IBTEX No. 104 of 2025 August 19, 2025

| Currency Watch | | | |
|---|---|---|---|
| USD | EUR | GBP | JPY |
| 87.15 | 101.62 | 117.65 | 0.59 |

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# INTERNATIONAL NEWS

## EU Tech Regulation Could Be Holding Up Final Trade Agreement With U.S.

The European Union and the United States seem to be at a technology-focused impasse.

Leaders expected to see a finalized trade agreement or statement come down mere days after U.S. President Donald Trump's meeting in Scotland with European Commission President Ursula von der Leyen on July 27, but the final details have yet to be agreed upon, according to a report from the Financial Times.

Trump and von der Leyen's meeting yielded a 15-percent tariff on many goods inbound from the bloc, a higher rate than initially hoped for by EU leaders, but still down from the higher levies Trump threatened to institute. Still, EU officials cited by the FT said "non-tariff barriers" continued to hold up discussions.

The newspaper reported Sunday that the formalized trade agreement between the two nations has been stalled because of the EU's Digital Services Act (DSA). While leaders in Washington hoped to see a relaxation of the regulation in the name of innovation, EU leaders have no interest in that possibility.

Despite the EU's supposed hard stance against leniency in the DSA, U.S. officials reportedly told the outlet that the bloc had agreed to discuss digital laws.

"We continue to address digital trade barriers in conversations with our trading partners and the EU agreed to address these barriers when our initial agreement was struck," the U.S. official reportedly said.

For some companies, a purported barrier to further growth has been the regulatory environment outside the U.S., or the rising concern from state governments about artificial intelligence, privacy and other technologies. Washington's stance has been that the DSA and the EU AI Act, which the report did not mention, are two specific examples of regulations that can stifle innovation and force U.S.-based companies to add unnecessary costs into the equation.

The DSA is a landmark EU legislation that aims to create a safer digital environment for citizens of the bloc, including children. It places special restrictions on what it calls very large online providers (VLOPs), demanding that those companies comply with harsher provisions of the regulation than their smaller counterparts. Current VLOPs, which are companies that have garnered more than 45 million monthly users in the EU, include Amazon, AliExpress, Google, TikTok, Shein, Temu, Zalando and others.

Some companies that are included as VLOPs, including Amazon, Apple, Google, Meta and Microsoft, are U.S.-founded companies that have grown rapidly on an international scale. Despite their primary footholds being in the U.S., the companies are required to comply with applicable laws globally. Amazon has publicly disputed its status as a VLOP, asking an EU court to scrap the designation, primarily focusing on the argument that retail platforms should not be categorized as VLOPs.

When Amazon went before the court in June, a spokesperson told Sourcing Journal that the marketplace “does not pose any such systemic risks; it only sells goods, and it doesn’t disseminate or amplify information, views or opinions.” Amazon’s fate in the matter remains to be seen.

That the U.S. reportedly has an interest in loosening laws that impact the administration’s allies in Big Tech coincides with some of the announcements that have come from Trump in recent months. Specifically, the president and his allies have set forth pathways for continued growth of AI in Trump’s AI Action Plan; called for general deregulation of technologies as the U.S. aims to become a leader in the industry; dismantled an executive order from former President Joe Biden related to the trustworthy and safe development of AI models; introduced their intent to allow technology players to access permits with disregard for the environment and more. As far as Trump is concerned, the U.S. remains in a technology war with China—and the president has been unrelenting in his stance that the U.S. can, and should, win the race.

Source: fibre2fashion.com– Aug 18, 2025

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## China consumer spending grows 4.8% in first seven months of 2025

China's consumer spending maintained solid momentum in the first seven months of 2025, with retail sales of consumer goods rising 4.8 per cent year on year, according to data from the National Bureau of Statistics (NBS).

In July alone, retail sales grew 3.7 per cent to nearly 3.88 trillion yuan (~$543.6 billion). Growth was largely driven by the government's consumer goods trade-in programme.

Online retail sales continued to shine, climbing 9.2 per cent in January–July, while physical goods purchased online rose 6.3 per cent, accounting for almost one-quarter of total retail sales.

Policy measures have supported consumption and fostered new growth drivers but cautioned that external uncertainties and domestic constraints still pose challenges, a state-controlled news agency quoted NBS spokesperson Fu Linghui as saying.

Authorities plan to roll out further targeted initiatives to boost spending, strengthen services, and enhance the consumption environment to ensure stable market growth.

Source: fibre2fashion.com– Aug 19, 2025

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# Sri Lanka manufacturing expands sharply in July, PMI at 62.2

Sri Lanka's manufacturing sector expanded sharply in July 2025, with the Purchasing Managers' Index (PMI – Manufacturing) rising to 62.2 from 51.9 in June, signalling a higher rate of growth across all key indicators.

The surge was largely driven by strong performances in the textiles and apparel sector and food and beverages manufacturing, which boosted both new orders (67.5) and production (66.5) indices.

Employment also returned to positive territory, increasing to 55 from 49 in June, while the stock of purchases rose further in line with higher demand and output, the Central Bank of Sri Lanka said in a release.

Meanwhile, suppliers' delivery times continued to lengthen, reflecting pressure on supply chains amid rising activity.

Manufacturers expressed optimism for the next three months, though they remain cautious due to global trade uncertainties.

Source: fibre2fashion.com– Aug 18, 2025

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# Vietnam needs $14 bn to develop seaport system by 2030: Govt

Vietnam will need over 359 trillion VND ($14 billion) to develop its seaport system by 2030. That would include several new projects in the central Gia Lai province, according to ministry of construction.

The ministry is responsible for the detailed plan for seaports, ports, wharves, buoys, water areas and water regions between 2021 and 2030, with a vision till 2050.

Under the new plan, the investment capital demand for the country's entire seaport system is estimated at 359.5 trillion VND ($13.67 billion) by 2030, 72.8 trillion VND ($2.77 billion) out of which is allocated for public maritime infrastructure, and the remaining 286.7 trillion VND ($10.9 billion) is for ports providing cargo handling services, a domestic news agency reported.

The total demand for seaport land nationwide by 2030 is approximately 34,000 hectares, of which 17,500 hectares are designated for seaports, with the remainder allocated for industrial parks and logistics associated with ports. The demand for water surface is about 606,000 hectares, excluding 900,000 hectares of managed water areas without maritime works.

As per the new plan, the seaport system of Gia Lai province alone is expected to handle 17.65-18.75 million tonnes of goods per year by 2030, including 0.32-0.37 million TEU in containers and 150,000-200,000 passengers. The system will comprise nine ports and 20 wharves, with a total quay length of 5,104 metres.

The total land use demand for Gia Lai seaports by 2030 is approximately 217.3 hectares, excluding the area allocated for industrial parks and logistics. The investment capital demand for this system is about 11.87 trillion VND, of which 1.25 trillion VND is for public maritime infrastructure, and 10.62 trillion VND is for ports providing loading and unloading services.

Source: fibre2fashion.com– Aug 19, 2025

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## What prompts Bangladesh to revisit its raw material sourcing strategy?

In the realm of apparel manufacturing and exports a new variable has entered the equation—reciprocal tariffs imposed by the United States, which has presented a fresh wave of challenge for manufacturers across geographical locations.

For Bangladesh, the world's second-largest apparel exporter after China, the situation is complex. Although the 20 per cent reciprocal tariff announced by the Trump administration may appear relatively modest compared to tariffs levied on some other countries, the overall tariff burden is substantial.

With an existing 16.5 per cent tariff already in place, the new policy raises the total tariff cost to 36.5 per cent.

This jump in tariffs has emerged as a matter of concern amongst the garment makers in Bangladesh, resulting in recalibration of strategies. Industry players acknowledged that while the reciprocal tariff of 20 per cent might appear somewhat manageable, the cumulative effect when combined with existing duties poses a hurdle to Bangladesh's overall competitiveness in its single largest export market.

However, there is a silver lining for Bangladesh amid these policy shifts—its stronghold in cotton-based apparels. For years, Bangladesh has been known for its dominance in cotton garments, which form the core of its export portfolio to the US. As per reports, around 75 per cent of apparel items exported from Bangladesh to US are cotton-based.

This distinction is very important as under US tariff rules, garment items that contain at least 20 per cent raw materials sourced from the United States are eligible for partial exemption from countervailing duties. In simpler terms, if Bangladeshi apparels include enough US-grown cotton, the tariff burden can be significantly reduced.

The country's apparel exporters, always quick to adapt to changing trade and manufacturing dynamics, are now moving to capitalise on this clause. As per industry insiders, textile manufacturers in the country are actively working to double their cotton imports from the United States within the next year or so.

This strategic pivot is singularly aimed to secure duty-free or lower-duty access to the US market by satisfying the raw material origin criteria laid out in the new policy.

Though American cotton is priced higher than most of its global counterparts, it holds one major advantage: lower wastage. According to industry players in Bangladesh, US cotton generates only 5–10 per cent waste during processing, compared to 15 per cent for Indian cotton and 12 per cent for African. So, usage of US cotton, over time, makes American cotton more economical, despite its higher upfront cost.

Moreover, US cotton is also highly regarded for its consistent quality, strength, and reliability, all of which are crucial attributes for large-scale garment manufacturers. For Bangladesh, aligning its raw material sourcing with American cotton could mean not only reduced tariffs but also better-quality garments that enhance its global reputation.

The latest move comes in direct response to the Trump administration's announcement on July 31, 2025, imposing a 20 per cent reciprocal tariff on a range of Bangladeshi goods, effective from August 7, 2025.

While such policy measures are aimed at addressing trade imbalances and pressuring countries to open up their own markets, they also bring with them a fair amount of uncertainty and disruption—especially in tightly integrated global supply chains.

Despite this, industry leaders in Bangladesh remain optimistic. They believe that the increased use of US cotton, even at a higher cost, will not undercut the competitiveness of Bangladesh's RMG sector. Instead, it could serve as a calculated investment to ensure better access to the US market, which accounts for a significant share of Bangladesh's total apparel exports.

As per reports, in the past few years (2020–2024) Bangladesh imported around 39.61 million bales of cotton, worth approximately $20.3 billion, from 36 countries, including India, Australia, Brazil, US, China, and various African nations.

Of this, the United States reportedly contributed 2.84 million bales, valued at around $1.87 billion.

However, now, with the new reciprocal tariffs in place, Bangladesh is poised to sharply increase this volume.

This transition many not be without some challenges. However, given the high stakes—preserving market share in the US, avoiding harsh tariff penalties, and maintaining cost competitiveness—Bangladesh apparel makers are all set to source more cotton from the United States, a move that highlights the country's ability to move quickly and strategically to mitigate the tariff fallouts to maintain its standing as one of the world's top apparel exporters.

Source: fibre2fashion.com– Aug 19, 2025

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# Bangladeshi Cotton Wants to be the Sustainable Choice

Bangladesh wants to increase the scale of its cotton production. A new memorandum of understanding with a sustainable cotton sourcing platform aims to help.

This would be no easy lift: Cotton production in the South Asian nation remains relatively modest with 60,000 farmers growing the cash crop compared with neighboring India's roughly 6 million. Because of the voracious demands of its textile sector, Bangladesh is the world's second-largest importer of cotton after China.

But a cooperative framework with CottonConnect that focuses on building a traceable, regenerative and climate-adapted supply chain could give Bangladeshi cotton a competitive leg up, said Md. Rezaul Amin, executive director of the Cotton Development Board, an agency under the Ministry of Agriculture responsible for promoting cotton cultivation through research and training. This would mean implement rigorous data collection systems from the farm level to the final product.

The idea, he said, is to help farmers create a better quality fiber that promotes a healthier ecosystem, fetches higher prices and improves working conditions.

"By focusing on farmer empowerment, climate resilience, technological innovation and market diversification, the MoU promises to benefit both producers and consumers while contributing to environmental stewardship," Amin said in a statement.

"Its emphasis on knowledge exchange, capacity building and joint projects positions it as a catalyst for long-term growth, improved farmer livelihoods and stronger global market presence for Bangladeshi cotton."

Another goal of the agreement is to extend cotton's use beyond traditional apparel, Bangladesh's stock in trade, by exploring higher-value possibilities such as medical textiles and bio-composite materials. This could allow Bangladesh to diversify its export products, which are now heavily weighted toward basic, lower-margin garments such as T-shirts, sweaters and trousers.

"This collaboration is a major step forward in aligning Bangladesh's cotton sector with global sustainability and quality benchmarks," Alison Ward, CEO of CottonConnect, said in a statement. "By integrating cotton improvements with the country's powerful garment industry, we are creating a future where Bangladeshi cotton is not only competitive but also ethically and environmentally sound."

Bangladesh is projected to import 8.1 million bales of cotton in marketing year 2026, or 300,000 bales fewer than the previous year, due to lower global consumption forecasts, the U.S. Department of Agriculture wrote in a note earlier this month.

Source: sourcingjournal.com– Aug 18, 2025

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# NATIONAL NEWS

## Centre removes cotton import duty till Sept 30 to aid textile sector

Giving temporary relief to the textile and garment industry amid concerns over revenue loss from higher US tariffs, the finance ministry on Monday removed the 11 per cent duty on raw cotton imports for a period of 42 days till September 30.

The exemption will benefit the textile chain — yarn, fabric, garments and made-ups — and provide relief to the textile industry and consumers. Through a notification by the Central Board of Indirect Taxes and Customs, the government removed the basic customs duty and the Agriculture Infrastructure and Development Cess (AIDC) on cotton imports from August 19 to September 30.

The removal of import duty on cotton was a long-pending demand of industry bodies such as the Confederation of Indian Textile Industry (CITI). This move is crucial in making the industry competitive, as it requires high-quality, contamination-free cotton to meet global quality compliance standards for exports. Removal of duty on raw cotton is expected to have a salutary effect on cotton prices in India.

"CITI has long been requesting that the import duty on cotton be removed to help domestic cotton prices align with international prices. We, therefore, greatly welcome this measure taken by the authorities, even though the relief is only available temporarily," said Chandrima Chatterjee, Secretary, CITI.

Although the move may not result in large gains through new shipments, industry players expressed hope that the exemption would be extended. It comes as an immediate confidence booster for the industry troubled by the higher US tariff of 50 per cent.

Exporters have either halted shipments to the US or are fulfilling orders at a loss, while American retail giants including Walmart, Target, Amazon, TJX Companies, Kohl's, Gap Inc., and H&M have asked their Indian suppliers to hold consignments until tariff clarity emerges.

India has set a target of achieving textile exports worth $100 billion by 2030. However, it is at a steep competitive disadvantage in the American market. While Bangladesh and Vietnam face tariffs of 20 per cent and Indonesia and Cambodia 19 per cent, India is saddled with 50 per cent. Even China, at 30 per cent, fares better. Exporters fear not only revenue losses but also the prospect of ceding market share once again to rivals.

The US is India's largest market for textile and apparel exports. According to CITI, India's exports to the US rose to $5.36 billion, up 12 per cent from $4.79 billion during the first six months of calendar 2024, ranking the country third.

Vietnam, now the second-largest supplier, registered $8.54 billion worth of exports, a rise of 19 per cent. Bangladesh rebounded strongly after last year's political turmoil with a 24 per cent surge to $4.36 billion. China, still the largest supplier, saw a 16 per cent decline to $9.34 billion.

Source: business-standard.com– Aug 18, 2025

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# India's textile & apparel exports grow 3.8% to $12 bn in April-July

India’s textile and apparel (T&A) exports rose by 3.87 per cent to $12.182 billion during the first four months of the current fiscal 2025–26 (FY26). Of the total, apparel exports increased by 7.87 per cent to $5.531 billion, while textile exports inched up by 0.77 per cent to $6.651 billion in April–July 2025.

According to an analysis by the Confederation of Indian Textile Industry (CITI), India maintained mild growth in textile and apparel exports during the period, compared to $11.728 billion during the first four months of the previous fiscal year 2024–25. Apparel exports rose by 7.87 per cent from $5.127 billion during the corresponding period, while textile exports inched up from $6.600 billion.

In July 2025, apparel exports increased by 4.75 per cent to $1.338 billion, up from $1.277 billion in July 2024, whereas textile exports fell by 5.84 per cent to $1.761 billion from $1.664 billion.

The share of T&A in India’s total merchandise exports rose to 8.17 per cent during April–July 2025, according to the latest trade data released by the Ministry of Commerce and Industry.

Within the textile segment, exports of cotton yarn, fabrics, made-ups, and handloom products eased by 0.17 per cent to $3.880 billion in the first four months of FY26. Exports of man-made yarn, fabrics, and made-ups rose marginally by 1.13 per cent to $1,588.84 million, while carpet exports increased by 3.57 per cent to $503.88 million.

In July 2025, exports of cotton yarn, fabrics, made-ups, and handloom products rose by 5.17 per cent to $1,020.72 million, while exports of man-made yarn, fabrics, and made-ups gained by 4.05 per cent to $422.04 million. Carpet exports grew by 8.05 per cent to $133.04 million.

Imports of raw cotton and waste surged by 60.81 per cent to $383.22 million during April–July 2025, compared to $238.30 million in the same period of the previous fiscal. Imports of textile yarn, fabrics, and made-ups rose by 11.44 per cent, from $765.50 million to $853.08 million.

In July 2025, imports of raw cotton and waste increased by 39.43 per cent, from $86.29 million to $120.31 million. Imports of textile yarn, fabrics, and made-ups rose by 11.86 per cent to $233.48 million.

In FY25, the country's apparel exports rose by 10.03 per cent to $15.989 billion, while textile exports grew by 3.61 per cent to $20.617 billion. Imports of raw cotton and waste surged by 103.67 per cent to $1.219 billion, and imports of textile yarn, fabrics, and made-ups increased by 8.69 per cent to $2.476 billion.

In FY24, India's T&A exports stood at $34.430 billion, marking a 3.24 per cent decline from $35.581 billion in FY23. Imports of raw cotton and waste were valued at $598.63 million in FY24, down 58.39 per cent from $1.439 billion in FY23. Imports of textile yarn, fabrics, and made-ups also fell by 12.98 per cent to $2.277 billion.

Source: fibre2fashion.com– Aug 19, 2025

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# Commerce, industry min mulls further FDI regime easing, more tax benefits for startups: Official

The commerce and industry ministry is working on a 100-day reform agenda, which may include proposals such as further liberalising the FDI regime, easing investments from neighbouring countries, and more tax benefits for startups, an official said.

The proposals may also include easing certain environmental norms for the leather and footwear industry, expediting setting up of e-commerce hubs to boost exports, fast-tracking setting up of BharatTradeNet and integrating lab testing and certification from one platform, the official said.

The government is embarking on the next 100-day agenda of transformation to take India on a fast track to become a developed nation.

Another official said these steps would help boost India's exports in the wake of high tariffs imposed by the US on Indian goods.

At present, there is a 25 per cent additional import duty on Indian goods entering America. From August 27, another 25 per cent will kick in as a penalty on India for buying crude oil and military equipment from Russia.

In Lokmat global economic convention, Commerce and Industry Minister Piyush Goyal said in the next 100 days, the government will follow the clarion call given by Prime Minister Narendra Modi on August 15 to take India forward on a fast-tracked pathway.

These proposals will help boost the country's exports and foreign direct investments (FDI).

During April-July 2025-26, exports increased 3.07 per cent to $149.2 billion, while imports rose 5.36 per cent to $244.01 billion. The trade deficit during the first four months of 2025-26 was $94.81 billion.

FDI into India rose 13 per cent to $50 billion in 2024-25.

In July 2024, a pre-Budget Economic Survey made a strong case for seeking foreign direct investments from China to boost local manufacturing and tap the export market.

At present, the bulk of FDI coming into India falls under the automatic approval route, however, FDI from countries sharing land borders with India needs mandatory government approval in any sector.

FDI in the country is allowed through the automatic route in most of the sectors, while in areas such as defence, media, and pharmaceuticals, government approval is required for foreign investors. However, in some sensitive sectors, overseas investments are also banned.

Countries that share land borders with India are China, Bangladesh, Pakistan, Bhutan, Nepal, Myanmar, and Afghanistan.

Prime Minister Narendra Modi on August 15 announced a 10-year project to develop an indigenous defence shield to protect India's vital military and civilian installations.

In his Independence Day address from the ramparts of the Red Fort here, Modi also hinted at New Delhi's resolve to reduce dependence on foreign technologies for military platforms as he called for developing jet engines within the country for India's fighter aircraft.

The government is also taking a number of steps to promote the startup ecosystem in the country. It provides a number of incentives to these budding entrepreneurs such as income tax benefits.

The commerce ministry's arm DGFT is working on steps to promote exports through e-commerce medium as huge export opportunities are there in the sector.

Source: thehindubusinessline.com– Aug 19, 2025

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# Tariff turbulence: Ludhiana industries oscillate between resilience, risk

From the crack of dawn, the wide, dusty lanes of Ludhiana's Focal Point industrial cluster stir to life. Set up in the late 1980s, the cluster sits just off the Grand Trunk road, housing hundreds of export units whose businesses extend across the globe.

Among them is 25-year-old Kapil, a press operator at a forging unit that manufactures auto parts. His day begins as usual, but the mood is anything but steady. His company's biggest clients, based in the United States, have begun cancelling orders.

"I got to know that US President Donald Trump has imposed harsher tariffs on India. My unit exports parts to the US. Since we won't be supplying them, our work will suffer. It will be difficult for people like me to find work in the coming days," he says. "I hope it gets resolved soon."

On August 6, Washington announced a further 25 per cent tariff on imports from India, doubling the overall burden to 50 per cent. The move, effective from August 28, puts India at a stark disadvantage against competitors such as China in virtually every category of merchandise entering the US.

Ludhiana, Punjab's industrial heart, is at the centre of the storm. More than 300 firms here ship goods directly to the US — auto parts, engineering goods, hosiery, textiles, hand tools, and agricultural products. Industry leaders warn of losses upwards of ₹10,000 crore as buyers cancel orders stretching beyond September.

And yet, exporters in the city strike a remarkably calm note. For them, this is a storm to be weathered, not a crisis to buckle under. They speak of resilience, of alternative markets, of faith in negotiators.

"Though the city's overall exposure to the US markets is moderate, the firms which are majorly dependent on it are going to face the brunt. More than textiles, it is the engineering goods and auto part units that are going to suffer as they have a larger exposure," says Sudarshan Jain, president of the Knitwear and Apparel Manufacturers Association of Ludhiana.

According to him, exporters had begun hedging against such risks way back in April when Trump had first announced reciprocal tariffs on the US' trading partners. "Though Ludhiana is Punjab's ₹20,000-crore textile hub, it is majorly domestic oriented. The sector, which mostly comprises micro and small businesses, has already taken blows from demonetisation, GST, and the Covid pandemic. But it will not be much affected by the US move," he adds.

Harish Dua, founder chairman of KG Exports, insists diversification is a tried and tested method. "The UK free-trade agreement has opened new markets for us. While it is true that US buyers have cancelled immediate orders, we remain hopeful this issue will get resolved in the coming months. Even if tariffs settle at 25 per cent, Indian exporters still hold an edge. Our competitors like Vietnam, Bangladesh and Indonesia still face high US tariffs. In some ways, this benefits us."

Government data appears to bolster that optimism: Exports to the US make up just 2 per cent of India's GDP. Of $443 billion in total goods exports, only $81 billion are US-bound. Punjab's contribution was $700 million in FY21.

For J R Singal, founder chairman of the JRS Eastman group, which manufactures auto parts, the tariffs are more about geopolitics than economics. The government did right by taking a stand for Indian farmers and the dairy sector by not allowing US imports, he said, adding, that's what triggered this all.

"The US wants (a trade deal with) India on its terms. But exporters in this city were prepared well in advance and had front-loaded their orders," Singal adds. "There might be some loss in the short run, but we will eventually overcome it."

But on the ground, the story feels less assured. For Ludhiana's million-strong migrant workforce, the anxiety is palpable. Narendra Ram, 44, has travelled from Jharkhand every year for two decades to work as a dyer. He also runs a small garment business. With the festival season looming, the period when workflow is steady, his worry deepens.

"This conflict is not good. We hope and appeal to the government that this gets resolved soon. Else, we will get work for lower wages and for fewer days," he says.

S C Ralhan, president of the Federation of Indian Export Organisations, strikes a cautionary note. Unlike textiles, where alternatives abound, he argues that engineering goods and auto parts are deeply embedded in US supply chains. "Our machines and products are tailored to US specifications. Transitioning to other markets will not be smooth. Many units here have already cut operational hours and reduced wages. It may take up to two years to recover fully. In the meantime, close to 200,000 people in this city risk losing their livelihoods."

Ralhan urges the government to step in with a ₹20,000 crore support package. And if the US remains unyielding, he adds, India must fast-track trade deals elsewhere.

Source: business-standard.com– Aug 18, 2025

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# Traders likely to keep input tax credit on old stocks in GST revamp

As India prepares to move towards GST 2.0, the government is expected to allow businesses to carry forward accumulated input tax credit (ITC) on existing inventories to prevent companies from losing credit on goods purchased at higher rates.

The GST Council is also likely to update the tax administration system to ensure a smooth transition and shield businesses from additional costs.

“As we move towards the GST overhaul, our objective is to ensure a seamless transition for businesses. Allowing the carry forward of accumulated ITC on existing inventory will safeguard companies from any tax disadvantage arising due to rate rationalisation. The updated IT systems will ensure smooth credit transfer and prevent additional costs for taxpayers,” a government official familiar with the matter said.

An email sent to the finance ministry remained unanswered until the time of going to press.

Take, for instance, Company A, a trader in solar modules holding ₹100 crore worth of inventory and an ITC balance of ₹12 crore. At present, solar modules attract 12 per cent GST, but under the proposed regime the rate will fall to 5 per cent. With profitability assumed at 10 per cent, the company would pay ₹5.5 crore (5 per cent of ₹110 crore) in GST, leaving ₹6.5 crore of ITC accumulated after liquidation of stock.

“The company will not have any option of liquidating the remaining ITC. This would mean that traders and industry at large, wherever a GST rate reduction is expected, would attempt to liquidate their inventories before the GST overhaul unless a solution is built into the rate rationalisation exercise,” said Vivek Jalan, partner at Tax Connect Advisory.

A 2020 circular from the Central Board of Indirect Taxes and Customs (CBIC) had clarified that refunds of accumulated ITC would not be permitted where a business was essentially buying and selling the same goods, and the build-up of credit occurred only because of a rate cut.

In cases where GST was paid at a higher rate on purchases but charged at a lower rate on sales, the excess credit would remain locked. Experts warn that while such changes in a handful of products may not create widespread disruption, a comprehensive rate rationalisation under GST 2.0 could trigger a serious liquidity squeeze for businesses.

Smita Singh, partner at S&A Law Offices, said the GST 2.0 announcement raised critical considerations for companies holding inventory bought at higher rates.

"During the GST transition from the erstwhile indirect tax regime and subsequent tax rate amendments, businesses were allowed to carry forward existing accumulated ITC and were not asked to reverse it.

We expect a similar approach to be adopted to maintain continuity and protect working capital. However, the technicalities and processes will only be clear once the GST Council and CBIC issue instructions, and businesses must closely monitor developments for smooth compliance during the transition," she added.

Source: business-standard.com– Aug 18, 2025

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# India removes 11% cotton import duty till September to boost domestic industry

The Government has removed the 11 per cent import duty on cotton till September 30 this year, a move that would help the domestic textiles industry in dealing with the US tariff issue.

The Ministry of Finance has issued an extraordinary notification regarding the removal of import duty, which will take effect from August 19.

"The Government has accepted our demand and removed the 11 per cent import duty on cotton upto September 30", said Atul Ganatra, President, Cotton Association of India (CAI), the apex trade body. "We are waiting for the modalities that are likely to be announced soon," he said.

The industry is awaiting clarification from the Government on whether the 11 per cent duty exemption applies to import contracts made until September 30 or to the cotton reaching Indian ports by September 30. "If the contracts are allowed to be made till September 30, then a lot of new deals will be done as Brazil has started harvesting. In that case we expect imports of some 10-15 lakh bales," Ganatra said.

Taking advantage of the low global prices, Indian mills and the cotton trade have already imported approximately 33 lakh bales of 170 kg each as of July 31. Another 6 lakh bales are expected to arrive by the end of September, bringing the total imports to a record 39 lakh bales, Ganatra said.

The Indian cotton prices are higher by about 10-12 per cent over the global prices. The harvest in Brazil began in mid-August, and some Bangladeshi mills have contracted at 73 cents per pound, roughly translating to approximately ₹50,500 per candy (356 kg). Meanwhile, Indian prices are hovering around ₹ 56,000-57,000.

India had imported 15.20 lakh bales during the 2023-24 crop year. Lower international prices coupled with higher demand from mills for contaminant-free cotton have resulted in a surge in imports. Previously, India's cotton imports had reached a high of 31 lakh bales during 2022-23, when domestic prices soared, reaching a record of one lakh rupees per candy (356 kg).

“In the last 10 days alone, 1.5 lakh bales has been contracted for the October-November-December delivery,” Ganatra said.

According to the Commerce Ministry’s preliminary estimates, imports of cotton raw materials and waste increased by 61 per cent in dollar value terms during the April-July period. Cotton imports stood at $383.22 million during April-July this fiscal, up from $238.30 million in the same period last year. During April-March 2024-25, India’s imports of cotton raw and waste touched $1.219 billion, an increase of 104 per cent over the previous year’s $598.66 million.

According to CAI, the pressing estimates for 2024-25 stood at 311.4 lakh bales of 170 kg each, down from 336.45 lakh bales in the previous year. Domestic demand during the year is projected to be marginally up at 314 lakh bales (313 lakh bales in the previous year), with closing stocks at 57.59 lakh bales (39.19 lakh bales).

Source: fibre2fashion.com– Aug 17, 2025

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# India, China, and Brazil to lead global cotton market in 2025-26, says ICAC projections

As per the August 2025 'Cotton This Month' report by the International Cotton Advisory Committee (ICAC), global cotton production is projected to outpace consumption for the 2025-26 season.

The report, which includes data and projections, highlights the dominance of India, China, Brazil, and Bangladesh in the upcoming season. Global production is estimated at 25.9 million tonnes, slightly exceeding the projected consumption of 25.6 million tonnes, with trade holding steady at 9.7 million tonnes.

Cotton season 2025-26 projections

The projections reveal a dynamic, interconnected global market where traditional powerhouses consolidate their dominance and emerging trade shifts reshape the landscape. India is expected to maintain its long-standing role as the global leader in cotton acreage.

With 38 per cent of the world's total area under cotton cultivation, the country continues to rely heavily on its vast agricultural land base, underscoring its strategic commitment to the cotton economy—even as productivity remains a focal challenge in comparison to other major producers.

Meanwhile, China is expected to retain its dual distinction: as both the world's largest cotton producer and most voracious consumer. The country is projected to account for 24 per cent of global cotton output, but more strikingly, it will consume 8.2 million tonnes, 32 per cent of the world's total usage. This reflects the enduring strength of China's textile manufacturing sector, which, despite growing competition and environmental pressures, remains a global engine of cotton demand.

On the trade front, Bangladesh is forecast to emerge as the leading cotton importer for the season. Responsible for 19 per cent of all global imports, the country's thriving ready-made garment (RMG) sector continues to drive its massive raw cotton needs—most of which must be met from abroad due to negligible domestic cultivation.

At the same time, Brazil is expected to rise to the top of the export charts. The South American agricultural giant is set to ship out 32 per cent of the world's cotton exports, a testament to its increasingly efficient production systems and aggressive expansion into global markets.

Finally, the ICAC Secretariat's price forecast for 2025-26 indicates a wide trading band, reflecting market uncertainties and potential volatility. Prices are expected to range from 57 to 94 cents per pound, with a midpoint forecast of 73 cents. This spread suggests sensitivity to factors such as global demand fluctuations, weather events, and trade policy changes. Together, these projections set the stage for a season shaped by both stability in leadership and evolving dynamics in trade—signaling another chapter in the complex, ever-changing story of global cotton.

Click here for more details

Source: fashionatingworld.com– Aug 18, 2025

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## Gujarat issues new guidelines under Textile Policy 2024

The Gujarat government has issued new guidelines for industrial incentives under the Gujarat Textile Policy 2024, extending benefits to textile units located in GIDC-notified areas within cities. This decision follows a request from the Southern Gujarat Chamber of Commerce and Industry (SGCCI).

The guidelines were announced by Balvantsinh Rajput, Industries Minister at the Valsad district collector's office. They include textile units in GIDC-notified urban areas now being eligible for government incentive schemes as per Ashok Jirawala, Vice President, SGCCI.

The guidelines also include composite units that handle the entire process from spinning to fabric production, a move expected to significantly boost the state's textile industry.

The policy will also recognize groups of at least 20 women as a Self-Help Group (SHG) for self-employment initiatives. Each member will be eligible for a monthly benefit of up to Rs 5,000.

Nikhil Madrasi, President, SGCCI noted, the policy aims to boost investment in the textile sector, promote women's empowerment, and create new job opportunities in both rural and urban areas.

Source: fashionatingworld.com– Aug 18, 2025

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# Tamil Nadu seeks Centre's support to protect textile industry from US tariffs

Tamil Nadu has requested the Union Government to step in urgently as impending US tariff increases risk destabilising its textile industry—a strong pillar of the state's economy that provides jobs for almost 7.5 million and propels a large majority of India's textile exports. Chief Minister M.K. Stalin warned that up to 3 million jobs are at risk if Washington increases the duty on textile imports from 25% to 50%.

In a letter to Prime Minister Narendra Modi, Stalin set out a policy road map aimed at protecting the state's biggest export earner. Among his suggestions: rectifying the inverted GST duty structure on the man-made fibre chain by keeping the entire segment in a single 5% slab, and eliminating import duties on all types of cotton.

He also demanded greater credit relief, proposing that the Emergency Credit Line Guarantee Scheme (ECLGS) be increased to offer collateral-free loans of 30% of working capital requirements, accompanied by a 5% interest subvention and two-year principal repayment moratorium. He also suggested increasing the Remission of Duties and Taxes on Export Products (RoDTEP) incentive to 5% and expanding the coverage of pre- and post-shipment credit for all textile exports, including yarn.

Referring to the state of Tamil Nadu's dependence on US markets, Stalin pointed out that though the United States imported 20% of India's total goods exports valued at US $ 433.6 billion during the previous year, it imported 31% of the state's US $ 52.1 billion worth of exports.

This vulnerability, he added, exposes the state to a bigger tariff shock than other states. The moves suggested by US President Donald Trump, Stalin cautioned, posed a "disproportionate threat" to the state's industrial sector and labour force.

Stalin emphasised that textiles require top priority because of their size, labour utilisation, and foreign exchange earnings contribution. Trade associations approached by the state government echoed his sentiments, highlighting long-existing problems such as GST anomalies and costly credit that have progressively undermined world competitiveness.

The minister said that the upcoming tariff challenge was a chance to drive long-pending reforms, contending that remedying structural loopholes is not only required to reduce the current crisis, but also to maintain the leadership of Tamil Nadu in India's textile sector.

Source: apparelresources.com – Aug 18, 2025

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