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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 44 of 2018 March 03, 2018

USD 65.20 | EUR 80.31 | GBP 90.02 | JPY 0.62

Cotton Market (01-03-2018)

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

Rs./Bale	Rs./Candy	USD Cent/lb
19314	40400	**79.42**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20640	43174	**84.87**

International Futures Price

NY ICE USD Cents/lb (May 2018)	82.93
ZCE Cotton: Yuan/MT (Jan 2018)	15,195
ZCE Cotton: USD Cents/lb	**92.54**
Cotlook A Index – Physical	**91.8**

Cotton guide: The month February has ended positive for active May contract at 82.93 cents up by 457 points from previous month close. This has been two consecutive months cotton prices are on the upside trend. From the price perspective cotton has rebounded from 75 cents to near 83 cents per pound. We believe market will remain positive in the near term having immediate target to recent high of 84.50 cents.

As far as trading part is concerned the open interest is slowly adding up for the past seven consecutive trading sessions and the trading volumes are hovering between 25 to 35K contracts.

We see no significant participation while expect that good amount would come in soon when funds start flowing from other markets to commodity and hedge participation increases in market.

Further we have next week the USDA demand and supply report scheduled on 8th of March and expect this data will have significant impact on market.

Today the weekly export sales data will be released and likely that the US exports to increase and should support cotton price to trade positive.

For the day we expect cotton for May contract to trade in the range of 82.30 to 83.50 cents per pound.

On the domestic front spot continued to hold steady near Rs. 40800 to Rs. 40900 per candy ex-gin and the arrivals are increasing to around 170K bales. Market is expected to trade sideways to positive.

Lastly on the future front the active March future settled at Rs. 20650 per bale and for the day the trading range would be Rs. 20450 to Rs. 20800 and recommend buying on lower level.

Note: with the recent price action the basis difference between ICE cotton and Indian spot cotton has reduced to around 3 cents which means exports interest on Indian cotton may be good in the near term may keep cotton price near Rs. 41K per cent ex-gin at the spot market.

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

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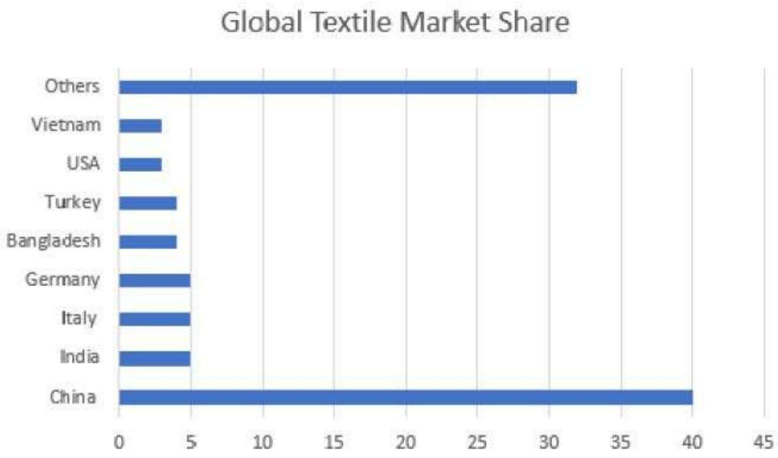
INTERNATIONAL NEWS

How China Built $150 Billion Lead Over India In Textile Exports

Between 2001 and 2015, India's textile and apparel exports nearly quadrupled from $10.7 billion to $41 billion. It actually doubled to $20 billion in 2005 from 2001 and then took another 10 years to touch $40 billion.

During that time, China's textile and apparel exports rose from $50 billion to nearly $200 billion. In the global market, China enjoys a 40 per cent market share and India is a distant second with a meagre 5 per cent share.

How has China managed to become the leader in the global textile and apparel market?



China treated the textile sector as a priority industry, while Indian textile industry has had to compete with its hands tied to its back, facing various problems. These problems have cropped up mainly from faulty government policies. We will come to that later.

1979 Open-Door Policy

In 1979, China began its open-door policy and kick-started economic reforms. It chose to restructure its textiles industry, identifying it as a priority. With over 100 years' experience in textiles, China had the basic infrastructure for the industry in place. So, it only needed a sharp focus, which began by raising capacities in each segment of the sector. The textiles industry is a labour-intensive one, and China chose to exploit its low-cost human resources, what with a huge population looking for sources of income.

China came up with six priorities to promote the textile industry – giving it a favourable treatment from supply of raw materials, to power, modernisation, bank loans, foreign exchange, and import of advanced technology.

From around 18 million spindles in the 1980s, China's capacity in spinning mills went up 120 million spindles by 2015, or 48 per cent of the total capacity in the world. (In comparison, India has 51 million spindles, making up 20 per cent of the world capacity.) Again, the capacity of looms that is important for producing fabric increased rapidly during this period. China's global share of the shuttle-less looms that help weave fine fabrics increased from a mere 6 per cent to 46 per cent in 2010. (India's share, in fact, decreased to 3 per cent in 2015!)

While taking these measures, China primarily targeted its production for the export market. It took advantage of a bilateral pact that it had signed with the United States (US) in 1980. This got Chinese textile products a good market and the testimony to this fact is that the agreement underwent modification four times, the latest in 1997. This helped China export nearly 50 per cent of its total domestic production at one point of time in the 2000s. The initiatives also gave China the advantages that a first-mover usually gets in any industry.

Encouragement to Private Sector

One of China's key features in restructuring the textile industry was encouraging the private sector to set up new modern units. It changed the landscape of the industry forever. Next, this helped China to dismantle the old machinery and increase productivity.

According to the EU SME Centre – a European Union (EU) initiative to support small and medium-sized enterprises so they can do business in China, even when the world was going through tough economic conditions during 2008-11, China's exports to the EU, US, and Japan increased.

China also chose a policy mix that suited its national interests. It opened up its textile industry to foreign direct investment (FDI) that helped the rapid expansion. Between 1979 and 1999, China received FDI worth $360 billion with 60 per cent of it going towards labour-intensive industries like textiles.

It came up with lucrative offers to foreign investors and devalued its currency against the dollar, thus managing the foreign exchange market. In 1994, the yuan was devalued by 50 per cent, making Chinese products highly competitive in the global market.

China, as a result, garnered a major share in the global market when other countries suffered from the effects of the Mexican peso crisis.

What Ails India's Textiles Industry?

India, in contrast, has always lagged behind. Currently, its situation is such that countries like Bangladesh and Vietnam have now left India behind, especially in the readymade garments shipments.

So what is ailing the Indian textile industry when it often looks to emulate the Chinese industry?

A few things in particular have always been hurting the Indian textile industry. First, Indian infrastructure, at least until a few years ago, was a hurdle the textiles industry had to overcome day and night.

Next, until Indian farmers began growing genetically modified or Bt cotton, the cotton-based textile industry faced a shortage of raw material. In 1994, spinning mills bled after the cotton crop failed and traders hoarded cotton.

The third hurdle that the sector has been facing and had been complaining about at least until 2015, has been the hank yarn obligation. Since India has three million handlooms, the government has always been of the view that the sector should get a continuous yarn supply. Therefore, it is mandatory for a textile mill to ensure that 40 per cent of its production is in hank form. (This was 50 per cent until 2003, when it was reduced.)

The textile industry has been seeking some sort of relief from this obligation, but in vain. The handloom sector is a huge vote bank that political parties dare not touch. However, the textile industry's argument is that most of the handlooms have given way to powerlooms and, therefore, a review of the law is necessary.

According to the Federation of Indian Chambers of Commerce and Industry (FICCI), successive governments have come up with various schemes to help the textile industry move forward. Currently, at least 10 schemes are active.

Small, Unorganised Units A Bane

One of the major ills of the industry is the unorganised units that are smaller in size. In fabric manufacturing and processing, these units use secondhand machinery that is imported. Shuttle-less looms that help weave fine fabrics make up only two lakh of the nearly two million looms in the country – a clear indication of Indian inefficiency. Dismantled looms in China find their way into India and it is no surprise that Chinese machines make up nearly one-third of textile machinery imports into India.

Despite these disadvantages, the textile industry offers direct employment to 45 million people directly and another 20 million indirectly. It is the second-largest employment-generating industry after agriculture.

Other issues worrying the textile industry, according to FICCI, are higher capital costs, absence of fibre neutrality, poor technology, and a lack of access to credit.

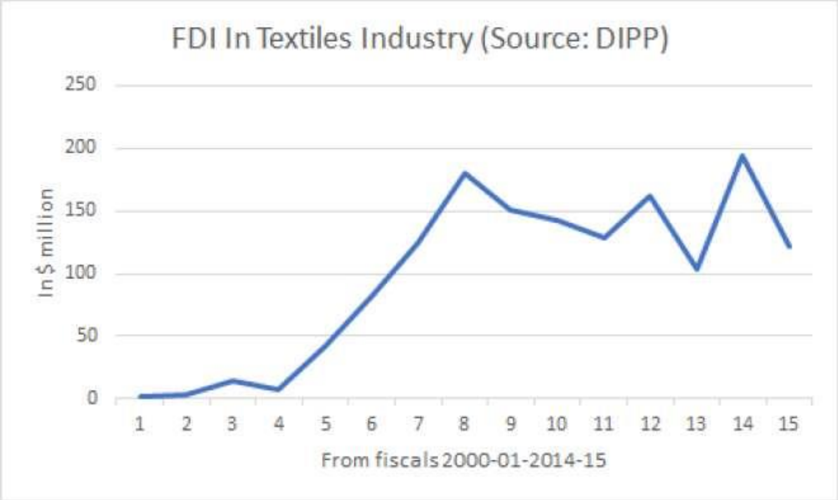
Capital costs are higher in India, as also power costs. Absence of fibre neutrality is affecting the availability of man-made fibres at competitive prices, while outdated technology of machines is another impeding factor.

Access to credit has always been an issue since the industry in India has to pay a high interest rate, ranging from 11 per cent to 12.5 per cent, compared with 5-7 per cent in competing countries.

The Indian textile industry is also hurt by the absence of free-trade agreements with major markets like Europe. While lesser developed countries such as Bangladesh can export to Europe at zero duty, others like Pakistan enjoy an advantage under a general system of preference plus system.

Indian imports to Europe attract 9.6 per cent duty.

If India has to compete on equal terms in the global market, it has to first increase productivity and efficiency. That can be achieved only if it encourages the setting up of more integrated textile units. While skilled manpower is the need of the hour for the sector, a technology upgrade should be given priority. The quality of products should improve and FDI should be made attractive. According to the Department of Industrial Policy and Promotion, foreign investment in the textile sector hardly touched 5 per cent of the total FDI inflows between 2000 and 2015.



Textiles took root in Asia since the Western nations couldn't help the sector sustain. A similar scenario is now unfolding with China's rate of growth declining in the last couple of years.

India's growth can certainly improve and even outpace China's. But all indications are that it is unlikely to overtake China in the near future. For that matter, China has now turned its attention to technical textiles.

India, too, has set up a technology mission under its "Make In India" programme. How far can India give the Chinese a fight is something that we will know only in the next decade or so.

Source: swarajyamag.com- Mar 02, 2018

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Pakistan: 2011 to 2017: Textile, clothing exports fall 10% in six years

A delegation of the All Pakistan Textile Mills Association (APTMA) discussed several issues being faced by the fabric industry with Speaker National Assembly Sardar Ayaz Sadiq during a meeting held at the parliament house on Thursday.

A detailed briefing was given to the NA speaker by APTMA chairman Amir Fiyyaz Sheikh, APTMA president Gohar Ijaz and others about the current profile of the Pakistani textile industry and its standing in the international market.

The delegation also presented various proposals aimed at increasing exports and thereby reducing trade deficit of the country. They maintained that the textile industry in Punjab was virtually vanishing with most units closing down all operations due to the high energy cost.

“Pakistan’s growth of textile and clothing exports declined by 10 per cent from the year 2011 to 2017,” Gohar Ijaz said. He argued that Pakistan had lost the competitiveness due to the regionally non-competitive energy cost, saying gas to the textile industry in Bangladesh was being provided at a cost of $3 per mmbtu, in Veitnam at $4.2 and in India at $4.5. “But in Pakistan the product is being supplied at a cost of $11 per mmbtu,” he regretted.

The APTMA delegation vowed that given the right kind of incentives, the textile industry would be able to play its due role in enhancing the country’s foreign exchange earnings. The delegation thanked the NA speaker for taking out time for this important meeting.

Sardar Ayaz Sadiq said the textile industry was the backbone of the country’s economy. He assured the delegation that their issues would be soon discussed with the prime minster along with the relevant ministers.

The meeting was also attended by adviser on finance, revenue and economic affairs Miftah Ismail, Federal Minister for Power Sardar Awais Ahmed Khan Leghari, Minister of State for Commerce and Textile Haji Muhammad Akram Ansari, Minister of State for Finance and Economic Affairs Rana Muhammad Afzal Khan and federal secretaries.

The ministers in attendance reiterated the government's commitment to continue undertaking all possible measures, including policy initiatives, to create an enabling environment for the businesses to grow and making Pakistani products more competitive in the international market.

Source: tribune.com.pk- Mar 02, 2018

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Ocean Cargo Freight Rates Down as Volume Hits a Trough

Lower volume, partially explained by factories shutdowns in China and other parts of Asia but also indicative of a longer-term trend, brought down ocean carrier freight rates in the last week.

The World Container Index assessed by Drewry, a composite of container freight rates on eight major routes to and from the U.S, Europe and Asia, was down 2.2% to $1,464.90 per 40-foot container (FEU) for the week ended Thursday.

The average composite index of the WCI, assessed by Drewry for year-to-date, was $1,472 per FEU, which was $93 lower than the five-year average of $1,565 per FEU. One FEU is a 40-foot cargo container or equivalent unit.

The volume decline due to Chinese New Year holidays resulted in a decrease of spot rates on routes originating from Asia this week. Rates on Shanghai to New York fell $107 to reach $2,718 per FEU, and Shanghai to Los Angeles slid to $1,471 per FEU. Similarly, on the Asia-Europe trade routes, rates on Shanghai to Rotterdam fell $56 to $1,684 per FEU.

Rates on Transatlantic Westbound and Eastbound routes stabilized at $2,070 and $501 for an FEU, respectively, Drewry reported. As a result of these rate changes, the Composite Index inched down $32 to reach $1,464.9 per FEU this week. Drewy said it expect rates to soften next week.

Factories in China and Vietnam, the two largest U.S. apparel suppliers, closed for the Lunar New Year that began on Feb. 16, and have historically stayed shut for two to four weeks.

According to the Global Port Tracker produced by the National Retail Federation and Hackett Associates, cargo container imports in March are forecast to be down 2.3% at 1.5 million 20-foot equivalent units (TEU) from a year earlier, when the Lunar New Year fell earlier in the calendar.

Importers will undoubtedly benefit from lower cargo rates, but for carriers it presents risks and challenges.

In issuing profit and earnings guidance last month for fiscal 2018, A.P. Moller – Maersk said they are "subject to considerable uncertainty, not least due to developments in the global economy and the container freight rates."

Maersk said it expects earnings before interests, tax, depreciation and amortization (EBITDA) in the range $4 billion to $5 billion, but warned that a plus or minus shift or $100 per FEU could impact its EBITDA by $1.3 billion.

In its annual report, the company said of its Maersk Line division, "The global container demand was strong in 2017, despite a slowdown in the second half of the year following a strong first half, which resulted in increased freight rates compared to the previous year."

Freight rates increased across all trades, as East-West rates increased 19.3%, North-South rates increased 8.9% and Intra-regional rates increased 2.4%, Maersk noted. East-West freight rates were driven primarily by Europe trades, while North-South rates were driven by all trade clusters led by West Central Asia and Africa trades.

"The increase in freight rates was a result of a record low level in 2016," the company said, adding that the reported 2017 freight rates peaked in the second quarter, followed by a slowdown from the beginning of the fourth quarter through the end of the year.

Source: sourcingjournalonline.com- Mar 02, 2018

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Trade and the dollarNew research suggests the dollar's level drives world trade

Agus Sacchal sells sheets and blankets from a warehouse in Buenos Aires, for which he is paid in Argentine pesos. While the pesos go into his wallet, two other banknotes are stuck to his office window. One is a ten-yuan note from a visit to China, where he went in search of cheap textiles. The other is a $5 bill, pinned next to an invoice, also in dollars. Though he does not trade with America directly, when importing he uses the greenback.

Argentina's rocky financial history makes the dollar's dominance there unsurprising. Still, it is an extreme case of a wider phenomenon. After gathering data on 91% of the world's imports, by value, Gita Gopinath of Harvard University found that America accounts for nearly 10%. But its currency is used in over 40% of invoicing.

Recent research suggests that this creates a link between a weak dollar and buoyant trade flows—and vice versa. Trends since 1999 are suggestive (see chart).

Economist.com

During 2017 the dollar depreciated by 7% against a basket of other currencies, as global trade flows surged by 4.5%. Some other factors could be driving both. But a recent paper by Ms Gopinath, Emine Boz of the IMF and Mikkel Plagborg-Møller of Princeton University found that, even after adjusting for countries' business cycles, a 1% dollar strengthening predicted a fall in trade volumes outside America of 0.6%.

They explain the connection by upending the standard way of thinking about the impact of exchange rates on trade.

Textbook models tend to assume that importers face prices in the exporting country's currency, which are hard to renegotiate. An importer whose currency falls against the exporter's is squeezed. But his countrymen who export in the opposite direction get a fillip, as their wares become more competitive. In this neat and symmetric world, as a country's imports fall because of a weaker currency, its exports rise.

But what of importers like Mr Sacchal, who buy in dollars? The researchers argue that here, the symmetry breaks down. A stronger dollar squashes his demand for Chinese products, without Argentine exporters to China gaining a countervailing bump. A strong dollar would then mean that trade volumes outside America fall.

Supporting their theory, they find that dollar exchange rates seem to be more useful than those of other currencies when predicting changes in trade flows and prices. This is particularly so in places that invoice a higher share of imports in dollars.

Alternatively, as suggested in a recent working paper published by the Bank for International Settlements, a strong dollar could tighten global credit conditions, making it harder to finance long supply chains and so crimping trade flows. The authors find that a strong dollar is associated with slower-growing company inventories (shorter supply chains require less stock to be held along the way).

Given the dollar's recent weakness, what does all this suggest about future trade flows? The recent trade surge might be only temporary, if traders renegotiate dollar prices. The results of Ms Gopinath and her coauthors suggest otherwise.

They find that, since 2002, the effects of dollar movements on trade have persisted. Gabriel Sterne of Oxford Economics, a consultancy, reckons that about half of the increase in trade flows due to the weak dollar since 2017 is yet to come.

Source: economist.com- Mar 02, 2018

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Here's How Trump Could Really Hurt China on Trade

U.S. President Donald Trump's proposed steel and aluminum tariffs won't cause China too much pain. If he really wants to land a blow on the biggest trading nation, he'd need to target electronics, toys and textiles.

Metals were just 5.1 percent of American imports from China in 2016, World Bank data show, while machinery and electronics made up 48 percent. Miscellaneous items like furniture and toys accounted for 16.5 percent of imports. Textiles and clothes made up 8.6 percent.

The data show Trump is attacking the wrong imports if he wants to cut the huge trade deficit with China, and that doing so would require measures against higher value products. Problem is, tariffs on goods such as electronics would ripple across a vast global supply chain, hurting U.S. allies from Japan to South Korea and Taiwan.

"If Trump really wants to hit China's exports to the U.S., he'll have to move beyond small fry steel and solar panels to big ticket items such as electronics and telecom products," said Louis Kuijs, chief Asia economist at Oxford Economics in Hong Kong. "Any serious attempt to bring down the U.S. trade deficit with China will need to focus on the big categories."

Trump said Thursday that the U.S. will slap tariffs on steel and aluminum imports to protect national security, a major escalation of his hawkish trade agenda that could hit producers from Europe to Asia and spur global retaliation. He said he plans to sign a formal order next week that will impose tariffs of 25 percent on imported steel and 10 percent on aluminum.

The announcement came the same day Chinese President Xi Jinping's top economic adviser, Liu He, was scheduled to meet with Trump's economic team in Washington: White House economic adviser Gary Cohn, U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin.

The tariffs may provoke retaliation from China, the world's biggest steel and aluminum producer. In a statement Friday, Wang Hejun, chief of the trade remedy and investigation bureau at China's Ministry of Commerce, said the restrictions would have "a major impact" on the international trade order.

"If the U.S. measures hurt China, China will take actions with other affected countries to protect our own interests," he said. The U.S. mainly uses Chinese steel and aluminum imports in medium- and low-end products that don't affect national security, Wang added.

Wen Xianjun, vice chairman of the China Nonferrous Metals Industry Association, also said China and other countries would take relevant retaliatory measures, according to a WeChat message to Bloomberg on Friday.

Beijing has already launched a probe into U.S. imports of sorghum, and is studying whether to restrict shipments of U.S. soybeans -- targets that could hurt Trump's support in some farming states. While China accounts for just a fraction of U.S. imports of the metals, it's accused of flooding the global market and dragging down prices.

Trump warned this week that the U.S. will use "all available tools" to prevent China's state-driven economic model from undermining global competition. On China trade though, action against steel, aluminum and solar show he's yet to bring out the heavy artillery.

"To have a large effect he would have to go beyond individual products to broad restrictions on imports of labor-intensive products from China: footwear, garments, smartphones, televisions and appliances," said David Dollar, a former U.S. Treasury attache in Beijing and now a senior fellow at the Brookings Institution in Washington.

The U.S. focus on narrowing the bilateral trade deficit puts China in an untenable position because it's driven as much by macroeconomic conditions in the two countries as it is by trade policies, says Eswar Prasad, a former chief of the International Monetary Fund's China division and now a professor at Cornell University in Ithaca, New York.

With a major fiscal expansion underway in the U.S. at a time when the economy is already gaining momentum, the U.S. trade deficit is bound to rise further, says Kuijs at Oxford Economics.

That sets the stage for a potential tit-for-tat trade confrontation. China's economic might gives Xi's government the leverage it needs to strike back decisively, including scaling back purchases of American products and subjecting well-known U.S. companies with large Chinese operations to tax or antitrust probes.

China hasn't been shy about threatening U.S. corporate interests. A Communist Party newspaper warned in late 2016 that a trade war would have economic consequences. "Boeing orders will be replaced by Airbus," the Global Times said in an editorial. "U.S. auto and iPhone sales in China will suffer a setback, and U.S. soybean and maize imports will be halted."

"There will definitely be a rhetorical reaction" from China, Andrew Polk, co-founder of research firm Trivium China in Beijing, said in a Bloomberg Television interview today. "But I wouldn't expect them to comeback, counter-punch very hard because their whole goal is to make sure that the heat of a trade war doesn't get ratcheted up."

Source: bloomberg.com- Mar 02, 2018

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World cotton stocks to fall to seven-year low in 2018-19 – ICAC

World cotton stocks will fall next season to the lowest in seven years, as buoyant world consumption far outpaces falling production, the International Cotton Advisory Committee said.

The intergovernmental group, in its first forecast for 2018-19, which starts in August, forecast world cotton stocks closing season at 18.15m tonnes.

That would represent a drop of 1.10m tonnes year on year, and represent the smallest year-end inventory since the close of 2011-12 on ICAC data.

It would also renew the run of declines in inventories from some 23m tonnes at the close of 2014-15, before China, through subsidy changes at auctions from state stockpiles, began its campaign of cutting inventories run up through a generous guaranteed pricing scheme to growers.

Output falls, demand rises

The forecast reflected expectations of a fall of 420,000 tonnes to 25.37m tones in production next season, "based on lower yields and decreases in harvested area".

Meanwhile, consumption was seen rising by 1.12m tonnes to 26.47m tonnes, thanks to factors including "global economic expansion" and "an expected acceleration of consumer demand for textiles".

The committee also flagged the "rising environmental and production costs for synthetics", fibre such as polyester, the price of which has been boosted by higher crude oil prices, and whose manufacturing process has attracted increased scrutiny on ecological grounds.

ICAC vs USDA vs Cotton Outlook

The forecast is in line with an estimate from the US Department of Agriculture last week of a fall of 5.9m bales (1.28m tonnes) to 82.7m bales (18.0m tonnes) in world cotton stocks in 2018-19, which would also represent a seven-year low.

The USDA was marginally more upbeat on both production and consumption, However, analysis group Cotton Outlook forecast the world production deficit next season at a weaker 583,000 tonnes (2.68m bales).

While the Cotton Outlook estimate for world cotton demand, at 26.7m tonnes, was in line with the ICAC and USDA figures, the consumption estimate, at 26.1m tonnes, was more generous.

Source: agrimoney.com- Mar 02, 2018

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Pakistan: Free trade agreement talks with Turkey nearing collapse

The commerce ministry has asked the government for clearance to take a long simmering dispute with Turkey to the World Trade Organisation (WTO) after prolonged discussions on a Free Trade Agreement (FTA) between the two countries have hit an impasse.

At issue is grant of GSP+ status by Turkey that Pakistan argues is an obligation given that Turkey and the European Union are part of a customs union. The ministry is arguing that out of the countries that enjoy GSP+ status with the EU, Turkey has extended the same status to all except Armenia and Pakistan.

Also, Pakistan has asked for a reversal of a set of additional duties that the Turkish government imposed on Pakistani products having high export potential in the Turkish market back in 2011.

In the seven rounds of FTA talks held since February 2015, Pakistan has repeatedly raised the matter of additional duties but no breakthrough has been achieved.

The products in question are cotton fabrics, apparel and home textiles, carpets, manmade fibres, plastics and footwear. The additional duties range from 20 to 50 per cent, bringing the total duties on these critical products to between 28 and 67pc when combined with other duties also applicable on them.

As a result, Pakistan’s exports to Turkey plummeted from $906 million in 2011 to $282m in 2017, a decline of 69pc.

The commerce ministry believes that the Turkish government is under an obligation to extend GSP+ status to Pakistan because the former is a member of the EU customs union, a demand that was first presented to the Turkish authorities in 2014. It was in response to this demand that the Turkish government proposed an FTA instead, talks for which were launched the following year.

In the seventh round of FTA talks in June 2017, Pakistan asked either for an extension of GSP+ status by Turkey or for the two countries to grant tariff concessions to each other, extending the lowest tariff that they may have granted to any other country under any FTA. For its part, the Turkish side, according to a source from the Pakistani team present at the meeting, proposed a 25pc reduction in the additional duties imposed in 2011, with the reductions spread over a five-year period and some of the duties possibly phasing out over 11 years.

Pakistan rejected that proposal, and the commerce ministry asked the top political leadership to intervene and press the Turkish side to show greater flexibility.

It suggested that if the intervention failed retaliatory tariffs could be imposed on Turkish products. None of the two recommendations were, however, adopted. In December last year, the matter was again discussed at the meeting of the Pakistan-Turkey Joint Working Group, which is different from the FTA talks.

The Turkish side, according to the source present at the meeting, said it is not offering GSP+ status to other countries beyond those that already enjoy it.

Another attempt was made to achieve a breakthrough on the sidelines of the WTO ministerial meeting later that month in Buenos Aires, Argentina, again without any success. In fact at that event no meeting between the Pakistani and Turkish trade delegations could take place.

The FTA talks between Pakistan and Turkey have been extended twice. Originally they were supposed to conclude in 2016, but the date was extended to May 2017.

At present, no further meetings are scheduled, and the commerce ministry has formally asked the cabinet for permission to take up the Turkish refusal to either reduce its additional duties or extend GSP+ status in line with the EU, with the WTO, thereby elevating the issue to a trade dispute between the two countries.

Source: dawn.com - Mar 03, 2018

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China Is Turning Ethiopia Into a Giant Fast-Fashion Factory

Standing in a sunny office in Indochine International's brand-new factory, Raghav Pattar, vice president of this Chinese apparel manufacturer, is ebullient. It's November, barely six months since the Hawassa Industrial Park opened, and already he has 1,400 locals at work. Pattar is shooting to employ 20,000 Ethiopians by 2019. "Twenty-four months ago, the land we're sitting on was farm fields," he says. "What country can change in 24 months? That is Ethiopia!"

Pattar is a bright-eyed émigré from India, with apparel experience in Bangladesh and Egypt. He keeps his pens neatly clipped in the pocket of his blue button-down oxford, and right now he's gazing out the window toward the factory floor, where scores of women are sewing seams, stamping logos, and pressing out wrinkles for Warner's underpants, a brand sold mainly at Walmart. "The government is very committed to us," he says. "They had workers here 24 hours, day and night, to build this place. And there is no corruption. None!"

Hawassa Industrial Park did go up quickly, thanks to a state-owned Chinese construction company that banged out 56 identical hangar-size, red-and-gray metal sheds devoted to textile production in nine months, for $250 million, according to the Ethiopian Investment Commission. But Pattar is effusing this way because he has a visitor, Belay Hailemichael, the soft-spoken park manager who runs the "one-stop" help center. Belay enables companies to snap up import and export licenses and executive visas and processes prospective workers. These are mostly women, who've taken long, dusty bus rides here from small villages and waited for hours to apply for jobs with a base salary of about $25 a month. The help center gives them a dexterity test and divides them into three categories: gifted "ones," fated to work the sewing machines, and less talented "twos" and "threes," who will pack boxes and sweep floors.

We've arrived at a new moment for the global apparel industry. This drought-afflicted, landlocked country of 100 million on the Horn of Africa is transforming itself into the lowest rung on the supply chain that pours out fast fashion and five-for-$12.99 tube socks. Lured by tax incentives, promises of infrastructure investment, and ultracheap labor, countries the Western world once outsourced production to, particularly China and Sri Lanka, are now the middlemen ramping up production here for Guess, Levi's, H&M, and other labels. These industrialists like Ethiopia because the government wants them as much as they want cheap labor and tax breaks. The Hawassa Industrial Park's inauguration is only the most recent part of a vast centralized scheme: Since 2014, Ethiopia has opened four giant, publicly owned industrial parks; it plans eight more by 2020.

The industrialists who set up shop here are exempt from income tax for their first five years of business and absolved from duties or taxes on the import of capital goods and construction supplies. Ethiopia can swing such largesse because it gets lots and lots of money from China: $10.7 billion in loans from 2010 to 2015, according to the China-Africa Research Initiative at the Johns Hopkins University School of Advanced International Studies. Right now much of the money is being spent on lucrative contracts for Chinese companies that, with help from Ethiopian labor, are building dams, roads, and cellular networks. This infrastructure, the Ethiopian government says, will allow the country to join the global middle class. "The plan is to create a total of 2 million jobs in manufacturing by the end of 2025," says the Ethiopian Investment Commission's Belachew Mekuria. "We are an agrarian nation now, but that will change."

If there isn't a civil war first. At the Summer Olympics in Rio de Janeiro in 2016, marathon runner Feyisa Lilesa drew the world's attention to a crisis brewing in his country. As he crossed the finish line to win silver, he raised his arms in an "X"—an antigovernment symbol. Feyisa belongs to the country's largest ethnic group, the Oromo. Since 2015 the Oromo have been staging mass protests to decry, among other things, what they say are land grabs from farmers for an autocratic government's planned factories. The Ethiopian People's Revolutionary Democratic Front (EPRDF) controls every seat in Parliament and claims to represent all of Ethiopia's 70-plus ethnic groups, but its power is largely held by the Tigray, who constitute only 6 percent of the population. In the years of unrest, hundreds of Oromo have died, factories have been burned, and many dissidents have been imprisoned.

In mid-February the Ethiopian government surprised the country by releasing hundreds of prisoners—a salve for the Oromo and, perhaps, the investors upon which Ethiopia's transition relies. In a corollary gesture, Prime Minister Hailemariam Desalegn resigned. On state television, he said it was "vital in the bid to carry out reforms that would lead to sustainable peace and democracy." One of those prisoners was Oromo leader and Addis

Ababa English professor Bekele Gerba. But on Feb. 26 the EPRDF muddied its message by detaining Bekele at a roadblock. Mohammed Ademo, the editor of OPride, a popular website carrying Oromo news, predicted “an unprecedented wave of protests and a bloody crackdown.” Hours later, Bekele was set free again.

The Hawassa park hasn’t ignited mass protests. Those have largely been nearer to Addis Ababa, in the Oromia region. The 500 subsistence farmers displaced by the park, which is in the countryside on the edge of the small city of Hawassa, are ethnically Sidama, a group that pulls little political weight. But their accusations of land grabs echo the Oromo’s. Urese Dinsa, a 69-year-old farmer and ex-chairman of the political ward where the park stands, says he was tricked by a promise of $37,000 and jobs for his children in exchange for leaving the 2.5-acre plot he’d farmed for 17 years. He actually received $6,000, which was more than many other farmers got. He notes that in the beginning many of the displaced women secured factory work, but now “there are less than 10 still there.” The regimented days are unfamiliar. “They get only 30 minutes for lunch,” Urese says. “Their backs hurt. They are exhausted. Those jobs, they make everyone sick.”

Many of the park’s managers, primarily Sri Lankans brought in to impart the efficiencies achieved in their country’s sweatshops, would view this comment as epitomizing one of their main complaints: Ethiopia’s history hasn’t equipped its citizens for the rigors of industry. “Ethiopia has never been colonized,” says David Müller, who moved from Sri Lanka (his name comes from his German father) to be the human resources manager for Hela-Indochine, a joint Chinese-Sri Lankan apparel venture in one of the park’s sheds. “There’s a sense of pride about that, and a little pushback comes with it.”

Efficiency is a problem, and Müller is strict. All of his employees begin by undergoing a five-day induction program focused on personal hygiene, grooming, and discipline. “It’s a tough journey,” Müller says, en route to a high-ceilinged cafeteria, “and sometimes they don’t get it.” (Müller has since left the company.)

One Ethiopian college graduate, who doesn’t want her name used because she fears reprisal, describes falling into a depression during a six-week stint supervising 40 women on an Indochine line producing trousers. “Whenever workers didn’t meet a goal, the bosses would yell,” she says. In response, the women slowed down, hid in the bathroom, or went outside for air instead of working faster. Several times, she says, she witnessed a seamstress being hit on the back. When they had to work on their only day off or stay late, she adds, they didn't receive the overtime promised. (Pattar says he's unaware of any pay issues or physical attacks.) "I told my bosses, 'The employees are not trained or qualified. You can't expect them to deliver 120 pieces per hour. If you push them, they will just damage the products.' " She quit and now works at the front desk of a hotel, where she earns $63 a month, slightly more than at the factory.

Outsourcing to the developing world has allowed Western consumers to ignore or remain oblivious to the environmental damage and working conditions behind the rising sea of inexpensive clothes. That's been harder since April 24, 2013, when more than 1,100 Bangladeshi textile workers died as their shoddily constructed Dhaka factory building, Rana Plaza, came down on top of them. Last year the Clean Clothes Campaign, a coalition led by Human Rights Watch, asked 72 corporations to sign a "transparency pledge" promising to list on their websites the names and addresses of the companies making their clothes. Seventeen agreed to fully comply—Nike, Patagonia, and Levi Strauss among them—and many others agreed to partial compliance.

Companies at Hawassa Industrial Park pick up orders from many well-known brands. KGG Garment Plc from China sews for the Children's Place Inc. Indochine sews for Levi Strauss & Co. and Guess along with making clothes that sell at Walmart. Some of the brands agreed to sign the pledge. (Walmart Inc. hasn't.) But oversight isn't easy. Human Rights Watch doesn't even have an office in Ethiopia. In 2009 nongovernmental advocacy groups were all but banned when a law took effect saying such organizations can operate only if they source 90 percent of their funding from inside the country.

Click here for more details.

Source: bloomberg.com- Mar 01, 2018

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Vietnam enjoys $1.08b trade surplus

VietNam recorded a trade surplus of approximately US$1.08 billion in the first two months of this year, mainly fuelled by foreign-invested businesses, which saw a surplus of $4.76 billion.

Meanwhile, the domestic-invested sector experienced a trade deficit of $3.68 billion in the January-February period, reported the General Statistics Office (GSO) on Wednesday.

During the reviewed period, the country's export turnover jumped 23 per cent year-on-year to $33.62 billion while its imports stood at $32.54 billion, up 15.3 per cent year-on-year.

Export revenue of the domestic-invested sector experienced a positive increase of 26 per cent to $9.66 billion, while that of the foreign-invested sector rose 22 per cent to $23.96 billion compared with the same period last year.

In first two months, the domestic-invested sector imported $13.34 billion worth of goods, up 16.4 per cent and imports of the foreign-invested sector reached $19.20 billion, up 15 per cent.

Major export products posting encouraging export earnings in two months were mobile phones and components, which were valued at $6.6 billion, up 42 per cent; garment-textile products ($4.3 billion, up 22.3 per cent); computers, electronic devices and components ($4 billion, up 19.2 per cent); and footwear ($2.3 billion, up 12 per cent).

Others included machinery, equipment and parts ($2.1 billion, up 20 per cent); wood and wooden goods ($1.3 billion, up 20.1 per cent); modes of transport and their components ($1.3 billion, up 19 per cent); and seafood ($1.1 billion, up 21 per cent), as well as fruits and vegetables ($604 million, up 44 per cent) and rice ($413 million, up 32 per cent).

Turnover declines, however, were seen in several staples such as crude oil with $395 million, down 13 per cent, and pepper with $117 million, down 23 per cent, GSO noted.

In the first two months, China passed the United States to become Viet Nam's largest import market, with a total turnover of $6.2 billion, surging 65 per cent against the same period last year. The United States ranked second, with $6 billion, a year-on-year rise of 14 per cent.

China, meanwhile, was also Viet Nam's largest supplier of goods in the period. Viet Nam imported $9.4 billion worth of products from this neighbouring country, up 25 per cent compared with last year's corresponding period. The reviewed turnover was much higher than that from the United States, the European Union and Japan, with respective values of $1.4 billion, $1.8 billion and $2.5 billion.

According to the Ministry of Industry and Trade (MoIT), global trade is predicted to grow by 3.9 per cent in 2018, and this is expected to help Viet Nam's trade growth.

The MoIT will work to devise measures to improve national competitiveness, thus creating a foundation for sustainable exports.

Efforts made by the Government to promote administrative reform, simplify investment procedures and support start-ups are expected to create more commodities for export, especially in terms of processing and manufacturing, and heavy industry.

Experts forecast that exports posting high growth in 2018 will be farm produce, textiles and footwear, adding that Viet Nam needs to develop new products to create breakthroughs in exports and reduce dependence on foreign-invested enterprises.

Source: vietnamnet.vn- Mar 02, 2018

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NATIONAL NEWS

Maharashtra says new textile incentives attract Rs 360-bn investments

Apart from the conventional textile business, the government has also offered incentives for pollution-free and eco-friendly dyeing and processing plants

The government in Maharashtra says its new textile policy has attracted investment commitments of Rs 360 billion, compared to Rs 200 billion assured for the neigbouring state of Gujarat, a ready alternative for manufacturers.

To restore Maharashtra's place as a prime hub in this regard, eroded over recent years, the state government has decided to offer a primary capital subsidy of 25-40 per cent across the value chain. Also, area-wise and sector-specific incentives, such as 10 per cent of additional subsidy and lower electricity rates for setting up units across under-developed regions.

POURING OFFERS

Capital subsidy in various sectors in Maharashtra Textiles Policy

Sector	Subsidy (%)
Ginning	25
Spinning	25
Weaving	25
Processing	40
Garmenting	40
Knitting	40
Hosiery	40

Source: Government of Maharashtra

"The state produces 8.2 million bales (170 kg each) of cotton, of which only a fourth is consumed within the state. The remaining quantity is supplied to spinning mills in other states. By contrast, Tamil Nadu produces only 0.5 mn bales of cotton but processes around 10.5 mn bales, by procuring the fibre from other states because of cheaper electricity.

We want the remaining three-fourth of unprocessed cotton to be processed within the state, for which we have offered an electricity rate lower by Rs 2-3 a unit. In addition, capital subsidy for setting up a plant and machinery, across the value chain.

We are confident of Maharashtra attracting massive investment in the sector," said Atul Patne, secretary (textiles).

Apart from the conventional textile business, the government has also offered incentives for pollution-free and eco-friendly dyeing and processing plants. Non-conventional yarn like bamboo, banana, ghaypat, ambadi, coir and maize has also been identified for incentives to make yarn. It has also offered to set up a textiles university and a Textiles Development Fund with initial corpus of Rs 300-400 crore.

Gujarat, Andhra, Telanagana and Jharkhand are among those which offer wage incentives for new textile units. These go up to Rs 5,500 a month for skilled workers. "For garment units, cost of production and viability remain a major concern. With wage incentives, the cost of production declines; there is no mention of this in Maharashtra's policy. Hence, garmenting units would find Gujarat a preferred destination," said Rahul Mehta, president, Clothing Manufacturers Association of India.

The Union ministry of textiles has also announced a special package of Rs 71.5 billion, a 19 per cent increase from its earlier one of Rs 60 bn. However, key issues like early refund of the goods and services tax and remission of state levies remain unresolved for the entire textile industry.

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

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India’s economic growth could support more US exports in future: USTR

India’s economic growth and development could support significantly more American exports in the future, the Trump administration has said. “Although existing Indian trade and regulatory policies have inhibited an even more robust trade and investment relationship, India’s economic growth and development could support significantly more US exports in the future,” the US Trade Representative said in its trade policy agenda and annual report to Congress yesterday.

Two-way US-India trade in goods and services in 1980 was only USD 4.8 billion and it grew to an estimated USD 114 billion in 2016, the USTR said, adding that an annual growth rate over this period was more than nine per cent.

It said India's reform of its goods and services tax may help create a common internal market that significantly lowers transaction costs. Additionally, implementation of India's National Intellectual Property Rights policy could protect US innovations, it said.

"While these reforms are encouraging, there has also been a general trend of tariff increases in India, which reflects an active pursuit of import substitution policies," USTR rued. The Trump administration continues to press India to make meaningful progress in relation to these ambitious goals, primarily through the US-India Trade Policy Forum (TPF), it said.

In addition to these ongoing concerns, US stakeholders submitted petitions in late 2017 on restrictions on market access for dairy products and medical devices, seeking suspension of India's benefits under the Generalized System of Preferences (GSP) program, it said.

"The most recent TPF, held on October 26, 2017, in Washington, DC, yielded limited progress on these and other areas of concern," USTR said, adding that it will continue to press for progress across the full range of bilateral trade issues, including intellectual property rights and market access for agriculture, non-agriculture goods, and services.

"These efforts will include TPF intersessional meetings, which include participation by senior-level officials from key US departments and agencies, and the ministerial-level TPF at the end of 2018. This enhanced bilateral engagement will provide an opportunity to achieve meaningful results on a wide range of trade and investment issues," the USTR said.

In the 2017 US-India Bilateral Trade Policy Forum, USTR raised concerns with India's longstanding data localisation requirements, and expressed interest in working with the Indian government as it crafts a new data protection law to ensure that the law does not have negative impacts on digital trade. "USTR continues to work with the Indian government to encourage more robust bilateral digital trade," the report said.

Source: financialexpress.com- Mar 01, 2018

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Change rules of origin to check Bangladesh imports: Textile industry

With apparel from Bangladesh made from fabric sourced out of China flooding the Indian market, the textile industry wants the union commerce ministry to tweak SAFTA's (South Asia Free Trade Area) rules of origin to make it mandatory for the neighbour to use yarn and fabric produced in India in its garments to claim duty and quota-free exports.

Even as textile exports from India continue to decline, there has been a continuous rise in imports of textile products, especially after the implementation of GST. India's imports of garments from Bangladesh increased 66% year-on-year (y-o-y) to $111.3 million during July-December 2017, according to data released by Export Promotion Bureau of Bangladesh.

While knitted apparel imports from Bangladesh soared 77% y-o-y to $36.5 million between July and December 2017, woven apparel imports grew 62% y-o-y to $74.8 million.

Tweaking SAFTA rules of origin to make the use of yarn and fabrics of Indian origin mandatory for allowing duty-free, quota-free market access will prevent China from taking undue advantage of a facility that is meant for poor LDCs (least developed countries)," said Prabhu Dhamodharan, convenor, Indian Texpreneurs' Federation (ITF). "At the same time, it will give a boost to India's export of yarn and fabrics to Bangladesh and other LDCs, which at present are being supplied by China," he said.

"India will not be the first country to impose such sourcing restrictions for allowing duty-free import of apparel. The US has imposed sourcing restriction under NAFTA (North American Free Trade Agreement) for accepting duty-free import of garments from Mexico and other NAFTA members," Dhamodharan pointed out. India allowed duty free import of readymade garments from Bangladesh under SAFTA in 2006.

Earlier, this facility was limited to 8 million pieces per annum. This restriction was removed in 2010. Imports from Bangladesh has been growing at a steady pace ever since and gained momentum in mid-2017.

In the pre-GST era, import of garments from Bangladesh was attracting Rs 77 per piece (where MRP is Rs 999 per piece) in duties and Rs 116/pc (where MRP is Rs 1,500/pc) in the shape of CVD (countervailing duty) plus education cess and thereon. However, in the post-GST scenario, there is no cost for import of garments from Bangladesh.

"Bangladesh imports Chinese fabric, converts them into garments using its cheap labour and exports them to India without paying any duties," ITF stated. Since import of 'Made in China' fabrics is meant for exports Bangladesh doesn't impose import duties, it said.

"Thus, this unilateral duty free market access given to Bangladesh is actually facilitating backdoor entry of Chinese textiles into India," Dhamodharan said in his representation to union commerce minister Suresh Prabhu.

Incidentally, India has not imposed any sourcing restrictions on LDCs. India has now extended the duty-free, quota-free facility to all 49 LDCs on a non-reciprocal basis without any sourcing restrictions. "So we will have more Bangladesh-type situations in the future," ITF cautioned. Interestingly, Bangladesh imposes high import duties — sometimes as high as 100%-150% — that includes basic customs duty, regulatory duty, supplementary duty, VAT and advanced VAT on textiles.

Source: timesofindia.com- Mar 03, 2018

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Indian cotton gains support from weaker rupee

Indian cotton has gained support from the weakening of the rupee against the US dollar as this has accelerated its export demand, the Cotton Association of India (CAI) said on Thursday.

India has shipped around 30 lakh bales (170 kg each) of cotton as of now while contracts for exports have been signed for 35 lakh bales till date in the current season, CAI President Atul Ganatara told IANS.

According to him, Indian cotton is the cheapest in the international market. Therefore, overseas buyers are interested to source it from India.

"Some of our traditional buyers like Bangladesh, Pakistan, Vietnam, and Turkey are fulfilling most of their requirements of cotton from India," said Ganatara.

The CAI has pegged India's cotton exports at 55 lakh bales in the ongoing 2017-18 cotton year (October-September) as against 63 lakh bales a year ago.

The cotton year in India begins in October and continues till September next year.

Gantara said: "This figure can be easily achieved and it may surge if the current trend of export demand continues in the coming months."

As per the CAI's recent projection, India may import 20 lakh bales of cotton. Ganatara put the figure at 17 lakh bales.

Ganatara said: "Now, import figures may fall as difference between international prices and domestic prices is around 10 cents per pound which will discourage local ginners to source cotton from overseas.

Currently, West African countries offer cotton for shipping to India at 93 cents per pound (FOB) for July delivery while domestic cotton is priced at 83 cents per pound.

US cotton is offered for shipment at 95-97 cents per pound while Australian cotton costs 98 cents per pound for July shipments.

The domestic currency is ruling near a three-month low as it opened at 65.20 rupees per dollar on Thursday against 65.18 rupees per dollar while the previous low was 65.31 rupees per dollar recorded on November 16.

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

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India one of the 'most open' economies, says Prabhu ahead of RCEP meet

India is a "very open economy" and wants to have trade relations and pacts with all countries, Union minister Suresh Prabhu today told the business community here, ahead of a Regional Comprehensive Economic Cooperation (RCEP) meeting.

Prabhu also made a fervent pitch for having a more dynamic, global trading system, as he said India is working with the 10-member Association of Southeast Asian Nations (ASEAN) on the RCEP -- a mega free trade agreement.

"India is a very open economy. We want to have trade relationships and trade pacts as continuing as possible, particularly with ASEAN, with which we already have a pact," the Commerce and Industry minister said in a lecture titled 'India's Economic Reforms and Global Integration'.

The Indian economy, he said, is one of the "most open economies" with a liberal Foreign Direct Investment (FDI) in all sectors including defence. "We are also working along with the ASEAN and other neighbours on RCEP, for which I am here," Prabhu said, adding, "our idea is to get into bilateral and multilateral pacts, as many as possible, to ensure that many countries benefit and we also benefit."

He said that thought these (bilateral and multi-lateral trade agreements) are "very difficult negotiations" but India is "always ready to be involved and is very positive". "We want to find out a solution but as you can always understand that domestic interest is always reflected into the talks as it is with all countries including Singapore, ASEAN and RCEP (member countries) who would like to protect (their interests) and India would also like to (do the same)," Prabhu said.

"But we are finding a way, whereby we can work together," the minister said. "Also on a multi-lateral (level), we are very keen (that) we must have a global trading system which would be on a more dynamic way," he said, citing the success of the World Trade Organisation in managing global trade affairs.

"Therefore, we are very keen and active participants with a quest to find out a very workable solution to bring in as much global integration as possible so that countries all over benefit from it and benefit in a way that they don't have to compromise their domestic concern, but at the same time they benefit as well," he said.

RCEP ministers are in Singapore for a 'closed-door' meeting. RCEP envisages regional economic integration, leading to the creation of the largest regional trading bloc in the world.

It is currently being negotiated between Asean member states -- Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam -- and Australia, China, India, Japan, South Korea and New Zealand. Singapore is hosting ASEAN Economic Ministers' (AEM) Retreat, the AEM-European Union Trade Commissioner Consultations and the Inter-sessional Regional Comprehensive Economic Partnership (RCEP) Ministerial Meeting from 1 to 3 March 2018.

RCEP participating countries will discuss ways to progress their negotiations at the Inter-sessional RCEP Ministerial Meeting. While here, Prabhu will also be meeting Singapore's Deputy Prime Minister Tharman Shanmugaratnam, Finance Minister Heng Swee Keat, Industry Minister Lim Hng Kiang and Foreign Minister Vivian Balakrishnan.

Source: business-standard.com- Mar 02, 2018

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Textile industry seeks sourcing curbs to check rising apparel imports

Texpreneurs Federation members meet Commerce Minister to voice their concern

Increasing apparel imports — particularly from Bangladesh — is slowly and silently killing the entire domestic textile value chain from fibre to apparel, according to the textile industry. The industry has sought immediate government intervention to impose sourcing restrictions in order to cut the damage.

“This no doubt would be a timely and temporary intervention. We need to come up with a permanent solution,” said Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF).

ITF representatives met Suresh Prabhu, Union Minister for Commerce and Industry, in Delhi to highlight the plight of the textile industry.

He later told BusinessLine that apparel imports into India had risen from $10.94 million in 2009 to cross $100 million-mark in 2015 before soaring to $136.43 million in FY2016.

India allowed duty-free import of readymade garments from Bangladesh under SAFTA in 2006. This facility was initially limited to 8 million pieces. But in 2010, this quantitative restriction was lifted. The Made-inBangladesh garments import surged. From a Compounded Annual Growth Rate (CAGR) of 67 per cent between 2006 and 2010, it rose to 98 per cent between 2011 and 2014.

There was a marginal drop in imports in FY2017 because of the overall slowdown, but they resumed pace in FY18 and are proving to be a killer.

Bangladesh does not produce enough fabrics domestically. The duty-free, quotafree facility extended to

The textile industry has suggested tweaking SAFTA rules of origin to make use of yarn and fabric of Indian origin mandatory for allowing duty-free quota-free market access

Bangladesh (in view of it being considered a Least Developed Country (LDC)) benefits China’s export of textiles.

Bangladesh imports fabrics from China, converts them into garments and exports the stuff to India. Since import of Made in China fabrics is meant for export, Bangladesh does not impose any import duty on the fabric import and this facilitates backdoor entry of Chinese textiles into India.

India has not imposed any sourcing restrictions. To make matters worse, the duty-free quota facility has now been extended to all 49 LDCs on a non-reciprocal basis and without any sourcing restrictions.

This could cause more harm to the domestic textile manufacturing sector as some of the LDCs such as Ethiopia, Cambodia and Myanmar, which have duty-free access to the EU, Japan and US markets might dump garments here.

ITF also refuted the charge that India's textile exports (of denim in particular) to Bangladesh is on the rise. "It is not correct as most of the textile exports from India is routed through Bangladesh because of the cheap labour available there for conversion into apparel," he said.

Tweaking SAFTA rules

On the way forward, ITF suggests tweaking SAFTA (South Asian Free Trade Area) rules of origin to make use of yarn and fabric of Indian origin mandatory for allowing dutyfree quota-free market access.

"This would boost our export of yarn and fabric to Bangladesh and other LDCs," Dhamodharan said, adding "we will not be the first to impose sourcing restrictions as the US has imposed it under NAFTA (North American Free Trade Agreement) for dutyfree import of garments from Mexico and other NAFTA members."

"We have accepted sourcing restrictions imposed by Japan. This has hurt our apparel exports to Japan under India-Japan CEPA (Comprehensive Economic Partnership Agreement). The Government can do something similar to help the domestic industry without really denying duty free market access to Bangladesh and other LDCs."

The federation has appealed for a fibre neutral policy.

ITF has, in the meanwhile, decided to engage an expert to prepare a report on the textile industry's competitiveness, FTAs and growth prospects. "This would be ready in the next 8 weeks. We plan to submit this report to the government," the ITF Convenor said.

Source: hindubusinessline.com- Mar 03, 2018

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