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IBTEX No. 210 of 2017 October 18, 2017

USD 65.03 | EUR 76.48 | GBP 85.78 | JPY 0.58

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18501	38700	**76.27**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18180	38028	**74.95**
International Futures Price		
NY ICE USD Cents/lb (Dec 2017)	67.77	
ZCE Cotton: Yuan/MT (Jan 2018)	15,175	
ZCE Cotton: USD Cents/lb	**88.78**	
Cotlook A Index – Physical	**78.5**	

Cotton & currency guide: The price continued to hover in the range of 67.40 -68.65 with selling witnessed at higher levels every time market moves towards 70 cents a major sell off is witnessed. The same kind of trend has happened on Tuesday. The December cotton future slipped from an intraday high of 68.60 cents to make a day low close at 67.45 cents per pound. It has now come back to the lower trajectory of the band. It's been more than a month cotton price has been swinging between 67 to 70 cents.

Does that mean it would again rebound from the current level? Looking at the cotton condition report at 58% and the weekly harvested number is improved to 31% from prior figure of 25%. Cotton harvested has picked up in Louisiana and Mississippi, reported at 76 and 46%, respectively. Cotton harvested in Texas is at 30% complete, only 3% points above last week's 27%. Boll openings across the 15-state region increased to 82%, slightly behind the five-year average of 86%.

The crop condition numbers for the 15-state region were showing 5% very poor, 8% poor, 29% fair, 43% good and 15% excellent through last week. This indicates cotton crop in the US this year to remain well-built. Market is estimating crop numbers to hover above 21+ million bales which was earlier in the last week cited by USDA report. We believe this number looks realistic and attainable.

Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

NEWS CLIPPINGS

INTERNATIONAL NEWS

UK textiles industry to get £9 mn investment boost

The textiles industry in the United Kingdom is all set for a boost with £9 million investment. JR Group UK, global leader in the production of textile fibres, is moving its Halifax nonwovens business, Texfelt, to Bradford in UK. The business that will be shifted to state-of-the-art facility in Cutler Heights will focus on producing recycled textile items.

With the set up of business in UK, it is expected that it will generate 46 new jobs in a period of 5 years. A major portion of the project is funded by JR Group UK along with investment of £250,000 from Leeds City Region Enterprise Partnership and of over £470,000 from the Textile Growth Fund.

"Our objective for the project has always been to process difficult-to-recycle, post-industrial and consumer textile products such as carpets, mattresses and contract fabrics destined for landfill, then convert them into valuable flame retardant and hygienic products designed for a range of markets," said British media quoting James Taylor, managing director of JR Group UK.

Spread across 6.5 acres, the construction work for phase 1 is likely to be completed by September 2018 while the work for phase 2 has already kick-started. Adopting a sustainable method of production, the project will use state-of-the-art machinery which costs more than £3 million.

"I am delighted we have supported JR Group UK in this project that will create jobs and boost the local economy. It's great that our strong industrial heritage in textile manufacturing continues to grow and it's a real success story for Bradford, the textile industry and the region as a whole," Roger Marsh OBE, chair of the Leeds City Region Enterprise Partnership, said.

Source: fibre2fashion.com- Oct 18, 2017

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Cotton stocks accumulating everywhere outside of China

Global cotton stocks outside of China are expected to rise by nearly 12 million bales to a record 53 million bales in 2017-18 season, predicts the US department of agriculture (USDA). Despite a relatively strong forecast of 3.8 per cent increase in global cotton use, a 15 percent expansion in production will outpace demand, increasing global stocks.

“China’s cotton import policy remains a major wildcard. Despite market rumours of possible increased import access, there has been no official indication of any change in the import policy. Therefore, 2017-18 imports are forecast at a similar level to last season,” states October 2017 report on cotton released by the Foreign Agricultural Service of the USDA.

While the additional cotton stocks will be spread across nearly all markets, the exact burden will vary substantially. Major exporters will bear the brunt of the burden of high stocks, with Central Asia, Africa, the Southern Hemisphere, and the US all forecast to have stock levels well above recent averages.

In South Asia, cotton stocks are projected to grow as production increases three times as much as the region’s growth in use. Stocks throughout the region will be at unusually high levels, particularly in India, the major exporter. “If Bangladesh is able to repeat past peak growth rates, it could reduce some of these stocks; however, USDA’s forecast already assumes a relatively high growth rate for use and is unchanged this month,” the report states.

Cotton stocks-to-use ratios will be above recent levels even in import-dependent regions such as Southeast Asia. As exporters work aggressively to reduce burdensome stock levels, buyers have opportunities to procure cotton at competitive prices, resulting in some of the increased global stocks being held in mills, warehouses, and other destination-country sites, according to the report

Source: fibre2fashion.com- Oct 18, 2017

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USA: A Scalpel, Not a Chainsaw, for NAFTA

President Donald Trump has ordered his trade representative to renegotiate certain aspects of the North American Free Trade Agreement, which is a good idea. He also has threatened to pull out of the trade accord altogether, which is a terrible idea, a threat made in the service of unreasonable and unrealistic demands that have more to do with posturing than with seeing to the health of the U.S. economy.

There are a few aspects of NAFTA that are in need of revisiting: Internet commerce was nonexistent when the agreement was negotiated. NAFTA was signed in 1993, and Netscape released the first commercial web browser in 1994. In 2017, the most valuable U.S. companies are firms such as Apple, Alphabet, Microsoft, Amazon, and Facebook. There are intellectual-property issues that need to be sorted out, along with a few other issues related to digital commerce, telecom, and banking.

But the domestic dispute over NAFTA isn’t about America’s leading companies. It’s about the firms that used to be America’s leading companies. American manufacturing is doing just fine, despite constant reports of its death. U.S. manufacturing output has, in fact, nearly doubled since the 1990s, when NAFTA was being negotiated. NAFTA is part of the reason for that:

Our biggest export markets are Canada and Mexico. What has declined is manufacturing’s share of the work force, and NAFTA is part of the reason for that, too, in ways that are obvious and ways that aren’t. It is the case that a number of relatively low-wage and low-value manufacturing jobs have moved to Mexico since NAFTA was adopted, though it is likely that without NAFTA those jobs would have simply moved to places such as China and Vietnam; the work that is being done in maquiladoras is not going to Cleveland without NAFTA.

That’s the obvious factor. The less obvious effect of NAFTA is that by eliminating barriers to trade in services, it contributed to the explosive growth of the services sector of the U.S. economy, which has grown much more rapidly than manufacturing has and which now employs many more people.

For a sense of scale, consider that financial services alone is a $1.4 trillion industry that accounts for more than 7 percent of U.S. economic output. That's about twice the size of the automobile industry. And NAFTA has been a boon for other service-sector industries, too, from engineering to product design.

The Trump administration's complaints about NAFTA are in the main either antiquated or trivial. For example, the administration wants to increase the required percentage of North American–origin parts in cars made in the NAFTA zone, worried that those sneaky Koreans are providing General Motors with low-cost electronic components. (Consumers must be protected from low prices at any expense.)

There is also a longstanding dispute over the way those nefarious Canadians price timber, which is mainly taken from public land in Canada but from private land in the United States. NAFTA has a dispute-resolution panel designed to handle just such developments, but the United States does not always get its way.

And so Trump proposes doing away with the dispute-resolution panel. Here's where things start to get silly. Canada and Mexico probably will not agree to a NAFTA without a dispute-resolution mechanism, and nor should they. (And it wouldn't serve our interests, either.) The Trump administration further complains that Mexico's tax system gives its exporters an unfair advantage. Mexico, like many countries, imposes a value-added tax (VAT), but only on items destined for the domestic market.

If a product is sold outside of Mexico, the VAT is rebated. This ends up getting complicated, because there are many products that are manufactured partly in more than one country; most economists believe the tax has a negligible impact on trade, being factored into the exchange rate. But like the Canadian timber situation, the Mexican VAT isn't really a question of trade policy — it is merely a consequence of the fact that the United States, Mexico, and Canada are different countries, with different ways of doing things.

The United States could replace its cumbrous corporate-income tax with a Mexican-style VAT if we wanted to, but we don't. Unlike the European Union, NAFTA does not seek to turn a free-trade zone into a unitary transnational government.

We challenged the Canadians on their timber policy and lost. Get over it. The Trump administration wants to make it easier for U.S. companies to bid on Canadian and Mexican government contracts — while increasing the use of “Buy American” provisions to make it harder for Canadian and Mexican firms to win U.S. government contracts.

The administration objects to the way Mexico runs PEMEX, the state-owned oil company. Wilbur Ross, the commerce secretary, has put forward a frankly preposterous proposal to sunset NAFTA every five years, which would in effect keep the accord in a constant state of renegotiation, depriving U.S. firms of the ability to make business decisions based on settled and predictable rules. It is a shockingly harebrained idea to be offered by the Commerce Department of the United States.

Pulling out of NAFTA would have immediate effects ranging from the disruptive to the dire: Canada and Mexico are our largest and third-largest oil suppliers, respectively, and inhibiting the free flow of crude to U.S. refineries would surely send gasoline prices higher, with ripple effects throughout the economy. U.S. exports to our largest overseas markets would be inhibited, with disastrous results for American farmers. That means higher prices, fewer jobs, and less growth. And we cannot afford to give up any growth just at the moment. Despite President Trump’s habitual boasting, U.S. GDP growth for 2017 is expected to come in at only 2.2 percent.

Economists agree that NAFTA has contributed substantially to annual GDP growth, meaning that absent the effects of the free-trade regime, real GDP growth would be significantly lower. That’s what’s at stake here. Absent some compelling national interest, the government should not stand between Smith and Jones when they desire to transact business, and neither should it stand between Smith and Martinez or Smith and Cloutier. Free people do not have to ask the king’s permission to buy an avocado or sell an iPhone; like freedom of speech, the right to engage in exchange is not the government’s gift to give.

We created government to enable commerce rather than to prohibit it — or suffocate it with ridiculous regulation and sops to well-connected corporate interests such as Boeing, which is what the Trump administration’s war on Bombardier is all about. NAFTA has been an extraordinary success, raising U.S. economic growth, creating jobs, and lowering prices.

The anti-trade disposition is based largely in nostalgia about 1950s factory towns and the familiar bias against economic interactions with foreigners. Trump fancies himself a master negotiator, but it is not entirely clear that he or his administration understands what actually is on the line when it comes to North American trade and its underappreciated contributions to U.S. prosperity. NAFTA may need some work, but it's scalpel-work, not chainsaw-work.

Source: nationalreview.com- Oct 17, 2017

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GMAC urges Cambodia to push fabric-forward rule in RCEP

Representatives from the Garment Manufacturers Association of Cambodia (GMAC) recently urged the government to push for the fabric-forward rule during negotiations for the Regional Comprehensive Economic Partnership (RCEP). During a meeting with government officials, they were particularly eager about how the agreement will handle the rules of origin.

The RCEP is a regional economic agreement being negotiated between the 10 ASEAN nations and their six free trade agreement partners — Australia, China, India, Japan, New Zealand and South Korea.

ASEAN needs a unanimous position on the rules of origin, the most contentious part in any free trade agreement, before discussing with the other countries, according to GMAC secretary general Kaing Monika.

"Based on the principle of mutual understanding we have at the ASEAN Federation of Textile Industries, ASEAN would agree on the fabric-forward rule, which is a compromise between yarn-forward, which is too strict, and single-transformation, which it too laid back," a leading Cambodian newspaper quoted Monika as saying.

Fabric-forward rule means that the fabric for used manufacturing apparel or other textile products must originate in an ASEAN country.

As Cambodia imports most of its textiles from prospective RCEP members, so the country would benefit from the adoption of the fabric-forward rule, he added.

Source: fibre2fashion.com- Oct 17, 2017

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Pakistan: PM for removal of hurdles in Pak-EU trade under GSP Plus

Prime Minister Shahid Khaqan Abbasi, Tuesday, directed the concerned ministries to work together to secure more access to EU market under GSP pulse.

Pakistan benefits from generous tariff preferences (mostly zero duties on two thirds of all product categories) under the GSP+ arrangement since Jan 2014 aiming to support sustainable development and good governance. In order to maintain GSP+, Pakistan has ensure good government, protection of environment and respect for human rights.

Generalized Scheme of Preferences (GSP) Plus facility has enhanced eligibility of Pakistani products for duty free access on additional 66% EU's tariff lines and provided level playing field to our goods vis-à-vis similar products from competitors who have very liberal arrangements with the EU.

In February this year, European Commission said that Pakistan is a major beneficiary of the trading opportunities offered by the EU Generalized Scheme of Preferences (GSP).

The EU being Pakistan's most important trading partner taking 21.2% of Pakistan's total exports and EU-Pakistan trade increased by almost 4.7% annually between 2007 and 2011.

Pakistani exports to the EU are dominated by textiles and clothing as well as leather products.

Textiles and clothing account for just fewer than 75% of Pakistan's exports to the EU.

Pakistan's imports from the EU mainly comprise mechanical and electrical machinery as well as chemical and pharmaceutical products.

While chairing a meeting here to review the impact of GSP Plus regime on Pakistan's trade Prime Minister Shahid Khaqan Abbasi observed that all avenues should be explored to maintain momentum of Pakistani exports' access to EU markets. .

Source: pakobserver.net- Oct 17, 2017

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Turkey-Portugal economic dialogue gains momentum

Portugal's Foreign Minister Augusto Santos Silva assessed Turkey's relations with both the EU and Portugal, according to a statement released by the Foreign Economic Relations Board (DEIK). Silva, who made the assessment after a Turkey-Portugal round table meeting hosted by the DEIK Turkey-Portugal Business Council, said that as trade relations increase, the two countries are forging closer ties.

He said that this also has a positive effect on various other fields and dialogue between Turkey and Portugal is gradually improving. The Portuguese foreign minister said that relations between the two countries were improving with each passing day and they were pleased with the recent visits by Turkey's Minister of EU Affairs Ömer Çelik and Foreign Minister Mevlüt Çavuşoğlu.

Silva stated that very different, but complementary countries come together within the EU. He stressed that for Turkey, Portugal is an advantageous destination in terms of exports and investments. "Turkey is regarded through the eyes of Europe as 'Europe's front-facing Asia.' We, as Portugal, also want to develop lasting friendships with Asian business circles," Silva said.

"Europe alone is not the center of the world. For the continuity of Europe's security and economic development, the security of Russia, China, Africa and the Middle East must also be taken into account," he added.

On the same note, DEIK Turkey-Portugal Business Council President Berna İlter said they were pleased with the participation of managers from large Turkish companies who have already invested in Portugal and are doing business in the country.

İlter noted that representatives from Turkey's private sector, who are doing business in the country, will convey their problems and suggestions. She added that they hope that new investment opportunities will also be discussed within the scope of the meeting. Meanwhile, she pointed out that the bilateral trade volume of $1.3 billion achieved in 2016 was below its potential. She added that social, political and cultural relations between the two countries are at an advanced level.

DEIK's statement also includes trade volume and other data between the two countries, according to 2016 figures from Turkey's Economy Ministry. Accordingly, exports to Portugal from Turkey stood at $650 million, while major export items included motor vehicles, cotton yarn, motor vehicles for goods transport, iron-steel and fish. Turkey's imports from Portugal on the other hand reached $658 million.

Major items of import were listed as non-plasticized paper and cardboard, non-perforated punch-cards and punch-striped paper of all sizes, carbonate soda or sulfate wood pulp, radio broadcast receivers, parts and accessories for road vehicles and ethylene polymers.

Source: dailysabah.com - Oct 18, 2017

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S Korean fashion brands expand overseas amid slump at home

South Korean fashion firms are keen on tapping into overseas markets due to a prolonged domestic slump. The domestic fashion market's size is projected to reach 39.3 trillion won in 2017, which would mark the fourth consecutive year of single-digit growth for the industry, causing many industry watchers to perceive it as a sector slowdown.

Shinsegae International Inc., the apparel arm of retail giant Shinsegae currently runs 48 branches of the VOV womenswear brand, said it is planning to open three more stores in China this year. Along with G-CUT, which opened its ninth store in China in 2016, Shinsegae International wants to rack up 150 billion won in the neighbourhood market in 2020, according to a South Korean news agency report.

LF, the apparel affiliate of the LG Group, entered the European market in August by launching its brand HAZZYS in Paris-based concept store Colette. Handsome Corp., the apparel unit of Hyundai Department Store Group, opened stores for its casual brands SYSTEM and SYSTEM HOMME in Galeries Lafayette upmarket department store in Paris in February this year.

The fashion division of Samsung C&T Corp. is also trying to expand its presence abroad, opening branches in New York and Hong Kong.

Source: fibre2fashion.com- Oct 17, 2017

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Pakistan, Thailand FTA to be signed by mid of January, 2018

A Free Trade Agreement (FTA) between Pakistan and Thailand will be signed on on January 15, for focusing on enhancing the bilateral trade between the two countries.

The 9th round on FTA negotiation would start between Pakistan and Thailand by November 6-8 in this year, in which both side would presenting the complete offer list of Free Trade Agreement (FTA) , for reaching the final agreement, a top official of Ministry of Commerce told APP here on Tuesday.

Both sides had exchanged the final offer lists of items for free trade, including automobile and textile sectors in order to remove the reservations of both sectors, Pakistan wants concession on 100 products on textiles, agro- products, plastic and Pharmaceuticals as same Thailand granted to other FTA partners in these products, he said.

The official said that during the 9th round, he said, talks would be held on the text of agreement, tariff reduction modalities, complete request lists from both side and offer lists.

He said that Pakistan had relative advantages over Thailand in some 684 commodities including cotton yarn and woven textiles, readymade garments, leather products, surgical instruments and sports goods.

While talking on second phase of Pak- China FTA, he said China has agreed to provide market access to 65 items, shared by Pakistan besides providing concession on all items included in the offer list.

He added that coming round of negotiation with China under 2nd phase of FTA will held in first week of January, 2018 in Islamabad. This acceptance came during the negotiations held under 2nd phase of Pak-China Free Trade Agreement (FTA) in China.

We want the concession on 65 import items and low tariff line on products for further trade liberalization in 2nd phase of FTA between Pakistan and China, he said.

He said that Pakistan was desirous to have duty relaxation on 65 products before launching the phase-II as same China given to Association of South East Asian Nation (ASEAN) countries.

Source: brecorder.com- Oct 17, 2017

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Bangladesh: Give export cash incentive, cut tax

Garment accessories makers and exporters yesterday demanded cash incentives on export, reduction of corporate taxes and smooth functioning of the country's premier port in Chittagong.

The demands came at a seminar on “$50 billion RMG export by 2021: Role and Challenges of Garments Accessories and Packaging Sector” organised by the Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) at the Cirdap auditorium in Dhaka.

Abdul Kader Khan, president of BGAPMEA, chaired the seminar and its former president Rafez Alam Chowdhury gave a keynote presentation.

Chowdhury said the backward linkage industry met demands for accessories and packaging of nearly 95 percent of export-oriented industries, including the garment and pharmaceutical sector.

The accessories sector earned $6.7 billion through “deemed exports” while it also made direct exports worth $1.12 billion in the last fiscal year.

The accessories sector never gets any cash incentive against the export earnings as given to other sectors that help those flourish, Chowdhury said.

The government fixed corporate tax at 10 percent and 12 percent for green and non-green apparel factories whereas the rate is 35 percent for its backward linkage garment accessories and packaging industry, he said demanding equal tax measures for the sub-sector.

Price competitiveness is gradually declining mainly because of a strong local currency against the US dollar, said Abdus Salam Murshedy, president of the Exporters Association of Bangladesh.

He also called for setting up an inland container depot near the production hub in Gazipur.

Activities at the Kamalapur inland container depot (ICD) virtually remain suspended as Dhaka city is not the production area and trucks cannot move during the daytime in the city, said Mashiur Rahman, economic affairs adviser to the prime minister.

“We can consider relocation of the ICD to the areas where our main export product, readymade garment, is being manufactured.”

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, said the Export Promotion Bureau should include accessories and packaging export earnings data in its regular database.

Kazi M Aminul Islam, executive chairman of Bangladesh Investment Development Authority; Shubhashish Bose, commerce secretary; Bijoy Bhattacharjee, vice chairman of Export Promotion Bureau, and Shafiul Islam Mohiuddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, also spoke.

Source: thedailystar.net- Oct 18, 2017

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Cambodia wants US to give GSP for garment exports

Cambodia wants GSP for its garment and footwear exports to the US. GSP is a preferential trade treatment. The US is due to review its GSP program for least-developed countries by the end of the year.

Currently, GSP coverage for Cambodia does not include garment and footwear articles -- major export products for Cambodia. Only 82.6 per cent of Cambodian products currently enjoy preferential trade treatment with the US.

If the US accedes to the request, it would help the Cambodian economy in terms of export growth, new investment and employment generation for thousands of Cambodians.

Australia, New Zealand, Norway and Switzerland give preferential trade treatment to 100 per cent of Cambodian products.

The European Union, under the Everything but Arms treaty, allows the import of 99 per cent of products duty and quota free.

Canada gives preferential treatment to 98.6 per cent of Cambodian products, Japan to 97.9 per cent and China to 97 per cent. In July last year, the US granted duty-free benefits for Cambodia for the export of travel goods such as luggage, backpacks, handbags and wallets under GSP.

There are some 60 registered footwear manufacturing factories in Cambodia and exported $700 million worth of goods last year.

Source: fashionatingworld.com- Oct 17, 2017

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Connected growth: Asean and South Asia in 2037

TWO decades ago Asia was in the grip of a broad economic crisis. Through the 1998 Asian financial crisis, regional stock markets lost more than 60 per cent of their value. Already fragile government reserves ran dry. By May 1998, Indonesia's sovereign rating had fallen to CCC+.

This now seems a very long time ago. As 2017 draws to a close, let us reflect on the last two decades and envision what the next 20 years could be like.

The recovery that followed the Asian financial crisis had been driven largely by domestic policy reforms, demographics in Asean and South Asia, and infrastructure investment in China.

Corrective measures by governments strengthened the economic foundations. Over the past 20 years (1997-2016), GDP per capita across Asean-6 countries, as one example, had grown by 155 per cent. Indonesia's sovereign rating is now investment grade.

So what will Asia look like in 2037, two decades from now? I believe the transformation over the next 20 years will be much more fundamental than the change seen over the last 20. Favourable demographics will continue to lift many Asian markets, but on top of this we have an unprecedented level of infrastructure investment transforming the region.

And not just the obvious infrastructure – bridges, railroads, ports. But, perhaps more excitingly, digital infrastructure. Demographic lift plus physical and digital infrastructure will catapult the region to a new level of productivity and prosperity – if the risks can be managed.

Firstly, physical infrastructure: The era of physical infrastructure building has undoubtedly arrived. On the back of China's Belt and Road initiative, the region is planning to build – and starting to construct – at an unprecedented pace.

It is estimated that US$4-8 trillion of cumulative infrastructure investment will flow on the back of BRI over the long term. Although ambition has been there historically, governments are now putting their money and actions where their mouths are.

At a recent Philippines investment forum, the finance team set out plans to more than double infrastructure investment from 3 per cent of GDP to 7 per cent of GDP within President Rodrigo Duterte's term. When asked about implementation challenges, the Philippines' Finance Minister quipped that delivery agencies needed to "use it or lose it – but which we mean not their budgets, but their jobs."

Secondly, digital infrastructure: When India announced Aadhaar in 2009, few understood that digital identities were clearly the first step in digitising economies. Today, with over 1 billion Indians with Aadhaar digital identities, India has been able to move the unbanked into the banking system en masse, and then digitise payments in one big leap on the back of demonetisation. Other governments have been sending teams to India to study this transformation, believing economic efficiencies and higher tax takes on the back of greater transparency will quickly follow.

What this means is that by 2037 Asean and South Asia will be truly connected. From manufacturing to payments to delivery, the supply chain will always be only a click away. This connectivity will decrease inefficiencies and ultimately cement two decades of strong growth.

It's also worth noting that connectivity does not just have upsides – there are risks we have to manage. To date, countries are building national payment systems and identity solutions – there are not enough cross-border points of connectivity. National tensions also exist – most clearly on the back of BRI between India and China. And finally, the ability to move seamlessly across digital and physical spaces create security challenges, of both the real and cyber varieties.

Despite these risks, the rewards will be worth it. Companies positioned to capitalise on the infrastructure and logistics booms will thrive. And the economic growth that follows will lift both individuals and countries to new levels of prosperity. Over the past 20 years, Asia has gone from crisis to growth hot spot. In the coming two decades, the growth hot spots will connect, creating a brighter and more sustainable future across the region.

Source: nationmultimedia.com- Oct 17, 2017

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NATIONAL NEWS

Pressure on Indian textiles exporters to ease by Q3: ICRA

Pressures on the profit and debt levels of textiles exporters is likely to decline from the third quarter of this fiscal with cotton prices easing from mid-September and the industry focusing on sweating the existing assets and undertaking limited debt-funded capacity additions, according to ICRA. The exporters are facing tough times for the past few months.

Subdued demand trends in the key importing countries, including the United States and those in the European Union; competitive pressures from Bangladesh and Vietnam; unfavourable currency movements and high raw material prices in the last few months; and revision in duty drawback rates have added to the woes of Indian textile reports, credit rating agency ICRA said in a report.

Despite a large domestic market, this is a matter of concern as exports comprise more than one-third of the Indian textile market, it said. Cotton-yarn exports have been under pressure as well due to decline in demand from China, which accounted for more than 40 per cent of total cotton yarn exports from India till last year.

Pressures on textile exporters have become more severe with strengthening of Indian rupee against currencies of key competing nations during the current calendar year, which reduced competitiveness of Indian exporters from their counterparts.

"Notwithstanding the 2 percent depreciation in the Indian rupee against the US dollar in September, the rupee sustained its strong performance against currencies of most of the countries competing in the global textile space during much of the current calendar year," ICRA senior vice president Jayanta Roy said.

Source: fibre2fashion.com- Oct 17, 2017

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Rejig of GST rates on agenda

The Narendra Modi-government is working on a major overhaul of the goods and services tax (GST) amid growing discontent among the traders, small businesses and middle-class consumers over the rates and glitches.

North Block officials said they had been asked to work on key sectors such as textiles, handicraft, handloom, leather, ayurvedic products and electronic components. Restaurants and sweetmeat producers as well as small suppliers to large businesses will also be looked into. These sectors are grappling with a confusing array of rates and rules.

Sumit Dutt Majumder, the former chairman of the CBEC, said, "We can expect a good number of items, other than demerit goods, currently in the 28 per cent slab being brought down to 18 per cent. There may be some more relief for small businesses."

The Confederation of All India Traders, a body linked to the ruling BJP party, has reported around 30-40 per cent less business than usual during the Diwali week. Besides, there has been a raft of representations from traders and small businesses, including the textile hub of Surat in poll-bound Gujarat, forcing the government to have a rethink.

The GST Council is expected to meet on November 9 and likely to approve the new rates.

"The anger among textile traders in Surat as well as small traders all over the country is evident from their representations which among other things talk about job losses and closure of thousands of looms, leading to a crisis in textile trade," said commerce ministry officials.

The commerce ministry has held consultations with the finance ministry on the issue, the officials added.

The inability of large manufacturers to claim input GST on spares and services provided by small suppliers, who are either unregistered or are registered under the composite scheme, has meant that these suppliers have been left out, leading to tens of thousands of small units employing 4-5 workers shutting shop or cutting down on work.

"In the textile sector, this has meant loss of 50,000 jobs in western India," said Manmeet Singh Kohli, a leading garment buyer.

There is also a lot of confusion over GST rates for handloom and handicraft products. Earlier, the VAT rate on most handicrafts stood at 5.5 per cent with many of them tax-exempt. Under GST, they have been placed under different slabs. For instance, the GST on sandalwood artefacts has increased to 12 per cent and on rosewood products to 28 per cent.

Source: telegraphindia.com- Oct 18, 2017

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Boost for Gujarat, Grasim, Arvind to invest Rs 4,400 cr, set up production units

Leading textile companies Grasim and Arvind on Tuesday signed memoranda of understanding (MoUs) with the Gujarat government to invest about Rs 4,400 crore in the state. Both the companies will set up production facilities in the state. Grasim, a flagship company of the Aditya Birla Group, is planning to set up man-made fibre plants in Vilayat GIDC and Kharach-Kosamba in the state's Bharuch district.

The company signed an MoU with the Gujarat government on Tuesday to invest about Rs 4,100 crore. As per its MoU with the state government, Grasim will employ about 1,300 people directly and indirectly at the facilities which are likely to be commissioned in 2018 and 2020, respectively.

Denim major Arvind on Tuesday announced its plans to set up a mega apparel factory with a proposed investment of Rs 300 crore in the state and produce 24 million garments per annum.

"This agreement will generate employment in the state and boost the small businesses as the investment by such a large industrial group will attract investments by several small industries as the ancillary units," a state government communique said.

The mega apparel factory of Arvind will come up at Dahegam near Ahmedabad. Gujarat chief minister Vijay Rupani and Arvind's executive directors Kulin Lalbhai and Punit Lalbhai signed the MoU at Gandhinagar.

"We plan to commence commercial production in the fourth quarter of 2018 and we plan to create 10,000 jobs, a majority of which will be women.

We are excited to support the Gujarat Apparel Policy which aims to create 1 lakh jobs in the state," a company release quoted Kulin Lalbhai as saying.

Source: financialexpress.com- Oct 17, 2017

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Knits sector the new rising star to drive India's textile and clothing exports

India's textile and apparel exports, particularly for the domestic markets, grew at a healthy rate of 6-7% in the first quarter of the current financial year 2017-18. This was despite the impact and shock of the "demonetisation" of currency at end of 2016.

T&C Exports	2014-15	2015-16	2016-17
All India	7.62	7.66	8.27
Tirupur hub	3.38	3.52	3.73
Tirupur share %	44.4	46	45

India's textile and clothing (T&C) sector is one of the most robust export sectors. However, India's global share remains low, despite the strength of its complete textile value chain, and the availability of diverse raw material base with a skilled workforce. Garments and apparel contribute nearly 50% of all India's T&C exports, and today stand at a level of US$35bn – which is close to those of peer competing countries such as Bangladesh, Turkey and Vietnam.

With an investment thrust, and therefore increasing capacities in the knit fabric and knitwear segments, knitwear is now recording 30% of all textile production; and it is likely to drive India's export potential to the target of $50bn in total T&C exports by 2020. As per industry and expert studies, the knits sector, along with home textiles, remains the sunshine area for India's exports, when the growth and exports of yarns, grey fabrics and denim etc have plateaued out.

China, India and Bangladesh remain the top-three suppliers of textile and apparel products, but their textile and apparel exports have declined. The ranking of the top ten exporters of textile and apparel products remained unchanged in 2016, with China (36%), India (5%) and Bangladesh (4%) in the first three positions.

Also, as per trade data from UN Comtrade sources, the global trade in textiles and apparel stumbled in 2016 for a second consecutive year, due to weak global demand. Data shows a 1.4% decline to US$765bn for 2016, from US$776bn in 2015 – which is a cause of concern for many developing countries such as India – which have a large and strong textile industry.

To: World region	2014-15	2015-16	2016-17	% in total knits export
EC/EU	1425.5	1387.6	1467.9	26.5%
USA	991.0	1096.8	1143.2	20 %
UAE (mainly re exports)	700.1	1086.2	1429.3	25.65 %
UK	551.9	586.6	541.1	10%
Others				17.85%

While recessionary tendencies continued for the EU countries, the global competition rather increased between leading textile leading including India, China, Vietnam, Bangladesh and Turkey. Also, the emergence of new developing economies such as Cambodia, Myanmar, Kenya and Ethiopia, is now leading to serious challenges and concerns for apparel exports from India.

To address these textile trade concerns, and to create a more price competitive platform for India's textile exports, the government has been giving push via capital subsidies under the ATUF, where new and existing manufacturers gain a 25% outright grant on machinery investment – a policy that also drives employment generation under the Skill India mission.

In this perspective, and in the light of the success of the "brand Tirupur" hub for knits in south India, the government is going all out to support new investments in the knits and knitwear/apparel segments, to help drive India's global textile trade share to more than its existing 5%.

However, with rising population and consumption, textile demand and consumptions are projected to grow at an average 5-6% CAGR; and it will be the apparel sector that plays the leading part.

To meet this new and growing demand, India will see its share of global textile trade rise to 7-8%. China, in this scenario, will gradually lose its share to peer countries such as India, Vietnam, Bangladesh and Turkey.

Tirupur knits hub

The Indian textile industry, currently estimated at around US$120bn, is expected to reach US$230bn by 2020. The Indian textile industry contributes around 5% to global T&C trade, 4% to India's Gross Domestic Product (GDP), and 14% to overall Index of Industrial Production. It also remains the second-largest employer after the agriculture sector.

Tirupur, in south India, is a 40-year-old knits-dominated centre, with a tightly clustered range of activities related to cotton knitting, knitwear and hosiery. Over recent decades, Tirupur has merged as a brand for knits sourcing and boasts of a market turnover of INR300bn, derived from both exports and domestic knitwear supplies. Ludhiana, in Punjab, is the second distant competitor and, perhaps, Kolkata (mainly for underwear segment) is the third distant competitor, with the Delhi capital region as the fourth such key hub.

The successful and dramatic expansion that has taken place, especially over the last 15-20 years, has meant many more jobs, limited technological improvement, improved quality in yarn and fabric and an increasingly diverse range of garments. For the larger firms in the industry, access to export markets has been the driving force to improving their competitiveness.

Wages remain low and working conditions poor, however, perhaps partly because capital concentration has not, on the whole, been accompanied by centralised, vertically integrated production. Nevertheless, clustering and dense interfirm networks of small production firms provide advantages for firms of all sizes, since process specialisation is spatially divisible.

Tirupur alone contributes to nearly 50% of India's total knitted textile and clothing exports, as is amply established in the tables below:

It is to be noted that exports to UAE are mainly for the re-exports and further trading to destinations in the CIS region and to North Africa region
• The top 10 countries nearly receive two-thirds of all T&C exports from India
• It is clearly understood that India's exports in the knits sector can grow at a faster pace with use of polyester and its blends in fabrics and apparel, and with the forging of an India-EU free-trade pact to allow GSP+ duty benefits to India
• It is likely that the Brexit effect may also reduce India's T&C exports to the UK

Tirupur has become a benchmark for India for its competitiveness and the quality of its knitwear exports. It has already delivered knitwear exports the tune of US$1bn during the first quarter of the current FY 2017-18. Such exports are projected to grow much more for the current quarter, due to new global orders for summer 2018.

Recommendations

The knits sector, comprising knitting, knit-fabric processing and knitwear apparel, is the fastest growing sector in India's textile story.

With success of "make in Tirupur" in south India, the knits sector is poised for growth and will take a nearly 40% share in total textile production in the country.

The demand and consumption of knit fabrics in the casualwear/apparel sector, from young fashion-savvy consumers, is the key driver for its promising potential.

One of the weakest links in the knits sector is the lack of modern processing, with a focus on fabric printing, which would be value-adding in terms of dyeing and printing and is required in order for the industry to be sustainable in its water conservation and green initiatives.

Source: globaltextiles.com- Oct 17, 2017

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Why India's stellar exports may not be a tax dodge under GST

The big lesson for emerging markets from the taper crisis of 2013 was this: Don't go into a US tightening cycle without your exporters bringing home truckloads of dollars.

That's why the most recent trade figures from India are both important and encouraging. Clubbed together with Indonesia, Turkey, Russia and South Africa on Morgan Stanley's "Fragile Five" list four summers ago, it's crucial for the country to crank up its export engines before the U.S. Federal Reserve starts shrinking its balance sheet. Seen in that light, the 26 percent surge in outbound shipments in September is an impressive performance that ought to allay concerns about India facing a possible dollar squeeze.

Yet the figure is being met by skepticism because it comes close on the heels of the introduction of a new nationwide goods and services tax that's been widely criticized for being ill-planned and badly implemented. Inflating export invoices is "a tempting mode of avoiding GST," according to Neelkanth Mishra, the India equity strategist at Credit Suisse Group AG. By showing more of their sales as exports, manufacturers can claim bigger tax credits.

While over-invoicing may certainly be part of the story, there's an equally strong reason to give the published figures the benefit of the doubt.

Although India isn't part of the Asian electronics supply chain, its overseas sales track shipments out of South Korea very closely; and the latter surged to a record in September.

A sustained pace of double-digit export growth is crucial for India's economy. The wave of excess domestic liquidity that engulfed assets following last November's surprise cash ban is starting to ebb.

Almost half of the $9 billion of foreign money that had flowed into the country's expensive equities by July has left after a much-anticipated revival in corporate earnings disappointed investors once again. The $22 billion of overseas funds that have poured this year into bond markets would be at risk of reversal should U.S. real interest rates spike in 2018.

A botched GST has made life hard for small businesses -- especially in the leather and textile industries -- just as they were beginning to shrug off the effects of last year's note ban.

With memories of the 2013 taper tantrum still fresh, it will be reassuring for investors to know that at least the bigger exporters are able to overcome a strong rupee and take advantage of improving global demand, keeping the domestic financial system well-lubricated with dollars in the process.

Should it transpire that September's 44 percent surge in engineering exports was merely a tax-accounting artifact, there will be some serious disappointment.

Source: economictimes.com- Oct 17, 2017

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UK looks to secure new trade deal with India

The UK is looking forward to secure a new trade deal with India and work more closely with business communities as it prepares to leave the EU, said Priti Patel, the first Indian-origin minister in the British Cabinet.

Patel, the Secretary of State for International Development, expressed confidence that the "flourishing" relationship between India and the UK will be further strengthened under the "inspirational" leadership of Prime Minister Narendra Modi as she hosted the annual No 10 Downing Street Diwali celebrations in London last evening.

"The Indian government — led by the inspirational Prime Minister Modi — has been such a great friend to Britain. Prime Minister Modi has shown great leadership in India over the last three years and has re-affirmed India's place as a modern and world leading power," said Patel, who stepped in to lead the event as Prime Minister Theresa May was holding a crucial Brexit meeting with European Commission President Jean-Claude Juncker in Brussels.

"The Prime Minister is in Brussels negotiating to secure our future and get a brilliant deal for us. And as Britain leaves the EU and embraces the global opportunities that await us as a free, independent and sovereign country, we will look to India to secure a new trade deal and work more closely with business, communities and the government of India," said Patel, the Conservative Party MP for Witham.

The senior-most Indian-origin politician in the UK government described the growth of India's middle-class and consumer base as "unprecedented in modern human history" and stressed that she wants Britain to be India's "first port of call" for providing goods and services.

Source: thehindubusinessline.com- Oct 18, 2017

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Andhra Pradesh investigates planting of Monsanto's unapproved GM cotton

One of India's biggest cotton-growing states has formed a panel to investigate how 15 percent of the state's cotton acreage has been planted with a non-approved genetically modified strain developed by Monsanto and may bring criminal charges.

The three-member panel will investigate the usage of Monsanto's Bollgard II Roundup Ready Flex (RRF) in the southern Indian state of Andhra Pradesh and alert the federal government about any violation of the country's environmental protection laws, according to a copy of the state government order dated Oct. 17 and reviewed by Reuters.

The order on Tuesday followed a similar order on Oct. 5 that was to inspect fields growing Bollgard II but that order was withdrawn on Friday with no explanation.

The new committee, composed of agricultural experts, has been asked to submit a report within 15 days, according to the order.

The new directive asks the "investigating committee to look into the illegalities and risks of such seed sales and cultivation."

The committee may also bring criminal charges under India's 1989 Environment Protection Act, the order said.

India's federal government has not commented on the issue since Andhra Pradesh handed down the Oct. 5 order.

Environment Minister Harsh Vardhan did not respond to a request seeking comment on the new order sent on Tuesday.

A spokesman for Monsanto India referred to its earlier statement following the Oct. 5 order. In that statement, the company said the matter was of "grave concern" and that seed companies illegally attempted to "incorporate unauthorized and unapproved herbicide-tolerant technologies into their seeds" for profit.

Monsanto last year withdrew its application seeking approval for Bollgard II RRF following a dispute with the government that cut the royalty the company received for licensing out the technology to local seed firms.

The withdrawal was seen as a major escalation in a long-running dispute between the Indian government and Monsanto, which is also locked in a legal battle with some local seed companies over intellectual property rights.

Source: in.reuters.com- Oct 18, 2017

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Amazon makes its presence felt in India's offline retail market

Amazon the world's largest e-commerce firm, is making its presence felt in India's $60 billion organized retail market, much like it has been doing in the US. Through a series of acquisitions and tie-ups, Amazon has started making inroads into well-known consumer goods and retail brands in India to bring its brands to people who are not yet part of the e-commerce market. At present e-commerce penetration is at 2 per cent of all retail sales.

In September, Amazon announced it was buying a 5 per cent stake in departmental store chain Shoppers Stop for Rs 179.25 crore,. Amazon plans to use this partnership to set up "Amazon Experience Centres" where it can showcase its brands—mostly in fashion and accessories.

Amazon now has access to this network. The company's private-labels include AmazonBasics, under which it sells electronic and mobile accessories, luggage, stationery and dining and kitchen products. This fits with Shoppers Stop's merchandise mix—35.3 per cent of its sales for the quarter ended 30 June came from the non-apparel segment which largely consists of home and electronic items, and personal accessories.

Meanwhile, the company has partnered consumer goods firm Dabur India to set up an e-commerce portal to sell Ayurvedic products and medicines in India. Amazon India declined to comment on its plans for the partnership with Dabur.

While Amazon manages the logistics of e-commerce in Ayurveda, it also gains access to brands and consumers in a fast-growing space. Market research firm Nielsen India.

Amazon's strategy to penetrate India's retail market also comes under a regulatory regime that does not allow foreign direct investment in multi-brand physical retail or in inventory-led e-commerce firms.

Source: fashionatingworld.com- Oct 17, 2017

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