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USD	EUR	GBP	JPY
87.08	101.34	117.37	0.59

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INTERNATIONAL NEWS

How Trump's reciprocal tariff challenged WTO's multilateral trading system

The Trump administration started applying the reciprocal tariff on different countries from August 7 this year, after nearly five months of consultation.

With the implementation of the reciprocal tariff, the global trading system entered a new phase as the previous system was largely ignored in the reciprocal tariff framework.

Bangladesh has also been levied a 20 percent reciprocal tariff, which took the country's effective tariff rate (ETR) to 36.5 percent, including the 20 percent reciprocal tariff and the existing 16.5 percent tariff rate.

Bangladesh's tariff is much lower than India's at 50 percent with an ETR of 66.5 percent, and Vietnam's at 20 percent reciprocal tariff with an ETR of 36.5 percent.

So far, Bangladesh is in an advantageous position compared with other competing countries in the US market.

The Trump administration's reciprocal tariff is fixed unilaterally, as the concept of reciprocal tariff was not consulted with the countries concerned in any multilateral platform such as the World Trade Organisation (WTO). However, Trump's reciprocal tariff is fundamentally opposed to the basic principles of the WTO, which was formed in 1995 in Singapore after years of consultations among global leaders.

The WTO was formed with the philosophy of easing global trade and ensuring equality in trade for smaller countries, as many states were struggling for minimum trade facilities after the Second World War.

After the Second World War, many countries—especially smaller nations such as Bangladesh, Nepal, Bhutan, African countries, and many Latin American nations—were suffering from a lack of trade facilities, as manufacturing and trading were mainly confined to the technology-rich Western world.

Because of the shortage of skilled workers and the higher cost of production, many Western countries started moving away from mass production in mills and factories, and poorer countries began receiving those industries as they were rich in labour.

Bangladesh is one of them. For instance, Bangladesh was one of the major beneficiaries of the quota system, and after a journey of nearly five decades, the country eventually turned into the second-largest apparel exporter after China.

This was possible because of new trading systems such as quotas and, consequently, the formation of the WTO, which helped to establish a rules-based trading system globally, benefitting all countries.

Even before the formation of the WTO, many countries such as the European Union (EU) launched Everything but Arms (EBA) under its Generalised Scheme of Preferences (GSP) in 1971, and the USA launched the GSP through amendments to its foreign trade rules in 1974.

As a member of the least developed countries (LDCs), Bangladesh has also benefited from these trading measures taken by developed and developing nations.

For instance, Bangladesh enjoys preferential trade benefits with 38 countries, and 73 percent of its total export value is LDC-induced.

By enjoying such trade benefits, Bangladesh eventually turned into a half-a-trillion-dollar economy and is on the way to becoming a trillion-dollar economy in the near future.

Like Bangladesh, many other countries have come out of extreme poverty and moved to middle-income or developing status due to the liberal tariff measures taken by developed and developing nations. The liberal tariff regime has been helping countries grow as a favourable tax ecosystem has developed worldwide over the years through trade practices.

With Trump's reciprocal tariff in place, it is estimated that the average global tariff will cross 20 percent, as the US average tariff will climb to 20.1 percent—the highest level since the early 1910s (except for a brief spike earlier this year, after new duties took effect on August 7), according to data from the WTO and the International Monetary Fund (IMF).

The average tariff figure of the USA was far lower at 2.4 percent when President Donald Trump took office on January 20, 2017, and this rate remained in effect until the new tariff came into place on August 7.

Bangladesh is called one of the most protected economies because of its higher average duty at 28 percent, and many trading partners have been asking Bangladesh to liberalise its economy by reforming the current tariff regime.

Bangladesh has been working to liberalise its tariff regime, as the country is scheduled to graduate from LDC to developing nation status in November next year.

Why Trump Imposed the Reciprocal Tariff

President Trump imposed the reciprocal tariff mainly as a tool for weaponising trade to fulfil his dream of "Make America Great Again" (MAGA), his electoral pledge.

But this time, he weaponised tariffs as the tool for MAGA. Usually, tariff issues are widely consulted in the WTO platform, but President Trump imposed the tariff arbitrarily under special powers.

First, he suspended the operations of USAID, which indicates that Trump does not believe in aid but in trade. In his tariff negotiation, Trump sidelined poor countries and targeted developed and developing nations with higher tariffs.

The Trump administration is trying to reduce the $1.3 trillion annual trade deficit by imposing higher tariffs on major trading partners. The rise of China is a major concern for the USA and for Trump's dream of MAGA.

China is becoming a major global power, both economically and politically, and is spreading its Belt and Road Initiative (BRI), under which China has been doing business and investing in different countries.

With China's increasing involvement in global affairs—be it in finance, investment, strategy, or commerce—the dream of MAGA is narrowing.
President Trump also wants the re-establishment of industrial and manufacturing plants in the USA, particularly in sectors such as semiconductors and microchips, which are higher in price but require fewer workers and less working time.

The profit is higher in the production of these small but expensive goods. So, President Trump proposed a 145 percent tariff hike on China, which is still under negotiation.

Has Trump Followed the WTO Rules?

Most of the tariff rates were fixed by the Trump administration, as major trading partners did not sign the deal. For instance, India and Brazil did not sign. Most countries wanted to negotiate the deals under the WTO's multilateral and widely practised Most Favoured Nation (MFN) basis to make tariff rates more participatory.

But the Trump administration negotiated tariffs unilaterally and forced many countries either to purchase more American goods or to commit more foreign investment in the USA. For instance, Trump imposed a 15 percent tariff on Korea as the country agreed to provide duty facilities for US goods and committed to investing in the USA.

South Korea agreed to invest $350 billion in the United States in projects selected by Trump and to purchase energy products worth $100 billion, according to Reuters.

The new rate kicks in as the two countries remain at loggerheads over Japan's $550 billion investment pledge made as part of the trade deal, when and if auto tariffs will be lowered, and even the terms and conditions of the reciprocal tariff, according to The Japan Times.

Similarly, many countries that agreed to the reciprocal tariff also pledged to buy more US goods and to provide duty facilities for American goods.

These tariff rates may not be sustainable, as some countries will face serious trouble in their businesses. Even US retailers and brands may face difficulties, as they are not manufacturers of garments, accessories, and mobile gadgets.

They need to import these goods from other countries to sell to end consumers. If duties are high, prices will also go up in the US market, and consumers will have to pay more.

Source: thedailystar.net– Aug 20, 2025

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UK clothing exports drop 15% in June 2025 amid EU demand weakness

The United Kingdom's clothing exports fell by 15.20 per cent year on year (YoY) to £251 million (~$339.31 million) in June 2025, down from £296 million in June 2024, according to the UK's Office for National Statistics (ONS).

The decline reflects subdued demand, particularly from Europe—a key market for UK clothing. It also highlights ongoing challenges for the sector amid inflationary pressures, rising production costs, and competitive pricing from Asian suppliers. However, exports rose by 5.02 per cent from £239 million in May 2025.

Textile fabric exports in June 2025 eased by 5.22 per cent year on year to £226 million (~$305.51 million), compared to £241 million in June 2024, and remained stable month on month as the shipment was valued at £241 million in May 2025. Textile fibre exports eased to £43 million (~$58.13 million) in June 2025 from £60 million a year earlier, and £52 million in the previous month.

In the second quarter of 2025, clothing exports totalled £718 million (~$970.61 million), compared to £837 million in Q2 2024 and £712 million in Q1 2025, signalling persistent weakness despite resilience in textile fabrics.

Textile fabric exports stood at £700 million (~$946.28 million), down from £713 million in Q2 2024 but up from £666 million in Q1 2025. Fibre exports reached £143 million (~$193.31 million), compared to £173 million in Q2 2024 and £192 million in Q1 2025.

For the full year 2024, the UK's clothing exports declined by 11.74 per cent to £3,320 million (~$4,186.53 million). Textile fabric exports remained stable at £2,733 million, while fibre exports rose to £707 million.

In 2023, clothing exports fell to £3.772 billion (~$4.88 billion) from £3.931 billion in 2022 and £4.263 billion in 2021. That year, textile fabric exports reached £2.737 billion and fibre exports £667 million, compared to £2.716 billion and £616 million, respectively, in 2022.

Thus, the long-term trend shows the UK struggling to regain pre-2021 export momentum. Clothing exports have consistently declined over the past three years, reflecting both structural shifts in global sourcing and post-Brexit trade frictions. Textile fabrics and fibres have been comparatively stable, but growth remains subdued.

The data underlines the UK textile and apparel industry's reliance on European markets, vulnerability to global competition, and the urgent need for diversification and value-added strategies to sustain exports.

Source: fibre2fashion.com– Aug 20, 2025

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UK, S Korea pledge to complete talks on upgrading FTA by 2025 end

British and South Korean officials yesterday agreed to speed up negotiations to upgrade a bilateral free trade agreement as part of their efforts to expand trade and investment.

Five rounds of negotiation are over and both sides pledged to complete the talks by the year end, a joint communiqué issued by both sides following a bilateral senior economic dialogue in Seoul said.

South Korea's second vice minister for foreign affairs Kim Jina and UK parliamentary under-secretary for the Indo-Pacific Catherine West co-chaired the dialogue.

Both sides met last month for the fifth round of negotiations on easing regulations on product origins and introduced new rules in the areas of supply chains and digital trade.

The two sides explored ways to expand cooperation in economic security, trading and investment, artificial intelligence, quantum technology, defense industry, engineering, biology, space and energy, the communiqué said.

South Korean officials requested the British government to 'favorably review' its safeguard measures against home-grown steel products and an electric vehicle subsidy scheme to ensure fair competition for Korean companies.

Source: fibre2fashion.com– Aug 19, 2025

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Euro area & EU trade surpluses narrow sharply in June 2025

The euro area's trade surplus in goods with the rest of the world fell to €7 billion (~$8.14 billion) in June 2025, down from €20.7 billion (~$24.07 billion) a year earlier, as import growth outpaced exports. Exports rose 0.4 per cent year-on-year (YoY) to €237.2 billion, while imports climbed 6.8 per cent to €230.2 billion.

Compared with May 2025, the surplus also shrank from €16.5 billion, driven mainly by a weaker chemicals surplus, which dropped to €15.1 billion from €24.4 billion.

YoY, the decline of €13.7 billion in the euro area surplus reflected lower balances in chemicals (€20.6 billion to €15.1 billion), machinery & vehicles (€17.4 billion to €13.6 billion) and other manufactured goods, which swung from a €2.4 billion surplus to a €0.4 billion deficit.

For January–June 2025, the euro area recorded a €93.3 billion (~$108.49 billion) surplus, down from €102 billion (~$118.60 billion) a year earlier, as exports rose 3.9 per cent to €1,485.8 billion and imports rose 4.9 per cent to €1,392.5 billion. Intra-euro area trade also increased 1.3 per cent to €1,319.5 billion, the European Union said in a release.

The wider European Union posted an €8 billion (~$9.30 billion) surplus in June 2025, sharply lower than the €20.3 billion (~$23.60 billion) recorded in June 2024. Extra-EU exports were stable at €213.7 billion, while imports surged 6.4 per cent to €205.7 billion.

Month-on-month, the surplus narrowed from €13 billion in May, as the chemicals surplus fell from €23.2 billion to €14.3 billion, partly offset by a reduced energy deficit (–€23.4 billion versus –€25.2 billion) and a slightly stronger machinery & vehicles balance (€16.4 billion versus €15.0 billion).

Compared with June 2024, the EU's trade balance contracted by €12.3 billion due to declines in chemicals (€19.1 billion to €14.3 billion), machinery & vehicles (€21.3 billion to €16.4 billion) and other manufactured goods (from a €1.9 billion surplus to a €1.4 billion deficit), despite the smaller energy gap.

For January–June 2025, the EU recorded an €80.1 billion (~$93.14 billion) surplus, down from €92.9 billion a year earlier. Exports rose 4.4 per cent to €1,341.1 billion, while imports increased 5.8 per cent to €1,261 billion. Intra-EU trade grew 1.4 per cent to €2,071 billion.

Source: fibre2fashion.com– Aug 19, 2025

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JAAF hails UK origin rule reforms for Sri Lankan apparel exports

The Joint Apparel Association Forum (JAAF) today welcomed the UK Government's announcement of liberalised rules of origin under the Developing Countries Trading Scheme (DCTS), which will come into effect in early 2026.

The reforms will allow Sri Lankan manufacturers to source up to 100 per cent of inputs for garments from any country worldwide while continuing to enjoy tariff-free access to the UK market. This represents a significant upgrade to existing trade arrangements, reducing restrictions on processing and aligning Sri Lanka's apparel sector with the same rules available countries enjoying 'Comprehensive Preferences' under the DCTS.

The UK remains one of Sri Lanka's most important export destinations for apparel. The simplified rules will enable manufacturers to compete more effectively in global markets, diversify sourcing strategies, and maintain consistent access to UK buyers. The changes will also support Sri Lanka's role as a trusted, value-added supplier within global fashion supply chains, JAAF said in a release.

"This reform is a timely recognition of Sri Lanka's role as a resilient and responsible sourcing destination. By removing restrictions on input sourcing, the UK has levelled the playing field for our manufacturers, giving them the flexibility to deliver greater value to global brands and UK consumers alike.

We see this as an opportunity to expand trade, strengthen industry competitiveness, and secure more jobs and livelihoods across Sri Lanka's apparel sector," JAAF secretary general Yohan Lawrence, said welcoming the announcement.

JAAF acknowledged the constructive engagement between the UK High Commission, the Department of Commerce, and the Sri Lankan apparel industry in advocating for this change. The new rules are expected to boost exports, improve efficiency, and strengthen the long-standing trade partnership between the UK and Sri Lanka.

The apparel industry is Sri Lanka's largest export earner, directly employing over 350,000 people and supporting the livelihoods of more than a million across its value chain. Liberalised trade arrangements such as this ensure the sector continues to drive the country's economic recovery and long-term growth.

"We are pleased to confirm further details of the reforms to the DCTS. I know from my discussions with the JAAF, Sri Lankan manufacturers and UK brands that the changes are likely to have a significant positive impact on garment sector in Sri Lanka, while helping lower prices on the UK high street," said British high commissioner to Sri Lanka Andrew Patrick, as quoted by local media.

"The upcoming changes to the DCTS will further strengthen Sri Lanka's exports to the UK. This is a particular success story for Sri Lanka's garment industry where the proposed changes will mean that more of Sri Lanka's garment exports to the UK could qualify for zero tariffs. The Council for Business with Britain is very supportive of these changes and looks forward to continuing our work with businesses to promote trade between the UK and Sri Lanka," Mark Surgenor, president of the council for business with Britain, added.

The Developing Countries Trading Scheme provides preferential trading arrangements for 65 developing countries. Sri Lanka currently enjoys Enhanced Preference status, offering tariff reductions across multiple product categories.

In addition to the garment-specific reforms, the UK announced in June the creation of a new Asia Regional Cumulation Group of 18 countries that Sri Lanka can source from for other eligible products. Inputs sourced from within this group will be treated as originating in Sri Lanka, supporting greater value addition and wider access to preferential tariffs, according to local media reports.

Source: fibre2fashion.com– Aug 19, 2025

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Expected global average inflation rate 4% in 2025, 3.9% in 2026: ifo

The expected global average inflation rate this year is 4 per cent, according to the Economic Experts Survey (EES) for the second quarter (Q2) of 2025 conducted by Munich-based ifo Institute for Economic Research. This is the same as the expectations in Q1 2025.

Experts also expect high inflation rates worldwide in the years ahead. With an average expected inflation rate of 3.9 per cent for 2026, expectations globally are only 0.1 percentage point (pp) lower compared to expectations for 2025.

In the long term, up to 2028, inflation expectations also remain at a high level of 3.7 per cent. This represents a minimal decrease compared with 3.8 per cent in the Q1 2025 survey. Long-term inflation expectations are, therefore, not increasing anymore but rather stagnating as well, according to an ifo release.

Inflation expectations vary widely across the world regions. For 2025, experts expect the lowest inflation rates in Western Europe (1.8 per cent), where the expectations are below the 2-per cent inflation target of the European Central Bank.

Expectations in Northern America, Oceania and Northern Europe are slightly higher (2.7 per cent-3.1 per cent). Notably, expectations in Northern America remain elevated compared to the end of the previous year, reflecting still ongoing inflationary pressures.

Expectations in other parts of Europe (Southern Europe: 3.2 per cent, Eastern Europe: 7.6 per cent) remain above central banks' inflation targets.

Within Asia, there is substantial heterogeneity across sub-regions. While expectations in Eastern Asia (4.3 per cent) and South-Eastern Asia (3.3 per cent) are moderately elevated compared to inflation targets, expectations are significantly higher in Western, Southern and Central Asia (8 per cent, 10.7 per cent and 11.3 per cent respectively).

With the exception of Southern Africa (4.3 per cent), all other African regions expect short-run inflation rates to be well above average: Western Africa: 7.8 per cent; Middle Africa: 14.8 per cent; Eastern Africa: 22.9 per cent; Northern Africa: 40.8 per cent, the release noted.

In the Americas, inflation expectations are mixed, ranging from 2.7 per cent in Northern America to 9.8 per cent in South America. Experts in Central America and the Caribbean report relatively moderate expectations at 3 per cent.

For 2028, experts expect inflation rates in Western Europe (1.9 per cent), Northern Europe (2.6 per cent), Northern America (2.7 per cent) and Oceania (2.7 per cent) to almost return to or approach the 2-per cent inflation rate targeted by many central banks.

However, for some sub-regions, the expectations are higher than in the previous quarter. Higher long-term inflation expectations are recorded for example in Southern Europe (3.1 per cent), Eastern Europe (5.5 per cent), Western Asia (6.1 per cent), Southern-Eastern Asia (3.6 per cent), and in Southern Africa (5.2 per cent). The highest long-term inflation rates are expected in Northern Africa (23.6 per cent) and Eastern Africa (20.5 per cent).

The EES is a quarterly survey conducted by the ifo Institute. More than 1,300 economic experts from 121 countries took part in the survey between June 17, 2025 and July 1, 2025.

Source: fibre2fashion.com– Aug 19, 2025

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Monthly Cotton Economic Newsletter: August 2025

Recent Price Movement

Cotton benchmarks were stable over the past month.

- The most actively traded December NY/ICE contract shifted lower in late July. In recent trading, it has been testing the lower end of the range between 66 and 71 cents/lb that has contained it since the start of the calendar year.
- The A Index was virtually unchanged over the past month, holding near 78 cents/lb.
- After increasing between May and the first half of July, the Chinese Cotton Index (CC Index 3128B) flattened out and then decreased slightly. In international terms, values eased from levels over 98 cents/lb to those near 95 cents/lb. In domestic terms, prices eased from 15,600 to 15,100 RMB/ton. In May, domestic prices set lows around 88 cents/lb or 14,100 RMB/ton. The RMB was stable near 7.18 RMB/USD over the past month.
- Indian spot prices (Shankar-6 quality) generally traded between 82 and 85 cents/lb or between 56,600 and 57,700 INR/candy. The INR traded around 86 INR/USD.
- Pakistani spot prices traded near 69 cents/lb or 16,300 PKR/maund over the past month. The PKR was steady around 283 PKR/USD.

Supply, Demand & Trade

In the latest USDA forecasts for the 2025/26 crop year, projections for world production (-1.8 million bales to 116.6 million) and mill use (-135,000 bales to 118.0 million) were lowered. Historical revisions, including a +1.0 million increase for Chinese consumption in 2024/25, lowered the figure for 2025/26 beginning stocks -1.7 million bales (to 75.0 million bales). The net effect was a -3.4 million bale reduction to the projection for global ending stocks in the new crop year (to 73.9 million bales). If realized, this volume is near the average since Covid.

The largest country-level revision for production was for the U.S., where the crop estimate was lowered -1.4 million bales to 13.2 million. This was due to a drop in planted acreage (-840,000 acres month-over-month, to 9.3 million) and higher abandonment (from 14 percent to 21 percent month-over-month). Outside the U.S., the largest changes to production included those for Sudan (-450,000 bales to 150,000), Uzbekistan (-300,000 bales to 2.6 million), Mali (-100,000 bales to 1.2 million), and China (+500,000 bales to 31.5 million).

For mill use, the largest changes included those for India (-500,000 bales to 25.0 million), Bangladesh (-300,000 bales to 8.1 million), Turkey (-200,000 bales to 7.1 million), Uzbekistan (-100,000 bales to 3.0 million), and China (+1.0 million bales to 37.5 million).

The global trade estimate was lowered -1.1 million bales to 43.6 million. For imports, the largest changes were for China (-500,000 bales to 5.3 million), Bangladesh (-300,000 bales to 8.1 million), Turkey (-200,000 bales to 4.6 million), India (-100,000 bales to 2.9 million). For exports, the largest changes were for the U.S. (-500,000 bales to 12.0 million), Sudan (-400,000 bales to 150,000), and Mali (-100,000 bales to 1.2 million).

Price Outlook

Tariff uncertainty remains a dominant question for supply chains. A general development in U.S. trade policy has been the assignment of different rates to different countries, replacing a standardized system involving common rates for most countries. The differentiation in duties across locations has added a layer of complexity to sourcing.

In July and early August, there was another series of announcements regarding tariffs. The most significant was the Executive Order released on July 31 (table of tariff increases by country in Annex I). This document updated the string of letters sent from the U.S. administration to other heads of state that were issued throughout July.

Most of the tariff increases in the July 31 order fell between the 10-percentage-point increase that went into effect April 10 for most countries (following the Executive Order issued April 9) and the 30-percentage-point increases applied to imports from China since May 14 (following the Executive Order issued May 12). The average tariff increase, weighted by 2024 apparel import volumes, is near 20 percentage points.

Beyond the July 31 Executive Order, there have been other changes to tariffs for specific countries. These include the rate hikes for Brazil (announced July 30) and India (announced Aug. 6), which lifted the total tariff increases from those nations in 2025 to 50 percentage points.

Negotiations with China have been ongoing. The deadline initially established for talks was Aug. 12, but it was announced on Aug. 11 that discussions will extend through Nov. 10. In the meantime, the 30-percentage-point increases that have been in effect on shipments from China since May 14 remain in place.

Both the breadth and pace of change complicates purchasing decisions, and the ultimate impact on global mill use remains unknown. There could be implications for global economic growth in addition to any specific effect on U.S. apparel demand. U.S. apparel imports decreased in the few months of data available since tariff increases were implemented.

In the first three months of the year, which may have been affected by front-loading ahead of potential tariffs, the seasonally-adjusted annual rate of raw cotton equivalence in U.S. imports was 13.5 million bales. Between April and June, the average was 12.7 million bales. This implies a decrease of 6 percent, but recent shipment volumes came soon after tariff increases were implemented and may not reflect longer-term reactions by retailers and brands.

There is also time for conditions in the fiber market to change. One set of timely indicators for global mill demand are USDA weekly export sales data. In figures through the conclusion of 2024/25, the sum of outstanding sales at the end of the crop year plus commitment for delivery in the new crop year was 3.8 million bales (480 lb bales, upland and Pima), which is the lowest volume since the start of 2015/16.

Source: sourcingjournal.com– Aug 19, 2025

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Threading the needle: Việt Nam textiles weave new strategy for export growth

Việt Nam's textile and garment industry must strengthen automation and prioritise domestic sourcing of raw materials if it is to maintain export momentum and remain globally competitive, according to industry leaders.

The Chairman of the Vietnam National Textile and Garment Group (Vinatex), Lê Tiến Trường, said boosting automation and transitioning to synthetic fibre production were key strategies. Among synthetic materials, polyester staple fibre (PSF) plays an increasingly vital role, particularly in the production of CVC and PE yarns.

Previously, demand for synthetic yarns such as PSF stood at just 100,000 tonnes per year. This year, it is expected to climb to 550,000 tonnes. In response, many spinning enterprises have converted their production lines from 100 per cent cotton to CVC and PE yarns. Trường noted that PSF is now a core requirement for Vinatex's yarn manufacturers.

New tariff regulations also require synthetic yarn products to prove their origin. Facing stricter rules regarding the origin of textile materials under free trade agreements, Vinatex proposed that businesses assess and categorise fabric types currently available domestically to reduce reliance on imported inputs.

Companies are being encouraged to work closely with customers to diversify sources of imported raw materials. At the same time, they are urged to accelerate the use of digital technologies, especially for traceability, to ensure transparency in their supply chains and compliance with international standards.

Trương Văn Cẩm, Vice Chairman and General Secretary of the Vietnam Textile and Apparel Association (VITAS), said the sector had an urgent need to increase self-sufficiency in raw materials to secure stable supplies and reduce vulnerability to disruptions in a few key markets.

He emphasised that businesses should focus on diversifying not only their markets and product offerings, but also their raw material supply chains. He added that more investment should be directed towards the fibre segment, particularly from both foreign and domestic investors, and especially in industrial zones that meet environmental standards.

Cẩm stated that developing domestic raw materials would enable textile producers to control supply and meet rules of origin under free trade agreements, allowing them to take full advantage of preferential tariffs.

To address shortfalls in raw materials, the Vietnam National Industry - Energy Group (Petrovietnam) recently resumed full operations at the Đình Vũ Polyester Fibre Plant. The factory is now focused on manufacturing PSF and recycled fibres. This restart aims to maximise the plant's existing capacity, make effective use of past investments, and raise the localisation rate of raw materials for the domestic textile sector.

The industry has shown signs of recovery, with export turnover reaching over US$26.33 billion in the first seven months of 2025 — an increase of $5.3 billion or nine per cent year-on-year. However, to reach the year-end target of $47–48 billion, Việt Nam must maintain monthly export revenues above US$4 billion for the remainder of the year.

This is a challenging objective, particularly given that tariffs on Vietnamese garments in the US market remain at 20 per cent — a disadvantage compared to competitors benefiting from more favourable trade terms.

Businesses expect fluctuations in global demand in the final months of the year. Ensuring a stable workforce and upgrading equipment will be essential to meet the technical requirements of new orders.

VITAS Chairman Vũ Đức Giang said exporters should focus on both retaining traditional markets and expanding into new ones.

Giang noted that each enterprise must work to strengthen supply chain linkages, particularly in light of lessons from international tariffs and the European Union's focus on recycled and eco-friendly products. He called on the industry to proactively adapt and reinforce connections throughout the supply chain.

Source: vietnamnews.vn– Aug 19, 2025

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Chinese investors visit Cambodia to explore scope in textile industry

Some Chinese investors recently visited Cambodia to explore the latter's investment climate, with a focus on investment opportunities in the textile industry—from fabric and yarn production to garment manufacturing—and the plantation wood industry.

Lim Visal, deputy secretary general of the Cambodia Investment Board under the Council for the Development of Cambodia (CDC), presented an overview of Cambodia's investment landscape and incentive schemes, and relevant regulations.

He urged the Chinese investors to follow the guidance of specialised departments, comply with Cambodian laws and regulations, and accord priority to hiring locals—particularly workers returning from Thailand, according to Cambodian newspaper.

Cambodia's textile industry has evolved significantly, driven by strategic Chinese investments and favorable government policies, according to Cambodia Market Entry, a business division under MRTS Consulting Ltd.

Chinese investors have recognised the immense potential in Cambodia's textile sector, contributing to advanced manufacturing capabilities, technology transfer and modernisation, supply chain optimisation, and regional market access through free trade agreements, it noted.

Source: fibre2fashion.com– Aug 20, 2025

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Containers to move from Chattogram port to Bangladesh ICDs sans delay

Bangladesh's National Board of Revenue (NBR) recently issued instructions that containers destined for inland container depots (ICDs) must be moved from Chattogram port on the same day they are unloaded from vessels.

If a full consignment cannot be transferred on the first day, the remaining containers must be shifted the next day.

A recent NBR circular said handling charges will apply only once an entire consignment is transferred off-dock.

In exceptional cases, including capacity constraints at ICDs, the commissioner of Chittagong Custom House may approve 'dual delivery', according to domestic media reports.

The directive follows repeated complaints from businesses and industrial enterprises about delays, bottlenecks and limited capacity at private depots.

At present, 65 categories of imported goods are sent to ICDs to reduce congestion at Chattogram sea port. Nineteen private ICDs manage import, export and empty container operations in Chattogram.

During a meeting last month, the C&F (customs clearing and forwarding) Agents Association told NBR officials that ICDs often seek approval to handle additional cargo, but lack the infrastructure to deliver goods on time. They demanded greater flexibility, including direct dual delivery from the port.

Bangladesh Inland Container Depot Association said that after unloading at Chattogram port, usually four days of free time is available to transfer containers. Completing the process in one or two days will be difficult unless there is no congestion at the port, it added.

Source: fibre2fashion.com– Aug 19, 2025

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NATIONAL NEWS

TEXPROCIL Welcomes Removal of Import Duty on Cotton, Urges Regular Policy Framework

The Cotton Textiles Export Promotion Council (TEXPROCIL) has welcomed the recent decision of the Central Board of Indirect Taxes and Customs (CBIC) to remove import duty and AIDC on cotton (HSN 5201) from 19th August to 30th September 2025.

Expressing gratitude to the Hon'ble Prime Minister, Shri Narendra Modi ji and Shri Giriraj Singh ji, the Hon'ble Union Minister of Textiles, the Chairman of TEXPROCIL, Shri Vijay Agarwal, said, "This timely and forward-looking decision comes as a major relief to the Indian textile value chain at a time when the industry is grappling with challenges on raw material availability and costs. It will go a long way in maintaining stability in the supply chain."

While welcoming the announcement, the Council has also urged the Government to consider institutionalizing a Regular Policy Framework to permit duty-free imports of cotton during July to October every year, coinciding with the southern hemisphere crop arrivals. This would enable mills to plan procurement well in advance, balance domestic availability, and maintain India's competitiveness in the global market.

This will also give predictability and planning flexibility to the industry, ensuring that Indian textiles continue to strengthen their position in global supply chains.

TEXPROCIL reiterated its commitment to work closely with the Ministry of Textiles and the Government of India to advance policies that support the sustainable growth of the cotton textile sector.

Source: Texprocil Textile Intelligence– Aug 18, 2025

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Import duty on raw cotton waived off till September-end

New Delhi: The government on Tuesday said it is suspending import duty on raw cotton until September 30, a move expected to ease domestic supply of the raw material.

Raw cotton imports face a total duty of 11% with the inclusion of agriculture infrastructure and development cess.

Experts also see the duty waiver as a signal to the US, which recently increased tariffs on Indian imports. India's move could benefit American cotton growers.

Industry says the suspension of import duty will ensure raw material availability at globally competitive rates for the textiles sector, which is now looking for markets beyond the US.

"Global brands from Europe, Japan etc. want textile exporters to use the ELS (extra-long staple) cotton from the US and Egypt," said Sanjay Jain, former chairman of CITI.

The duty removal is expected to help increase import of cotton--other than the ELS variety--from the US to meet the needs of premium exports.

At present, India imports about 500,000 tonnes of ELS cotton from the US. The import of other grades of cotton from the US is less as they are expensive compared with cotton from Brazil and Africa.

"The cotton duty exemption will throw opportunities to increase exports to the UK and other countries considerably," said SK Sundararaman, chairman of South India Mills Association (SIMA).

Source: fibre2fashion.com– Aug 19, 2025

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India and China: US Tariffs Turn Rivals Toward Friendship in Major Geopolitical Shift

Chinese Foreign Minister Wang Yi arrived in New Delhi on Monday for a two-day visit viewed by many as the first indication of a thaw in relations between two rivals.

The last such meeting took place in 2020 after a border clash heightened tensions between China and India, which have long been locked in a state of controlled hostility.

Moving forward in the wake of extraordinarily high U.S. tariffs of 50 percent on India, the two largest economies in Asia are looking for synergy and a positive outlook to navigate the turbulence in global trade.

Neither side is pretending past tensions are moot, even though it is clear that geopolitics in South Asia stands at an important crossroads.

After their meeting on Monday, India's foreign minister S. Jaishankar said it was time to "move ahead from a difficult period in our ties," while Wang Yi indicated it was time to "move beyond being adversaries, to being partners."

Both sides agreed that "stability had now been restored at the borders," although analysts warned that years of mistrust could not "so easily be swept aside by business interests."

Wang Yi's meeting on Tuesday with Prime Minister Narendra Modi at his official residence further underlined the effort. After the meeting, Modi tweeted: "Glad to meet foreign minister Wang Yi. Stable, predictable, constructive ties between India and China will contribute significantly to regional as well as global peace and prosperity." He added, "I look forward to our next meeting in Tianjin on the sidelines of the SCO Summit," referring to his accepted visit to the Shanghai Cooperation Organisation summit on Aug. 31 and Sept. 1.

Pushed further together by what is being seen as a rupture in friendship with President Donald Trump through the punishing 50 percent tariff on Indian goods (the highest in the region), Modi is recalibrating India's strategy.

The tariff began with a 25 percent duty for India, compared to 20 percent for Bangladesh, Vietnam and Sri Lanka, along with 19 percent for Pakistan, Cambodia and Indonesia.

The additional 25 percent was slapped on India for its imports of Russian crude oil, bringing the total to 50 percent are set to take effect on Aug. 27.

India has held firm in its objections to the tariffs, with the Ministry of External Affairs calling the targeting of India "unjustified and unreasonable." The overtures to China are viewed as a part of the fallout between the U.S. and India.

Premal Udani, former chairman of the Apparel Export Promotion Council (AEPC) and managing director of Kaytee Corp Pvt Ltd, described the situation as an "existential crisis for the apparel and textile industry." He told Sourcing Journal that many U.S. buyers had paused shipments and put new orders on hold.

"The industry cannot take this kind of impact. Current effective duties are already at around 40 percent and will climb to 65 percent next week," he said.

Hopes that a U.S. delegation visit this week might advance bilateral trade talks appear dim, with reports suggesting the visit has been put on hold. "There were two things happening at the same time. There was talk of a Bilateral Trade Agreement (BTA), and the delegation was coming for that—it wasn't to negotiate on tariffs. Realistically, none of us expected much headway in the BTA until these contentious issues were resolved. We were not holding our breath," Udani explained.

According to a recent report by the Indian Council for Research on International Economic Relations (ICRIER), nearly 70 percent of Indian exports to the U.S. will face 50 percent tariffs under the new tariff regime.

"While this represents just 1.56 percent of the gross domestic product (GDP) and 7.38 percent of total exports—far from catastrophic for a $3.9 trillion economy—the impact is concentrated in labor-intensive and high-value sectors such as textiles, apparel, gems, jewelry, auto parts, and agricultural products like shrimp.

These sectors not only anchor India's merchandise exports to the U.S. but also directly affect employment and the livelihoods of millions. The U.S. alone accounted for approximately 29 percent of India's textile and apparel exports last financial year, valued at about $10.3 billion," the report noted.

Manufacturers have been faced with some dire conversations with the brands and retailers these past weeks.

In Tirupur, which accounts for 68 percent of India's knitwear exports, manufacturers have paused shipments and voiced deep uncertainty. U.S. buyers account for nearly one-quarter of exports from Tirupur, and Tamil Nadu officials warned that the entire state—which sends 31 percent of its $52.18 billion exports to the U.S.—faces urgent threats to livelihoods.

The Tirupur Exporters and Manufacturers Association (TEAMA) said that 3 million jobs and 20,000 factories are "at immediate risk" due to the extra 25 percent to 50 percent tariff. The association has appealed to Prime Minister Modi for relief measures, including high-level diplomatic talks, loan-repayment moratoriums, collateral-free working capital loans, and the temporary suspension of the goods and service tax, income tax and other levies for affected exporters.

Sanjay Jain, chair of the Indian Chamber of Commerce National Textiles Committee and managing director of TT Ltd, echoed the depth of the crisis throughout the textile and apparel sectors.

"It's a bad situation—buyers are putting orders on hold, and even ready goods are being asked not to dispatch. Exporters are having to give steep discounts just to move shipments or secure new orders. It's a total loss for exporters," he said.

Jain urged urgent action, warning that summer orders were already being placed and India could not afford to lose market share to other countries.

"The U.S. is the single largest buyer of home textiles and apparel in the world—we cannot ignore it. Now it is about the survival of the small and medium companies and skilled labor. The government must act boldly and support the industry in finding new pastures."

His suggestions included quickly reducing raw material costs, removing import duties on cotton and textile raw materials, and offering a 10 percent U.S.-focused incentive for products facing the 50 percent tariff.

Other manufacturers told Sourcing Journal that a “comparative paralysis has set in.”

“While there’s no point in hand-wringing over the so-called friendship with the U.S. and casting blame, all eyes are on our government to see how they protect this badly hit, labor-intensive industry. It’s hard to see how the government can cover the 30 percent tariff gap monetarily. We need a multi-pronged strategy,” said a Tirupur based manufacturer, requesting anonymity.

Prime Minister Modi’s Independence Day speech on Aug. 15, in which he promised relief for the industry through tax reforms before the festival of Diwali in November, signals movement toward India holding its own.

Additionally, on Monday, the Finance Ministry announced the elimination of the 11 percent duty on cotton imports until Sept. 30, a step welcomed by manufacturers and a move that also eases access for U.S. cotton into India.

Hansa Sharma, founder of the eco-friendly sustainable fashion brand Hansa, described how the situation was transforming the entire supply chain in a post: “This is a reminder that trade policies don’t just change numbers on a balance sheet—they reshape entire supply chains. As a manufacturer, we see first-hand how tariffs tilt the playing field, making adaptability and efficiency more critical than ever. While challenges are real, they also push us to rethink sourcing, diversify markets, and lean into innovation. In the end, resilience becomes the true currency of global trade.”

A northern India manufacturer, described it as a “huge ripple effect.”

“In India it is creating a de facto embargo for exports to the U.S., but the impact is much bigger than that. The tariffs are not only straining local supply chains but also reshaping the geopolitics of sourcing in South Asia,” he said, adding that manufacturers were already considering building factories in other countries, although that would result in a loss of employment in India.

Despite the palpable tension, not all are swamped in gloom.

Many manufacturers endorsed Jaishankar's point to Wang Yi that "differences must not become disputes, nor competition conflict," and that the same point could well be applied to the business of sourcing.

While the tentative Chinese connections were not immediately seen as bridges to building business, Udani said that they were overall a "very positive step forward."

"They need our raw materials and we need a lot of their goods as well. If it works out it's a win-win situation for 25 percent of humanity," he said.

As for the upcoming deadline for additional U.S. tariffs that is causing disruptions across the supply chain, it's still being seen as a possible window to change. "We're still cautiously optimistic," said Udani.

"As Russia-U.S. talks are on, and Ukraine-U.S. talks are on, this issue of tariffs for crude oil imports from Russia may well be swept aside for India." He pointed to China's last-minute extension on tariffs as an encouraging precedent, while acknowledging that "given the impulsive and uncertain way tariffs are being distributed, it could quite go the opposite way, too."

"So, Aug. 27 is the date to watch," he said, referring to the deadline for the second 25 percent in tariff measures to take effect.

His optimism went further: "I wish other countries well, but in the end, India has great strength in its verticality in the sector. It's only a matter of time, and hopefully we will get a chance to get there."

Source: sourcingjournal.com– Aug 19, 2025

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Exports to 8 of top 20 hubs decline in April-July, shows govt data

Even as the imposition of a 50 per cent tariff by the end of August is expected to sharply reduce India's exports to the US in coming months, its shipments to some eight among the top-20 countries have contracted during the first four months of 2025-26 (FY26).

According to commerce department data, export destinations that witnessed contraction during April-July are: the Netherlands (-21.2 per cent), the UK (-11.2 per cent), Singapore (-11.8 per cent), Saudi Arabia (-11.8 per cent), South Africa (-16.3 per cent), Italy (-9.2 per cent), France (-17.3 per cent), and Malaysia (-28.8 per cent).

The 20 countries accounted for 69 per cent of India's total value of goods exported during the first four months of FY26.

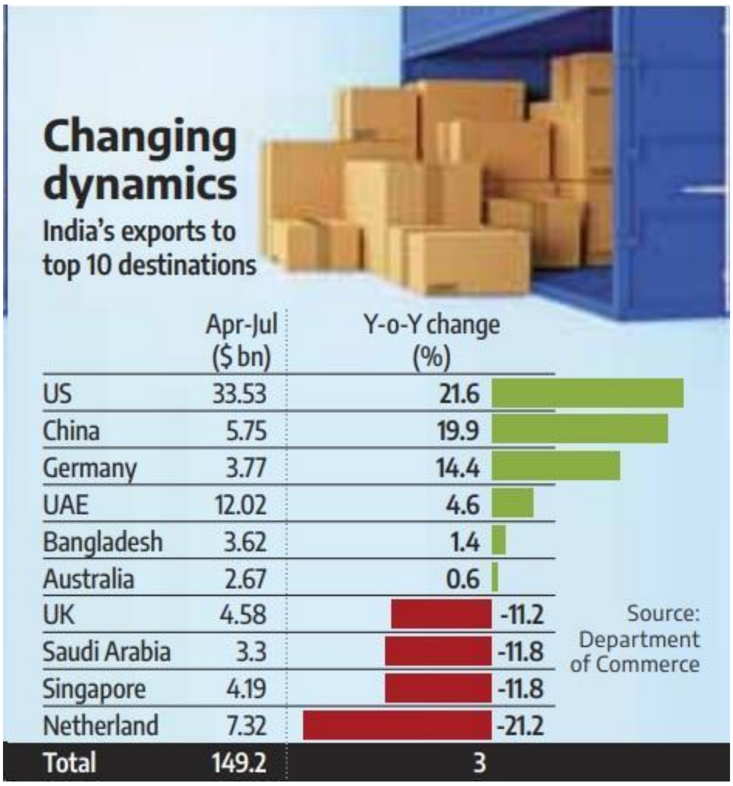
During the same period, India's exports grew 3 per cent to $149.2 billion as outbound shipments to the US grew by over a fifth. While the US continued to remain India's largest export market, the share of exports to the county rose 22 per cent in April-July as compared to 19 per cent a year earlier.

Exporters said that global demand has remained sluggish due to the uncertainties caused by the imposition of country-specific reciprocal tariffs by the US on several nations.

India's exports to the US have been robust, seeing healthy-double digit growth, because of frontloading. American buyers are building inventory to avoid reciprocal tariffs but going ahead, this may dampen demand once 50 per cent tariffs kick in from August 27.

Exporters have also prioritised orders to the US, often at the expense of other key markets, due to the urgency to avoid a 50 per cent tariff from the end of August.

The US administration imposed a 25 per cent reciprocal tariff on Indian goods from August 7. It later announced an additional 25 per cent tariff on Indian exports, blaming its crude oil purchases from Russia.



Going ahead, India's merchandise exports are expected to contract further in FY26.

"There is definitely tepid demand because of the (reciprocal tariff) uncertainty. That apart, exports are being diverted to the US from other countries to avoid reciprocal tariff," said Ajay Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO).

Sahai further said that going ahead, competition will intensify with China because the US has also imposed high tariffs on the former. This will make it more difficult for India, and put pressure on exporters in labour-intensive sectors.

Source: business-standard.com– Aug 19, 2025

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Parliamentary panel for export policy reset, manufacturing focus

The Standing Committee on Finance, in its report tabled in Parliament on Tuesday, recommended recalibrating India's export strategy with a greater focus on manufacturing competitiveness and achieving market diversification amid evolving geopolitical dynamics and ongoing economic uncertainties.

The Finance Ministry told the panel that ideally, the Indian economy will need to grow by around 8 per cent in real terms every year, at least for a decade for sustained prosperity and maintaining economic resilience amidst rising global uncertainties.

Ajay Seth, the then secretary in the Department of Economic Affairs told the parliamentary panel that to achieve this the investment rate in the economy must increase to around 35 per cent of GDP from the current 31 per cent.

Seth added that financing this implies higher levels of Current Account Deficit which is challenging under the current global circumstances and that the focus is on domestic-led growth. "Therefore, deregulation is important to drive growth and create jobs," Seth said.

The report stated that India is well-positioned to navigate current global disruptions and advance toward becoming a high-income economy faster than many of its regional counterparts.

"India's economic roadmap must aim not only for a short-term $5 trillion economy but also for sustained, inclusive, and resilient long-term growth," the committee, chaired by Member of Parliament Bhartruhari Mahtab, said.

The finance ministry informed the panel that, given geopolitical uncertainties and the evolving global trade landscape, the government's growth strategy is rooted in policies that promote resilient, inclusive, and sustainable domestic growth while staying responsive to emerging global and domestic challenges.

The report, titled "Roadmap for Indian economic growth in light of global economic and geopolitical circumstances," noted that India is well-placed to navigate current global disruptions and advance toward becoming a high-income economy faster than many of its regional counterparts. The parliamentary panel emphasised the need for effective reforms and deregulation to become a high-income economy.

The panel also stressed the pivotal role of Artificial Intelligence (AI) and data for effective governance, suggesting the establishment of an indigenous, government-owned AI server to address privacy concerns, improve efficiency, and harness data for informed policy-making. It expressed concern about "digital deserts" in rural and underserved areas and recommended scaling up digital infrastructure in remote locations.

The committee highlighted that the investment rate in the economy must rise to around 35 per cent of GDP from the current 31 per cent to meet the ambitious growth target of 8 per cent annually for at least a decade. While acknowledging the importance of sustained capital expenditure for accelerating long-term productivity and job creation, the panel stressed the need to improve public investment efficiency to enhance output per unit of capital.

On the issue of fiscal discipline at the sub-national level, the committee recommended tailored fiscal reforms in highly indebted states to improve their fiscal health while maintaining their capacity to invest in critical infrastructure and social development. The parliamentary panel also advised market regulators to be cautious about the influence of foreign investors and their potential impact on market volatility.

"To mitigate these risks, the Committee recommended prioritising domestic economic resilience through fiscal consolidation and encouraging SEBI and the RBI to continue streamlining regulations and improving market infrastructure," the panel said, also suggesting diversification of India's investor base and promoting strategic sectors to attract committed FDI. The Committee suggested regular monitoring and evaluation of poverty reduction programmes to ensure responsiveness to emerging challenges and demographic shifts.

Source: business-standard.com– Aug 19, 2025

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About $48 billion worth of goods to be impacted by US' 50% tariff: Govt

In reply to a question regarding the impact of US's 50 per cent tariff, Union Minister of State for Commerce and Industry Jatin Prasada said it is estimated that around $48.2 billion of India's merchandise export (based on 2024 trade value) will attract tariffs.

In a written reply to the Lok Sabha on Tuesday, he said the Government is committed to secure and advance country's national interest and protect the welfare of farmers, workers, entrepreneurs, exporters, MSMEs and all sections of industry, adding that all necessary steps are being taken to help mitigate impact on trade including through appropriate export promotion and trade diversification measures.

On August 6, Trump slapped an additional 25 per cent tariff on goods coming from India as penalty for New Delhi's continued purchase of Russian oil.

Trump signed an executive order - Addressing Threats to the US by the Government of the Russian Federation - imposing the additional tariff over an above the 25 per cent levy which came into effect from August 7.

After this order, the total tariff on Indian goods, barring a small exemption list, will be 50 per cent from August 27.

India has criticised the move. Officials called the measures "unfair and unreasonable," pointing out that other major buyers including the EU, China and the US itself continue to import Russian commodities.

Deadlock in trade talks?

A long-planned visit by a US team to New Delhi for trade negotiations has been cancelled, according to an official. The delegation, led by Assistant US Trade Representative Brendan Lynch, was due to arrive on 25 August for the sixth round of discussions on a proposed bilateral trade agreement. "No new date is decided yet," said the official.

Five rounds of talks have been completed so far. The sixth was expected to be crucial, coming just as additional US tariffs were set to come into force.

Senior Indian officials had earlier said that the country was “fully engaged” with the United States through multiple channels, including ministerial and industry-level dialogues. They described the US as a “very important trade partner” but added that the status of the August round would only be known closer to the date.

The cancellation now makes it unlikely that tariff relief for India will come any time soon.

India’s position on Russian oil

Despite pressure from the US, India has kept up its purchases. According to data, imports averaged 1.8 million barrels per day in the first half of August, higher than the 1.6 million barrels per day recorded in July.

A government source explained the rationale: “We are buying more from (the US) than before, but we are still buying Russian oil. We can not stop (it).” The source added that Russian oil makes “a lot of difference in terms of money.”

Prime Minister Narendra Modi also hit back in his Independence Day address, making clear that India would not accept any trade arrangement that undermines the interests of farmers or cattle rearers.

President Trump, speaking to Fox News last week, said, “he (Russian President Vladimir Putin) lost an oil client, so to speak, which is India, which was doing about 40% of the oil. China, as you know, is doing a lot... And if I did what’s called a secondary sanction, or a secondary tariff, it would be very devastating from their standpoint. If I have to do it, I’ll do it. Maybe I won’t have to do it.”

The comment came as Trump travelled to Alaska for a meeting with Putin.

Source: economictimes.com– Aug 19, 2025

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From Paris to Panipat: Can India help solve Europe's textile recycling crisis?

In the quiet warehouses of northern France, bales of discarded jeans, shirts, and dresses pile higher each week. For French recyclers like Le Relais, the financial strain is becoming unbearable: they say they need €304 per tonne to break-even but receive just €156. That €148 deficit has pushed some operations to the brink of insolvency.

Across the globe, in India's historic textile hubs of Panipat, Tiruppur, Ludhiana the sound of spinning machines and sorting tables has never stopped. Here, labor costs are a fraction of Europe's, the recycling know-how is decades old, and the domestic market for recycled fibers is growing fast. Could this be where Europe sends its unwanted textiles for a second life?

The cost advantage

For labor-intensive tasks like manual sorting, India's lower wages present an undeniable economic lure. In Europe, sorting can cost €100 per tonne in labor alone; in India, the same job might cost just €10-€20 per tonne. Here's an illustrative cost comparison based on Le Relais's figures and hypothetical outsourcing scenarios.

Even with extra shipping costs, the savings are potentially large enough to turn deficits into slim profits.

Why India fits the bill

There several reasons that works in favour of India. First is it's a textile powerhouse. In fact India's textile industry is one of the largest in the world, with integrated supply chains for cotton, polyester, and blends. Recycled fibers could easily be blended into yarn production without reinventing the wheel.

Also, there is a built-in market for secondhand as India has long embraced secondhand and repurposed clothing, meaning some collected textiles could be sold directly for reuse, increasing value capture. What works for India als is the existence of strong mechanical recycling base. From cotton shoddy yarn in Panipat to wool recycling in Ludhiana, India's mechanical recycling facilities are extensive, keeping capital costs lower than Europe's when scaling up operations.

Panipat's inherent issues

However, despite the attractive numbers, this is no silver bullet. Shipping bulky textile waste halfway around the world adds a major carbon cost. A 20 ft container (8-10 tonnes) from Europe to India could cost €150 to €300 per tonne in freight alone, eroding savings and undermining the "local circularity" principle central to Europe's Extended Producer Responsibility (EPR) schemes.

Then there are the regulatory hurdles as India allows imports of "mutilated rags" for recycling but restricts whole used garments unless processed in special zones. European waste exporters would need to meet Indian import rules precisely.

Quality control is another bug bear. Fast fashion's low-quality fabrics don't magically become better in India many still end up downcycled or landfilled. Ensuring that outsourced sorting meets European manufacturers' recycling requirements would require strict protocols and auditing.

Moreover, lower wages can mean exploitative conditions and without rigorous oversight, the move risks becoming another case of developed nations offloading both environmental and social costs onto developing countries.

Click here for more details

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

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How India’s youth can challenge U.S. tariffs

In early August, U.S. President Donald Trump announced that imports from India to the U.S. will be charged tariffs at 50%. This includes a 25% penalty for India’s oil purchases from Russia. The U.S. tariffs bring challenges to the Indian economy. What are the policy options for India?

Tariffs are the taxes levied on imports from other countries. The average tariff imposed by the U.S., the world’s largest export market, was 2 to 3% for two decades until 2024. All that has changed with President Trump announcing a steep hike in U.S. tariffs on April 2 this year.

If the 50% tariff rate imposed on India takes effect, a shirt that an Indian firm sells for $10 will cost as much as $15 for the U.S. consumer. The tariffs on goods from India are higher than the tariffs the U.S. has imposed on India’s export competitors (Table 1). Therefore, a similar shirt shipped from Vietnam or Bangladesh will cost $12 or less, making Indian products uncompetitive.

When Mr. Trump launched the tariff war in April this year, his fury was directed mainly at China, which was charged with tariffs of 145%. But subsequently, the two countries agreed to cool off their animosities, and the U.S. tariffs on China have now come down to 30%. Astonishingly, India, a close U.S. ally, is now the country (with Brazil) threatened with the highest U.S. tariffs.

For India, the dollars it earns by selling textiles, pharmaceuticals, software services, and other products to the U.S. are critical for bridging the country’s external trade deficit. Mr. Trump’s tariffs may lead to job and income losses in India, at least in the short run. At the same time, in exchange for reducing tariffs, the U.S. is seeking greater access for its agricultural products, especially dairy, in the Indian market. This will in turn have adverse impacts on Indian farmers.

Nature of China’s influence

The unfolding tariff war shows that low wages alone will not give a lasting competitive advantage to a country in the export market. China’s strengths emerge from its enormous scale, massive infrastructure, and growing technological capabilities. China has established an unassailable lead in several industries. Its shares in global exports are 36.3% in textiles and clothing and 24.9% in machine and electrical equipment. The corresponding shares for India are 4.4% and 0.9% respectively (Table 2).

The tariff attack

China's vice-like grip over large parts of the global production network and exclusive access to some rare earth minerals may have quickened the melting of ice between it and the U.S.

Table 1: U.S. tariffs on selected countries

	U.S. tariffs (%), as of April 9, 2025	U.S. tariffs (%), as of August 11, 2025
India	26	50*
China	145	30
Vietnam	46	20
Bangladesh	37	20
Thailand	36	19
Pakistan	29	19

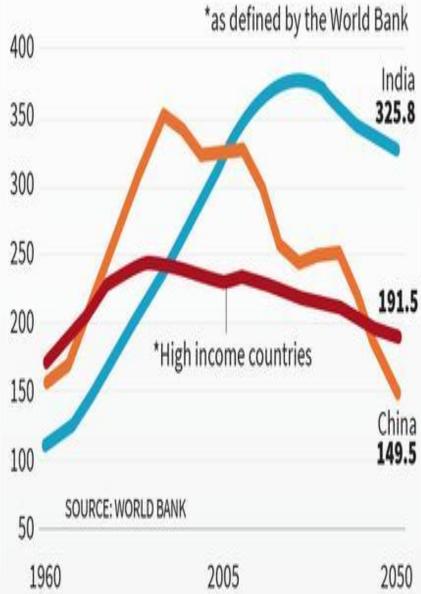
Note: This includes 25% penalty tariff, which will take effect on August 27, 2025.
Source: The New York Times

Table 2: Shares (in %) of these countries in global exports of selected products, 2022

	China	U.S.	India
Textiles and clothing	36.3	3.5	4.4
Footwear	40.9	1.0	1.7
Metals	18.4	5.2	2.5
Chemicals	10.7	10.1	2.6
Machine and electrical equipment	24.9	7.0	0.9

Source: WITS (World Integrated Trade Solution), The World Bank

Chart 1: Population aged 15 to 29 years, in millions



■ The population of Indian immigrants in the U.S. rose from 0.3 million in 1982 to 3.2 million in 2023

China's vice-like grip over large parts of the global production network and exclusive access to some critical materials such as rare earths may have quickened the melting of ice between it and the U.S. Moreover, further uncertainty and tariff escalations with other countries may derail plans by global companies to diversify their investments away from China and do more business with India and Vietnam.

If left with low wages as its only bargaining chip, India will remain on the periphery of global business, ever to be pushed by lower-cost suppliers and by the whims of tariff administrators of rich countries. Despite their early starts, India's IT and pharmaceutical industries tread unsteadily in low-value activities due to their underinvestment in research and development.

From producer to consumer

A significant source of demand for export-driven economic growth in China and other developing countries over the last few decades has been consumers in high-income countries in the West. However, the purchasing capabilities of developed countries have been going downhill for a while due to their ageing populations and growing inequalities. With rising tariffs and protectionism, the markets in the West will also be less open.

This means that future economic growth must be built around the demand from the home markets of countries such as India and China. The populations of these countries will have to transform themselves from being low-cost producers to producers and consumers simultaneously — from being servers left with only crumbs from growth to diners who occupy the high table of capitalist progress.

Such a transformation can occur only with sweeping economic changes. Wages and incomes must rise quickly in India. High-value-adding economic activities based on technology and knowledge must replace growth extracted exploitatively from labour.

The role of young India

Those who doubt Indians' ability to partake in growth derived from skills and talent need only to look at the record of Indians in the U.S. over the past half-century. The immigration to the U.S. of engineers, doctors, and other professionals, most of them trained in India's public universities, has grown steadily since the 1970s. Approximately, a third of the graduates from Indian Institutes of Technology (IITs) migrated abroad, most of them to the U.S., through the 1970s and 1980s. The population of Indian immigrants in the U.S. rose from 0.3 million in 1982 to 1.3 million in 2000 and 3.2 million in 2023. Although still only 1% of the U.S. population, Indian immigrants have a disproportionately higher representation in higher education and research and as entrepreneurs and corporate leaders. The 'brain circulation' they set in has contributed to the U.S.'s continued global dominance in technology and innovation.

Today, one out of every five young people in the world lives in India. At a time when the youth population is declining not only in high-income countries but also in China, the multitude of its young will be India's trump card (Chart 1). Indians in the age group between 15 to 29 years and enrolled in secondary schools or colleges number approximately to 120 million, which is as big as the population of Japan. If accompanied by appropriate policy interventions to enhance their skills and training, these young Indians could become the movers and shakers in the emerging knowledge economy.

The U.S. administration will be wise enough not to underestimate India's strategic importance by factoring in only the relatively small size of its goods trade. If young Indians are turned away from the U.S. due to visa and job restrictions, the U.S. will be the bigger loser in the long run.

As the battle on trade and tariffs rages on, India's best defence will be its young people, their sheer numbers and the promise they hold. The home market they generate will be large enough to compensate for any dip in export earnings, provided jobs and incomes expand fast. Greater public expenditures on health and education, and a renewed focus by domestic businesses on innovation will be critical for unleashing the strengths of India's young as a shield against growing global turbulences.

Source: thehindu.com– Aug 20, 2025

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GST 2.0 to eliminate 12% and 28% tax slabs

In the most significant reform since its rollout, India's Goods and Services Tax (GST) is set for a major overhaul, dubbed 'GST 2.0.' The new blueprint proposes to eliminate the current 12 per cent and 28 per cent tax slabs, aiming to simplify the system and reduce disputes. This plan will first be reviewed by state finance ministers before being presented to the GST Council.

Under the new proposal, the 5 per cent slab will remain for essential goods. Most items currently at 12 per cent are expected to be moved to the nil or 5 per cent bracket. This means items like jams, fruit juices, medicines, and stationery will likely see tax relief. Goods currently in the 28 per cent category - such as air conditioners, dishwashers, and cement - will shift to an 18 per cent slab. Sin and luxury goods, including tobacco and aerated drinks, will be subject to a special levy of up to 40 per cent.

Officials stated, products consumed by the middle class, like refrigerators and high-end TVs, will stay at 18 per cent. Special rates on items like diamonds and jewelry will continue to support those specific industries. The restructuring comes ahead of the March deadline when the compensation cess to states is set to expire.

This change is expected to make the tax structure less complex, improve compliance, and resolve long-standing disputes over product classifications. While the 18 per cent slab currently generates 65 per cent of GST revenue, the new structure aims to balance revenue without placing a heavier burden on consumers. The weighted average GST rate, currently 11.6 per cent, may even fall further.

Source: fashionatingworld.com– Aug 19, 2025

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South India cotton yarn faces slow demand, prices down in Mumbai

South India cotton yarn trade continues to face headwind due to slow demand and uncertainty of US export orders. Cash crunch also dampened sentiment in cotton yarn trade in the region. Cotton yarn prices eased by ₹3-4 per kg in Mumbai market. Tiruppur market also noticed slow demand, but the prices did not see significant fall. Market experts said that buyers did not turn up in south Indian markets after holidays. The government's decision to remove import duty on cotton also failed to boost market sentiments. However, spinning mills will get direct benefit of duty removal. Lower prices may attract buying if demand improves in downstream industry.

Mumbai market noticed fall of ₹3-4 per kg as spinning mills are feeling pressure to sell its production. They are offering some discounts to potential buyers on a case-to-case basis. A trader from Mumbai market told Fibre2Fashion, "Cotton yarn prices eased as cash crisis is hurting buying capacity in the market. Mills and stockists are offering higher discounts to attract buyers. Duty removal on cotton import is a welcome step, but the market did not see any positive sign."

In Mumbai, 60 carded cotton yarn of warp and weft varieties were traded at ₹1,355-1,400 (approximately $15.58-$16.10) and ₹1,320-1,370 per 5 kg (approximately $15.18-$15.75) (excluding GST), respectively. Other prices include 60 combed warp at ₹310-317 (approximately $3.56-$3.64) per kg, 80 carded weft at ₹1,355-1,420 (approximately $15.58-$16.33) per 4.5 kg, 44/46 carded warp at ₹258-265 (approximately $2.97-$3.05) per kg, 40/41 carded warp at ₹244-250 (approximately $2.81-$2.87) per kg and 40/41 combed warp at ₹268-272 (approximately $3.08-3.13) per kg, according to trade sources.

Tiruppur market was eagerly waiting for removal of import duty on cotton. But the government's decision for duty-free imports of cotton failed to boost market sentiments. Cotton yarn trade continued to face sluggish demand from downstream industry. Market sources said that duty-free import of cotton will help spinning mills to sustain in the challenging market. But concerns of slow demand after the announcement of 50 per cent US tariff may not be helpful to boost buying in the entire textile value chain.

In Tiruppur, knitting cotton yarn prices were noted as: 30 count combed cotton yarn at ₹255-263 (approximately $2.93-3.02) per kg (excluding GST), 34 count combed cotton yarn at ₹266-273 (approximately $3-06-3.14) per kg, 40 count combed cotton yarn at ₹278-291 (approximately $3.20-3.35) per kg, 30 count carded cotton yarn at ₹236-241 (approximately $2.71-2.77) per kg, 34 count carded cotton yarn at ₹241-246 (approximately $2.77-2.83) per kg, and 40 count carded cotton yarn at ₹249-253 (approximately $2.86-2.91) per kg.

In Gujarat, cotton prices remained steady amid slow trade. Spinning mills are cautiously buying cotton as they are not confident of demand from weaving and knitting industry. There was no immediate impact of import duty removal on cotton. Traders said that new deals for cotton imports are not possible due to brief window of duty exemption.

However, MNCs may sell some quantity of cotton produced in other countries as they may have floated consignments in sea. Certainly, it is a windfall for importers whose shipments are under transit. Trade sources said that domestic cotton prices may not ease due to duty free imports as Cotton Corporation of India (CCI), holding cotton stock of 25 lakh bales of 170 kg, is guiding market.

Cotton arrival reduced to around 8,000-9,000 bales of 170 kg, out of which Gujarat noticed arrival of 1,000-1,500 bales. The benchmark Shankar-6 cotton was quoted at ₹57,500–57,700 (approximately $661.14–$663.44) per candy of 356 kg for stock cotton.

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