**Cotton Market**

<table>
<thead>
<tr>
<th>Spot Price (Ex. Gin), 28.50-29 mm</th>
</tr>
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<tbody>
<tr>
<td><strong>Rs./Bale</strong></td>
</tr>
<tr>
<td>22684</td>
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</table>

**Domestic Futures Price (Ex. Gin), October**

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>24120</td>
<td>50453</td>
<td>93.88</td>
</tr>
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</table>

**International Futures Price**

<table>
<thead>
<tr>
<th>NY ICE USD Cents/lb (Dec 2018)</th>
<th>88.34</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2019)</td>
<td>16,235</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>91.82</td>
</tr>
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**Cotlook A Index – Physical**

<table>
<thead>
<tr>
<th>Cotlook A Index – Physical</th>
<th>96.70</th>
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**Cotton Guide:** Cotton future for December contract attempted to hit 90 cent mark but failed to hold the gains. It made an intraday high of 89.98 cent and closed the session lower at 88.34 cents per pound. We think it was the mere profit booking from higher level that led to sharp price correction on Wednesday. The fall in the price is more than 120 points from the previous close and similar kind of movement was witnessed on the other contracts also. We see it minor profit booking however, the broad fundamental continues to hold strong. From the technical perspective it is still above the 50-day moving average meaning the trend is still well respected. On the trading front, estimated volume was at 24,200 contracts, lower than previous day's figure of 26,917. At the time cotton settled, the US dollar was trading higher, as well as wheat while corn and soybeans were trending lower. Total open interest increased by 3,835 contracts to 268,551 (its highest level since June 19). December ‘18 and March ‘18 interest increased by 2,046 and 1,709 contracts, respectively, to 178,297 and 55,382. Certificated stocks were last reported at 20,308 bales (their lowest level since October 31, 2017) which included decerts for 116 bales.
On the domestic front, asking rates for Shankar-6 have advanced since previous day to reach a seasonal high point of Rs. 47,900-48,000 per candy, ex-gin. At the prevailing exchange rate the equivalent value is approximately 89.16 US cents per pound. Punjab J-34 has also moved higher, to Rs. 4,813 per maund (85.30 cents per pound). The MCX cotton future for October contract ended the session at Rs. 24,090 per bale down by Rs. 30 from previous close but it had moved in a wide range of Rs. 23,900 to Rs. 24,200 per bale.

On the news front, International Cotton Advisory Committee (ICAC) says, in the current cotton season production may be 25.89m tons, down from 25.94m estimated last month, while consumption may rise to a record 27.46m tons from 26.38m year on year. However, the July forecast was 27.42m. Ending stockpiles may be 17.7m tons, down from 17.8m estimate last month. A year earlier, output was 26.87m tons and inventories were 19.29m. “Sour trade relations” between China and the U.S. “show little signs of improving, and could even deteriorate further in the near term, potentially causing major shifts in global trade patterns”. The U.S. may “to seek new markets for its fiber, while other major exporters such as Brazil are expected to fill the void by increasing their shipments to China.

This morning ICE cotton is seen trading slightly lower at 88.26 cents, ZCE cotton future is also down by 140 point and locally in India the currency has appreciates against the USD and trading at 68.29. We believe these factors might keep Indian cotton future under stress on today’s trading session and there can be good amount of profit booking from higher level. Also as we have indicated earlier the MCX cotton price is still trading much higher than the spot price. For the day we expect the trading range would be Rs. 23,800 to Rs. 24,100 per bale. Note: If the Indian cotton spot price continues to hold strong then the fall in the future might be restricted.

**FX Guide:**

Indian rupee has appreciated by 0.2% to trade near 68.3 levels against the US dollar. Rupee has benefitted from RBI’s interest rate hike and sharp decline in crude oil price. RBI raised interest rate by 0.25% to 6.5% to rein in inflation and stem investor outflows. Brent crude slumped below $73 per barrel on unexpected rise in US crude oil stocks and concerns about US-China trade conflict. However, weighing on rupee is Fed's monetary tightening stance and weakness across equity market and downbeat monsoon outlook. Fed kept interest rate unchanged at 1.75-2% yesterday but reiterated optimism about US economy keeping expectations high of two more rate hikes this year. Global equity markets are under pressure due to concerns about China and US threat to propose 25% import duty on $200 billion Chinese goods. Private weather forecaster Skymet revised its monsoon rain forecast from normal to below normal on Wednesday. Skymet had in April predicted that rainfall in the June-to-September monsoon season will be 100% of the Long Period Average but revised it downward to 92%. Deficient rains could keep inflation high. Rupee has opened on a firm note but the gains may not sustain given weaker risk sentiment. USDINR may trade in a range of 68.2-68.55 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Trump Considers Bumping Tariffs on Chinese Imports From 10 Percent to 25 Percent

Though there's been talk of the U.S. and China making plans to come back to the negotiating table on trade, the two sides may yet be far from settling their differences.

On Wednesday, the Office of the United States Trade Representative said President Trump wants to escalate the most recent round of tariffs, hitting Chinese imports with a duty rate more than double what was initially proposed.

“This week, the President has directed that I consider increasing the proposed level of the additional duty from 10 percent to 25 percent,” U.S. Trade Representative Robert Lighthizer said.

“The 25 percent duty would be applied to the proposed list of products previously announced on July 10.”

The tariff plan that surfaced on July 10 included a new wave of $200 billion worth of tariffs on China. This followed the $50 billion in tariffs outlined earlier in the year—$34 billion of which has already been implemented, with the remaining $16 billion expected to follow in short order.

With the $200 billion worth of tariffs, goods including cotton, the majority of yarns used in textile production, woven and nonwoven fabrics, handbags and hats, would have faced new 10 percent duties. Now Trump wants to carry that duty rate up to 25 percent.

“The Trump Administration continues to urge China to stop its unfair practices, open its market, and engage in true market competition. We have been very clear about the specific changes China should undertake,” Lighthizer said.

“Regrettably, instead of changing its harmful behavior, China has illegally retaliated against U.S. workers, farmers, ranchers and businesses.”
To offset the impact of China’s tariffs, the White House has planned for $12 billion in emergency aid for farmers, who are expected to start seeing payments as soon as September.

The move has been met with disdain on the Hill among members of Congress who believe the solution lies in eliminating tariffs rather than offering up a bailout that may serve as little more than a bandaid.

In response, Trump said on Twitter last week, “China is targeting our farmers, who they know I love & respect, as a way of getting me to continue allowing them to take advantage of the U.S. They are being vicious in what will be their failed attempt. We were being nice—until now! China made $517 billion on us last year.”

The ultimate aim is to make China—which has promised to go toe-to-toe with the U.S. on tariffs—back down.

“The increase in the possible rate of the additional duty is intended to provide the Administration with additional options to encourage China to change its harmful policies and behavior and adopt policies that will lead to fairer markets and prosperity for all of our citizen,” Lighthizer said. “...and we remain ready to engage with China in negotiations that could resolve these and other problems.”

Based on what China makes as its next move, Trump has already said he’s prepared to impose tariffs on every item the U.S. brings in from China, covering the total $500 billion in trade.

Though apparel and footwear have gone largely untargeted, they could be targeted in the next tranche.

Source: sourcingjournal.com- Aug 01, 2018
US factories grew at a slower pace in July

U.S. factories grew at a slower pace in July, but American industry remains healthy despite growing concern about trade conflicts.

The Institute for Supply Management, a trade group of purchasing managers, said Wednesday that its manufacturing index slipped last month to 58.1 from 60.2 in June. Anything over 50 signals growth, and U.S. manufacturing is on a 23-month winning streak. Seventeen of 18 manufacturing industries expanded in July, led by textile mills and makers of electronic equipment, appliances and components.

New orders, production and new export orders all grew more slowly in July. Factories stepped up hiring last month.

Manufacturers are coping with labor shortages and supply disruptions connected to ongoing trade disputes with China, Canada, Mexico and Europe. Among other things, U.S. tariffs on imported steel and aluminum are raising costs for many manufacturers.

Nearly half the companies that responded to the survey expressed concern about trade, said Timothy Fiore, chair of the institute's manufacturing survey committee.

"It's the No. 1 issue," he said.

Factories so far have been able to shrug off a 5 percent rise in the value of the dollar against major currencies since mid-April; a stronger dollar makes U.S. products more expensive in foreign markets.

The overall economic backdrop, however, remains healthy. The U.S. economy, fueled in part by tax cuts, expanded in the second quarter at a 4.1 percent annual pace, fastest since 2014.

Jim O'Sullivan, chief U.S. economist at High Frequency Economics, said that the ISM index "was still quite strong, despite continued angst about trade policy."

Source: brownsvilleherald.com- Aug 01, 2018
Bangladesh remains the second biggest apparel exporter

Bangladesh held on to its status as the second biggest apparel supplier in the world in 2017, accounting for 6.5 percent share of the market, according to data from the World Trade Organisation (WTO).

In 2017, Bangladesh exported garment items worth $29 billion, the data said. In 2016, Bangladesh's share of the global apparel market was 6.4 percent.

China remained the largest apparel supplier globally, although its share shrunk to 34.9 percent. The value of exported clothing items from China last year was $158 billion.

Vietnam came in third with its 5.9 percent market share, the WTO data said. It exported $27 billion worth of garment products in 2017.

Neighbouring India, with its garment exports of $18 billion in 2017, ranked fourth. Turkey came fifth with a 3.3 percent market share.

The WTO data also showed that in 2017 the top 10 exporting nations' share was 87.8 percent and the value was $457 billion.

“We have a bright future in apparel business but we need to do a lot more homework,” said Siddiqur Rahman, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the garment makers' platform.

He went on to call for improvements in roads and highways, airport and seaport in Chittagong for faster movement of goods and reducing the cost of doing business.

In so doing, the country will maintain its competitive edge over Vietnam, Turkey, India and the rest.

Another factor that consolidated Bangladesh’s position in global apparel trade is its bulk order for value-added items in recent times.
As much as 40 percent of Bangladesh’s garment exports comprise value-added items, which fetch more money for exporters.

In the immediate past fiscal year, garment shipments brought home $30.61 billion, up 8.76 percent year-on-year, according to data from the Export Promotion Bureau. It also beat the target of $30.16 billion.

The buyers are coming here with bulk of work orders as the country’s image has now brightened after the near-completion of factory remediation as per the recommendations by the Accord and Alliance.

Almost all top clothing retailers like H&M, Walmart, JC Penney, Inditex, Zara, Gap, M&S, Uniqlo, C&A, Tesco, Hugo Boss and adidas have been souring billions worth of garment items from Bangladesh every year.

Rising garment shipments to new and emerging Asian markets such as India, China and Japan have also contributed to the higher earnings.

Source: thedailystar.net- Aug 02, 2018

US Suspends Rwanda’s AGOA Status for Apparel Imports

The U.S. has suspended Rwanda’s duty-free status for apparel imports to the U.S. under the African Growth and Opportunity Act (AGOA) over the country’s proposed ban of used clothing and footwear imports.

“We regret this outcome and hope it is temporary,” Deputy U.S. Trade Representative C.J. Mahoney said. “But if the AGOA eligibility criteria are to have any meaning, they have to be enforced, particularly where, as here, other AGOA members took action in order remain in compliance.”

The issue over Rwanda’s AGOA eligibility came about in 2015 when the East African Community (EAC) worked up a plan to ban used clothing and footwear imports into the region—in part to improve the domestic industry. USTR ramped up its engagement on the issue in 2016 when the EAC said the ban would be phased in by 2019.
In March last year, the Secondary Materials and Recycled Textiles Association (SMART) submitted a petition calling the EAC’s decision to phase in a ban on the used products an imposition of significant economic hardship for the U.S. used clothing industry.

The petition also said the move was inconsistent with existing criteria for AGOA beneficiaries, which calls for the countries to establish a market-based economy and eliminate barriers to U.S. trade and investment.

SMART said in its petition that as many as 40,000 U.S. jobs related to the collection, processing and distribution of used clothing and footwear could be negatively affected by the ban.

The three EAC AGOA beneficiaries—Kenya, Tanzania and Uganda—worked with the U.S. and took actions to revise their policies in accordance.

“As a result, they continue to receive full benefits under AGOA,” USTR said.

“Unfortunately, Rwanda has insisted on keeping in place a policy that has raised tariffs on imports of used apparel and footwear by more than 1,000 percent, effectively banning imports of these products.

Efforts over the past two years to address this issue with the government of Rwanda have been unsuccessful, USTR noted, and as a result, on March 29, the U.S. found that Rwanda had not made enough progress toward the elimination the trade barriers and was therefore not compliant with AGOA’s eligibility requirements. Rwanda was given 60 days to resolve this problem before the suspension of its apparel benefits under AGOA.

“Rwanda has, however, continued to insist on retaining its tariffs,” USTR said. “The president, therefore, has decided to suspend Rwanda’s duty-free access to the U.S. for apparel products until Rwanda comes back into compliance with AGOA’s eligibility requirements.”

The suspension covers AGOA benefits for a class of imports that totaled $1.5 million in 2017 and accounts for roughly 3 percent of Rwanda’s total exports to the U.S. The country will still be eligible to receive non-apparel benefits under AGOA.
“We look forward to working with Rwanda to resolve this issue so that benefits in the apparel sector may be restored,” USTR added.

Source: sourcingjournal.com- Aug 01, 2018

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**EU Calls Trade War Talks With Asia to Plot Response to Trump Tariffs**

Leaders from virtually every major Asian power will join European Union heads of government for a summit in Brussels to discuss trade in October, as they plot their responses to U.S. President Donald Trump’s tariff offensive.

Fifty-one European and Asian countries will be represented at the meeting on trade and climate change on Oct. 18 and Oct. 19, the European Council said in a statement. The summit could serve to coordinate responses to the U.S. administration.

The EU, China, and Japan have all been at loggerheads with Trump over his decision to withdraw from the Paris Climate Accord and unilaterally impose tariffs on imports from his country’s biggest trading partners.

The meeting coincides with an EU summit on Oct. 18, which is also scheduled to tackle the “future trade policy,” and the “role of the EU in the multilateral trade system.”

Originally planned as a two-day event and marked as key date to agree the terms of the U.K.’s withdrawal from the EU next year, the European summit has now been downgraded to a one-day event, according to the latest calendar.

Two European officials familiar with the planning for the European agenda this fall said that the crunch talks on Brexit are now likely to happen at the informal gathering of leaders in Salzburg, Austria, on Sept. 20. One said that given the slow pace of negotiations so far, Brexit talks are heading for a late-night cliffhanger reminiscent of the Greek bailout negotiations.
A third official said the EU is concerned that the U.K. isn’t bringing sufficient urgency to the negotiating effort and preparations for a no-deal Brexit will accelerate if there is no breakthrough in September.

Source: sourcingjournal.com- Aug 01, 2018

Rise in new trade restrictions from WTO members: report

World Trade Organisation (WTO) members introduced more trade-restrictive measures from mid-October 2017 to mid-May 2018 compared to the previous review period of mid-October 2016 to mid-October 2017, according to a report on trade-related developments presented by its director general Roberto Azevêdo recently at a meeting of WTO’s trade policy review body.

While WTO members continued to implement more trade-facilitating than trade-restrictive measures, the value of trade covered by the restrictive measures rose and the value covered by facilitating measures fell, a WTO press release said citing the report.

The report draws attention to this shift, and to the fact that it is taking place at a time of heightened trade tensions and associated rhetoric, which should be of concern to the international community.

"We are heading in the wrong direction, and we seem to be speeding up. Growth, jobs and recovery are at stake. I call on members to recognize the gravity of this report and its findings. We need to see immediate steps which de-escalate the situation," Azevêdo said.

WTO members applied 75 new trade-restrictive measures, including tariff increases, quantitative restrictions, imposition of import taxes and stricter customs regulations, amounting to a monthly average of almost 11 new measures. This is higher compared to the average of nine measures recorded in the previous report.

The trade coverage of the import-facilitating measures ($107.3 billion) is larger than that of the import-restrictive measures ($84.5 billion).
While this is encouraging, the ratio of the trade coverage of import-facilitating over import-restrictive measures, which was two-to-one in favour of the former in the November 2017 report, has fallen significantly for the current period review. This is a source of considerable concern and an area where continued monitoring is required, Azevêdo added.

Source: fibre2fashion.com- Aug 02, 2018

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Vietnam gaining global power in textile manufacturing

"Apparel exports accounted for 16 per cent of Vietnam’s total outbound trade. This made the country the world’s third-largest exporter of garments, with clothing accounting for 70 per cent of the output of the overall textile sector.

With booming exports the prospects of Vietnam’s domestic market is also promising.

With a population of 90 million and a disproportionately large younger generation, recent increases in disposable-income levels have resulted in retail growth of about 20 per cent per annum.

The country’s apparel and textiles sector employs more than 2.5 million people in about 6,000 companies, with the industry forecast to grow by up to 14 per cent a year, taking it to a total value of $50 billion by 2020."

The recently held SaigonTex show, Vietnam’s premier event for the textile industries, hosted about 1,000 exhibitors this season. Among those attending the show was Christoph Peters, General Director of German-based machinery manufacturing firm Illies Engineering.

He said in terms of visitor numbers, it feels a bit quieter than 2017, but business is still good. There was a lot of over-optimistic hype about the market at last year’s show, largely based on the anticipated TPP (Trans-Pacific Partnership) trade deal. This year, people seem more focussed and more ready to do deals, rather than just waiting to engage in idle speculation.
For many exhibitors, Vietnam is now a major player in the Asian textiles market. Roy Chandra, Account Manager, Artrend, a manufacturer of specialist Vietnam gaining global power in textile manufacturing printing machines for garment factories, remarked Vietnam makes up between 30-40 per cent of their Asian market, with business particularly good at the moment.

Big players in the garment industry are increasingly opting for Vietnam. In many respects, Vietnam is now where China was 10 years ago, although most of the growth is coming from private-sector initiatives. While the Vietnamese Government is not being particularly proactive in supporting the textile industry, critically, it is not getting in the way of private enterprise.

**Foreign Investment**

The first 11 months of 2017 saw foreign direct investment (FDI) in manufacturing sector soar 11.9 per cent, with the lion's share going to the apparel/textiles sector. In terms of FDI sources, much of the investment has actually come from within the Asian bloc, with Japan and South Korea taking point.

One key investor is Union Industry, a Hyogo prefecture-based market leader in socks, stockings and pantyhose sector, as well as a manufacturer of clothing production equipment. Bullish about the opportunities, Giovanni Lamberti, international sales co-ordinator, Union Industry, said Vietnam is emerging as a leading producer of socks and there is a lucrative potential for a $50 billion market here.

Tran Thi Tuyet Dung, software support representative, CSP, a manufacturer of garment-cutting machines operating out of both Ho Chi Minh City and Hanoi, said that the show has been great in terms of meeting contacts and providing leads.

**Focus on TPP**

For some exhibitors, the collapse of TPP deal may have dented attendance at the show, at the same time; they were convinced it had done little to stop Vietnam emerging as one of the world’s leading garment exporters.
In fact, some welcomed the failure of the TPP, seeing it as likely to thin out the more marginal players in the sector, while leaving it clear for the more serious players to secure market share and consolidate.

Peters said that the collapse of the TPP has reduced the number of hangers-on in the sector. If you are looking to get into the market now, you are going to find that that boat has well and truly sailed.

Source: fashionatingworld.com- Aug 02, 2018

Cambodia garments exports up nine per cent

Cambodia’s exports of garment and footwear products grew 9.3 per cent in the first half of the year. Textile shipments to the EU grew 10.66 per cent while those to the US rose by 10.73 per cent. These two markets jointly account for 72 per cent of Cambodia’s total exports.

Exports to Canada expanded more than nine per cent while shipments to the rest of the world grew by 10.10 per cent. The country’s economic growth for the year is placed at seven per cent, backed by a strong performance of the garment, tourism and construction sectors.

From a macroeconomic perspective, the country is strong, with garments being one of the main contributors to national growth.

The EU is Cambodia’s top export destination, accounting for 40 per cent of all its exports. These have risen sharply in recent years, increasing by 227 per cent between 2011 and 2016. Cambodia now is second among all EBA beneficiaries in terms of trade volume.

Growth in export was achieved despite recent warnings from the European Union and the US that they would annul Cambodia’s preferential trade status if the human rights situation in the country fails to improve.

Source: fashionatingworld.com- Aug 01, 2018
Bangladesh earnings from Japan up 11 per cent

Bangladesh’s earnings from exports to Japan this fiscal are 11.73 per cent higher compared to fiscal ’17. Almost 74.8 per cent export earnings from Japan were from the readymade garment sector. Apparel exports to Japan went up 13.73 per cent rise.

Meanwhile, Japan has shown a keen interest in hiring skilled labor from Bangladesh for its textile industry.

While attracting FDI from Japan, Bangladesh has offered a special economic zone. Currently, a total of 266 Japanese companies are operating in Bangladesh.

Japan will continue to grant duty free market access for Bangladeshi goods except hand gloves and arms even after Bangladesh graduates to a developing country status. As a least developed country Bangladesh enjoys duty-free and quota-free trade with Japan.

Bangladesh hopes to be a top knitwear supplier to Japan. The sector is growing in Bangladesh and has strong backward linkages and also manufactures quality products. The country hopes to increase its exports by 25 per cent by 2020.

Huge orders are expected to come from Japan during the Summer Olympic games, to be held from July 20 to August 9, 2020, for knitwear products like T-shirts, polo shirts and sweaters.

Source: fashionatingworld.com- Aug 01, 2018

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China’s neo-mercantilism and Sino-Pak strategic relations

The economic reforms of 1978 in China brought about an increase in its Foreign Direct Investment (FDI). Following the neo-mercantilist policy it has encouraged the free trade wherein the Chinese firms introduced themselves and opened up to the international markets.

Although the central government gave some relaxation on some of the industrial products but there are still state owned enterprises in large numbers. Better educational plans, export/import controlled regimes, and Chinese engagement in FTA with different South Asian countries including Pakistan are contributing factors in the Chinese economic strides.

Today China’s top trade commodities are textile, technological equipment, organic chemicals, iron, steel and other products. According to an estimate China earned $10.36 trillion GDP growth in the fiscal year 2014. Midyear 2015 China’s trade surplus was worth $59.49 billion achieving the favorable amount of $70.9 hundred million in balance of trade.

It is to be understood that the Chinese neo-mercantilism is not harmful for developing and under developed regions of the world, despite the heavy criticism China’s economic policies face. It is one of the core assumptions of neo-mercantilism; that along with a state’s economic development, it emphasizes on the world’s economic development as a whole. In fact, Neo-mercantilism promotes regional organizations and markets, as it provides a broader platform.

So far, China has received a positive response that encourages it to make investments abroad because most of the investments are for providing better infrastructure, roads, bridges, energy sector and railway projects etc. It not only benefits China by providing Chinese contractors business, but it is also helpful for creating job opportunities in Pakistan and for its economic growth.

The purpose these policies of China is that it is, itself going through the process of development. So it’s encouragement towards establishing businesses in different parts of the world is because overseas economic relations are mutually beneficial for China’s domestic markets and other countries.
Similarly, this approach should not be seen as harmful for Pakistan’s strategic relations specifically within the context of the Sino-Pak strategic partnership. Both countries have previously enjoyed harmonious relations, while for the past decade there has been a focus on economic ties as well.

China believes in promoting regional trade and inter-regional corporate communication. China’s active role in regional organizations like SARRC, ASEAN, and SCO is a part of its efforts to bring economic stability for the whole South Asian region.

Another aspect of neo-mercantilism is that it puts emphasis on increasing a nation’s exports and decreasing its imports. According to the estimates collected from the UN Com-trade Database and the UN Com-trade Statistics and International Trade Centre (2016) by 2013 the trade volume between China and Pakistan has increased over $12 billion.

In 2000 Pakistan’s exports to China were $244.65 million and in 2004 and 2005 it reached $300.53 and $435.68 million respectively. While Pakistan’s imports from China in 2000, 2004 and 2005 were $550.11, $1488.7 and $2349.3 respectively.

It might appear that China through its mercantilist policies is only increasing its own level of exports but in reality, it is simultaneously providing business to Pakistan. However as per official records it is evident that Pakistan is doing most of its trade with China, and Chinese companies are providing Pakistan with good business opportunities.

There is no denying the fact that China is one of the world’s largest economies and it is hoped that the Pak-China economic collaboration will bring economic stability in South Asia and will make Pakistan a regional hub of trade activity.

Currently China has started about 22 projects in Pakistan including the construction of the Karakorum highway, a heavy machinery complex, and the mega project of the Gwadar Seaport under the umbrella of CPEC (China Pakistan Economic Corridor).

CPEC being a flagship project of China’s BRI strategy includes Chinese investment of about $52 billion from deep seaport Gwadar to civil energy agreements, infrastructure and road projects.
This will enhance trade and commercial opportunities for Pakistan. Moreover about 10,000 MW of electricity will be generated when it is completed by the end of 2018.

Eventually China’s neo mercantilist policies are a source of regional economic integration and the BRI will bring the countries closer through a network of interdependence. The CPEC will be a major project of China’s Vision of BRI and will make Pakistan a source for FDI.

Already according to Board of Investment, Pakistan’s expected net foreign direct investment (FDI) has had a jump of about 60 percent from 2017-2018. Hence it can easily be interpreted as a project of mutual interests and collective benefits and by no means should CPEC be viewed as another British East India Company.

Source: dailytimes.com.pk- Aug 02, 2018

Pakistan: Govts blamed for declining textile exports

Faisalabad Chamber of Commerce and Industry (FCCI) blamed lukewarm attitude of previous governments for impairing the textile exporters' ability to maintain their presence in international markets thus decreasing export from $26 billion to $18 billion.

Addressing a meeting of the textile millers before his departure abroad, FCCI President Shabbir Hussain Chawla said that government in-waiting should start homework right now to announce special package based on already formulated PTI Textile Policy so that it could be implemented immediately with the taking over of powers by the PTI government in centre.

He said that this decline plunged the national economy in deep crisis and despite of pressing demands of the textile sector, the declining trends continued to prevail as governments took only cosmetic steps to the satisfy the business community.

He said that on the other hand our regional competitors including Bangladesh captured our markets and now its textile export have jump to 30 billion dollar while Pakistani exports are dwindling far behind.
He further pointed out that import export gap has also further widened posing a serious threat to the economic viability of Pakistan. He appreciated the efforts of PTI to restore the textile sector on sound footings and said that renowned businessman Zafar Iqbal Sarwar had formulated the PTI textile policy which was dually presented and appreciated by its Chairman Imran Khan.

He said that now as the PTI has made a clean sweep in general election and was ready to form the new government; it should divert its entire focus on the revival of textile sector which is the only available option to restore the national economy within shortest possible time.

He said that in order to implement this policy PTI should nominate Zafar Iqbal Sarwar as "Textile Adviser" so that he could ensure necessary measures to revive the textile sector which was passing through a protracted crisis.

He also demanded that Pakistan government should have to provide the same incentive to our textile exporters as are being enjoyed by the exporters of other regional countries.

He further said that nomination of Zafar Iqbal as advisor will not only pave way for the expeditious implementation of PTI textile policy but also give due representation to the textile sector of the Faisalabad in the federal cabinet.

Source: nation.com.pk- Aug 02, 2018

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Pakistan: Cotton Crop Assessment Committee to met by in 2nd week of August

Cotton Crop Assessment Committee (CCAC) would met here by the second week of current month (August) in order to take stock of the output of major cash crop of the county during current season.

Restructuring of the committee has also been completed after the devolution of CCAC from the Ministry of Commerce to Ministry of National Food Security and Research, said Cotton Commissioner in the Ministry of National Food Security and Research Dr Khalid Abdullah.
Talking to APP here on Wednesday, he said that formulation of new committee had been finalized and all the relevant stakeholders were taken on board in order to sensititize the issues and challenges being faced by the cotton growers across the crop sowing areas of the country.

He said that representation of all four provinces, federal government and allied departments working under the respective governments of had also be aligned for streamlining the matters related to enhance the output of the crop by facilitating the farmers and field extension departments.

Meanwhile, giving the over view of crop during current season, the Commissioner said that the cotton crop was in good shape and stability in prices in the domestic markets had enhance the interest in the crop and encouraged the farmers to put more land under cotton cultivation.

Besides, he informed that the federal government has imposed import duty on cotton, which would also help in price stabilization in the local markets.

“The cotton had been cultivated over 2.69 million hectares of land to produce 14 million cotton bales fixed during the current sowing season to fulfill the domestic requirements as well as for exporting, adding that crop sowing had registered about 1 percent increase across the crop producing areas of the country as compared the cultivation of corresponding period of last season,” he remarked.

The cotton sowing targets were fixed at 2.95 million hectares in order to produce over 14 million cotton bales during the crop season 2018-19 in order to fulfill the domestic requirements as well as for exporting.

He informed that the crop cultivation targets, which fixed for the current sowing season were achieved by over 91 percent as it went up by 1.0 percent as compared with the area under cotton crop cultivation during same period of last year.

He said that overall cotton sowing in the Province of Punjab registered about 11 percent growth as it had cultivated the crop over 2.29 million hectares of land as against the set targets of 2.31 million hectares for the period under review.
However, he informed that crop sowing in the Sindh Province was decreased by 40 percent and attributed the low sowing trend with dry weather during the crop sowing time as well as shortage of water for crop irrigation.

The province, he said could achieve the sowing targets by 66 percent and cultivated the crop over 0.41 million hectares as against the targets of 0.62 million hectares fixed for current sowing season.

Meanwhile, he said that Balochistan and Khyber Pakhtunkhwa provinces were assigned a task to cultivated the crop over 0.1 million hectares.

Dr Abdullah said that due to recent rains the water availability for crop irrigation would strengthened, which would help in further boosting the area under cotton growing as well as enhance the output.

Meanwhile, the exports of raw cotton from the country during 12 months of last financial year ended on June 30, 2018 had registered over 33.65 percent growth as compared the exports of the corresponding period of last year as about 35,347 metric tons of the above mentioned commodity wroth US$ 58.227 million exported, which stood at 25,462 metric tons valuing US$ 43.567 million of same period last year.

During the period under review, about 521,959 metric tons of cotton yarn worth US$ 1.371 billion was also exported as compared the 458,074 metric tons valuing US$ 1.243 billion of the same period last year, according the data of Pakistan Bureau of Statistics.

During the period from July-June, 2017-18, the exports of the cotton yarn grew by 10.30 percent as compared the corresponding period of last year, whereas the exports of yarn other than the cotton yarn grew by 38.85 percent, it added.

About 11,690 metric tons of yarn other than cotton yarn worth US$ 33.411 million exported as against the 2,519 metric tons valuing US$ 24.063 million of same period of last year, it added.

Source: breccorder.com - Aug 02, 2018
Italy: Order intake for textile machinery drops: ACIMIT report

The order intake index for textile machinery compiled by ACIMIT for April-June 2018 period fell by 15 per cent compared to the same period for 2017.

The index value stood at 103.4 basis points (2015 basis = 100). ACIMIT is the Association of Italian Textile Machinery Manufacturers, representing an industrial sector, comprising around 300 manufacturers.

The drop affected both the domestic and foreign markets. In Italy, the index stood at an absolute value of 141.4 basis points, that is, 13 per cent less than for the period of April-June 2017. For foreign markets, sales fell by 14 per cent and the index stood at an absolute value of 99.6 basis points.

ACIMIT’s president Alessandro Zucchi said, “Surely the global market for the sector has tended to somewhat settle down.

After two years of significant investments, textile manufacturers are now tightening up. However, growth margins still exist in a variety of countries.”

This fact appears even more relevant for Italy’s domestic market where, although registering a drop with respect to 2017, the order intake index for the second quarter has shown growth compared to the corresponding value for the year’s first quarter.

“Following an initial period of uncertainty, the confirmation of fiscal incentives for 2018 have helped re-launch investments in advanced technologies by Italian textile companies,” said Zucchi.

Source: fibre2fashion.com - Aug 01, 2018
NATIONAL NEWS

India's Cotton Consumption Estimated At 315.50 Lakh Bales In 2017-18

The total domestic consumption of cotton in the country during 2017-18, as estimated by Cotton Advisory Board (CAB) in its meeting held on 16.6.2018, is 315.50 lakh bales.

The Government has been implementing Cotton Development Programme with a focus on cropping system approach under National Food Security Mission (NFSM) in major cotton growing states since 2014-15 to enhance production and productivity.

Thrust has been given on transfer of technology through frontline demonstrations and training in order to extend benefits to farmers. In addition, States can support Cotton Development Programme under Rashtriya Krishi Vikas Yojna.

Further to provide remunerative prices to cotton cultivators in the country, Government has fixed the Minimum Support Price (MSP) of Cotton for 2018-19 season at Rs. 5150/- per quintal for medium staple and at Rs. 5450/- per quintal for long staple. This provides margin of 50 percent over all India paid out cost including family labour.

As a result of various initiatives taken by the Government, India has become a major cotton producer in the world and is also a net cotton surplus country.

The total cotton production and consumption in the country during the current crop year i.e. 2018-19 is not available.

However, State-wise estimated production of cotton, as per the Third Advance Estimates for the year 2017-18 is 348.62 lakh bales.

Source: business-standard.com- Aug 01, 2018
Textiles, apparel exports fall by nearly Rs 8k cr in FY18: Govt

Textiles and apparel exports dropped by nearly Rs 8,000 crore to Rs 2,30,056 crore in 2017-18 owing to competition from emerging economies like Bangladesh and Sri Lanka which enjoy preferential duty access in key markets, the government said today.

The country's textiles and apparel exports stood at Rs 2,37,922 crore in 2016-17, Minister of State for Textiles Ajay Tamta said in a written reply to the Rajya Sabha.

Replying to another query, the minister said that during the current cotton season (October 2017 to September 2018), shipments of cotton from the country are expected to touch 70 lakh bales, registering a 20 per cent increase over the previous season. According to Tamta, while 51.2 lakh bales have been exported up to April 30, 2018, no target as such has been set for cotton exports.

Besides, he said there is no proposal to frame a separate policy for export of cotton, as its shipments are dependent on various factors including demand and supply conditions and the ruling domestic prices vis-a-vis international prices.

Source: business-standard.com - Aug 01, 2018

E-commerce policy deliberations: Compounding the confusion

The deliberations of the task force constituted by the Union government of India to come up with a suitable e-commerce policy have now been consolidated into a draft policy and covered widely in the media. The authors of this policy would have made the mandarins of the erstwhile Planning Commission in the 1950s and 60s very proud.

While they rightfully acknowledge the potential of the digital economy now, and in the decades to come, the understanding of what the digital economy and e-commerce is all about seems to be quite muddled.
The India of today does not need a “nanny-state” treatment. The nation urgently needs to catch up, in just about every domain, with the developed world if it were to give a chance to all its 1.3 billion inhabitants to live a better life.

Innovative, intelligent use of various digital technologies and platforms provide a glimmer of hope to a nation which has unfortunately missed the previous industrial revolutions and must not miss the incoming industrial revolution 4.0.

With the incredible pace of change all around us, the last thing that India needs is the straitjacket of a government created “policy” which creates artificial and undesirable schisms such as scale of e-commerce businesses, ownership in terms of nationality of the key investors in such businesses, differentiation of goods sold through such businesses in terms of country of manufacture, etc.

There are several glaring anomalies and impracticalities in this draft policy. The first one is to do with the supposed distinction between “domestic” and “foreign” firms. In today's economy, capital flows are seamlessly global. India-based start-ups, with Indian nationality entrepreneurs, require access to millions (and in some cases, billions) of dollars in funding at various stages of their growth.

These funds (and in many cases, technical and managerial know-how) cannot be sourced only from resident Indian investors. Indeed, almost all the major venture capital and private equity funds raise their corpus from investors that are spread across the globe.

Many of these ventures may also have a need to enter into mergers/acquisitions/divestments to other business entities who may have different ownership structures (in terms of nationality). India has already lost a lot by keeping out international investment in the country over the last 7 decades through myriad restrictions and regulations.

It is high time that the nationality of investors in almost any business in India (other than, perhaps, in a very few areas relating to national defense and internal security) is no longer a matter of consideration for the Centre in normal business activity.
Secondly, it is absolutely essential to support the MSME sector. However, that support has to be provided by the Central government only by way of providing requisite high quality, cost-effective physical infrastructure and facilitating access to start-up/growth capital through suitable policy and fiscal incentives. Thereafter, it is up to the MSMEs to take advantage of a growing economy and rising consumer demand and set up/grow their businesses in tandem.

Governments, in the past 70 years, have nearly killed many business sectors by creating all kinds of reservations based on scale and area of operation. Textile industry is one such example wherein the Centre’s confused thinking in 1980s-2000s prevented Indian industry to grow while China was still a relatively small player in that sector.

Today, India is struggling to even compete with Bangladesh and Vietnam simply because the Centre created policy distortions. In e-commerce, for successful companies, the entire world is a potential market and many such companies can rapidly scale up from being an MSME to world scale businesses. The last thing Indian MSMEs need is government forced restraints on their scale of operation.

Thirdly, the Union government has no business to directly or indirectly exercise any kind of price control on the goods (and services) being sold to Indian consumers. There is no definition or benchmark of what constitutes a normal discount versus excessive discount. Competitors and consumers decide what the appropriate price should be. In any exceptional situation of any evidence of predatory pricing, the CCI can easily take a view and address any such anti-competitive practice.

E-commerce in India, currently, is less than 2% of the total consumer spending across various channels. Surely, at this insignificant level of penetration, it cannot distort the market conditions. Indeed, even if it touches 10% penetration in a decade from now, it would still be the smallest channel of retail for the 1.3 billion relatively low-income consumers who need the lowest possible price for whatever they buy.

It would have been useful if this task force had studied if any such e-commerce “policy” currently exists in any developed nation before it attempted to write one for India and thereby potentially stymie growth of e-commerce in the country.
What this task force should limit its attention to is on a few specific areas. Data protection and data privacy is a genuine challenge, and therefore the Centre should ensure this. Transparency in the ownership structure of all businesses operating in India is important so that there is no circumventing of various laws and regulations through creative corporate holding structures.

There should be adequate protection to the consumer whereby the channel/marketplace through which they have bought any specific product or service is held fully accountable for remedying any genuine shortcoming experienced by any consumer post purchase. Accordingly, CCI and ministry of consumer affairs should update and upgrade their expertise to handle issues arising out of e-commerce.

Source: financialexpress.com - Aug 02, 2018

Weavers demand GST exemption on handloom products, raw materials

Silk yarn depot in Chirala, facelift of Neta Bazar other demands

Ahead of the National Handloom Day celebrations in Chirala, weavers there will press for repealing the GST on yarn, dyes and fabric handloom products.

Faced with competition from mechanised looms, 50,000 looms in and around Chirala have dwindled to 10,000 facing hurdles in sourcing raw material and in finding market for environment-friendly products.

“We add value to our products and go all out to woo health-conscious customers by using organic cotton and vegetable dyes.

Yet, we are finding it hard to survive because of competition from power looms,” Indira Abhyudaya Silk Handloom Weavers Co-operative Society president B. Shyam Sundar told The Hindu.

The Neta Bazar in Chirala needed a facelift to improve the market for them, he said
Wait for soft loans

As weavers are forced to go to Bengaluru and Dharmavaram to procure silk yarn, “It is high time a silk yarn depot is set up in Chirala itself,” said Mr. Sundar, adding that the 20% incentive promised by both the governments on products sold by them remained unpaid for three years. A bank for soft loans to weavers was pending.

“For products sold through the Andhra Pradesh State Handloom Weavers Cooperative Society, we wait for payment for more than 10 months,” said Jawala Narasimham, weaver.

Subsequent generations were changing professions as weaving was no longer lucrative and viable, said M. Gourishankar of the Sitaramaraju Handloom Weavers Cooperative Society.

The governments should provide house-cum-worksheds on a saturation basis since at least 2,000 applications were pending, added K. Lakshma Rao.

Source: thehindu.com- Aug 02, 2018

Facebook expected to play bigger role in influencing fashion purchases in India: report

Facebook’s average influence was at 24% in the apparel space in 2017

Facebook is expected to influence more than half of mobile-influenced purchases in the apparel and accessories (fashion) categories in India by 2022, according to a report published by the social media company in collaboration with research firms KPMG and Nielsen.

The report measured the influence of mobiles and Facebook in the three stages of a potential buyer’s path to an actual purchase – awareness, consideration and intent.
Facebook and other mobile platforms can help solve friction at each of those stages, the report says. Friction in this case is defined as any unnecessary additional effort, incremental step or inconvenience to the potential buyer that makes them abandon their purchase.

“A consumer in a city like Bangalore versus a city like Gorakhpur needs different communication. What we bring is the relevance of advertisements by virtue of targeted advertising,” said Pulkit Trivedi, director, global sales organization at Facebook India.

Platforms like Facebook can also help brands capture consumer attention better by helping them build sharper creatives targeted specifically at mobile users, he added.

In India, 97% of all Facebook users consume the social media platform on a mobile device. And overall mobile-influenced commerce is only set to grow in the country. For example, nearly 65% of apparel purchases by 2022 are likely to be influenced by mobiles, the report said. Facebook will play a key role in this.

The social media company’s average influence was at 24% in the apparel space in 2017. That number is forecast to increase to 34% or more than one out of every three purchases by 2022. In the accessories space, it will be even higher at an average influence of 38% versus 27% in 2017, according to the report.

Fashion is not the only category where Facebook is focusing on in terms of advertising in India. But it is among the more popular categories that are showing traction, including others like packaged consumer goods, e-commerce, technology and telecoms.

India’s fashion industry is expected to grow at a compounded annual growth rate of 15% until 2022. The apparel category is forecast to become a $102 billion market, while accessories are likely to touch $155 billion.

But the next phase of growth will also be shaped by how brands engage with non-English speaking consumers. While that includes potential fashion consumers in tier II markets and beyond, who have both the aspiration and spending power, it is not restricted to those areas.
“Indian language users need not be just in non-urban areas. There is a large pie of people above the age of 40 even in the top ten cities who are not shopping (on mobile) because they are not very comfortable in English, even if they have been educated in the language.

That’s the starting point and the end is the population who don’t know English,” said Sreedhar Prasad, partner and head of consumer markets at KPMG in India.

The next 300-400 million people should find meaningful ways to interact with their mobiles, Trivedi said, adding that brands should latch on to two big trends to target this potential base.

The shift to voice-based technology is one while videos, which are the most democratised form of content, are another, he added.

Source: livemint.com-Aug 01, 2018

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**Have gaps, will evade**

Companies try to find loopholes in GST, cite clauses to save their income from being duly taxed.

The owner of an ethnic wear boutique in the city looked nonplussed, his face a font of disbelief while reading his store’s performance report based on internal assessment. The numbers paled in comparison to his competitors’. He hired chartered accountants to audit.

The outcome showed that many companies were finding ways and means to wriggle out of paying the prescribed Goods and Services Tax (GST) for their enterprises and products.

The proprietor of the store learned that his competitor was making full use of a small clause in the GST law to make money. Under GST, all goods transacted in India are classified under the HSN (Harmonized System Nomenclature) code system. Based on that, GST rates are fixed in five slabs — NIL, 5%, 12%, 18% and 28%.
Knitted apparel and clothing fall under chapter 61 of the HSN code. Apparel and clothing that are not knitted fall under chapter 62 of the HSN code. Under both categories, any piece of apparel or clothing would be taxed at 5% GST if the taxable value of the goods does not exceed `1,000 per piece. All types of apparel and clothing of sale value exceeding `1,000 per piece would be taxed at 12% GST.

“What he did was, he sold one metre of cloth at `999 so that it could be taxed at 5% rather than at 12%, which our client was charging. So if a customer wanted three metres of cloth, the competitor would bill it as three units at `999, which was lower than the price that the other boutique owner was selling it at. So he lost a lot of clients who felt it was a better deal to buy from the other shop as it was priced at a more attractive rate because of lower GST on garments,” said S Ramkumar, senior director at Sundaram and Srinivasan Chartered Accountants, who handled the audit.

However, this is not restricted to only to textiles, experts said. Another company imports Malaysian beauty products and operates out of a considerably rundown mall in the city. CE interacted with the distributor of the product to find out how he managed to pay from a lower tax slab.

“I just registered myself as a company that deals in ‘herbal products’ because when you register as a regular beauty products company, you have to pay a higher GST. Herbal products are taxed at 12% whereas other beauty products are taxed at either 18% or 28% depending on the brand and ingredient specifications,” the distributor said.

When owners and distributors find loopholes, it not only gives their companies an unfair advantage but also poses a risk of customers being cheated.

“The magnitude of companies indulging in these malpractices is alarming. It is often done in subtle ways so it gets harder to recognise such fraudulent activities.

While the GST law provides for remedial measures, there is a lot of confusion surrounding the law as such, even though it has been quite a while since the single tax regime has been in operation,” said another chartered accountant who did not wish to be named.
The GST law provides for an anti-profiteering committee to look into matters where the benefit of a reduction in tax is not passed on to consumers. “This would mean that if the benefit of the relaxation in tax on sanitary napkins is not passed on to the consumer, the anti-profiteering committee steps in and penalises the company,” said a senior official of the commercial taxes department.

The official added that when companies register themselves wrongly, it is considered as evasion. “Generally, we notice discrepancies when companies submit their returns or when a complaint is forwarded to us.

We have not started return scrutiny, yet, but have received about two complaints in the Chennai-I division (north and central Chennai) in the last few months regarding GST that we have looked into. There is no clear data on hand to state that evasion has gone up since GST,” the official said.

Source: newindianexpress.com-Aug 01, 2018

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India to display textile trends at Canada, expand business

A delegation from the Indian textile industry will display the latest trends at the Apparel Textile Sourcing Canada (ATSC) show, featuring more than 500 international exhibits, beginning August 20.

The 3-day fair will open scope for foreign direct investment (FDI), with Indian firms quick to innovate and adapt to the fast-changing demands of the industry.

"We are thrilled to announce that 40 established, new and emerging businesses will be featured in the show’s new India Pavilion, which will showcase trending Indian apparel, textiles and accessories,” said Jason Prescott, CEO of JP Communications, ATSC producer.

The India Pavilion will be organised and managed by Comnet Exhibitions Pvt Ltd. (CEPL), India’s leading trade promotion organisation that connects Indian exporters to a world of trade opportunities at international trade fairs across the globe.
"With abundant availability of raw materials, such as cotton, wool, silk, and jute, as well as a skilled workforce, India offers a favourable market for global retail brands," Chandrika Behl, CEPL director, emphasising that Indian exhibitors are looking forward to forging strong relationships with Canadians.

“The industry is one of the largest contributors to India’s exports, with approximately 11 per cent of total exports worth $41.4 billion," Behl added CEPL – with support from the Indian department of commerce under the ministry of commerce and industry, the federation of Indian chambers of commerce and industry (FICCI), the apparel export promotion council (AEPC) and the wool and woollens export promotion council (WWEPC) – will assist textile and apparel businesses to connect with international companies, sign deals and develop trading and export opportunities at the trade show.

"Everyone loves Indian textiles and apparel for their fine craftsmanship and traditional opulence," Behl added, explaining that the industry boosts exports, creates jobs and helps to promote the Indian cultural identity globally.

"For the past 30 years, CEPL has encouraged, educated and assisted the Indian textiles and apparel industry to take on the world by providing access to new markets.

Canada is the next destination for the ‘Made in India’ marque that has become synonymous with style and quality."

India is one of more than 20 countries participating in ATSC, including other South Asian countries such as Bangladesh, Pakistan and Nepal.

New fashion innovations from countries such as the Ukraine, Switzerland, Spain, the UK, Turkey, the US and Canada will also be on display.

Source: fibre2fashion.com-Aug 01, 2018
**Roadshow on fibre textile exhibition**

The third edition of ‘Source India,’ India’s largest sourcing show for man-made fibre textile products, would be held in Surat from September 21 to 23, said Ronak Rughani, Vice-Chairman, Synthetic and Rayon Textiles Export Promotion Council.

Speaking at a roadshow conducted in association with Southern India Mills’ Association (SIMA) here on Tuesday, Mr. Ronak said manufacturers and exporters of man-made fibre textiles, including yarns, fabrics, apparels, made-ups, home textiles, technical textiles and accessories, would be showcasing their products at Source India.

More than 200 buyers from 40 countries were expected to visit the event, expected to attract 5,000 visitors, including domestic buyers, representatives of Indian and international buying houses, procurement managers from large retail brands, sourcing agents, industry heads and business leaders, he said.

D. Jayaraman, Head-Spinning, South India Textile Research Association (SITRA), gave a presentation on ‘Market potential and emerging trends in textile trade.’

Source: thehindu.com-Aug 02, 2018

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**MSMEs may get GST refund**

The Goods and Services Tax Council, in its meeting on Saturday, is likely to consider extending some monetary sops to micro, small and medium enterprises (MSME) within the turnover threshold of `1.5 crore, sources said.

The 29th Council meeting is being held to exclusively discuss challenges facing small taxpayers, which include laws, tax rates, procedure and GST Network-related issues.

Although a final proposal on sops is being formulated, sources said small taxpayers could be given refund of a certain percentage of tax paid by them.
This would ensure that no separate exemptions/differential rates are carved out under the GST and the input credit tax (ITC) chain also remains intact.

The decision to provide succour to the MSME sector is based on the fact that many such businesses were exempt from the excise duty in the pre-GST regime, but their tax liability now is equivalent to a combination of excise and VAT. This has robbed them of the competitive advantage since the rollout of the GST. For instance, small scale industries were exempt from excise duty for units with turnover of less than Rs 1.5 crore since 2008.

Incentives to MSMEs will come with adverse revenue implication, but sources said even a small quantum of relief would cover a large part of taxpayers, given that small taxpayers contribute a small fraction to the GST revenue collection. According to official data, registered taxpayers up to turnover of `1 crore constitute over 78% of the total base, but contribute less than 7% to the revenue collection. In absolute terms, these assessees pay about `6,000 crore in GST every month if the total collection is `90,000 crore.

“It would be a welcome step if the GST Council provides us with refunds to lower tax liability, but the MSME sector needs much more. Ideally, MSMEs with turnover of up to `5 crore should be exempt from the GST and businesses with up to `25-crore turnover should be allowed to file and deposit tax quarterly,” Chandrakant Salunkhe, founder and president of the SME Chamber of India, said.

The Council had allowed quarterly return filing for assessees with up to `5-crore turnover in last meeting, but they would still need to deposit tax every month.

The MSMEs sector is believed to have suffered the most in the aftermath of demonetisation. Besides, they have also had the hardest time adjusting to IT-heavy infrastructure of the new indirect tax regime, which has made it difficult for small taxpayers to comply without engaging a tax professional. This had led to additional cost to the businesses.

However, the Council would have to factor in the possible shortfall in GST revenue collection due to the proposal. In the last meeting, the Council had cut rates on 88 items with an estimated revenue loss of nearly `12,000 crore annually.
Even though the GST revenue collection has been growing every month this fiscal, it is still a long distance away from the ₹1.12 lakh crore of monthly collection required to meet the Budget target for FY19.

Source: financialexpress.com-Aug 02, 2018

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GST collections inch up in July to ₹96,483 crore on e-way bill usage

Revenue receipts from goods and services tax (GST) rose marginally to ₹96,483 crore in July, indicating the efficacy of e-way bills now compulsory for shipment of goods within states and across the country in checking tax evasion.

The improved tax receipts come in the wake of higher tax filings in July, said the finance ministry. About 6.6 million returns (referred to as GSTR 3B) have been filed up to 31 July. In June, 6.46 million returns were filed. GST receipts in June stood at ₹95,610 crore.

July’s revenue collection, which relates to June sales, does not reflect the latest round of tax cuts that came into force last Friday.

As this could slow down revenue growth, the tax authorities are likely to keep compliance high on their priority.

The Centre is banking on robust revenue collections from corporate and personal income taxes as well as petroleum products, which are outside GST, for revenue growth.

The finance ministry said that ₹3,899 crore has been released to the states as GST compensation for the months of April-May.

“GST revenue collections are improving from last three months after implementation of e-way bill which is a major tool to curb tax evasion,” said Vishal Raheja of Taxmann, a publisher of tax and corporate law books.
The latest rate cuts will hit revenue collection in the short run, but demand for goods will rise because of lower prices, which will boost collection in the long run, he said. Finance minister Piyush Goyal had said while announcing the rate cut that its impact will be minimal on the exchequer.

Union minister Arun Jaitley said last week that the GST Council has cut tax rates on 384 goods and 68 services at a revenue loss of ₹70,000 crore.

Economic activity is typically slow in the monsoon season and is expected to pick up in the months ahead, Goyal said on Wednesday. “Compliance will increase and the tax rate cuts will start showing impact by boosting consumption demand,” he said.

The finance ministry also said that the Union and state governments have cleared tax refund dues of more than Rs54,000 crore to businesses in a fortnight long drive in the second half of July.

Source: livemint.com-Aug 01, 2018