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IBTEX No. 127 of 2017 June 22, 2017

USD 64.53 | EUR 72.04 | GBP 81.74 | JPY 0.58

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
20127	42100	**83.13**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
20180	42212	**83.35**

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	**84.90**
Cotlook A Index – Physical	**83**

Cotton & currency guide: Nine consecutive trading sessions cotton price has been predominantly declining. On Wednesday the December future ended the session at 68.17 cents/lb. This morning the same contract is down by additional 0.60% at 67.75 cents.

We believe market is broadly bearish with the fact that long liquidation of speculative positions pulling all across contracts down.

The better weather especially in West Texas Region is supporting the US cotton to trade down with the expectation that the crop number would be close or more than 19.20 million bales.

Also market perceives lower crude oil price is making the synthetics price lower which eventually dragging cotton price onto lower trajectory.

From the trading perspective, total Open Interest has been on a downward slide for about a month. Open interest began at 206,774 contracts, down 1,576 contracts from previous close. The next lower open interest was at 197,928 contracts on July 11, 2016.

Certified stocks were at 483,106 bales, up 2,645 bales in new certs. The next higher level was on July 17, 2013 at 518,132 bales. The building certified stocks have been credited to the strategy of getting carry in the market.

Strategy and Outlook: From the chart perspective the December contract at the minimum is expected to come down to 67.50 cents and breach of which the fall could extend to 67- cents/lb.

We recommend selling on rise on today's trading session. The trading range for the day should be 67 to 68.30 cents/lb.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Italian & Dutch industries join hands for textile growth
2	Pakistan: Textile industry fears bleak future as govt fails to disburse export package
3	This Economic Model Organized Asia for Decades. Now It's Broken
4	Chinese business delegation sparkles at Ethiopia
5	Uganda Risks Us Sanctions Over Second-Hand Clothes Ban
6	Kenya won't lose Agoa status, but its EAC partners may be thrown out
7	US textile industry returning to life
8	Vietnam's leaders say no rescue for state-run factories with massive losses
	NATIONAL NEWS
1	Textiles ministry to take stock of industry's GST readiness on Thursday
2	Heimtextil India & Ambiente India Begins at Pragati Maidan
3	Online retail revenues expected to grow to 60 billion dollars in 2017
4	GST and exports: No adverse impact, says Commerce Secretary
5	GST to have positive impact on textile industry: ICRA
6	Move to defer GST rate revision talks by 3 months to hit 80% garment units
7	India may lead Asia-Pacific B2C markets by 2021
8	Indian garment exports rise 8.06% in May 2017
9	Apparel brands roll out pre-GST discounts
10	Supply in GST
11	Addressing India's high logistics costs
12	Experimenting with 349 AD fabric dyeing technique

INTERNATIONAL NEWS

Italian & Dutch industries join hands for textile growth

The Italian and Dutch fashion industries have joined hands for textile growth, emphasising the growing interaction between their fashion and textile industries. The King and Queen of The Netherlands and a Dutch trade delegation led by the minister for foreign trade and development cooperation, Lilianne Ploumen are currently on a state visit to Italy.

The Dutch association for the Fashion and Textile industries (MODINT), which is leading the Dutch fashion mission, and Sistema Moda Italia (SMI) the Italian association for the fashion and textile supply chain in Italy, have concluded a memorandum of understanding (MoU).

During the Best of Both Event to be held on June 23 in Milan, the minister and a delegation of Dutch and Italian VIP's and innovators active in the fashion and textile industry will witness the signing of a promising memorandum of understanding (MoU).

The MoU defines actions by MODINT and SMI to help the Dutch and Italian fashion and textile industries work together on recycling, labour standards, sustainable raw materials and domestic production.

MODINT and SMI are both members of the International Apparel Federation (IAF), an international organisation that supports industry development by helping to build intelligent connections among its members. In the MoU, Italian and Dutch businesses will explain how they cooperate, how they can support sustainable value chains, how they envision their business growing together in the coming years, and what their respective governments can do to support that growth.

Italy, famous for its high fashion design, also has a strong integrated apparel and textile industry with a focus on recycling, spinning, weaving, knitting and garment manufacturing.

The Dutch industry is known for its distinctive design and ground-breaking innovations in for example recycling and strong fibres.

Because the apparel and textile industry business models are relying more and more on sustainability and transparency, responsible production within Europe is gaining popularity and Dutch and Italian supply chains are becoming more intertwined.

The MoU as well as the event will support working towards the 'Best of Both', a cooperation for improving sustainable business practices.

Source: fibre2fashion.com- June 21, 2017

HOME

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Pakistan: Textile industry fears bleak future as govt fails to disburse export package

The country's total textile exports for the month of May-2017 slumped to $939 million, down 12.2 percent year-on-year (YoY) compared to $1,070 million in May-2016, Pakistan Bureau of Statistics (PBS) reported on Wednesday.

The drop in textile exports comes during a tumultuous period for textile manufacturers, where they await the promised incentives by the government, including disbursement of the Rs 180 billion export package and recovery of sales tax refunds, said analysts.

The PBS data further revealed declining textile exports across all major categories, including towels down 18.1% YoY, cotton cloth, down 15.7% YoY, bed wear down 15.5% YoY, readymade garments down 7.2% YoY and cotton yarn down 3.1% YoY.

"Given by the current situation, where textile associations are planning protests in order to receive the incentives as promised by the government, while the government seemingly remains noncommittal, we believe the current situation appears bleak for the textile industry", said Ahmed Lakhani, an analyst at JS Research.

Moreover, the government has also confirmed that it is considering reversing the zero-rating status for the five major exporting sectors (including textiles) due to alleged misuse by certain parties, which would further compound the miseries of textile exporters, he added.

Foundation Securities' analyst Zeeshan Azhar said exports of basic textiles declined due to lower exportable surplus and weak demand from China. Whereas exports of value added sector raised in May due to the textile package and government's pro textile policies.

Textile industry had proposed a number of measures for the FY18 Budget which was not implemented by the government. In fact, the government increased the turnover tax from 1% to 1.25% and sales tax on retail sales was increased from 5% to 6%. The government also raised the minimum wage by Rs10000 to Rs15000.

During 11 months of FY17, a 2.0% YoY drop in exports has been caused by a decline in exports of cotton yarn (down 4% YoY) and cotton cloth (down 6% YoY). This is primarily due to reduced demand from China, and lower cotton yarn export prices (down 9% YoY). Quantity exported of cotton yarn increased by 5% YoY whereas cotton cloth decreased by 13% YoY, said Azhar.

The Rs180 billion package which was announced in January 2017 could go some way in making the textile sector competitive internationally. However, five months after the announcement of the package, only Rs 4 billion has so far been released by the government versus claims of Rs 24 billion.

"In the medium-term, we expect textile exports to pick up due to the recently announced exporter's package. However, the government is yet to disburse the claimed amounts so the impact is yet to be felt.

Our long-term prognosis of the sector remains weak given the main weaknesses of high electricity/gas prices, poor power supply, undiversified product base, out-dated technology and low cotton quality", Azhar concluded.

Source: dailytimes.com.pk- June 22, 2017

HOME

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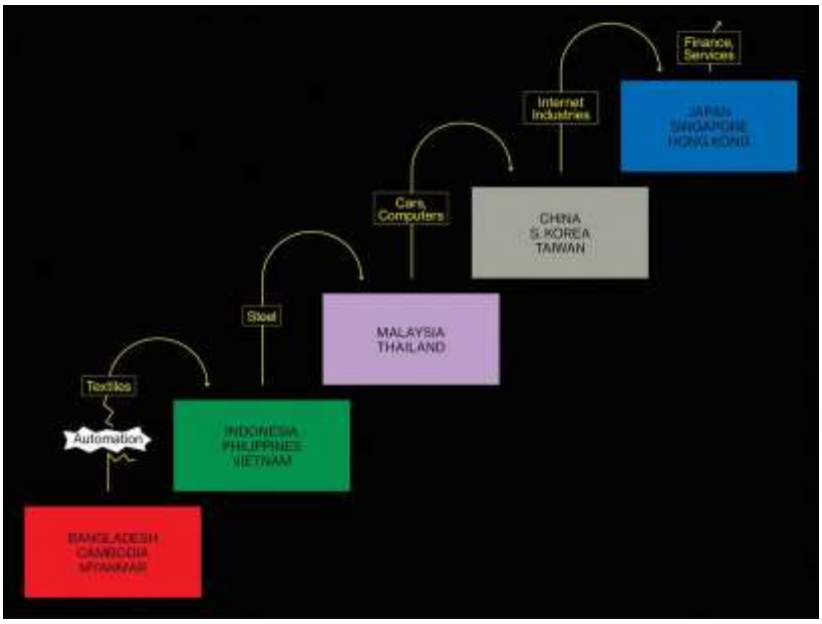
This Economic Model Organized Asia for Decades. Now It's Broken



Thirty minutes by car into the scrubby desert outside Korla, in China's remote Xinjiang region, a textile manufacturer owned by Jinsheng Group is building its latest factory complex. Inside the 16 billion-yuan ($2.4 billion) facility—a collection of stark white warehouses surrounded by an enormous expanse of pristine artificial grass—are rows of huge cotton spools, more than a million bright red and blue spindles, and almost no people. A few German engineers wander around, making sure the equipment runs at peak efficiency. This is the depopulated future of an industry that's lifted millions of Asians out of poverty.

Jinsheng's factory covers almost 15 million square feet, more than five times the floor area of the Empire State Building, but it needs only a few hundred production workers for each shift. "Textiles used to be a labor-intensive industry," said Pan Xueping, the chairman and chief executive officer, in a September speech in Urumqi, Xinjiang's capital. "We are at a turning point." Instead of moving production to whatever nearby country has the lowest wages, he added in an interview a day after the speech, "the industry can achieve a human-free factory."

Pan's company is at the vanguard of a trend that could have devastating consequences for Asia's poorest nations. Low-cost manufacturing of clothes, shoes, and the like was the first rung on the economic ladder that Japan, South Korea, China, and other countries used to climb out of poverty after World War II. For decades that process followed a familiar pattern:

As the economies of the early movers shifted into more sophisticated industries such as electronics, poorer countries took their place in textiles, offering the cheap labor that low-tech factories traditionally required. Manufacturers got inexpensive goods to ship to Walmarts and Tescos around the world, and poor countries were able to provide mass industrial employment for the first time, giving citizens an alternative to toiling on farms.

Today, Bangladesh, Cambodia, and Myanmar are in the early stages of climbing that ladder—but automation threatens to block their ascent.

Instead of opening well-staffed factories in these countries, Chinese companies that need to expand are building robot-heavy facilities at home. “The window is closing on emerging nations,” says Cai Fang, a demographer in Beijing who advises the Chinese government on labor policy. “They will not have the opportunity that China had in the past.”

The transformation looks like it will happen fast. The International Labor Organization (ILO) estimates that mass replacement of less-skilled workers by robots could be only two years away. Overall, more than 80 percent of garment industry workers in Southeast Asia face a high risk of losing their jobs to automation, according to Chang Jaehee, an ILO researcher who studies advanced manufacturing. Chang recalls presenting her findings to a government official in a country in the region that she declines to name. The official’s response? If she’s right, the result could be civil unrest.

Until recently, even as robots took over much of the manufacturing of larger goods such as cars and jet engines, the prospect of applying automation to towel-weaving or dress-stitching looked like a long shot. Sewing clothes is a delicate undertaking.

Making a seemingly simple dress shirt with a breast pocket can require 78 separate steps, and machines that can match the dexterity of human fingers are still a costly rarity. What’s more, tech entrepreneurs had little incentive to design automated systems for a low-margin industry with ample access to cheap labor and little cash to spend on sophisticated gear.

These factors have led to complacency in parts of the textile industry.

“Today, there is no equipment that can make these handmade products,” says Sahil Dhamija, whose Sahil International produces bathmats and bed linens for export at a factory in Panipat, India, that employs about 500 people. He spoke at the Canton Fair, a trade conference in Guangzhou, China, in May.

Dhamija might want to visit Atlanta. A group of Georgia Tech engineering and robotics professors founded a startup called SoftWear Automation there in 2007, with the goal of overcoming the difficulties machines have in picking up flexible fabric and pinpointing where to stitch and cut. SoftWear’s first prototype took seven years to develop, sustained in part by a $1.75 million grant from the Defense Advanced Research Projects Agency, a Pentagon group that pushes bleeding-edge development.

In 2015 the company made the first sales of its invention, the Sewbot, to customers in the U.S. Revenue last year rose 1,000 percent, and it’s on track to do the same in 2017, according to CEO Palaniswamy “Raj” Rajan.

▲ SoftWear Automation's sewing-machine robot prototypes at the startup's offices in Atlanta. PHOTOGRAPHER: MELISSA GOLDEN/REDUX

The breakthrough was as much about vision as touch; before SoftWear’s robots could make clothes accurately, they needed to learn to see garments as a collection of fine folds and details, rather than undifferentiated blobs of fabric. For now, the Sewbot can handle products including towels, mattress covers, and pillows, which require 10 steps or fewer to produce.

But the company is at work on upgraded machines that can create T-shirts and eventually more complicated garments such as jeans and dress shirts. The ultimate goal, Rajan says, is “full automation, from a roll of material to finished product.” He says he has preliminary interest from clients in China, South Korea, Japan, and other countries across Asia.

As automation accelerates, it’s not just Asia that could see its industrial trajectory affected.

If the cost of labor is no longer a major factor, there's no reason manufacturers can't relocate production to where the bulk of their customers are: North America and Europe, where wages for decades have been too high to support textile production. Remove most of the workers from the equation, along with the costs and delays of round-the-world shipping, and making clothes or shoes in Dallas or Düsseldorf instead of Dhaka starts to look like a compelling idea.

German sportswear giant Adidas AG moved some shoe production to a highly automated "speedfactory" in its hometown of Ansbach that's scheduled to begin large-scale operations this year. The company plans to open a similar plant in the U.S. In May, China's Shandong Ruyi Technology Group Co., the owner of luxury brands such as Sandro and Maje, announced that it would invest $410 million in a textile plant in Forrest City, Ark.

"Automation essentially levels the playing field," says Frederic Neumann, co-head of Asian economics research at HSBC Holdings Plc in Hong Kong. "What emerges is a giant strategic game, in which individual governments will seek to attract industries to set up shop locally." The losers are likely to be poor countries that were counting on large-scale manufacturing employment to build prosperity.

As wages rose in China, Transit Luggage Co., a suitcase maker based in the southern city of Dongguan, explored two options: moving production to low-wage Vietnam or investing in automation at home. Executives chose the latter. One robot now matches the output of about 30 workers making soft luggage, says sales manager Yang Yuanping. As a result, she says, the company employs fewer workers than it did a decade ago, while producing three times as many items.

Even that pace of production is no guarantee of survival in a fast-innovating industry. Yang has begun to worry about competition from Poland and the Czech Republic, as automation allows European countries to compete on price for the first time. "We have to think about how we can beat them," she says. "We know they will get the machines." —With Jason Clenfield and Bloomberg News

Source: bloomberg.com- June 22, 2017

HOME

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Chinese business delegation sparkles at Ethiopia

A delegation of 70 companies from Shenzhen city, China's innovation hub, is attending a show in Ethiopia's capital Addis Ababa and locals are thrilled about the ample business opportunities on the horizon.

The delegation is in the east African country for the China (Shenzhen) Trade and Investment Promotion Meeting and Shenzhen Products show from Monday to Tuesday.

Lu Pengqi, Vice Chairman of China Council for the Promotion of International Trade (CCPTI) says there is good reason why business delegation from Shenzhen will attract attention.

"With Shenzhen's Gross Domestic Product (GDP) reaching at $283 billion in 2016 and GDP per capita standing at $25,000, the city is one of China's most developed and richest," Lu said. Shenzhen transformed from little more than a fishing village to "China's Silicon Valley" in less than 40 years.

It is home to a population of nearly 12 million and more than 5,300 Chinese enterprises including tech giants Huawei, ZTE, and Tencent, which in total have made overseas investments estimated at $80 billion.

While trade relations between Ethiopia and its top trading partner China has reached $3.6 billion in 2016, investment from Shenzhen city and Guangdong province to Ethiopia still lags compared to other Chinese provinces, says Tadesse Haile, Ethiopia's state Minister of Industry.

"Ethiopia offers Shenzhen a huge market as a next best destination in Africa, complemented by its desire to be a leading light manufacturing hub and middle income economy by 2025," says Haile.

Ethiopia's state minister of Industry was in particular referring to Shenzhen's reputation for knowledge intensive industries in addition to labor intensive industries like Textile and leather.

With Shenzhen popularly called China's "Silicon valley" for its reputation as innovation and entrepreneurship center, Ethiopia plans to tap its Information Communications Technology (ICT) ambitions on experiences from the likes of this entrepreneurial Chinese city.

The East African nation with a population of about 100 million, is focusing on labor intensive industries like textiles and leather to give its 45 million workforce mass employment while hoping ICT will give it a technological edge.

Already Chinese government is facilitating business capacity training and management skills to Ethiopian business community and experts.

It is hoped that this will help in fostering technological innovation and creative talent as a springboard for competitive export to the global economy.

Ethiopia hopes to transform its largely agrarian economy with manufacturing taking 50 percent share of GDP, creating annually 2 million job opportunity for youth.

"Ethiopia is at a crossroads between the Middle East, Africa and Asia giving access to wide market and huge human capacity as well as capable of creating large job opportunity," says Afework Solomon, President of Ethiopia's Chamber of Commerce and Sectoral Associations (ECSA).

Fitsum Arega, Commissioner of the state owned Ethiopian Investment Commission (EIC) points to another advantage the country has to attract Shenzhen investors.

"Ethiopia has constructed, is constructing or plans to construct 13 industrial zones across the country using Chinese expertise and companies for the most part," he says.

Arega also points labor cost being 10 times cheaper than Shenzhen, companies can invest in sectors like textile and apparel and be assured of good return on their investments.

Already Ethiopia gives a 10-15 years tax holiday on companies investing in its industry parks while giving access to duty free European and US markets.

Arega further spoke about Ethiopia's ambitions in energy sector, requesting Shenzhen's experience in particular with solar and wind projects.

Ethiopia is currently undertaking large solar, wind, hydro and geothermal projects with a plan to increase its electricity generation capacity from current 4,200 MW to 17,300 MW by 2020.

While the first day of the trade and investment promotion meeting focused on hard statistics there was another reason, Ethiopian business people and officials welcome investment from Chinese cities like Shenzhen.

"Ethiopia feels at ease with Chinese businesses with China's economic achievement of becoming the world's second biggest economy in a short time being an inspiration," says Solomon.

That ease has translated into Chinese exports accounting for about 87 percent of Ethiopia's import in 2013.

It has also meant that between 1992-2014, 814 Chinese private companies' invested and commissioned projects valued at $1.6 billion.

Source: waltainfo.com- June 21, 2017

HOME

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Uganda Risks Us Sanctions Over Second-Hand Clothes Ban

Uganda's eligibility to trade with the United States under the African Growth and Opportunity Act (AGOA) is under review over her stance on the importation of second-hand clothing commonly known as 'mivumba'.

The review is in response to a petition filed by the Secondary Materials and Recycled Textiles Association (SMART), an association of textile companies from the United States.

SMART argues that the decision by the East African Community (EAC) to ban imports of used clothing and footwear is imposing significant economic hardship on the United States' used clothing industry.

The petitioners argue that the ban directly contradicts requirements that African Growth and Opportunity Act (AGOA) beneficiaries work towards eliminating 'barriers to United States trade and investment' and promote 'economic policies to reduce poverty'.

The Office of the U.S. Trade Representative has, as a result, initiated a review of the eligibility of Uganda, Rwanda and Tanzania to receive benefits under AGOA.

EAC member countries resolved to outlaw the importation of used clothes and shoes across the East African Region by 2019. The resolution is part of the industrialisation policy fostered by the various East African Heads of State to transform the manufacturing sector in member states. It will also restrict importation of used motor vehicles.

To effect the move, the Tanzanian parliament voted in June 2016, to approve a budget that doubled import duties on secondhand clothing, increasing the tariffs from 0.2 to 0.4 US dollars per kilogramme.

During the same month, Kenya and Uganda announced tariff increases on used clothing imports similar to those announced by Tanzania while Rwanda raised import duties on secondhand clothing by from 0.2 to 2.5 US dollars per kilogramme.

The petitioners observe that the tariff increases are so high that they amount to a de facto ban on second-hand clothes and make clear that EAC member states are moving full steam ahead on implementing it.

SMART Executive Director, Jackie King says in the petition that the association seeks the reversal of the ban and the roll back of the recently increased duties in EAC member nations. The Association estimates that the implementation of the interim duty increases by EAC countries led to a loss of 5,000 jobs in the private sector of the U.S. used clothing industry and the loss of another 19,000 in the not-for-profit sector.

Through the review, the U.S. Trade Representative-USTR and trade-related agencies will assess the allegations contained within the petition and review whether Uganda Rwanda and Tanzania, are adhering to AGOA's eligibility requirements. The countries could be terminated from the list of beneficiaries if the review detects any form of violation.

Signed into law in 2000, the African Growth and Opportunity Act promotes trade and investment in sub-Saharan Africa, including through substantial trade preferences.

It designates sub-Saharan African countries as beneficiaries eligible for duty-free treatment for certain products as well as for the preferential treatment for certain textile and apparel articles.

In order to qualify for AGOA trade benefits, partner countries are required to meet certain statutory eligibility requirements, including making continual progress toward establishing market-based economies, the rule of law, political pluralism, and elimination of barriers to U.S. trade and investment, among others.

The East African Community nations are one of the most important markets for U.S. industry's used clothing exports, with direct American exports to the EAC member countries totaling approximately $24 million in 2016.

U.S. AGOA imports from Uganda, Rwanda, Tanzania, totaled $43 million dollars in 2016, up from $33 million in 2015 while U.S. exports to Uganda, Rwanda and Tanzania, moved from $257 million in 2015 to $281 million in 2016, according to the statement issued by the Office of the U.S. Trade Representative.

The statement signed by Edward Gresser, the chairperson of the Trade Policy Staff Committee in the Office of the United States Trade Representative, indicates that the agency has determined that there are exceptional circumstances warranting an out-of-cycle review of the AGOA eligibility for the three countries.

He explains that Kenya was excused from the review due to recent actions including reversing tariff increases, effective July 1, 2017, and committing not to ban imports of used clothing through policy measures that are more trade-restrictive than necessary to protect human health.

It however adds that USTR will continue to monitor Kenya's actions to follow through on its commitments. Burundi, the other member of the EAC bloc is not a beneficiary of AGOA.

The review process will start with a public hearing in Washington, DC on July 13, 2017.

The AGOA sub-committee of the TPSC will consider written comments, written testimony, and oral testimony to develop recommendations for President Donald Trump as to whether Uganda, Rwanda and Tanzania are meeting the AGOA eligibility criteria.

The Act requires the President to terminate the designation of a country as a beneficiary if he determines that the country is not making continual progress in meeting the eligibility requirements.

Source: allafrica.com- June 21, 2017

HOME

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Kenya won't lose Agoa status, but its EAC partners may be thrown out

Kenya no longer faces possible loss of Agoa trade benefits, US officials announced on Tuesday.

However, three other East African Community member states — Rwanda, Tanzania and Uganda — must undergo an assessment of their Agoa eligibility status, Washington's top trade agency affirmed.

The assessment could result in their ejection from the preferential trade programme.

A review of Kenya's inclusion in the African Growth and Opportunity Act “is not warranted at this time,” the Office of the US Trade Representative said in a notice published in a federal government gazette.

It cited “recent actions Kenya has taken, including reversing tariff increases, effective July 1, 2017, and committing not to ban imports of used clothing through policy measures that are more trade-restrictive than necessary to protect human health.”

Continue monitoring

The US trade office added that it “will continue to monitor Kenya's actions to ensure that Kenya follows through on its commitments.”

The US decision to spare Kenya from a process that would have jeopardised the country's 66,000 Agoa-related jobs “is, no doubt, a victory for Kenya's trade diplomacy,” said Abdirizak Musa, an official in Nairobi's embassy in Washington.

Rwanda, Tanzania and Uganda still risk loss of their Agoa benefits due to their ongoing commitment to a March 2016 EAC decision to phase in a ban on imports of used clothing and footwear from the US.

The EAC countries, including Kenya, were named in a petition filed three months ago by a US-based recycled textiles association alleging that the joint move to bar imports of used clothing violates Agoa eligibility criteria. Thousands of jobs in East Africa and the US would be lost if the clothing ban is implemented, the association argued.

Eliminating barriers

Among the standards African countries must meet for participation in Agoa is a demonstration of progress toward eliminating barriers to US trade and investment. US trade officials will now assess the recycled materials association's claims against Rwanda, Tanzania and Uganda.

A public hearing on the issue is scheduled to take place in Washington on July 13. Combined imports from Rwanda, Tanzania, and Uganda under Agoa's duty-free provisions amounted to $43 million last year — up from $33 million in 2015.

Agoa is a far more valuable instrument for Kenya, which exported $394 million worth of textiles and apparel to the US in 2016.

The Trump administration intends to rigorously enforce Agoa eligibility requirements, US Commerce Secretary Wilbur Ross said last week at a US-Africa Business Summit.

He warned that “countries currently benefiting from trade preferences granted by the African Growth and Opportunity Act [must] continue complying with eligibility requirements established in US law.”

Lobbying firm

Prior to Tuesday's announcement that its status is not in jeopardy, Kenya had responded to the threatened loss of Agoa benefits by hiring a Washington lobbying firm with ties to the Trump administration.

The Kenyan embassy in Washington pointed to the Agoa issue as a key reason for retaining the Sonoran Policy Group at a rate of $100,000-a-month for the next three months.

US trade law gives the president the option of suspending or limiting duty-free treatment of imports from an African country found to be out of compliance with Agoa standards.

President Trump could thus stop short of expelling Rwanda, Tanzania and Uganda from Agoa if the recycled materials association prevails in its case against the three EAC states.

Source: businessdailyafrica.com- June 21, 2017

HOME

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US textile industry returning to life

After years of losing market share to overseas manufacturers, American textile and fiber makers say their industry is turning around. A story in *Chemical & Engineering News* (C&EN), the weekly newsmagazine of the American Chemical Society, explores how advancing technology in the field is allowing the U.S. textile industry to gain new ground.

Senior C&EN Correspondent Marc S. Reisch reports that American textile companies, long crowded out of the market by low-cost overseas labor, have developed new niches for hi-tech fibers and textiles.

These advanced products include antimicrobial fabric, fire-retardant finishes, sensor-imbued “smart fabric,” and polyester made from recycled plastic bottles.

Thanks to technological advances, automation and productivity improvements, the U.S. textile industry is finally growing more competitive, experts say.

Despite the increase in business, and even favorable domestic policies enticing foreign manufacturers to open plants in the United States, employment in the industry may continue to falter in the face of automation.

But the high-tech nature of modern textiles and a drive for productivity has increased the demand for experts, including polymer chemists and dye specialists. For example, the North Carolina State University College of Textiles reported its largest-ever graduating class this year.

And if the past is any indication, most are likely to find jobs within three months of earning their degrees. In a field once marked by rampant job loss, stability is returning with a new focus on advanced specialty products.

Source: acs.org- June 21, 2017

HOME

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Vietnam's leaders say no rescue for state-run factories with massive losses

Vietnam's Politburo, the decision-making body of the Communist Party, has ordered the trade ministry to find out why 12 high-profile business ventures, including giant steel and textile plants, have incurred huge losses and who are responsible.

The government will not continue to pour money to cover the losses in these state-run factories, it said in a statement, warning of punitive measures.

A ministry report earlier said that 12 fertilizer, energy, steel, textile and paper plants, including two still under construction, were expected to cost a combined VND43.7 trillion originally. However, the total investment increased by nearly half, to VND63.6 trillion, or $2.8 billion.

Construction on the two incomplete project had been halted due to funding shortages, the report said, noting that for the 10 others, losses had been piling up, reaching VND16.1 trillion ($710 million), estimated at the end of last year.

Within this group of 10, debts had mounted to VND55 trillion ($2.4 billion), or 95 percent of what their assets were valued.

Four plants which had been shut down are Thai Nguyen steel plant in northern Vietnam, Dung Quat and Binh Phuoc biofuel plants in central and southern Vietnam, and Dinh Vu Polyester manufacturing plant in the northern port city of Hai Phong.

Notably, the huge losses at Dinh Vu textile plant, which was shuttered in September 2015, already put five former executives at state-owned PetroVietnam under criminal probe. The fuel giant owned 74 percent stake in the venture established with textile giant Vinatex.

The Politburo said these loss-making projects are an “expensive lesson” in using and managing state resources.

Source: e.vnexpress.net- June 21, 2017

HOME

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NATIONAL NEWS

Textiles ministry to take stock of industry's GST readiness on Thursday

Ahead of the roll-out of the goods and services tax, the textiles ministry is set to do a readiness check of the entire textiles sector and allay apprehensions regarding the new indirect tax regime.

Union textiles minister Smriti Z Irani will chair a high level workshop on Thursday to take stock of industry's readiness and address exporters' concerns.

Nearly 160 officials from government, public sector units and more than ten export promotion councils falling under the textiles ministry's purview are expected to attend, according to an official.

"The industry is GST ready. All export promotion councils and public sector units have held training programmes on GST. We are confident of our readiness," said another official.

The state-run National Textile Corporation has upgraded its accounting software to make it GST compliant, held seminars across cities and keeps nominating its employees to participate in discussions on the new tax regime that is set to be implemented from July 1.

"We have hired a firm which is on the advisory council of the GST Network on how to file returns. It will advise, train and handhold us for one year," said the second official.

The export promotion councils are also spreading awareness about GST.

"We have organised training programmes for nine apparel clusters which were attended by 3,500 exporters. We plan to raise a couple of serious concerns at the workshop," said Ashok G Rajani, chairman of Apparel Export Promotion Council.

The council has hired EY India as its consultant and set up a help desk to address exporters' issues which range from how to apply for refunds to what to do in case of power failure.

While the government has relaxed the tax filing date by two months, industry's main worry is the 18% GST on job work in made-ups and garments, which will increase input costs.

Rajani also emphasised on the need to continue duty drawback benefits, especially the Rebate of State Levies, on export of garments to refund state levies.

"Exporters are coming up with new issues every day," said an official from the Cotton Textiles Export Promotion Council. "There is fear of the unknown. Realities of doing business in India need to be linked with the new tax structure," he said.

Source: economictimes.com- June 21, 2017

HOME

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Heimtextil India & Ambiente India Begins at Pragati Maidan

UNDERLINING INDIA'S dominant position in textiles and home furnishings, Textile Minister Smriti Irani unveiled the world's largest cushion representing 'Fabrics & Embroideries of India' in New Delhi. This textile masterpiece called CushionKari was unveiled at the Heimtextil India and Ambiente India at Pragati Maidan, New Delhi.

Over 180 companies from six countries including top home fashion players such as D'décor, Welspun, Reliance, Raymond, AWKenox Steel, Flair Houseware, Organic Home (Stonemen Crafts), Lifestyles 360 Degree, Gomaads among others are showcasing season's interior décor and home textile collections at this co-located platform. The three-day joint fairs organised by Messe Frankfurt Trade Fairs India have brought together companies from India, Bangladesh, China, Korea, Nepal, and Thailand.

Addressing the industry at the inauguration, Minister Smriti Irani said, "India's home textile business this year has contributed 12 per cent to the country's overall shipments globally.

The initiative, organised by Messe Frankfurt India, has witnessed a 30 per cent increase in exhibitors this year, which shows the capacity of Indian businesses to come up with new ventures as well as the appetite of the country's consumers or buyers."

Renowned retail buyers and purchase managers from top hospitality industry chains came to visit the fair. Hotel Purchase Managers' Forum (HPMF) was associated with the event. Nitin Nagrale, Founder and General Secretary said, "we are continuously seeing new names coming up in the market. This platform is giving a wonderful opportunity for the buyers and sellers to meet".

Sanjay Goyal, Vice President, HPMF North zone spoke about the importance of the event, "These types of platform are very essential to the Procurement Fraternity. Here, one gets to know what the new trends are, design which are coming up, and lot many things. This eventually helps up to grow more because the more you interact the more you get to know the business inside out."

Some of the prominent industry players who marked their presence at the fair were: Shantmanu, (IAS) Development Commissioner (Handicrafts), Ministry of Textiles; Jagdish Khandelwal, President, Home Textile Association (HTA); Rakesh Kumar, Executive Director, Export Promotion Council for Handicrafts; Olaf Schmidt, Vice President Textiles & Textile Technologies, Messe Frankfurt Exhibition GmbH; Nicolette Naumann, Vice President, Ambiente; Raj Manek, Executive Director and Board Member of Messe Frankfurt Asia Holding Ltd; Sunil Sethi, President, Fashion Design Council of India and Lipika Sud, President, Guild of Designers and Artists.

India has taken long strides in home textiles space worldwide with the country emerging as the second largest supplier of home textile products only after China. Shift in the consumer's lifestyle, influencing spends and retail growth is also impacting domestic consumption of home fashion and furnishing products.

The co-located fairs which host more than 180 exhibitors target the entire chain of home fashion through its Dining, Living, Giving, and Furnishing segments.

Source: bwhotelier.businessworld.in- June 21, 2017

HOME

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Online retail revenues expected to grow to 60 billion dollars in 2017

According to a recent report by Retailers Association of India (RAI) and digital marketing agency ValueFirst, online retail is expected to drive the growth in e-commerce companies as well as get footfalls to the physical stores.

The revenue generated from online retail is projected to grow to $60 billion in 2017. It is estimated that by 2020 the revenue generated through online retail is forecast to grow to 70 billion dollars.

In three years this size of modern retail in India is estimated to double from Rs 87,100 crore to Rs 1.71 lakh crore which is driven by omni channel retail. The report further says that cross channel presence from offline to online be a reason why retailers need to be on both platforms.

Today shopper behavior is driven by technology and thus online presence for retailer has become extremely important to attract multiple user personas. 82 per cent of smartphone users convey they consult their phones on purchases they're about to make in a store, the report further added.

In terms of marketing, the importance of email marketing seems to have grown for retailers as 85 percent retailers agreed that email gave them better consumer engagement and is important for them.

While 94 per cent retailers embraced mobile as a part of their marketing strategy.

Talking about the social media marketing, the report confirmed that Facebook is the most popular one among retailers.

It further said majorly for online retail operators that 61 per cent marketers have shown an accumulated interest in social media promotions

Source: fashionunited.in- June 21, 2017

HOME

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GST and exports: No adverse impact, says Commerce Secretary

Commerce secretary Rita Teaotia on Tuesday said the roll out of the goods and service tax (GST) from July 1 would not have any adverse impact on exports. "Since exports are zero-rated, there will be no adverse impact," Teaotia said, addressing a press conference after the second meeting of the Board of Trade.

The mid-term review of the Foreign Trade Policy (FTP) to be unveiled soon will reflect the GST-related changes for exporters. An exporter will need to pay the applicable taxes on transactions but can seek refund. Tax exemption is not given to them as it could break the GST chain, preservation of which is necessary to avoid cascading of taxes.

India's exports grew at its fastest pace in the last five years by 4.7% to $274.65 billion in the financial year 2016-17.

The FTP review would be completed in time for the launch of GST, said Teaotia.

The second meeting of the 70-member Board of Trade, country's top advisory board on trade, was held under the chairmanship of commerce & industry minister Nirmala Sitharaman on Tuesday.

"The objective of the meeting was to seek inputs for the review of FTP. Exports have revived and need support to grow," Teaotia said.

She said many export promotion councils sought additional support through MEIS Scheme, through interest subventions schemes and some other schemes under FTP.

Discussions over market access and market development along with need to extend additional support to export promotion councils were taken up in the meeting.

Discussion over issues related to e-commerce reflected in the FTP, she said, adding that many suggestions through which e-commerce can be facilitated have been taken note of by the department.

Issues related to EXIM credit as well as insurance covered to exporters in order to enable them to access lower cost credit to facilitate exports was discussed.

Source: financialexpress.com- June 21, 2017

HOME

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GST to have positive impact on textile industry: ICRA

The impending Goods and Services Tax (GST) which is slated to be rolled out from July 1, will have a positive impact on the textile industry of India, as compared to the current tax policies, according to a recent report. It captures the impact of multiple existing taxes such as excise duty, value added tax (VAT), central sales tax (CST) and octroi.

The effective tax incidence on man-made fibre (MMF) and cotton is in the range of 5-7 per cent, while blended textiles fall under the 11-14 per cent range, says a report by ratings agency ICRA. The GST slabs under which these items are placed are more or less similar to existing tax rates, hence are less likely to impact these categories.

As for wool and silk textiles, the GST rates are lower for them at 5 per cent, compared to current tax of 8-10 per cent, according to media reports.

However, fabric producers operating under composition scheme for which input tax credit is unavailable, are likely to face some challenges as apparel producers will prefer to avail ITC by working with GST-compliant fabric suppliers.

This move will push fabric producers to be GST compliant. Additionally, as cotton yarn will also come under GST, fabric producers' who do not available of the ITC will see a fall in their incentives as this will reduce the competitiveness of fabric producers, notes the ICRA report.

Source: fibre2fashion.com- June 21, 2017

HOME

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Move to defer GST rate revision talks by 3 months to hit 80% garment units

The GST Council's decision to consider a rate revision only after three months is likely to deliver a severe blow to the country's garment industry, say mill owners. The man-made fibre yarn spinning sector, which was expecting a reduction in rate from 18 per cent to 12 per cent, is likely to take a huge hit.

M Senthilkumar, Chairman, The Southern India Mills' Association (SIMA) has stated that the entire cotton textile industry is thankful to the Government for bringing cotton textiles and all jobwork relating to textile yarns (other than MMF and filaments) and fabrics under the five per cent GST rate.

More than 80 per cent of the garment/made-ups manufacturing units are in the decentralised sector and undertake jobwork. "These units are likely to become unviable with 18 per cent service tax on jobwork, forcing them to closed down and render hundreds of thousands of people jobless," Senthilkumar said.

"The GST Council decision to consider any rate revision only after three months has come as a severe blow for the garmenting, made-ups and synthetic spinning sectors," SIMA said in a statement.

The garment/made-up sector, the largest employment provider in the entire textile value chain, creates 100-150 jobs for every crore of rupees invested, Senthilkumar claimed. The industry was hoping the GST Council would include jobwork on garmenting/made–ups under five per cent GST rate.

Senthilkumar opined that the industry could have benefited if these demands were implemented and that such a move would have also created a level-playing field in a highly competitive market scenario. He requested the Central Government to consider including the jobwork done in the garment and made-up segments under the five per cent rate. These units are currently exempt from service tax.

SIMA also wants the government to reduce the GST rate on man-made fibre and its blended yarn from 18 per cent to 12 per cent at the next GST Council meeting scheduled on June 30, 2017.

Source: business-standard.com- June 21, 2017

HOME

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India may lead Asia-Pacific B2C markets by 2021

By 2020, India is expected to be the growth leader among Asia-Pacific's top B2C markets, outpacing China, says a recent report.

In both countries, much of the future growth is projected to stem from rural areas where online shopper penetration is rising more rapidly than in the top tier cities. Asia-Pacific is the world's largest B2C e-commerce market.

The report titled 'Asia-Pacific B2C e-commerce market 2017' published by yStats.com says that by 2021 Asia-Pacific will account for nearly half of global B2C e-commerce sales of products and digital content. Between 2016 and 2021, the region's online sales are projected to maintain strong double-digit growth rates and reach new heights in terms of the e-commerce share of retail.

The report reveals that the nations in Southeast Asia are also experiencing strong growth in B2C e-commerce sales which are projected to remain in double digits, including even Singapore, already the most advanced of the ASEAN countries pack.

Further, other advanced markets, including Australia, Japan and South Korea are also projected to grow more moderately due to the already high rates of online shopping penetration. It has been observed that m-commerce is the strongest trend in both the advanced and emerging economies across Asia-Pacific. In many of them, the mobile share of B2C e-commerce sales has already topped one-third, and in some has approached 50 per cent.

Source: fibre2fashion.com- June 21, 2017

HOME

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Indian garment exports rise 8.06% in May 2017

India's apparel export registered a positive growth of 8.06 per cent in May 2017, compared to the corresponding period last year. Garment export increased to $1,605.37 million in May this year, as against $1,485.67 million last year. In rupee terms, export for May 2017 was Rs 10,342.55 crore as against Rs 9,940.10 crore in May 2016, growing at 4.05 per cent.

According to a recent survey done by the Apparel Export Promotion Council (AEPC) in 8 states where there is significant apparel production, 85 per cent of apparel exporters admitted that they substantially benefited by Rebate of State Levies (ROSL) in their export performance. Close to 65 per cent exporters rated the impact of ROSL as high or game changing.

"The decline in growth is attributed to two reasons. Though the exporters are happy with the new rates announced by the GoI under GST, they need to ensure compliance with GST for input credit for the already existing stock on June 30 which has lead to curtailment in production.

Secondly, there is uncertainty about the continuation of, which was appreciated and used by SMEs in large numbers, ROSL to boost exports, and is another reason for declining of exports," said Ashok G Rajani, chairman AEPC.

AEPC had also sought continuation of the ROSL on Export of Garments' scheme in its current form under GST, as the apparel sector has been registering double digit growth after the commencement of disbursement of ROSL.

Source: fibre2fashion.com- June 21, 2017

HOME

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Apparel brands roll out pre-GST discounts

It is raining discounts at apparel and accessories stores as the Goods and Services Tax (GST) draws near.

Retailers across Bengaluru have announced price cuts on branded clothes and accessories as they prepare for the new tax regime to kick in on July 1.

Retailers for brands such as Raymond, Allen Solly, Levi's, Arrow and Pantaloon are offering discounts ranging from 25 to 50%. Titan is offering discounts of 10% to 50% on its watches, and the sale covers its premium Swiss line Xylys.

While most brands are on till the end of the month, some are promoting flash sales.Premium clothing chain Pantaloons is offering a flat 50% discount on a minimum purchase of Rs 12,000, with a cashback of up to Rs 750 on payments made through SBI cards, PayTM and MobiKwik.

The offer is on till Thursday evening. Allen Solly is offering three items free on the purchase of three items. For people who prefer cash savings, it is offering a 40% discount.

Phillips-Van Heusen Corporation's Arrow brand is running two offers—buy three and get two free, and buy two and get one free. Puma, which makes athletic and casual footwear, apparel and accessories, is offering a flat 40% off on all products except its best-selling ones.

Branded fabric and fashion retailer, Raymond, which doesn't usually offer discounts, has rolled out huge pre-GST cuts. It is offering a 25% flat off on the purchase of one piece of any garment, and a third product comes free on the purchase of two.

Online, Amazon is coming up with 'Wardrobe Refresh Sale' from June 23 to June 25.It is offering discounts in the range of 50%-80% on about 1,500 fashion brands.

Source: deccanherald.com- June 22, 2017

HOME

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Supply in GST

When and where it becomes taxable, and how

The taxable event under GST is supply. Treating supply as the taxable event is a departure from the existing laws where the taxable event was different under different laws. GST law treats all forms of supply of goods and services, importation of service, and supplies specified in Schedule I (Supply even without consideration, and are liable for tax) as taxable events. Since supply is the taxable event, for levy of tax, we have to decide the time and place when the goods and services are supplied. We need to do it for all transactions.

Types of supplies: The definition of supply is inclusive and ensures the widest possible connotation. Let us understand if a transaction qualifies as supply through two examples.

Suppose a firm buys 10 ACs, and pays GST on these and claims input credit of ₹2 lakh. Two years later, it donates all the ACs to charity. Here, the firm doesn't sell them. So, does this qualify as a business supply? Yes. Here, the firm has already claimed input credit, so, it would need to pay GST on the notional market value of the ACs at the time of donation.

Again, a garment manufacturer (M) appoints an agent (A), who stores garments manufactured by M and sends to dealers whenever M asks A to do so. Is it a supply? Yes. Transfer of garments from M to A is taxable supply under GST. It would need to pay GST.

Time of supply: The time of supply refers to the point when the liability to charge GST arises. It also indicates when a supply is deemed to have been made. The time is generally the earliest of the three events: Receiving payment; issuance of invoice; or completion of supply.

The liability to pay GST on the goods arises at the time of supply which will be the earlier of the following dates: The date of issue of the invoice by the supplier or the last date on which he is required, to issue the invoice with respect to the supply. Or, the date on which the supplier receives the payment with respect to the supply.

Place of supply: GST is a destination based tax. This makes the correct determination of the place of supply crucial for determining the tax liability and subsequently transferring the tax to the State government within whose jurisdiction the goods have been supplied. Let us understand how the place of supply is decided through two examples.

A Goa-based firm opens office in Nagpur. It buys 10 ACs pre-installed in the office premise from a firm whose registered place of business is Hyderabad. In this case, the supplier and the place of supply are located in different States hence it would be inter-State supply with Nagpur as the place of supply.

A plane run by Air India with registered place of business at New Delhi is flying from to Bengaluru. A passenger buys a watch onboard. In this case, both locations of the supplier and the place of take-off of the plane are Delhi. So, it would be intra-State supply with Delhi as the place of supply.

Put all your business transactions to the supply test. Deciding precise type, time, place and value of supplies will help you in making correct business decisions and pay correct tax. And save you from any subsequent heartburns.

Source: thehindubusinessline.com- June 22, 2017

HOME

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Addressing India's high logistics costs

Creating a road-rail-road network exclusive for goods transport and developing logistics parks are a good start

It is a universally acknowledged fact that the cost of logistics is very high in India. Some estimates put it at about 13 per cent of GDP, which is higher than the US (9) and Germany (8). A study by Assocham-Resurgent India (2016) stated that the country can save $50 billion if logistics costs reduce from 14 per cent to 9 per cent of GDP. Reduced logistics costs would bring down prices of products.

Transportation services form a third of the cost of a logistics chain.

Improving transportation would require the coordinated development of railways, roads and waterways. Roads carry about 60 per cent of the freight cargo in India. As rail transportation is more energy efficient than road, movement of goods via the road-cum-rail mode could reduce logistics costs considerably.

To divert traffic from road to 'road-rail-road' mode, the Railways would have to take a number of steps in coordination with road operators and container companies. The actions to be taken by the Railways could include: (i) designing a suitable wagon for the "Roll on Roll off" trains, which would move trucks on flat railway wagons on electrified routes for a major part of their journey; (ii) identifying routes where high- value and time-sensitive cargo can be moved efficiently; (iii) providing advance information to the industry about routes where additional capacity is being created; and (iv) providing a guarantee about transit time for the consignment.

The RoRo factor

"RoRo" trains have been run earlier by the Railways with existing wagons on non-electrified routes. However, the service cannot be operated on electrified routes due to insufficient clearance from overhead traction wires. With accelerated electrification being planned by the Railways, such services need to be run on electrified routes as well.

Reducing a wagon wheel's diameter to lower the wagon's height is an option that could be seriously pursued to run such wagons on electrified routes. Most of our wagons have wheels with a diameter of 1,000 mm. The Railways already has special wagons for containers (BLCA wagons), which have 840 mm wheels. A similar design may be evolved for carriage of trucks. Though discussions have taken place, an appropriate wagon is yet to be designed. Finalising a suitable design would be an important first step.

Thanks to the higher fuel efficiency of railway movement, a back of the envelope calculation suggests that if 45 trucks with a gross weight of 40 tonnes each were moved by a train over 1,000 km, the total saving in fuel costs would be ₹3 lakh.

Movement by rail would be faster and the saving in lower transport and inventory costs would benefit the consumer. The example is illustrative, but points out the huge potential which exists.

More per mile

The earning per tonne from a container is higher for coal, which constitutes 50 per cent of the Railways' freight traffic. In the last four years, the earning per tonne from container traffic has grown at a CAGR of 8.3 per cent as compared to 3.8 per cent from coal. This is a pointer to the higher revenue which can be earned from moving high-value and time- sensitive cargo. However, compared to a container or "RoRo" train, a coal train carries 1.5 to 2 times the volume of cargo, yielding higher revenue per train.

Hence, there would be a trade-off between running the two types of trains. IR would prefer to carry higher cargo volumes on congested routes while the "RoRo" and container trains may be put on less congested routes.

To increase volume of cargo carried per container train, the Railways has already announced a pilot project for running double- stack low-height containers (6 feet 4 inches tall, instead of the normal 8.5 or 9.5 feet) on electrified routes which would increase the cargo carried by 55 per cent. Similarly, heavier trailer trucks could be carried on railway wagons. Routes for running these trains would have to be identified and advertised.

The Dedicated Freight Corridors (DFC) of the Railways was designed mainly for heavy haul cargo such as coal. With the Government's present emphasis on reducing use of fossil fuels and increasing the share of renewable sources in power generation, the earlier traffic projections of most of the DFCs are likely to undergo a downward revision.

This opportunity should be used for rapid transportation of containers and "RoRo" traffic on DFCs. Routes on which new train running capacity is added could also be considered for containers and "RoRo" trains.

Logistics parks

The Dedicated Freight Corridor Corporation of India (DFCCIL) should plan to develop logistics parks as points for aggregation/disaggresgation of cargo for movement by DFC. Logistics parks planned by the Ministry of

Road Transport & Highways would also be ideal points for interface of cargo between road and rail modes.

These parks should ideally be developed along the alignments of the DFCs and corridors identified by the Railways for movement of containers and “RoRo” trains. Cargo moved by inland waterway transportation (IWT) would provide similar opportunities.

A container train from Delhi to Mumbai travelling on DFC could cover the distance in 24 hours. A truck would take minimum of three days. The Railways could provide transit guarantees at least for the traffic moving on the DFCs. This would create customer confidence and a substantial volume of road traffic could migrate the to “road-rail-road mode”.

The Railways plans to open new routes and add new lines to existing routes. To generate customer confidence, it would be worthwhile to announce additional train running capacity added to these routes and the approximate transit time for high value consignments. The present practice of announcing the number of kilometres of new track added each year does not convey the right message to the consumer.

Coordination between various ministries and a proactive role on the part of the Railways could bring about a rapid reduction in the logistics cost to the economy.

Source: thehindubusinessline.com- June 22, 2017

HOME

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Experimenting with 349 AD fabric dyeing technique

On Sunday afternoons, several Bengalureans come together to indulge in the the Japanese art of Shibori and give it a desi twist.

Shibori is the traditional Japanese art of resist dyeing using natural colour extracts, which results in the emergence of different patterns on the fabric. The tradition dates back to 349 AD.

Shweta Pai, a professional textile designer says, “The shibori art follows the Japanese philosophy of wabi-sabi.

The beauty of shibori is to experiment with colours and its effect on fabric ." Various colour extracts can be obtained from natural sources such as onion peels, used coffee, tea powder and flowers such as marigold and hibiscus.

These materials are soaked in boiling water from which the colour is extracted. The fabric (silk, cotton, hemp or similar fabrics) is dipped in the extracted colour and various techniques are applied to obtain naturally occurring and unexpected patterns. Various techniques such as binding, stitching, pole wrapping, clamping and folding are used to obtain patterns on the fabric.

The traditional textile art of Shibori dyeing is simple to learn and the materials required are easily available and inexpensive.

At a workshop held at the Go Native café in Jayanagar, members experimented with colour extract from the marigold flower on cotton fabric. Simran Monga, a graphic designer says, "Everyone here shares a common appreciation towards art of all forms. Such a workshop held on a weekend helps us get away from our daily routine."

The workshop was conducted by Shweta Pai who said that people today are increasingly getting disenchanted from traditional art and nature and buying products manufactured in masses.

Such a workshop which explores traditional art throws a question at our consumption habits.

Go Native is a café, retail store and a work space for handicrafts located in Jayanagar 5th block. The café focuses on traditional food, art and sustainability.

Source: newindianexpress.com- June 21, 2017

HOME

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