

Source Business Standard le 19 septembre 2022

# Will the US ban on Chinese cotton impact Bangladesh's garments industry?

Bangladesh does not import much cotton from China, as India and USA are the top sources of our raw cotton. But our garments industry is highly reliant on China for importing around 60-70% yarn and fabric.

Md Imran. Sketch: TBS

**US enactment of the Uyghur Forced Labor Prevention Act (UFLPA) came into effect on June 21 this year, after lengthy debate and discussion since the end of Trump's presidency.**

The US has been accusing China of using forced labour in Xinjiang province by compelling thousands of Uyghur Muslims to work in the cotton industry in the name of a poverty alleviation scheme.

Consequently, US customs and border protection authority has been given the authority to confiscate and fine any products entering US markets that have a connection to 'forced' labour in Xinjiang.

Beyond the political tension between the US and China, the US ban on Chinese cotton will have a significant effect on the global supply chain for a variety of reasons. This is especially crucial for nations that produce apparel, like Bangladesh, where millions of people directly depend on this industry for their livelihood.

The Covid-19 and recent Russia-Ukraine war have placed an unprecedented strain on the world economy. Global inflation coupled with the increasing cost of raw materials have hit many industries hard. The clothing industry was among the industries that were most severely affected by the pandemic, but slowly it recovered and experienced an impressive boom, particularly in Bangladesh, providing hope for recovery.

Unfortunately, the US ban on Chinese cotton from Xinjiang is putting stress on global manufacturers as substitution is hard.

The US has clearly noted that products entering the US market must prove that they do not carry any partially or fully made material that have a connection to Xinjiang cotton.

This has created a huge amount of pressure and risk for both manufacturers and US buyers, since the whole apparel industry has tightly evolved around China for decades.

China alone accounts for 22% of cotton production in the world. Notably, Xinjiang province contributes almost 91% share of total Chinese domestic cotton production. It is easily understandable that it would not be a smooth process for garment manufacturers to outsource cotton from other destinations overnight.

The western world under the leadership of the US has been promoting a liberal world order since the end of World War II. In this new world order, state barriers have fallen in the name of market liberalisation. Rise of global division of labour has created an integrated world supply chain where a finished product is processed in different nations, with materials sourced from a variety of origins.

The global garments industry also developed along a similar pathway. Now the US efforts to distinguish the source of origin of cotton, in the name of Uyghur human rights violation, is a deviation from its long-held liberal belief. These policies basically demonstrate the inability of the US to match China's impressive growth in the international market by adhering to the rule of law and healthy competition.

Attacking Xinjiang serves the US the purpose of weakening Chinese efforts to rise peacefully. Paralyzing the economy of Xinjiang through such accusations will surely benefit its own cotton industry economically, as well as create a political opportunity by destabilising Chinese internal cohesion.

However, identifying the origin of cotton would not be a simple task as cotton from different areas get mixed up in the primary yarn and fabric production stage.

Existing inspection measures are also faulty as there is no effective mechanism to identify the origin. Suggested technological companies like SupplyShift, TrusTrace, and TextinGenesis are trying to develop an Artificial Intelligence (AI) based block chain. But doubts have already been raised that these technologies will become commercial certificate-giving outlets instead of truly examining the source of cotton.

Furthermore, manufacturers would not be interested in such measures without incentives, as they add further cost, and the profit margin is already comparatively low.

Nonetheless, past instances of trade war between the USA and China have shown it would be nearly impossible to stop the global supply flow of goods.

Recently, US apparel imports from Vietnam, Thailand and Bangladesh notably expanded, replacing the Chinese market. And with that, interestingly, cotton imports of these countries from China have also dramatically increased. This shows the complex interdependence in the global international system.

Recent US efforts might not be able to destroy Xinjiang's cotton industry but have serious negative consequences for RMG exporting countries like Bangladesh.

Our garments industry is core to our growing economy. This sector provides employment to over four million people. The US sanction on Xinjiang cotton puts Bangladesh in a difficult situation.

It is noteworthy that Bangladesh does not import much cotton from China, as India and USA are the top sources of our raw cotton. But our garments industry is highly reliant on China for importing around 60-70% yarn and fabric.

US restriction leaves Bangladesh with no viable alternative for this category of goods. It is believed that India will capture the Chinese position in providing raw and finished materials to the global garments industry, but its capability doesn't seem enough to replace China.

Bangladesh's RMG industry could potentially fall foul of US policy. In fact, various rights groups in the USA and Europe are already saying things like Bangladesh is involved in 'cotton laundering' by importing the cotton from Xinjiang. Such accusations may become very detrimental to Bangladesh's garments industry.

Excluding Xinjiang's cotton from the world market would definitely push the price of cotton on the higher side. It would leave Bangladesh highly vulnerable to switching to new markets for importing goods, as the dollar crisis is mounting in Bangladesh. Besides, Bangladesh will lose competitiveness deriving from distance, cost and short notice purchase from China. The increasing cost of raw materials may bring unimaginable horrors to this industry.

Business and politics cannot practically be separated in the current world scenario but the engagement of human rights politics makes the situation more precarious. I am not sure to what extent the USA will be successful in achieving its goal by squeezing the cotton industry of Xinjiang to punish China, but it is certain that millions of people who are engaged in different layers of garments industry would suffer the consequences in meeting their daily needs, resulting in a different layer of human rights violation.

Global supply chain disruption will also be detrimental for both the US and the world.