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INTERNATIONAL NEWS

Treasury Secretary Says Trade Deals Imminent—Just Not With China

Treasury Secretary Scott Bessent on Tuesday said the United States is close to closing deals with major trade partners and could announce agreements as soon as this week.

However, the federal official confirmed what Chinese officials have been claiming for weeks: the phone lines between Beijing and Washington have been silent. Despite President Donald Trump's claims to the contrary—that behind-the-scenes talks with President Xi Jinping are advancing a trade deal—Bessent on Tuesday said negotiations with China haven't even begun.

The Treasury Secretary testified before a House oversight subcommittee regarding the White House's budget requests for 2026, saying that the U.S. is currently speaking with 17 different nations that have brought "very good offers" to the table. Those trade negotiations are "proceeding very well," he said, adding, "I would be surprised if we don't have more than 80 or 90 percent of those wrapped up by the end of the year."

"I would think that perhaps as early as this week, we will be announcing trade deals with some of our largest trading partners," he told the subcommittee. "China, we have not engaged in negotiations with as of yet."

Last month, the Treasury Secretary said those discussions, when they do take place, are likely to be a "slog."

Bessent said America's other trading partners have approached the talks in good faith and that he expects to see a "substantial reduction" in the duties and non-tariff barriers erected on either side.

Asked about Bessent's testimony, Trump acquiesced to the fact that he had not yet met with Chinese officials, but said, "They want to negotiate and they want to have a meeting." The president also said inroads have been made with India, noting that the country has agreed to drop tariffs on U.S. goods "to nothing."

Bessent also addressed House lawmakers concerned about an economic downturn, saying, “Nothing in the data shows we’re in a recession.” He pointed to a Friday jobs report that he said “surprised to the upside.”

The Commerce Department last week reported that U.S. GDP decreased at a 0.3-percent annualized rate during Q1, the first contraction reported in three years. Bessent said those numbers were subject to a revision.

April’s jobs report showed that the U.S. economy added 177,000 jobs last month, beating expectations of 138,000—but there were net downward revisions of 58,000 to March and February. During April, the unemployment rate held fast at 4.2 percent, with average hourly earnings growing modestly by 0.2 percent from March.

The retail sector faced disproportionate job losses, slashing more than 64,000 roles during the first four months of 2025—a triple-digit percentage increase from the job cuts announced at the same time last year.

According to analysis by J.P. Morgan, April’s jobs report “underscored the labor market’s resilience in the face of trade policy uncertainties and recent market volatility.” The financial services firm said that although strategists anticipate a slowdown in U.S. economic growth, “they do not see a recession as the base case this year.”

Source: sourcingjournal.com– May 06, 2025

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Copen Bets on Mexico as Trade Tensions Reshape Global Supply Chains

As trade dynamics continue to shift, global political tensions rise and logistical challenges intensify, Copen is repositioning itself to strengthen its support for the U.S.-Mexico-Canada Agreement (USMCA) and Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) regions. At the same time, it is ensuring full compliance with all applicable Customs and Border Protection regulations, including those currently in flux.

The global supplier of pocketing, waistbands and linings has taken a strategic approach to Mexico over the past decade that has supported its continued success and expansion, with the addition of stock products and tactical locations that offer logistical advantages to key production hubs, according to Marc Shevrin, president of the Western Hemisphere at Copen United.

In 2019, 90 percent of Copen's pocketing sales in Mexico were sourced from Asia. By 2024, that figure reversed, with 90 percent of sales coming from regionally produced, USMCA-compliant products—primarily manufactured in Mexico. This shift to local sourcing, ahead of changes to rules of origin, allowed Copen to improve delivery times and offer more competitive pricing, particularly as freight costs for U.S. production rose sharply.

The establishment of Copen Mexico in 2024 also opened opportunities to better serve the domestic Mexican market. While denim remains a core focus, Copen is expanding into the workwear sector, offering alternative products and meeting a broader range of quality standards.

"This move has enabled Copen to compete for business it previously could not access without a local presence," Shevrin said. "Additionally, recent changes to USMCA rules of origin now allow Copen's lining division to target regional opportunities, as suit linings no longer require regional yarn compliance to qualify."

Alongside its existing pocketing operations in Torreón and Puebla, Copen has expanded its footprint in 2025 with the opening of a warehouse and factory in Aguascalientes. This facility supplies waistbands, pre-cut pockets, bindings and other products to the USMCA region.

As part of its broader efforts around sustainability, transparency and traceability, Copen is partnering with forensic and data science company Oritain to strengthen its documentation and origin claims. Oritain's forensic process analyzes isotopes and trace markers on cotton to verify its origin, providing scientifically backed evidence in case of inquiries from authorities, brands or vendors.

While many controls and audits are conducted locally, Copen maintains a strong focus on traceability and transparency. In fact, the global manufacturers' systems are designed to ensure a seamless process and provide customers with the confidence they need should material mapping be required by authorities during importation.

Copen sees the steps taken leading up to 2025 setting itself up for success amid market upheaval.

"We are optimistic that 2025 will be a positive year for Copen in this region. Sales have already improved year over year at this point in 2024. It looks like the trade war will not harm our business; in fact, in many cases, it may make Mexico more appealing for 'nearshoring' in these turbulent times," Shevrin said. "As I always say, even when business may not be up in a region, if you're gaining market share, you can still achieve a very positive result."

Source: sourcingjournal.com– May 07, 2025

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USTR Says 'Unfair' Trade Practices Are Undermining U.S. Apparel and Textiles

The Office of the United States Trade Representative commemorated National Textiles Day on Saturday with a grouse. Well, several grouses, to be more exact. All appeared to lay the ground for why the aggressive tariffs that have set off a trade war with China—and potentially others—have been necessary.

"USTR is calling out the unfair trade practices undercutting the American textiles and apparel sector," the federal agency wrote in a multi-part post on X that repeated the term "unfair" seven times.

Beijing, unsurprisingly, took the brunt of its ire. The office said that the superpower's non-market policies and practices in the textiles and apparel sector provide "unfair competitive advantages" to its domestic manufacturers by "enabling them to charge artificially low prices for their products."

USTR cited the National Council of Textiles Organizations, a trade group that blames the closure of 28 U.S. textile mills over the past 22 months on the so-called de minimis "loophole" that until recently allowed for the duty-free entry of Chinese shipments valued at under $800.

With Shein and Temu alone likely responsible for more than 30 percent of all packages shipped to the United States under the exception, amounting to some 600,000 per day or 210 million a year, China-founded e-tailers are "flooding our market with cheap apparel products while bypassing tariffs and evading trade enforcement mechanisms," the agency said.

But USTR also took aim at a longtime trading partner and ally in the form of the European Union, which President Trump had previously called "very, very bad to us" and had threatened with a 20 percent "reciprocal" tariff in April for not buying more American goods before abruptly announcing a 90-day delay. The EU, which was preparing to hit back with 25 percent taxes on many U.S. goods, also stood down.

What the office was mulling over that weekend, however, were non-tariff barriers such as "onerous" eco-design requirements and "steep" extended producer responsibility fees that it said would "saddle U.S. exporters with burdensome compliance costs." The complaint reflected a plea by

Republican lawmakers for the White House to support the indefinite postponement of the implementation of the corporate sustainability due diligence directive, which is already being kneecapped by a proposed "omnibus package" by the European Commission to "cut red tape" and "simplify EU rules for citizens and business."

The USTR also fired off at India, which it said used a mix of incentives, "unpredictable" import licensing requirements, high tariffs and "opaque" quality control rules to provide its domestic manufacturers with a competitive edge over U.S. textile and apparel manufacturers. It attacked Vietnam for its "aggressive" state-backed industrial policies and cheap workforce, Cambodia for "exploitative" labor conditions that artificially suppressed costs and Bangladesh for "pervasive" rights issues such as "insufficient fines for labor violations, poverty wages, 14-16 hour shifts in unsafe factories and systemic anti-union discrimination." And Peru took a blow for "significant concerns" over freedom of association and collective bargaining.

Many of those grievances seem to run counter to the Trump administration's defunding of U.S. Agency for International Development and Department of Labor programs that worked to address them. The White House has, to date, withheld hundreds of millions of congressionally approved dollars that were earmarked to improve labor rights across the world, prompting a flurry of legal challenges that say it's breaching the law.

In an op-ed published by the American Prospect in March, Katherine Tai and Julie Su, the USTR and Secretary of Labor under Joe Biden, wrote that "this is where the Musk-led cuts reveal the hypocrisy and incompetence of the administration's approach to workers' rights."

Musk would be Elon Musk, the billionaire and putative head of the Department of Government Efficiency, or DOGE, which had pledged to slash $1 trillion from the federal budget, only to fall conspicuously short.

"On the one hand, the Trump administration recognizes wage suppression abroad as a form of unfair competition, but on the other, they've cut the very agency that combats such wage suppression," they said. "The cuts to DOL mean workers in the U.S. and workers abroad are more likely to suffer abuses. American businesses will lack the information they need to make informed decisions about sourcing and investment. American consumers will be more likely to unwittingly purchase products produced under inhumane conditions. American workers will be trapped in a destructive race to the bottom, suppressing wages everywhere."

At a cabinet meeting last week, however, the mood was self-congratulatory.

"We saved $250 million by canceling 'America Last'—is what I call it—foreign handouts," Secretary of Labor Lori Chavez-DeRemer said, claiming, without evidence, that DOGE found indications of fraud. "Including funding for things like transparency and accountability for the Uzbekistan cotton industry."

"Some of these things are so ridiculous you can't believe it," Musk responded. "Uzbek cotton farmers? It sounds like a comedy sketch."
'Hit in the gut'

In a follow-up post on X, which Musk owns, USTR called "Made in America" an economic and national security priority. Trump's trade actions, it said, are "ushering in a reshoring renaissance as companies pledge billions of dollars to expand U.S. manufacturing."

"Reviving apparel production in America is not a pipe dream," it added. "It was not that long ago we were manufacturing 56% of U.S. apparel in America."

Kim Glas, president and CEO of the National Council of Textiles Organizations, praised the USTR, led by Ambassador Jamieson Greer for "highlighting the challenges the U.S. industry has faced against unfair trade practices by China and other Asian countries," which she said have utilized "any means at their disposal" to get a leg up on U.S. and global manufacturers. She praised, in particular, the removal of the de minimis exception for Chinese shipments that has already upended e-commerce.

"For decades, China's predatory trade practices have allowed it to dominate the global textile markets," Glas said. "Companies operating in these markets take advantage of non-market, predatory trade practices that include subsidized production, dumped exports, intellectual property theft, and in some cases purposely undervalued currencies, abhorrent labor abuses, and the use of unsustainable environmental practices. For the most part, certain Asian markets remain largely unopened to U.S. textile exports, allowing their manufacturers the luxury of operating behind closed domestic markets."

But Steve Lamar, president and CEO of the American Apparel & Footwear Association, which represents boldface names such as Adidas, H&M Group, Gap Inc. and J.Crew Group, along with Shein, said that Trump's trade machinations are misguided.

"While it's true that only around 3 percent of apparel is manufactured in the U.S., that figure doesn't tell the full story," he said. "Today, the U.S. apparel, footwear and accessories industry directly employs 3.5 million American workers in design, research, marketing, distribution, retail, sales and manufacturing. These American workers push our industry and our country forward. What's missing from the conversation is why production won't move back to the U.S. at scale overnight: a lack of domestic infrastructure, vocational training, workers, materials and investment."

"Made in the U.S.A." businesses could end up getting hurt, too, if they're "being hit in the gut" by rising tariffs, soaring input costs, shrinking export markets and declining consumer spending as a result of the trade turmoil, Lamar said.

"We support the goal of encouraging strong jobs in the American apparel and footwear industry, but tariffs are not the solution. Not for our 3.5 million American workers. And not for our U.S. manufacturers," he said. "Call it a pipe dream, but we hope policymakers will protect the 3 percent of U.S. manufacturing that remains and take educated steps to reverse course so we can avoid shrinking it further."

Eric Henry is the president of TS Designs, a "dirt to shirt" manufacturer in North Carolina that relies solely on domestic suppliers. He's seen one mill after another shutter, forcing him to rejigger his supply chain over the years.. It used to be possible to make a T-shirt within one county. Now, production has to criss-cross several states.

"Bringing apparel manufacturing back to the U.S. is a good idea, but that just takes time. You don't just snap your fingers and boom, it happens," he said. "Tariffs, if they're done surgically to address a particular issue or problem, can be helpful. But when they're broad stroke, like they are now, it just causes chaos and disruption."

Source: sourcingjournal.com– May 06, 2025

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Vietnam-to-US Exports, Freight Rates Soar on Tariff Drama

Vietnam's exports to the U.S. skyrocketed in April as President Donald Trump's tariffs began reshaping trans-Pacific trade patterns—all while more Chinese exports flow into the southeast Asian country.

Shipments to the U.S. jumped 34 percent year over year to $12 billion in the first month of the new duties, which initially were country-specific "reciprocal" tariffs before the Trump administration pushed them back 90 days.

These exports mark a 1.5 percent increase from the $11.8 billion shipped over the Pacific Ocean in March, and represent the largest value recorded after the Covid-19 pandemic, according to Vietnam customs data.

The push out of Vietnam comes ahead of the all-important reciprocal tariff deadline as companies look to bring inventory into the U.S. If a new deal isn't negotiated by mid-July, the 10-percent baseline duty currently slapped on all Vietnamese goods will expand to 46 percent. The country was among one of the hardest hit by the initial "Liberation Day" tariffs enacted on April 3.

Vietnam is a sourcing and manufacturing hub for many major footwear and apparel companies that sell in the U.S., including Nike, Adidas, Lululemon, Tapestry and On among others. Even Shein, known for its sprawling warehouses throughout China, has been reported to explore a possible supplier shift to Vietnam ahead of the tariffs.

The country generated $44 billion in apparel export revenue throughout 2024, according to the Vietnam Textile and Apparel Association. The association has claimed this positions Vietnam ahead of Bangladesh as the second-largest global garment exporter.

Aside from the tariff-driven inventory barrage, the increase also comes as Vietnam is importing more goods from China, which grew nearly 31 percent during the month to $15 billion.

A portion of Vietnam's rising exports is alleged to be Chinese goods or materials that were rerouted to circumvent higher tariff rates. The U.S. slapped a 145-percent tariff on most Chinese imports in April, effectively stonewalling a large swath of goods at Chinese ports and leading to a collapse in import bookings out of the country.

Washington has openly accused Chinese companies of using Vietnam as a transshipment hub to skirt the duties. As a result, Vietnam's trade ministry issued a directive to crack down on the illegal transshipment of goods to the U.S., although the order did not list China or any other countries by name.

Stricter procedures are to be implemented to inspect factories and supervise the release of "Made in Vietnam" labels, "especially for enterprises with a sudden increase in the number of applications for certificates of origin," the document read by Reuters said.

The flood of product out of Vietnam has spurred on more activity at Cai Mep Port, which hosts most U.S.-bound container ships in the country.

Soren Pedersen, vice president at terminal operator SSA Marine, told Reuters 26 container ships at the port were booked for weekly departures to the U.S. in May, "a record high" from an average of 20 to 22.

"Most container terminals are now operating at or near full capacity," Pedersen said.

The U.S. ran a $123.5 billion trade deficit with Vietnam last year, the third-highest after China and Mexico, according to the U.S. Trade Representative. A stated goal of U.S. Trade Representative Jamieson Greer has been to "improve the trade balance" between both countries as part of the ongoing tariff negotiations.

Rates on Vietnam-to-U.S. trade lane see tariff-driven spike

Vietnam's onslaught of cargo entering the U.S. throughout April coincided with an uptick in freight rates on the trade lane.

According to data from air and ocean freight benchmarking platform Xeneta, average spot rates for container shipping from Vietnam to the U.S. West Coast surpassed those out of China throughout the month.

Those rates jumped 17 percent from March 16 to April 25, up to $2,774 per 40-foot container, according to Xeneta data. Containers out of China, feeling fewer demand than their Vietnamese counterparts, were $2,457, marking a 10-percent increase for the month.

“Seeing the relationship between these two trades turn on its head is an early indication of the potential for tariffs to shift global trade on its axis,” said Peter Sand, chief analyst at Xeneta, in a statement. “There is a similar story when comparing freight rates into the U.S. West Coast from China and the Southeast Asia region. As shippers stopped or slowed exports from China due to the tariffs, they have accelerated exports from Southeast Asia countries, which has caused the spread in freight rates on these trades to widen.”

Vietnam sought to take advantage of this changing of the guard ahead of the tariffs, with state-owned container shipping line Vietnam Maritime Corp. establishing a goal in January to expand its fleet by 20 percent annually over the next five years. The liner has a fleet of 49 ships.

The Hanoi-based company expects to expand expected annual revenue of $800 million in 2025 all the way to $3 billion within 10 years.

Source: sourcingjournal.com– May 07, 2025

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Vietnam: Textile and garment sectors boost exports

HANOI: Vietnam's textile and garment industry is pressing forward with steady growth and enhanced positioning in the global supply chain, thanks to timely strategies in response to ongoing international challenges.

As of April 15, Vietnam's total textile and garment exports reached US$1.8bil, representing an 8.7% increase compared to the same period in 2024.

Recent statistics from the General Department of Customs showed encouraging growth across key export markets.

The US remains Vietnam's largest customer, with market share climbing from 36.3% to 38%, followed by gains in the European Union, from 9.1% to 9.4%, and Japan, from 10.8% to 11%.

This growth is viewed as a positive signal, especially amid unpredictable market conditions and declining global consumer demand, impacts by the United States' reciprocal tax policy.

Challenges surfaced in early April when the United States announced a temporary 10% tariff on Vietnamese textile and garment imports, causing disruption in orders and uncertainty across the sector.

The 90-day delay in imposing tariffs on import goods is being viewed as a good time for enterprises to accelerate production and exports.

Industry experts anticipate the latter half of 2025 to be particularly difficult, marked by unpredictable demand and ongoing trade tensions.

In response, many businesses have begun formulating contingency plans while closely monitoring negotiations between Vietnam and the United States over tariffs.

Vietnam's garment companies are pursuing diversification strategies, expanding into new markets, strengthening domestic sales and improving raw material management.

They are also investing in services, workforce training and retail operations to enhance overall resilience.

Garment 10 Corp, reported 1.25 trillion dong (US$48mil) in revenue during the first quarter, a 12% increase year-on-year. Hung Yen Garment Corp (Hugaco) recorded a 10% revenue increase and confirmed sufficient orders through the end of July, with negotiations ongoing for the remainder of the year.

Hugaco chairman Nguyen Xuan Duong warned, though, that unequal tax policies among competing textile-exporting nations could erode Vietnam's competitiveness, shifting orders to countries with lower costs.

According to the Vietnam National Textile and Garment Group (Vinatex), the 90-day suspension period for US tariffs presents a crucial opportunity for Vietnam's manufacturers to ramp up production and exports. Although garment orders remain relatively stable, upstream segments such as the yarn industry have started to experience strain, with some companies halting operations due to supply chain bottlenecks.

This underscores the need for a more integrated and self-reliant industry framework. The chairman of the Vietnam Textile and Apparel Association (Vitas), Vu Duc Giang, emphasised the importance of market agility.

With 22 new-generation free trade agreements either active or pending, Vietnamese companies are well-positioned to diversify both clientele and product lines. This is a highly critical factor in reaching the sector's US$48bil export target for the year.

Vinatex chairman, Le Tien Truong, said: "Companies should maximise productivity in the second quarter by extending regulated overtime, reorganising production lines and securing reserves to weather the uncertainties in the latter half of 2025."

He highlighted the necessity of meeting current orders efficiently to demonstrate reliability and build credibility with international clients.

Truong also emphasised transparency in sourcing and compliance with anti-fraud regulations. Vinatex is actively encouraging internal material sourcing, market-by-market risk assessments and broader efforts to diversify products and partners to mitigate market dependencies.

Source: thestar.com.my– May 07, 2025

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ESG backlash and the future of sustainability in textiles, apparel, and fashion

Julia Vol’s LinkedIn post, echoing the Financial Times headline ‘ESG fund outflow hit record as sustainable investing backlash grows’, strikes a raw nerve in the discourse surrounding sustainable investing. Her assertion in the article that ESG, in its current form, has faltered in delivering financial promises, along with the image of Donald Trump – a figure often associated with anti-‘woke’ sentiment – suggests a complex interplay of economic realities and political ideologies impacting the sustainability agenda.

For the textile, apparel, and fashion industries, long under scrutiny for their environmental and social impact, this shift creates both challenges and opportunities for a more pragmatic and effective approach to long-term sustainability.

Vol's argument, supported by the observation of capital flight from both European and Asian ESG funds, challenges the notion that sustainability is an unwavering priority for investors when it clashes with financial returns.

The initial outperformance of ESG funds, she says, stemmed from easily achievable gains and marketing ploys, which have since plateaued. This resonates within the fashion industry, where early sustainable initiatives often focused on material swaps or small-scale ethical collections that, while commendable, did not fundamentally alter the industry's linear, resource-intensive model.

Consumer behavior as highlighted by Vol – the preference for cheaper, often less sustainable options from retailers like Temu and Shein – underscores a critical hurdle for the industry.

Despite growing consumer awareness of environmental and social issues, price often remains the dominant factor in purchasing decisions. This creates a tension for brands attempting to implement more sustainable practices, which often translate to higher production costs and, consequently, potentially higher retail prices.

The price of principle

Several examples within the textile and apparel sector illustrate this challenge. Organic cotton, often touted as a more sustainable alternative to conventional cotton, typically carries a higher price tag due to lower yields and different farming practices. A study by the Textile Exchange found that while organic cotton production has increased, its market share remains relatively small compared to conventional cotton. This suggests that while some consumers are willing to pay a premium for organic options, the majority still opt for more affordable alternatives.

Similarly, brands committed to fair labor practices often face higher manufacturing costs compared to those utilizing factories with lower wages and less stringent working conditions.

The Rana Plaza factory collapse in Bangladesh in 2013 highlighted the human cost of the industry's relentless pursuit of low prices. While this tragedy spurred some brands to improve their supply chain transparency and implement stricter social audits, the pressure to offer competitive prices remains intense.

Navigating the shifting landscape

Industry experts acknowledge the complexities highlighted by Vol. As Orsola de Castro, Co-founder, Fashion Revolution said in an interview, "The disconnect between consumer values and purchasing behavior is a significant obstacle. While people express concern about the environment and labor rights, translating that into consistent purchasing decisions is a challenge, especially when faced with cheaper alternatives."

Also, the focus on ESG ratings, as criticized by Vol, has led to instances of "greenwashing" within the fashion industry. Brands may highlight minor sustainable initiatives in their marketing without making fundamental changes to their core business model.

This can erode consumer trust and fuel skepticism towards ESG claims. A report by the Changing Markets Foundation found that many fast fashion brands continue to heavily rely on virgin fossil fuels for their materials, despite marketing campaigns emphasizing sustainability.

A shift towards tangible impact in fashion

However, the narrative is not entirely bleak. As Vol suggests, the focus may be shifting towards ‘impact investing’ that is targeted, tangible, and outcome-driven initiatives. In the fashion industry, this could translate to greater investment in innovative materials like recycled textiles, bio-based fibers, and circular business models such as rental and resale platforms.

Companies like Patagonia, for instance, have long integrated sustainability into their core business strategy, focusing on product durability, repair services, and material innovation. Their commitment goes beyond mere reporting and translates into tangible actions aimed at reducing their environmental footprint and promoting a more circular economy. Their consistent brand loyalty and financial success demonstrate that a genuine commitment to sustainability can be a driver of long-term value.

Similarly, the growth of the pre-owned fashion market, lead by platforms like ThredUp and Vestiaire Collective, indicates a growing consumer appetite for more sustainable consumption models. This shift is driven by both environmental concerns and the desire for unique and affordable items.

Setting the stage for accountability

Vol rightly points out it is the role of regulators to "prop up businesses for 'doing the right thing.'" In the fashion industry, stricter regulations regarding environmental impact, waste management, and labor practices are crucial to level the playing field and incentivize genuine sustainability efforts.

The European Union's Strategy for Sustainable and Circular Textiles, for example, aims to establish stricter requirements for textile products, promote eco-design, and boost textile reuse and recycling.

The backlash against traditional ESG investing, as highlighted by Julia Vol serves as a critical inflection point for the textile, apparel, and fashion industries. While the allure of easy financial gains from superficial sustainability efforts may be waning, the fundamental need for a more responsible and resilient industry remains.

The future of sustainability in fashion lies not in chasing fleeting ESG ratings but in embracing tangible impact through innovation, circular business models, and transparent supply chains. While consumer price sensitivity remains a challenge, stricter regulations and a growing demand for truly sustainable alternatives can help weave a new fabric for the industry – one that prioritizes long-term value creation over short-term financial optics.

The unraveling of the current ESG narrative may ultimately pave the way for a more authentic and impactful approach to sustainability, where environmental and social responsibility are not just checkboxes but integral threads in the industry's very design.

Source: fashionatingworld.com– May 07, 2025

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Bangladesh: Export proceeds of $7.6m stuck in Russia: BKMEA

Export proceeds amounting to around $7.6 million owed to 14 Bangladeshi exporters have been stuck in Russia for at least one year as Russian importers are facing a US dollar shortage, according to Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

"If the government could pay the exporters by utilising the debt repayments owed to Russia for the Rooppur Nuclear Power Plant, it would provide relief to the exporters," he said at the unveiling of his electoral manifesto yesterday.

The dues have been stuck due to severe US sanctions, which have severely restricted Russia's ability to use US dollars for global transactions, he added.

Hatem also alleged that the existing tax regime in Bangladesh remains complex and unfriendly for businesses and investors.

Speaking at the Pan Pacific Sonargaon hotel in Dhaka, Hatem said exporters, particularly in the knitwear sector, face significant challenges as the advance income tax (AIT) system lacks proper adjustment mechanisms.

"Although the official corporate tax rate for our sector is 12 percent, in reality, the burden is much higher due to various complications," he added.

Despite the hurdles, Hatem expressed optimism about reform, stating that the newly appointed chairman of the National Board of Revenue (NBR) has shown a positive attitude towards easing regulatory obstacles.

"He is willing to listen to the problems faced by businesses. We are hopeful that changes will follow."

Hatem criticised the current state of the banking sector, calling it a key impediment to the country's export operations.

"The issues in the banking sector are severely hampering our ability to export. There needs to be a major overhaul," he said.

Hatem, who will be contesting the upcoming BKMEA elections as the presidential candidate from the Progressive Knit Alliance, pledged continued support for legitimate demands from workers.

"We stand beside the workers and will continue to support rational demands," he said.

Hatem emphasised the need for a competitive election environment, stating that his panel would have preferred a contested race over a mutual consensus. Yet, due to widespread support from members, only three candidates are running against his 35-member panel.

"The members have always appreciated our support during crises, which is why no one showed much interest in running against us," he added.

The BKMEA election for the 2025–27 term is scheduled for Saturday. A total of 582 voters are eligible to cast their ballots, including 272 from Dhaka, 224 from Narayanganj, and 76 from Chattogram.

Unveiling a 15-point manifesto, Hatem and the Progressive Knit Alliance laid out a reform-focused roadmap aimed at improving the country's knitwear business climate.

Chief among their pledges is working closely with the NBR to simplify tax laws, eliminate customs bottlenecks, and introduce transparent, accountable policies that encourage investment.

The manifesto calls for the simplification of HS codes, streamlining import-export procedures – including free-of-cost shipments – and resolving complications in the bonded and non-bonded supply chains.

The panel also pledged to push for licensing support to help non-bonded factories begin exports.

Addressing VAT issues, the alliance criticised the harassment of export-oriented businesses despite statutory exemptions and called for eliminating barriers that hinder transportation and raise costs.

In response to current liquidity challenges, the manifesto promises coordinated discussions with the Bangladesh Bank and relevant ministries to fix structural flaws in the banking sector, which exporters say is severely limiting trade.

Furthermore, the panel committed to restoring yarn imports via land ports to reduce lead times, ensuring uninterrupted gas supply to industries, and promoting high-value apparel production to strengthen Bangladesh's position in global markets.

They also proposed stricter measures – including blacklisting – against unethical buyers who cancel orders or delay payments after goods are shipped.

Additional pledges include extending support for ensuring access to finance for small and medium enterprises, contributing to policy formulation on labour and sustainability, and constructing a permanent BKMEA office in Dhaka.

Source: thedailystar.net– May 08, 2025

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NATIONAL NEWS

Prime Minister Modi invites PM Starmer to visit India

Prime Minister Shri Narendra Modi and Prime Minister of the United Kingdom H.E. Sir Keir Starmer had a telephone conversation today. The two leaders welcomed the successful conclusion of an ambitious and mutually beneficial India–UK Free Trade Agreement along with the Double Contribution Convention.

The Leaders described it a historic milestone in the bilateral Comprehensive Strategic Partnership that would foster trade, investment, innovation and job creation in both the economies. Both agreed that the landmark agreements between the two big and open market economies of the world will open new opportunities for businesses, strengthen economic linkages, and deepen people-to-people ties.

PM Starmer said that strengthening alliances and reducing trade barriers with economies around the world is part of their Plan for Change to deliver a stronger and more secure economy.

The two leaders agreed that expanding economic and commercial ties between India and the UK remain a cornerstone of the increasingly robust and multifaceted partnership. The conclusion of a balanced, equitable and ambitious FTA, covering trade in goods and services, is expected to significantly enhance bilateral trade, generate new avenues for employment, raise living standards, and improve the overall well-being of citizens in both countries.

It will also unlock new potential for the two nations to jointly develop products and services for global markets. This agreement cements the strong foundations of the India-UK Comprehensive Strategic Partnership, and paves the way for a new era of collaboration and prosperity.

Prime Minister Modi invited Prime Minister Starmer to visit India. The leaders agreed to remain in touch.

Source: pib.gov.in– May 06, 2025

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A historic and ambitious deal to boost jobs, exports and national growth.

Hon'ble Prime Minister of India Shri Narendra Modi and Hon'ble Prime Minister of the United Kingdom Sir Keir Starmer have announced the successful conclusion of a mutually beneficial India – UK Free Trade Agreement (FTA). This forward-looking Agreement is aligned with India's vision of Viksit Bharat 2047 and complements the growth aspirations of both the countries.

The engagement builds upon the discussions held between the two Prime Ministers on the sidelines of the G-20 Summit in Rio de Janeiro, Brazil, in November 2024. Following the meeting between the two Prime Ministers, intense FTA negotiations resumed in February 2025 marked by several engagements between the Commerce and Industry Minister Shri Piyush Goyal and the U.K. Secretary of State Mr. Jonathan Reynolds and their teams.

Prime Minister Shri Narendra Modi stated in his social media post on X (formerly twitter) "In a historic milestone, India and the UK have successfully concluded an ambitious and mutually beneficial Free Trade Agreement, along with a Double Contribution Convention. These landmark agreements will further deepen our Comprehensive Strategic Partnership, and catalyse trade, investment, growth, job creation, and innovation in both our economies."

The Union Minister for Commerce and Industry Shri Piyush Goyal thanked the Prime Minister for his guidance and encouragement which made the trade deal possible, and under whose visionary leadership India is looked upon as "Vishwa Mitra – Trusted Partner" of the world.

Mr. Goyal stated "This Agreement sets a new benchmark for equitable and ambitious trade between two large economies. It will benefit Indian farmers, fishermen, workers, MSMEs, startups and innovators. It brings us closer to our goal of becoming a global economic powerhouse.

This FTA is not only about goods and services, but also about people, possibilities and prosperity. It protects our core interests while opening doors to India's greater participation in global value chains".

The Commerce Secretary Shri Sunil Barthwal emphasised that this FTA is a game changer and will set India further on the path of rapid economic growth and benefit India's global integration. This is the most comprehensive free trade deal ever entered into by India and will be the gold standard for our future engagements.

The FTA takes place in the backdrop of growing economic relations between India and the UK as exemplified in the bilateral trade of about USD 60 billion which is projected to double by 2030.

This comprehensive and forward-looking agreement is the culmination of intense negotiations aimed at deepening trade and investment ties across a range of sectors, including goods, services and technology. It is designed to promote sustainable and inclusive economic growth, ensure resilient supply chains and generate high-quality employment in India.

In an unprecedented achievement, India has secured an exemption for Indian workers who are temporarily in the UK and their employers from paying social security contributions in the UK for a period of three years under the Double Contribution Convention. This will make Indian service providers significantly more competitive in the UK.

Key Highlights of the India-UK FTA:

- The FTA with the UK is a modern, comprehensive and landmark agreement which seeks to achieve deep economic integration along with trade liberalisation and tariff concessions.
- The FTA ensures comprehensive market access for goods, across all sectors, covering all of India's export interests. India will gain from tariff elimination on about 99% of the tariff lines covering almost 100% of the trade value offering huge opportunities for increase in the bilateral trade between India and the UK.
- The FTA provides positive impact on manufacturing across labour and technology intensive sectors and opens up export opportunities for sectors such as textiles, marine products, leather, footwear, sports goods and toys, gems and jewellery and other important sectors such as engineering goods, auto parts and engines and organic chemicals. This will substantially improve Indian goods competitiveness in the UK vis-a-vis other countries.
- The FTA will have significant positive gains for employment in India.

- India will benefit from one of the most ambitious FTA commitment from the UK in Services such as IT/ITeS, financial services, professional services, other business services and educational services, opening up new opportunities and jobs.
- The FTA eases mobility for professionals including Contractual Service Suppliers; Business Visitors; Investors; Intra-Corporate Transferees; partners and dependent children of Intra-Corporate Transferees with right to work; and Independent Professionals like yoga instructors, musicians and chefs.
- Immense opportunities for talented and skilled Indian youth will open up in the UK which is a major global centre for digitally delivered services due to its strong financial and professional services sectors and advanced digital infrastructure.
- India has secured significant commitments on digitally delivered services for Indian service suppliers, specially in professional services such as architecture and engineering, computer related services and telecommunication services.
- The exemption for Indian workers who are temporarily in the UK and their employers from paying social security contributions in the UK for a period of three years under the Double Contribution Convention will lead to significant financial gains for the Indian service providers and enhance their competitiveness in the UK market that would create new job opportunities as well as benefit large number of Indians working in the UK.
- India has ensured that non-tariff barriers are suitably addressed to ensure free flow of goods and services and that they do not create unjustified restrictions to India's exports.
- The FTA seeks to promote good regulatory practices and enhance transparency that are in sync with India's own focus on domestic reforms to enhance the ease of doing business.

As two leading democracies and global innovation hubs, India and the UK reaffirm their commitment to strengthening economic cooperation and working together to address global challenges. The India – UK FTA sets a new benchmark for fair, ambitious, and modern trade agreements worldwide.

Source: pib.gov.in– May 06, 2025

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India-UK FTA boosts textile sector, shares surge by 5-12%

Mumbai: Shares of textile companies and garment makers surged Wednesday on expectations the bilateral trade deal with the UK will help expand the shelf presence of Indian brands in British retail outlets that currently source significantly more from low-cost producers such as Bangladesh.

The landmark Free Trade Agreement (FTA) eliminates existing tariffs on textile trade between the two countries. As per an Elara Capital report, textiles and apparel trade is at $1.42 billion, with India exporting nearly the entire quantum.

Shares of Welspun Living were the top gainer on BSE, up 12%, followed by Gokaldas Exports, Indo Count Industries, KPR Mill and Vardhman Textiles up 4.7% to 11.7% at close. The BSE 500 index was up 0.5% on Wednesday.

"The India-UK FTA removes 8-12% tariffs on Indian textiles, making exports to the UK cheaper and more competitive," said T Manish, research analyst at Samco Securities. "This gives Indian exporters a clear cost advantage over rivals such as Bangladesh and Vietnam, potentially boosting margins or enabling price cuts to gain market share."

Manish said the UK is India's third-largest textile export market, and the agreement offers meaningful room for growth of Indian textile companies. Manish said he prefers Gokaldas Exports, Kitex Garments and KPR Mill in this sector, and sees 20% upside in these stocks.

Shares of textile companies have had a mixed performance this year, with Welspun Living down 17%, Vardhman Textiles down 2%, Gokaldas Exports and KPR Mill up 6% and 19%, respectively, in the past six months.

The BSE 500 index is down 3.3% in this period.

Analysts at Elara Capital said the FTA is a strong catalyst for Indian textile exporters, as the removal of import duties would improve price competitiveness and drive volume growth, in a note to clients.

Source: economictimes.com– May 08, 2025

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India-US trade pact: Relaxed rules of origin may help Indian exporters gain China's share

The United Kingdom and India on Tuesday announced the conclusion of a landmark Free Trade Agreement (FTA) aimed at deepening economic ties. This FTA is the most comprehensive trade deal India has ever entered. A key outcome is tariff elimination on 99 per cent of Indian exports to the UK, covering nearly 100 per cent of India's export value.

This move opens massive opportunities for India's labour-intensive sectors—notably textiles and apparel—by removing duties that were previously as high as 12-16 per cent on these goods. In turn, India will slash tariffs on 90 per cent of British products (with 85 per cent of tariff lines becoming duty-free within 10 years), which includes reducing or eliminating duties on textiles, clothing, and related inputs.

Why focus on textiles and apparel?

This sector is economically crucial for both nations. In India, textiles and garments are the second-largest employer after agriculture, providing over 45 million jobs and contributing significantly to export earnings. The UK, on the other hand, is one of the world's largest import markets for apparel (about $19-20 billion annually) and British retailers' source heavily from India.

The FTA's provisions—from tariff cuts to improved market access and streamlined regulations—are set to reshape the bilateral trade in textiles and apparel. Below, we analyse the expected impacts, projections for the next 5+ years, segment-wise outcomes, key players, and strategic steps for businesses to capitalise on the FTA.

Tariff changes under the FTA for textiles & apparel

Under the UK-India FTA, all UK import duties on Indian textiles and apparel—previously up to 12 per cent for garments and 16 per cent for some footwear and carpets—will be eliminated immediately, enhancing Indian exporters' competitiveness. In return, India will gradually reduce its 10-20 per cent import duties on UK-origin textiles and apparel, enabling easier access for UK-made fabrics, technical textiles, and high-end garments.

The agreement also includes mutual recognition of standards and streamlined customs procedures, minimising non-tariff barriers. These measures will lower compliance costs and reduce delivery delays, especially benefiting SMEs in the fashion sector. The result is near free trade in textiles between the two countries, subject to rules-of-origin compliance.

Impact on Indian textiles & apparel exports to the UK

The UK-India FTA is set to significantly boost India's textile and apparel exports to the UK by eliminating tariffs that previously reached up to 12 per cent. This levels the playing field against duty-free competitors like Bangladesh, helping Indian products become more price competitive. In 2023, India's exports to the UK stood at $1.2 billion (~6 per cent market share), with apparel shipments already rising ~20 per cent year-on-year by late 2024.

Industry experts forecast a surge in UK orders for Indian garments, home linens, and made ups over the next 1-2 years. AEPC Chairman Sudhir Sekhri called the deal a "game changer," predicting stronger buyer-supplier ties with UK brands. Overall, India's enhanced price competitiveness and long-term market access are expected to accelerate its market share growth in the UK.

Click here for more details

Source: fibre2fashion.com– May 07, 2025

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India shifts yarn exports to Bangladesh from land to sea

India's yarn exports to Bangladesh have found a new route—by sea—after a ban on land-based shipments. The government of Bangladesh, led by Mohammad Yunus, prohibited yarn imports from India via land routes adjoining the Indian state of West Bengal. However, the Bangladeshi textile industry turned to sea routes to maintain yarn supply from its neighbouring country, as it struggled to find an alternative sourcing nation.

Bangladesh has solidified its position as a leading global garment exporter, but it remains heavily dependent on India and China for yarn and fabric supplies. India is the largest yarn supplier to the Bangladeshi market. However, the regime change in Bangladesh and the new government's unfriendly stance have strained trade relations since the second half of last year.

In August 2024, the Bangladesh market became risky for Indian spinning mills, which were uncertain about receiving payments for their supplies. Consequently, they reduced yarn exports as a precaution. While this slowed exports, India remained the most prominent supplier. The land border between the two nations had been vital, offering convenience and enabling shipments within just 3–4 days.

A trader from the Panipat market said that no other country can supply yarn to Bangladesh within such a short timeframe. Shipment costs were also lower via land routes. Another industry source noted that several major yarn producers had established warehouses in Kolkata to facilitate faster exports to Bangladeshi buyers.

Last month, the Bangladeshi government imposed a ban on yarn imports through five land check posts along the India–Bangladesh border, arguing that cheaper Indian yarn was hurting its domestic textile industry. However, the garment sector opposed the move, claiming it would raise production costs and weaken competitiveness in global export markets.

Purusottam Parmanandka, joint managing director of Tiruppur-based Kesharinandan Knit Fabrics Pvt Ltd, told Fibre2Fashion, "Indian exporters and spinning mills are now shipping yarn through Chittagong port in Bangladesh. Although the sea route has increased freight costs and delivery time, it is currently the only feasible alternative. Exporters are being cautious, as Bangladeshi importers are facing challenges in making payments."

A yarn trader from Delhi added that slow exports to Bangladesh have also contributed to subdued domestic demand. The large capacity of India's spinning industry cannot be absorbed by the domestic market alone. Reduced shipments to Bangladesh have created a bearish tone in the market, although yarn exports to the neighbouring country have not stopped altogether.

Another market source in Panipat confirmed that Bangladeshi importers are still receiving yarn via sea routes, although transportation now takes 7–10 days. Bangladesh also imports recycled yarn from the Panipat region for use in its home furnishing and garment industries.

Source: fibre2fashion.com– May 07, 2025

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India–UK FTA: Textile & apparel industry expects major gains

Indian textile and garment companies, along with industry organisations, have high expectations from the proposed Free Trade Agreement (FTA). Unlike FTAs with other countries, this trade deal is expected to boost India's penetration in the UK market. Company heads and industry leaders have expressed confidence that the agreement will help them expand their businesses at a time when the sector is grappling with uncertainty due to the US' reciprocal tariffs and consistently weak demand from export markets.

Dr S K Sundararaman, chairman, The Southern India Mills' Association (SIMA), lauded the Union Government for concluding the historic trade agreement with the UK. He stated that the deal provides a much-needed relief to the Indian textile industry, which is currently struggling with the slowdown in US exports caused by steep and uncertain tariff hikes. He noted that home textile exports—especially kitchen linen from clusters such as Karur—have been at a disadvantage due to tariffs when compared with countries like Pakistan. He expressed optimism that the sector could now double its exports to the UK.

He further added that with the UK being the second-largest market for ready-made garments, zero-duty access will drive substantial investments across the textile value chain. This will bolster the success of initiatives such as the seven PM MITRA Parks, the PLI scheme, the National Technical Textiles Mission (NTTM), and various State and Central Government textile-related schemes. Dr Sundararaman stated that India would be able to utilise 20 to 30 per cent of its surplus production capacity across the value chain and capitalise on the export opportunities created by the India-UK FTA in a short span of time.

Santosh Katariya, president of the Clothing Manufacturers Association of India (CMAI), said, "UK is one of the most lucrative and growing markets for Indian textile and apparel exporters. Post the latest US tariff announcement, there was a strong need to diversify textile exports and with this FTA agreement, India's knitted and woven apparel can now gain substantial foothold in the UK market. By emphasising on sustainability, quality and digital marketing, not only our exports but Indian brands will also get an opportunity to stand out with reduced prices for UK consumers."

R Sabhari Girish, chief sustainability officer, Sulochana Cotton Spinning Mills, commented, “India-UK FTA would benefit apparel manufacturers extensively. Unlike any other destinations like Japan or Australia where we have FTA benefits and could not make much use of it, with UK we have previous track of business with major high street retailers. India being a country which has indigenous raw materials will have an advantage over its peers, where most of them depend on another country for the raw materials.”

“I strongly believe business with brands like Primark, Next, M&S, Tesco, Sainsbury's will grow in multifold. We were losing the business to our competitors with a thin margin. Even after considering the earlier GSP benefits, we will be able to get at least 9 per cent benefits from pre-FTA tariffs, which is really huge. This would create a level playing field for India to compete with the nation's which are already enjoying the zero-duty status. India-UK FTA would benefit both the countries and would be a permanent agreement unlike a concession being given as a developing nation. We can expect the business to double, especially in clothing from India within next year,” Girish added.

Ashok Kumar Malhotra, mission director of the National Technical Textiles Mission (NTTM), said, “The proposed FTA between India and the United Kingdom is expected to open new avenues for the Indian textile industry, with particular benefits for the technical textiles sector. Several high-potential segments stand to gain from improved market access, reduced tariffs, and increased collaboration opportunities.”

Dr. Oliver Prill, CEO, Tide stated, “We warmly welcome the new trade agreement between the UK and India, which is a major step forward for businesses and entrepreneurs. As a UK fintech with a growing presence in India, we work daily to support the dynamism and potential of this market. India is going from strength to strength as a powerhouse of innovation and entrepreneurship. Building on deep cultural ties, this agreement opens new doors for SMEs in both nations to expand, collaborate, and access fresh markets. With over one million members across the UK and India, we’re entirely committed to helping small businesses make the most of this milestone.”

Source: fibre2fashion.com– May 08, 2025

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Indian cotton yarn industry projected to achieve revenue growth of 7-9 per cent this fiscal, says report

Compared to the modest 2–4 per cent increase seen last year, the cotton yarn sector in India is expected to reach a revenue rise of 7–9 per cent this fiscal year.

A recovery in export demand and steady domestic spending will be the primary drivers of this development, according to rating firm Crisil Ratings. A report the agency released on Monday, says that volume growth will be the main driver, with a minor increase in yarn prices providing support.

After improving last year, operating margins are expected to increase by 50–100 basis points (bps) this fiscal year. Consistent price gaps for cotton yarn and increased cotton availability due to purchases made by the Cotton Corporation of India (CCI) would help this.

According to the agency, this prediction is based on an analysis of 70 significant cotton yarn spinning businesses, which collectively generate 35–40 per cent of the industry's income.

The improvement in yarn shipments to China is the primary driver of this anticipated revenue increase in FY '26. About 30 per cent of the industry's entire revenue comes from exports, with China accounting for 14 per cent of this total.

India's overall yarn exports fell 5–7 per cent last year as a result of China's abnormally high cotton output, which also affected India's yarn exports to China. This pattern is anticipated to change this year, though, as China's cotton production stabilises and exports are forecast to increase by 9–11 per cent.

This rebound will help Indian spinners, who can capitalise on consistent domestic cotton production and regain market share, according to Gautam Shahi, Director at CRISIL Ratings. Additionally, India is still quite competitive when it comes to exporting textiles to the US, particularly now that Chinese exports are subject to higher tariffs. This will help downstream industries like ready-made clothing and home textiles expand their revenue by 6–8 per cent.

Regarding raw materials, a consistent supply will be ensured by CCI's substantial cotton acquisition during the 2025 cotton season. After a 100–150 bps improvement last year, this will lower inventory losses and help spinners' profitability rise by 50–100 bps.

This fiscal year, improved operating performance will assist maintain stable credit profiles, according to Pranav Shandil, Associate Director at CRISIL Ratings. It is anticipated that most spinners will continue to spend modestly on capital, reducing the requirement for additional financing. Increased availability of cotton will also lessen the requirement for large stockpiles, which will decrease the need for more working capital.

Consequently, it is anticipated that the interest coverage ratio for spinners will increase from approximately 4 to 4.5 times last year to 4.5 to 5 times. It is anticipated that gearing will remain constant at roughly 0.55–0.6 times.

But the rating agency cautions that some hazards still exist. The prognosis may be impacted by any modifications to international tariffs, increased inflation, a slowdown in economic growth in important markets like the US, or notable differences between domestic and foreign cotton prices.

Source: apparelresources.com– May 06, 2025

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Moody's Ratings cuts India's GDP 2025 forecast to 6.3% from 6.5%

Moody's Ratings yesterday cut India's 2025 gross domestic product (GDP) growth projection to 6.3 per cent from 6.5 per cent earlier, citing a slowdown in economies worldwide due to heightened policy uncertainty, especially in the United States and China, and trade restrictions. It, however, retained the 2026 projection at 6.5 per cent.

Geopolitical stresses like India-Pakistan tension also have a potential downside risk to Moody's baseline growth forecasts, the rating agency said in its Global Macro Outlook 2025-26 (May update).

Costs to investors and businesses are likely to rise as they factor in new geopolitical configurations when deciding where to invest, expand and source goods, it was cited as saying by domestic media reports.

Moody's expects the Reserve Bank of India to lower benchmark policy rates further to support growth.

Policy uncertainty is likely to take a toll on consumer, business and financial activity in India, and dampen global trade and investment with consequences across the G-20, it observed.

Moody's Ratings lowered GDP growth projections for the United States to 1 per cent this year and 1.5 per cent in the next from 2 per cent and 1.8 per cent earlier respectively. That compares with a growth of 2.8 per cent last year.

For China, it expects growth to be 3.8 per cent this year and 3.9 per cent in the next, lower than 5 per cent in 2024.

Source: fibre2fashion.com– May 08, 2025

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India-UK FTA rings in the cheer for exporters of labour-intensive goods

The India-UK Free Trade Agreement (FTA) finalised on Tuesday has brought in cheer for exporters, especially of labour-intensive items such as textiles, gems & jewellery, leather, footwear, pharmaceuticals and agri & processed foods, who hope to gain from tariff elimination in the UK market.

The double contribution convention, which exempts Indian workers temporarily employed in the UK and their employers from paying social security contributions for a period of three years, has addressed a long-standing challenge, according to Indian service providers.

“The India–UK FTA eliminates or significantly reduces tariffs on a wide range of Indian goods, giving our exporters preferential access to one of the world’s most affluent and consumption-driven markets,” pointed out exporters body FIEO.

According to FIEO, key sectors poised to benefit include textiles & apparel, which will have greater competitiveness against countries like Bangladesh and Vietnam; leather & footwear, which will have increased access to high-end UK retail markets; gems & jewellery, with a boost for India’s handcrafted and diamond processing exports; pharmaceuticals, with streamlined regulatory processes that will accelerate generic drug approvals; agriculture & processed foods, with better access for value-added products, including tea, spices, rice, and ready-to-eat segments.
Textile bonanza

The FTA will result in real gains for Indian sectors like textiles, footwear, carpets, cars, and marine products—all currently facing UK tariffs of 4-16 per cent, reinforced Ajay Srivastava from GTRI.

“The FTA with UK is a bonanza for Indian apparel exporters. It opens the floodgates of apparel exports to UK,” said Sudhir Sekhri, Chairman of Apparel Export Promotion Council (AEPC). Textiles and clothing, at present, face up to 12 per cent tariffs in the UK.

The UK remains a pivotal market for India's gem and jewellery sector, with exports reaching $941 million and imports at $2.7 billion in 2024, pointed out Kirit Bhansali, Chairman, Gem and Jewellery Export Promotion Council.

"This landmark FTA is poised to significantly accelerate our export growth, with projections indicating a rise to $2.5 billion within the next two years. As a result, total bilateral trade in gems and jewellery is expected to double, reaching $7 billion," he said.
Tech sector to gain

The FTA's focus on digitally delivered services, professional services, and financial services aligns perfectly with the aspirations of the Indian technology sector, according to a statement from Nasscom. "It opens up avenues for deeper collaboration in emerging areas such as artificial intelligence, cybersecurity, and digital transformation, while also creating a conducive environment for startups and innovators," it said.

By eliminating this double contribution burden, the agreement directly addresses a long-standing challenge faced by IT companies and other service providers operating in the UK, it said. "We will be studying the details of the agreement, including easing mobility for professionals that will enhance business competitiveness, resulting in a win-win partnership," it added.

Source: thehindubusinessline.com– May 06, 2025

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UK trade deal likely to serve as model for India's FTAs with EU, US

The conclusion of an ambitious trade deal between India and the UK could serve as a model for New Delhi's ongoing free trade agreement (FTA) talks with major trade partners, including the US and EU. The long-pending deal with the UK was finalised on Tuesday.

While the specifics of the agreement with the UK is not yet known, the fact that India has agreed to slash import tariffs on automobiles from 100 per cent to 10 per cent coupled with a cap on imports, is a clear signal that New Delhi is gradually shedding its protectionist stance.

In the case of items such as automobiles, the India-UK agreement's approach could set a precedent and influence negotiations with the EU, as New Delhi may use a similar formula to make an offer. To be sure, the EU has time and again reiterated that its key offensive interests include cars.

Biswajit Dhar, distinguished professor at Council for Social Development, said there's distinct possibility that in the case of the FTA with the EU, a tariff cut along with quota will be adopted, although it is important to know how large the quota will be and the pace at which it will be enhanced over a period of time.

"The government has been under tremendous pressure to open up the market. The transition period and the quotas are enabling kind provisions that have been given to the industry. Such phased entry will ensure Indian markets don't get flooded with imported cars, while giving time to the industry to become competitive," Dhar said.

In the deal with the UK, India has also excluded sensitive items such as dairy products, apples, and cheese from any duty concession to protect its farmers, suggesting that New Delhi is unlikely to give in to the pressure to allow greater market access for agricultural products. India has been under immense pressure from the US, EU, New Zealand, and Australia to lower agricultural tariffs, especially on dairy products.

Arpita Mukherjee, a professor at the Indian Council for Research on International Economic Relations (Icrier), said that this is likely to be the most comprehensive FTA that India has signed to date. India is also sending a strong signal that it is ready to liberalise, negotiate, and close trade agreements.

"While we need to wait for the nitty gritty, India has shown a good response to liberalisation in areas such as automobiles and alcohol, which can set the stage for India quickly signing other trade deals," she said.

Under the India-UK trade deal, New Delhi has committed to give access to its large government procurement market. This will allow UK businesses access to around 40,000 tenders, with a value of at least 38 billion pounds a year.

"Apart from agriculture, till now, government procurement was being treated as a sensitive area (by India). India has been cautious about offering concessions as it wanted to protect small enterprises and jobs. In the case of the EU and the US, government procurement has been a sticking point. Depending on the details, it is a green light even for the EU that it will also gain access to the government market in India," Dhar said.

New Delhi and Britain have also concluded a double-contribution convention, or a social security agreement, that will give Indian employees working in that country a three-year exemption from social security payments. This has been India's longstanding demand, which will not only protect cross-border workers, but also lead to significant financial gains for Indian service providers.

The finalisation of the social security agreement with Britain may also give more bargaining power to New Delhi to have a dialogue with the US for such an agreement, which has been pending for two decades now.

Mukherjee cautioned that it is important to keep in mind that each of the trading partner's demands are different. For instance, one has to see what are the real demands of the Americans.

Source: business-standard.com– May 08, 2025

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India-UK trade deal shows globalisation is ticking along

President Donald Trump may say "tariffs" are his favourite word, but the rest of the world doesn't have to agree. With or without America, trade deals continue to be signed: On Tuesday, India finalized a pact with the UK after three years of negotiations.

This agreement clearly reflects the importance of political momentum and compromise. Indian Prime Minister Narendra Modi and his UK counterpart, Keir Starmer, probably had to push their officials over the finish line themselves. As recently as a few days ago, stories about how many issues remained to be resolved filled the papers. It is still possible, even in an uncertain world, for countries to take a punt on economic integration.

But it can only happen if politicians are willing to surrender some control. India's famously tetchy negotiators had to give up on several long-standing demands.

Previous attempts at trade agreements with Britain had foundered over labour migration: New Delhi wanted more visas for Indian workers and students. But the political climate in the UK no longer allows that — the anti-migrant Reform Party made stunning gains in local elections last week — and such provisions have been drastically watered down in the final deal.

Perhaps India found it easier to drop tariffs with the UK because neither is good at making things anymore. Manufacturing is not globally competitive in either India or Britain. Both have world-beating services sectors, though. It will be interesting to see if the fine print exposes powerful interest groups like New Delhi's law firms to competition.

Officials in Whitehall are proud of themselves, claiming that it will increase UK GDP by £4.8 billion ($6.4 billion), and real wages by 0.2%. Their press release also promised Britons will gain access to cheaper shrimp.

That's no small thing. The agricultural sector has been a third rail in such negotiations for so long that it's a shock to hear of a pact that centers trade in food. More than that, it is refreshing in today's climate to hear people in power talk up the benefits that consumers gain from trade.

And they will definitely do well out of this deal. Scotch whisky and Jaguars will get cheaper in India, and we will consume more of both (hopefully not at the same time). Meanwhile, Indians in Britain will wish this means they can finally buy proper mangoes in their local supermarket, instead of shamefacedly ordering smuggled cartons from bootleggers in Slough.

India and the UK aren't alone in trying to give consumers a better deal in recent years. Canada, which has so much to lose from an autarkic America, is implementing a new economic partnership with Indonesia. It is also chasing one with the entire Asean bloc, and trade representatives have "agreed to work towards concluding negotiations" for a free-trade agreement this year. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership is considering adding new partners, including Indonesia and some Central American nations. Trade ministers from Japan, China and South Korea pledged in March to deepen trilateral cooperation and keep the exchange of goods going.

The biggest single prize is a trade agreement between India and the European Union. This has been in the works for decades, but politicians have promised it will be concluded by the end of the year. Hopefully, the Modi that pushed the UK deal through will be willing to make the deeper compromises needed for a far more consequential pact with Europe.

And then, of course, there are the 70-plus trade deals that the Trump administration will supposedly negotiate before its 90-day "pause" on tariffs runs out. Modi's trade ministry deserves credit for getting a deal with the UK done when most observers thought they would be completely absorbed in working out what Washington wants.

Treasury Secretary Scott Bessent has promised that India would be "one of the first" agreements that the US would sign. If so, perhaps New Delhi's concessions to Britain are a glimpse of what it will offer Trump. And perhaps the need to hand such concessions to the US made it easier to give them to Britain. It would be ironic if tariff-loving Trump turns out to be the person who pushes India, Asia and the rest of the world to overcome their hesitations about trade.

Source: economictimes.com– May 08, 2025

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Arrow still in India's quiver: FTA allows claiming damages from UK over carbon tax losses

New Delhi: India will have the right to retaliate or seek compensation from the UK for its industry for losses incurred due to Carbon Border Adjustment Mechanism (CBAM) under their free trade pact.

The India-UK free trade agreement (FTA) has provisions to counter CBAM, which has the potential to negate the concessions offered by the UK to India, officials said.

The UK CBAM is expected to come into force from January 1, 2027 for imported products and would cover industries such as iron and steel, hydrogen, cement, aluminium and fertilisers.

"Due to current uncertainty and lack of a legislation, there is an understanding that India reserves its right to retaliate or rebalance the concessions in future," said an official.

The "rebalancing" would enable India to claim compensation for the losses incurred by its industry because of the mechanism.

It is also seen as a shield to ensure that the UK does not raise a dispute against India at the World Trade Organization (WTO).

As per the draft CBAM regulation released last week, the tax will apply only to goods which originate from outside of the UK, according to the UK's non-preferential rules of origin.

India's right to retaliation and rebalance assumes significance as the EU also has a CBAM regulation and India is negotiating a trade pact with the bloc. The EU CBAM will be implemented from January 1, 2026, which industry expects would translate into a 20-35% tax on select imports into the EU.

Source: economictimes.com– May 08, 2025

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Central Government approves Rs 2,100 crore PM MITRA park in Madhya Pradesh

The Central Government has approved an Rs 2,100 crore PM Mega Integrated Textile Region and Apparel (PM MITRA) Park in the Dhar district of Madhya Pradesh. The project will prove to be game-changer for the state's industrial landscape and boost India's global textile presence, says Dr Mohan Yadav, Chief Minister. Located strategically in Bhainsola village, Badnawar tehsil, the park is well-connected to Indore, the Pithampur industrial cluster, and the Delhi-Mumbai Expressway via Ratlam. Situated 452 km away, the Hazira port provides access to international trade routes.

The state government has already received proposals worth Rs 10,000 crore from various companies to set up their textile units in the park. The PM MITRA Park will boast state-of-the-art infrastructure, including a 20 MLD Zero Liquid Discharge (ZLD) plant, a solar-powered energy facility, plug-and-play Built-To-Suit (BTS) units, and residential complexes for workers. The ambitious timeline targets completion of all construction activities within 14 months, suggesting the park could be operational by the last quarter of 2026.

A key focus of the PM MITRA Park will be to enhance the utilization of cotton produced within Madhya Pradesh, which is the fifth-largest cotton-growing state in the country. The park will not only focus on garment manufacturing but also encompass the entire upstream textile value chain, including spinning, weaving/knitting, and dyeing and processing. This integrated approach aims to boost cotton consumption within the state and reduce its reliance on supplying raw cotton to neighboring states.

Madhya Pradesh is expected to produce 19 lakh bales (of 170 kg each) of cotton during the current 2024–25 season, maintaining its output despite an anticipated decline in India's total cotton production. While output in the central cotton-producing zone, which includes Madhya Pradesh, Maharashtra, and Gujarat, is projected to decrease, Madhya Pradesh's steady production, coupled with the establishment of the PM MITRA Park, signals a promising future for value addition and economic growth within the state's textile industry.

Source: fashionatingworld.com– May 07, 2025

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