TEXPROCIL
THE COTTON TEXTILES EXPORT PROMOTION COUNCIL
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Currency Watch			
USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

USA: Why Tariffs Deserve a Second Look

Tariffs occupy a unique position in the U.S. government's trade remedy toolbox. They not only generate revenue but also reshape trade, industry, and labor markets. In certain sectors, tariffs can have transformative economic effects, a critical point missing from the current heated political and economic debate.

In labor-intensive industries such as apparel manufacturing, tariffs make imported goods more expensive, leveling the playing field for domestic producers. For example, our company manufactures wool blazers and oxford dress shirts, relying on American labor. By raising the cost of competing imports from countries like China, Vietnam, Turkey and Portugal, tariffs give U.S. manufacturers a "home-team advantage" in competing for a share of the world's wealthiest consumer market.

The contrast with Europe is striking. According to data from the European Commission and the WTO, 30 to 50 percent of clothing sold in the EU is still made within the 27-nation bloc, despite proximity to low-cost production hubs. In the U.S., by comparison, only 3 percent of apparel sold is made domestically. A robust tariff policy could revitalize American manufacturing, create jobs, and restore balance to the U.S. market.

Tariffs Boost the Economy While Addressing Global Inequities

Tariffs stimulate domestic manufacturing jobs, which in turn drive U.S. domestic production, exports, and consumer spending. For every 100 jobs added in manufacturing, an estimated $7 million in wages flows into the local economy annually. These wages support not only workers but also the retail sector, as better-paid workers become better customers.

As the CEO of an apparel manufacturing business, my company employs 120 skilled workers in New York City. For more than 35 years, we have specialized in producing high-quality, tailored products for major U.S. brands. Utilizing innovative technology and domestic labor has enabled us to survive in this highly competitive field; however, the pressure from low-cost, illegally subsidized, and unethically produced imports has constrained growth and threatened jobs. Tariffs could change this

dynamic by incentivizing more products consumed by Americans to be proudly made by Americans.

Consider the economics: when an item that sells for $100 at retail is imported, the first cost—what manufacturers or intermediaries charge to retailers—is around $16. Tariffs are assessed based on this first cost from manufacturers, so applying a universal tariff of 20 percent—one proposal made by the Trump administration—would result in an additional tariff cost of $3.20 or 3.2 percent of the $100 retail price.

This is a modest cost increase that can easily be absorbed collectively by wholesalers and retailers, while the price for consumers would increase nominally, resulting in an item priced at $100 increasing to $103.20 at retail.

While a 3.2 percent shared impact across the retail value chain is minimal, the 20 percent tariff on the first cost has a huge net positive impact on the competitiveness of a domestic manufacturer competing against imports. Think of these terms: a 3.2 percent burden on the retail value chain enables a 20 percent boost in competitiveness for U.S. manufacturers. For a company such as ours, a 20 percent tariff boost would enable us to increase our labor force by 300 percent.

Retailers benefit directly from these manufacturing jobs and accompanying wages, as better-paid workers become better customers and bolster the economy. Yet one of the most confounding positions that persists in the public discourse over tariffs is opposition from the retail sector. Tariffs also address inequities in global trade. Countries like China and Bangladesh undercut American manufacturers by exploiting low wages and lax labor standards. Tariffs help level the playing field, enabling American workers and businesses to compete fairly. Through tariffs, we have the power to shift the advantage to “home team” domestic manufacturers.

Retailers Can Absorb Costs

Retailers often claim tariffs harm consumers, but evidence from past implementations disproves this narrative. The 2018 penalty apparel tariffs the U.S. imposed on Chinese imports of finished apparel, for instance, led to a modest 7 percent price increase between 2018 and 2024, yet sector sales grew by 22 percent during the same period.

In the apparel sector, where 97 percent of clothing sold in the U.S. is imported, tariffs can spur transformative shifts. An increase and shift from 3 percent to 10 percent of retail apparel sales to domestic production—roughly $35 billion—could create 1 million manufacturing jobs, tripling the sector's workforce.

Similar moves in industries like electronics, furniture, and automotive parts could deliver millions more jobs. Such a shift is easy to imagine, especially when considering our nearest comparison is with the European Union, which operates with upward of 30 percent of apparel products made within its borders.

Retailers' concerns about modest price increases overestimate impacts on consumption while undervaluing nationwide job creation. Strengthening domestic manufacturing through robust tariffs delivers long-term economic benefits that far outweigh short-term adjustments for retailers and consumers. By leveling the playing field, tariffs uphold fair competition and the dignity of American-made products.

The Long-Term Benefits of Tariffs

Tariffs are not a panacea, but they are one of the few measures with direct, measurable benefits for American workers and industries. For too long, intermediaries and their retail partners have profited from cheap imports at the expense of U.S. manufacturing. By exposing intermediaries and rewarding companies that rely on domestic labor and materials, tariffs ensure that trade policy prioritizes the American worker.

The retail industry must rethink its priorities. Instead of lobbying against tariffs, retailers should recognize the long-term benefits of a robust domestic manufacturing base: more jobs, higher wages, and a stronger middle class.

These are the very factors that drive consumer spending—and ultimately, retail success. Tariffs offer a pragmatic way for the U.S. government to level the playing field, giving American workers good-paying jobs and the U.S. economy a much-needed competitive edge.

Source: sourcingjournal.com– Feb 24, 2025

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As Mexico Mulls Tariffs On China, Trump Doubles Down On North American Duties

“The tariffs are going forward, on time, on schedule,” according to President Donald Trump.

The president told journalists at a Monday press conference from the White House that 25-percent duties on Mexico and Canada, which were deferred earlier this month, will be imposed in early March. The president said that the duties were moving forward “very rapidly” following the month-long cooling-off period agreed upon by the trading partners.

“We’ve been mistreated very badly by many countries, not just Canada and Mexico. We’ve been taken advantage of,” Trump added. “We want reciprocity… so if somebody charges us, we charge them.”

Trump’s act of doubling down may have come as a surprise to Mexican officials who met with members of his cabinet last week. Mexico’s government is reportedly mulling hitting China with tariffs in a bid to appease the president and stave off duties on its own U.S.-bound exports.

The plan was masterminded by the Trump administration, which advised Mexican officials on Thursday to impose their own duties on goods originating from China, according to a report from Bloomberg.

Sources close to the matter told the outlet that newly confirmed Commerce Secretary Howard Lutnick, U.S. Trade Representative Jamieson Greer and Trump adviser Kevin Hassett met with Mexico’s Economy Minister, Marcelo Ebrard on Thursday. While Mexico did not commit to levying new duties during the meeting, Ebrard tweeted, “A constructive dialogue began, next Monday joint work begins.”

Mexico’s government has been toeing a line between holding firm against Trump’s tariff intimidation and seeking to smooth things over with a president that believes the Latin American nation is responsible for the flow of migrants and fentanyl into the U.S. Mexican President Claudia Sheinbaum has been speaking out publicly against Trump’s 25-percent duty proposal since the Commander in Chief first publicized the scheme around Thanksgiving, saying Mexico doesn’t want to engage in a tit-for-tat trade war.

She's also engaged with the president on trade a number of times since his return to office, negotiating with Trump to defer duties on Mexico for 30 days after he signed an executive order on Feb. 2. At the time, Sheinbaum said, "Mexico does not want confrontation. We start from collaboration between neighboring countries."

The cooling-off period comes to an end on March 2, after which Trump will move forward with the 25-percent duties on Mexico and Canada, according to his statements Monday.

In the meantime, Lutnick has been charged with providing the White House with reporting on America's trade relationships, including trade agreements and trade imbalances, before the president makes a decision about reciprocal tariffs on the country's trade partners across the globe.

Sheinbaum's level-headed approach to Trump's shifting trade policies and his bombastic, inflammatory rhetoric has earned widespread approval from Mexican voters. Earlier this month, news outlet El Financiero released the results of a voter survey showing that 81 percent approve of her performance, up from the 78 percent rating reported in December.

However, 47 percent of Mexicans said they consider the bilateral relationship between the U.S. and Mexico to be "bad or very bad." More than half (56 percent) of respondents said they believe it's "very likely" that Trump will move forward with the 25-percent duties, and 69 percent said Mexico would be "greatly" impacted if that were to occur.

While a narrow majority of Mexican voters (52 percent) characterized Sheinbaum's relationship with Trump as "unfavorable," 31 percent said the opposite, indicating optimism that the relationship can be repaired or that Sheinbaum can act as a stabilizing force.

Sheinbaum has repeatedly indicated, however, that Mexico won't be bullied by the Trump administration. On Thursday, the Mexican president vowed to protect the country's sovereignty amid the U.S. government's designation of several Mexican cartels as foreign terrorist organizations, which could lead to U.S. military strikes within Mexican territory. According to CNN, U.S. MQ-9 Reaper drones have been flying into Mexican airspace to gather information about the cartels.

Sheinbaum said during her morning press conference that “The people of Mexico, under no circumstances will accept interventions, interference or any other act from abroad that is harmful to the integrity, independence and sovereignty of the nation” whether those actions take place within Mexico’s “land, water, sea or airspace.”

Source: sourcingjournal.com– Feb 24, 2025

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Will Big Fashion Brands Return to Russia?

H&M Group says it has no plans to reopen in Russia. Uniqlo owner Fast Retailing, too, sees “no foreseeable prospects” to resume operations. But other brands, including Zara parent Inditex, appear to be staying mum about a potential return to a market they left in far less equivocal terms when President Vladimir Putin’s forces invaded Ukraine.

The question has become pertinent in light of the Trump administration’s eagerness to end the war, even though it appears to be putting the onus on Ukraine to accept a deal that was seemingly made without the country’s input, or indeed that of any other European ally. With that has come a striking shift in U.S. policy, one that saw Marco Rubio, President Donald Trump’s secretary of state, declaring to a Moscow delegation in Riyadh recently that the United States could explore the “incredible opportunities that exist to partner with the Russians,” both economically and geopolitically, if the fighting came to an end.

It’s an astonishing turnabout from both U.S. foreign policy and the aggressive sanctions that Biden’s White House imposed following what it described as Putin’s “murderous assault.” Trump has falsely blamed Ukraine for starting the war and therefore undeserving of a seat at the table during peace talks with Russia. He has taken to social media to call Ukraine’s president, Volodymyr Zelensky, a “dictator without elections” who has “done a terrible job” in office. Unlike his predecessor, Trump has refused to apply the same epithet to Putin. The tariffs he had originally threatened Russia with if it kept up the fighting have also apparently evaporated.

In a move said to have angered and frustrated European leaders, the United States voted against a United Nations General Assembly resolution that condemned the invasion on Monday, the third anniversary of the start of Russia’s full-scale attack on Ukraine. Instead, it provided a three-paragraph resolution—one that neither mentioned the former’s role as aggressor nor the latter’s position as a victim—that implored a “swift end to the conflict and…a lasting peace between Ukraine and Russia.”

Also on Monday, Trump claimed that the conflict could be over “within weeks.” Last week, he said that the fallout of the war mattered more to Europe than the United States, which is separated from the conflict by a “big, beautiful ocean.”

Leaving Russia, a lucrative market for apparel consumption, badly dinged many bottom lines, said Sheng Lu, professor of fashion and apparel studies at the University of Delaware. Before the war, Russia's annual retail sales for designer ready-to-wear apparel and footwear exceeded $3 billion, eclipsing sales in many Western markets, including Canada ($2.6 billion), Spain ($2.4 billion) and Australia ($2.1 billion). Luxury fashion sales have since plummeted to below $0.9 billion in 2024, with a similar trend in the value and mass market segment that saw H&M, once 30 percent of Russia's clothing retail sales fall to below 0.1 percent as of 2023.

But whether brands will flock back to Russia is uncertain. For some, the question is moot: European Union sanctions still forbid the transfer of luxury goods to "any natural or legal person, entity or body" in Russia or for use in Russia, meaning that imports from rarified names like Chanel, Hermès and Louis Vuitton are still technically frozen, even though goods are reportedly still making their way to consumers through intermediaries and other back-door channels. Others have wound up their business altogether, such as off-price retailer TJX, which sold its minority stake in Russian retailer Familia, or Nike, which cut ties with its Russian franchisees.

There is also the reputational risk to consider, Lu said, adding that doing business with Russia would almost certainly invite "intense scrutiny and raise controversies from consumers, civil society and other advocacy groups concerned about ethical business practices in the country." And even if Trump and Putin reached an agreement, lifting economic sanctions on Russia would still be a "complex and lengthy process" because of the interconnectedness of global supply chains.

Even so, Russian state media reported last week that a trade group representing hundreds of the nation's shopping malls wrote to H&M, Fast Retailing and Inditex urging them to reopen. It comes just months after the Russian Council of Shopping Centers said that nearly one-quarter of Russian malls are at risk of closing in the coming year due to a combination of exiting Western brands, increasing operational costs and mounting competition from online marketplaces. A representative from H&M said it received no such letter, while Fast Retailing did not respond to that specific query. Inditex, which offloaded its Russian business to Emirati conglomerate Daher Group in 2022, said it would not be making any comments, although it had not ruled out a possible return at the time of the sale.

Neil Saunders, managing director of GlobalData Retail, a market analytics firm, said that while going back to Russia could work out in theory, doing so would be much more of a minefield in practice. Companies would be going back to a much-altered Russia, one characterized by double-digit inflation and labor shortages. Putin's ever-changing rules, such as ballooning "exit taxes" on departing companies or the retaliatory confiscation of foreign asses, have only underscored the perilous nature of doing business in the country.

"I also think that even if fashion brands did find a path to reentry, it would not simply be a case of picking up where things left off," he said. "There has been a lot of consumer change in Russia and brands might not be welcomed back with open arms."

Source: sourcingjournal.com– Feb 24, 2025

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Egyptian minister discusses trade & investment with Bahrain

In a bid to boost economic ties between Egypt and Bahrain, Egypt's minister of investment and foreign trade, Hassan El-Khatib, recently attended the Egyptian-Bahraini joint governmental committee meetings for trade, economic, scientific, and technological cooperation in Bahrain. El-Khatib met with Bahraini minister of industry and commerce, Abdulla bin Adel Fakhro, and other officials from Bahrain.

He reviewed the investment opportunities in Egypt, along with the current measures and procedures implemented by the government in trade and investment policies to make it easier for investors and streamline foreign trade in the country.

El-Khatib highlighted the strong historical ties between Egypt and Bahrain, emphasising the significance of the Egyptian-Bahraini joint governmental committee in enhancing economic relations, the ministry of investment and foreign trade said in a statement.

He stressed the importance of maximising the benefits of the agreement to facilitate and develop trade exchange between Arab countries and implementing the executive programme for the Greater Arab Free Trade Area (GAFTA).

El-Khatib expressed support for collaboration between the private sector of both countries to create partnerships in investment projects, aiming to promote economic development and achieve sustainable development goals.

He highlighted Egypt's attractive investment climate, including favourable infrastructure, skilled labour, and efficient engineers. Egypt's free trade agreements with various countries and economic blocs, along with its favourable investment climate and opportunities, further enhance its appeal to foreign investors. He further emphasised that these Bahraini investments in Egypt focus on finance, industry, construction, agriculture, tourism, services, communications, and information technology.

Source: fibre2fashion.com– Feb 25, 2025

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EuRIC calls for urgent support till EPR for textiles is in place in EU

Welcoming the provisional agreement on the targeted revision of the Waste Framework Directive (WFD) by the European Parliament and Council recently, the European Recycling Industries' Confederation (EuRIC) said urgent support is still required to address the unprecedented 'crisis' being faced now by the European Union's (EU) textile reuse and recycling sector.

The revised directive introduces mandatory extended producer responsibility (EPR) schemes for textiles across EU member states, ensuring a level-playing field for all textile manufacturers by holding producers accountable for their products throughout their lifecycle, regardless of location and including e-commerce.

EuRIC, however, expressed regret for the 30-month implementation timeline, given the current crisis.

"EPR is a transitional tool to shift from a loner to a circular value chain. However, without ambitious eco-design criteria and mandatory uptake of post-consumer recycled content, textile recycling will always lack the necessary business model, threatening the current infrastructure, circular textile economy and thousands of green jobs," Mariska Boer, president of EuRIC's textile branch, said in a release.

EuRIC welcomed the inclusion of reporting requirements for social economy entities, ensuring their transparent and fair participation in EPR schemes.

The provision allowing member states to eco-modulate EPR fees based on extrinsic product durability is another key step in tackling textile waste and ensuring that the price of ultra-fast fashion reflects the environmental damage it causes, EuRIC noted.

Additionally, the European Commission's commitment to reviewing the scheme's effectiveness and setting clear targets by 2029 will drive progress in textile waste management, it added.

Source: fibre2fashion.com– Feb 25, 2025

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Sri Lanka’s apparel sector faces disruption as JAAF raises concerns over proposed SVAT system

Sri Lanka's vital apparel export sector faces potential disruption as the Joint Apparel Exporters Association Forum (JAAF) has raised serious concerns about the government's proposed removal of the Simplified Value Added Tax (SVAT) system. A hasty transition without a robust, well-tested alternative could trigger significant cash flow problems for exporters, jeopardizing the industry's stability, warns JAAF.

The core issue revolves around the VAT refund process. Under standard VAT regulations, exports are zero-rated, allowing businesses to reclaim input VAT. However, chronic delays in refunding these credits in Sri Lanka forced the adoption of the SVAT system. Now, the government's plan to replace SVAT with a risk-based refund mechanism has triggered alarm bells within the apparel industry.

JAAF had previously championed a digitally driven VAT refund solution, emphasizing efficiency and transparency through minimal human intervention. The association fears that a poorly managed transition will strain exporters' cash flow, disrupt operations, and tarnish Sri Lanka's reputation as a reliable sourcing destination, particularly in a global market where supply chain stability is paramount.

The apparel sector's contributes over 40 per cent to the nation's total merchandise exports. Maintaining the industry's competitiveness and boosting investor confidence hinges on a seamless and transparent transition from SVAT. JAAF emphasizes on the importance of timely VAT refunds and a reliable mechanism to prevent delays, safeguarding exporters' liquidity.

The association urges the government to engage closely with industry stakeholders, ensuring a smooth VAT transition that incorporates efficient digital refund processing to prevent disruptions.

Despite these concerns, JAAF welcomes the government's inaugural budget, recognizing its focus on export-driven growth, investment facilitation, and policy consistency. The budget's commitment to economic stabilization and a competitive business environment is seen as a positive step for the textile and apparel sector.

JAAF also applauds the government's efforts to expand Free Trade Agreements (FTAs), align with the industry's strategic goals of protecting market access, and pursue new global partnerships. Initiatives like the National Single Window, e-cargo tracking, and customs law revisions are deemed crucial for enhancing the ease of doing business. Measures such as revisiting the Economic Transformation Act and introducing the Investment Protection Bill are expected to bolster investor confidence and propel export growth.

While expressing optimism about the budget's direction, JAAF reiterates its apprehensions regarding the SVAT removal. They emphasize the necessity of a well-tested alternative, a smooth transition, and continuous engagement with industry stakeholders to ensure policy decisions reflect the realities of the business environment. Clarity on tax administration, timely trade facilitation, and sustained focus on export competitiveness are vital for achieving ambitious export targets.

As Sri Lanka strives for sustainable economic recovery, the apparel industry remains committed to collaborating with policymakers to implement effective reforms, ensuring the nation's export sector remains resilient and globally competitive.

Source: fashionatingworld.com– Feb 24, 2025

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Turkiye's home textile exports to Europe fall to $2 bn in 2024

Turkiye's home textile exports to Europe stood at $2.093 billion in 2024, which was 2.99 per cent lower than the exports of $2.157 billion in 2023. Europe's share in the country's total home textile exports also declined to 45.39 per cent, marking the second consecutive year of decrease. Home textiles include bedding, curtains, bed sheets, covers, kitchen textiles, and many other non-wearable consumer textile products.

Europe's share in shipments was 46.34 per cent in 2023, when Turkiye's total home textile exports amounted to $4.656 billion. Turkiye's total exports of these products eased by 0.96 per cent to $4.611 billion in 2024. The decline in exports to Europe was greater than the overall drop in the country's total shipments, according to Fibre2Fashion's market insight tool TexPro.

Europe's share in Turkiye's home textile exports was 49.48 per cent in 2022, marking the highest level in the past six years. Shipments to Europe were valued at $2.157 billion out of Turkiye's total exports of $4.656 billion in the same year.

In 2019, Turkiye exported home textiles worth $2.007 billion to Europe, accounting for 43.10 per cent of its total home textile exports, which stood at $4.657 billion. The share increased to 46.30 per cent in 2020, 47.06 per cent in 2021, and peaked at 49.48 per cent in 2022, before declining in the following years.

As per TexPro, The country's total home textile exports were recorded at $5.125 billion in 2020, $5.129 billion in 2021, and $5.187 billion in 2022. Shipments to Europe were valued at $2.373 billion in 2020, $2.884 billion in 2021, and $2.567 billion in 2022.

Source: fibre2fashion.com– Feb 25, 2025

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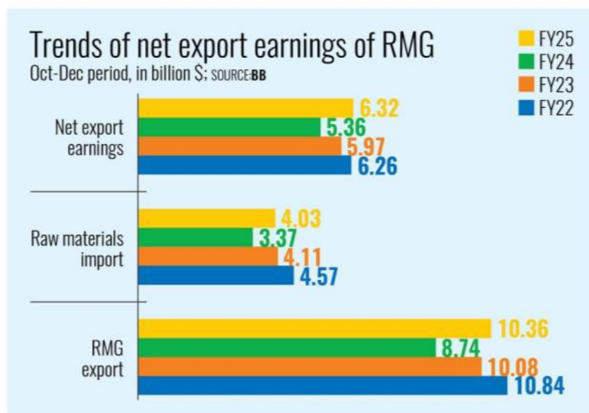
Bangladesh: RMG exports grow 18% in Oct-Dec

Bangladesh's readymade garments (RMG) industry has continued to expand despite global economic challenges and domestic labour unrest following the fall of the Awami League government last August, according to the latest Bangladesh Bank (BB) report.



Export earnings for the October-December period of fiscal year 2024-25 (FY25) stood at $10.36 billion, marking a 9 percent increase from the previous quarter.

Year-on-year, it was a growth of 18.6 percent.

"This growth was attributed to the rebound of economic activities in advanced economies along with the peak holiday shopping season in Western markets," said the central bank's quarterly review of RMG released yesterday.

Major US and European retailers typically increase their orders to meet consumer demand, it said.

The report said the apparel sector faced inflationary pressure, disruptions to supply chains, fluctuating fuel prices, and rising transportation costs. However, demand from key export markets remained strong.

Last year, the local garment sector witnessed demonstrations, national election-related movements, factory closures and production halts amid massive labour unrest after the fall of the Sheikh Hasina-led administration on August 5.

Goods shipment was severely affected in July, August, September and October due to a student-led mass movement culminating in Awami League's ouster and widespread labour unrest demanding wage hikes and an end to workplace discrimination.

On the international front, high inflation has persisted over the past few years because of the far-reaching implications of the Russia-Ukraine war that began just after the pandemic, affecting consumer demand.

But Western economies have been rebounding gradually with rising demand, for which retail sales have also been growing with the clearance of inventories of previous years in Europe and the US.

"Over the years, Bangladesh has established itself as one of the world's leading apparel manufacturers," it said.

"The growth of this sector can be attributed to competitive labour costs and a robust supply chain network," the report added.

The RMG sector contributed 11.68 percent to the gross domestic product (GDP) during the quarter.

The BB report said nine countries -- namely the US, Germany, the UK, Spain, France, the Netherlands, Italy, Canada, and Belgium -- were the primary destinations for Bangladesh's RMG exports.

These countries enabled roughly 70 percent of total RMG earnings in the second quarter of FY25.

Earnings from these markets increased by 7.13 percent compared to the preceding quarter.

Of the shipments, knitwear exports grew by 2.61 percent quarter-on-quarter to $5.48 billion.

The growth was 18 percent compared to the same quarter of the previous year, driven by strong demand from the US and European Union.

Woven garment exports rose by 17.23 percent to $4.88 billion, supported by increased consumer spending in the European and US markets.

The BB report said woven garment exports experienced notable growth, leading to a resurgence in consumer spending in major markets, particularly in Europe and the US.

"This uptick was influenced by economic recoveries and a renewed interest in apparel. Moreover, a competitive edge through cost-effective production has been maintained, offering quality woven garments at attractive prices," it said.

The report said the RMG sector continues to be affected by supply chain disruptions and increased raw material costs.

The import value of raw materials such as cotton, synthetic fibres, yarn, and textile fabrics reached $4.03 billion in the second quarter of FY25, accounting for 39 percent of total RMG export earnings.

Net export earnings stood at $6.32 billion, a 12.67 percent rise from the previous quarter.

The BB report said Bangladesh's RMG sector demonstrated strong resilience and steady growth during the October-December period of FY25, driven by increased global demand and production efficiency.

"Looking ahead, the significant performance of the RMG sector will be reaffirmed during the whole of FY25, setting a positive outlook for the coming years and positioning Bangladesh as a leading apparel exporter on the global stage," the report said.

Source: thedailystar.net– Feb 25, 2025

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Bangladesh: Textile millers urge anti-dumping duty on Indian yarn imports

Textile millers have accused their Indian counterparts of dumping yarn and fabric in the Bangladeshi market as part of a "conspiracy" to destroy the local industry, urging the government to initiate anti-dumping measures to protect the sector.

"We are convinced that this is a deliberate conspiracy aimed at destroying our textile and garment industries, just as our jute industry was destroyed," alleged Showkat Aziz Russell, president of the Bangladesh Textile Mills Association (BTMA).

At a press conference at Gulshan Club yesterday, he said, "The Indian government, through subsidies and various support schemes, is behind this plot."

The business leader said that Indian mills have become a threat to Bangladesh's industry by selling yarn and fabric at prices lower than production costs, which are being smuggled through illegal channels and land ports.

This practice is known as dumping where a product is sold abroad that is lower than the price at which it is sold domestically.

"We have already appealed to the government to stop the import of yarn through land ports and to impose anti-dumping duties on Indian yarn," he said.

"We request [the government] that imports through land ports be halted until the capacity of our land ports is improved to prevent false declarations of yarn."

He also urged the interim government to investigate the dumping by Indian mills.

Russell said that during the period of the BNP government in 2001-2006, the import of yarn through land ports was stopped, but after the Awami League came to power, it was resumed.

Indian yarn exports to Bangladesh surge

According to National Board of Revenue data, in 2024, Bangladesh's cotton yarn imports surged by over 39%, reaching a record expenditure of $2.28 billion. Additionally, fabric imports by knitwear factories rose by 38%, costing the country another $2.59 billion.

The BTMA president claimed that the industry has the capacity to supply nearly 100% of the demand for export-oriented knit garments. However, due to certain buyers' nominations, a portion of the demand must still be met through imports, he added.

BTMA data show that two years ago, local mills supplied around 85% of the yarn for knitwear exports.

They point to the fact that due to rising imports, local mills' sales have decreased significantly, leading to an increase in yarn stockpiles at local mills valued at Tk8,000 crore – Tk10,000 crore.

Saleudh Zaman Khan, vice president of BTMA, said cotton yarn production costs in both countries are comparable, at around $3 per kilogram. However, Indian millers are exporting at lower prices than their local market selling prices, which he described as a form of dumping in Bangladesh.

Explaining further, he said, "While we sell yarn at $3 per kilogram, Indian exporters are selling the same yarn at $2.90. Due to open costing methods, apparel exporters are unable to benefit from this, except by receiving orders at lower prices."

He said Bangladesh's garment factories are not benefiting from the lower yarn prices, as the advantage ultimately goes to buyers.

Khan said the Indian government provides additional financial and policy benefits to its textile exporters, both at the central and state levels, giving them a competitive edge.

"Textile exporters in India benefit from a negotiable instrument offering 3.88% of the export value or ₹11 per kilogram, whichever is lower. This scheme is known as the Remission of Duties or Taxes on Exported Products (RoDTEP)," he explained.

In addition to this, exporters receive a 2% duty drawback on textile product exports. Combined, these incentives amount to about 6% of their total export value.

According to the Indian Trade Portal, the RoDTEP scheme is designed to help exporters recover the taxes and duties paid on exported goods. It has been in effect since January 2021. Furthermore, various states in India offer additional benefits to their textile entrepreneurs.

Call to reduce gas prices to Tk20 per unit

Saleudh Zaman Khan also demanded that the price of gas be reduced to below Tk20 per unit, saying due to the ongoing gas crisis, mills are only operating at 50%-60% capacity.

Engineer Rajib Haider Munna, a director of BTMA, questioned, "For whose benefit is LNG import being encouraged when there are gas reserves underground?"

He further said textile and garment industries cannot survive by relying on LNG imports. He warned that factory closures might be imminent, saying, "It will be impossible to run factories with gas at Tk70. Therefore, on the day of the hearing at the Bangladesh Energy Regulatory Commission (Berc), we will hand over the keys to our factories."

BTMA Vice President Md Abul Kalam demanded that interest rates be brought down to single digits to encourage investment and called for them to be fixed at single digits for the next three years.

Additional challenges confronting textile industry

Textile mills association leaders claimed that the industry is facing mounting challenges due to high production costs, despite a $22 billion investment in the textile sector.

Textile mill owners said production costs have increased by 30% over the last two years due to higher gas prices, rising wages and inadequate gas supply. Despite expanding their capabilities, mills are finding it hard to reduce costs.

Moreover, government incentives for using local yarn have been significantly reduced, they said. Cash incentives have dropped from 4% to 1%, while special incentives have fallen from 1% to 0.3%.

These incentives take up to a year to be processed, and after a 10% tax deduction, additional costs are incurred. As a result, garment exporters are less inclined to use local yarn, according to millers.

Local spinning mills are also unable to lower prices due to a sharp 179% rise in gas prices, the implementation of new wage structures and increased bank loan costs coupled with stringent conditions.

Source: tbsnews.net– Feb 25, 2025

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Pakistan: Weekly Cotton Review: Bearish trend persists amid low trade volumes

The cotton market continues to face a bearish trend, with trading activity remaining limited. Internationally, prices at the New York Cotton Exchange have also dipped, exacerbating the crisis for local textile spinners. Economists have warned that the spinning sector could face a complete collapse if urgent government-led reforms are not implemented.

Industry sources report that challenges for textile spinners are intensifying daily. Spinning units have demanded the government ensure a "level playing field" between cotton imports and local production. Dr Jesumal Lemnai, Chairman of the Pakistan Cotton Ginners Association (PCGA) stated that the government and the Special Investment Facilitation Council (SIFC) have assured the removal of taxes on the ginning industry in the upcoming budget.

In a bid to boost cotton production, the PCGA has written a letter to Prime Minister Shehbaz Sharif, urging the formulation of a uniform policy. Meanwhile, the recent data shows a 16% increase in textile exports, though internal industry challenges continue to overshadow these gains.

Cotton ginners in Rahim Yar Khan have strongly protested against new Federal Board of Revenue (FBR) taxes, claiming the levies are unaffordable. "Even if we sell our factories and homes, we cannot pay these taxes," one of the ginners stated.

On the cultivation front, early cotton sowing has begun in Sindh and Punjab. Chairman Cotton Ginners Forum Ehsanul Haq noted that current weather conditions remain favourable for the crop.

Head Transfer of Technology Pakistan Central Cotton Committee Sajid Mahmood emphasised that the All Pakistan Textile Mills Association (APTMA) must take concrete steps to revive and develop cotton production. He stressed, "Research and development institutions, particularly the Pakistan Central Cotton Committee (PCCC), require full financial and technical support to introduce disease-resistant cotton varieties and modern production technologies."

During the past week, the local cotton market experienced an overall decline in prices. Textile spinners are increasingly relying on imported cotton, leading to reduced demand for local cotton and consequently limited trading activity. The textile sector continues to demand that the government lower energy costs and extend the Export Finance Scheme (EFS) facility to local cotton to ensure a level playing field. However, no progress has been made on these demands so far. It is anticipated that a decision on the matter may be included in next year's budget, with reports suggesting the Special Investment Facilitation Council (SIFC) is also taking an interest in the issue. Ginners currently hold a stockpile of around 400,000 cotton bales and are under stress due to the lack of buyers.

Cotton cultivation has commenced in several cotton zones across the country, with extensive planting under way in many districts of Sindh, including Badin, Thatta, Hyderabad, Mirpur Khas, Sanghar, and Umer Kot. Meanwhile, partial cultivation has begun in Punjab's districts such as Bahawalnagar, Rahim Yar Khan, Vehari, Sahiwal, and Bahawalpur. However, concerns persist that cotton cultivation may fall short of expectations this year due to a significant drop in the prices of cotton and cottonseed in local market. The Federal Committee on Agriculture has yet to finalise production and cultivation targets for Cotton Year 2025-26. In contrast, the USDA has reported that Pakistan's total cotton production during Cotton Year 2024-25 is projected to be 27% higher than previous estimates.

Chairman of the Cotton Growers Forum, Ahsan-ul-Haq, highlighted that the FCA typically sets cotton cultivation and production targets in the first week of February each year. However, this year's FCA meeting has not been held, potentially creating challenges for cotton stakeholders in strategising due to the absence of clear targets.

They mentioned that due to higher-than-expected temperatures, cotton cultivation has begun in several cities across Pakistan, and in the absence of rainfall, the cotton crop could significantly improve.

However, concerns are being raised about a potential decline in cotton cultivation this year due to record imports of cotton and cotton thread resulting from sales tax exemptions, which have caused domestic prices of cotton and cottonseed to fall far below expectations. This situation could force Pakistan to import billions of dollars worth of cotton as well as edible oil in the coming year.

In Sindh province, the price of cotton is currently between 16,500 to 17,500 rupees per maund, depending on quality and payment conditions, while in Punjab province, it ranges from 17,200 to 17,700 rupees per maund. PRIMARK cotton settled at a price of 18,800 rupees. Prices for Banola, oil, and oilcake remained relatively low. A further slowdown in business activity is anticipated during the month of Ramadan.

The Karachi Cotton Association's Spot Rate Committee has kept the spot rate stable at 17,500 rupees per maund.

Nasim Usman, Chairman of the Karachi Cotton Brokers Forum, stated that international cotton prices remained weak, with New York cotton futures trading between 66 to 67.50 American cents per pound. According to the USDA's weekly export and sales report, 312,500 bales were sold for the 2024-25 season. Vietnam topped the list by purchasing 109,400 bales, followed by Pakistan with 64,800 bales, and Turkey ranked third with 51,000 bales. For the 2025-26 season, 34,300 bales were sold, with Bangladesh leading by purchasing 33,000 bales, while Vietnam secured the second position with 1,300 bales.

Meanwhile, Dr Jesumal Lemnai, Chairman PCGA, stated that the government and the Special Investment Facilitation Council (SIFC) have assured the abolition of the 18% sales tax imposed on the ginning industry in the upcoming fiscal year 2025 budget. This development is being hailed as a major success for the ginning industry and Pakistan's cotton value chain, which has faced financial challenges for several years.

According to Lemnai, the implementation of the sales tax had plunged the ginning industry into a severe crisis, causing financial strain not only on ginning units but also harming cotton farmers. The tax led to increased prices of cotton by-products (cottonseed, oilcake, and cottonseed oil), adversely impacting the textile, livestock, and related industries. This situation resulted in reduced cotton production, a weakened agricultural economy, and issues such as the need to import billions of dollars' worth of cotton.

A significant meeting of the Pakistan Cotton Ginners Association (PCGA) Rahim Yar Khan Chapter was held at the Chamber of Commerce, where serious concerns were raised over notices issued by the Federal Board of Revenue (FBR) demanding billions of rupees in sales tax payments from cotton ginners. Most participants reported receiving directives to pay millions in sales tax on products such as cottonseed, oilcake, and

cottonseed oil, despite not having sold these goods yet. A six-member committee was formed during the meeting to negotiate with the FBR.

Ginners also expressed concern over the exemption of sales tax on imported cotton while imposing it on locally produced cotton, demanding the elimination of the Export Finance Scheme (EFS). Attendees at the meeting included Malik Abdul Karim, Chaudhry Wasim, Chaudhry Zahid, Chaudhry Sultan, Mian Saqib, Chaudhry Waqar, Sajid Munir, and Ahmed Musa.

Additionally, Pakistan's textile and garment exports saw a 15.85% increase in January 2025 compared to the same period the previous year. A rising trend in textile exports has been observed since August, which exporters attribute to growing global demand and supply chain disruptions in Bangladesh. This situation has led to an increase in orders for Pakistani garments.

Meanwhile, Sajid Mahmood, Head of the Technology Transfer Department at the Central Cotton Research Institute, Multan, stated that the federal and provincial governments are aligned in their commitment to promoting and developing the cotton sector in the upcoming season. To enhance cotton production, the Ministry of National Food Security and Research, in collaboration with provincial governments, is implementing various initiatives. Partial sowing has commenced in Punjab's key cotton-growing districts, including Bahawalnagar, Rahim Yar Khan, Vehari, Sahiwal, and Bahawalpur. The Punjab Agriculture Department has set a target of approximately 400,000 acres for early cotton sowing in the Multan division. However, agricultural experts indicate that weather conditions are not yet fully conducive for planting, with improvements expected by the first week of March. Meanwhile, early cotton sowing is progressing rapidly in Sindh, particularly in the districts of Badin, Thatta, Hyderabad, Mirpurkhas, Sanghar, and Umerkot.

The Pakistan Central Cotton Committee (PCCC), in collaboration with the Punjab Agriculture Department, is actively engaging in various seminars and has launched an extensive awareness campaign to guide and train cotton farmers. Sajid Mahmood underscored the need for the All Pakistan Textile Mills Association (APTMA) to take decisive measures for the revival and sustainable development of the cotton industry. This includes providing comprehensive financial and technical support to research and development institutions, particularly the Pakistan Central Cotton Committee (PCCC), to facilitate the introduction of improved cotton

varieties, enhance resistance to diseases, and advance modern production technologies.

He also noted that the Pakistan Cotton Ginners Association (PCGA) and the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) are actively advocating for cotton sector revival, which is a promising development. While there is optimism that this year's cotton production will surpass last year's levels, he stressed that achieving this objective requires coordinated and proactive efforts from all key stakeholders.

Source: brecorder.com– Feb 24, 2025

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Pakistan: Unlocking the textile industry's full potential

Pakistan's textile exports have witnessed an 8.6 percent recovery in 2024, reaching US$17.45 billion in 2024 from US$16.07 billion in 2023, and approaching the pre-crisis US$18.67 billion in 2022.

At the same time, the composition of exports has shifted significantly towards higher value-added segments like apparel and home textiles.

Compared to 2021, export volumes of readymade garment have doubled, and knitwear has seen a 50% increase, while those of bedwear and towels have recovered to around 2021 levels after a 15-20 percent decline.

The change in export values, however, has been much lower at 16.74 percent for readymade garments, 6.83% for knitwear, 6.78 percent for towels, and -1.04 percent for bedwear due to a decline in unit values. If 2024 exports had been made at 2022 unit values, the headline figure would have been well over $21 billion.

While there is a recovery in the headline figure of exports, the economy is nonetheless losing out because of a surge in imports of raw material and intermediate inputs like cotton, yarn and cloth, and resultantly a decline in domestic value addition in exports.

Imports of yarn have surged as domestic manufacturing has been rendered uncompetitive due to high energy costs, which account for 35 percent of conversion costs in the spinning sector and were as high as 55 percent a few months back.

The situation is further exacerbated by the sales tax disparity between local and imported inputs for export manufacturing. The FY25 budget withdrew the sales tax exemption on local supplies for export manufacturing under the Export Facilitation Scheme, while imports remain sales tax free and duty-free.

When procuring domestically manufactured inputs, exporters must pay sales tax of 18%, which is refundable in principle but only partial refunds of 60% are issued (corroborated by the World Bank Country Economic Memorandum 2022) with regular delays of over 6 months as the FASTER system, which promised 72-hour refunds has been made dysfunctional.

While progress was made on clearing sales tax refunds in FY24, over Rs. 180 billion of the industry's liquidity remains stuck in the refund regime.

In addition to the broken refund regime, there is an administrative and time cost of an additional 6-10 months — from when inputs are procured and the final good is exported — associated with payment of sales tax and filing for refund that imports do not face.

These factors have prompted exporters to increasingly substitute domestically produced inputs like cotton, yarn and cloth with imported ones.

Monthly imports of yarn increased from 8 million KG in January 2024 to 32 million KG in January 2024, while those of greige cotton cloth increased from 2 million KGs to nearly 5 million KGs during the same period. At this pace, yarn imports are expected to triple from around 107 tonnes in FY24 to 290 tonnes in FY25 at a value of approximately US$870 million.

As a result, the domestic spinning sector is rapidly being wiped out, with over 100 units representing around 40 percent of production capacity having already shut down, and the remaining operating at below 50 percent capacity, with thousands of jobs lost.

The crisis is also spreading to further downstream segments like weaving. Standalone units (majority of them are small and medium enterprises) are specifically disadvantaged by the sales tax disparity since vertically integrated units do not have to pay 18 percent sales tax or 1.25% turnover tax at each stage of production.

Since spinning is the primary consumer of domestic cotton, its demise will wipe out demand for local cotton, threatening the entire cotton economy of Pakistan.

Click here for more details

Source: brecorder.com– Feb 25, 2025

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NATIONAL NEWS

Joint Statement on the resumption of India-UK trade negotiations

The Prime Minister of India Shri Narendra Modi and Prime Minister of the United Kingdom the Rt Hon Sir Keir Starmer met on the sidelines of the G-20 Summit in Rio de Janeiro, Brazil in November 2024 to underline the importance of resuming trade negotiations at an early date.

Today the Republic of India and the United Kingdom have resumed negotiations towards a trade deal between our two countries. This announcement has been made by Minister for Commerce and Industry of India Shri Piyush Goyal and Secretary of State for the Department for Business and Trade of the United Kingdom the Rt Hon Jonathan Reynolds who is in Delhi. This announcement is an outcome of the above stated discussions held at the level of Prime Ministers of the two countries.

India and the United Kingdom have a close partnership, built through collaboration on security and defence, new and emerging technologies, climate, health, education, research and innovation, green finance and people-to-people contacts. At the centre of this relationship is the collective aspiration to deliver economic growth and sustainable development.

Both sides have agreed to resume negotiations towards a balanced, mutually beneficial and a forward-looking deal that delivers mutual growth and builds on the strengths of the two complementary economies. The strengthening of the trading relationship between our two countries has the potential to unlock opportunities for business and consumers across both our nations and build further on our already deep ties.

The two leaders directed the negotiators to work together to resolve the outstanding issues in the agreement to ensure a fair and equitable trade deal for shared success.

Source: pib.gov.in– Feb 24, 2025

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Textile, Tourism, Technology: PM Modi's 'mantra' for India's development

Prime Minister Narendra Modi on Monday said that three sectors - textiles, tourism and technology- are "crucial" for India's development.

Addressing the Madhya Pradesh Global Investor Summit in Bhopal, the Prime Minister said these sectors will create "crores" of new jobs.

"Three sectors will play a crucial role in India's development--textiles, tourism, and technology. These sectors will create crores of new jobs. If we look at textiles, India is the second-largest producer of cotton. India has a whole tradition related to textile, it has skill as well as entrepreneurship," PM Modi said.

Terming the state as the "cotton capital" of India, the Prime Minister stated that about "25 per cent of India's organic cotton supply comes from Madhya Pradesh."

India is the sixth largest textile and apparel exporter in the world.

Notably, the Central government aims to target the export of USD 10 billion worth of technical textiles under its National Technical Textiles Mission. To position India as a global leader in technical textiles, the Mission was launched in 2020-21 and has been extended till 2025-26, with a financial outlay of Rs 1,480 crore.

Technical textiles are defined as textile materials and products used primarily for their technical performance in various high-end industries. At present, India's technical textile exports are reportedly between USD 2 billion to USD 3 billion.

In his inaugural address at the Global Investor Summit, PM Modi also emphasised on the need to ensure water security for industrial development. He said that the government is constantly pushing for water conservation and promoting river interlinking mission.

"For industrial development, water security is important. To achieve this, on one side, we are pushing water conservation, and on the other, we are promoting the river interlinking mission. Agriculture is one of the biggest beneficiaries in this process," PM Modi said.

"Recently, the Rs 45,000 crore Ken-Betwa River Linking Project has been started. This will increase the productivity of 10 lakh hectares of agricultural land," he added.

PM also highlighted Finance Minister Nirmala Sitharaman decision in the Union Budget to make income up to Rs 12 lakh tax-free in order to boost consumption in the country.

"Our budget has come this month. In this budget, we have energized the growth of India. Our middle class is also the biggest test pay. It also creates demand for service and manufacturing. In this budget, many steps have been taken to empower the middle class. We have made income up to Rs 12 lakh tax-free and have restructured the tax slab. In the budget, emphasis has been laid on building local supply chain so that we can become completely self-dependent in manufacturing," PM Modi said.

Source: economictimes.com– Feb 24, 2025

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In shadow of US tariff, India back to table for trade talks with UK, EU

As US President Donald Trump moves to upend the world trade order with tariff threats against allies and rivals alike, New Delhi Monday re-started negotiations for two long-stalled, big-ticket trade deals with Britain's new Labour Party-led administration — just days ahead of President of the European Commission Ursula von der Leyen's visit to India for trade talks.

After an eight-month pause due to general elections in India, the UK and European parliamentary elections, New Delhi and London announced plans to restart trade talks for a free trade agreement (FTA), a bilateral investment treaty, and a separate social security pact during UK Trade Secretary Jonathan Reynolds's visit that began Monday.

The trade deal with the UK, talks for which began in 2022, assumes significance as it would be India's first full-fledged agreement with a Western country, facilitating deeper economic integration with a major global services sector leader.

It is also considered crucial as it could serve as a template for trade deals with larger Western trade partners such as the European Union.

On Thursday, amid growing tension in the trans-Atlantic relationship between US and Europe, the EU College of Commissioners is set to meet Prime Minister Narendra Modi to further strengthen bilateral relations based on "growing convergences".

India and the EU are also expected to conduct bilateral ministerial meetings and engage in a trade and technology council, which was launched to resolve issues such as the contentious Carbon Border Adjustment Mechanism (CBAM).

"India and the UK have decided to return to the negotiating table for a trade deal that was stalled due to elections. The contours of the deal needed to be reassessed. The two countries are actively negotiating on three different fronts—free trade agreement, bilateral investment treaty, and a Double Contribution Convention Agreement. All three are running in parallel and are interlinked," Commerce Minister Piyush Goyal said Monday.

With the growth trajectory being different in both the countries, the potential business opportunities were much different and, therefore, India had requested the UK to consider a social security pact.

It is a long-standing demand of Indian businesses operating in Britain to cut down on the additional cost burden associated with bringing in skilled Indian professionals on a short-term basis.

Notably, the compulsory National Insurance (NI) contributions of skilled Indian professionals in the UK on temporary visas remain an additional cost burden of about 500 British pounds per employee a year, over and above all other taxes and health surcharge paid towards the National Health Service (NHS), as per data from 2021.

India has Social Security Agreements (SSAs) with countries like Belgium, Germany, Switzerland, France, Denmark, Korea, and the Netherlands.

“Trade ministers from both countries will kick-start negotiations on a modern economic deal with two days of focused discussions — the first time both negotiating teams have formally gathered under this government,” the British High Commission said in a statement.

Trade experts said negotiations with Western trade partners could receive fresh momentum amid the uncertainty created in the global trade order by US. Apart from close trade partners such as Canada and Mexico, Trump has also threatened tariffs on the EU.

Tariffs and Visas

Responding to a question on India’s high tariffs and the UK’s stance on the issue, Goyal said India’s tariffs are in place to protect domestic businesses from non-market economies, and that the trade deal would result in lower tariffs between the two countries.

This comes amid criticism from Trump and threats of reciprocal tariffs that could impact India’s agricultural sector, which traditionally enjoys high duty protection.

India’s tariff regime has been a concern for trade partners, as the country has one of the highest customs duty rates on imports globally.

While the average tariff on goods imported from India into the UK is 4.2 per cent, the average tariff in India on goods imported from the UK is 14.6 per cent. On visas, the minister said immigration has never been part of the deal and that short-term business visas included in trade negotiations are separate from general visa policies.

Market access for whisky

While the UK has asked India to reduce duties on cars, whisky, and other items, India has sought better access for its services sector workforce in the UK. Negotiations on cars and whisky have been contentious, as the Indian industry has been seeking greater access to the UK market. Indian whisky manufacturers have urged the UK to ease its three-year maturation rule, which acts as a barrier, while New Delhi is also seeking duty concessions in the auto sector, particularly in the EV segment. British Trade Secretary Reynolds said that business mobility visas, which deal with short-term work arrangements, are one of the key demands of UK businesses, adding that the trade deal with India is a “top priority.”

Amid talks for an investment treaty, the British High Commission said that Investment Minister Poppy Gustafsson will address investors in Mumbai and Bengaluru. “India has been the second-largest source of FDI into the UK for five consecutive years in terms of the number of projects. In terms of value, the most recent statistics show a 28 per cent year-on-year increase in investment stock at the end of 2023,” the High Commission said.

Bilateral trade between India and the UK increased to $20.36 billion in 2022-23 from $17.5 billion in 2021-22.

Deal with the EU

Meanwhile, nine rounds of talks have happened between India and EU, with the 10th round of negotiations set to take place from March 10-14 in Brussels. In the ninth round, discussions covered a range of issues, including goods, services, investment, government procurement, rules of origin, sanitary and phytosanitary (SPS) measures, and technical trade barriers, the Commerce Ministry had said in a statement last month.

Source: indianexpress.com– Feb 25, 2025

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India, Thailand & South Korea most vulnerable to Trump tariffs: S&P

NEW DELHI: Several Asia-Pacific economies may face higher tariffs under Donald Trump's administration, with India, South Korea and Thailand being the most vulnerable, S&P Global Ratings said on Monday.

The US administration has announced reciprocal tariffs on countries with higher duties.

"Our assessment of the plan's key criteria suggests that several Asia-Pacific economies are vulnerable to tariffs-notably South Korea, Taiwan, India, Japan, Vietnam and Thailand," said Vishrut Rana, senior economist at S&P Global Ratings.

If implemented, these tariff hikes could have the greatest economic impact on Vietnam, Taiwan, Thailand and South Korea due to their economic exposures to the US, he added.

S&P assessed the weighted average tariffs imposed by Asia-Pacific economies on US products, US tariffs on imports from these economies and the difference between the two.

"India and Japan have more domestically oriented economies, which will provide some mitigation from tariffs," noted S&P in the report titled 'Asia-Pacific economies likely to be hit by US trade tariffs'.

The new administration has also announced additional 10% tariffs on Chinese imports and 25% tariffs on steel and aluminium.

China currently holds the largest trade surplus with the US, amounting to $360 billion, according to the report. "India has a moderate trade surplus, is not on the treasury's monitoring list and has a large tariff differential," the report said.

Meanwhile, Vietnam has a large trade surplus with the US, is on the treasury's currency monitoring list and has a minimal tariff gap, it added.

Source: economictimes.com– Feb 24, 2025

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Leader in fibre production, but growth, exports lagging: What ails India's textile industry

India's textile industry is among the largest in the world, spanning a vast value chain from cotton cultivation to high-end apparel manufacturing. However, despite its scale, India lags behind countries like China, Vietnam, and Bangladesh in textile exports, which benefit from vertically integrated supply chains, lower production costs, and simpler regulations.

Despite being a global leader in cotton and synthetic fibre production, India's textile and apparel industry has recorded sluggish growth in recent years. Now, with rising sustainability and compliance requirements, costs are expected to rise further, especially for smaller firms.

Fibre to fabric in India — an overview

After China, India is the second largest producer of cotton, accounting for 24% of global production. Cotton cultivation engages around 60 lakh farmers, mostly across Gujarat, Maharashtra, and Telangana. The entire cotton textile value chain—from processing raw fibre and spinning yarn to weaving fabric, dyeing, and stitching—employs over 4.5 crore people.

While fibre consumption in India tilts heavily towards cotton, the textile industry also consumes other natural fibres like wool and jute. India is also the world's second largest producer of man-made fibres (MMF), with Reliance Industries Ltd leading in polyester fibre and Aditya Birla Group's Grasim Industries Ltd as the only domestic producer of viscose fibre.

Despite being a global leader in production, MMF consumption in India is just 3.1 kg per capita, compared to 12 kg in China and 22.5 kg in North America, according to a Ministry of Textiles note. Overall fibre consumption, including natural fibres and MMF, is also low at 5.5 kg per capita, compared to the global average of 11.2 kg.
Roughly 80% of India's textile value chain is concentrated in MSME clusters, each with its own specialisation. For instance, Bhiwandi in Maharashtra is a key hub for fabric production, Tiruppur in Tamil Nadu leads in t-shirts and undergarments, Surat in Gujarat specialises in polyester and nylon fabric, and Ludhiana in Punjab is known for woolen garments.

Growth, exports in the red

The size of India's textile and apparel industry cannot be understated—it contributes 13% to industrial production, 12% to exports, and roughly 2% to GDP. However, manufacturing in the textile and apparel industry has slightly contracted over the past 10 years, according to the Index of Industrial Production (IIP).

Between 2014-15 (FY15) and FY19, manufacturing in the textile sector, including home textiles, grew by a compounded annual growth rate (CAGR) of 0.4%, while the apparel sector grew by a CAGR of 7.7%.

However, between FY20 and FY24, the textile sector contracted by 1.8% each year and the apparel sector by 8.2%. The economic downturn after the Covid pandemic, caused by a combination of global and domestic headwinds, has taken a severe toll on the MSME clusters, especially in Tamil Nadu.

While India runs a massive trade surplus in textile and apparel, growth in overall exports has been muted over the past few years. In FY24, exports stood at $34.1 billion, just a little over $33.4 billion in FY20. Almost half of the exports in the last financial year were to the United States and the European Union, supplying brands like JCPenney, Gap, and Decathlon.

The labour-intensive garment and apparel sector exported goods worth $14.5 billion in FY24, down from $15.5 billion in FY20. Companies like Shahi Exports Pvt Ltd, Gokaldas Exports Ltd, and PDS Ltd are leading players in this sector.

The cotton textiles sector, which includes home textiles like bedsheets and towels, recorded higher exports in FY24 at $12.3 billion compared to $10.2 billion in FY20. Companies in this space include Welspun Living Ltd and Trident Ltd.

Low export competitiveness

India lags behind China, Vietnam, and Bangladesh in textile exports, largely due to higher production costs. For instance, Vietnam exported apparel worth $40 billion in 2023. These countries benefit from vertically integrated supply chains, allowing them to manufacture garments at far more competitive prices.

One key challenge for India is its fragmented cotton supply chain, spread across multiple states, driving up logistical costs and hindering large-scale production.

“A lack of localisation and the complexity of the value chain, in turn, results in higher costs relative to global competitors. In contrast, vertically integrated ‘fibre-to-fashion’ firms in competitor nations such as China and Vietnam export low-cost products, maintain consistent quality and are nimble enough to adjust to the fast-changing nature of the industry,” the Economic Survey 2024-25 said.

Beyond structural advantages like vertical integration and flexible labour laws, these nations also benefit from free trade agreements (FTAs) with consumer markets.

“Simple and liberal customs procedures further reduce regulatory costs and lend a competitive edge to the exports of global textile competitors such as China and Vietnam. On the other hand, in India textile exporters are constrained by complex procedures, which, for instance, require exporters to meticulously account for every square centimetre of fabric, buttons and zippers used,” it added.

In the MMF sector, high raw material costs further erode India’s competitiveness. With quality control orders (QCOs) restricting imports of polyester and viscose fibres, domestic yarn makers have to rely on significantly pricier local alternatives. In January, polyester fibre in India was 33-36% costlier than in China, while viscose fibre was 14-16% more expensive, according to data from the Confederation of Indian Textile Industry (CITI).

The sustainability angle

“Today, the world is increasingly recognising the importance of a sustainable lifestyle, and the fashion industry is no exception... I firmly believe that the textile industry must embrace the principles of maximising resource efficiency and minimising waste,” Prime Minister Narendra Modi said at the textile trade fair Bharat Tex last week.

Sustainability is set to pose a major challenge for India’s textile industry, as global brands and markets tighten compliance norms. These include higher renewable energy use, water and material recycling, and stricter sourcing and traceability requirements.

"In general, the costs for the textile industry are likely to rise over the coming years. A global structural shift towards sustainable sourcing would drive this. Often, such a shift is necessitated by regulatory changes. The EU, for instance, has as many as 16 pieces of legislation spanning the entire fashion value chain, which came into force between 2021 and 2024. As the EU accounts for nearly 20 per cent of our exports, such a shift poses a challenge for small enterprises who need to shift to environmentally sustainable production methods," the Survey said.

In his speech, Modi highlighted that India's textile recycling market is projected to reach $400 million, while the global recycled textile market is expected to touch $7.5 billion.

"Today, crores of garments become obsolete every month worldwide, with a significant portion falling into the category of 'fast fashion waste'. This refers to clothing discarded simply due to changing fashion trends. These garments are dumped in various parts of the world, posing a severe threat to the environment and ecosystems.

Estimates suggest that fashion waste will reach 148 million tonnes by 2030. Currently, less than a quarter of textile waste is being recycled," he said.

Source: indianexpress.com– Feb 25, 2025

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India may push for more farm, textile exports in trade deal with US

To protect the sectors expected to face the brunt of reciprocal tariffs, India may push for more agricultural and textile exports through the proposed bilateral trade deal with the United States, a senior government official said.

US President Donald Trump, who has on several occasions expressed displeasure over “high” Indian tariffs, plans to “soon” impose reciprocal tariffs on countries such as India and China. While warning of tariffs, a plan for which is in the works, Trump has also talked of a trade deal with India.

"The idea is to protect Indian exports from the impact of tariffs...so basically, the trade deal with the US is the answer and we plan to ensure that the deal is beneficial for us and our interest will be to push for agriculture, textiles, aluminium and steel (exports to the US)," the official told Moneycontrol.

Mission 500

On February 13, during Prime Minister Narendra Modi's trip to the United States, India and the US agreed on a new goal – "Mission 500” – aiming to more than double the bilateral trade to $500 billion by 2030.

The two sides also announced plans to negotiate the first tranche of a mutually beneficial, multi-sector Bilateral Trade Agreement (BTA) by the fall of 2025.

Bilateral merchandise trade between India and the US stood at $82.53 billion as of April-November of the current fiscal year.

While India's agricultural goods exports to the US stood at $6.04 billion in the calendar year 2024, outbound shipments of textiles and clothing were at $10.8 billion.

According to a second government official, India is waiting for the appointment of the US Trade Representative (USTR) and once the American negotiating team is in place, both sides will initiate talks in the next few weeks to decide on the nature of the proposed trade agreement.

“The US and India have agreed to move in the direction of mutually beneficial and fair BTA that takes care of everything, whatever they announce (in terms of reciprocal tariffs). We will have a mutually beneficial trade agreement," the second official said.

Both officials spoke on condition of anonymity as they are not authorised to speak to the media.

The BTA shield

India is hoping BTA would shield Indian exports from US President Donald Trump's “fair and reciprocal plan” trade, which seeks to impose new levies on a country-by-country basis.

While textiles face the highest tariff differentials between India and US, making them vulnerable, Indian farm exports may be hit hardest, with shrimp, dairy, and processed foods facing duties of up to 38.2 percent, think-tank Global Trade Research Initiative (GTRI) said in a note.

The US currently imposes tariffs ranging from 15 percent to 35 percent on Indian labour-intensive exports such as textiles.

"If the US decides to impose separate tariffs, the additional tariff for farm products would be 32.4 percent. Indian farm exports to the US currently face a 5.3 percent tariff, whereas American farm exports to India face a much higher 37.7 percent, creating a 32.4-percent gap," GTRI added.

To be sure, India has already taken steps to enhance market access for US agricultural products like alfalfa hay and duck meat, while America has facilitated measures to increase exports of Indian mangoes and pomegranates.

While initial steps to enhance agricultural trade were taken during the Biden administration, the recent efforts to further expand market access for products like alfalfa hay, duck meat, mangoes, and pomegranates have been made after Trump took office on January 20.

On February 13, both sides also pledged to enhance US exports of industrial goods to India and Indian exports of labour-intensive manufactured products and steps to increase trade in agricultural goods.
"We have our own studies on reciprocal tariffs. We (India) have to be prepared for reciprocal tariffs. Either it is going to make our exports more

competitive or we look at other markets," the first official said, adding the country is hoping that if the US lowers its reliance on steel and aluminium from China, New Delhi may benefit.

"Aluminium, steel exports may be hit due to US reciprocal tariffs. If they (the US) stop importing from China, then our steel will definitely become more competitive," this official said.

According to a Moneycontrol analysis, Trump's plan to impose a 25 percent tariff on all steel and aluminium imports into America could threaten nearly $1 billion worth of Indian exports. The levy kicks in early next month.

While India's steel exports to the US are minor, the aluminium industry faces a bigger threat, as the United States accounts for nearly 12 percent of the country's exports.

India's exports of products of iron, steel and base metals to the US stood at $5.4 billion in 2024.

The US is India's top export destination and its fourth-largest source of imports.

Source: moneycontrol.com– Feb 24, 2025

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