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Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 137 of 2018 July 03, 2018

USD 68.92| EUR 80.17 | GBP 90.51 | JPY 0.62

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22182	46400	**86.02**

Domestic Futures Price (Ex. Gin), June

Rs./Bale	Rs./Candy	USD Cent/lb
22360	46772	**86.71**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	82.93
ZCE Cotton: Yuan/MT (Jan 2019)	15,775
ZCE Cotton: USD Cents/lb	**91.21**
Cotlook A Index – Physical	**93.95**

Cotton guide: The December future has breached the critical support of 83 cents and trading below the same indicating market might remain weak in next few trading sessions. On the technical front we see 81 and 80 are two key supports for cotton price. We might see the effect on the domestic future market at the opening.

The July future trades at MCX that closed at Rs. 22350 may open lower around Rs. 22000-22100 per bale. For the day we expect cotton price to remain weak. In the similar lines ZCE cotton is also seen trading lower this morning. Interestingly with the rise and sustained gains in the US dollar the dollar denominated most commodities are seen trading down. The oil seed prices are down, the gains are on the lower side, and sugar price has plunged at the global market.

Overall cotton price is expected to remain weak on today's trading session. On the trading front on Monday volume was 24,365 contracts. Cleared Friday were 26,622 contracts.

There were scattered rains in Texas over the weekend. While they were beneficial rains, they were just not enough in most areas. That likely contributed to the reasons not to buy the market on Monday and we expect it to have further sell. For detailed report please access Kotak Commodity Research Desk.

Currency Guide: Indian rupee has depreciated by 0.2% to trade near 68.93 levels against the US dollar. Rupee remains pressurized by general strength in US dollar, weaker risk sentiment and higher crude oil price. The US dollar index remains supported by optimism about US economy and Fed's support for two more rate hikes this year. Risk sentiment is weak amid global trade war worries and concerns about health of Chinese economy.

Brent crude trades higher above $78 per barrel as Libya declared force majeure on some of its exports as militants take control of eastern ports. However, supporting rupee is upbeat economic data. Nikkei Manufacturing PMI rose to 53.1 in June from 51.2 in May. This is the 11th consecutive month that the manufacturing PMI remained above the 50-point mark.

A score above 50 means expansion. Rupee may remain under pressure unless we see significant improvement in risk sentiment or correction in US dollar. USDINR may trade in a range of 68.65-69.1 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Global Economy: Trade Frictions Disrupt Global Factory Growth

Manufacturing activity took a hit in June across Europe and Asia, with exporters losing momentum even before promised trade tariffs kick in, underscoring worries the U.S. administration's protectionist policies could derail global growth.

U.S. President Donald Trump has threatened tariffs on European cars on top of duties he imposed on steel imports from the European Union. There are also fears that a trade standoff between China and the United States could harm manufacturers who rely on the world's two largest economies for growth.

Stocks, the euro and oil prices fell as the data were the latest to suggest world growth may have peaked. The recent economic strain is likely to intensify as the effects of the heated China-U.S trade spat ripple through global supply chains.

Weak export sales and stumbling new orders knocked euro zone factory growth in June. IHS Markit's May final manufacturing Purchasing Managers' Index for the bloc slipped for a sixth month, falling to an 18-month low of 54.9.

German factory growth slipped to an 18-month low and French manufacturing activity slowed more than previously thought in June to its weakest pace in nearly 1-1/2 years.

While British factories kept up a steady pace of growth, fears of a full-blown global trade war and worries about stalled negotiations with Brussels on leaving the EU knocked a gauge of confidence about the outlook down to a seven-month low.

"Today's numbers continue to corroborate that manufacturing settled into a lower gear in the first half of the year," said Neal Kilbane, senior economist at Oxford Economics.

"The very real threat of the current trade dispute with the U.S. escalating further means that Europe's manufacturers are likely to have to negotiate stormy waters for the rest of year."

The slowdown was broad-based across not just Europe but most of Asia as well.

Shipments from China and Japan, major manufacturing hubs, contracted in June, while businesses across Asia also took on higher input costs as the price of oil and other commodities rose, according to monthly manufacturing surveys.

"We expect the net contribution of trade to growth to become negative in the second half of the year, if it hasn't already for some countries," ANZ Asia economist Eugenia Victorino said.

"The story for 2018 then becomes domestic demand, but it is not a homogenous story … and we don't expect a homogenous reaction from Asian central banks."

However, with the U.S. Federal Reserve increasingly hawkish on rates, hardly any Asian central bank has room to support consumption as they need to keep their own rates relatively high to prevent destabilising capital outflows.

China pressured

Apart from China potentially cutting reserve requirements further this year, no other central bank is seen easing monetary policy, and the countries running current account deficits may have to hike rates further.

China's Caixin/Markit Manufacturing Purchasing Managers' index (PMI) declined to 51.0 in June from May's 51.1, with a sub-index showing new export orders contracting for the third straight month and the most in two years.

An official PMI survey on Saturday also fuelled concerns about the strength of the world's second-largest economy, where recent data including credit growth, investment and retail sales have disappointed.

The economy is feeling the pinch of an internal crackdown on debt and risky financing as well as external pressure from Trump's 'America First' protectionist policies.

The U.S. has threatened to impose duties on up to $450 billion of Chinese imports, with the first $34 billion portion set to go into effect on July 6. Beijing plans to retaliate.

This has caused anxiety in financial markets, leading to the worst performance on record for the yuan and the deepest monthly fall in Chinese stocks since January 2016.

"The latest PMI readings suggest that the economy lost some momentum last month. With credit growth still cooling and U.S. tariffs imminent, we expect further weakness ahead," said Julian Evans-Pritchard, senior China economist at Capital Economics.

Japan's June manufacturing PMI showed growth, but export orders contracted. Together with BOJ's "tankan" survey, the data raises worries that the "Abenomics" stimulus programme is sputtering just as the government and the central bank wanted to tap the brakes.

Source: sourcingjournal.com- July 02, 2018

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What Does 'Made in USA' Mean Without White Oak Mill?

Since the closure of Cone's White Oak Mill in Greensboro, North Carolina at the end of last year, denim brands have been left in a difficult position in continuing their Made in USA product lines in a market without an American selvedge denim mill.

"People always think Made in America is a romantic endeavor," Christian McCann, founder of Left Field NYC, said. "We have been doing this for 20 years and although some understand the needs of the modern American manufacturer, most don't."

And many refuse, he said, to change their business models that thrived on an American made market of the past when simple clothing was made in bulk.

“There are no longer any U.S. selvedge denim mills left although we used to use Cone’s White Oak,” McCann said. “I source from Collect Mills and Nihon Menpu in Japan and as a less expensive options I source Xinjiang Cotton denim from the western province of China.”

Victor Lytvinenko, co-founder of Raleigh Denim, had been sourcing roughly 70 percent to 80 percent of Raleigh’s fabric from Cone, and have stocked up on a lot of that fabric, so much so that they’ve had to get another storage space to keep it. “I imagine that we’ll have a couple of years-worth of the fabric, so we’ll be able to make completely Made in America jeans,” he said.

Despite these newfound fabric sourcing challenges, the Made in the USA ethos still exists within the denim industry. Even before the loss of access to selvedge denim in the U.S., domestic manufacturing has always come with its ups and downs—the most universal of which being cost and control, respectively.

While manufacturing in the U.S. is often more costly than outsourcing, most American-made denim brands will agree that the higher cost is worth the investment.

“In addition to supporting and creating employment opportunities domestically, we have the ability to maintain a high level of quality control over our product, as well as have the ability to react to any potential issues or opportunities that might present themselves,” Jonathan Crocker, president of Baldwin Denim, said.

Lytvinenko echoed that sentiment, despite the fact that finding factory workers in the U.S. has remained a constant challenge for his brand. “For us, being nearby and controlling our manufacturing ourselves is a huge win as far as the additional cost,” he said. “We know every single stitch and every single detail is being done exactly the way that we want.”

Challenges aside, the advantages of American manufacturing can’t be matched in other markets. “At the risk of sounding cliché, I believe it ultimately comes down to quality,” Crocker said. “You’d be hard pressed to find another country that produces the level of quality, in denim manufacturing, as the U.S.”

The loss of Cone's White Oak mill has not swayed denim brands in their mission to keep manufacturing domestic. The biggest concern at hand is an uncertainty of how to get it done.

McCann believes that without White Oak, there is "nothing left." "We saved Detroit and the auto factories but not our only selvedge denim mill," he said. "Jeans are American as apple pie or baseball and we did nothing to save White Oak."

In their experiences, denim brand owners believe that 'Made in USA' is important to their consumers, who realize that supporting domestic manufacturing results in a better jean and promotes jobs within the country, but the reality of higher costs still exists. "Everyone wants to buy American made, but when it comes down to competition from cheap overseas manufacturing and the fact that a lot of Americans shop in discount stores like Walmart or Target, they wouldn't pay the difference," McCann said.

Surveys in recent years have proven that though the majority of Americans do prefer items made in the U.S., but cost remains a deciding factor. The fact that Cone's mill closed in 2017, after a 112-year lifespan, proves this. The company cited changes in market demands as the reason for the mill closure, explaining that its customers had been sourcing fabric internationally.

Even still, the most growth in the Made in USA realm remains within the domestic market. "When I first started 20 years ago, it was mainly the Japanese that were willing to pay for made in America," McCann said. "But now I cater to the American consumer. There are pockets of interest in Europe and Asia, but mostly Americans are stepping up and spending the extra money for specialty clothing made in America, although that is still only a small percentage."

Raleigh Denim has always been more successful within the U.S. market and has actually been experiencing growth within the market at a steady rate.

While Raleigh mainly focuses its sales effort domestically, Baldwin aims to position itself as an American brand that caters internationally. "I genuinely believe that there are significant growth opportunities, both domestically and internationally, for Baldwin as an 'American' brand—not solely based on the function of U.S. manufacturing, but from a brand position of embracing and representing American fashion," Crocker said.

While the closing of Cone's White Oak Mill has manifested in unexpected challenges to Made in USA denim brands, manufacturers and core American consumers are too devoted to American-made denim to throw in the towel just yet. This notion goes deeper than the commercial benefits of American jobs and higher quality products—as McCann pointed out, denim is quintessentially American.

"Manufacturing in the U.S. is part of our DNA," Lytvinenko added. "It's what gets us up in the morning. We have a perspective and a point of view and that's the reason that we built our own factory, that we've trained our team, that we are so close to the making of our product. And I feel that we can be better designers because I built every machine in our factory. We're making something that we really believe in, in a way that can't be done anywhere else. And that's why we're making it here."

"Honestly, it looks kind of bleak," McCann said. He sees government intervention as an opportunity to restore American manufacturing, such as tax breaks to incentivize domestic manufacturing or training centers to promote American workers to learn how to use machinery for denim production. "I think the future comes from the young grassroots entrepreneurs and hope their businesses will grow into large factories in the future but it all depends on two words: buy American," he said.

Source: sourcingjournal.com- July 02, 2018

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Chinese investments in Uzbek textile industry up

Chinese investments flow into the textile industry of Uzbekistan has registered an increase.

This was noted during the meeting of the leadership of the Uztekstilprom association with Chinese Ambassador to Uzbekistan Jiang Yan, Uzbek media outlets reported.

The amount of Chinese investments in the country's textile industry exceeds $ 200 million, the press service of the association said.

The Chinese side was provided with information on successfully implemented and currently implemented projects with the participation of Chinese companies such as Jinsheng group, Nanyang Mulanhua, Marjan Investment Group, and others.

During the meeting, issues of development of cooperation between Uzbek and Chinese textile associations, large textile companies, expansion of investment activities of Chinese companies in Uzbekistan, increase in trade turnover between the countries, in particular, consideration of the issue of optimization of rates of customs duties on the import of Uzbek textiles to China were discussed.

Particular emphasis was placed on the development of the Chinese Government's technical assistance program aimed at training and upgrading the skills of young specialists for the textile, clothing and knitting industries. During the period January-June 2018, within the framework of this program, 15 specialists of the industry in the different regions of China were trained.

Also, the Chinese side invited representatives of the textile industry of Uzbekistan to participate in the upcoming International Exhibition “Expo China 2018” set to be held in November.

In its turn, the Association invited Chinese companies to take part in the International Exhibition of Textile and Fashion Industry “UzTextile Expo 2018” and the international conference “Uzbekistan Textile Conference,” which will be held in Tashkent on September 4-7 this year.

In the period 2010-2014, the textile industry of Uzbekistan received and spent foreign investments worth $785 million while 147 new textile enterprises with participation of investors from Germany, Switzerland, Japan, South Korea, the U.S., Turkey and other countries were commissioned. Export potential of these enterprises amounted to $670 millions.

Source: azernews.az - July 02, 2018

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What the 'Chaotic' First Half of the Year in Trade Means for the Second

The first half of 2018 was dismal at best for trade.

With President Trump fixated on "fixing" what he believes is broken in U.S. trade deals and partnerships, much of the world, manufacturers in particular, have been waiting with bated breath to realize the ramifications of one upended—or newly introduced—trade measure after another.

Since the start of the year, the U.S. has burrowed into renegotiations on the North American Free Trade Agreement with Canada and Mexico, alluded to progress in each round of talks, then stalled largely on the proposal of a sunset clause that would see the trade deal self-terminate after five years. Trump also tried to tie the wall he wants at the Mexican border to the NAFTA negotiations, which was met with refusal, though talk of the wall has resurfaced in full force amid ongoing immigration discord in the country.

Less than a month ago, Trump said he might dismantle NAFTA altogether, opting instead for two separate deals, but neither Canada nor Mexico seem keen on the concept.

And there were the steel tariffs. Trump initially mulled a 25 percent tariff on foreign steel imports and 10 percent on aluminum in February, citing national security concerns and stirring up tensions with the United States' closest allies. The tariffs—which officially took effect as of June 1—were purportedly intended to target China, but with Canada being the biggest supplier of steel and aluminum to the U.S., the impact was wider reaching. As such, NAFTA negotiations grew further strained.

At one point, Canada, Mexico and the European Union were exempted from the metal tariffs for a period designed to bring trade between the U.S. and these parties back into better balance. But when that result failed to manifest, Trump put the tariffs back on the table, and with them came retaliations. In the last month, Mexico has since put tariffs on U.S. farm products in response to the metal tariffs, and the EU placed $3.3 billion worth of duties on U.S. products—effective already—like T-shirts, jeans and leather shoes. On Friday, Canada finalized reciprocal tariffs that take effect from July 1, namely on steel and aluminum products, but tablecloths and bedding made the list too.

Amid the steel tariffs came the China-targeted tariffs. First it was $50 billion worth of Chinese products the U.S. said would face tariffs up to 25 percent as a clap back to China's "unfair" missteps tied to intellectual property and forced technology transfer. Then China hit back with tariffs on 128 U.S. products like fruit, wine and steel in response to the U.S.-imposed metal tariffs. After the U.S. announced in April the 1,300 Chinese products it would add new duties to, China responded again with $50 billion in new tariffs, including 25 percent on U.S. cotton.

Things carried on in much of the same fashion during the first half, resulting in what's now a full-blown trade war, where neither the U.S. nor China is backing down, and the tariffs are only getting bigger.

On the sidelines of all of that, 11 nations signed a revived TPP trade deal without the U.S. in March, and between January and June, Trump said he might want in, then that he didn't, then that he'd reconsider it, and again that he wouldn't. Separately, Mexico and the EU worked out a trade deal, and China and the EU cozied up to talk about closer trade relations.

Put plainly, the first half of the year was "absolutely chaotic," for trade according to Steve Lamar, executive vice president of the American Apparel and Footwear Association (AAFA).

"The administration launched a trade war with all of our largest trading partners by imposing tariffs and threatening more. Deadlocks in NAFTA talks, contrasting with other countries moving forward with FTAs that don't include the U.S., raised questions about U.S. leadership on trade."

For the apparel industry, making forward moves posed challenging as each day seemed to bring with it new changes on trade, making even contingency plans difficult to put in place.

"Apparel and footwear executives were reminded on a daily basis that they need to (A) engage and pay close attention to Washington, and (B) keep updating their sourcing plans to make sure their supply chains are out of harm's way," Lamar said.

Many companies focused on—at the very least—minimizing their reliance on China, which has faced the greatest of Trump's trade wrath.

"The first half of 2018 is seen as the most disruptive in our supply chain due to the trade war. Even though the retaliatory duty has not directed at textile and footwear from Asia or China, we all worry that it is only a matter of time," Sally Peng, Asia Pacific leader for trade law firm Sandler, Travis and Rosenberg, said. "Many brands have been exiting out of China before the trade war. Now they are accelerating their effort to look for alternative sourcing places."

So what's in store for the second half?

More of the same if you ask Lamar.

"The president, and his advisors, feel he has achieved momentum in his efforts to reshape trade policy," he said. "He will want to move forward to achieve a political win on NAFTA and continue to press for political wins in China and Europe."

The sentiment is similar for Peng, who said she hasn't seen any signs that things will simmer in the second half.

"There are news reports that the U.S. might pull out from WTO, so I am really not seeing the upside," she said.

Source: sourcingjournal.com- July 02, 2018

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TPP moves toward ratification with Japan, Mexico taking first steps

The 11-member Trans-Pacific Partnership trade pact is preparing for its next stage of expansion. Japan and Mexico have ratified the pact. The Asia free trade bloc now needs four more member states to complete similar procedures to kick the process into next stage. TPP-11 takes effect 60 days after six of its 11 members ratify the pact.

Among the current members, Canada, New Zealand and Australia have taken steps toward ratification. Singapore and Chile aim to approve the deal by the end of year.

The other members are Peru, Vietnam, Brunei and Malaysia. Thailand, Colombia, Indonesia and the UK have expressed interest in joining. Indonesia feels that not joining the pact risks harming the competitiveness of exports from southeast Asia's largest economy. The US withdrew from the original TPP deal in January 2017.

TPP-11 is poised to create a free trade zone covering 13 per cent of the global gross domestic product and 15 per cent of global trade by value. GDP in the 10 members other than Japan is set to grow more than six per cent annually through 2023.

Clear, unified rules on investment in the pact will greatly expand business opportunities in the economic bloc, which would trail only the US, China and the European Union in size.

Source: fashionatingworld.com- July 02, 2018

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Sri Lanka: April trade deficit widens amid import binge

Sri Lanka's merchandise trade deficit worsened during April as the consumption-hungry nation imported record-high consumption goods and personal vehicles, while exports languished.

Sri Lanka imported merchandise goods expensing US $ 1.8 billion during April alone, up 12 percent from a year ago.

Out of the total import bill, close to 10 percent or US $ 160 million was expensed to import personal vehicles, mainly with small engine sizes. Vehicle imports have tripled from its US $ 56 million recorded in the same month, last year.

Sri Lanka imported 40, 428 motor vehicles in April, out of which 5,190 units were motor cars mostly consisting of small cars with 600 cc engines.

Meanwhile for the first four months, the vehicle imports more than doubled to US $ 517 million from US $ 248 million during the same period, last year.

Unless the treasury brings in additional taxes and financing restrictions via the monetary board on vehicle imports, the rapid increase in motor vehicle imports will soon explode with irreversible spillover effects already seen in all facets of the society let alone the economy.

Meanwhile, Sri Lanka spent US$ 327 million on fuel in April, largely unchanged from a year ago, due to reduced crude and coal imports. But the oil bill of the first four months rose by 16 percent year-on-year (YoY) to US $ 1.4 billion.

Meanwhile, Sri Lanka's exports, which are lacking vigour, remained at the same level at US $ 795 million during April as textile and garment exports lost earnings from a year ago.

During April, export earnings from textiles and garments—Sri Lanka's largest merchandise export— dropped by 3.4 percent YoY to US $ 339 million, notably due to the decline in garments exports to the United States and other traditional markets.

"Exports to the EU market showed a marginal growth," the Central Bank said.

For the first four months, textile and garment exports rose by only 2.5 percent YoY to US$ 2.5 billion.

This is after one year since Sri Lanka being re-qualified for the European Union's Generalized System of Preferences Plus (GSP) concession.

Meanwhile, during the first four months, Sri Lanka imported merchandise goods worth of US $ 7.8 billion, up 13 percent YoY and exported half of what it imported or US $ 3.8 billion, up 6.0 percent YoY. The trade gap in the first four months expanded to US$ 4.0 billion, up from US$ 3.3 billion in the same period last year.

While open and free trade has always proved to be a better policy compared to protectionism, Sri Lanka seems to be in need of a balanced policy, not letting ideologies to front run ground realities.

Source: dailymirror.lk - July 02, 2018

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Kyrgyzstan: USAID helps Kyrgyz garment firms enter foreign markets

The United States Agency for International Development (USAID) recently hosted a forum to create a networking platform for Kyrgyz garment firms and foreign brands and buyers. The forum brought together over 20 European and Russian brands and fashion retailers, international apparel equipment manufacturers, and software developers with Kyrgyz apparel firms.

An exhibition of the latest garment technologies and business-to-business meetings for buyers, investors, and Kyrgyzstani apparel manufacturers took place during the 'Technologies, Investments and Opportunities for the Textile and Garment Industry of Kyrgyzstan' forum, according to a press release from the US Embassy in Bishkek.

The forum featured presentations on advanced technologies in apparel production and how those technologies can create opportunities for Kyrgyzstani factories, understanding buyers' expectations when placing orders in Kyrgyzstan, and methods for increasing productivity in factories to meet the requirements of retailers.

The forum served as a close-out event for USAID Business Growth Initiative (BGI) Project, a $20 million project that has built and strengthened the competitiveness of Kyrgyzstan's economic sectors including tourism, construction, and apparel manufacturing for the past four years.

During this period, USAID BGI promoted Kyrgyzstani manufacturers to new buyers resulting in eight firms signing export contracts worth $3 million with several fashion retailers.

USAID BGI also generated requests from retailers for more than 1,000 sample garments and price quotations, which are critical precursors to obtaining actual sales contracts. The Project undertook sales missions to eleven fashion retailers in Europe and hosted buying missions from eight fashion retailers, each with over 300 stores, the release said.

USAID recently provided a grant for equipment to the Salkyn textile company, which opened a new apparel production facility on June 22.

USAID renovated a Salkyn factory building and equipped it with 98 advanced high-speed industrial sewing machines that will increase productivity by 70 per cent and create 200 jobs, the release added.

Source: fibre2fashion.com- July 03, 2018

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Egypt's garment exports worth $645 mn in Jan-May

Egypt's garment exports rose by 12 per cent during January-May to reach $645 million against $575 million during the same period last year, the Readymade Garments Export Council (RMGEC) said in its monthly report.

Exports to the United States also rose by 12 per cent in the same period, recording $310 million, against $276 million in the corresponding period in 2017.

The country's garments exports to Europe during the period was $219 million against $189 million in 2017 — an increase of 16 per cent. For African countries, it was $1.253 million against $855,000 during the same period last year, according to a report in an Egyptian daily.

Garment exports to Arab countries in that period dropped by 16 per cent to $30 million, compared to $35 million last year.

The top countries interested in Egyptian garment exports are the United States, Turkey, Spain, Britain, North Ireland, Germany, Italy, France, Saudi Arabia, Belgium and the Netherlands.

Source: fibre2fashion.com- July 03, 2018

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US alleges dumping of polyester by China, India, Korea and Taiwan

The US domestic industry says it is harmed by imports of fine denier polyester staple fiber from China, India, Korea, and Taiwan.

The allegations are that exporters from these countries sell fine denier polyester staple fiber in the United States at less than fair value.

The allegations identify a number of significant national and regional programs, including preferential export financing, preferential income tax treatment, tax exemptions, rebates and credits on imports of inputs and capital goods used in the production of fine denier PSF and grants for fine denier PSF producers to assist in the development of export market and to protect against commercial risk.

US Customs and Border Protection may be instructed to collect cash deposits from importers of fine denier polyester staple fiber from China, India, Korea, and Taiwan.

In 2017, imports of fine denier polyester staple fiber from China, India, Korea, and Taiwan were valued at an estimated $61.4 million, $23.7 million, $11.9 million, and $7.4 million respectively.

Foreign companies that price their products in the US market below the cost of production or below prices in their home markets are subject to anti-dumping duties.

China's dumping margin is alleged to be 88.07 to 103.06 per cent, while that of India is 21.31 to 29.70 per cent.

Source: fashionatingworld.com- July 02, 2018

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Turkey scraps duty on Nepalese yarn

Turkey has agreed to annul the 17 per cent anti-circumvention duty on import of Nepalese yarn. Turkey earlier provided duty-free access to Nepalese yarn. It imposed the duty last year alleging Nepalese traders were exporting foreign yarn under domestic brand names.

Alleging that Nepal was exporting Chinese yarn, Turkey had suspended the generalised system of preferences (GSP) benefit on export of yarn from Nepal in January this year.

It had cited a considerable growth in export from Nepal — around 190 per cent between 2011 and 2017 — without a reliable domestic production base as the reason for suspending the facility.

Nepal exports polyester and viscose blend yarn worth around four billion Nepali rupees to Turkey every year.

Nepal insists its yarn producers, traders and yarn manufacturers export genuine domestically produced yarn. There are four producers of yarn in Nepal and they jointly produce almost 40,000 metric tons of yarn a year. Annually, the country exports more than 80 per cent of locally produced yarn to several countries.

Nepalese yarn amounting to almost seven billion rupees is exported to Turkey every year. Nepal and Turkey established diplomatic relations in 1962.

Among Nepal's exports to Turkey are carpets, pashmina and shawl, and handicrafts. After the earthquakes which struck Nepal in 2015 Turkey delivered humanitarian assistance and took part in rescue operations.

Source: fashionatingworld.com- July 02, 2018

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Vietnam's cotton import surges 25.8 pct in 1st half 2018

Vietnam imported 840,000 tons of cotton worth nearly 1.6 billion U.S. dollars in the first half of this year, posting respective year-on-year increases of 23.7 percent and 25.8 percent, according to its Ministry of Industry and Trade on Monday.

In the six-month period, Vietnam also imported 505,000 tons of yarn totaling roughly 1.2 billion U.S. dollars, up 17.9 percent in volume and up 34.7 percent in value.

Meanwhile, the country spent 6.4 billion U.S. dollars importing cloth, up 17.1 percent, and spent 2.9 billion U.S. dollars importing materials and accessories for production of garments, textiles and footwear, up 6.6 percent.

Vietnam, whose yarn industry heavily depends on imported cotton, has imported increasingly bigger volumes of the material in recent years to feed its growing textile and garment production and export, local economists said, noting that its biggest cotton import market is the United States.

Vietnam's imported cotton volume surged to nearly 1.3 million tons in 2017 from 150,000 tons in 2005. Last year, the country spent over 2.3 billion U.S. dollars importing cotton, up 41.2 percent.

Vietnam reaped 13.4 billion U.S. dollars from exporting garments and textiles in the first six months of this year, seeing a year-on-year rise of 13.8 percent, mainly to the United States, the European Union, Japan and South Korea.

The country's garment and textile export turnovers were over 25.9 billion U.S. dollars last year, up 8.8 percent, said the ministry.

Source: xinhuanet.com- July 02, 2018

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Pakistan: World economies

UZBEKISTAN, a secular unitary constitutional republic, located on the ancient Great Silk Road between Europe and Asia is the most populous country in Central Asia.

It gained independence after the collapse of Soviet Union in 1991 but the political system remained highly authoritarian and the government has largely maintained its Soviet-style command economy.

Subsidies, production, prices and access to foreign currency are tightly controlled by the state. The agriculture and manufacturing industries contribute 18.5 per cent and 34.4pc to the GDP. The service industry accounted for 47pc of GDP.

Uzbekistan has a strong agricultural base. Although the importance of cotton has declined significantly since the country's independence, it still ranks the world's second-largest exporter and fifth largest producer of cotton. Other main agricultural products included vegetables, fruits, grain, and livestock.

The country also produces silk and wool and is attempting to diversify its agriculture towards fruits and vegetables. Manufactured products include textiles, food processing, machine building, metallurgy, mining, hydrocarbon extraction, and chemicals.

The country is also rich in gold, coal, zinc, copper, tungsten, uranium, and silver, gas and oil. It is a big producer of gold and operates the largest open-pit gold mine in the world.

With the gigantic power-generation facilities of the Soviet era and an ample supply of natural gas, Uzbekistan became the largest electricity producer in Central Asia. Renewable energy constitutes more than 23pc of the country's energy sector with hydroelectricity and solar energy having 21.4pc and 2pc share respectively.

After independence, however, the Uzbek government chose a strategy of gradual reform and import substitution, aimed in particular at achieving energy self-sufficiency. A deliberate government policy of economic diversification, export development and investment delivered results.

In an effort to improve the investment climate, the government took incremental steps to reform the business sector and address impediments to foreign investment in the country. In 2016, economic growth slowed to 6pc as estimated by the IMF while the government estimated 7.8pc growth during that year.

The rise of former prime minister Mirziyoyev to power opened up the economy. In 2017, the government devalued the official currency rate by almost 90pc, making it fully convertible at market rates.

A loosening of fiscal and monetary policies, along with price and foreign exchange liberalisation caused inflation to pick up which reached 13pc. But the country's external position remains strong.

At the same time, growth of domestic employment remained below 1pc and unemployment rate was steady at 4.9pc. The Central Bank of Uzbekistan expects the economic growth between 5.5-6pc in 2018 and 2019. The ADB predicts Uzbek economy to grow by 5.6pc in 2018 and 2019.

For 2018, the authorities plan to restrain additional on-lending operations and save about half of the expected additional revenue from improved tax administration while adjusting social safety net spending and public wages for actual inflation. If firmly implemented, these measures would reduce the augmented fiscal deficit in 2018 to only 1.25pc of GDP.

The Uzbek government is looking to expand opportunities for small and medium enterprises and prioritises increasing foreign direct investment. The country remains highly centralised and nationalised. Levels of corruption remain high.

Kazakhstan

Kazakhstan is geographically the largest of the former Soviet republics, excluding Russia. It gained its independence following the collapse of the Soviet Union in 1991. Its economy is the largest in Central Asia.

Besides enormous oil reserves, estimated at 30bn barrels, it possesses minerals and metals such as uranium, copper, and zinc and has considerable agricultural potential, featuring livestock and grain and well developed space infrastructure.

The industrial sector rests on the extraction and processing of natural resources. It also has the world's second largest reserve of uranium and is the world's biggest producer.

The country holds 75pc of the hydrocarbon reserves of the Caspian Sea. It could become the fifth largest oil producer in the world by 2020, once the giant field of Kashagan with 40pc of the country's proven reserves becomes fully operational.

The growth of the economy is mainly based on oil and gas revenues which account for 35pc of GDP and 75pc of exports. Kazakhstan depends on Russia to export its oil to Europe. It also exports oil directly to China. Since independence major investment in the oil sector has brought rapid economic growth.

The agricultural sector accounts for 4.8pc of the country's GDP and employs 18.1pc of the workforce.

Despite low yields per hectare, Kazakhstan is the 6th largest global producer of cereals, and practically self-sufficient in food production. However, the importance of this sector has been decreasing. Industry represents 34.4pc of GDP and employs 20.4pc of the workforce.

Kazakhstan's vast hydrocarbon and mineral reserves remains the backbone of its economy. The economy suffers from an overreliance on oil and extractive industries and the government has made initial attempts to diversify its economy by targeting sectors like transport, pharmaceuticals, telecommunications, petrochemicals and food processing for greater development and investment. Despite efforts to diversify, the economy is still driven by oil exports and its economic performance is mainly dependent on oil prices.

The IMF forecasts GDP to increase by 3.2pc in 2018 and 2.8pc in 2019. FocusEconomics panellists see growth moderating to 3.6pc in 2018 and 3.5pc in 2019 due to a notable anticipated slowdown in exports and the government efforts to phase out its countercyclical fiscal policy to bring the budget deficit down to 1.1pc from 2.6pc in 2017.

Source: dawn.com- July 02, 2018

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Bangladesh may benefit from trade war

The US-China trade war has come as a boon to Bangladesh's textiles and apparels.

Garment exporters will get cheaper raw materials as a result of cheaper cotton prices in the international market. Bangladesh is the largest cotton importer with a 18 per cent global share.

The country imported around seven million bales in 2017. The volume of imports is expected to increase further this year.

China is the second-largest buyer of US raw cotton. In response to the US measure, China slapped a 25 per cent retaliatory duty on over 100 US goods and commodities, including cotton.

Global commodity prices for cotton have been on a downward trend since then.

The US is one of the largest cotton producers and imposition of tariffs is expected to decelerate the pace of its raw cotton exports.

If cotton prices fall fabrics prices also fall. Garment exporters hope to get increased orders in the coming days. They are now leaving out many orders due to lower prices being offered by buyers and hope to be able to pick up such orders. India and Pakistan, which produce and consume cotton, will benefit as a result of the war as they may get higher demand for their produce from China.

Source: fashionatingworld.com- July 02, 2018

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Pakistan: Cotton price remains firm on demand for better grades

Buyers at leading stations in Sindh and Punjab stations during trading session bought better grades of lint on premium price besides buyers also made one-month forward deals for better grade of lint.

The Karachi Cotton Association (KCA) spot rate remained firm at Rs 7.600 per maund. The buyers also consolidated their long positions by making deals for better grade of lint.

Around 1,500 bales changed hands while fine quality cotton fetched higher price around at Rs 7,775 per maund.

The sellers withholding better lots of lint remained on front foot and buyers brought better stocks of old crop on higher price in the market. Price fixation of cottonseed stood higher by Rs 120 per maund to Rs 3,575 per maund on average.

They are looking at cottonseed price and shrinking better stocks coupled with growing demand that have provided them opportunity to ask higher price.

Demand for second grade of lint remained on higher side for blending purpose. More than 90,000 bales of cottonseed is left, however the prices are firm and there seems no immediate selling panic in the market.

Garment and spinning export sector is in need of better input so it remained eager for better grade of lint on the back of growing demand of yarn and cloth.

The physical market prices would remain around at Rs 6,975 per maund to Rs 7,800 per maund. Some ready market deals also changed hands below KCA's prevailing spot rate during the trading session.

Source: dailytimes.com.pk- July 03, 2018

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NATIONAL NEWS

Exports seem to have good performance in June, says Commerce Minister Suresh Prabhu

Commerce Minister Suresh Prabhu today said early data indicate that exports have registered a “good performance” in June despite volatility in global markets. The official export numbers for the month of June will be released on July 15.

“Despite huge volatility in global markets, when large exporting countries are facing challenges in exports, our exports for month of June again have registered good performance as per early compilation,” Prabhu said in a series of tweets.

The country’s merchandise exports recorded 20.18 per cent growth in May. The minister said that to promote overseas shipments, they are also involving state governments.

“We are working on a holistic, comprehensive strategy to boost exports,” he added. In the last fiscal, the country’s total merchandise exports grew by about 10 per cent to USD 303 billion.

Higher growth in outbound shipments helps create employment opportunities, earn foreign exchange and boost economic activities.

Further commenting on the Nikkei India Manufacturing Purchasing Managers Index (PMI), he said: “Many steps initiated by us to increase manufacturing at all levels.

Happy to see manufacturing PMI improved to 53.1 in June from 51.2 in May, led by robust domestic and external demand”. The country’s manufacturing sector activity in June grew at the strongest pace this year, supported by rise in domestic and export orders, says a monthly survey.

Source: financialexpress.com- July 02, 2018

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India reduces duties on 3,142 imports from China, Asia-Pacific nations

In a move set to boost India-China trade, the government on Monday announced the slashing of import duties on as many as 3,142 items from China and 5 other nations from the Asia Pacific, days after Beijing had done the same for more than 8500 items.

WHAT'S THE TRADE-OFF

Major sectors to see imports being made cheaper *

Sectors in which import duties have been slashed for specific products	Total imports in 2017-18 ($ bn)
Gems, including cultured pearls and non-industrial diamonds	74.71
Electrical machinery and equipment	48.26
Heavy machinery and parts	37.82
Coal and coal products	23.45
Organic chemicals	19.2
Plastic polymers and chemicals	13.92
Iron and steel	10.43
Medical and optical, photographic equipment	8.7
Aircraft, spacecraft and parts	7.67
Pharmaceuticals	1.89

* Reduced tariff duties are applicable for China, South Korea, Bangladesh, Sri Lanka, Laos, and Mongolia

Note: The 3,142 import items on which duties have been reduced are spread in these sectors and more

Source: Commerce department

The reduction in tariff by both nations are part of their commitments to liberalise trade further through the Asia Pacific Trade Agreement (APTA) and will be in effect from July 1. This is expected to reduce the trade exposure of both nations to the United States and has come at a time when the Donald Trump administration continues to threat both nations with high tariffs and reduced market access in the form of 'reciprocal tariffs'.

India signed the APTA, the oldest preferential trade agreement among countries in the Asia-Pacific region, back n 1975. There has not been much movement in expanding the agreement since then. Apart from China, India's trade with South Korea, Sri Lanka, Bangladesh and Laos is set to improve as result of the latest tariff reduction which was decided upon by the APTA ministerial council back on 4 January 2017.

Senior Commerce Department officials indicated that the decision to implement the decisions a year and a half later is part of a calculated move by both New Delhi and Beijing to counter Trump's aggressive stance on trance.

"With the implementation of the fourth round, the coverage of prefarances of total tariff lines for each member would come to 10,677 tariff lines (up from 4,270 items at the conclusion of the third round) and deepen the average Margin of Preference (MoP) being provided under the agreement to 31.52 per cent," a statement by the Commerce Department said.

However, despite the reduction in tariffs, other problems continue to derail India's plans to boost exports to China. Barriers to trade remain high, especially those that are non-tariff in nature. This has been true for the pharmaceutical sector, considered to be one of the most ambitious by New Delhi and shortlisted by Beijing for reducing import duties.

“China is a state enterprise-driven economy and most imports continue to be ordered by state companies. Issues of market access, primarily in agricultural commodities and pharma products, remain. These have to be addressed,” Ajay Sahai, director-general of the Federation of Indian Export Organisations, said.

“The APTA has been working for many decades but the items covered under it have been small. China's decision to expand it will help exports from other nations. But, this is a consequence of China's trade partners pressurizing them to import more. This will reduce trade deficit.” Sahai added.

On Sunday, other tariff cuts announced by China earlier this year also came into force including tariffs on automobiles and consumer items such as food.

Chinese media outlets reported that in the fifth round of tariff cuts undertaken by Beijing since 2015, import duties on 1,449 consumer goods have been reduced from an average rate of 15.7 per cent to 6.9 per cent. According to China's Customs Tariff Commission of the State Council, this list includes home appliances, food and beverage, cosmetics and medicines.

“There has not been much negotiation on the APTA as preferential tariffs have become less important,” Biswajit Dhar, trade expert and professor at Jawaharlal Nehru University, said.

He added this was because of more comprehensive trade deals, such as the Regional Comprehensive Economic Partnership (RCEP).

With import tariff rates dropping, the margin of preference does not matter much when nations are discussing free trade deals such as the RCEP. With different norms and rules of origin, trade will become complicated for exporters, added Dhar.

In March, India and China had agreed to reduce India's trade deficit of $62.903 billion with its northern neighbour. It was decided that non-tariff barriers would be identified in specific sectors and removed.

Source: business-standard.com- July 03, 2018

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Rising cotton yarn price hit garment export, falling rupee offers no relief

The knitwear industry in Tirupur, which does business worth Rs 500 billion of which half is exports, has urged the mills not to increase cotton price further, as exporters are already struggling to survive.

The falling rupee has given no respite to the industry as the price of yarn, its key raw material, has zoomed. Competing countries' currencies also falling, taking away the low rupee advantage.

Raja M Shanmugham, President, Tirupur Exporters Association, said cotton yarn price has risen by Rs 20 a kg this month to Rs 240 per kg for 40 count yarn. Going by strengthening cotton prices, industry fears another hike of Rs 5 per kg in July.

The price hike has put the knitwear garment export sector in a difficult situation, hard to sustain in the competitive global environment.

Shanmugham said the beleaguered knitwear export sector has been passing through a challenging business environment following the implementation of GST. This was evident from the continuous decline of knitwear exports month after month since October 2017, after three months transition period was over. He added that exports declined as much as 21 per cent during the second half of 2017-18.

The most worrying factor is that the negative growth trend in exports is continuing in the current financial year and the average decline of knitwear exports in the month of April and May was 34 per cent.

Shanmugham added that the knitwear sector is now only booking the orders, business have now started to look ahead and poised to bring back the industry from brink after prolonged one year period lull and at this point of time, the increase in yarn prices would derail the industry and the aftermath effect would be severe as not only the knitwear garment sector will get affected but also there will be a boomerang effect on the Textile mills.

Considering this crucial concern and the overall benefit of textile industry, he appealed to the Textile Mills not to increase the cotton yarn prices and also not to stop cotton yarn supply.

Exporters from Tirupur have met the Union Minister of Textiles Smriti Irani and requested to mandate the cotton corporation of India to ensure the availability of sufficient quantity with desired quality cotton to protect the interest of farmers, textile industry and also employment.

The point of contention is that the impact of increase in cotton prices has made the textile mills to increase the yarn prices which ultimately affect the downstream value added sectors like weaving, knitting, garmenting, made ups etc, particularly value added exporters as they could not revise the price upwards immediately as the prices were fixed more than three to five months ago.

He said, cotton crisis arisen further to wrong policies of CCI and emphasised the need to cut down the escalating cotton prices.

Source: business-standard.com- July 03, 2018

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CAI maintains cotton output estimate

The Cotton Association of India (CAI) has maintained its June estimate of the crop production for the 2017-18 season (October-September) at 365 lakh bales, similar to May.

Domestic consumption for the season is about 324 lakh bales, while the exports are estimated to be at 70 lakh bales, Atul Ganatra, president, CAI, said. The carry-over stock at the end of the season was estimated at 22 lakh bales, he added.

“The CAI has retained its cotton crop estimate for the ongoing crop year 2017-18 at 365 lakh bales, of 170 kg each, at the same level as in its estimate made in the previous month,” he said.

The CAI has projected total cotton supply up to June 30, 2018, at 394.5 lakh bales which consists the arrival of
348.5 lakh bales.

The committee has estimated imports at 10 lakh bales and the opening stock at the beginning of the season as on October 1, 2017, which the committee has revised from 30 lakh bales to 36 lakh bales based on the discussions held at the meeting of the sub-committee constituted by the Cotton Advisory Board.

Source: financialexpress.com- July 03, 2018

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India's manufacturing PMI rises at 53.1 in June'18

India's manufacturing conditions improved in June at the strongest pace since December 2017, supported by the sharpest gains in output and new orders in 2018 so far. Reflecting greater production requirements, firms were encouraged to engage in purchasing activity and raise their staffing levels.

On the price front, input cost inflation was the sharpest since July 2014, whilst output charges rose at a stronger pace. Business confidence eased to the weakest since last October.

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose from 51.2 in May to 53.1 in June. This was consistent with the fastest improvement in the health of India's manufacturing economy in 2018 so far.

Manufacturing production rose in June, thereby extending the period of expansion to 11 months. Moreover, the rate of growth was sharp and the most pronounced since last December. Panellists linked greater output to favourable demand conditions. Output growth was reported across all market groups.

In tandem with the expansion in output, new business placed at manufacturers in June rose to the sharpest degree in 2018 so far. There were reports that strong underlying demand supported new client wins.

New orders from overseas rose for the eighth consecutive month. Moreover, the rate of expansion was solid and accelerated to the fastest since February. Anecdotal evidence pointed to stronger demand from key international markets.

Amid stronger demand conditions, firms raised their staffing levels in June. Although modest, job creation accelerated to the strongest in 2018 so far. Jobs growth was evident across consumption, intermediate and investment goods.

Following a fractional decline in May, firms raised their purchasing activity at the end of the quarter. Although modest, the pace of expansion quickened to the fastest since January.

Panellists commented on improvements in market demand. As a result, post-production inventories held by manufacturing companies rose further in June, but only fractionally.

Input costs faced by Indian manufacturing companies rose in June, thereby stretching the period of inflation to 33 months. Moreover, the latest rise was the sharpest since July 2014. Panellists reported that steel and fuel were among the key items that increased in price. Subsequently, firms raised their output charges at the fastest pace since February.

Despite strengthening demand conditions, business sentiment was at the weakest level seen since last October. Optimistic projections for output reflected expectations that demand conditions will improve over the next 12 months, according to anecdotal evidence.

Source: myiris.com- July 02, 2018

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Making India a model GST jurisdiction

A year ago, India began a fresh journey into the indirect tax world, by entering into a new era of GST 'one nation, one tax'. It has been a path-breaking reform, subsuming a number of federal and state taxes and paving the way for a uniform system of taxation.

India became a common market, the removal of cascading made the goods more competitive in the international market and the availability of seamless credit on most goods and services has removed inefficiencies from the supply chains of most commodities.

GST has brought in a new era of fiscal federalism where the Centre and states share the powers to tax all goods and services, and all decisions taken in the GST Council are by consensus, after debate and discussion.

Switching to GST has also resulted in bringing India at par with global laws, which adds to the ease of doing business in India and has increased profitability and efficiency, which, in turn, has attracted foreign investments.

GST is a work in progress, and to make the reform truly effective, central and state governments need to streamline law, procedures and compliances. The major challenge is that the compliance portal of GST, i.e. GSTN, is yet to achieve its true potential.

Given the magnitude of the change, GSTN is still in the process of automating returns and has not been able to achieve the ability to match invoices from a credit perspective. This has led the government to propose simplification of the returns and, in the coming year, GST will move to a single return and credits being taken on the basis of invoice details uploaded by the vendor.

The structure has five rates for goods and services—0%, 5%, 12%, 18% and 28%, which must be further rationalised to make them simple so that the benefit from GST is maximised. This would also help in bringing the Indian taxation regime closer to international standards and resolve issues around interpretation and classification of goods and services, and hence reduce probability of disputes. Under GST, services industry has had to change its business processes on account of increase in compliances due to decentralised registrations as against the ease of single registration prevalent earlier.

The most praiseworthy aspect, however, has been the proactive and consultative way with which the government has taken corrective actions, be it administrative simplification or changes in rates. Yet there is a long way to go. Apart from having a simple return and stronger GSTN portal, the law needs changes to bring it nearer an ideal GST.

The credit scheme has to be broadened, rates need to be rationalised, and the multiple rate structure needs to converge to, at best, a two-rate structure. The tax base has to be widened to tax select petroleum products and real estate in the future.

The provisions of TCS, TDS and reverse charge on supplies from unregistered dealers, among other things, need to be re-looked at, to keep the law simple. Making GST refund mechanism simpler and streamlined is also the need of the hour to facilitate the exporters, thereby enhancing ease of doing business in India.

While a lot has been done, a lot more needs to be achieved in the years to come.

The foundation has been laid, the industry has aligned its business processes to GST and the revenue is showing an upward trend. It's time to bring in the changes in law and procedures and make India truly a model GST jurisdiction.

Source: financialexpress.com- July 03, 2018

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New 'non-toxic' coating makes natural fabrics waterproof

With conventional water-repellent coatings facing a gradual phase-out due to their harmful effects on the environment and human health, researchers including one of Indian-origin have developed a process that could offer "non-toxic" alternative to making natural fabrics waterproof.

This coating not only adds water-repellency to natural fabrics such as cotton and silk, but is also more effective than the existing coatings, according to a study published in the journal Advanced Functional Materials.

"The challenge has been driven by the environmental regulators" because of the phase-out of the existing waterproofing chemicals, explained Kripa Varanasi, Associate Professor at the Massachusetts Institute of Technology (MIT).

But it turns out his team's alternative actually outperforms the conventional materials.

Ultimately, "the goal is to be repellent -- to have the drops just bounce back" and the new coating comes closer to that goal, he said.

Fabrics that resist water are essential for everything from rainwear to military tents, but conventional water-repellent coatings have been shown to persist in the environment and accumulate in our bodies.

Because of the way they accumulate in the environment and in body tissue, the US Environmental Protection Agency (EPA) is in the process of revising regulations on the long-chain polymers that have been the industry standard for decades.

What this MIT team did, Varanasi explained, is to combine two things: a shorter-chain polymer that, by itself, confers some hydrophobic properties and has been enhanced with some extra chemical processing; and a different coating process, called initiated chemical vapour deposition (iCVD).

Using the iCVD coating process, which does not involve any liquids and can be done at low temperature, produces a very thin, uniform coating that follows the contours of the fibres and does not lead to any clogging of the pores, thus eliminating the need for a second processing stage to reopen the pores.

Then, an additional step, a kind of sandblasting of the surface, can be added as an optional process to increase the water repellency even more, the study said.

The process works on many different kinds of fabrics, including cotton, nylon, and linen, and even on non-fabric materials such as paper, opening up a variety of potential applications, Varanasi said.

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

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