimates are being forced to work under the threat of harm or penalty and without their voluntary consent. The EU has said that both combating forced labor and promoting corporate sustainability due diligence standards are priorities of its human rights agenda.

The regulation establishes what its proponents call the "necessary framework" to flag forced labor-tainted goods. But while it follows—and is clearly informed—by a U.S. law that has imposed a blanket ban on products from China's Xinjiang Uyghur Autonomous Region, citing the state-sanctioned repression of Uyghurs and other Turkick Muslim minorities, the EU legislation will take a risk-based approach that puts the burden of proof on so-called competent authorities. It has also so far refrained from singling out China in the context of the law, since doing so would be a breach of the World Trade Organization's rules of non-discrimination.

But critics of the law in its current form say that its lower evidentiary threshold makes it difficult for forced labor victims and their advocates to raise complaints, particularly if state-sponsored exploitation is involved.

Mike Gallagher and Raja Krishnamoorthi, chairman and ranking member of the U.S. House Select Committee on the Chinese Communist Party, have also referred to what they consider the EU version of the Uyghur Forced Labor Prevention Act as a "weaker mandate," proposing a joint U.S.-EU-U.K. forced labor enforcement task force to coordinate policy and enforcement.

The success of the regulation hinges on the EU's ability to function as a collective. The European Commission, as the bloc's administrative engine, has been tasked with creating a database that contains "verifiable and regularly updated" information about forced labor risks, such as reports from the ILO and others, that can support the work of competent authorities in assessing potential violations, including in specific economic sectors and geographical regions.

Depending on whether a potential violation occurs outside the EU or within a member state's territory, the European Commission or national authorities can initiate an investigation. Governments are required to share information with other member states if they suspect that violations of the regulation occur in other parts of the continent, or with the European Commission if there are signs that a third country is involved.

The final decision to outlaw, withdraw or dispose of a product will be taken by whoever led the investigation, but it will also apply to all other member states based on the "principle of mutual recognition." In instances where the product is considered critical, the competent authority can choose not to require its disposal but instead order the economic operator to suspend its circulation until forced labor has been eliminated.

A 2023 report from the Uyghur Rights Monitor, Sheffield Hallam University's Helena Kennedy Centre for International Justice and the Uyghur Center for Democracy and Human Rights warned that a "substantial volume" of apparel tainted by Uyghur forced labor from China was "flooding" into the EU. Only legislation, it said, can result in the "sea change" necessary.

"The new rules will boost consumer confidence as products on the EU market are guaranteed to adhere to human rights standards," the European Commission said in a statement that positioned the move as a win-win.

"For businesses, the proposal has the potential to streamline social sustainability efforts, fostering increased public trust and credibility among customers."

Source: sourcingjournal.com– Nov 21, 2024

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China's Air Cargo Exodus Floods the US Ahead of Holiday Uncertainty

Air freight shipments from China to the U.S. are continuing to ramp up as demand for goods out of e-commerce players like Shein and Temu accelerates ahead of the holiday season.

Plenty of geopolitical uncertainty has contributed to the rush to air more product out of China—with issue No. 1 being the looming inauguration of President-elect Donald Trump.

Trump's second go as president is expected to come with more Section 301 tariffs on Chinese goods that could tack on anywhere from 60 percent to 100 percent duties—spooking uncertain U.S. importers.

And before a new administration enters the White House, the Biden administration is likely to establish new a plan to curb de minimis package volumes entering the U.S. Any significant regulation could potentially halt companies like Shein and Temu from shipping certain goods, especially if they don't comply with certain forced labor provisions. Those two companies have capitalized on the opportunity to ship any package that hosts less than $800 worth of goods duty-free.

Even if a plan does not get put in place before the presidential transition, the pushback against the de minimis "loophole" has seen bipartisan support in Congress, making a proposal more likely to get pushed ahead by Trump.

Across all transportation categories, outbound shipments out of China rose 12.7 percent from a year earlier in October. The percentage is up sharply from the 2.4 percent increase in September, according to China's General Administration of Customs. The October total also topped the 4.9 percent growth expected by economists in a Wall Street Journal survey.

Global logistics giants have prepared for the exodus out of China. In September, DHL said it would invest $105 million to deploy eight new Boeing 777 cargo aircraft, with the company saying it expects a "a high-level volume increase in particular on the China outbound lane to the rest of the world during the upcoming peak season."

The company also recently implemented demand surcharges, namely due to the expected crunch in air cargo exiting the country.

UPS, which operates more than 360 flights daily, said in October that it was adding 200 flights from Asia to Europe and the U.S. during the fourth quarter, as it anticipated a surge in volume demand for the peak season.

Additionally, European freight forwarding goliath DSV debuted a weekly charter service on Sept. 3 that travels between Singapore and Los Angeles, saying "airlines are expected to reallocate capacity from America and Europe to Asia to capitalize on higher profits in Asia."

As the near-term air cargo demand out of China escalates, freight rates for flying goods from Asia to the U.S. have surged substantially. The average spot price in October up 49 percent from a year ago to $5.46 per kg, according to air freight and ocean freight benchmarking firm Xeneta. During the same period, Asia-to-Europe rates rose 25 percent.

The disparity is seen in another major benchmark, the Freightos Air Index. According to Judah Levine, head of research at Freightos, China to-North America rates have hovered around $7.00 per kg—a high for the year—since late October, for a 17 percent increase from the e-commerce volume-driven $6.00 per kg baseline that has ben held for much of the year. And at nearly $4.00 per kg, China to Europe rates are just 6 percent higher than a month ago.

Some activity out at sea over the summer could further give insight into what to expect out of imports out of China for the winter.

During the summer, a flurry of goods had been transported of China as more companies pulled forward their goods ahead of a potential port strike on the East and Gulf Coasts, as well as new China-targeted tariffs implemented by the Biden administration.

Those tariffs, which went into effect on Sept. 27, were levied on goods including electric vehicles, semiconductors, lithium-ion batteries, aluminum, steel and ship-to-shore cranes.

According to data from supply chain visibility platform Project44, imports from China into the U.S. through the June-to-October period increased 6 percent from the year prior. In that same period, imports out of Vietnam decreased 4 percent.

"This decrease does not necessarily indicate reduced imports from Vietnam; it is likely offset by increased post-peak imports from China pulled forward due to the tariffs," according to Project44.

As more air cargo is expected to fly out of China, U.S. and European airlines are reportedly calling for sanctions on Russian airspace to be lifted. Sanctions from the U.S. and certain E.U. nations were imposed against Russia when the country invaded Ukraine in 2022.

According to supply chain publication The Loadstar, the airlines feel the ability to fly through the airspace gives Chinese carriers an unfair advantage when they travel to certain markets. In one example, United Cargo president Jan Krems told the publication that his airline cannot fly directly from the U.S. to India anymore because they cannot go over Russian airspace.

Krems said Chinese airlines destined for the U.S. will fly west over Russia, but American carriers flying east have to maneuver around the country's borders to get to China.

Additionally, Chinese carriers gain benefits that come with shorter routes, namely lower fuel and labor costs, as well as turnaround time advantages.

Source: sourcingjournal.com– Nov 21, 2024

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China Commission Tells Congress to End De Minimis for E-Commerce Shipments

Tasked with investigating and assessing China's trade behaviors and reporting on inherent risks to American interests, the U.S.-China Economic and Security Review Commission released its annual findings and recommendations on Tuesday, underscoring deepening anxieties about the country's influence on the U.S. consumer and manufacturing markets.

The premier investigatory body on China's economic impacts is urging lawmakers to fully eliminate the de minimis trade provision for imports sold through online marketplaces amid a "rapid escalation of e-commerce sales" originating from China.

Section 321 of the Tariff Act has created a superhighway for cheap and dangerous products to reach American shoppers, allowing them to circumvent tariffs and regulatory scrutiny, it reported—and the situation has impeded U.S. government efforts to ensure the safety and regulatory compliance of consumer goods.

Comprised of 12 non-partisan, Congressionally appointed commissioners and staff, the Commission also recommended that Congress revoke the country's permanent normal trade relations (PNTR) status—a change that would further fray the tenuous trade ties between the world's largest superpowers.

China's PNTR status, which has been in place since the country joined the World Trade Organization (WTO) in 2001, has afforded it the same benefits and trade terms as U.S. allies for more than two decades. If revoked, China would be subject to annual reviews of its trade practices—and "a shift toward a more assertive trade policy aimed at protecting U.S. industries and workers from economic coercion," the Commission wrote in its review.

Stripping China of PNTR would also likely pave the way for the introduction of new tariffs, which President-elect Donald Trump has been promising for months.

At a hearing in Washington on Tuesday, Commissioner Jacob Helberg said a repeal of PNTR would give the president "the flexibility to recalibrate America's trading relationship with China" in light of its failure to comply with its WTO commitments.

Meanwhile, burgeoning channels like Shein and Temu, "combined with China's reinvigorated focus on export manufacturing as a pillar of economic growth, mean that Chinese factories will remain major suppliers across the consumer products space," the report said. The U.S. is currently a major facilitator of that growth, taking in a total of 4 million de minimis parcels each day, many originating from China.

"Holding Chinese manufacturers and exporters accountable remains challenging—if not virtually impossible—under the Xi regime," the Commission wrote.

"Our Commission's bipartisan report recommends to Congress to immediately eliminate de minimis exemption for any product coming in through e-commerce. This is an important and critical recommendation; it is our top two in terms of recommendations," Commissioner and National Council of Textile Organizations (NCTO) lead Kim Glas said at the hearing.

"We're not going to have a fashion industry across the West if we keep these types of loopholes," Helberg added. "It's very clear that platforms like Shein and Temu shop around the world to different fashion brands, steal all the designs and then ship copycats of these products in three days, tax-free, to customers around the West… And so we can either have a fashion industry or we can have de minimis, but we probably can't have both."

Chatter about the dangers of de minimis—both to consumers receiving counterfeit or "shoddily made" products and U.S. businesses losing market share to foreign competitors—has reached a fever pitch in Washington in 2024.

Earlier this month, a former Biden Administration official said he expects the president to issue a Notice of Proposed Rulemaking (NPRM)—which would lay out a plan for curbing de minimis package volumes—before the end of the year. Bipartisan legislation has also been introduced calling for guardrails that would keep China from abusing the provision. The Commission's recommendation that the trade "loophole" be eliminated for e-commerce altogether is especially notable within the context of these proposals.

Another notable recommendation from the Commission centered on addressing the growing issue of transshipment, in which goods made in China—or with China-made inputs—are entering the U.S. via third countries.

Congress should require the U.S. Trade Representative (USTR), in concert with the U.S. Department of Commerce, the U.S. International Trade Commission, and other appropriate entities, to dig into the operation of the U.S.-Mexico-Canada Trade Agreement (USMCA) and whether it has inadvertently facilitated the ferrying of more Chinese products over the border. The Commission recommended that the agencies compile a comprehensive report on the issue within 90 days.

"Obviously, they're trying to export their way out of some of the economic crisis that they are facing internally," Glas said of China. "So this recommendation to Congress is: we need these agencies to coordinate to ensure that there's not misclassification of goods, duty evasion, illegal transshipment… to ensure that the component parts are, in fact, meeting rules of origin or requirements."

Source: sourcingjournal.com– Nov 20, 2024

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Digital govt, connectivity, skills top priority for nations: OECD

National digital strategies are quickly changing, with dedicated ministries playing a key role in their design and coordination, according to the Organisation for Economic Cooperation and Development (OECD) Digital Economy Outlook 2024 (Volume 2), which says new policy approaches and evolutions in cryptography and quantum information technologies hold promise for making digital environments safe.

Digital government, connectivity and skills were the top three digital policy priorities in 2023 for 38 OECD countries and partner economies, it notes.

National digital strategies, increasingly developed at a high level of government, are the primary approach to coordinating digital policies.

A dedicated digital ministry designed almost half of the national digital strategies of the 38 countries surveyed in 2023, up from just under a quarter in 2016.

Among the almost 1,200 policy initiatives collected across OECD countries and partner economies in 2023, about a third aim at raising effective use of digital technologies, promote social prosperity and boost innovation. Artificial intelligence (AI) and 5G are the most often-cited technologies.

The demand for high-quality and affordable broadband services continues to increase. Over the last decade, fibre was the fastest growing fixed broadband access technology in OECD countries and it is now dominant.

Deployment of 5G continues, while mobile data usage per subscription in OECD countries almost tripled from 2018 to 2023. Affordability, availability and quality are key aspects of bridging connectivity divides.

People living in cities (metropolitan areas) in OECD countries faced median fixed broadband download speeds 50 per cent higher than people living in regions far from metropolitan areas in Q4 2023.

Alongside promoting the transition to more future-proof networks and addressing divides, policy priorities include addressing changes to market structures and ensuring secure, resilient and environmentally sustainable communication networks.

The digital and green 'twin transitions' should be harnessed to protect the planet, the report recommends. Digital technologies such as the Internet of Things (IoT) and digital twins enabled by AI can improve energy efficiency, reduce costs and accelerate innovation across energy grids and supply chains.

Communication infrastructures and services are needed to deploy technologies like smart electrical grids and IoT-based precision agriculture, which support decarbonisation. Such infrastructures and services also have an environmental footprint that needs to be minimised.

Sectors such as global transportation systems stand to benefit from digital technologies that help reduce environmental impacts through fuel efficiency gains, predictive maintenance and shared mobility, as well as by low-carbon transport systems and multimodal mobility services, the report adds.

Source: fibre2fashion.com– Nov 22, 2024

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81% of Execs Say 'Strategic Reshoring' is Central to Their Sourcing Plans

Shortening supply chains and moving operations closer home are objectives on the minds of a majority of executives in 2024, with a whopping 81 percent reporting that nearshoring and onshoring are integral to their future plans.

That figure has grown by 18 percent over the past two years, according to newly released research from Bain & Company. The group's biennial survey of CEOs and chief operating officers showed a rise in companies planning—or already engaged in—shaking up their sourcing mix to include nearby or domestic markets.

We've heard about these trends before; nearshoring, reshoring and onshoring became inescapable pandemic-era buzzwords, but as of yet, they haven't led to the crumbling of the sourcing world order. However, there are a confluence of factors now driving executives to divorce themselves from the status quo of the past three decades, according to Bain partner Hernan Saenz.

The global head of the firm's performance improvement practice said a combination of economics, questions about supply chain resilience, new regulations and incentives and uncertainty about consumer behavior are driving decision-makers to confront the "magnitude" of the shifting sourcing landscape.

In 2024, 64 percent of executives report that they're actively making investments in shaking up sourcing, Bain's data showed. Nearly half (46 percent) of the 166 execs surveyed said they were looking into "split-shoring," the firm's terminology for developing offshore, nearshore and onshore sourcing, while 18 percent said they were gung-ho about developing a nearshore supply chain. Just 36 percent of C-Suite leaders said they were investing in offshoring moving forward.

Even prior to the pandemic, economics were already driving companies to explore markets outside of China for sourcing, Saenz said. "We created massive demand on a big, but fixed, labor supply, and that created a wage increase," he told Sourcing Journal. Companies began looking to other markets in Asia and Latin America to cut costs, beginning the "China-plus-one" trend that took shape throughout the 2010s.

Covid poured fuel on that fire—and it also created a sense of fear about future supply chain resilience that persists to this day, he said. “People realized that recovering with a very long supply chain is super hard,” he said. “They started saying, ‘In a world full or turbulence, I’m going to need to have a shorter supply chain, and have supply chains closer to my end markets.’”

Throughout two administrations, the U.S.-China enmity has deepened, leading to both new regulations—like the Section 301 tariffs on China-made goods—and incentives, like President Joe Biden’s CHIPS and Science Act and Inflation Reduction Act (IRA), that have pushed companies to examine their future-looking frameworks for sourcing. Bain’s research showed that U.S. businesses (which made up 39 percent of surveyed companies) were incentivized to reshore by the IRA, which offers subsidies and tax credits to boost domestic manufacturing for critical sectors like semiconductors and clean energy.

The U.S. trade relationship with China isn’t the only geopolitical factor influencing companies to explore new production markets. The firm’s study showed that the appetite for reshoring has also been underscored by international trends toward deglobalization, characterized by more localized production, protectionism and border controls.

One-quarter of company leaders saying they’re looking to reduce dependence on China due to concerns about the decoupling of economic blocs across the world. Nearly 70 percent of international executives said they’re making moves to shift operations out of China as a result.

Meanwhile, consumers started to take notice, perhaps for the first time in decades, of where the products they were buying were produced. “Now, super interestingly, you even started seeing a little bit of economic nationalism, not only political nationalism,” Saenz said.

With President-elect Donald Trump promising to raise tariffs on products made in China by 60 percent to 100 percent during his first 100 days in office, the Bain partner said these trends will likely continue with a vengeance. The rhetoric that’s permeated the airwaves throughout the past six months already has companies scrambling to rearrange their sourcing matrices before the new Commander in Chief is sworn in.

“If the tariffs that have been planned go through, it’s going it’s going to lead to even more movement toward U.S. production, toward friend-shoring schemes, and movement away from countries that are not considered friends into countries that are considered friends,” he added. Mexico has been a notable beneficiary of that movement already, unseating China as the U.S.’ biggest trading partner for the first time in two decades last year.

But with Trump promising tariffs not just for China, but for all trade partners, the sourcing landscape stands to become even more complicated. “Whether you agree with tariffs or not, we all know the two reasons why governments do it—one to incent local production, two to generate government revenue,” Saenz said.

The U.S. is not in a place to take on large volumes of production domestically, though—and even growing sourcing markets like Mexico have years to go before they’re fully mature and able to verticalize, he added. That’s evidenced by the fact that just 2 percent of the CEOs and COOs surveyed said they’d achieved their nearshoring plans, despite a resounding desire to do so.

In Saenz’ estimation, it comes down to the fact that shifting supply chains is tough, time-consuming work. Even with the pressures companies are facing, he said he was surprised by the decisiveness of the data showing more “shoring turbulence” ahead.

“I was expecting people to say, ‘I tried nearshoring and realized how hard it was.’ I was not expecting an increase,” he explained. “It’s easy to say you’re going to move production, but it’s very hard to actually do it.”

“My expectation was that the number would not be as big, but I was wrong; 81 percent of companies are saying, ‘I’m going to bring production closer to the market.’”

Source: sourcingjournal.com– Nov 21, 2024

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The Global Reach of EU ESPR

The Ecodesign for Sustainable Products Regulation (ESPR) is a set of rules that aims to make products sold in the European Union more sustainable. It sets requirements for products to be made with safer chemicals, be more durable, and also be easier to repair. But just because this is an EU rule doesn't mean it doesn't have implications for the U.S.

"While ESPR is an EU regulation, its reach is global," said Min Zhu, senior director, technical services and operations, U.S. & Canada softlines at testing, inspection and certification company SGS in a fireside chat with Lauren Parker, director of SJ and Fairchild Studios.

"ESPR can influence policies and regulations in the U.S. market in many different ways, and it sets a precedent that other countries like the United States may look into when they develop their own environmental and sustainability regulations."

Many U.S.-based companies are taking proactive steps to be compliant, attract ESG-focused investment and boost consumer good will. But while companies often focus their efforts on design and manufacturing stages "where they have the most control," Zhu points out that companies also need to address end of life, including collecting post-consumer waste, as well as focusing on how to disassemble, recycle, reuse and remake garments.

Durability is also a key component of ESPR, as durable goods enhance customer satisfaction, reduce carbon footprint, reduce waste, foster rental and resale business models, and can help establish market leadership in the circular fashion movement. To that end, SGS has developed a comprehensive range of durability assessment services, with durability protocols covering base materials, performance and longevity, which can be tailored for each product or each brand.

To watch the fireside chat and learn how SGS helps companies be ESPR compliant, click the image above.

Source: sourcingjournal.com– Nov 20, 2024

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UK fashion industry faces numerous challenges following Brexit: Report

Once frictionless transactions between the United Kingdom and European Union (EU) member states have become mired in bureaucratic red tape, creating costly delays and lost opportunities, and small and medium enterprises (SMEs), which comprise 90 per cent of the UK fashion industry, are bearing the brunt of these challenges, according to a new report by the Independent Commission on UK-EU Relations.

The Commission is a time-bound research project that examines the impact of the UK departure from the European Union, the Trade and Cooperation Agreement (TCA) and the Windsor Framework.

Brexit has introduced barriers to trade that are particularly problematic for SMEs, the report, titled 'Fashion's Future: How Brexit Has Reshaped The Fashion Industry And How to Reposition the UK as an Industry Leader', notes.

Complicated customs procedures, tariffs and increased operational costs now hinder UK brands and businesses from competing effectively within the EU, historically their largest export market.

Consequently, UK exports to the EU have fallen sharply, while increased logistical costs and customs delays continue to affect production and sales.

Talent shortages further exacerbate these issues. EU nationals have left the UK workforce, while new visa requirements limit the ease with which UK professionals can work abroad. This has led to a decline in the collaborative opportunities that once fuelled innovation, and a shortage of skilled workers in the United Kingdom.

Additionally, young designers and graduates are losing access to EU-based internships and opportunities, affecting their global skill sets and diminishing the industry's future talent pipeline, the report observes.

The report recommends simplifying cross-border movement of goods through improved customs processes and streamlined laws and regulations to aid businesses, particularly SMEs, and raise the country's competitiveness in EU markets.

It suggests signing bilateral agreements to ease visa restrictions for creative professionals to facilitate international collaboration and support industry resilience, as well as provide increased opportunities for young workers in the fashion sector.

Restoring value-added tax-free shopping for international tourists would incentivise spending in the United Kingdom, providing a critical boost to luxury fashion brands, it notes.

UK SMEs also need financial assistance programmes to cope with rising costs and regulatory burdens that are difficult and time-consuming to navigate.

Finally, government investment in sustainable local manufacturing hubs would reduce reliance on EU imports, bolster regional economies and advance the UK's sustainability goals, the report adds.

Source: fibre2fashion.com– Nov 21, 2024

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Cambodia exports textiles, garments, footwear, travel goods worth 11.4 bln USD in first 10 months

Cambodia has seen a two-digit rise in the exports of textiles, garments, footwear, and travel goods during the first 10 months of 2024, said a General Department of Customs and Excise's report on Tuesday.

Textiles worth 406 million U.S. dollars were exported during the January-October period this year, a year-on-year increase of 14.5 percent, the report said, adding that garments worth 8 billion dollars were shipped to international markets, up 23.6 percent.

Also, 1.33 billion dollars worth of footwear was exported, up 22 percent, while travel goods equivalent to 1.69 billion dollars were sold to international market, up 20.6 percent, the report added.

Hoe Ee Khor, chief economist of the ASEAN+3 Macroeconomic Research Office (AMRO), said the garments, footwear, and travel goods (GFT) sector remained one of the major drivers for Cambodia's economic growth.

"Growth in the GFT sector is projected to rebound steadily in 2024, driven by stronger demand for consumer goods in major advanced markets," he wrote to Xinhua in a recent e-mail.

The GFT industry is the largest foreign exchange earner for the Southeast Asian country.

The sector currently consists of about 1,538 factories and branches, employing approximately 913,000 workers, mostly female, according to the Ministry of Labor and Vocational Training's latest report.

Source: english.news.cn– Nov 20, 2024

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Vietnam's textile-RMG sector targets $47-48 bn export turnover in 2025

The textile and garment industry in Vietnam aims at achieving $47-48 billion in export turnover next year, according to Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association (VITAS).

Despite facing challenges like geopolitical tensions, fluctuating oil prices, volatile freight rates, slow economic recovery, declining global investment, natural disasters, climate change and energy security concerns, the industry has demonstrated robust growth, Giang told a recent press conference.

The country's textile and garment exports are expected to reach $44 billion this year, marking an 11.26-per cent increase year on year (YoY). The sector's imports are projected to be worth $25 billion this year—up by 14.79 per cent YoY. This may lead to a trade surplus of $19 billion, a YoY growth rate of 6.93 per cent.

The United States remains Vietnam's largest export market with an expected 2024 turnover of $16.71 billion—up by 12.33 per cent YoY and accounting for 37.98 per cent of the total export turnover.

It is followed by Japan ($4.57 billion expected export turnover this year), the European Union ($4.3 billion), South Korea ($3.93 billion) and China ($3.65 billion).

Sixty new members joined VITAS this year, bringing its membership to nearly 1,000, a domestic news agency reported.

The 25th founding anniversary of VITAS will take place in the Quang Nam province from December 13 to 14, Giang added.

Source: fibre2fashion.com– Nov 21, 2024

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Vietnam must diversify its textile export markets

HÀ NỘI Việt Nam must diversify its textile and garment export markets, especially because it relies heavily on the US market, said industry insiders and experts during a recent conference in Hà Nội.

The Southeast Asian country's textile and garment industry has been recording impressive growth figures, with export turnover projected to reach US$44 billion this year, an 11.3 per cent increase compared to the previous year.

That is forecast to reach $47-48 billion by the end of next year, affirming Việt Nam's position as one of the world's top producers and exporters, second only to China and Bangladesh.

But the industry heavily relies on the US, its largest customer which accounts for around 38 per cent of Việt Nam's textile and garment exports.

While it has been a testament to how far the country has improved its position in the global supply chain, it leaves the industry vulnerable to trade policy shifts under the upcoming administration of Donald Trump.

The US could impose heavy tariffs on Chinese products in comparison to Vietnamese products, giving Việt Nam an opportunity to win customers and expand market share in the US. However, it will take some time before the new administration announces its tariff policies.

President of the Vietnam Textile and Apparel Association (VITAS), Vũ Đức Giang, said diversification is key to reducing risks and maintaining stability in times of uncertainty.

"We must promote diversification by diversifying export markets, products, and customers," he said.

The industry has been strengthening its efforts in diversifying by actively seeking out new buyers in ASEAN, Canada and Russia in recent years. Another focus has been product diversification, notably the shift to the production of higher-value items including fashion and smart textiles. Long-term partnerships have been formed with partners around the world, particularly those who share the same environmental and social goals.

It has supported the industry in finding its footing in global supply chains and attracting large investments from China, Japan, Singapore and South Korea.

According to VITAS, the industry is currently home to 3,500 foreign-direct-investment (FDI) projects valued at $37 billion, accounting for 65 per cent of its entire export turnover. They have been instrumental in creating employment and encouraging technological development.

A prime example is the DTY yarn, fabric and towel manufacturing plant of Sanbang, a Singapore-based company in Nam Định, expected to be operational by the end of this year. With an investment of $30 million, this plant could create hundreds of jobs for the local communities.

Other large projects underway include a $203 million fabric dyeing plant invested by Top Textiles, a subsidiary of Toray Group from Japan, and ReGal Vietnam Textile Co. Ltd., which has a $20 million investment from the Hong Kong-based ReGal Group.

The industry has been adopting higher international standards in production as major markets such as the US and the EU are tightening their sustainability and digitalisation requirements, forcing companies in Việt Nam to invest in new technologies.

CEO of the Đồng Tiến Joint Stock Company, Nguyễn Văn Hoàng, noted that Environmental, social, and governance (ESG) have been shaping the international markets with stricter rules, demanding companies to upgrade to greener technologies, invest in human resources and build strong brands.

Vice President of Jack Technology, Jimmy Qiu said Việt Nam has successfully convinced international importers with its fast adaptability to smart manufacturing and green technology. This not only boosts productivity but also sets Vietnamese products apart in the global market.

The country, however, must find ways to reduce its over-reliance on imported raw materials by establishing its own supply chains, which could help mitigate risks during periods of market fluctuations.

Source: vietnamnews.vn– Nov 21, 2024

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Pakistan's knitwear exports increase by 19% to $1.76 billion from FY July-Oct'25

As against $1.48 million in the corresponding period last year, Pakistan's knitwear exports grew by 19 per cent to $1.76 billion in the first four months of the current fiscal year, spanning July-Oct'24-25, show latest figures from the Pakistan Bureau of Statistics.

Knitwear remains the largest segment within Pakistan's textile exports, underscoring its pivotal role in the country's overall export performance. The nation's overall textile exports rose by 10.44 per cent during the July–Oct'24 period to $6.15 billion compared to $5.57 billion in the previous year.

This growth in knitwear exports was accompanied by significant growth in other textile categories. Second-largest contributor to Pakistan's textile exports, RMG expanded by 25.4 per cent to $1.36 billion from $1.08 billion during the same period in FY24. Bedwear exports also increased by 13.17 per cent to $1.07 billion from $945 million in the corresponding months last year. This growth reflects the diverse appeal of Pakistan's textile products, which continue to draw interest from international buyers.

Experts attribute the rise in knitwear exports to several key factors, including enhanced compliance with global quality standards, increased production capacity, and growing demand for winter apparel in major markets such as the United States and Europe. Additionally, government incentives for exporters and relatively stable energy supplies have also helped boost the sector's performance.

However, the export sector continues to remain sensitive to shifts in global demand, rising production costs, and currency fluctuations. To maintain its growth momentum, it needs a sustained policy support and infrastructure development, emphasise analysts.

Going forward, growth in this key sector will be ensured by a continued collaboration between the government and industry stakeholders.

Source: fashionatingworld.com– Nov 21, 2024

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NATIONAL NEWS

India focussed on maximising exports, blocking China: ASEAN FTA

India will focus on maximising its exports to the ASEAN bloc by addressing specific market access issues with each country in the on-going round of the ASEAN-India free trade agreement review, sources have said.

"The idea is to have a more balanced trade with the ASEAN through the review. Since we implemented the pact in 2010, different ASEAN countries have moved differently in terms of their export competitiveness and import intensiveness. So we are looking from that perspective and trying to maximise our trade volumes with these countries," an official tracking the matter said.

New Delhi will also try to ensure that the rules of origin (ROO)--the criteria to determine the national origin of a product—are stringent enough to ensure that third country imports, especially from China, do not come through the bloc at preferential tariffs.

"The key drivers of the ASEAN-India FTA are ROO and market access. We want to see that the ground principles in these two areas are agreed upon in the on-going round," the official said.

The chief negotiators from the ten ASEAN countries-- Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam –are in Delhi this week participating in the fourth round of review of the bilateral FTA, officially called the ASEAN-India Trade in Goods Agreement (AITIGA).

The AITIGA, implemented in 2010, resulted in disproportionate gains for the ASEAN countries. While India's exports to the bloc increased to $41.2 bn in FY 2023-24 from $25.62 billion in FY2010-11, imports shot up to $79.66 billion in FY 2023-24 from $30.6 billion in FY 2010-11.

Under the pact, both sides agreed to open their respective markets by progressively reducing and eliminating duties on 76.4 per cent coverage of good. However, the ASEAN countries did not take on uniform commitments and had a diverse duty structure with countries like

Vietnam taking lower commitments, which India wants to be corrected in the review.

With China's increased integration with the ASEAN countries over the past decade and a half, India also wants that the ROO should be effective in blocking imports of Chinese products through the ASEAN countries.

"The ROO needs to be stringent enough to block inflow of Chinese goods into India from the ASEAN countries at nil or low interest rates. India has to protect against that," the official said.

Source: thehindubusinessline.com– Nov 20, 2024

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Indian exports not adversely hit by exchange rate policy: RBI

Recent claims by some experts that the Reserve Bank of India's (RBI) exchange rate policy stance has significantly affected the country's export competitiveness are not substantiated by evidence, the central bank recently said in its 'State of the Economy' report.

The report also cautioned that following a rise in retail inflation in October, rising prices, if unchecked, would undermine prospects of the real economy. The uptick in core inflation is a 'worry', it noted.

The level of the Indian rupee (INR) is ultimately determined by market forces of demand and supply, which, in turn, reflect the underlying macroeconomic fundamentals of the Indian economy. And, interventions in the forex market smooth undue volatility so that the market clears in an orderly manner, the central bank noted.

RBI argued that its interventions are aimed at ensuring that the market is liquid and deep, and functioning in an orderly manner. As a result, volatility of the INR has been steadily declining, which has had beneficial effects in terms of anchoring financial stability.

While world merchandise exports saw a compound annual average growth rate (CAGR) of 4 per cent between fiscal 2018-19 (FY19) and FY24, India's merchandise exports posted a higher CAGR of 5.8 per cent, RBI observed.

India's focus in export effort is shifting towards expanding market share on the basis of improvements in quality and cutting edge technology without the need for artificial props like from an undervalued exchange rate, it emphasised.

The RBI Bulletin for November sounded optimistic on growth and said private consumption was back to being the driver of domestic demand and promising rabi crop prospects augured well for farm income and rural demand.

The 6.21-per cent inflation figure in October remained above RBI's tolerance zone. Termed a "sticker shock" by the report, it reinforced the central bank's warnings against complacency following sub-target inflation outcomes in July and August.

“What is worrying is that apart from the sharp surge in the momentum of food prices, core inflation has edged up,” the report, authored by RBI staffers, including deputy governor Michael Debabrata Patra, said.

“Inflation is already biting into urban consumption demand and corporates’ earnings and capex. If allowed to run unchecked, it can undermine the prospects of the real economy, especially industry and exports,” the report cautioned.

Source: fibre2fashion.com– Nov 21, 2024

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Indian textile companies report mixed Q2 results, but long-term outlook remains positive

India's textile industry players recently announced their Q2 FY25 results and the performances were mixed. While some companies exceeded expectations, others faced challenges, highlighting a complex state of affairs. However, despite some setbacks, the long-term outlook for the industry remains positive.

Highs and lows marked the quarter

Varying revenue growth: While some companies like Vardhaman Textiles reported 4.38 per cent year on year (YoY) revenue increase others like Ambika Cotton and Sutlej Textiles and Industries Limited saw a drop. This disparity highlights the uneven nature of the recovery in the sector.

Profitability concerns: Despite revenue growth, profitability remains a concern for some companies. Vardhaman Textiles, for instance, saw a 17.47 per cent quarter on quarter decline in profit, despite a YoY increase. This suggests that increasing input costs and other operational challenges are impacting margins.

Strong exports: The export market continues to be a bright spot for the industry, with several companies reporting strong growth in overseas shipments. This is driven by factors such as the ongoing recovery in key export markets and the competitive advantage offered by Indian textiles.

Table: Revenue and profit growth

Company	Revenue growth (YoY)	Profit growth (YoY)	Key takeaways
Vardhaman Textiles	4.38%	46.57%	Strong YoY growth in both revenue and profit, but QoQ profit decline raises concerns.
Arvind Limited	14%	7%	Robust recovery from Q1 challenges, driven by strong performance in textile division.
Welspun India	15.50%		Strong revenue growth driven by exports, but profitability data not yet available.
Ambika Cotton Mills			Faced revenue decline, highlighting challenges in the domestic market.

Factors influencing performance

There are several reason for this kind of performance in the sector. Fluctuating raw material prices is a major one. Volatility in cotton prices continues to impact the industry, affecting input costs and profitability. Global economic slowdown too is impacting demand for textiles, particularly in the export market. Increasing competition from countries like Bangladesh and Vietnam is putting pressure on Indian textile companies. However, government initiatives such as the Production Linked Incentive (PLI) scheme are expected to provide a boost to the industry in the long term.

While the long-term outlook for the industry remains positive, some concerns still needs to be addressed. First, the disparity in performance between different companies highlights the need for greater consistency and resilience in the sector. Despite revenue growth in some cases, declining profits is a concern that needs to be addressed through cost optimization and efficiency improvements. And while exports are currently strong, the industry needs to reduce its dependence on overseas markets and focus on strengthening domestic demand.

Overall, the Q2 FY25 performance of the Indian textile industry is mixed compared to the same period last year. While some companies have shown strong growth, others have faced challenges. The industry is facing complex environment with various headwinds and tailwinds. The long-term outlook remains positive, but addressing the current challenges will be crucial for sustained growth.

Source: fashionatingworld.com– Nov 21, 2024

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Trump tariffs alone may not derail exports

On the night of November 5, when it became evident that Donald Trump would win the election, frantic calls were made from the US toy, shoe, apparel, and electronic items sellers to their respective agents in China, urging them to ship as many items as possible.

These sellers wanted to stock up on inventory before Trump's tariffs were implemented. A recent study by the National Retail Federation estimated that Trump's proposed tariffs on apparel, toys, furniture, appliances, footwear, and travel goods could cost US consumers an additional $46-78 billion annually. US sellers of Chinese goods fear a loss in business due to the price hikes induced by the tariffs.

While China is expected to bear the brunt of the tariffs, other neighbouring countries, including India, are not likely to be left out. Not only did Trump label India as the "tariff king", he also removed the country from the Generalized System of Preferences (GSP), during his last tenure as President. Under the GSP, established by the Trade Act of 1974, US policymakers allowed imports of around 3,500 products from designated beneficiary countries — primarily low-income nations — at a preferential duty-free (zero-tariff) rate. The aim was to help these countries increase and diversify their trade with the US.

According to the World Bank, a low income country is one with a per capita income of less than $1,045 per year in 2023. With India's per capita income at around $2,700 annually, Trump's position is technically correct: Indian firms may no longer qualify for preferential treatment under the GSP. As the US remains India's largest export destination, it is only natural to perceive trouble with increasingly restrictive trade measures. Around 18 per cent of India's total exports are directed to the US, with a value of $77 billion in 2023, and $78 billion in 2022.

However, if previous restrictive trade measures, including the withdrawal of GSP, are any indication, then the impact has been relatively modest. GSP products include categories such as textiles and apparel, watches, footwear, work gloves, automotive components, and leather apparel. Additionally, exports of organic chemicals, steel, and certain engineering goods — such as nuclear boilers, machinery, and mechanical appliances — were also impacted by the withdrawal of GSP benefits.

However, the value of these items as a proportion of total Indian exports to the US is relatively small. India's exports to the US mainly comprise diamonds (19 per cent), packaged medicaments (14 per cent), refined petroleum products (8.9 per cent), automotive components (2.1 per cent), and textiles and apparel (3.7 per cent). The percentages in parentheses represent the share of India's exports to the US as a percentage of India's total exports.

During the previous period of the Trump administration, tariffs were imposed primarily on items such as toys, household appliances, footwear, travel goods, apparel, and furniture. Again, these items do not feature among India's top exportable items. In 2023, India became the second-largest exporter of refined petroleum, with exports valued at $85 billion and a global market share of 12.6 per cent. Other major exports from India include insecticides and fungicides (10.5 per cent), steel (12.7 per cent), beet sugar (12.21 per cent), rubber tyres (3.31 per cent), and gemstones (36 per cent), with the global market share figures indicated in parentheses.

Trade deficit drivers

Therefore, Trump's tariffs, or any hawkish trade policy, cannot explain India's burgeoning trade deficit. Most of India's key exports are income-sensitive, and weak global demand is having an impact. On the other hand, a strong Indian economy drives higher demand for energy and fossil fuels, the majority of which are imported.

India's export woes as well as BoP pressures can also be traced to its manufacturing sector problems and domestic tariffs. Foreign direct investment (FDI), a key driver of technology transfer and manufacturing competitiveness, is declining as a share of GDP and is at 20-year lows. Rigidities in the business environment, the inverted duty structure (IDS), and India's decision to terminate bilateral treaties are to be blamed for the tepid flow of FDI. A recent study by CUTS International of 1,464 tariff lines across textiles, electronics, chemicals, and metals reveals how the IDS is hurting competitiveness, with 136 items from textiles, 179 from electronics, 64 from chemicals, and 191 from metals most affected. For example, apparel items priced below $14 (₹1,000) are subject to a GST of 5 per cent, while those exceeding $14 are taxed at 12 per cent. For textile manufacturers, there are also significant investments required in value-added services such as marketing, warehouse rentals, logistics, courier services, and other fulfilment costs. However, these additional services are subject to a higher GST rate of 18 per cent, making the products less competitive globally.

During his last tenure, Trump focused on selling more weapons. India has contracted for nearly $20 billion worth of US origin defence items since 2008. This trend is likely to continue in Trump 2.0. India should focus less on tariffs and more on addressing domestic tax distortions.

Source: thehindubusinessline.com– Nov 21, 2024

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Thailand, Indonesia raise concerns at India's QCOs on leather, textiles, restrictions on copper, tyres

New Delhi: Indonesia and Thailand have questioned at the World Trade Organization (WTO) India's quality control orders (QCO) on various products including medical textiles, footwear and viscose staple fibre, and certain measures which restrict its import of copper, wooden boards and tyres. These issues came up at a meeting on market access in WTO on Wednesday.

Last year, Canada, Japan, the UK and the EU had raised concerns at India's QCOs terming them protectionist. "Some new trade concerns pertaining to India's QCOs were raised at the meeting," said a Geneva-based official. Indonesia also raised concerns at QCOs on plywood and wooden flush door shutters, viscose rayon cut staple spun yarn, and dyed knitted or crochet fabric made from synthetic fibres.

To encourage local manufacturing, India has issued QCOs on many products such as toys, aluminium products, lighters, sports goods, potable water bottles and insulated flasks, resin-treated compressed wood laminates and wooden furniture. By bringing these goods under quality norms, New Delhi aims to curb substandard imports.

QCOs mandate compliance of a specified Indian Standard, obtaining a valid licence from the Bureau of Indian Standards and bearing of the standard mark on the covered products. "We have been informing all members that QCOs are applicable to domestic production also and not only imports, and that the quality of Indian products will define the future of its trade," said another official.

India has already put in placed import restrictions on tyres as part of the government's plan to encourage local manufacturing. The government has unveiled incentives for select sectors for local manufacturing through production linked incentive schemes.

At the WTO, Thailand raised concerns at some measures that may have unintended results equivalent to quantitative restrictions on the import of copper, wooden boards, and tyres, the first official said.

Source: economictimes.com– Nov 20, 2024

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Govt looks to reduce red tape and unmoor port infrastructure delays

Building on its case to transform India's state-owned ports into self-reliant commercial entities, the Ministry of Ports, Shipping and Waterways is considering expanding the autonomy of major ports in making decisions regarding capital expenditure (capex), according to officials familiar with the developments.

"There is a proposal under consideration that would allow all 12 major ports to undertake capex at their discretion, but only using their internal resources. This would increase the level of corporatisation of these ports and reduce dependence on bureaucracy," said a senior government official.

The government plans to categorise India's 12 major ports into four groups based on the size of operations and other factors, which will determine the ceiling for capex that can be undertaken without the need for approval.

This is part of a broader initiative to bring major ports onto the same operating field as central public sector enterprises.

Under current deliberations, expenditure beyond Rs 500-1,000 crore will still require approval, but it will be submitted to inter-ministerial bodies such as the GatiShakti Network Planning Group, the Public Investment Board, and the Union Cabinet, rather than the Ministry of Shipping.

"Following the legislative reforms in 2021, a considerable amount of financial decision-making power was delegated to major ports without central government approval. There is now a move to further expand the scope of these powers so that major ports, especially larger ones like Paradip, Vizag, and Kandla, can compete with mega private ports," said another official.

Currently, expenditures up to Rs 100 crore can be permitted without central government approval. Beyond that, all major spending requires government sanction.

Experts and central government officials have long believed that major ports must operate as functional commercial entities to expand their businesses and compete with private ports.

In a 2015 circular, the government also delegated several expenditure and decision-making powers to the chairmen and senior executives of major ports, citing the need for faster decision-making.

“Reducing red tape will be a good move. We have been seeking greater powers so that crucial capex doesn’t get stuck in bureaucratic approvals,” said the deputy chairman of a major port.

Queries sent to the shipping ministry went unanswered until the time of going to press.

In the past decade, India’s government-owned ports have gradually lost market share to private ports, which are now nearly on a par with major ports.

In 2023-24, major ports handled 721 million tonne (mt) of cargo, marking an 11.8 per cent growth year-on-year, while non-major ports handled 817 mt, growing by 4.4 per cent. Over the past decade, non-major ports have recorded a higher growth rate than major ports.

Port show

> Major ports may self-fund capital projects without ministry approval
> Ports grouped by size to set spending limits
> Spending over Rs 500 crore needs inter-ministerial clearance
> Ports can approve up to Rs 100 crore independently
> Boost competitiveness of major ports like Paradip, Vizag, and Kandla
> Private ports outpace major ports in growth

Source: business-standard.com– Nov 21, 2024

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Sew it up

Of late, there has been some discussion over whether India's garment exporters can grab a slice of the market vacated somewhat abruptly by Bangladesh, thanks to the political disruption there.

As reported recently by this newspaper, there are at least two related factors holding up the prospect of any lasting spurt in India's textiles and garments exports: the shortage of fabric and the fragmentation of the industry. Small units account for about 75 per cent of the $176 billion annual textiles sector output; exports of garments and textiles account for about $40 billion in a 2:3 ratio.

But first, the positive news. India's garments exports, according to the Apparel Export Promotion Council, touched $8.7 billion in the first seven months of this fiscal, up 11.6 per cent over the like period in FY24, with October exports up 35.1 per cent at $1.2 billion.

This has given rise to hopes that apparel exports might cross $16 billion in FY25, possibly breaching the FY18 record of $16.7 billion. The US, which accounts for a third of India's garment exports has driven this spurt this fiscal, with India's shipments to the US growing 11.5 per cent in the first half. Readymades' exports to the UK, which makes up about 9 per cent of India's apparel exports, were up 7 per cent as well.

But the sobering fact is that garment exports have bounced back after a 10.3 per cent fall in FY24; it touched $16.1 billion in FY23 in the wake of a post-Covid, pent-up boom. Bangladesh garment exports, at about $50 billion, are more than thrice India's, making it the second largest exporter after China.

Bangladesh does not have notable upstream capacities in the textiles value chain; but it has large garment capacities, unlike India -- giving it economies of scale as well as the ability to ramp up output at short notice. China is by far the world leader, with garment exports in the region of $170 billion, nearly a third of the global market.

Whatever optimists say, it is far-fetched to expect India to enhance its 5 per cent global share in the near future. The biggest problem faced by India's garment sector is paucity of both cotton and synthetic fabric. This is because its MSME-dominated capacities are unable to convert yarn, cotton or synthetic, into reams of fabric of consistent quality for global markets.

There is another problem: India's production system is geared towards producing cotton garments, whereas world demand is driven by synthetics. A complicated and protectionist duty and tariff structure in synthetics has rendered India's exports uncompetitive. As a result, India's yarn is shipped out to fabric and textiles producers such as China and Vietnam.

India can secure a competitive advantage only if it sorts out its lack of competitiveness in man-made fibres in particular. That could lead to creation of large downstream capacities. Recent incentives to create capacities are a step in the right direction, but these should be accompanied by a removal of age-old policy distortions.

Source: thehindubusinessline.com– Nov 21, 2024

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India's cotton production is plummeting. Here's what that means for your wardrobe

Gagandeep Singh feels he is on the edge, with no solutions in sight. A farmer from Sirsa, Haryana, Singh had planted cotton on 20 acres this summer. Because a portion of the planted seeds failed to germinate due to high temperatures, the yields turned out to be dismal—about a third of the normal.

"I spent close to ₹3 lakh just on pesticides to save the remaining cotton. But due to lower yields my losses are at least ₹7 lakh," Singh said. Over the past few years, Singh has nearly halved the cotton planting area due to repeated pest attacks, adverse weather, and a steady decline in yields.

Singh's woes epitomize something that is happening on a larger scale. India's overall cotton production is estimated to fall to 29.9 million bales in 2024-25, the lowest in six years, due to lower plantings and stagnant yields. The latest production numbers are significantly lower than the record 39 million bales harvested by farmers a decade back, in 2013-14. One bale equals 170 kg.

With soaring losses from cotton, farmers in Singh's neighbourhood have been replacing the fibre crop with rice, which needs at least five to six times more water to grow. This shift has led to higher groundwater extraction and worsening soil quality.

"After a few years, no crop may grow here. But farmers have no choice. They need an alternative due to repeated cotton crop failures," Singh explained.

The steady decline in cotton production has hurt farm incomes, but it has been able to meet the domestic requirement of 30-31 million bales until now. However, the fall in output now threatens India's textile exports. In 2023-24, cotton textile exports stood at $10.4 billion, including exports of garments, fabric, and yarn. In addition, India exported raw cotton worth $1.1 billion.

India has set a target of achieving $100 billion of textile exports by 2030. Currently about a third of the country's exports come from cotton products, with the rest comprising man-made and other natural fibres, such as wool, silk and jute.

“Improving cotton yields is essential for India to maintain its competitive edge in exports. Better yields will also help cotton to counter the emergence of man-made fibres (MMF), a cheaper alternative with improved functional properties like breathability," said Prabhu Damodaran, convenor of the Indian Texpreneurs Federation.

Damodaran added that focusing on cotton can be a gamechanger as it will continue to be the preferred material for consumers across all markets. Besides, every $1 billion of additional apparel exports can create at least 1,50,000 jobs, he said.

In 2022, India’s textile market size was estimated to be $165 billion, including exports. The market is expected to swell to $350 billion by 2030, implying there is demand for raw cotton and that it will rise from the current estimated demand of 31 million bales (in 2024-25). The textile industry employs 45 million workers directly; in addition, 6 million farmers grow cotton.

On shaky ground

Two years back, a spike in international prices of raw cotton pushed the apparel industry to switch to MMF. In just 2-3 years, adoption of synthetic fibres increased from 10% to 30% of the raw material used, said Raja Shanmugan, an exporter from the textile hub of Tiruppur in Tamil Nadu. “Lower production of cotton in India is bound to impact the industry. We need a steady supply of good-quality cotton, and if farmers switch to other crops, manufacturers will have to depend on imports," Shanmugan pointed out.

This year, India’s cotton production appears to be on shaky ground. India is projected to be a net cotton importer in 2024-25, for only the second time in two decades, the United States Department of Agriculture (USDA) forecast in October. It added that falling global prices of cotton limits the competitiveness of exports from India.

Last year (2023-24), India exported 2.8 million bales of raw cotton, a significant drop from the 11.7 million bales exported in 2013-14. Every year, India usually imports 1.5 to 2 million bales of long staple raw cotton, which is not grown in the country, for use in the apparel industry.

Data from the USDA shows that despite India being the second largest producer globally after China, its cotton yields are among the lowest. Indian farmers produced an average of 443 kg per hectare, nearly half of the global average yield of 815 kg per hectare. Cotton yields in China and Brazil are 4-5 times that of India.

The growth phase

India witnessed remarkable growth in cotton production following the introduction of genetically modified (GM) Bt cotton technology in 2002, together with improved hybrids. Between 2000-01 and 2013-14, cotton production increased nearly three times, from 14 million bales to 39.8 million bales. This period also witnessed average yields improve from 404 kg/hectare to 565 kg/hectare.

However, compared to 2013-14, cotton yields have plunged by a staggering 24% in 2023-24 (429 kg/hectare). How did this happen?

The cotton sector is in a deep crisis due to multiple factors, which played out over the past decade, said Bhagirath Choudhary, founder director at the South Asia Biotechnology Centre, Jodhpur.

Bt cotton was developed by inserting genes from a common soil bacteria, Bacillus thuringiensis. These genes secrete proteins with insecticidal properties that kill both American and pink bollworm, which are common pests in cotton. However, over the years, pink bollworms have developed resistance to the Bt gene. This was accentuated by farmers not planting non-Bt cotton as a refuge crop for pests to feed on, which would have delayed the resistance to the Bt gene.

“The onset of new diseases like boll rot and tobacco streak virus and changes in rainfall patterns also took a toll on the crop. This resulted in farmers moving away from cotton to other crops like paddy and groundnut," Choudhary said.

In 2024, India’s cotton area fell by 8.7% year-on-year to 11.3 million hectares. This is a decline of nearly 13% when compared to the previous five-year average planting area. However, lower production of domestic cotton does not imply higher prices.

Technology fatigue

Another important factor is that the available seed technology is about 18 years old. The first transgenic Bt cotton Bollgard-I was released in 2002 and a double-gene technology Bollgard-II was released in 2006. In 2015, the centre introduced the Cotton Seeds Price Control Order, under which seed prices and royalty payments to the technology developer, Mahyco Monsanto Biotech, were fixed by the government. In 2020, royalties were altogether abolished.

Cotton in India has been a victim of technology fatigue, said Ram Kaundinya, advisor to the Federation of Seed Industry of India (FSII). “In addition to pests developing resistance to the Bt gene, weed management is a major problem that can reduce yields by over 20%. The technology of herbicide-tolerant cotton was available but not approved," Kaundinya said.

Weeds compete for nutrition with planted crops and if not cleared, lead to lower yields. Planting herbicide tolerant plants can help farmers remove weeds by chemical sprays and save on the cost of the hired labour required to clear weeds. In 2013, Mahyco had applied for approval of commercial cultivation of an herbicide-tolerant GM cotton. It withdrew the application in 2016 after a draft notification proposed compulsory licensing on patented seeds. Mahyco resubmitted the application in December 2021 and it is currently pending before the Genetic Engineering Appraisal Committee of the environment ministry.

While all the sectors of the economy have benefited from the adoption of new technologies, agriculture has suffered due to undue regulations, said Rajendra Barwale, chairman of Mahyco, which introduced the Bt cotton technology in India. “Restrictions on royalty and price control on seeds hurt research and development (R&D) investments in the seed sector. The government should encourage new technology development and leave the choice of adoption to farmers," he added.

Restrictions on royalty and price control on seeds hurt R&D investments in the seed sector. — Rajendra Barwale

According to FSII’s Kaundinya, the seed industry was unable to invest in R&D of superior hybrids because the price control order squeezed their margins. Cotton is currently the only crop where seed prices are announced by the government every year.

“India needs to take several measures to improve cotton yields. Other than allowing herbicide-tolerant technology, it should promote adoption of high-density plantations with mechanized harvesting. Due to growing demand from the textile industry, India would require 45 million bales of cotton within the next five years. We have requested the government to announce a cotton mission that can help improve yields and produce better-quality cotton," said Kaundinya.

India is the only major country growing hybrid cotton, while the rest of the world, including the largest grower China, uses open pollinated varieties together with high-density plantations. Since open pollinated varieties can be reused by farmers, private seed companies are reluctant to sell such seeds in India due to weak patent protection laws.

Unapproved seeds

India is yet to approve herbicide-tolerant (HT) cotton but this has not prevented some farmers from growing it. Farmers in Maharashtra and some southern states regularly plant unapproved and illegal HT Bt cotton seeds sold by some companies from Gujarat. About 15% of India’s cotton area is planted with such seeds, as per a government enquiry in 2017. In 2021, industry body FSII said an estimated 7 million illegal HT cotton seed packets were sold to farmers. The legal seed market hovers around 40-45 million Bt cotton seed packets every year.

“By using herbicide-tolerant seeds I manage to save around ₹12,500 per acre in labour costs on removing weeds. Effective de-weeding is crucial to maintain yields," said Vijay Niwal, a farmer from Maharashtra’s Yavatmal district. Niwal added that the seeds are smuggled from Mehsana and Sabarkantha in Gujarat. “Since farming is mostly rain-fed here, we cannot move to other crops like paddy. So, adopting HT cotton was the only option available to us. It’s time the government approves the HT technology in cotton," he said.

Last year, a roundtable on India’s cotton sector by the Indian Council of Agricultural Research and the Trust for Advancement of Agricultural Sciences, a Delhi-based thinktank, flagged multiple areas of concern. About 65% of India’s cotton area, mainly in the central and southern zones, is rainfed and most of it has soils with low water storage capacity and poor fertility, leading to low productivity. It also noted that weed infestation is a grave problem in cotton fields and manual weeding is challenging due to high costs, prolonged wet spells, and non-availability of labour.

India is yet to approve herbicide-tolerant (HT) cotton but this has not prevented some farmers from growing it. Farmers in Maharashtra and some southern states regularly plant unapproved and illegal HT Bt cotton seeds.

The roundtable made several recommendations to the government, including setting up a Cotton Development Board, launching a new technology mission and withdrawing the price control policy on cotton seed to encourage private investments.

“The Ministry of Environment, Forests and Climate Change (the nodal ministry for approval of transgenic technology) is urged to announce the long pending decisions on the next-generation cotton insect and weed management GM events. In this regard, immediate adoption of HT Bt cotton is required to overcome the current losses by the farmers," it said.
Farmers are justified in their demand for access to new technology but technology fatigue is not the sole reason for low yields, said Y.G. Prasad, director of the apex Central Institute of Cotton Research, Nagpur.

“Countries like China have achieved high yields because they grow cotton under irrigation with better crop management practices, which include mechanised planting, canopy management and precision farming," said Prasad. “We are carrying out pilot projects matching plant genotypes (genetic makeup, which determines plant characteristics) with soil types and high-density planting to improve yields. We are hopeful these measures will help Indian farmers match global yields."

Source: livemint.com– Nov 21, 2024

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Funding, lack of expertise hinder modernisation in India's textile industry: CRISIL Ratings

Dominated by MSMEs, the Indian textile industry faces significant challenges in funding and access to technical expertise, according to a recent CRISIL Ratings report. These barriers hinder modernisation, affecting efficiency and global competitiveness. The fragmented structure of the sector limits diversification and awareness of labor rights, contributing to tough working conditions.

To address these gaps, government initiatives like the PM MITRA Parks scheme aim to provide advanced infrastructure and support for smaller businesses, addressing issues like inadequate logistics, e-commerce infrastructure, and consistent power supply.

Despite these hurdles, rising domestic demand, driven by a growing middle class, increased disposable incomes, and a trend toward athleisure and workwear, is expected to fuel growth. The Indian government targets $100 billion in textile exports by 2030 as against $44 billion in 2022. However, this goal depends on overcoming global competition, fluctuating cotton prices, and the absence of key trade agreements.

The report highlights, India is a dominant producer of cotton, which accounts for 23 per cent of global output. Yet, it lags in other areas like weaving and processing, where competitors like China excel. Although India has a 3 per cent share in the global ready-made garments market, it remains behind smaller rivals like Vietnam and Bangladesh due to better technology and lower costs. Recent data indicates, India's textile exports increased by 11.56 per cent Y-o-Y in Oct'24 to $1.83 billion while apparel exports rose by 35.06 per cent to $1.23 billion. The need for more Free Trade Agreements (FTAs) is critical, as competitors often benefit from duty-free access to key markets.

To meet evolving global demands, India must diversify from its cotton-centric production to synthetic and sustainable textiles, aligning with global shifts towards polyester. Expanding beyond cotton and investing in sustainable practices will be crucial for the Indian textile industry's long-term success and competitiveness on the international stage.

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