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# IBTEX No. 129 of 2017 June 24, 2017

USD 64.50 | EUR 72.20 | GBP 82.54 | JPY 0.58

| Cotton Market (23-06-2017) | | |
|---|---|---|
| **Spot Price ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 20079 | 42000 | **82.93** |
| **Domestic Futures Price (Ex. Gin), July** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19870 | 41563 | **82.07** |
| **International Futures Price** | | |
| NY ICE USD Cents/lb ( Dec 2017) | 68.97 | |
| ZCE Cotton: Yuan/MT ( Sept 2017) | 15,625 | |
| ZCE Cotton: USD Cents/lb | **85.86** | |
| **Cotlook A Index – Physical** | **83** | |

**Cotton & currency guide:** Interesting moves and interesting events related to cotton is seen through last one fortnight.

The July fell incessantly straight from 87 cents to 71 cents; so in the case of subsequent contracts with more or less same momentum.

July has come to a period whose first notice period shall resume on next Monday and will get converged to spot price so major fall in price looks limited.

For reference July is the only contract posted a positive close on Thursday while rest contracts just fell with winds of bearish trend.

The most active December contract descent for the ten consecutive trading sessions to close near 66.70 cents.

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For the domestic participants we have an excellent strategy where in one needs to Sell July contract and Buy October contract simultaneously.

We expect the spread should narrow down substantially.

The key logic for such spread strategy is at the exchange more than 40K bales of FED stocks lying as part of old crop can pressure on the July future.

On the other hand October fall be limited due to unavailability of new produce and tight stocks.

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

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# INTERNATIONAL NEWS

## USA: NAFTA Freight Flows See Significant Drop in April

The value of monthly freight flows between the U.S. and its NAFTA partners totaled $91.1 billion in April, down 9.2 percent from March but up 0.8 percent from a year earlier, according to Department of Transportation statistics.

The year-on-year increase was the sixth consecutive month of such gains after more than a year of losses.

The value of total U.S. trade with Canada fell 8.2 percent from March to April to $47.0 billion but was up 2.5 percent from a year earlier.

The value of U.S. trade with Mexico dropped 10.4 percent to $44.0 billion from the previous month and was down 1.0 percent from March 2016.

Vehicles and parts retained their position as the top commodity category for all modes transported between the U.S. and Canada and between the U.S. and Mexico.

Percentage changes in the value of monthly U.S. freight flows with Canada and Mexico by mode of transportation from April 2016 to April 2017 are as follows.

| | Total | | Canada | | Mexico | |
|---|---|---|---|---|---|---|
| | Imports | Exports | Imports | Exports | Imports | Exports |
| Truck | -6.1 | -4.9 | -3.0 | -2.7 | -8.2 | -7.3 |
| Rail | +13.0 | -5.6 | +9.7 | +0.5 | +17.6 | -12.2 |
| Vessel | +37.1 | +17.7 | +22.0 | -4.5 | +48.2 | +23.6 |
| Air | -4.7 | -0.1 | -9.4 | -5.7 | +2.6 | +11.1 |
| Pipeline | +68.5 | +48.6 | +69.5 | +57.7 | -44.4 | +25.2 |

Source: strtrade.com- June 24, 2017

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# Bangladesh: Waive duties and VAT on Pragoti and textiles industries, ministers urge Muhith

Two ministers have requested Finance Minister AMA Muhith to waive the supplementary duties on state-run Pragoti Industries Limited, and VAT on textile industries for the next fiscal year.

Industries Minister Amir Hossain Amu and State Minister of Water Resources Lt Col (Retd) Muhammad Nazrul Islam recently sent separate letters to the finance minister, urging him to waive duties and VAT.

In his letter, Amu expressed apprehension that the three-tier increase in supplementary duties will hike prices of Mitshubishi's Pajero and 2477CC double cabin pick-up vans.

Amu urged Muhith to review the changes in customs facilities as the increase in duties will negatively impact the import of cars. As a result, Pragoti will face severe losses.

The letter stresses on the importance of Pragoti Industries, mentioning that the company have deposited an average of Tk165 crore profit to state fund in last couple of years.

In his letter, State Minister for Water Resources Lt Col (Retd) Muhammad Nazrul Islam stated that 15% VAT on primary textile industries can result in closing down of more than 30% spinning mills by disproportionately burdening the people of Narsingdi area, where 70% of the country's spinning mills are located.

Also drawing a connection to the upcoming general election, Nazrul wrote: "People of Narsingdi area will not be interested to vote for me in the next national polls."

Source: dhakatribune.com- June 24, 2017

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## China: One Belt One Road: Optimistic Fantasy or China's Biggest Fashion Opportunity Yet?

In January, the first train from Yiwu — a city situated in eastern China — arrived in London after spending 18 long days on the rails, crossing Kazakhstan, Russia, Belarus, Poland, Germany and France, bringing containers filled with various goods including clothing.

Navigating a complex intercontinental network of rails across a grand total of 12,000 km, the ambitious route — less costly than air yet comparatively faster than sea — intends to usher in a new era of freight travel from China to Europe. As the 15th European city added to China's international rail network, the Yiwu-London route is just one of many legs of a global initiative that will have a momentous impact on the garment and textile industries.

Nearly 2,000 years since traders first brought silk out of China and over seven centuries since the arrival of Marco Polo, textile and apparel industry leaders across three continents are eager to reap the results of One Belt One Road [OBOR]. But what exactly is this enigmatic plan with the potential to reshape world trade as we know it?

OBOR is a colossal China-led project that aims to become an interconnected network of ports, roads, railways, air routes and even resource pipelines, ultimately connecting the Asia with Europe and East Africa. Thanks to existing global supply chain networks, the knock-on effect has the potential to impact economic corridors worldwide.

While some describe OBOR as a Chinese master plan akin to the US-led Marshall Plan for Europe after the Second World War, others see it as an unparalleled power play by China to impose its vision on the world order. The Chinese perspective is that OBOR fits neatly into President Xi Jinping's purported role as the new protector of globalisation and free trade. Speaking emphatically at the World Economic Forum earlier this year, Xi's voice was in sharp contrast to President Trump's protectionist stance.

The sheer scale of OBOR is impressive. According to the Carnegie Endowment for International Peace, the aggregate investments related to OBOR are estimated to be in the trillions of dollars; meanwhile, a 2016 report by professional services firm PwC states that as of February 2016, a value of $250 billion in projects had either commenced, been completed or already signed into action.

Last month during the Belt and Road Forum for International Cooperation held in Beijing, China signed agreements with over 30 new countries – bringing the total to 68 – while Xi pledged to contribute an additional 100 billion yuan ($14.5 billion) to the Silk Road Fund. Yet four years after Xi's initial announcement, the inner workings of the project remain shrouded in mystery. With a bar set so high, one can't help but wonder if OBOR will deliver.

**Sceptics in the West**

In parts of the West, scepticism is running high. In the eyes of many analysts and investors, Xi's extravagant rhetoric ostensibly diverges from the reality that is. "The impact of the Belt and Road project on the European economy is widely thought to be slight — positive if the initiative is focused on improving transportation infrastructure, modestly negative if trade integration with China reduces European exports to Central and South Asia," writes Bruno Maçaes, the political scientist and business strategist, in a report on China's Belt and Road and Europe for Carnegie Europe.

As demonstrated by the 18-day train ride, some critics are calling into doubt both the viability and reciprocity of Xi's ambitions. According to a piece in the Financial Times by Jörg Wuttke, president of the EU Chamber of Commerce in China, five trains packed with cargo depart from the western Chinese city of Chongqing for Germany each week, yet only one full train returns with European goods. This inability to maximise the two-way flow of goods is one of the ultimate shortcomings of the project, particularly for fashion.

Today, despite mounting challenges from India — as well as increasing domestic wages — China remains the largest exporter of textile and garments worldwide. At the bottom segments of the market, European demand for Chinese products far exceeds the reverse; meanwhile, in the premium and luxury segment, Chinese demand for Western goods may not be enough to render the railway economically viable, even if China remains the world's largest luxury market, accounting for 50 percent of global purchases.

At the more affordable end of the fashion market, attention still seems to be focused on sea transport. According to Iñigo Sáenz Maestre, a spokesperson at H&M, as the company attempts to minimise its carbon footprint, “it is focusing on efficient and simplified logistics — transport by sea and avoiding air and road transport—whenever possible.” As of 2017, approximately 90 percent of the fast fashion giant’s goods were transported by either sea or rail (the exact breakdown is unavailable), including those headed to China from the company’s European suppliers.

Compared to current sea routes, the Yiwu-London train ride requires only half as much time; compared to air travel, railways offer greater volume per journey at a lower price. If the railway makes little sense from the current European export perspective, it might in the near future: according to SeaIntel, a container shipping market intelligence consultancy based in Copenhagen, rail transport is expected to grow rapidly over the next decade, potentially taking market share from ocean transport in the process.

For brands like H&M, this could mean replacing some of its sea freight with rail transport in the future. And for luxury groups, which tend to dispatch a greater proportion of their goods via air, OBOR provides a direct opportunity to reduce some of their carbon footprint with freight train.

"Over the next one or two years, rail transport to and from China will only represent a minor part of the overall volume, but the benefits from being on board are already significant," predicts Ole Kehler, route development manager at DSV, a Danish transport and logistic company.

“[The modest view of OBOR] ignores both the ambition and the long-term impact of the project, once its purpose has been properly understood,” counters Maçaes. The China-Britain Business Council, for instance, expects that major opportunities will arise alongside OBOR, particularly in infrastructure and logistics, as well e-commerce — all of which are intimately connected to the railway initiatives.

To their point, at least one major player — the Chinese e-commerce titan Alibaba — is eager to tap the growing rail network. Earlier in January, when the train arrived in London, the Bulgarian government and Xinhua, China’s official press agency, jointly reported that Alibaba was scouting for locations and considering the construction of a European logistics centre in

Bulgaria, with the primary intention of backing up their operations in Europe.

This past April, as the London-Yiwu train prepared to return to China, Alibaba began its search for warehouse locations adjacent to the rails of the new route, with hopes of optimising its reach throughout Europe with new hubs, expediting its deliveries. In a certain light of optimism, OBOR has the potential to become Alibaba's long-sought launchpad into the European market to challenge Amazon.

As for the lack of demand for freight transport by rail from Europe to China, perhaps this too will change as an increasing number of upmarket European brands begin to sell through Chinese e-commerce giants like Alibaba and JD.com.

## Transformation and Conflict in Asia

A little closer to home, China's Asian neighbours are caught in a similar bind between hopeful optimism and intensifying scepticism, as OBOR-related projects such as the Jakarta-Bandung railway continue to be plagued by severe delays and swelling expenses in Indonesia.

Nevertheless, countries like Myanmar, for instance, which reopened its economy in 2012 following intense political reforms, have plenty to gain from OBOR. In particular, with the EU and US lifting sanctions in recent years, "Myanmar is now regarded as a newly emerging destination for businesses on account of its strategic geographical location," writes Daw Chaw Chaw Sein, a member of the Myanmar Institute of Strategic and International Studies

In terms of the fashion industry, Myanmar's textile and garment manufacturing sector currently account for approximately 10 percent of the country's total exports — and the market continues to grow, with a total export revenue target of $12 billion by 2020. In terms of production, the country's minimum monthly wage in 2015 sat just shy of $70 — a significantly lower rate than neighbouring Vietnam and Cambodia — making the country an especially attractive location for high street retailers like the Gap, H&M and Primark, all of which manufacture in the South East Asian nation.

By opening up new trade corridors to link the southwestern Chinese province of Yunnan with South Asia through Myanmar, OBOR provides much-needed infrastructural upgrades for the formerly economically isolated country — all of which are essential for Myanmar to meet its 2020 goals. As part of the Bangladesh-China-India-Myanmar Economic Corridor, Myanmar's garment industries can potentially increase productivity and efficiency in supply chains as well, while opening up trade with the rest of Asia, Europe, and Africa through OBOR.

But while the plan looks good on paper, several obstacles remain. "Beyond the technical dimension, the problems faced [with regards to OBOR] are of a geo-economic, political and strategic nature," says Dr Jean-Michel Valantin, lead senior analyst at think tank Red (Team) Analysis Society.

As Sein explains, "Myanmar is important for China's landlocked southwestern provinces' market access to Bangladesh and India through transit trade instead of China's eastern coast." But although Bangladesh is openly receptive to the initiative, India — notably absent from the Belt and Road Forum this past May — has objected to OBOR altogether on several grounds, citing geopolitical antagonism related to another leg of OBOR: the China-Pakistan Economic Corridor, highlighting yet another dimension of challenges for the ambitious project.

## Potential Success in East Africa

Despite the mounting scepticism and rising obstacles, China's ambitions have not been fruitless. Africa has been hailed the next frontier for both fashion retail and apparel sourcing with high street and budget labels like H&M and Primark already manufacturing in East Africa, China's aspirations are already manifesting themselves throughout the continent by means of highways, airports and high-speed rails — many of which are constructed by Chinese companies and will bear significant consequences for the garment industry. Though officially outside the reach of OBOR, these projects are effectively laying the groundwork for its extension.

"China is a continental-sized economy facing tight resource constraints; home of the world's largest and an ageing population, its slowing economy offers cheap capital and internationally competitive industrial — including infrastructure—capacity," explains Dr Lauren Johnston, an academic specialising in China-Africa relations at the Melbourne Institute of Applied

Economic and Social Research. "Africa, in contrast, offers a fast-growing and young population, and relatively high natural resource and arable land levels per capita; on the whole, it is in need of massive infrastructure investment, affordable financial capital and investors with an appetite for risk."

As Dr Johnston highlights, while the 2016 minimum wage in China's manufacturing cluster in Guangdong province is approximately $300 per month, in Ethiopia's Hawassa Industrial Park — one of the country's premiere industrial areas centred on textile and garment products — workers' wages average merely $50 monthly, amongst the lowest in the world. Already, the budding manufacturing hub has attracted the attention of Western operators such as PVH and H&M, both of which intend to source from the park.

Chinese firms like Wuxi Jinmao, which produces garments mainly for export to the US — occasionally for brands under PVH's umbrella, as well as Huajian, a shoe manufacturer for brands like Clarks, Calvin Klein, and even Ivanka Trump — have already invested heavily in the area.

"In essence, countries like Ethiopia stand to benefit from China's fading demographic dividend and rising wages [and] level of development, and use related labour-intensive textile manufacturing and light industrial opportunities to ultimately realise a similar gradual industrial transformation [as China's]," adds Dr Johnston.

Through an interconnected Africa via OBOR, presently nascent garment manufacturing hubs on the continent are breaking down some of the general barriers in place, expediting their evolution into international factories. Indeed, many local businesses have already begun to reap the rewards of OBOR as well.

"It's important to note that China is not just investing in trains connecting Ethiopia to other African nations but has also built the rail link from Ethiopia to the port [in the neighbouring country of] Djibouti," says Bethlehem Tilahun Alemu, founder and chief executive of the Ethiopian footwear brand SoleRebels, referring to the $3.4 billion China-built electric railway connecting Ethiopia — an otherwise landlocked country — to the ocean, which launched earlier this year.

A logistic upgrade of this magnitude, Alemu emphasises, will bear significant consequences for her budding business, which produces its own inputs locally through small-scale local facilities and exports worldwide. “This will have a major impact on transit time and transit flows reducing them from two to four days to just under ten hours to deliver goods from Addis Ababa [Ethiopia’s capital] to the port.”

“To give a very vivid example, one of the shoe factories in our ‘Made by Ethiopia’ programme [of which Alemu is the chief executive] is situated one kilometre from the start of the rail line. This means that they can have goods out the factory door and on the way to port within 25 to 45 minutes of being packed out at the factory. That’s a paradigm shift for delivery and one that is in line with how global consumers want and need products to flow.”

In nearby Kenya, China’s reach is continuing to expand, with locals hopeful that the economic initiative will yield similar upgrades, which are much desired in the region. Currently, infrastructure upgrades include the China-invested standard gauge railway in Kenya, scheduled for completion by the end of this year. The $3.8 billion and 609 km-long railway will connect Mombasa’s ports to the capital of Nairobi, bearing the potential to impact both textile imports and garment exports.

“Most of the manufacturing units for apparel are in Nairobi and its environs, and most fabric for those factories arrives by ship to Mombasa, so [this route] will be convenient,” says Ann McCreath, the managing director of KikoRomeo Africa and founder and chairman of the Festival of African Fashion and Arts. “I assume the more standard items are also sent [out] by sea, so again the route to Mombasa is critical.”

In spite of such infrastructure groundwork and China’s recent commitment of $60 billion in development aid to Africa during 2016-2018, most of which are in the form of patient capital, critics believe that China’s relationship with Africa is not as mutually beneficial as it should be.

**What’s Next?**

Despite early signs of OBOR’s success, as critics continue to lament, four years have passed since the global initiative was first cast under the spotlight.

Today, the official plans remain still fragmented and murky at best. Admittedly, the pace of development of OBOR does seem slow, but perhaps that is the point. As some scholars of China are quick to point out, unbarred by the relatively short nature of Western political terms and regular elections, President Xi does not need to produce immediate effects in the same way that Western leaders do.

But regardless of whether Xi's initiative is the manifestation of a geopolitical "will to power" or a genuine economic partnership in good faith (in reality, most experts believe it is a mix of both), no one can deny its potential to send shockwaves across sectors, directly influencing the future of the garment and textile industry on three different continents and act as a competitive advantage to trade with the other two continents — precisely the way Xi intended it to.

Source: businessoffashion.com- June 24, 2017

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## Pakistan: FPCCI supports revival of textile industry

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) has extended support for the revival of Pakistan textile industry. The federation has also appealed for governmentsupport for the development of textile industry. More than 60 per cent of the exports constitute of items from textiles, which contribute majorly in revenue generation.

FPCCI also raised concerns over the protests held by the textile trade bodies. Opposition through protest will affect the working of the industry and will also affect economy of the country, said FPCCI in a statement.

"The textile industry contributes around 8 per cent to the GDP, employs about 40 per cent of industrial labour force of Pakistan. A strike will only worsen the situation," Aamer Ata Bajwa, acting president FPCCI, said.

For efficient functioning of the Pakistan textile industry, FPCCI asked the government to release the pending finances. The export incentive package announced by the prime minister in January this year should be implemented at the earliest, said Bajwa.

"We appeal to the government to withdraw the levy of Rs 3.63 per kWh surcharge in electricity bill and reduce textile related imports from China and India to salvage the textile industry from its total collapse," added Bajwa.

Source: fibre2fashion.com - June 23, 2017

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## Bangladesh: Looking for trade policy directions in the FY18 Budget

Much of the pre- and post-budget public discourse has centred around one aspect of the Fiscal Year (FY) 2018 Budget - the launch of the new Value Added Tax (VAT) Law: The VAT and Supplementary Duty Act 2012. Almost five years late, the onset of the Law, as proposed in the Budget, has caused nothing short of an uproar in the business community. As the Budget awaits final endorsement by Parliament, we are told the firefighting is still on.
Little if anything is heard about the budget's implications for trade policy - as if it did not matter. The Government budget is not all about revenue mobilisation and allocation of public expenditure. A big chunk of it has to do with setting directions of trade policy, i.e. the domestic policy content of how exports will be stimulated and imports will be managed through the imposition of tariffs and para-tariffs.

Though the tri-annual Import Policy Order and Export Policy Order framed by the Ministry of Commerce (MoC) make up the regulatory regime for import-export transactions, the fact that quantitative restrictions on imports no longer exist for protection purposes, these Orders no longer constitute trade policy per se.

After two decades of double-digit export growth, that particular leading indicator of our economy is faltering. Exports in FY2017 are expected to record a meagre 4.0 per cent growth, well under 10 per cent growth for three years in a row. This happens at a time when Vietnam's exports at $177 billion grew 9.0 per cent in 2016 and is expected to grow at 7.0 per cent in 2017 to $188 billion, raising its share in the US market by 1.0 per cent to 11 per cent when Bangladesh exports remained at 5.0 per cent.

That should set off alarm bells. A change of course in trade policy coming out of the budget statement was reasonable to expect. That did not happen. Sadly, the initial assessment of the budget's stance on trade policy suggests we are left with much of the same.

This does not augur well coming at a time when the global context for export expansion from developing countries is facing strong headwinds stemming from the protectionist sentiments unleashed by the America First tirade of Trumponomics on the one hand and the populist upsurge in Europe castigating globalisation and free trade, on the other. At least in Europe, sanity appears to be prevailing as evidenced by the French and Dutch elections that rejected right-wing extremist politicians from gaining power. Even the Brexit (Britain's exit from the European Union or EU) move of the UK has come under public challenge.

Though the world economy is not yet out of the "slow growth" syndrome, the latest version of IMF's Global Economic Outlook is projecting modest uptick in global growth of output as well as trade. What this means for Bangladesh exports is that while there are challenges ahead, global demand for Bangladesh's exports should remain steady in the near to medium-term.

That is because Bangladesh is technically a small economy in global trade and should be able to sell all its exports in the world market provided they are cost competitive. So the trade policy challenge for Bangladesh policy makers is to maintain export momentum by sustained cost competitiveness.

Bangladesh's competitiveness by virtue of low labour cost is all too well known. Our wages are by far the lowest amongst comparators, partly compensating for lower productivity. However, a review of exchange rate trends reveals that though nominal exchange rate (e.g. Taka per dollar) has been fairly stable, Real Effective Exchange Rate (REER) has been appreciating for the past five years.

Bangladesh's REER, which adjusts the nominal exchange rate for differences in domestic inflation and those of its main trading partners, has been trending upward since FY11 (up 54 per cent), because domestic inflation has far exceeded inflation rates in major export destinations, such as the USA and Europe.

REER appreciation for the past five years gives a clear sign that cost competitiveness of our exports is being eroded. Though exchange rate management is a matter for the Bangladesh Bank, which cannot reduce inflation to the US and EU levels in short order, exporters were hoping that the Budget speech would contain some guidance for the central bank to contain the appreciation of REER via a modest depreciation of the nominal exchange rate.

The status quo is undermining export competitiveness while import-substitute industries are unable to become globally competitive and become export industries. For sectors that produce for exports and domestic sales (e.g. plastics, electrical goods, agro-processing, footwear), exports are generally less profitable than domestic sales in a protected market.

This situation can only change if a concerted effort is made in rationalising the protection regime. The new VAT Law, which included the scope for rationalising the supplementary duty (SD) structure, could have augured an era of moderate protection even if the SD proposals were even partially implemented.

But the budget proposal tabled in Parliament has completely sidetracked this critical policy issue at a time when that was most needed. Based on a preliminary assessment we find that the proposed budget has arrested the declining trend in import tariffs since FY13 while the average nominal protection has edged up by about 3.0 percentage points in FY18 (Table 1).

Some 120 tariff lines saw SD increases while 53 were reduced. On average there was an increase in SD as well. That means the modest rationalization of tariffs that was taking place in the past three years has suddenly been reversed. Sectors that were enjoying the highest nominal protection rate of 85.6 per cent will now have the benefit of a higher rate of 92 per cent, thanks to an increase in SD.

The overall vision in the FY18 Budget appears consistent with the goals laid down in the Seventh Five Year Plan, viz, GDP (gross domestic product) growth, inflation, investment. But that is where the consistency ends. The budget seems to lack a trade policy orientation of the growth process.

The Seventh Five Year Plan (2016-2020), which was fully endorsed by the Ministries of Finance and Planning, was approved at the highest echelon of Government before its launching. The Seventh Plan articulated a strategy for higher manufacturing growth coupled with export expansion and diversification predicated upon an export-oriented trade policy.

For all its alignment with the Seventh Plan's inclusive approach to growth acceleration, the FY18 Budget appears to contravene its (Seventh Plan's) trade policy orientation for rationalising protection in order to boost exports. It would have been good if the budget speech contained brief statements indicating our protection stance and underlying rationale for prolonged protection of industry without any reference to a timeline. In the absence of such statements we are left wondering if trade policy has any direction.

Source: thefinancialexpress-bd.com- June 23, 2017

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## Vietnam: Textile and garment industry undergoes restructuring

The Nam Dinh Textile & Garment JSC has undergone ‘major surgery’. The number of workers has been cut from 18,000 to 4,000. However, the remaining workers’ output equals that of 18,000 workers in the past.

The textile & garment industry has been improving satisfy the requirements of global value chains. The productivity has improved thanks to renovation of machines and equipment and the removal of factories with outdated technologies.

However, many things still need to be done.

MOIT is going to submit to the government a plan to restructure industry in general in 2016-2020, which includes the textile & garment industry.

Commenting about the plan, Le Tien Truong, deputy chair of the Vietnam Textile & Apparel Association (Vinatas) said the figures shown in the plan were not reliable.

The plan, for instance, says that productivity is VND35-40 million a year, while Truong believes the figure is inaccurate and it is lower than the real figure.

If noting that Vietnam exported $28 million worth of textiles & garments in 2016 and imported $17 billion worth of input materials, the average productivity would be VND140 million per worker.

The plan shows several targets such as repositioning enterprises geographically and shutting down factories with outdated technologies, but it does not include implementation measures.

There are three ways to improve productivity in the textile & garment industry, according to Truong.

First, using few workers and high-productivity machines. Second, shutting down unprofitable enterprises and reducing the number of enterprises consuming a lot of power. Third, adjusting the product structure to choose enterprises with higher added value.

Truong Duy Hung, director of MOIT's planning department, the compiler of the plan, believes the weak point of textile industry is the lack of input materials.

Analysts say that if Vietnamese enterprises make input materials, their products would be able to replace Chinese products and can compete with Chinese products in price.

In current conditions, however, it is easier and faster to seek input materials from China than domestic sources. This is because China organizes large-scale production and always has large stocks, while Vietnam only makes products to order.

Vietnam earned $6.84 billion from garment and textile exports in the first quarter of this year, 11.2 percent more than in the same period last year, according to Vinatas.

Source: vietnamnet.vn- June 22, 2017

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# Sri Lanka: Technology like ThreadSol is key to accelerate Sri Lanka's apparel export

Textiles and garments industry in Sri Lanka depends heavily on imported raw material and accessories. More than 70 per cent of the raw material and 70pct -90pct of the accessories used in this industry are imported.

Since fabrics and accessories account for more than 70pctof the cost of production, lack of backward linkages is a major constraint to the development of this industry.

ThreadSol, an Enterprise Material Management provider for the sewn products industry, has been successful in saving upto 10pct fabric for garment manufacturers in Sri Lanka with its innovative solutions, intelloBuy and intelloCut.

ThreadSol's IntelloCut is a material planning and optimization solution for the sewn products industry. With the help of its advanced algorithms, IntelloCut gives the most optimized fabric usage plan for the optimized cutting and wastage reduction.

ThreadSol's IntelloBuy is a material estimation solution for the sewn products industry. It is the second product by ThreadSol, IntelloBuy gives accurate buying consumption for a particular style which saves millions of dollars of material cost at fabric buying stage.

Aroon Hirdaramani, Director- Hirdaramani Group is using ThreadSol's intellocut in 10 of their factories across Sri Lanka, Bangladesh and Vietnam. He says, 'ThreadSol's IntelloCut has improved our cutting efficiency by effectively handling multiple fabric groups and planning all end pieces which would otherwise be wasted. This is a solution we would recommend without hesitation.'

ThreadSol aims to induce the apparel industry with the current technology prevailing in the world and provides all real-time information of the factories to manufacturers on their mobile phones.

'One of the biggest improvements I get from intelloCut is the intelligence to command the process from the beginning- right from the fabric store to the cutting floor.

It's like a common thread functioning in the factory that allows for an efficient feedback system. This coupled with automation can get us to become the best in the domain,' said Felix Fernando, CEO- Omegaline.

Azeem Ismail, Managing Director, EAM Maliban Textiles is using ThreadSol's intellocut in 10 of their factories across Sri Lanka, Bangladesh and Vietnam. He says, 'IntelloCut has reduced our effort by effectively handling multiple fabric groups and planning all end pieces which would otherwise be wasted. Indeed a solution worth recommending.'

'IntelloCut is a powerful business tool that has helped us standardize our cut planning process to achieve consistently high utilization of our fabrics across all sites,' said Colin Vose, COO- Crystal Martin Sri Lanka.

'Sri Lanka's apparel manufacturers have realized the gravity of targeting fabric cost to increase their profits. In order to stay competitive they need to automate their processes by using the right technology. We are proud to stand by them in these evolving times,' said Prateek Nigam, Country Manager (Sri Lanka) - ThreadSol.

ThreadSol demonstrates an entire range of enterprise material management solutions, which can help Srilanka's apparel manufacturers save enormous material cost and boost major profits by upto 50%, in an industry that is heavily dependent upon economic priorities.

Source: dailymirror.lk- June 23, 2017

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## Chinese consumers prefer US apparel brands'

Chinese consumers generally prefer American brands, as they believe they represent premium quality and better design, this was the takeaway from the Alibaba Gateway '17. The international conference helped small-to-medium-sized businesses in US understand the opportunity in China and sell their products in China via Alibaba's various platforms.

Alibaba Gateway '17 is the largest event Alibaba has hosted outside of China. More than 3,000 participated in the event that concluded on June 22, 2017 in Michigan. Fung Global Retail & Technology also attended the event.

The two day programme covered many success stories of merchants selling on Alibaba's platforms in different categories, with sessions detailing how Alibaba can help more American businesses sell on its platform

Speakers at the conference discussed about the significant demand for American goods in China. Overall, US goods are ranked as the third-most-popular items on Alibaba's e-commerce platforms after goods from Japan and South Korea, according to Alibaba's data analytics. On Alibaba's branded platform Tmall, US brands rank number two.

At the conference, it was highlighted that the market potential for the fashion category is expected to be driven by rising demand from the lower-tier cities of China. The market size for fashion in China is projected to reach $195 billion in next five years. There are currently 102 cities in China with a population of over 1 million.

The combined spending power of the lower-tier cities is estimated to equate to roughly the same as the four tier-one cities—Beijing, Shanghai, Guangzhou and Shenzhen.

Alibaba's data indicates that consumers in the lower-tier cities demand the same fashion goods as those in tier-one cities. The fashion category is the number-one category that aspirational shoppers in lower-tier cities plan to trade up when their income increases.

Source: fibre2fashion.com- June 23, 2017

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## Pakistan: Exports to S. Africa going downhill

Pakistan's exports to South Africa fell 38 per cent over the past couple of years due to many obstacles to the expansion of bilateral trade.

Pakistan's exports to the African nation declined to $184m in 2015-16 from $294m in 2013-14. Pakistan has a share of 0.3pc in the total imports of South Africa.

South Africa's total international trade in 2015 was $172bn, consisting of $85bn exports and $87bn imports.

The reasons for the increase in Pakistan's trade deficit given by the Ministry of Commerce were a slowdown in the South African economy and a sharp depreciation in the rand, the South African currency.

Pakistan's major exports to South Africa are cement, cotton fabric (woven), made-up articles of textile materials, synthetic fabrics, leather, iron and steel manufacturing. To increase access to the South African market, according to an official source, the commerce ministry prepared a trade expansion road map, which has been submitted to the premier's office.

Major components of the road map include taking part in leading trade fairs and exhibitions in South Africa and organising business forums in Karachi and Johannesburg.

According to the commerce ministry, South Africa applies high customs tariff on products that are of export interest to Pakistan.

Currently, the customs tariff rate is 95pc on textile made-ups, 42pc on knitted garments, 28pc on articles of leather, 28pc on footwear, 42pc on woven garments, 22pc on carpets, 27pc on sugar and confectionery, 22pc on cotton fabrics and 25pc on meat.

The African market was never on the priority list of either the government or the private sector. Instead, export promotion efforts have largely focused on the North American and European Union markets.

Source: dawn.com- June 23, 2017

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# NATIONAL NEWS

## India to sharply cut export target in mid-term review of Foreign Trade Policy

Tepid global demand and shaky conditions in Europe—India's biggest overseas shipment market—may force the government to significantly scale down the previously set USD 900 billion goods and services exports target by 2020, which now appear increasingly unachievable.

A new target will be announced on July 1, when Commerce Minister Nirmala Sitharaman presents the review of the mid-term foreign trade policy.

"The revised export target will not be as ambitious. It will be substantially brought down after the conclusion of mid-term review (in the next one week)," a senior government official told Moneycontrol.

India's total exports in 2016-17 stood about USD 435 billion. This include merchandise exports worth USD 275 billion and about USD 160 billion of commercial services exports, up about 5 percent over last year. If the same trend persists, exports would touch about USD 525 billion by 2020, short by nearly USD 400 billion than the original target.

According to top traders' body Federation of Indian Exports Organisation (FIEO), the government needs to revisit its export target and set it in line with prevailing conditions.

"Looking into the performance of India's export in 2015-16, if we have to reach the figure reflected in the foreign trade policy, you require a compounded annual growth of around 28 percent or so, which is not possible. At 15-17 percent growth, we can reach an export of around USD 700-725 billion. We need to revisit the target and put it around that number," Ajay Sahai, Director General, FIEO said.

In March 2015, India had released its Foreign Trade Policy (FTP-2015-20), fixing an ambitious target for goods and services exports to USD 900 billion by 2020, in a bid to increase the country's share of world exports from 2 per cent to 3.5 per cent.

Merchandise exports slumped for two successive years as shipment orders dried out from the big markets in Europe and China. Merchandise exports fell (-) 1.29 percent in 2014-15 at USD 310.34 billion, and plunged nearly 16 percent in the following year with exports at USD 262.30 billion.

Goods exports have revived since the middle of 2016-17, growing 4.7 percent to USD 274.65 billion, but not quick enough to help reach USD 900 billion overall exports target in the next three years.

“The target is challenging,” said Sanjay Budhia, chairman, national committee on exports at the Confederation of Indian Industry (CII). “Exports need to be more cost competitive. Foreign exchange stability is required and India needs to remove logistics and infrastructure bottlenecks”.

According to Sahai, when the export target for 2020 was fixed, the government had thought that the global trade will help the exports of the country.

Source: moneycontrol.com- June 23, 2017

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## Implement fiber policy in textile sector, weavers tell Centre

The Federation of Gujarat Weavers Welfare Association (FOGWWA) has demanded that the central government should implement fiber policy for all types of fibers to attract the same duty for the larger benefit of the Indian textile sector under the new GST regime.

A memorandum was submitted by FOGWWA to district collector Mahendra Patel on Friday with a slew of demands, including implementation of fiber policy, refund of accumulated GST credit, no GST on all types of job work required to manufacture grey fabric by the powerloom weavers, lowering GST on yarn at 5 per cent or 12 per cent and imposing extra duty on the imported fabrics.

FOGWWA office-bearers said that the inverted duty structure will increase the cost of fabric. The weaving job-work is done by the small units.

Around 70 per cent of the units in the decentralized textile sector are working on job-work. The 18 per cent GST on job-work will force the small units to down the shutters as the cost of fabric will increase compared to the fabric manufactured in composite units.

Sources said that the levy of 5 per cent on fabric and 18 per cnet on weaving job work has led to the situation where the master weavers have informed their job workers to discontinue the job-work from July 1. As huge number of powerloom units are engaged in job-work, there will be high job losses in the industry.

President of FOGWWA, Ashok Jirawala said, "We are not opposing the GST, but we need simplification of the tax in the sector, like the government has done for the cotton textile sector. We want uniform duty in the textile and the government should not treat the MMF sector as a step baby."

Jariwala added, "We will be visiting Gandhinagar on Tuesday to seek support from the opposition parties to help the MMF sector. With just few days to go, the sector needs clarity on the GST rates. The industry can't survive with 18 per cent and 5 per cent rates."

Source: timesofindia.com- June 24, 2017

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## New tax regime to create need for 1.3 mn professionals, India Inc rush to get GST math right

GST has infused optimism in the job market. As the goods and services tax rollout date nears, companies across sectors are rushing to get their GST teams in place, leading to a jump in demand for tax and technology professionals.

The demand is being led by the FMCG sector, followed by consumer goods, pharmaceuticals, real estate, banking and insurance, as firms scramble to get the right team in place to benefit from the new tax regime, according to industry experts and executives at the Big Four audit firms.

According to tax consultants and experts, the GST portal where companies are registered will eventually have about 9 million assessees.

If even 1 per cent of these are large companies requiring five people to handle GST, and 10 per cent is midsized firms that need at least one person to handle GST, the new tax system will have created demand for about 1.3 million professionals, they said.

While some of these roles can be performed by existing professionals from sales and other taxes, the need to hire new talent will still be very high, they said. On the tax side, lawyers, chartered accountants, cost accountants and tax consultants are in big demand, while on the technology side, companies are scouting for software professionals to ensure that the GST returns are synced with the government database.

“There has been an upsurge in indirect tax openings across the corporate sector and we see various positions such as GST manager, VP-GST, or GST team leader coming into vogue,” said MS Mani, senior director, Deloitte Haskins & Sells LLP.

“While indirect tax function in various businesses has existed in the past, what we are witnessing now is not merely a rechristening of indirect tax as GST, but also the emergence of new positions amongst corporates,” he said.

Source: economictimes.com- June 23, 2017

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## Tamil Nadu proposes integrated textile park in Ramanathapuram district

An integrated textile processing park has been planned to be set up in Ramanathapuram District at a cost of Rs 150 crore with Central grant, the Tamil Nadu Government said today.

The facility upon operational would have 30 textile processing units with a capital outlay of Rs 450 crore and create 6,000 jobs, Industries Minister M C Sampath told the state assembly.

The park would come on a 225 acre land in Manakudi village under Thiruvadanai Taluk, he said.

Besides, a desalination plant to suppy water will also be established at the facility.

In order to obtain grant from the Centre, proposals has been sent and approval was "awaited".

To receive the environmental clearance and coastal regulatory zone (CRZ) clearance for the project, the CRZ maps and study report has been submitted to the CRZ Comittee and project approval was "expected" shortly, it said.

Source: dnaindia.com- June 23, 2017

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## How textiles turn into fuel in Japan

When Michihiko Iwamoto worked for a trading house specializing in textiles, he became involved in producing work clothes with threads made from PET bottles. This got him thinking, why not "circulate everything" by returning all used items to their original state and putting them into new products to sell. Ten years ago, Iwamoto co-founded Japan Environment Planning (Jeplan Inc.), a venture company to promote recycling.

The key to Jeplan's business is maintaining Iwamoto's philosophy to circulate everything, while keeping enjoyment in mind.

The firm, based in Tokyo, has expanded its business and is generating interest among the public thanks to its eye-catching projects, such as creating a replica of the garbage-powered time machine car that appeared in the 1985 U.S. mega-hit film “Back to the Future.”

Iwamoto, now the firm's chairman, was formerly a sales promotion staff member at a textile trading house. He began to tackle recycling in earnest after Japan’s Containers and Packaging Recycling Law took effect in 1995.

The law stipulates the roles of consumers, businesses and municipalities in decreasing the volume of containers and packaging, which accounts for about 60 percent of household garbage, according to the Japanese Ministry of Economy, Trade and Industry. Consumers sort their refuse into bottles, cans, PET bottles and other items. Municipalities collect the garbage, which businesses then produce new products from.

Iwamoto realized that the participation of several companies would be necessary to achieve his vision. Yet major companies hesitated to become involved in projects they deemed too risky, so he began to think about founding a company on his own.

At that time, Iwamoto met Masaki Takao, then a graduate student at the University of Tokyo, who was majoring in technology and management. In those days, bioethanol was starting to attract increasing attention. Takao was sure that it was technologically feasible to produce ethanol from cotton, one of the major raw materials in clothing. The idea behind Jeplan was born.

Many years have passed since the concept of a “resource-circulating society” was developed. Yet concrete progress towards this model is making too little headway, according to Iwamoto. “It’s because people are tackling the issue from different angles,” he says. If Jeplan is successful in circulating everything and, as a result, shows its overall contribution even on a small-scale, people will easily understand what they are doing and have an incentive to participate, he explains.

One example Jeplan has taken is clothing. UNEP reports that “fashion feeds a growing industry and ranks textile and clothing as the world’s second-biggest economic activity for intensity of trade ($353 billion in 2001).” Of the world’s textile products, 60 percent are made of polyester and 30 percent come from cotton. The environmental costs for the production of these textiles are huge, yet only a very small percentage of used clothing currently gets recycled.

Jeplan places collection boxes in retail outlets, and consumers drop off clothing there for recycling. This used clothing is sent to the firm’s factories in Imabari, Ehime Prefecture. There cottons are reborn as ethanol, used as an energy source. Polyester has so far been processed at the factory of a cooperative company for recycling. However, Jeplan is scheduled to complete its own factory in Kita-Kyushu this year to recycle polyester.

It was not an easy road until retailers eventually agreed to put collection boxes in their outlets. As the project was unprecedented, it was difficult to obtain their understanding. It took nearly two years for Jeplan to acquire the first agreement, which came from the retailer Ryohin Keikaku Co., which trades under the name Muji.

Since then, however, the number of retailers that have already set up collection boxes in their stores (or have agreed to do so shortly) has increased to 70.

Jeplan is not only processing products for recycling but is also developing new products. One is an umbrella whose plastic components are strong and replaceable. The concept of this product is, “Let’s use it enjoyably”, by replacing the plastic parts.

The stance of tackling projects “enjoyably” can be seen throughout Jeplan’s activities.

Inspired by the movie, “Back to the Future” - in which a car that runs on garbage transports passengers from 1985 to 2015 - Iwamoto directly negotiated with Hollywood companies and succeeded in conducting a joint project with NBC Universal. He purchased a DeLorean automobile to replicate the vehicle in the movie.

On October 21, 2015 - the destination date of the time-travel trip depicted in the second film in the series - Iwamoto held an event to drive the DeLorean on ethanol made from T-shirts. Prior to the event, he toured the country with a caravan featuring the famed car.

He allowed people to climb in the DeLorean to be photographed on the condition that they donated old T-shirts- to be used as fuel for the car- and was so successful that he amassed the number of T-shirts that are usually collected in an entire year in less than three months.

From the collection and recycling of used materials to the development of new products and the staging of events, Jeplan’s unique ideas for "circulating everything" are continuing to grow.

Source: thehindu.com- June 24, 2017

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# Delhi wants Dhaka to share 20 per cent cost

The Protocol on Inland Water Transit and Trade (PIWTT) is poised to incorporate a provision under which Bangladesh has to bear 20 per cent of the route-maintenance cost.

Officials said the protocol route is mainly used for carrying Indian cargos.

India has proposed the amendment to the PIWTT before floating an international tender for fairway development of Ashuganj-Zakiganj stretch of Kushiyara River and Sirajganj-Daikhawa stretch of Jamuna River.

Until now, India has paid Bangladesh Tk 100 million annually to keep the route navigable.

Bangladesh Inland Water Transport Authority (BIWTA) director Shafiqul Haque told the FE an estimated amount of Tk 1.53 billion will be needed to dredge the two stretches totalling 500 kilometres of the protocol route over next seven years.

India will bear 80 per cent of the total expenses while Bangladesh 20 per cent if the Indian proposal is accepted, he said.

Navigation buoys and lights will also be installed under the project.

Mr Haque said an international tender will be floated soon for the dredging work keeping open the options to carryout the work either Bangladesh or India alone or jointly.

Both the countries will monitor the work to ensure its quality, he noted.

Officials said India has been paying Tk 100 million since 2013 as maintenance fee of the protocol route. Before that it was paying Tk 55 million for the same. Started with only Tk 27,000 in 1972 the amount now reached to Tk 100 million after 41 years.

Mr Haque said India pays the royalty for maintenance of two portions of the protocol route through which only the Indian goods-laden vessels ply.

Traffic on river routes is mostly one-way--India to Bangladesh-in carrying bilateral trade cargo. Fly ash is the single-largest import through river routes.

Meanwhile, India also has proposed that Article 27 of the PIWTT be amended to include Pangaon Inland Container Terminal in Bangladesh and Dhubri river port in India as 'Ports of Call'.

With this inclusion the number of 'Ports of Call' will be six on both sides. Presently, the designated 'Ports of Call' in Indian are Kolkata, Haldia, Karimganj, Pandu, and Silghat while in Bangladesh Narayanganj, Khulna, Mongla, Sirajganj, and Ashuganj.

Besides, India also proposed amendment to Article 15 of the protocol allowing crew members of vessels, possessing a valid passport but having no visa, to embark and disembark at the identified ports of call and bunkering stations in both the countries for 72 hours on completion of immigration and customs formalities.

The two-way trade between Bangladesh and India amounted to over US$6.0 billion. In fiscal year 2015-16 Bangladesh exported goods worth $689 million to India and imported goods worth $5.452 billion from there.

Bangladesh mainly exports woven garments, knitwear, home textiles, agricultural products, frozen foods, leather and leather products, footwear, raw jute, jute goods, and bicycle.

On the other hand, the imports include cotton, cotton yarn, cotton fabrics, vehicles, nuclear reactor, boilers, machinery and mechanical appliances, cereals, edible vegetables, iron and steel.

Source: thefinancialexpress-bd.com- June 23, 2017

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