



Sourcing Cotton

Understanding Chinese Cotton & U.S. Import Regulations





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Chinese Cotton Flow

KEY FACTS

China is the world's:

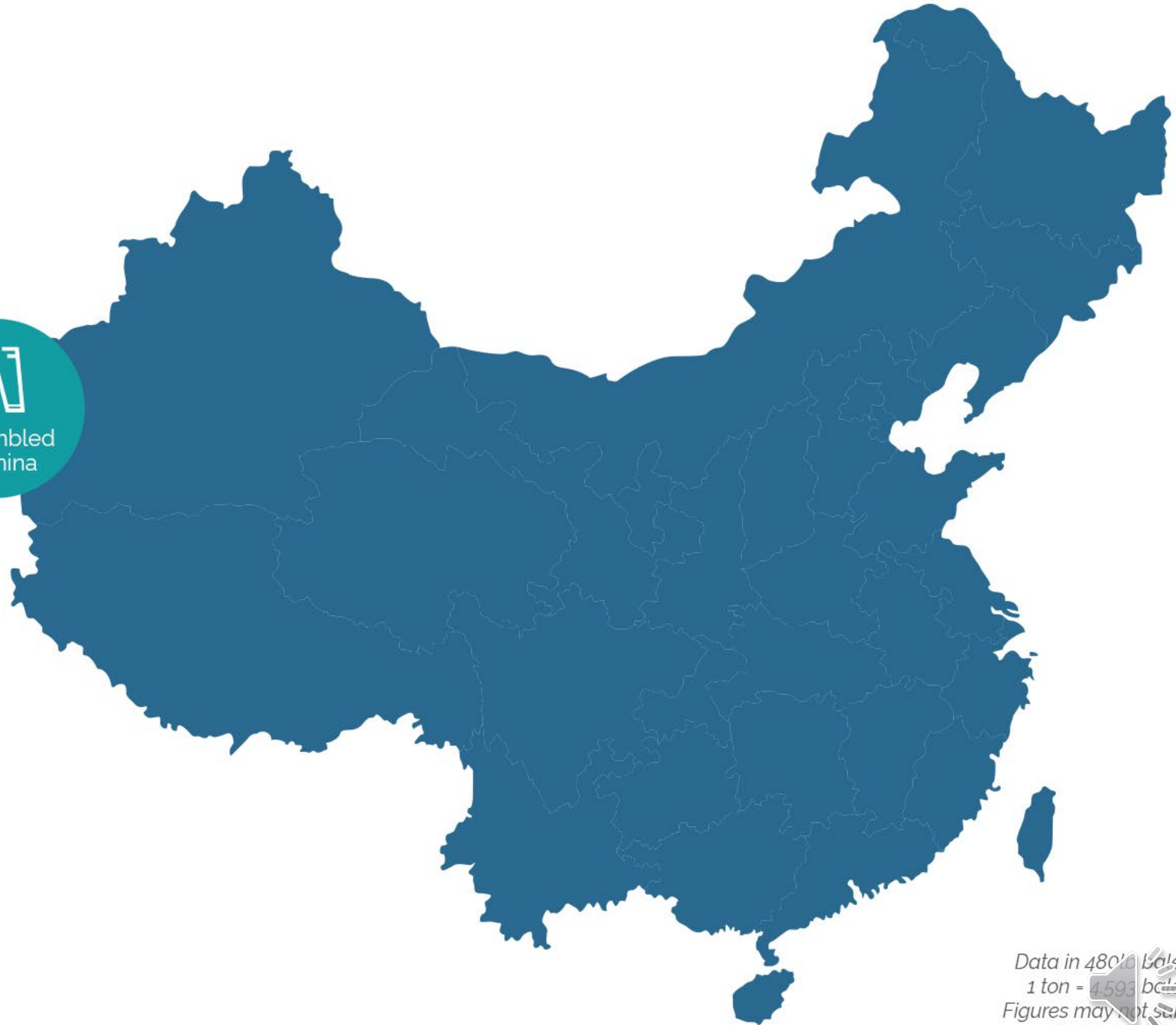


Chinese Cotton Flow



Data in 480 lb bales
1 ton = 4,593 bales
Figures may not sum
due to rounding

Chinese Cotton Flow



Data in 480' bales
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Chinese Cotton Flow

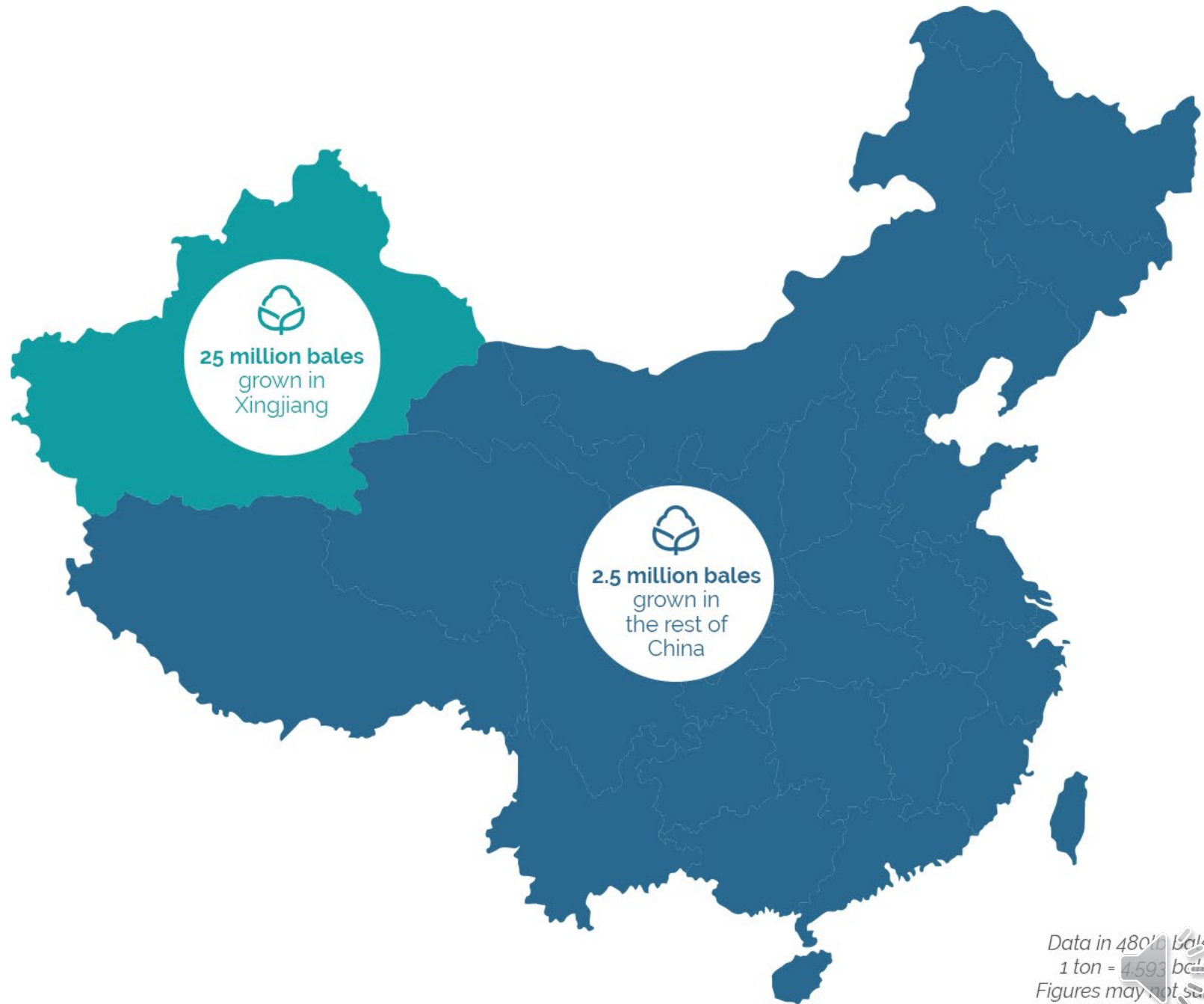


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Chinese Cotton Flow



Xinjiang is China's top cotton-producing province, expected to represent **90% of China's 2020/21 total cotton grown**.



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The **Xinjiang Production and Construction Corps (XPCC)** produces about 40% of the cotton in Xinjiang.



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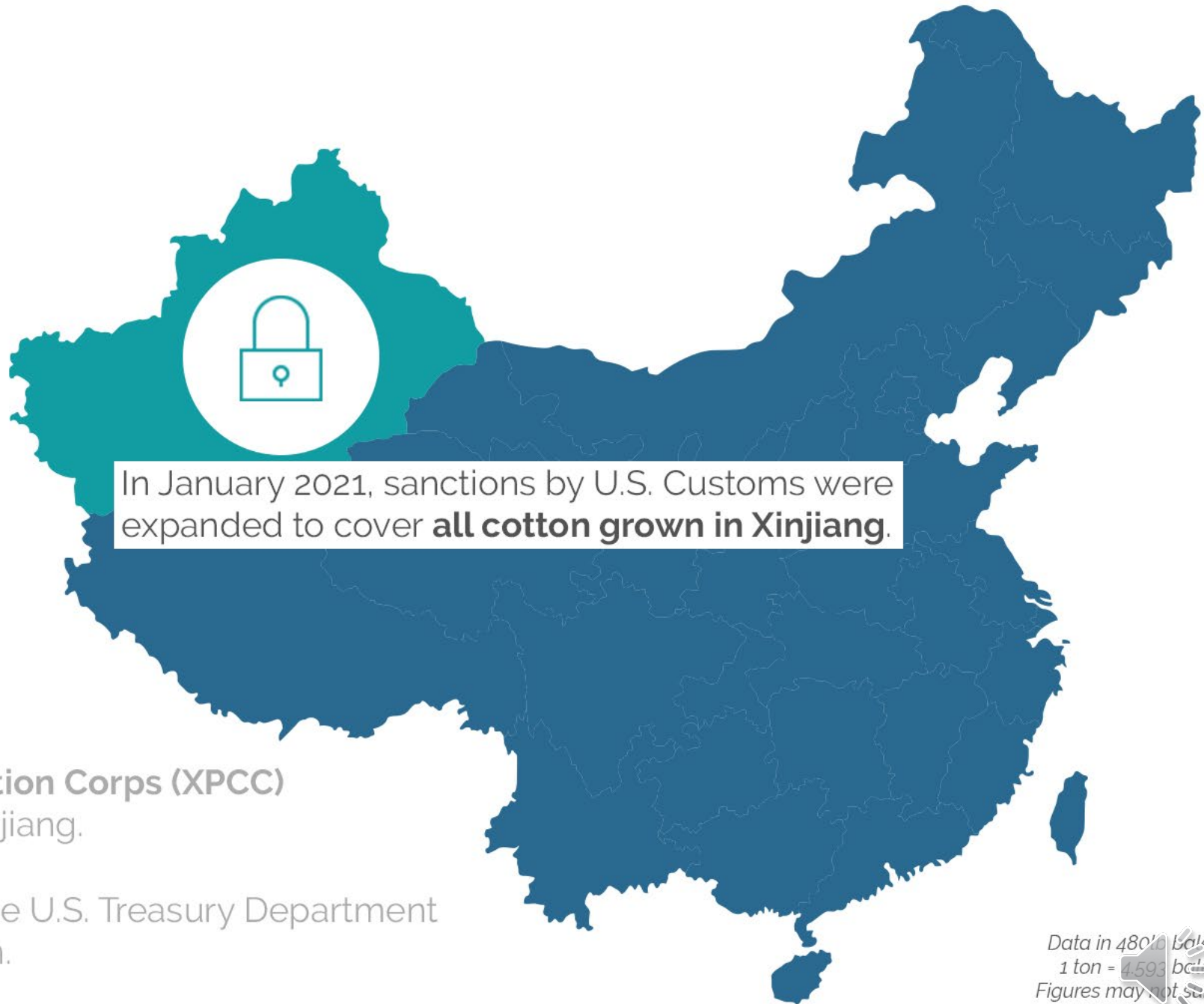
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The XPCC was **cited for sanctions** by the U.S. Treasury Department and U.S. Customs and Border Protection.



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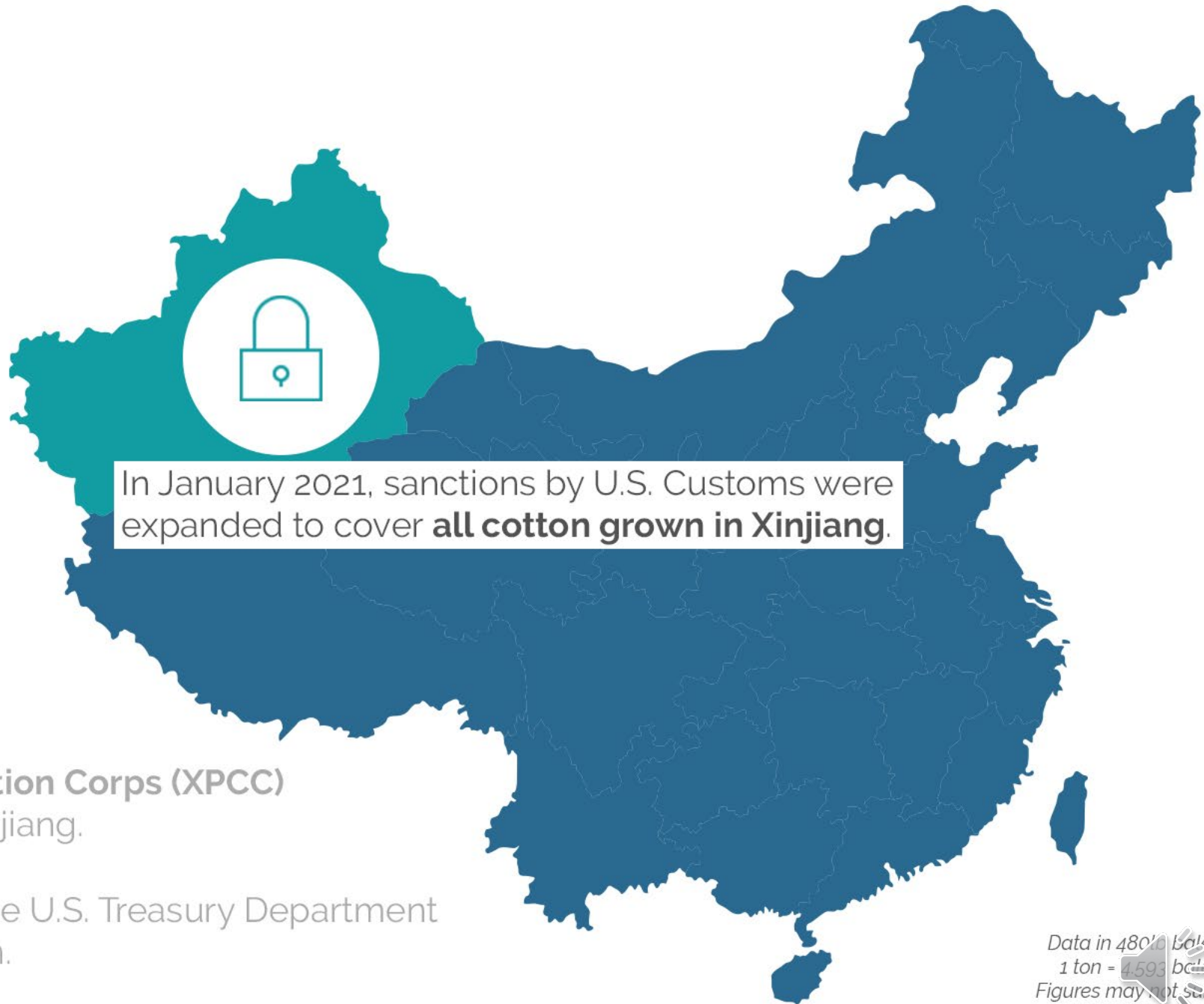
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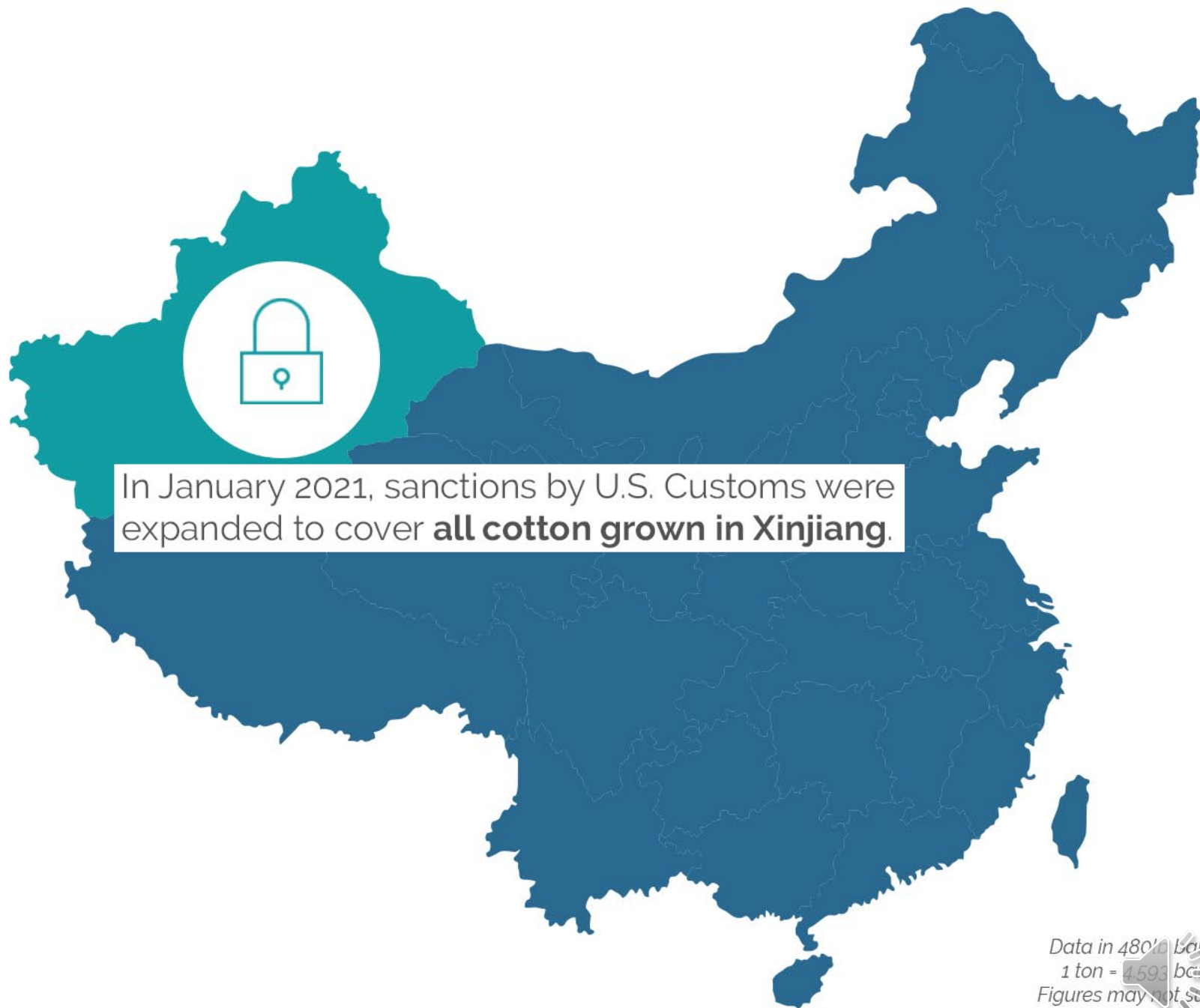
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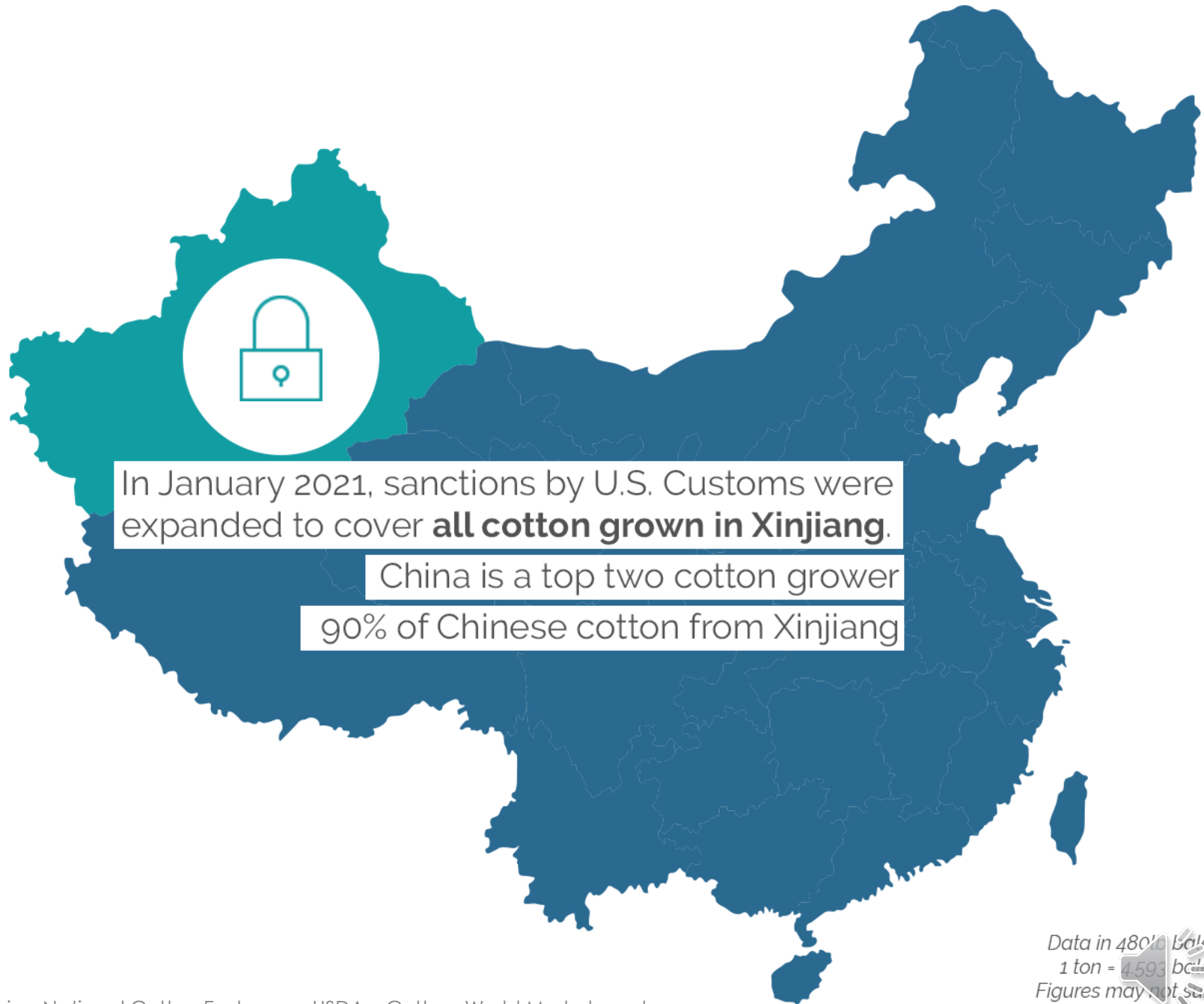


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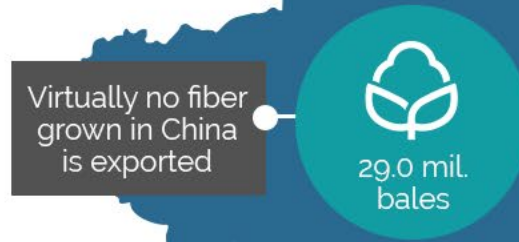
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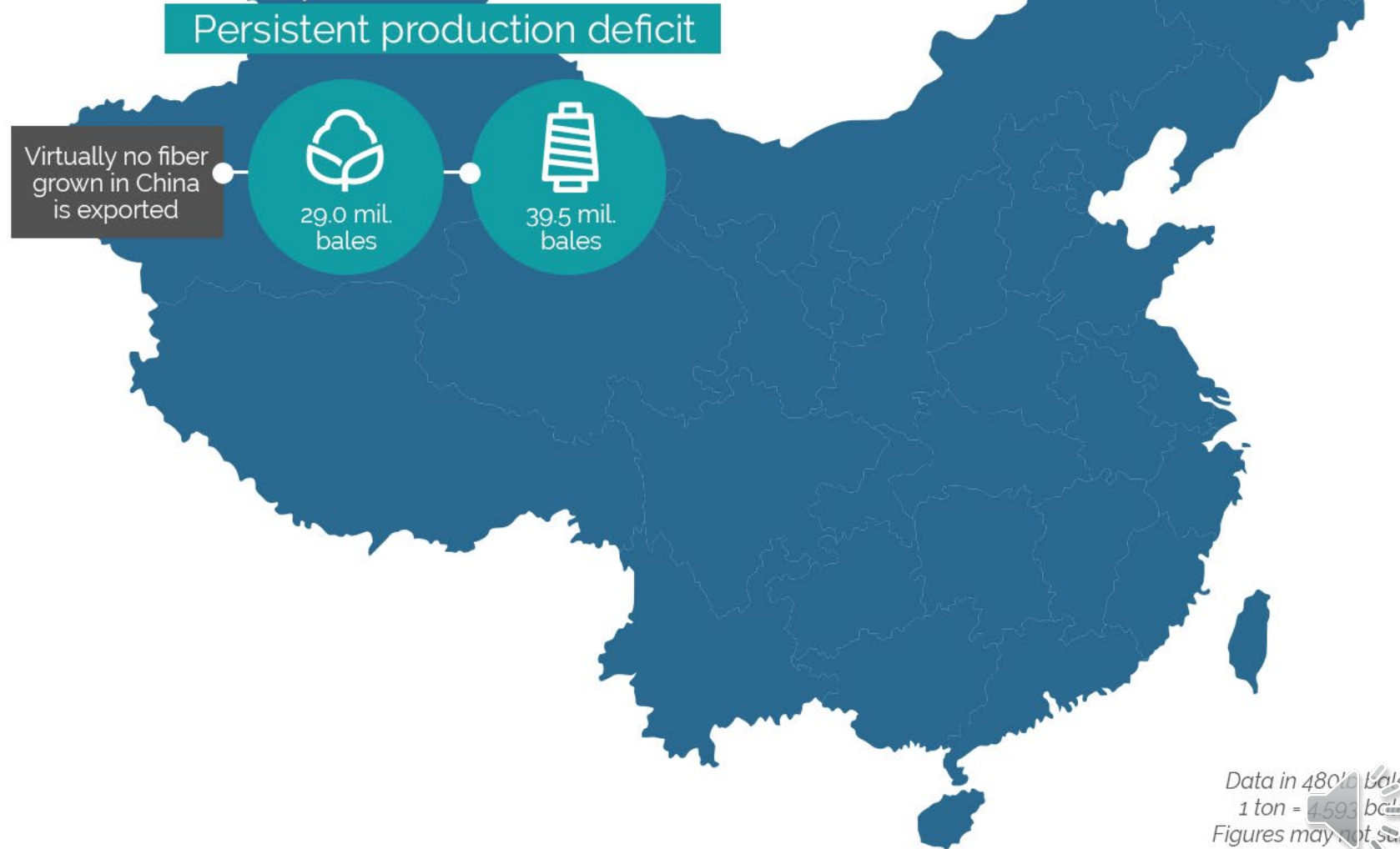
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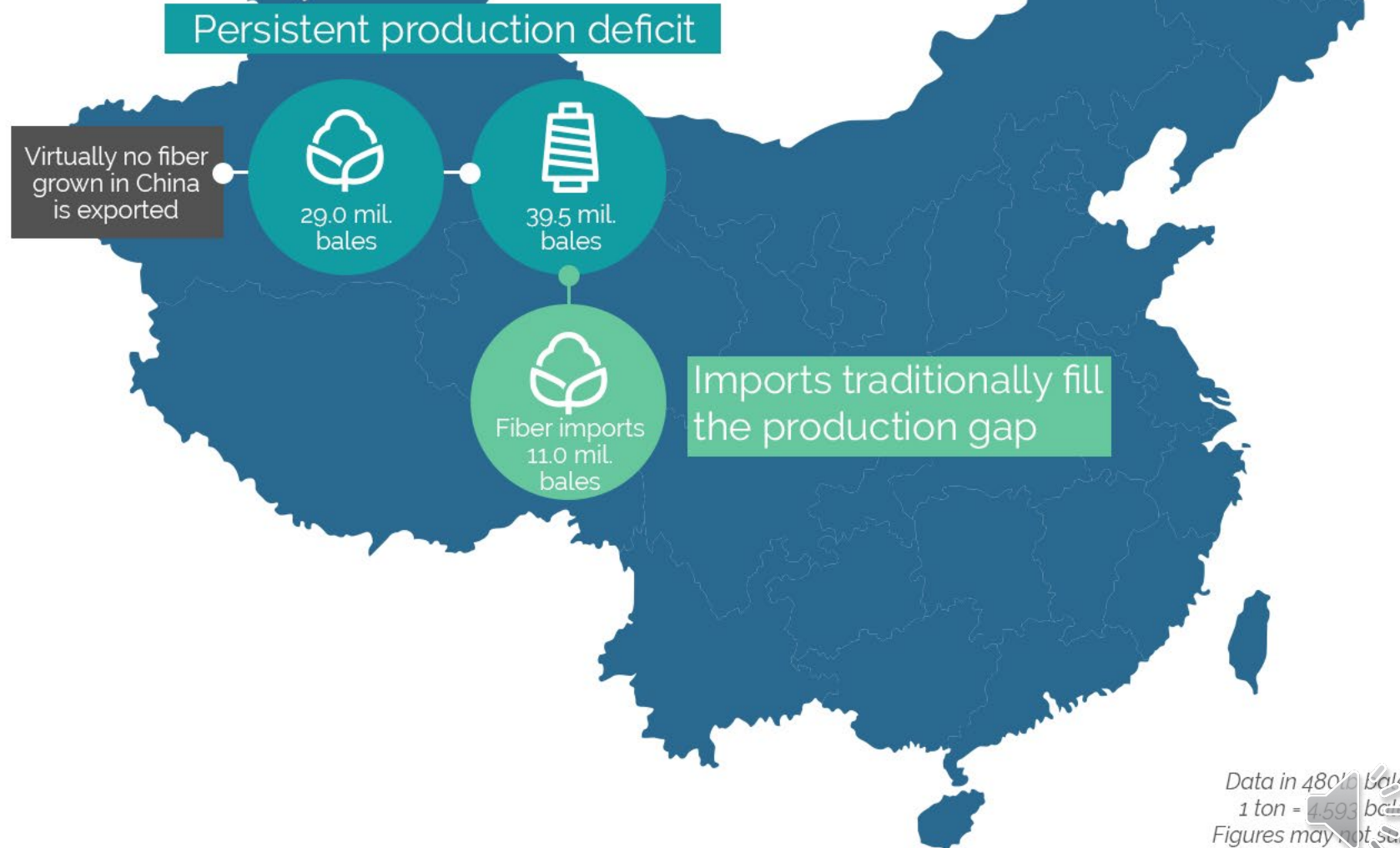
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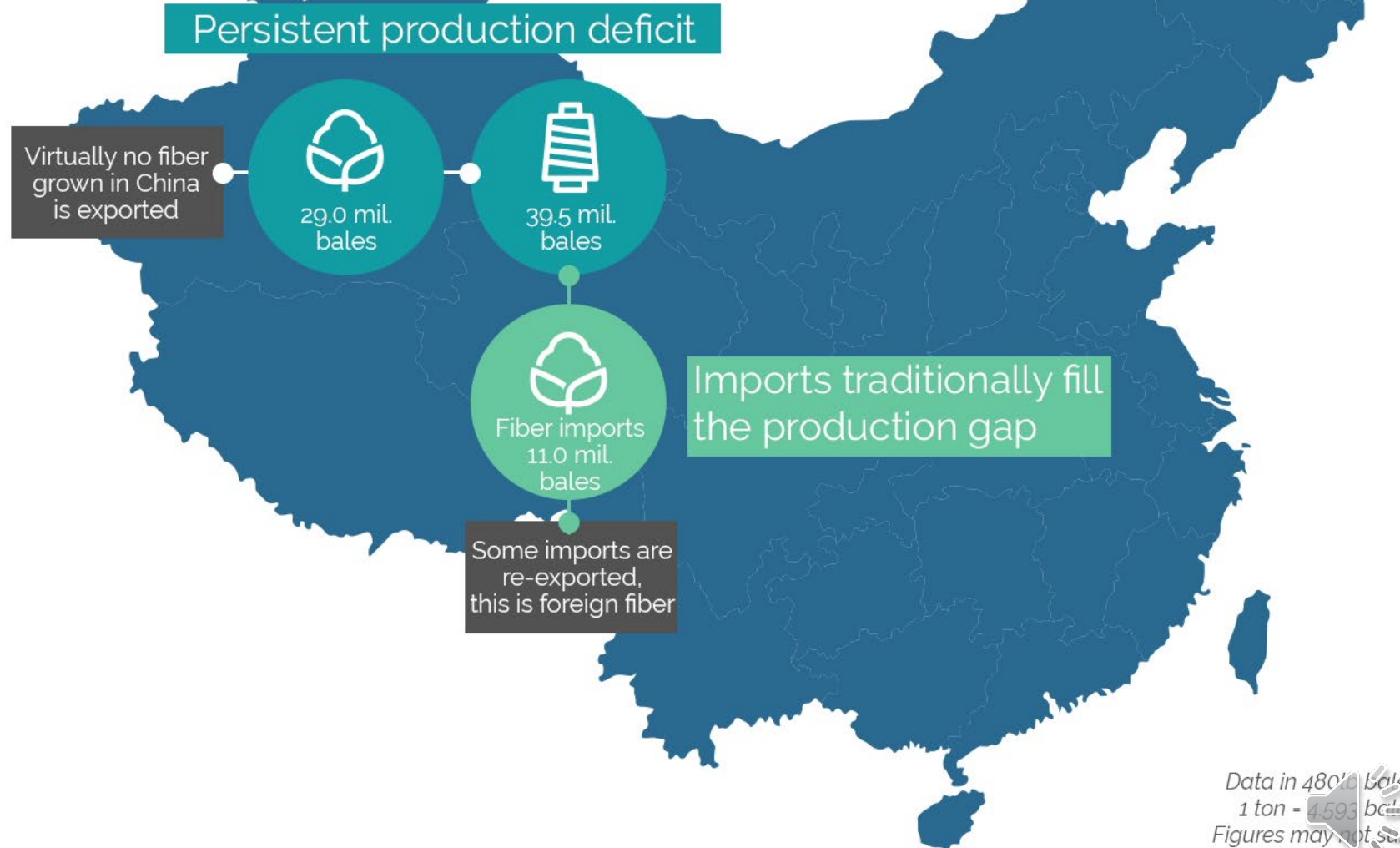
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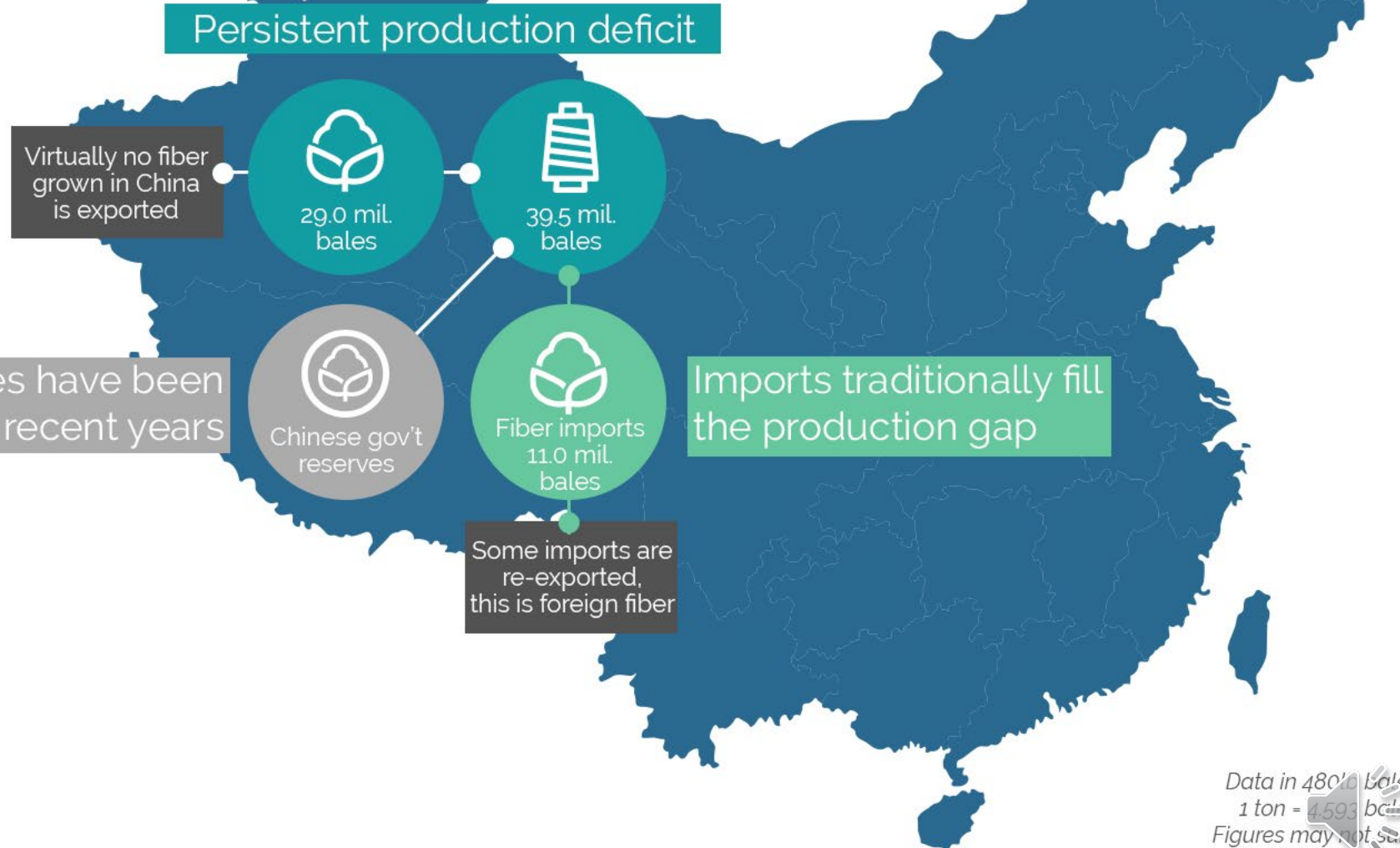
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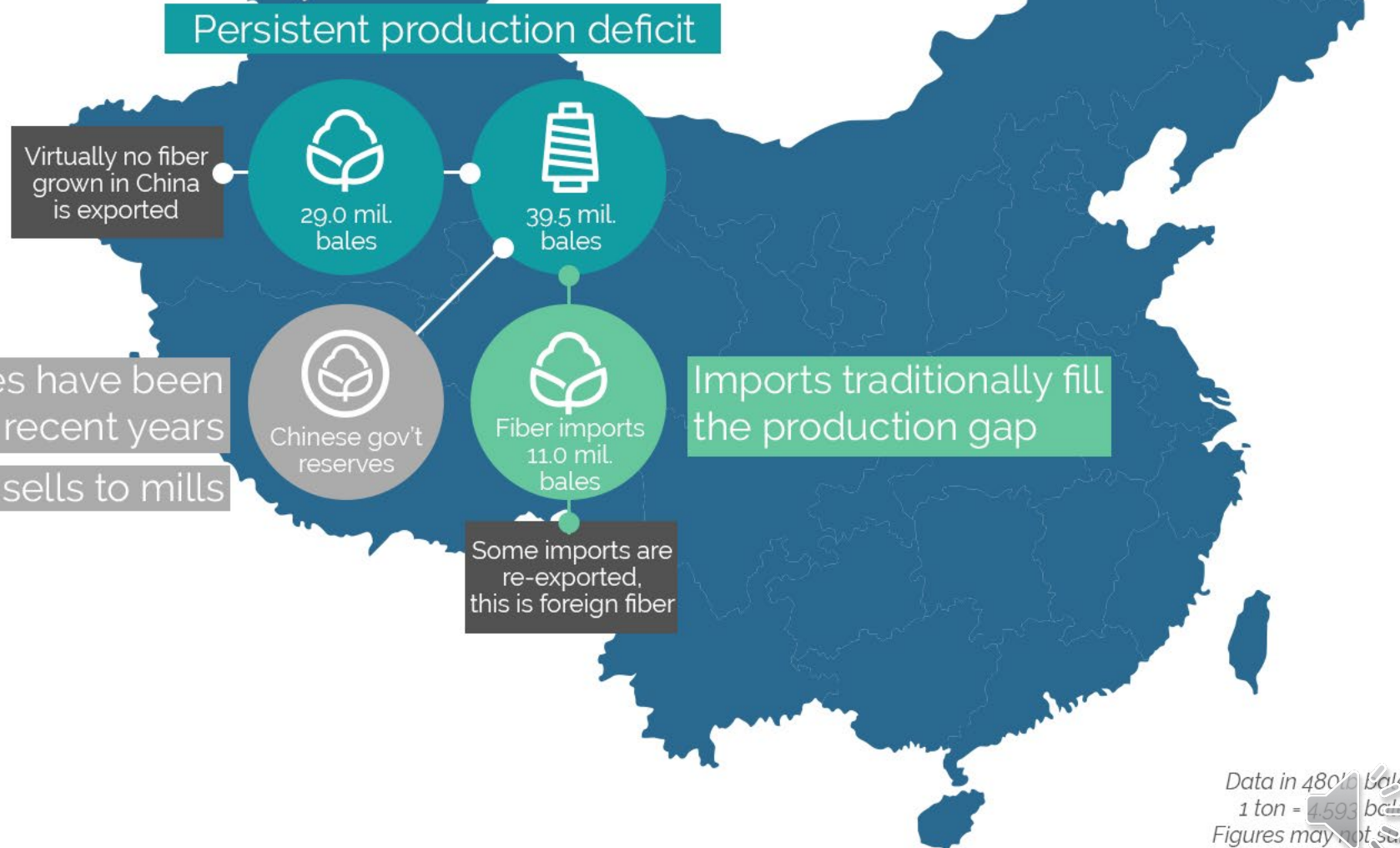
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Chinese government reserves have been used to fill the gap in recent years

Reserve system sells to mills

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CHINA DOMINANT IN FABRIC PRODUCTION

The story of the flow of fiber through China has fabric at its center.



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China is the world's **largest importer** of cotton yarn.



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China is the world's **largest importer** of cotton yarn.



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Fabric weight produced in China is about **40% of global mill-use**.



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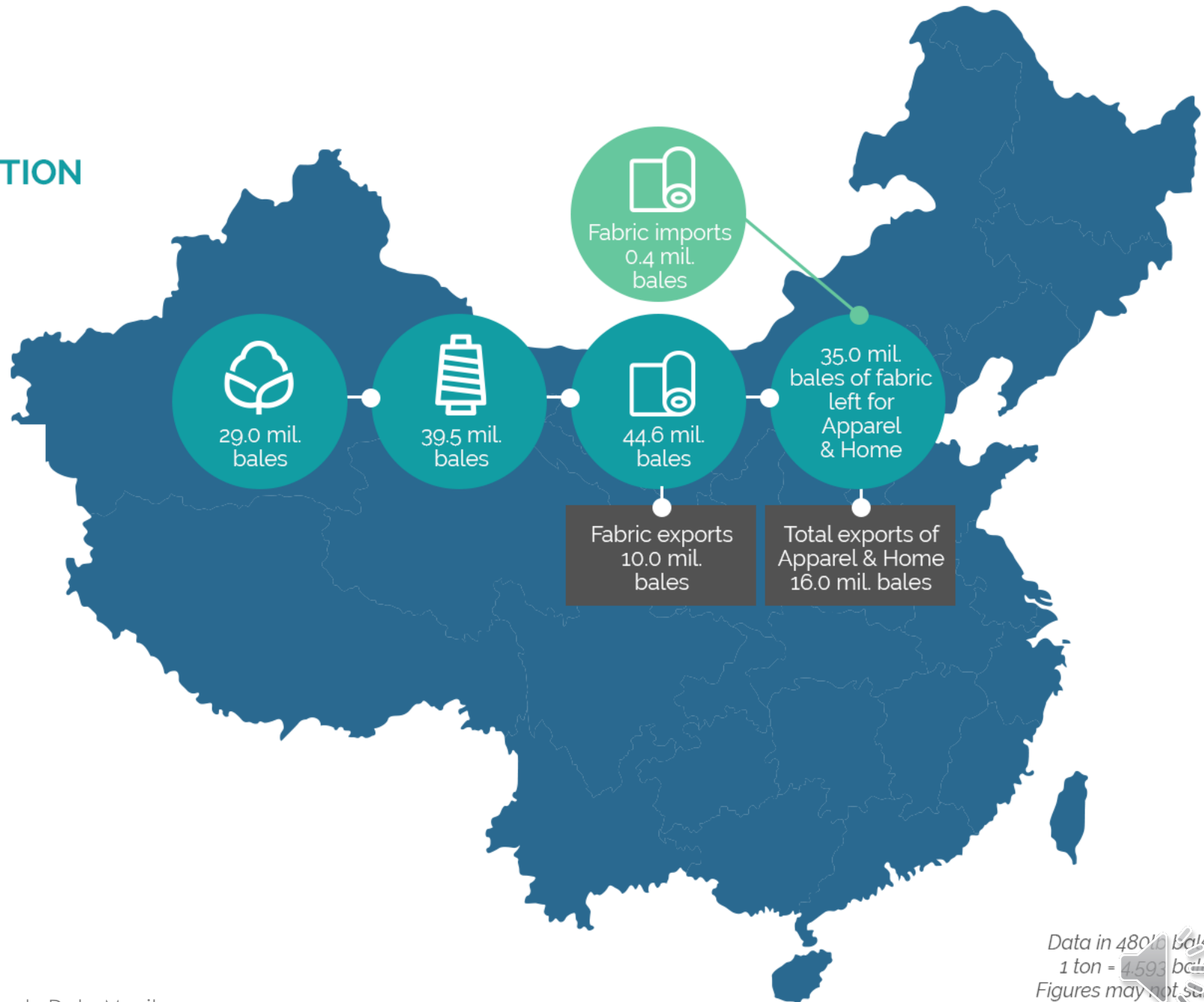
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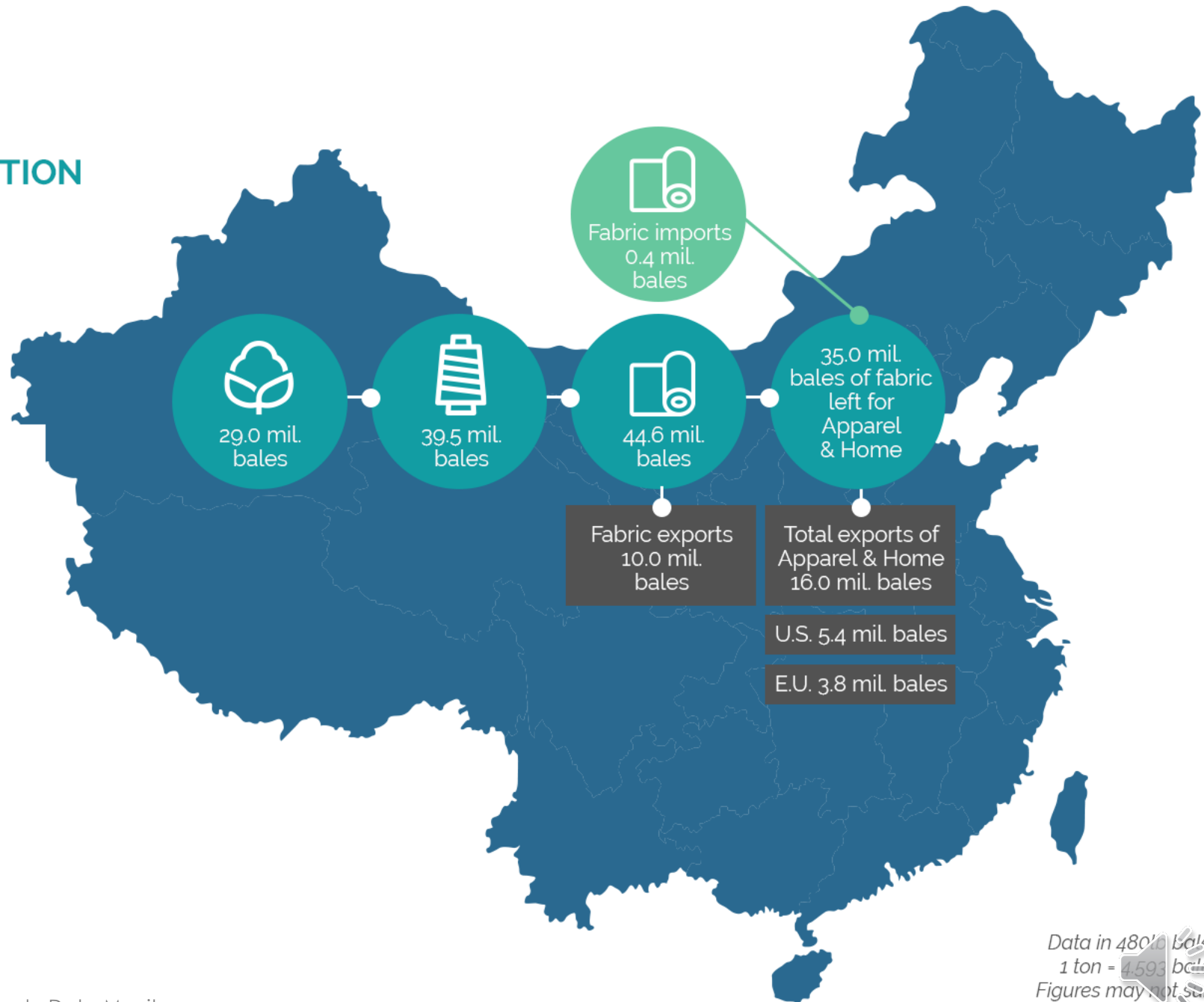
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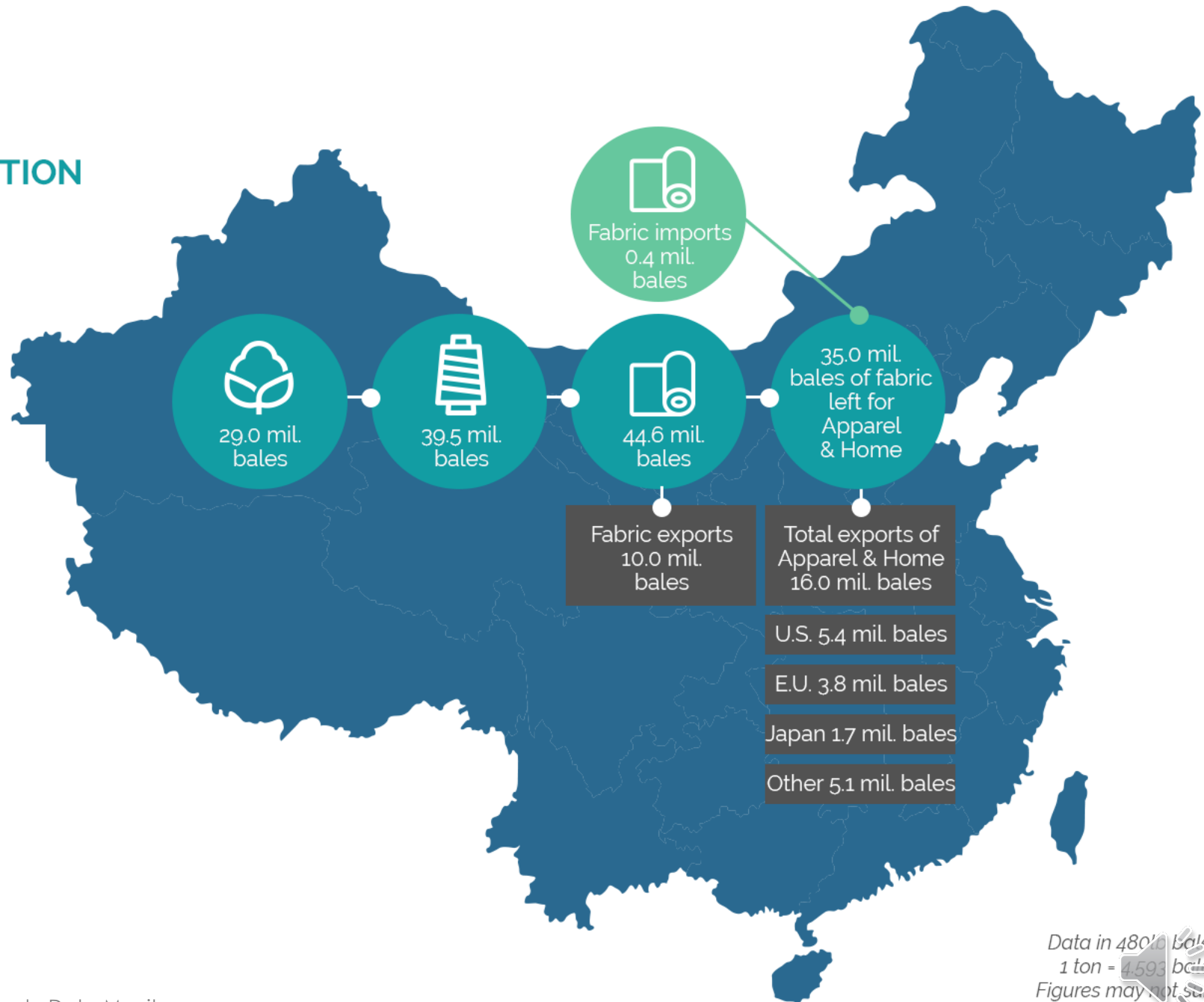
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China is the world's **largest exporter** of apparel.

China is the world's **largest consumer market** for finished cotton goods.



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Data in 480 lb bales
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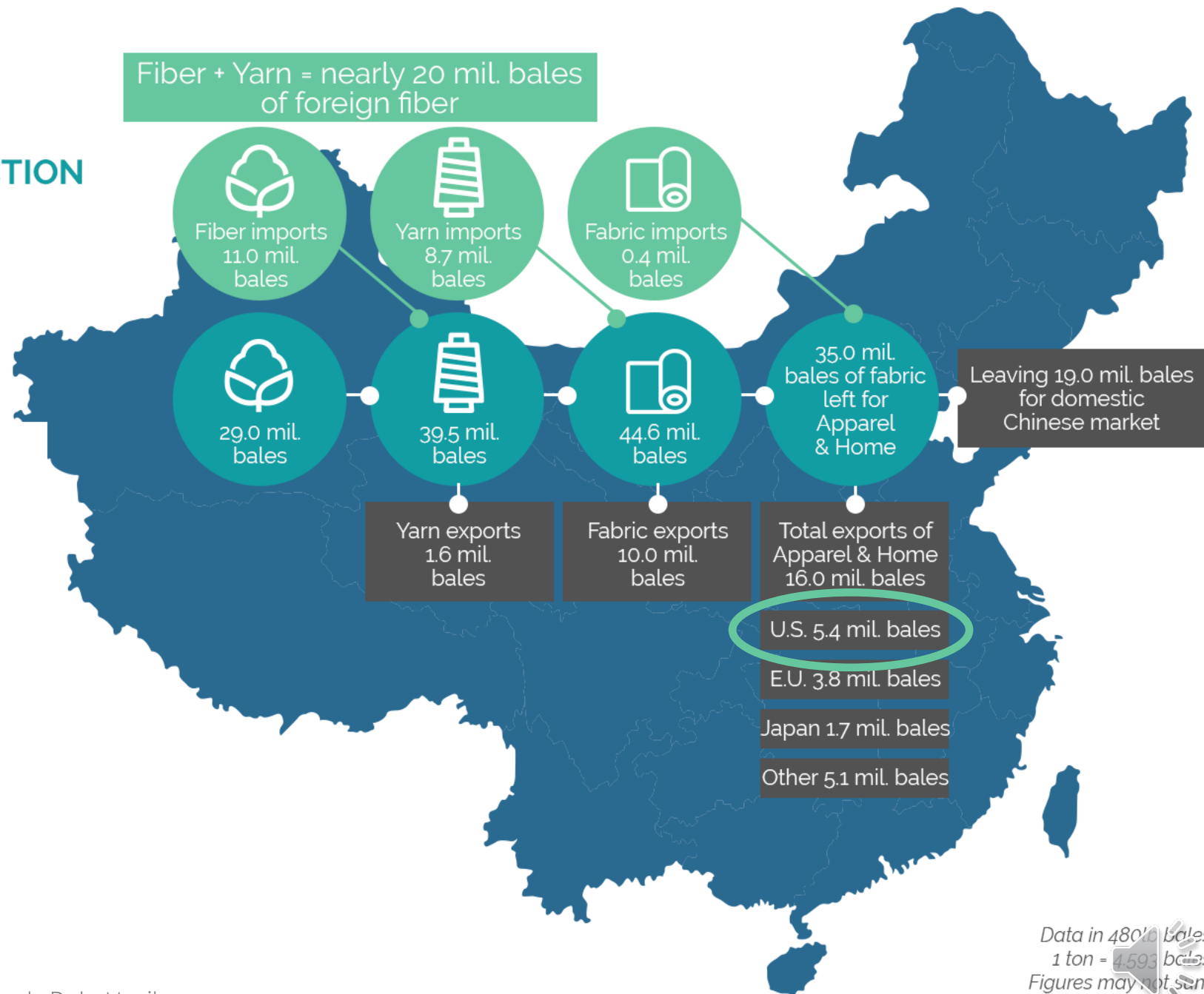
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China is the world's **largest exporter** of apparel.

China is the world's **largest consumer market** for finished cotton goods.

China can meet U.S. import demand for apparel & home **nearly four times over** using existing imports of fiber & yarn.



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Sourcing Cotton

Topics > Sourcing & Manufacturing > Fiber Science

Basic Information for Developing or Adjusting Sourcing Strategies

The United States imports textiles from [more than 80 countries](#). Brands, retailers, and companies importing apparel and other textiles have many choices when it comes to the geography of sourcing cotton and cotton products. As companies develop or adjust their sourcing strategies, it is helpful to understand vital information about cotton, trade in cotton and production, and manufacturing practices that can affect sourcing and [traceability](#).

Many companies are searching for information about cotton production in China and how this may be affected by current regulations by [U.S. Customs and Border Protection](#).

What additional resources might help with determining a sourcing strategy?

Sourcing decisions are complex and often involve many different factors. Knowledge of cotton production, trade, and fiber properties can help companies understand important basic information that can be combined with other factors such as import regulations, manufacturing prices, and companies' own priorities and policies. For additional information, explore these resources.

[Cotton Sustainability Basics](#)

More sustainable cotton production means using our natural resources — water, land, and energy — more efficiently. Learn about the issues, progress, prospects, and goals for increased efficiency in these three key resource areas.

[Monthly Economic Letter](#)

Cotton Incorporated's Monthly Economic Letter provides a unique analysis of the latest events affecting the world cotton market and world cotton prices. An up-to-date letter is available each month through cottonworks.com/news.

[Tariff Engineering](#)

Get to know the Harmonized Tariff System classification guidelines and learn techniques for modifying fiber content or garment construction that will result in duty savings without compromising design integrity.

[Cotton LEADS™ Program](#)

The Cotton LEADS™ program connects textile manufacturers, brands, and retailers with a variety of ways to advance sustainable cotton production. Learn how you can get involved and help advance sustainable cotton in your supply chain.

[U.S. Cotton Trust Protocol™ \(USCTP\)](#)

The USCTP program sets a new standard for more sustainably grown cotton by bringing quantifiable and verifiable goals and measurement to sustainable cotton production and driving continuous improvement in key sustainability metrics.

[American Apparel & Footwear Association \(AAFA\)](#)

AAFA is the national trade association representing the apparel and footwear industry and works to identify member needs and facilitate engagement with policymakers around brand management, supply chain and manufacturing, and trade.

[United States Fashion Industry Association \(USFIA\)](#)

USFIA represents brands, retailers, importers, and wholesalers based in the United States and doing business globally, and works to eliminate tariff and non-tariff barriers that impede the fashion industry's ability to trade freely.

[FAQs: Xinjiang Uyghur Autonomous Region \(XUAR\) Withhold Release Order](#)

U.S. Customs and Border Protection (CBP) released a list of frequently asked questions about the implementation of a withhold release order (WRO) on XUAR cotton and cotton products.

Sourcing Cotton: Impact of U.S. Regulations & the Fashion Industry Response

Julia Hughes, President
U.S. Fashion Industry Association (USFIA)



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Our Work for the Industry

Communication

Education

Advocacy



Forced Labor Is a Top Industry Concern



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Very Active Issue in Washington

- Enhanced enforcement
- Compliance expectations
- Potential Consequences:
 - Delays
 - Seizures
 - Penalties
 - Reputational harm

Driven by Congress, NGOs and other stakeholders



It's the Law

19 U.S.C. § 1307

All goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in any foreign country by convict labor or/and forced labor or/and indentured labor under penal sanctions shall not be entitled to entry at any of the ports of the United States, and the importation thereof is hereby prohibited, and the Secretary of the Treasury is authorized and directed to prescribe such regulations as may be necessary for the enforcement of this provision.

“Forced labor”, as herein used, shall mean all work or service which is exacted from any person under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily. For purposes of this section, the term “forced labor or/and indentured labor” includes forced or indentured child labor.

Regulations at 19 CFR §§ 12.45 – 12.45.



Withhold Release Orders Issued by U.S. Customs and Border Protection

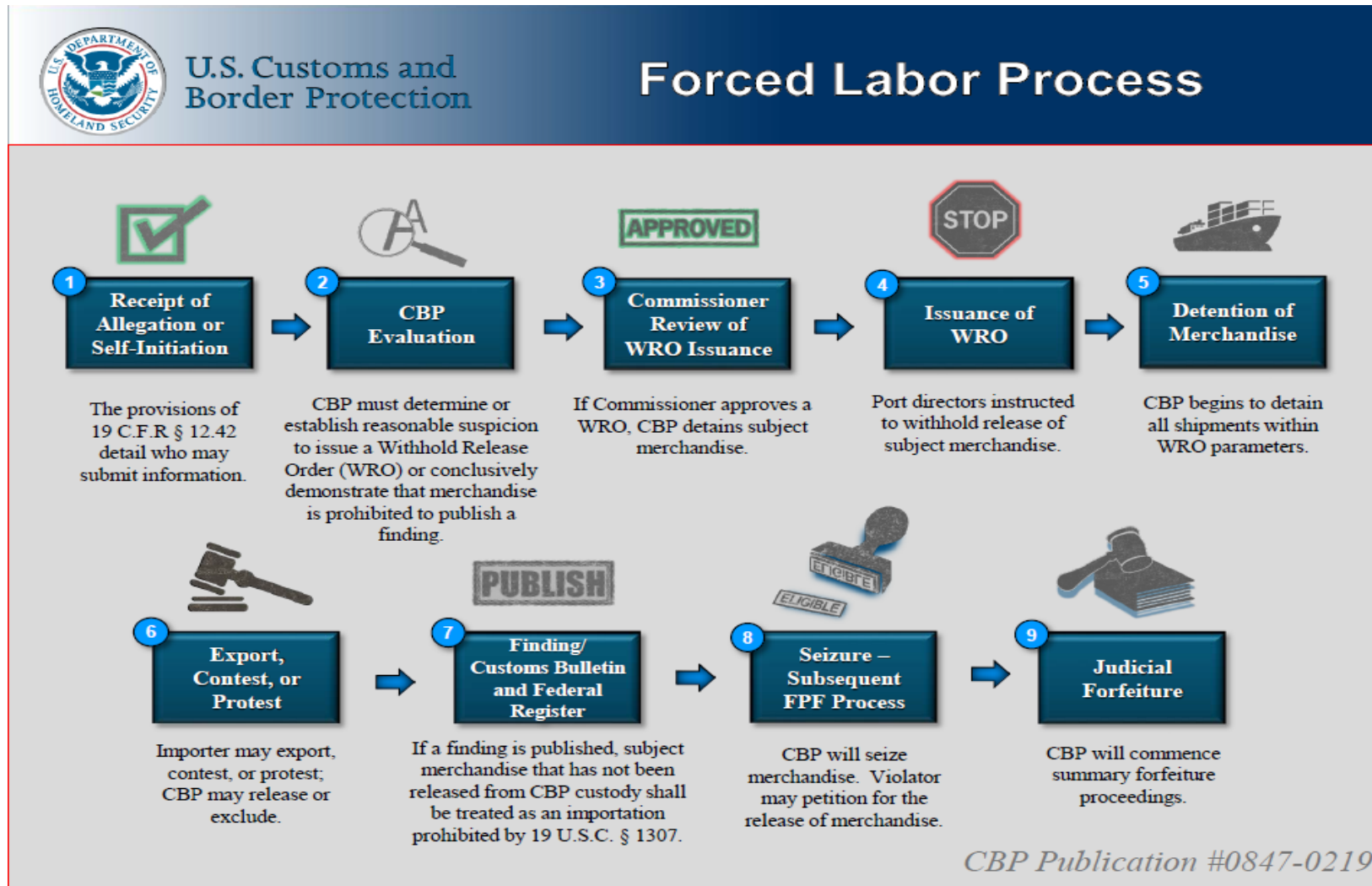
Date issued	Country	Product	Manufacturer	Status
3/29/2016	China	Soda ash, calcium chloride, and caustic soda (In October 2016, the CBP Commissioner removed viscose and rayon fiber from merchandise prohibited from entering the United States under this WRO, while the rest of the WRO remains active.)	Tangshan Sanyou Group and its Subsidiaries	Partially Active
5/18/2018	Turkmenistan	Cotton	All Turkmenistan Cotton or products produced in whole or in part with Turkmenistan cotton.	Active
9/30/2019	China	All Garments	Hetian Taida Apparel Co., Ltd.	Active
9/30/2019	Malaysia	Rubber gloves	WRP Asia Pacific Sdn. Bhd.	Revoked
5/1/2020	China	Hair Products	Hetian Haolin Hair Accessories Co., Ltd.	Active
6/17/2020	China	Hair Products	Lop County Meixin Hair Products Co., Ltd.	Active
7/15/2020	Malaysia	Disposable Gloves	Top Glove Sdn Bhd and TG Medical Sdn Bhd	Active
8/11/2020	China	Garments	Hero Vast Group	Active
8/25/2020	China	Hair Products	Lop County Hair Product Industrial Park	Active
8/25/2020	China	Labor	No. 4 Vocation Skills Education Training Center (VSETC)	Active
9/3/2020	China	Apparel	Yili Zhuowan Garment Manufacturing Co., Ltd. and Baoding LYSZD Trade and Business Co., Ltd.	Active
9/8/2020	China	Cotton and Processed Cotton	Xinjiang Junggar Cotton and Linen Co., Ltd.	Active
11/30/2020	China	Cotton and Cotton Products	Xinjiang Production and Construction Corporation (XPCC) and its subordinate and affiliated entities	Active
1/13/2021	China	Cotton, Tomatoes and Downstream Products	Xinjiang Uyghur Autonomous Region (XUAR)	Active

Findings

6/11/1993	China	Sheepskin and Leather	Qinghai Hide and Garment Factory	Active
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Forced Labor Process Map



U.S. Government Business Advisory

- July 2020, Interagency working group (State, Treasury, Commerce, Homeland Security) issued the Xinjiang Supply Chain Business Advisory
 - (<https://www.bis.doc.gov/index.php/documents/pdfs/2569-xinjiang-supply-chain-business-advisory-final-for-508/file>)
- Addresses risks and considerations for businesses with supply chain exposure to entities engaged in forced Uyghur labor in Xinjiang



What's Happening Today

- CBP conducting importer surveys of supply chain practices.
- CBP Detentions - at least 8 brands and retailers affected



What do Fashion Brands and Retailers Think?

Perspectives in 2021



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Top Business Challenges for 2021

In February

What do you think are the top business challenges for 2021?

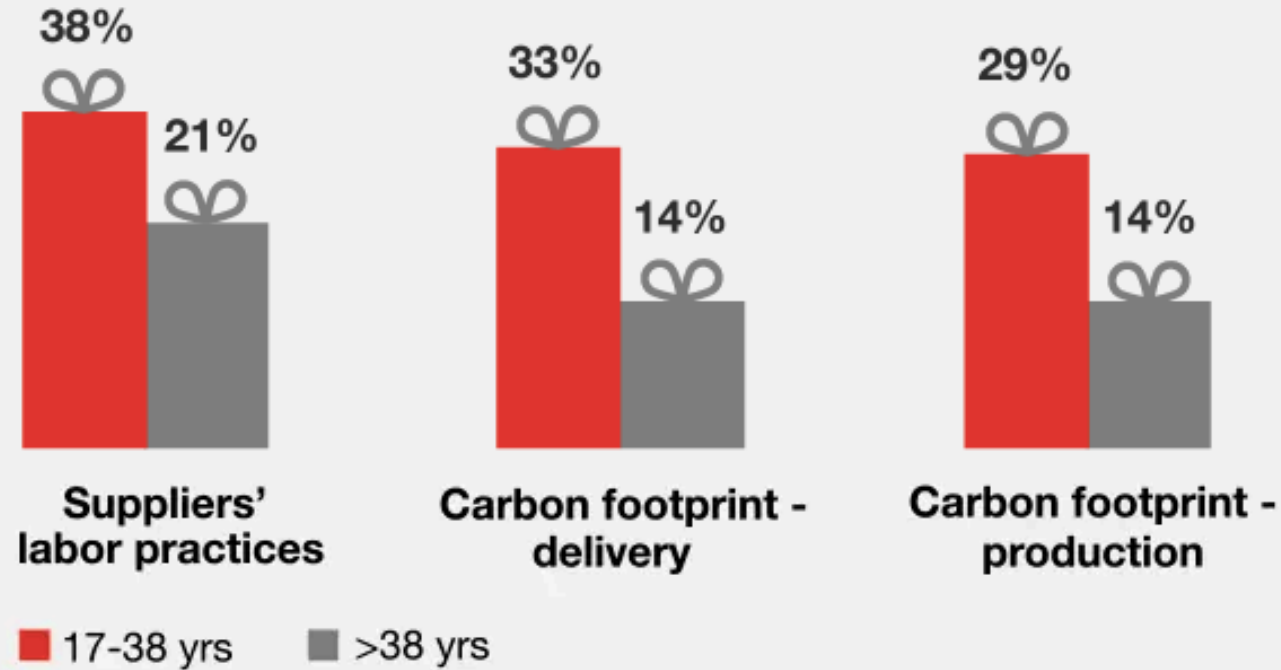
- COVID-19 impact on the economy and business (67%)
- Managing risks from forced labor in the supply chain (48%)
- Increasing logistics costs and delays in the supply chain (42%)

Source: USFIA Survey 2021



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Evergreen priorities for younger shoppers



Source: PwC Holiday Outlook 2020

Q: How important are each of the following when making your holiday purchase decisions?

Base: 357, 666

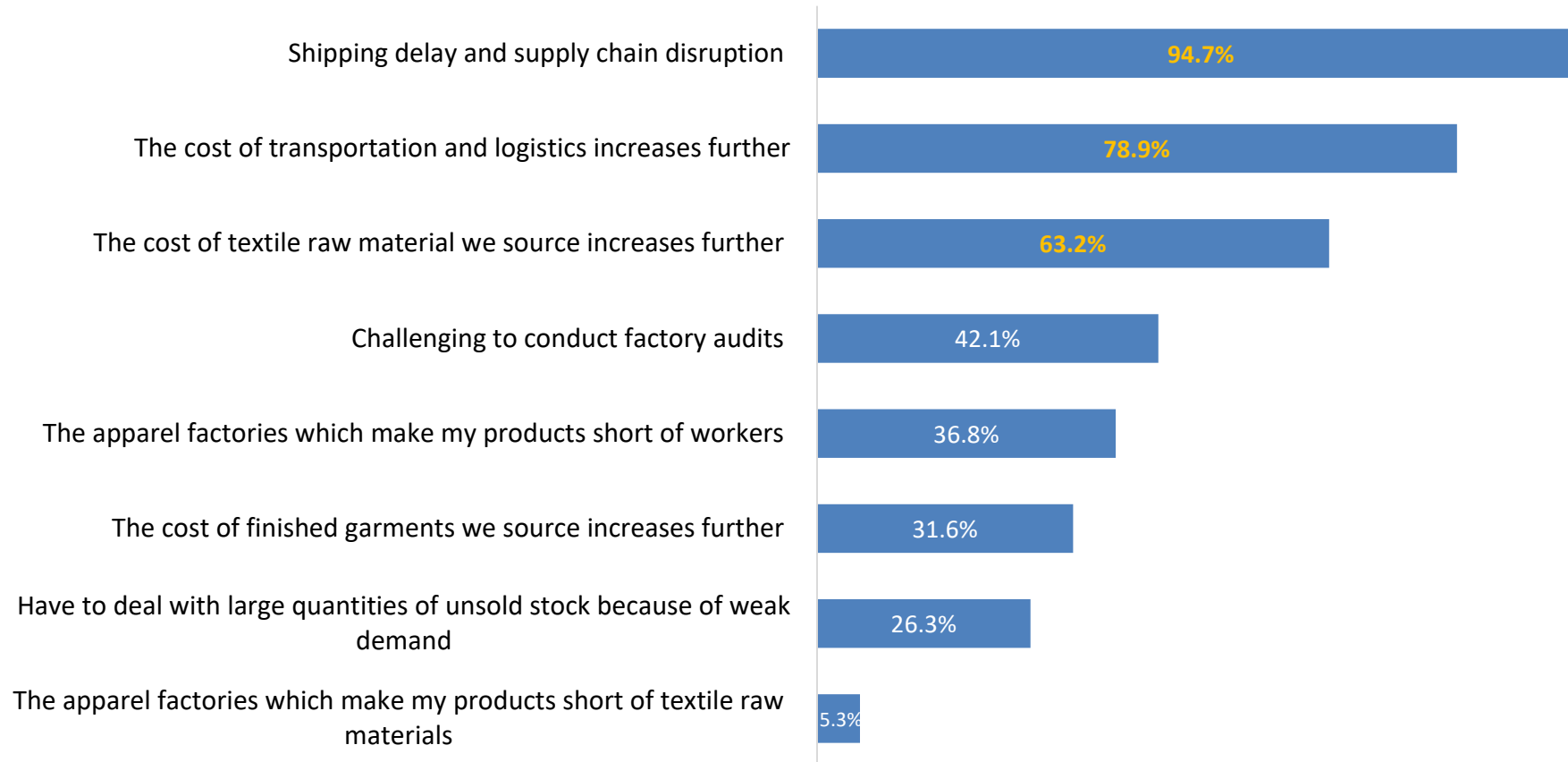
(Source: PwC Holiday Outlook 2020)



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COVID Challenges

Which of the following impacts of COVID-19 on apparel sourcing are likely to continue in 2021?



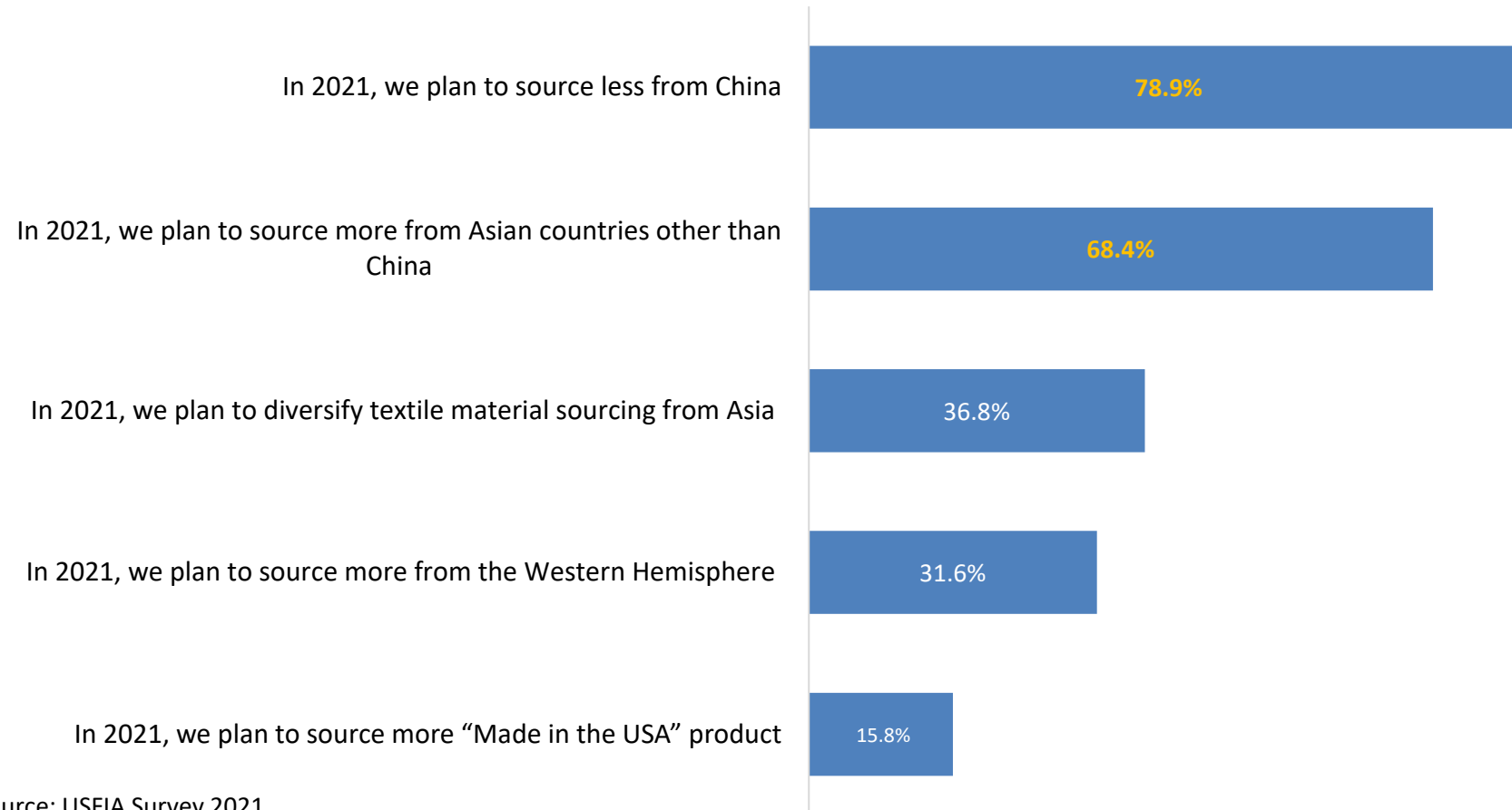
Source: USFIA Survey 2021



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Sourcing Perspectives in 2021

Regarding the apparel sourcing trends in 2021, which of the following apply to your company?



Source: USFIA Survey 2021



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FORCED LABOR WORKING GROUP



Our mission:

- Coordinate industry's approach to forced labor, with focus on Xinjiang
- Share intelligence among industry partners
- Develop best practices on approaches to forced labor
- Advocate for clear guidelines and transparency in the process on the Forced Labor Statute
- Review the Forced Labor Statute and update it to reflect the realities of 21st century global supply chains and provide transparency to all stakeholders

Thank You!

Julia K. Hughes

President

U.S. Fashion Industry Association

www.usfashionindustry.com

Contact us at:

info@usfashionindustry.com



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FASHION INDUSTRY ASSOCIATION

Sourcing Cotton

Topics > Sourcing & Manufacturing > Fiber Science

Basic Information for Developing or Adjusting Sourcing Strategies

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Many companies are searching for information about cotton production in China and how this may be affected by current regulations by [U.S. Customs and Border Protection](#).

What should you consider when evaluating traceability technologies?

Cotton Incorporated works with companies and technology providers to evaluate and promote solutions that are beneficial to manufacturing with and sourcing cotton. While information about technologies and products is not always publicly available, Cotton Incorporated encourages thoughtful consideration of technologies and performance claims. The following information is intended to serve as guidance for thinking about traceability technologies:

- Traceability technology fundamentals
- Traceability technology considerations for cotton
- Evaluation recommendations
 - Questions to consider regardless of the technology approach
 - Questions to consider specific to inherent technology methods
 - Questions to consider specific to additive technology methods

Considerations When Evaluating Traceability Technologies

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Traceability Technology Fundamentals

The fundamentals of existing traceability technologies intended to confirm cotton origin are based on one of two processes: inherent or additive. In an **inherent approach**, **the product inherently has a detectable component reported to be linked to the origin**. The inherent component could be trace elements, isotopes, microbiome, or other naturally occurring components in the material that are inherent to the origin's environment. For cotton fiber, where it is grown would be, in theory, associated with those inherent attributes. For the **additive approach**, **an additive that can be identified through some test technique is applied at any point in the supply chain where the origin is known**. Additives could be DNA tags, tracer chemicals or elements, dyes, or fibers designed to be detected.

Traceability Technology Considerations for Cotton

For inherent and additive technology processes, it is feasible that these technologies could work for 100% single origin cotton if all the factors outlined in the evaluation recommendations section (see below) associated with textile processing are scrutinized. **The critical challenge for both processes for most cotton products is the amount of blending that occurs during textile processing.** Depending on the origin of cotton, blending can begin as early as ginning. In some countries, cotton from multiple farm locations may be combined either before or as part of the ginning process. Blending then occurs in the laydown in a textile spinning mill. The textile mill might know the position of every bale in a laydown and may know the origin of each of those bales, but by the time the cotton goes through opening, carding, and multiple stages of sliver and roving production, those materials have been continuously blended at each stage. Many spinning mills run multiple laydowns and opening ranges where cotton fibers may also be blended during sliver and roving formation, making it impossible to know the absolute blend of which fiber origins end up in a specific lot of yarn. Blending further continues with the mixing of yarns for knitting and weaving. The reliability of any traceability technology for most cotton goods is very much dependent upon the extent of blending that occurs. Therefore, it is **critical to evaluate how traceability technologies perform in blended products.**

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