



**IBTEX No. 246 of 2018**

**December 04, 2018**

USD 70.41 | EUR 80.09 | GBP 89.71 | JPY 0.62

<b>Cotton Market</b>		
<b>Spot Price ( Ex. Gin), 28.50-29 mm</b>		
Rs./Bale	Rs./Candy	USD Cent/lb
20963	43850	<b>79.38</b>
<b>Domestic Futures Price (Ex. Gin), November</b>		
Rs./Bale	Rs./Candy	USD Cent/lb
22050	46123	<b>83.50</b>
<b>International Futures Price</b>		
NY ICE USD Cents/lb ( Dec 2018)		79.95
ZCE Cotton: Yuan/MT ( Jan 2019)		14,755
ZCE Cotton: USD Cents/lb		<b>82.65</b>
<b>Cotlook A Index - Physical</b>		<b>85.55</b>
<p><b>Cotton Guide:</b> 82 cents seems sanctified for cotton for the past few months that it is unable to break onto higher side despite several attempts. Monday market was almost up by 3% attempted to hit the upper band made a high of 81.85 cents however, towards the end of the session it gain retreated and ended lower at 79.95 cents per pound. 82 is seen as very strong technical resistance zone with multiple moving averages and other indicators citing resistance near the same. There are two paradoxes here, either market breaks 82 and quickly move the price to 84.50-86+ cents or fail to break and again the move the price down to 76 cents.</p> <p>The recent development related to US-China trade decision that we had emphasized in detail in our daily report yesterday suggests there may be some sort of buying interest as of part demand to keep cotton price higher which is also true</p>		

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for some of the other commodities like Soybean and grains. Excerpted from our previous report. The outcome of G-20 meeting says Mr. Trump agreed not to boost tariffs on \$200bn of Chinese goods from 10% to 25% on 1 January. China will buy a "very substantial" amount of agricultural, industrial and energy products, the US says. Meanwhile, Beijing says the two sides agreed to open up their markets. Also the outcome of the meeting says the US tariffs on Chinese goods will remain unchanged for 90 days, but warns: "If at the end of this period of time, the parties are unable to reach an agreement, the 10 percent tariffs will be raised to 25 percent."

This morning ICE cotton is seen trading marginally down by quarter per cent at 79.75 cents and the ZCE Cotton is also lower at 15185 Yuan/MT. We think it's the minimal loss that is seen this morning having critical support at 77.80/78 cents. If it holds the support price might again turn higher. As indicated above 82 cent continues to be strong resistance for the day as well as in the near term.

On the local side in India spot price for raw cotton S-6 advanced over the weekend sharply to Rs. 44,800 per candy ex-gin. Likewise, the J-34 was also higher at Rs. 4440 per maund. The all India arrivals were steady around 145000-150000 bales. With the rise in India spot price and the ICE cotton advanced the impact was clearly visible on the futures market. The active December future ended the session at Rs.22,050 up by Rs. 530 per bale. The trading range for the day would be Rs. 21850 to Rs. 22250 per bale.

#### **FX Update:**

Indian rupee has opened little changed to trade near 70.44 levels against the US dollar after 1.3% depreciation on Monday. Weighing on rupee is firmness in crude oil price on expectations of OPEC's production cuts. Brent crude trades higher above \$62 per barrel as market players anticipate OPEC and allies to agree on production cut at the December 6 meeting however there is still uncertainty about quantum of the cuts. Global equity markets have also turned choppy as initial optimism about US-China trade truce faded. However, supporting rupee is general weakness in US dollar amid lower bond yields and mixed economic data.

The US 10-year bond yield dropped below 3% for the first time since mid-September indicating reduced market expectations of rate hikes next year. The spread between 3- and 5-year yields fell to negative 1.4 basis points Monday, dropping below zero for the first time since 2007, refueling debate over inverting yield curve. Rupee may witness choppy trade amid mixed factors and positioning ahead of tomorrow's RBI monetary policy meeting however bias may be weak given the strength in crude oil price. USDINR may trade in a range of 70.15-70.65 and bias may be on the upside.

**Compiled By Kotak Commodities Research Desk , contact us :  
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## INTERNATIONAL NEWS

### **U.S. to Delay Tariff Hike During Trade Talks with China**

President Trump has agreed to delay a tariff increase on \$200 billion worth of imports from China while the two sides conduct negotiations on longstanding trade irritants. In addition, Beijing has agreed to increase purchases from the U.S. in an effort to reduce its bilateral trade surplus.

An increase in the Section 301 additional tariff imposed on Chinese goods from 10 percent to 25 percent had been scheduled to take effect Jan. 1, 2019. (Click [here](#) for more details on this and other developments in the U.S. Section 301 case against China.)

However, a White House statement said this increase will not take effect “at this time” and that the two countries “have agreed to immediately begin negotiations on structural changes with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture.”

The statement indicates that both sides “will endeavor to have this transaction completed within 90 days.” If no agreement is reached within that time, the 10 percent additional tariff will be increased to 25 percent (although the statement does not say whether such an increase would be immediate).

While a Xinhua article cited Chinese Foreign Minister Wang Yi as saying the U.S. and China “also agreed to step up negotiations toward the elimination of all additional tariffs” (presumably those affecting \$250 billion in U.S. imports from China as well as more than \$100 billion in Chinese imports from the U.S.), at press time the White House had offered no confirmation.

In addition, the White House statement said, China has agreed to purchase an as-yet-unspecified “but very substantial” amount of agricultural, energy, industrial, and other product from the U.S. to reduce the trade imbalance between the two countries.

Agricultural purchases are set to begin immediately, which should benefit U.S. farmers that have seen export shipments decline in recent months amid trade tensions with China and other major trading partners.

Source: strtrade.com- Dec 04, 2018

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## **USA: Tariffs: Industry groups hopeful on Trump/Xi pause**

At ease, home furnishings companies, and catch your breath – for a second.

The 25% tariff on \$200 billion worth of Chinese imports originally scheduled to take effect next month is on hold, for now.

On Dec. 1 at the G20 summit in Argentina, the presidents of the U.S. and China announced a pause in escalation and agreed to work over the next 90 days to resolve their trade issues.

That means tariffs currently levied at 10% (the Trump administration’s List 3) will not rise to 25% on Jan. 1, 2019. Rug importers, who are already subject to the 10% tariff, have said an additional hike would be extremely difficult to manage.

However, if the U.S. and China fail to work out an arrangement during the negotiation period, which is set to conclude around March 1, the tariffs will rise to 25%.

In the meantime, the administration’s List 4, which would affect finished home textiles products, is also on hold for now.

The 90-day break is contingent on several conditions, warned trade attorney Laura Rabinowitz, who handles international trade projects for a range of apparel and textiles clients.

“Trump clearly likes to use trade remedies. He likes these never-used-before trade tools, and will continue to use them, whether he is in office another two years or another six years,” she told HTT. Rabinowitz serves as special counsel at New York firm Kelley Drye.

“[Textiles] companies really have to think long-term,” she continued. “We’re really in for the long haul with these trade tools.”

The Home Fashion Products Association's (HFPA) legal counsel, Robert Leo, also sounded a cautionary note about the news.

"[G]iven the issues and the actions of the parties so far, members should continue to review strategies to avoid or minimize the potential duties," wrote Leo, partner at Meeks, Sheppard, Leo & Pillsbury.

The National Retail Federation (NRF) deemed the new talking period a step in the right direction.

"It is clear the administration has heard the voices of those negatively impacted by existing tariffs. We hope this 90-day tariff pause will lead to a positive resolution that removes tariffs altogether and improves US-China trade relations," said Matthew Shay, NRF president and CEO.

In other trade news from the G20, Canada, Mexico and the US signed the "new NAFTA" agreement, the USMCA, on Nov. 30. The agreement has to be ratified by the legislatures of all three countries before it takes effect.

Throwing a potential challenge into the process, President Trump yesterday threatened to pull the plug on the existing NAFTA agreement sometime soon in order to spur the U.S. House of Representatives into a speedy approval of USMCA.

HFPA's Leo noted: "If Trump triggers the termination process, Congress would have six months to approve USMCA. Otherwise, at the end of that time there would be no [trade agreement] in place at all with Mexico or Canada.

There will be a lot of back and forth between Congress and the President on this issue, with growing uncertainty to US businesses, so stay tuned."

NRF also expressed concern about the uncertainty of NAFTA. "To protect American jobs and critical North American supply chains, the administration should continue to work through the process until a modernized, trilateral agreement is approved by Congress," said Shay.

Source: hometextilestoday.com- Dec 03, 2018

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## **USITC to Investigate Polyester Yarn Imports from China, India for Unfair Competition**

The U.S. International Trade Commission (ITC) has determined that there is a reasonable indication that a U.S. industry is materially injured from imports of polyester textured yarn from China and India that are allegedly subsidized and sold in the U.S. at less than fair value, creating unfair competition.

As a result, the U.S. Department of Commerce will move forward with its antidumping (AD) and countervailing duty (CVD) investigations of imports of this product from China and India.

Commerce's preliminary CVD determinations are due on or about Jan. 11 and its preliminary AD duty determinations will be announced by March 27. Laws against antidumping and countervailing duties give U.S. companies a way to seek relief from the effects of unfairly priced imports.

Polyester textured yarn is synthetic multifilament yarn produced through a texturing process that gives the yarn special properties, like stretch, bulk, strength, moisture absorption, insulation and the appearance of a natural fiber.

Petitions in the case were filed by Unifi Manufacturing Inc., based in Greensboro, N.C., and Nan Ya Plastics Corp. America of Lake City, S.C. They are two of nine manufacturers of polyester textured yarn in the U.S., all located in North and South Carolina. These mills employ an estimated 1,043 workers involved in producing \$271.5 million worth of goods, according to the ITC.

As part of the antidumping investigation, the alleged dumping margins for China and India range from 74.98 percent to 77.15 percent, and 35.14 percent to 202.93 percent, respectively.

The margin is defined as the amount by which the export price is below market value, with extreme levels generally intended to undermine legitimate market-based pricing.



In the countervailing duty investigation involving whether producers of the product received unfair government subsidies, 20 subsidy programs were reviewed in the China countervailing duty investigation, including those allegedly providing low-priced inputs and preferential loans and grants, as well as income tax incentives. In the India countervailing duty case, 43 subsidy programs came under review, including tax incentives, provision of low-priced inputs, and grants and loan subsidies.

The ITC said the amount of imported polyester textured yarn involved in the investigation was about \$62.7 million. Another \$69.8 million of the product was also imported last year from China, Mexico, India, Indonesia Taiwan and Malaysia.

Source: sourcingjournal.com- Dec 03, 2018

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## **USA: Denim Mills weave their way through trade tensions and buying shifts**

Like water always seeking its own level, denim and jeans manufacturers are finding their way through the sourcing complexities created by the U.S.-China trade war and tariffs—real and threatened—and the ongoing desire to diversifying production to limit risk.

But that's not to say it's been easy. Executives at the Kingpins New York trade show this week said they continue to shift their sourcing strategies in reaction to the trade climate, sometimes on the fly. But production development has never been more at the forefront to meet new consumer challenges and sustainability requirements.

In addition, sometimes-volatile cotton prices that soared above \$1 a pound earlier this year only to come back to earth at around 73 cents a pound this week, have added to the ongoing movement toward fiber blending in denim that's also driven by improved fabric and garment performance.

Bo Dean, senior vice president of sales and marketing at Twin Dragon Denim Mills, said while the company's theme in its collections is "No Stress" regarding its eco-friendly fabrics and processes, the trade tensions are causing anxiety in the sector.



“Tell me what the benefits of a trade war are?” Dean posed. “At least let us know exactly what to expect so we know the rules we need to operate under. Maybe doesn’t cut it for running a business.”

Dean agreed with the analysis of several executives at the show that what’s happened as a result of the trade war and actual and threatened tariffs is that China has lost jeans market share mostly to other Asian nations. However, a lot of Chinese fabrics are now being exported to countries like Vietnam and Cambodia to make apparel, since they don’t have a textile base.

In the first nine months of the year, U.S. imports of denim apparel from China grew just 1.36 percent in value to \$683.08 million. In comparison, jeans imports from Bangladesh increased 14.2 percent in the period to \$419.21 million, while shipments from Vietnam jumped 41.95 percent to \$205.43 million. Jeans imports from Pakistan grew 9.75 percent to \$178.98 million in the period and Cambodia’s were up 30.85 percent to \$88.34 million.

But Dean contended that “the tariffs really aren’t hurting the Chinese companies. They’re hurting the U.S. companies that have to shift their production and likely pay more to import the goods.”

Twin Dragon’s uses what it sees as “eco-friendly” fabrics such as Lenzing’s Tencel, Modal and Refibra, as well Repreve and other recycled polyester so its customers have “No Stress” in choosing fabrics. The mill also employs laser techniques in many cases to lower water usage, and its Liquid Indigo is also a more sustainable dye. No Stress also involves advanced materials for engineered stretch and comfort, along with durability and longevity.

Tricia Carey, director of global business development for denim at Lenzing, said much of the product development at the company involves meeting the U.N.’s Sustainable Development Goals for manufacturing and material usage. Lenzing has created a comprehensive flyer it uses to explain the ecological benefits of Tencel Lyocell and Tencel x Refibra fibers.

“It’s a constant education around sustainability,” Carey said. “We educate the mills and they are then our ambassadors to the brands and retailers.”

Carey also noted that improved production methods have allowed Tencel to be blended more with other fibers for improved product performance.

Lenzing works with mills around the world such as Atlantic Mills, Isko, Bossa, Artistic Milliners and Orta for product development and diversified manufacturing.

Lenzing recently mothballed an expansion of its Tencel plant in Mobile, Ala., in part due to the tariff threats from the Trump administration and the uncertain trade environment.

“There’s definitely a shift in sourcing, with companies looking outside of China to places like Bangladesh, Vietnam and Mexico for denim,” Carey said. “There are also more companies adapting strategies that use Mexico for quick response and make regular goods out of China.”

Ebru Ozaydin, director of sales and marketing at Karachi-based Artistic Milliners, said, “Pakistan has benefitted as a supplier to denim because of the U.S. trade war with China. But companies for a long time have been shifting their denim sourcing out of China and into countries like Pakistan, Bangladesh, Vietnam and Cambodia.”

Many denim companies are “creating an exit plant to limit their exposure in China because of the trade wars and China’s commitment to supply its own domestic market.”

Ozaydin said, “The industry always finds a way.” She said there are smart executives among the major Hong Kong sourcing firms and at the big companies that will always find the right places to produce.

Ozaydin noted though, that Artistic Milliners’ strengths as a vertical jeans manufacturer that is constantly investing in technology and machinery, is what “defines us and makes us grow.”

Changes are also taking place in the market thanks to smaller companies being able to make an impact with the growth of direct-to-consumer channels. These brands are working directly with fabric mills to develop materials to meet their customers’ needs, Ozaydin noted.

These and many other brands have a sustainability strategy now that is built into their raw material buying plan, Ozaydin said. Instead of buying toward trend, they want a certain percentage of sustainable cotton, like cotton from

Better Cotton suppliers, they want a percentage of recycled polyester and they want reused materials such as Tencel x Refibra.

“It’s been called detox buying,” Ozaydin added. “They want an aesthetic, but it has to include a sustainable or ecological element to meet their company goals and to be able to tell a brand story.”

Source: sourcingjournal.com- Dec 01, 2018

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## **Tariff increase on Chinese imports to escalate prices, hinder growth**

The apparel industry is waiting with bated breath for the much-anticipated meeting between President Trump and Chinese President Xi Jinping that will decide the future of US tariffs on Chinese exports.

Trump is expected to slap tariffs on another \$267 billion worth of Chinese goods, which also includes apparel and footwear. This would push up tariffs from 10 to 25 per cent in January 2019. China already faces \$50 billion worth of tariffs.

### **Escalating tariffs to reverse economic progress**

Currently, goods originating in China, including some apparel products and leather, nearly all raw materials used to make textiles, from cotton to cellulosic, polyester and even vegetable fibers, woven and nonwoven fabrics, certain textile machinery, hats and handbags, are subject to 10 per cent tariffs, and escalating the tariff threat could see some of those products facing a higher 25 percent tariffs.

For US companies importing manufacturing inputs or finished products, these additional significant costs will result in higher prices, fewer jobs, slower wage growth and reduced investment.

The cost of the trade war can reverse this year’s economic progress.

## **Negative impact on brands**

Julia K Hughes, President, United States Fashion Industry Association believes that more penalty tariffs willTariff increase on Chinese imports to escalate prices hinder growth 002 have a negative impact on fashion brands/retailers and customers as prices will rise across the board. The company believes there is a time lag before companies increase prices and it impacts customers. Increasing tariff on clothing and footwear would hurt both the economy and brands/retailers.

To deal with this, most companies have developed a contingency plan which includes shipping some products earlier than usual and shifting some production outside China. However, these actions will also have ripple effect on prices which is expected to rise in many countries and very little unused capacity at the most sophisticated production facilities.

According to Hughes, companies can adopt certain strategies in the short-term to minimise the price pressure. However, she warns if the duties increase to 25 per cent, there might be a substantial price increase by mid-2019.

## **Reshore jobs, bolster production**

Auggie Tantillo, President and CEO, National Council of Textile Organizations (NCTO) supports the US president's decision to address China's unfair trade practices. However, he believes imposing tariffs on apparel and other textile end items would reshore jobs throughout the domestic supply chain.

Further, it would bolster production throughout the western hemisphere where there is ample supply from multiple countries. Shifting sourcing away from China to suppliers in the USMCA/CAFTA region would also alleviate any impact to consumers, since producers in this hemisphere enjoy duty-free access to the United States.

## **Negative effects of non-China sourcing strategy**

Rick Helfenbein, President and CEO, AAFA terms 25 per cent tariff as a non-starter. He believes American business operating on tight margins cannot absorb such an increase leading to a rise in prices for American consumers.

He also feels an abrupt shift to a non-China sourcing strategy would have a catastrophic effect on its already fragile sourcing eco-system.

Source: fashionatingworld.com- Dec 03, 2018

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## **Trade war impacts Vietnam**

The US-China trade war could mean trouble for Vietnam. China might seek to dump its goods on Vietnam to avoid US tariffs. And cheaper Chinese goods competing with Vietnamese goods will not benefit Vietnam's economy.

To protect domestic companies import taxes may be necessary. No licenses should be issued if there is no guarantee that more than two thirds of the production chain would be in Vietnam. And Vietnam would have to promote free trade agreements with Europe and others to reduce its dependence on the US and China.

The trade war has already hit investors' confidence causing them to pull out of emerging markets including Vietnam.

The global supply chain is badly disrupted as a result, and the investment environment has become uncertain. The trade war brings both opportunities and challenges for Vietnam, but it is up to companies to identify the opportunities.

Since it is known which goods face sanctions, businesses should research about customers for those goods and offer them a better deal. The US-China trade war escalated in September with the US levying an additional ten per cent tariff on Chinese products.

The US is set to raise the tariffs to 25 per cent in January if there is no agreement between the both sides.

Source: fashionatingworld.com- Dec 03, 2018

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## Japan's investments in Vietnam's apparel segment on the rise

Japanese firms are scaling up investment in Vietnam's textile and garment sector. Japan's Matsuoka Corporation was the first to set foot in Vietnam in 2014. It mainly produces apparel items for Uniqlo to be exported back to Japan.

The company has chosen Vietnam for capital injection and production expansion in recent years to take advantage of the opportunities anticipated to be brought by new-generation free trade agreements such as the EVFTA and the CPTPP.

With its first plant becoming operational in 2016, the second plant began production last August, with an annual capacity of about two million products.

The company has further invested in an apparel plant complex with an annual production capacity of seven million products. By the end of this year, the complex is expected to create jobs for more than 2,500 local laborers.

With around 30 plants in operation, Sakai Amiori, another Japanese company, has opened an export apparel production plant. The plant finished construction in April 2017 and now sees stable production and exports.

The influx of foreign direct investment continuing to flow into export-oriented sectors like textiles and clothing has the dual benefits of helping to boost the sector's capacity and turning Vietnam into a global manufacturing base.

Source: fashionatingworld.com- Dec 03, 2018

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## **Vietnam: Garment firms move to boost exports to Canada under CPTPP**

Vietnamese textile and garment firms are being active in making full use of the opportunities created by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to boost exports to Canada once the deal takes effect in early 2019.

Both Vietnam and Canada are members of the CPTPP, which also gathers nine other countries. The agreement covers a market of about 500 million people and has a combined GDP of 10.1 trillion USD, or 13.5 percent of worldwide GDP.

Le Tien Truong, Director General of the Vietnam National Textile and Garment Group (Vinatex), said that although the CPTPP doesn't include the US – who imports nearly 50 percent of Vietnam's annual textile-garment exports – there remain many other markets with great potential, particularly Canada.

Canada imports approximately 13.3 billion USD worth of textiles and apparel each year, but of this quantity, Vietnamese exports are still modest, valued at about 550 million USD annually.

Vietnam has yet to sign a free trade agreement with Canada, so the CPTPP will help open up chances for it to accelerate textile-garment shipments to the North American market in the coming years, Truong noted.

To grasp opportunities, Vinatex has actively sought and provided information for Canadian partners, he said, adding that it recently sent a delegation of businesses – including Hanoi Textile & Garment Joint Stock Corporation (Hanosimex), Hoa Tho Textile-Garment Joint Stock Corporation, Duc Giang Corporation, and Phong Phu International Joint Stock Company– to explore the potential of cooperation with Canadian importers.

Phong Phu International JSC said that through its direct meetings with Canadian businesses, it has learnt more about customer demand in this market, enabling it to plan more specifically towards set targets.



It has succeeded in implementing the ODM (original design manufacturer) production model. By applying advanced technologies, the company now only needs one to 1.5 days to create new product models, instead of the previous period of two months. The time needed to bring a new product to the market has also been reduced from eight weeks to two weeks.

Meanwhile, Hanosimex introduced 40 knitting products and cotton towels to Canadian partners. It highlighted the capacity of meeting the “yarn forward” rule of origin in its products.

It learnt from the requirements of Canadian businesses that the products must be able to supply, the company noted, adding that Canadian retailers and importers have shown their interest in textile and garments from Vietnam.

Hanosimex said that in order to optimise the advantages generated by the CPTPP, it will step up capitalising on material supply sources to satisfy the “yarn forward” rule of origin under this deal. It will also seek more suppliers in Vietnam or other CPTPP members to diversify products, and build flexible production models to meet orders with different requirements.

Hoa Tho Textile-Garment JSC also met directly with the Canadian firms it is partnering with to enhance connectivity and discuss cooperation plans for next year.

The enterprise said it will also make use of material supply sources in a way that meets the “yarn forward” rule of origin under the CPTPP to ensure product quality, competitive prices, and good services. Flexible production models will also be applied to meet partners’ requirements.

Source: en.vietnamplus.vn- Dec 03, 2018

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## **Iran's clothing exports observe 28% growth**

Speaking on the sidelines of 6th International Apparel Exhibition (Iran Mode 2018), Golnar Nasrollahi, director general of the Textile, Apparel and Leather Industry Organization, affiliated to the Ministry of Industries, Mining and Trade, said that \$715 million worth of garments were exported during the seven-month period, registering a 28% hike in comparison with last years similar period.

She pointed to the skyrocketing rates of foreign currency in the past months and the promising boost in the sector's productivity as the two main reasons behind the growth in the exports of clothing and apparels.

Supplying raw materials for textile industry has been put a top priority of the Ministry of Industry, she said, adding, "the country's current economic situation is in favor of producers, provided that their required raw materials are fully provided."

The imports of basic raw materials, such as fibers, have witnessed a significant growth as compared to the same period of last year, which proves the development in the industrial and production units' activities, the official said.

Referring to the strategic clothing production and exports document that was compiled during former minister of industry, Nasrollahi said, "this document has now been handed over to the Planning Deputy Office of the ministry and we hope that we will be able to implement different paragraphs of it with the cooperation of related associations and organizations."

The 24th edition of Iran's international exhibition of Textile Machinery, Raw Materials, Home Textiles, Embroidery Machines and Textile Products known as IRANTEXT and the 6th International Apparel Exhibition (Iran Mode 2018) kicked off at Tehran Permanent International Fairgrounds on Sunday.

Source: mehrnews.com- Dec 03, 2018

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## **EBA helps increase Cambodia's exports to EU**

The Everything-but-arms (EBA) agreement has helped increase Cambodia's exports to EU, accounting to about 46 percent of its total exports, compared to 25 per cent of its exports to the US.

The country benefited from zero tariffs, which made it more competitive and also from the EU's reform of the procedures of the rules of origin which facilitated its industries. Before 2011, Cambodia imported fabrics from China or other countries and tailored them in the country. But these could not be exported to the EU under the strict rules of origin.

However, after 2011 the EU rewrote its rules of origin, allowing fabrics from anywhere to enter the country to be used in the local factories exporting to the EU. The change in the rules of origin facilitated the strong growth of our exports to EU.

Source: fashionatingworld.com- Dec 03, 2018

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## **Decline in Exports of Iranian Hand-Woven Carpets**

Iran exported \$176 million worth of hand-woven carpets during the first seven months of the current Iranian year (March 21-Oct. 22), which shows a 20% fall compared with the similar period of last year.

"Some 32% of our handmade carpets used to go to the US. We have now lost that market due to the reimposition of sanctions against our country," Chairwoman of Iran National Carpet Center Fereshteh Dastpak was quoted as saying by Mehr News Agency.

The official noted that new markets need to be replaced with the US to compensate for the decline in exports.

According to Dastpak, about 80% of hand-woven carpets produced in Iran are exported annually.

Source: financialtribune.com- Dec 03, 2018

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## **Bangladesh: Apparel industry building sustainable businesses**

Markets earlier used to solely depend on supply and demand, and the prices and profit were contingent upon these forces. However, the emerging trends of the global economy are disrupting the economy in ways where businesses need to adapt to the increasingly informed consumers, agile digital competitors, and new customer segments brought by the connectivity of information technology.

The first industrial revolution used water and steam power to mechanise production. The second used electric power to create mass production. The third used electronics and information technology to automate the production process. Now the fourth industrial revolution is building on the third and it is a digital revolution that synthesises its preceding revolutions.

As Bangladesh aims to progress to a middle-income country, its stakeholders need to align with the above trend to sustain its development in the long-term. This means: creating an ecosystem that nurtures innovative entrepreneurs who can compete on the world stage; empowering youth that will be the next generation of the workforce; preventing jobless growth; and finally, growing business with broader social and environmental awareness.

Private and public stakeholders who foresee this necessity have started to convene to align themselves in re-designing the economy, as exemplified by the Thought Leadership programme by Hongkong and Shanghai Banking Corporation (HSBC) and the United Nations Development Programme (UNDP). The programme also congregated leading established businesses in the apparel industry and stakeholders of the supply chain.

Bangladeshi apparel industry is a quintessential part of the national economy, constituting more than 10 percent of the GDP, 80 percent of earnings from exports, and well over one-third of the employment.

The apparel industry has come a long way during the past two decades, wherein it has the highest number of green factories and half of the factories have effluent treatment plants.

The Accord and the Alliance, the two Western buyers' platforms working to improve workplace safety in Bangladesh readymade garment sector, have completed their tenure and the industry remains in positive rating.

However, challenges remain in measuring and communicating these positive changes to the export destinations, as well as continuously exploring new business models that ensure growth through the fourth industrial revolution. For the apparel sector specifically, the new economy has created a new customer segment, distribution model, and shareholders.

New digital technology is connecting and informing communities and consumers who are demanding transparency and accountability while having access to several outlet channels that are directly linked to suppliers. NGOs have emerged as supporters of distribution and production models through their livelihood generation and capacity building programme that can support goods consignment scheme or new market outreach. Smaller companies are becoming more agile and competitive with the adoption of latest technologies and personalisation.

These new opportunities and risks represent a shift in how financial value is generated – profit lies not in merely reducing cost and mass-producing merchandise, but in having an inclusive business model to accommodate the increasingly connected and complex economy where businesses need to address the social aspect and consequences of their business beyond price tags and machines.

"Innovation is not necessarily a new invention. Innovation becomes the structural transformation of the ecosystem when best practices raise awareness," said Linda Germanis, project manager of the UNDP Innovation Hub, while presenting the keynote at the Thought Leadership programme.

The list of examples of financial value in sustainable practice goes on: increasing productivity through capacity building; offering decent work for employee retention and lower absenteeism; certifying good practices; and sourcing responsibly to mitigate risk.

A best example is H&M Plus, which aims to utilise 100 percent recyclable products as part of the company's endeavour to create a circular economy and lower the risks of climate change.

DBL is inspiring others to set up fair price shops, and SMEs like Sokhipad are introducing business models with established corporate houses.

The two companies are part of the platform “Business Call to Action”, yet another manifestation of the more significant trend of convergence of stakeholders and socio-economic values. Through the platform, which can be accessed through UNDP Bangladesh country office, businesses can become a member to gain global visibility, impact measurement and planning services, and technical advisory in inclusive business model design.

HSBC's sustainability strategy, on the other hand, is working to reduce the environmental impact of its clients' supply chain.

Transformational change is taking place where new customer engagement, new investment areas and subsequently investment vehicle, and new partnerships are being forged.

Institutions, businesses, and people are shaping a different future of the different economic system where profit will be generated through shared and agreed upon values of society and community, as opposed to the previous and linear process of consumerism.

Source: thedailystar.net- Dec 04, 2018

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## **Role and contribution of ITC to Tajikistan’s textile sector discussed in Dushanbe**

The role and contribution of the International Trade Centre (ITC) to the textile and clothing sector of Tajikistan, as well as the results of the initial year of the new Global Textiles and Clothing Program (GTEX) were discussed at the Project Steering Committee (PSC) meeting in Dushanbe on November 30, according to ITC Tajikistan, news.tj reports.

The PSC consists of representatives from Tajikistan’s relevant ministries, agencies, private sector, academia, the donor (Government of Switzerland), and the ITC. The Committee’s primary functions are to ensure transparency in implementation and that the project’s outputs respond to the country’s priorities.

This year, the ITC has launched the Global Textiles and Clothing Programme (GTEX), aiming to boost textile and clothing exports from Tajikistan to stimulate employment and income generation along the textile and clothing value chain. Tajikistan is one of the five countries selected to be part of this new four-year initiative, financed by the Government of Switzerland.

Mr. Zavqi Zavqizoda, First Deputy Minister of Economic Development and Trade of the Republic of Tajikistan, emphasizes ITC's input in the development of the textile and clothing sector: "Our partners from the Government of Switzerland and ITC assist us in achieving one of Tajikistan's key strategic priorities shifting from agro-industrial to industrial-agriculture based economy. I'd like to thank ITC and our Swiss friends for the assistance they provide and we hope that this fruitful cooperation will continue in the future".

According to Mr. Zavqizoda, ITC project also made a great contribution in establishment and operationalization of a permanent secretariat to the Coordination Committee on Trade Facilitation and creation of Tajikistan Trade Information Portal.

"Jobs. More and better jobs. Better – meaning more productive, more innovative and value adding, more competitive and, thus, well paid. This is what Switzerland believes is important for any country and what can drive prosperity of the people. This is also very true for Tajikistan that decided to enhance competitiveness of its strategic sectors with high-value adding and export potential to create such jobs.

It was advised by the Government of Tajikistan to support the local textile and clothing sector to unpack its potential in productive employment and to access the global market. However, having domestic cotton production, cheap labor, and electricity are not sufficient success factors anymore to enter the highly competitive and demanding global garment market.

Hence, our current support through ITC is focused on facilitating a conducive business environment with clear rules of the game according to international standards, long-term and affordable finance, high-level professionals and local trade support institutions. All these are prerequisites for successful competition and a prosperous Tajikistan." – said Raphael Jenny, Program Manager, SECO.



Mr. Armen Zargaryan, ITC's Program Coordinator for the Office for Eastern Europe and Central Asia, highlighted some main results of the project in 2018: "Our support has allowed the Tajik textile and clothing companies to enter new foreign markets and become more competitive in the regional markets.

Only in 2018 we have taken the Tajik companies to five international fairs and one study tour abroad, where each visit ended with establishing new business contacts and partnerships with foreign companies and signing contracts to export goods and import equipment. We have enabled local trade support institutions in improving their services, assisted universities in launching cooperation with foreign educational institutions. I also would like to mention that we have taken the work of the Union of the Private Sector Development of Tajikistan to a new level by strengthening their focus shift to the textile and clothing sector".

"Vahdat", a young, but already one of leaders of the textile industry in the country, is a committed ITC partner among the private sector. Its director Ilhom Mirzoev says: "With ITC assistance we were able to keep the image of Tajikistan as a source of high quality textile and clothing products in the region."

The International Trade Centre, supported by the Government of Switzerland, aims to increase the export competitiveness of the Tajik textile and clothing sector by supporting sector companies, and relevant trade support institutions from both public and private sectors.

This year Switzerland celebrates the 20th anniversary of the Swiss Cooperation Office in Dushanbe. Within the framework of a comprehensive cooperation and development program, Switzerland has supported the people and the government of Tajikistan in reforming the health, water and natural resource management sectors, in increasing access to justice and in facilitating the country's transition towards a market economy. Switzerland invests approximately 20 Mio USD per year in projects implemented in all parts of Tajikistan.

Source: azernews.az - Dec 03, 2018

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## NATIONAL NEWS

### India can play crucial role in reforming WTO: FICCI

India can play a crucial role in reforming the WTO by drawing nations to the discussion table for finding a workable solution, as the country is set to host the G20 summit in 2022, industry body FICCI said on Monday.

Prime Minister Narendra Modi on Saturday highlighted the need for carrying out reforms in the WTO at the G-20 summit in Argentina.

He said that reforming the WTO is very important and it is also necessary to carry forward the dialogue on trade, services and promoting the global value chain in the agricultural sector.

“With the G-20 nations agreeing for the required reforms in the multilateral trading platform WTO, India’s role in this exercise will be critical in bringing together all the countries to the discussion table for finding a workable solution.

“As the country will be hosting the G-20 summit in 2022, it can play an important role in helping the positive results of the Argentina meeting deliver concrete results,” FICCI President Rashesh Shah said.

The meeting between US President Donald Trump and Chinese President Xi Jinping in Argentina has shown positive outcomes. In all probability, it will succeed in defusing the impending global trade war, which threatened to impact world trade in a major way, he added.

Escalating tensions between the two major trading nations has been a cause of deepening concern in terms of its adverse impact on the financial markets and economy across the world, Shah noted.

“The very fact that no additional tariffs will be imposed by the US and both the two sides will engage in negotiations, is a big relief for other trading nations, including India,” the president said.

Source: thehindubusinessline.com- Dec 03, 2018

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## **Modi's big Ease of Doing Business push: These changes in customs duty on cards to help importers, exporters**

A few days after Prime Minister Narendra Modi set the target of breaking into top 50 of the World Bank's Ease of Doing Business index by December end, the government is mulling changes in customs duty to help importers and exporters.

According to a report by ET Now, the government is looking to make several changes including the automated release of goods and doing away with face-to-face contact with customs officers and tax officials. These changes are likely to speed up the process of overseas trade.

On November 19, the prime minister, while addressing India Inc, said that key reforms that are needed to push India into top 50 of the EODB ranking should be aimed for completion by December end so that they can be taken by the World Bank for evaluation.

Narendra Modi said that it is necessary to reduce human intervention in processes and increase the use of modern and digital technologies. Continuing its huge success from 2017, India this year jumped 23 ranks to secure 77th rank on the Doing Business index. Last year, the country had leapfrogged 30 ranks to break into top 100 of the elite list for the first time.

This year, India's efforts towards reducing time and cost of trade by the electronic sealing of containers, upgrading of port infrastructure, and submission of electronic documents with digital signature won big for the country during the evaluation of the rankings.

With 23 rank jump, India also emerged highest ranked economy in South Asia.

Source: [financialexpress.com](http://financialexpress.com)- Dec 03, 2018

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## **MSME bodies in South form joint panel**

*Demand to drop move to define MSMEs on turnover criteria*

Micro, Small and Medium Enterprises (MSME) associations in South India have come together to demand relief from the Centre.

“MSMEs have been undergoing severe hardship in recent years, which is turning out to be an existential crisis for us in the current global market scenario,” said Basavaraj Javali, Chairman of Southern MSME Committee and President of Kassia.

### **MSME concerns**

“A few amendments being proposed in the MSME Act are also detrimental to our existence,” he added.

In this background, the leading southern MSME associations, including Maharashtra and Goa, have joined hands to raise the various issues and problems facing the sector with the Centre seeking redress.

The associations that have come under the common umbrella are Karnataka Small Scale Industries Association (Kassia), Federation of Small & Medium Enterprises of India (FSMEI), Federation of Andhra Pradesh Small & Medium Industries Association (FAPSMEA), Kerala State Small Industries Association (KSSIA), Tamil Nadu Small and Tiny Industries Association (TNSTIA), Coimbatore District Small Scale Industries Association (CDSSIA), Goa State Industries Association (GSIA) and Chamber of Small Industry Associations, Maharashtra.

### **Preliminary meeting**

“We met today in Bengaluru at a preliminary meeting to discuss in detail the issues to be taken up with the government in the forthcoming summit scheduled to be held in January or February,” said Javali.

“We play an extremely important role by providing employment to unskilled and semi-skilled persons who would otherwise remain unemployed and may add to the social problems,” he added. The committee flagged many issues at today’s meet.

“We are urging the Central government to drop the proposal for redefining the MSMEs using the turnover criteria and to maintain status quo,” said V Gnanasekaran, President of Coimbatore District Small Scale Industries Association.

Explaining the rate of loan interest charged on SME borrowers, A Padmanabha, co-ordinator of the southern committee, said, “It should be on par with the interest charged on agricultural loans.

Banks should do away with the cumbersome procedures and delays in sanction of loans, do away with the processing fee for annual renewals of SME borrowers and quick and online processing of loan applications in a time-bound manner.”

### **Other demands**

Other issues that figure prominently in the charter of demands are: mandatory display of CGTMSE information, including status by the banks. Upfront guarantee fee must be reduced to 0.5 per cent, so also annual service fee.

Revival of CLCSS to benefit technology upgradation, withdrawal of present NPA norms, making it 180 days for SME borrowers with a holiday/moratorium of two years for new units, are the other demands.

The government should withdraw the SARFAESI Act or at least exempt the units up to a borrowing limit of ₹2 crore as this will help the micro and small industries to survive in the face of grave crises. Purchase preference of 25 per cent for SMEs by the PSUs should be strictly implemented, it said.

Payment due from medium and large industries and PSUs must be cleared within 45 days as per the provisions of the MSMED Act 2006 to help SMEs to stay away from legal entanglements. Eliminate red tape and create a common regulatory body for SMEs. Create an exclusive category for SMEs in order to bring in better focus on the problems and remove GST on labour charges

Source: thehindubusinessline.com- Dec 03, 2018

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## **Coimbatore to host Texfair in August '19**

Texfair will be held in Coimbatore from August 9 to 12, 2019. This is a fair for textile machinery, spares and accessories.

Manufacturers and suppliers of textile machinery and spares of ginning, spinning, weaving, processing, powerlooms, handlooms, knitting and garmenting will participate.

Energy saving equipments, electrical and electronic items, sizing materials, dyes and chemicals and packaging materials will also be on display.

The fair provides a platform for stakeholders to zero in on their investments and expenses prudently, showcase their inventions and cost effective items and other products, enable technocrats and shop floor technicians to update their knowledge on the latest technology and create an awareness on cost cutting, encourage micro, small and medium entrepreneurs to showcase their products and get exposure to the market.

Hosting the event in August 2019 enables suppliers and users to plan their investments and renew their business. Texfair is organized by the Southern India Mills Association (SIMA), representing the organised textile industry in South India.

SIMA has so far successfully conducted eleven such exhibitions since 2001. Response to the fair is getting better every fair.

Coimbatore is the hub for the textile business in India and the fair would be an ideal platform to showcase and market the products.

Source: fashionatingworld.com- Dec 03, 2018

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## **Jaitley pitches for easing trade barriers**

‘Consumers globally can get the best products and services at a competitive cost’

Union Finance and Corporate Affairs Minister Arun Jaitley on Monday made a strong pitch for free global trade, stressing it was in the larger interests of consumers around the world, and enabled them to get the best products and services at a competitive cost.

“India remains committed to improving all hindrances in trade facilitation and easing trade across barriers. We are investing in our infrastructure and using technology to the best possible level and are willing to inculcate and implement best practices from the world,” he underlined.

The Minister’s remarks during his opening address at a meeting of the World Customs Organisation’s policy commission here, assume significance at a time when protectionist tendencies in the developed world have triggered trade wars and built barriers to free movement of goods and services.

“From the point of view of consumers, they are entitled to goods and services that are indeed the best and most cost-competitive... No nation can manufacture all products or specialise in all forms of services. And therefore, trading across the barriers of nations is an economic imperative of the time,” Mr. Jaitley said.

### **Initial resistance**

Recalling the initial resistance from some countries to trade facilitation measures when they came up on the World Trade Organisation’s agenda in 1996, the Minister said that over time, every country realised the importance of the subject and its implications for domestic reforms as well as the performance of individual economies.

“Nations across the world have realised that increase in trade itself gives an impetus to the global economy (and their own),” Mr. Jaitley said.

It is this recognition that has led countries to invest a lot in airports, ports, railways and other infrastructure to support trade in both goods and services.



“India has, of course, been at the forefront of increasing its capacity. And this is evident from the fact that in the last three years, India has moved from 140 to 77 in the World Bank’s ease of doing business rankings.

On trading across barriers, we were ranked 140th out of 190 countries just a few years ago. And within a year of all the reforms made within our country, we have come to 80th position – that’s a great movement upward of 60 positions,” the Minister said.

Revenue Secretary Ajay Bhushan Pandey said that India’s focus in improving customs clearances is on the reduction in dwell time of cargo, transaction costs and bringing transparency in rules and regulations with simpler procedures. This, he said, is in sync with the WCO’s current focus theme of creating smart borders for seamless trade, travel and transport.

However, Mr. Pandey said that the Customs department also needs to be effective and lethal when required, even as it seeks to facilitate seamless movement at the borders.

“While all assistance is to be given for legitimate cross-border trade, dangers posed by illicit trade are too damaging to be ignored. The key challenge for the Customs today is to arrive at a convergence of facilitation and enforcement.

The economic frauds cut at the very roots of our nation and must be dealt with severely,” he said, stressing that the solution lies in collaborative and co-operative management of borders, within a country’s official machinery as well as between countries.

Source: thehindu.com- Dec 03, 2018

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## **A.N. Jha appointed new finance secretary**

PM Narendra Modi led Appointments Committee of the Cabinet cleared the appointment of A.N. Jha to the post after incumbent Hasmukh Adhia retired on 30 November

A N Jha, Secretary, Expenditure, has been appointed as new Finance Secretary, a government order said Monday. Prime Minister Narendra Modi led Appointments Committee of the Cabinet has cleared Jha's appointment to the post after incumbent Hasmukh Adhia, a 1981-batch Gujarat cadre officer of the Indian Administrative Service (IAS), retired on November 30.

Fifty-nine-year old Ajay Narayan Jha, is a 1982-batch IAS officer of Manipur Tripura cadre. An alumnus of St Stephens College from where he passed with first class in Graduation and post-graduation in History, Jha is a recipient of World Bank scholarship to pursue Masters in Economic Policy Management from McGill University in Canada. He is also an MPhil in public administration from Delhi University.

Source: livemint.com- Dec 03, 2018

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## **Four-day textile fair from December 8**

The event named 'WEAVES' will kick off from December 5 and conclude on December 8.

With an aim to promote the handloom industry of the State and to create a better market for the weavers community, the Confederation of Indian Industry (CII) and Texvalley, the largest wholesale textiles market at Erode, are jointly organizing a four day-long textile fair at Erode.

The event named 'WEAVES' will kick off from December 5 and conclude on December 8.

WEAVES will be the first-of-its-kind event focusing on promoting the handloom industry and would feature more than 250 plus exhibitors from across the State showcasing their products.

Speaking about the event, M Ponnuswami, Chairman, CII Tamil Nadu, and Chairman and Managing Director, Pon Pure Chemicals India Private Limited, said, “WEAVES will bring together reputed personalities of the powerloom sector to interact and deliberate on taking this industry forward.”

Source: newindianexpress.com- Dec 04, 2018

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## **Govt clears Rs 91,149 crore GST refunds to exporters**

The finance ministry on Monday said Rs91,149 crore has been issued so far to exporters as GST refunds, which are 93.77% of total claims with the tax authorities.

In a statement, the ministry said Rs6,053 crore worth GST refund is still pending with the government and that is being “expeditiously processed”.

“Total GST refunds to the tune of Rs91,149 crore have been disposed by Central Board of Indirect Taxes and Customs (CBIC) and state authorities out of the total refund claims of Rs97,202 crore received so far. Thus, the disposal rate of 93.77% has been achieved,” the ministry said.

Giving break-up for the refund figures, the ministry said that Rs48,455 crore of IGST refunds have been disposed of as on 28 November, which is 95% of the total such claims.

As much as Rs2,473 crore worth of IGST refund claims are held up on account of “various deficiencies” which have been communicated to exporters for remedial action.

With regard to refund of input tax credit claims, the ministry said of the total claims of Rs46,274 crore, the pendency as on 3 December stood at Rs3,580 crore.

“Provisional/final order has been issued in case of (ITC) refunds amounting to Rs37,406 crore. In claims amounting to Rs5,288 crore, deficiency memos have been issued by respective GST authorities,” the statement said.

The ministry said pending GST refund claims amounting to Rs6,053 crore are being expeditiously processed so as to provide relief to eligible claimants.

“Refund claims without any deficiency are being cleared expeditiously,” it added. Efforts are being made continuously to clear all the pending refund claims, where ever requisite information is provided and found eligible, it said.

“Co-operation of the exporter community is solicited to ensure that they respond to the deficiency memos and errors communicated by Centre and State GST as well as Customs Authorities and also exercise due diligence while filing GSTR 1 and GSTR 3B returns as well as Shipping Bills,” the statement added.

Source: livemint.com- Dec 03, 2018

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