Cotton Market

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

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<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td></td>
<td>21943</td>
<td>45900</td>
<td>79.31</td>
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Domestic Futures Price (Ex. Gin), October

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<thead>
<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td></td>
<td>22880</td>
<td>47860</td>
<td>82.69</td>
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International Futures Price

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<tbody>
<tr>
<td>NY ICE USD Cents/lb (Dec 2018)</td>
<td>78.72</td>
<td></td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2019)</td>
<td>15,620</td>
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<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>86.98</td>
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Cotlook A Index – Physical

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<td>86.35</td>
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Cotton Guide: On Monday, the U.S. Department of Agriculture (USDA) said about 35 percent of the American crop was in good or excellent condition, a dramatic drop from 42 percent a week earlier. The declines were led by Georgia, where 16 percent of plants got the top ratings, tumbling 43 percentage points from a week earlier.

This is probably the impact on Hurricane Michael. We think though it is still not quantifiable but believe market is already estimating around 1 million bales of crop loss. The production estimates pegged near 19.76 million bales in the October report might significantly change in the next month USDA number. Besides, as discussed earlier USDA has also revised its India’s ending stocks lower. This has been always the concern that USDA numbers are inflated which has been recently lowered down. We think further reduction in the stocks likely. The ground reality suggests the 2017-18 ending stocks are less than month consumption i.e. below 30 lakh bales.
The aforementioned factors have already had an impact on cotton price globally. The ICE Future has swiftly moved higher from 75.37 to 79+ cents per pound. However, it continues to trade in the same band of 75.50 to 80.40 cents per pound.

Cotton futures settled modestly higher in the first four months. Those months have had four consecutive higher settlements. On Monday December contract settled at 7872, up 35 points. That gave it a four session gain of 192 points. Monday was December’s highest settlement since it settled at 7899 on September 25th. The other months settled from 29 points higher to 31 points lower. On the trading front volume were 24,863 contracts. Cleared Friday were 29,924 contracts. The aggregate open interests stood near 260+K contracts marginal rise from the last week data. Certified stocks began today at 26,142 bales, down 1,518 bales in desert. There were zero bales awaiting review.

On the domestic front, prices have risen further over the weekend. Shankar-6 is now quoted between Rs. 47000 to 47,200 per candy, ex gin (an average of 81.20 cents/lb at Monday’s exchange rate). Quotes for Punjab J-34 range from Rs. 4,610 to Rs. 4,630 per maund, ex gin (75.90 cents/lb). The domestic cotton future for October contract has ended the session on Monday at Rs. 22990 per bale up by Rs. 110 from previous close. We think market might remain sideways to positive and the trading range would be Rs. 22780 to Rs. 23100 per bale.

Some industry participants will be attending the International Cotton Association annual trade event in Hong Kong this week; officially Wednesday and Thursday. Here is a link to that meeting and its agenda: http://www.ica-ltd.org/programme/hong-kong-2018-programme/.

Coming Friday the November Options Last Trading Day / Expiration is scheduled. Next week Monday/Tuesday/Wednesday Oct 30-31; Nov 1 -- Jim Rogers Long Index Fund Rolls.

**FX Guide:**

Indian rupee has opened little changed to trade near 73.8 levels against the US dollar. Rupee is steady amid stability in equity market and crude oil price. Asian equity markets are trading marginally higher today amid some breather after recent losses. Brent crude is steady near $81 per barrel as US-Saudi Arabia tensions are countered by demand uncertainty. Also supporting rupee is government efforts to reduce import demand and better than expected inflation and industrial production data released last week. However, weighing on rupee is general weaker risk sentiment amid concerns about trade war, higher interest rates, Brexit uncertainty, concerns about Chinese economy and increased geopolitical tensions. The US dollar is also supported by general optimism about US economy and Fed’s rate hike stance. Rupee may witness choppy trade amid lack of fresh cues but general bias is still on downside on weaker risk sentiment. USDINR may trade in a range of 73.6-74.05 and bias may be on the upside.

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

<table>
<thead>
<tr>
<th>No</th>
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<tbody>
<tr>
<td>1</td>
<td>USA: Stormy Times For the Cotton Sector, With Prices in Flux</td>
</tr>
<tr>
<td>2</td>
<td>Cambodia, Myanmar Could Lose Special Trade Status With Europe</td>
</tr>
<tr>
<td>3</td>
<td>Trade War Trauma Threading its Way Through Textile Sector</td>
</tr>
<tr>
<td>4</td>
<td>EU mission to visit Pakistan to review GSP+ criteria</td>
</tr>
<tr>
<td>5</td>
<td>U.S. Could Put Brakes on Mexican Trucks Under Trade Deal</td>
</tr>
<tr>
<td>6</td>
<td>Sri Lanka: August apparel export earnings up 7.7%</td>
</tr>
<tr>
<td>7</td>
<td>Tajikistan textile-apparel exports rise 30% in Jan-Aug 2018</td>
</tr>
<tr>
<td>8</td>
<td>Bangladesh, Sri Lanka may sign FTA soon</td>
</tr>
<tr>
<td>9</td>
<td>BGMEA president: Implementation of new wage structure a major challenge</td>
</tr>
<tr>
<td>10</td>
<td>Uzbekistan to increase trade turnover by 17.2 pct</td>
</tr>
</tbody>
</table>

### NATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Export growth down 2% in Sept</td>
</tr>
<tr>
<td>2</td>
<td>Despite agreements India’s textile trade has underperformed: Trade Advisor, MoT</td>
</tr>
<tr>
<td>3</td>
<td>India and EU: The devil lies in the (trade) deal</td>
</tr>
<tr>
<td>4</td>
<td>Quick estimates of IIP show upward trend for textile and clothing sector: CITI</td>
</tr>
<tr>
<td>5</td>
<td>Trade deficit shrinks to 5-month low</td>
</tr>
<tr>
<td>6</td>
<td>ET View: Incentivise innovation to spur export growth</td>
</tr>
<tr>
<td>7</td>
<td>India keen on pact with UK post Brexit</td>
</tr>
<tr>
<td>8</td>
<td>Temporary relief to Indian economy: Trade deficit falls to lowest in 5 months, import growth slows</td>
</tr>
<tr>
<td>9</td>
<td>India, UAE discuss ways to increase investments</td>
</tr>
<tr>
<td>10</td>
<td>India International Silk Fair -2018 to begin Tuesday</td>
</tr>
</tbody>
</table>
INTERNATIONAL NEWS

USA: Stormy Times For the Cotton Sector, With Prices in Flux

While two major hurricanes have posed major threats to the supply side of the U.S. cotton market, greater uncertainty is coming from the demand side.

In its October report on the state of the market, Cotton Incorporated said Hurricane Michael—the second storm in a month—topped Hurricane Florence as a bigger threat to U.S. production. Michael covered more cotton acreage, and the crops in its path had a higher percentage of bolls open and more vulnerable, according to the report.

Georgia, which was directly in Michael’s path, had been forecast to represent about 15 percent, or 2.9 million bales, of U.S. production this season. About 90 percent of Georgia’s acres had bolls open when the storm hit, and only about 15 percent to 20 percent had been harvested, Cotton Inc. said. Production in Florida, Alabama and the Carolinas was also affected, but to a lesser degree, after the Carolinas and Virginia suffered notable damage during Florence.

But the major threat to the health of the market comes from the escalating trade dispute between the U.S. and China, said Cotton Inc., which represents American cotton growers and importers. It noted that on Sept. 24, a new round of tariff increases went into effect on both sides. For the U.S., a list of Chinese goods valued at $200 billion was hit with a 10 percent increase in duty rates. Scheduled to rise another 15 percent on Jan. 1, this list includes fiber, yarn and fabric.

The latest tranche of Chinese tariff increases covered a list of U.S. goods valued at $60 billion, imposing 5 percent or 10 percent increases in duty rates. Following this round, essentially all U.S. exports to China are now subject to tariff increases.

In response to the latest set of Chinese increases, the Trump administration has threatened to impose tariffs on essentially the remainder of its imports from China, representing $267 billion worth of goods, including apparel and textiles.
“Given that the U.S. imports the vast majority of the apparel and home furnishings sold at retail, and that China has a dominant share of U.S. apparel and home furnishing imports—about 40 percent of apparel imports and 30 percent of home furnishing imports—these tariff increases could lead to higher U.S. consumer prices for finished textile goods,” the report said. “A consequence of higher retail prices could be reduced consumer demand.”

Additional factors are also emerging that could have negative effects on the cotton market. For instance, Chinese mills in the past few weeks have started to cancel orders from the United States.

“The extent to which China might turn away from the U.S. as a source of supply could be expected to complicate trade patterns globally,” Cotton Inc. said. “The prospect of higher Chinese import demand resulting from lower Chinese reserve stocks, as well as smaller crops from alternative exporters like Australia, add to the complexity.”

How this will impact prices is also uncertain, but lower demand usually doesn’t bode well for price stability or strength. Overall, most benchmark prices fell over the past month.

December New York futures moved lower in the second half of September, dropping from 82 cents a pound to 76 cents by early October, and holding between 76 cents and 78 cents per pound last week.

The Cotlook A Index, an average of global prices, also moved lower in the second half of September, falling to 86 cents a pound from 92 cents. U.S. spot prices averaged 73.25 cents per pound for the week ended Thursday, according to the U.S. Department of Agriculture (USDA). The weekly average was up from 72.66 cents a week earlier and from 67.04 cents in the year-ago period.

This month’s USDA report included slight downward revisions to world production and mill-use figures. With the changes to global production and consumption numbers being relatively minor, substantial revision to India’s stock levels drove the forecast for global 2018-19 beginning stocks down 2.9 million bales and ending stocks down by 3 million bales.
Likewise, India’s significant changes had a large impact on projected world-less-China ending stocks, which also fell 3 million bales month-over-month, but the current prediction for world-less-China stocks still calls for a new record this crop year. Global trade forecasts were lowered 353,000 bales, to 41.4 million bales.

Source: sourcingjournal.com- Oct 15, 2018

Cambodia, Myanmar Could Lose Special Trade Status With Europe

Cambodia could face potential economic collapse, leading to a devastating impact on garment manufacturing, if the European Union follows through on its threat this month to withdraw Cambodia’s special trade status with Europe due to human rights concerns.

The EU warned Cambodia in July that the southeastern Asian nation could lose its special access to Europe if elections returned Prime Minister Hun Sen to power and extended his 30-year rule.

Global observers, and the EU specifically, have criticized the Cambodian government for its attacks against critics and opposition parties, its crackdown on independent media and nongovernmental organizations, and its disregard for human rights. Observers also consider the most recent election to have been a rigged election after the opposition party, the Cambodia National Rescue Party (CNRP), was forcibly dissolved.

“In Cambodia ... we are seeing very troubling developments with a clear deterioration of human rights and labour rights, without convincing improvements in sight,” wrote European Commissioner for Trade Cecilia Malmström in a blog post earlier this month.

“Our recent EU mission to the country demonstrated serious and systemic violations of, for instance, freedom of expression, labour rights and freedom of association. This comes on top of longstanding issues as regards workers’ rights and land-grabbing.”
Cambodia enjoys tariff-free access to the European market, except for weapons and ammunition, and its exports to European countries account for roughly 40 percent of Cambodia’s foreign sales and generate nearly $6 billion, according to EU data. The majority of Cambodia’s exports come from its textile, garment and footwear industry, which employs an estimated 800,000 people.

“However, this access is not without conditions. It comes with a responsibility to uphold and respect the values enshrined in 15 fundamental conventions of the United Nations and the International Labour Organisation,” Malmström continued. “As I have underlined many times as Commissioner for Trade, our EU trade policy must be led by our values. Accordingly, when we are faced with blatant disregard for those values, the EU must act.”

Malmström said the EU will conduct a six-month review of Cambodia’s duty-free status, and “Without clear and evident improvements on the ground, this will lead to the suspending of the trade preferences that they currently enjoy.”

Cambodia’s government last week lashed back at the EU, saying the action would destroy years of progress.

“The Cambodian government can only take this decision as an extreme injustice when the EU blatantly disregards the considerable progress made by the country, despite its recent tragic past,” Cambodia’s Ministry of Foreign Affairs said on Thursday in a statement. “By implementing these withdrawal measures, the European Commission risks negating twenty year’s worth of development efforts.”

The EU is also considering similar trade sanctions for Myanmar, accusing the country of “blatant violation of human rights” surrounding allegations of ethnic cleansing of Rohingyas, including revelations from a recent United Nations report accusing Myanmar’s military of gang rapes and mass killings with “genocidal intent.”

Malmström said a fact-finding team is being sent to Myanmar to assess the situation on the ground, saying, “There is a clear possibility that a withdrawal [from free trade access] could be the outcome.”
Malmström did leave a sliver of hope, though she said the ball is in the southeast Asian nations’ courts.

“We are not yet at the cliff edge and there is still time for Cambodia and Myanmar to draw themselves back from the brink,” she said. “However, the consequences of the course that these countries are on are now clearly in sight.”

Source: sourcingjournal.com- Oct 15, 2018

Trade War Trauma Threading its Way Through Textile Sector

The tariffs the Trump administration has imposed on China, and the retaliatory import duties China has instituted in response, have hit a wide breadth of products and are starting to have an impact along the apparel and textile supply chain.

Lenzing Fibers last month said it was “mothballing” its planned $293 million Tencel production expansion in Mobile, Ala., blaming the “rising likelihood of increasing trade tariffs, paired with the potential surge in construction costs due to the buoyant U.S. labor market” for increasing the project’s risk profile.

Trump argues the tariffs are necessary, saying China’s “unfair” trade policies hurt American manufacturing. While groups such as the American Apparel & Footwear Association deride that theory, the National Council of Textile Organization agrees with the argument, and a new economic report said consequences could occur.

“In our view, the higher tariff rates will reduce demand for imports from China, introducing an opportunity for new domestic production to satisfy domestic demand,” IHS Markit chief U.S. economist Joel Prakken and executive directors Patrick Newport and Ben Herzon said in a new report.

“But two factors will mitigate this effect,” the market insight firm said. “Chinese exporters will temporarily reduce the pre-tariff price to preserve market share, and some imports will be re-sourced outside of China to avoid
paying the tariff. We also expect higher post-tariff import prices to pass through to domestic prices and weigh on real income and wealth, reducing domestic demand.”

Andy Zhong, marketing director of China’s Prosperity Textile, said the company’s core denim fabric hasn’t specifically been on the tariff list, although it could be on the next round, and in many cases the company’s Chinese-made fabrics are being shipped to Bangladesh, Vietnam, Cambodia and other countries for garment making and then exported to the United States.

“To me, it is more about the sentiment and, indeed, not a good thing in the long run,” Zhong said. “In this dynamic, brands and retailers are looking for a more diversified and safer supply chain for apparel sourcing, as you never know what would happen next.”

He said as the apparel import share from China to the United States declined in past years and worsened during the trade war, the company shifted its sourcing outside of China.

“Textile is a global business, so you have to operate in a global perspective, too,” Zhong added. “In 2016 we started to build a new denim mill in Vietnam, which is scheduled to start production by November, with 15 million yards annual capacity for phase one, and we are expecting to expand to 50 million yards in the next two years.

We have welcomed a handful of visitors from key USA denim brands and retailers to the not-opened-yet mill. We are offering the same great quality fabrics as China and, more importantly, less exposure to the trade war.”

Omer Ahmed, managing director of Pakistan’s Artistic Millinners, said the issue of trade wars between the United States and China has served as a catalyst for customers seeking alternative mill options in Asia, but it isn’t the only reason.

China’s apparel shipments to the United States fell 2 percent in value, to $3.08 billion in August compared to a year earlier, according to the U.S. Commerce Department’s Office of Textiles & Apparel.
“U.S. companies have been finding alternatives to Chinese mills way before the trade wars,” Ahmed said. “The cost of producing textile goods in a sustainable way in China has been increasing year-on-year for the last decade or so.

American textile importers have been wary of this for some time and have been actively moving production to other countries in Asia—India, Bangladesh and Vietnam being three of the main beneficiaries. Now Pakistan seems to be the latest sourcing option trending with small and large-scale brands alike.”

Pakistan’s apparel shipments to the U.S. rose 16.51%, to 52 million square meter equivalents in August against a year earlier. Year-to-date through August, denim imports from Pakistan rose 11.16% in value, to $155.52 million.

Source: sourcingjournal.com - Oct 15, 2018

**EU mission to visit Pakistan to review GSP+ criteria**

A monitoring mission of the European Union (EU) would visit Pakistan next week to review progress on 27 core conventions Pakistan had signed under the Generalised Scheme of Preferences Plus (GSP+) facility.

The delegation would include officials from Directorate General of Trade, Directorate General of Employment of the European Commission and European External Action Service.

The European officials would convey their reservations in the light of Biennial Report of January 2018 on Pakistan, and would meet key ministries as well as representatives of civil society and human rights organisations to assess the current state of implementation on commitments Pakistan had made under the international law.

The under-discussion biennial report stated that Pakistan underwent its 3rd Universal Periodic Review on November 13, 2017, where 117 delegates raised concerns related to, inter alia, the death penalty, freedom of religion or belief,
freedom of opinion and expression and issues of discrimination and violence against women and minorities.

A copy of report obtained by Daily Times further stated that freedom of expression had come under further strain during the last two years. “There is an increased pressure on print and broadcast media to suppress any critical coverage, using intimidation tactics, discrete pressure and selectively applying a media code of conduct.”

The EU had also showed concerns over the current judicial system of the country stating in the report that the right to a fair trial remained a major concern, stemming from weaknesses of the judicial system.

“A large backlog of cases resulting in defendants spending years in jail before their case is heard continues to be a problem. Poor defendants also continue to have inadequate access to legal representation, and allegations of corruption and intimidation of courts, undermining the course of justice, also continue.”

“In 2017, social media also came under pressure, with legal grounds offered by new cybercrimes law enacted in August 2016. A campaign against ‘blasphemy on social media’ was launched, in which the allegation of blasphemy was effectively used to suppress public opinion online.

The Human Rights Committee recommended Pakistan in its report to ensure that criminal laws are never improperly used against journalists or other dissenting voices and that all reported cases of harassment, disappearances and killings of human rights defenders are promptly and thoroughly investigated and prosecuted,” the EU report asserted.

The report appreciated the government for establishing a system of Treaty Implementation Cells (TICs) at federal and provincial levels, tasked with coordinating the implementation of treaty obligations between different ministries and departments, yet noting that the TICs had still to catch up with the given tasks after establishing their responsibilities.

The mission would also meet human rights activists and mainstream democratic leaders, while also discussing their observations/reservations with relevant ministries.
GSP+ programme offers Pakistan exceptional trade concessions for promise of improving human rights and democratic conditions in the country, making Europe the biggest trade partner of Pakistan.

Around three-quarters of all EU imports from GSP+ programme come from Pakistan and almost 82 percent EU purchases are textiles and clothing products, which serve as the backbone of Pakistan’s textile industry.

EU spokesperson confirmed the arrival of European monitoring mission in Pakistan on October 18, 2018. “The GSP+ monitoring mission will take place on October 18 – 25,” the spokesperson said.

The spokesperson added that the key issues to be discussed with Pakistani authorities were those included in the biennial report of January 2018 on GSP+ (Commission and European External Action Service Joint Staff Working Document SWD (2018) 29 final), submitted to the European Parliament and the Council.

“Both the report and the forthcoming monitoring mission will assess progress made by Pakistan on implementation of 27 international conventions under the GSP+ facility.

Besides representatives of government, the mission also envisions meetings with other stakeholders concerned with the implementation of these conventions,” the spokesperson asserted.

Source: dailytimes.com.pk - Oct 16, 2018
U.S. Could Put Brakes on Mexican Trucks Under Trade Deal

The U.S. could slam the brakes on Mexican trucks providing long-haul trucking services beyond U.S. border commercial zones.

Annex language attached to the freshly minted trade deal to replace the North American Free Trade Agreement (NAFTA) paves the way for the U.S. to limit how far Mexican trucks can transport goods into the U.S.

The provision represents a victory for the International Brotherhood of Teamsters and the Owner-Operator Independent Drivers Association (OOIDA), which had worked for over 20 years to block NAFTA cross-border trucking provisions. It may disfavor Mexican carriers that have not been granted authority to operate in areas beyond the U.S. commercial zones.

The annex says the U.S. “reserves the right” to limit “grants of authority for persons of Mexico to provide cross-border long-haul truck services” outside U.S. border commercial zones, if those limitations “are required to address material harm or the threat of material harm to U.S. suppliers, operators, or drivers.”

Under the provision, “material harm” means a significant loss in the share of the U.S. market for U.S.-owned long-haul truck companies “caused by or attributable to persons of Mexico.”

Trucks move nearly $385 billion in goods between the U.S. and Mexico annually, according to the American Trucking Associations.

Commercial zones generally extend up to 25 miles north of U.S. border municipalities in California, New Mexico, and Texas or 75 miles in Arizona.

Lack of Reciprocity

Enrique Gonzalez, president of Mexican trucking association Canacar, said the association is very concerned about the lack of reciprocity in the trade agreement’s language on trucking. The U.S. reserves the right to limit Mexican trucks entering the U.S., but Mexico did not secure similar language to restrict U.S. firms from transporting goods into Mexico, he said.
“We are not very much in agreement with how the policy was established for concessions for long-haul transport companies,” Gonzalez said, adding that “as usual” the U.S. Teamsters established the parameters.

“This criteria is discretional,” he said. “This could disfavor us and it’s not reciprocal.”

Gonzalez said the trucking association is communicating its concerns to the incoming government of Mexican President-elect Andres Manuel Lopez Obrador, and that the association is asking for some sort of economic stimulus to help companies—mostly small Mexican firms—that may be affected.

“It’s up to the Congress to fill the policy space that the annex offers,” Mike Dolan, a trade policy specialist for the Teamsters, told Bloomberg Law, welcoming the trucking language. He said legislation implementing the new trade deal would be the logical vehicle for doing so.

None of the current Mexican carriers operating in the border zones will lose their authority automatically, he said, pointing to a footnote in the annex exempting these firms from an immediate finding of material harm.

This was a concession to the Mexican negotiators, he said. Beneficiaries of the annex’s new restrictions include all drivers on interstate highways and the U.S. trucking industry, he said.

The Owner-Operator Independent Drivers Association also opposed previous NAFTA provisions, which had allowed carriers such as Baja Express, Grupo Behr, and Transportes Olympic to provide long-haul trucking services beyond the commercial border zones.

**Process Set**

“OOIDA is supportive of the annex language, which establishes a regulatory process for restricting Mexican trucks to the commercial border zones,” OOIDA Director of Federal Affairs Jay Grimes said in a statement.
“We believe the provision will help end the current program that allows Mexican carriers and drivers who are not held to the same, rigorous U.S. safety, security or environmental regulations to operate on American roadways.”

OOIDA will work with the administration and Congress to ensure that this language remains in the final version of the agreement, he said.

NAFTA provided for cross-border trucking to be phased in beginning in 1995, but the U.S. repeatedly delayed meeting this commitment with Mexico.

The delay led the Mexican government to eventually impose retaliatory tariffs of more than $2 billion on U.S. exports. Mexico suspended the tariffs when the U.S. launched a pilot program in 2011.

The Office of the U.S. Trade Representative did not immediately respond to an inquiry.

The American Trucking Associations, UPS, Landstar System, and Schneider National did not immediately respond to a request for comment. Werner Enterprises declined to comment.

Source: bna.com- Oct 15, 2018

**Sri Lanka: August apparel export earnings up 7.7%**

Sri Lanka’s apparel export earnings for the month of August rose 7.7 percent from a year ago to US $ 444 million amid a significant rise in export earnings from the United States.

The apparel export earnings from the US for the month stood at US $ 209 million, up 21.51 percent from a year ago.

The US economy is seen strengthening with job creation within the country and large US corporates bringing back their moneys into the country.
The money that came from the developed world to the emerging and frontier markets after the global financial crisis in 2008, are also returning to advanced economies as Fed keeps on raising interest rates.

Amid the outflows, a number of emerging frontier market currencies has depreciated against the dollar.

The Sri Lankan rupee has so far this year depreciated over 10 percent against the US dollar.

A depreciating rupee bides well with exporters but makes imports more expensive.

The earnings from the apparel exports to the European Union (EU) however fell 7.51 percent year-on-year (YoY) to US $ 177 million.

Apparel exports to other market rose 20.83 percent YoY to Rs. 58 million.

The cumulative apparel export earnings in the first eight months of this year rose 4.49 percent YoY to US $ 3, 281 million and exports to both the US and EU rose 4.42 percent and 5.09 percent to US $ 1, 442 and US $ 1, 405 million respectively.

Cumulative apparel export earnings by exporting to other markets brought in US $434 million, up 2.84 percent YoY.

Source: dailymirror.lk- Oct 15, 2018

Tajikistan textile-apparel exports rise 30% in Jan-Aug 2018

Tajikistan’s production of textile and apparel rose by 30 per cent in the first eight months of this year making more than $89.6 million, according to the country’s ministry of energy and industry.

The industrial production index in the sector rose by 29.1 per cent due to an increase in the output of cotton fibre, fabric, carpets, carpet products and hosiery.
Textile exports amounted to more than $149.6 million for the said period—$ 71.6 million, or 92 per cent, more than the same period last year. Out of that, over $106.9 million is accounted for by exports of cotton fibre, a top news portal in the region reported citing a statistics agency of the country.

Tajikistan is also successfully implementing the International Trade Centre (ITC) program, aimed at supporting the development of the textile and clothing industry and improving the quality management infrastructure.

Source: fibre2fashion.com– Oct 16, 2018

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**Bangladesh, Sri Lanka may sign FTA soon**

Bangladesh may sign a free trade agreement (FTA) with Sri Lanka as both sides have completed the feasibility studies, the former’s commerce minister Tofail Ahmed said after meeting visiting Sri Lankan minister for development strategies and international development Malik Samarawickrama in Dhaka.

The FTA will be signed before the next Bangladesh polls.

The national elections in Bangladesh may take place in late December or early January.

The agreement will cover not only duties but also the services sector and investment, Bangladesh media reports quoted Ahmed as saying.

Ahmed invited Sri Lankans to invest in the country’s special economic zones being developed.

According to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Siddiquur Rahman, a joint working committee would be formed engaging garment exporters of both countries to produce value-added apparel items for exports to European markets.

Bangladeshi manufacturers will produce the basic garments and may send them to Sri Lankan factories for value addition under the ‘Made in
Bangladesh’ tag and the country would also use Sri Lankan ports to its benefit, said Rahman.

Four direct flights between Dhaka and Colombo could be introduced by next April, Ahmed added.

Bangladesh exported goods worth $30.02 million to Sri Lanka in the last fiscal, while importing goods worth $47.80 million, according to commerce ministry statistics.

Source: fibre2fashion.com- Oct 15, 2018

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**BGMEA president: Implementation of new wage structure a major challenge**

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) on Monday said that the implementation of the new wage structure for apparel workers would be a major challenge for the sector, and may lead to the closure of a number of readymade garment (RMG) units.

“For us, it is a major challenge to implement the new wage structure. Buyers, workers, the government, and other stakeholders have to come forward and work togetherto this end,” Md Siddiquur Rahman, president BGMEA said at a press conference at his office in Dhaka.

On September 13, the Bangladesh government set Tk8,000 as the minimum monthly wage, with Tk4,100 as basic salary, for the country’s apparel workers.

The new wage structure is set to become effective from December.

“In a letter to Bangladesh Prime Minister Sheikh Hasina, the American Apparel and Footwear Association urged the implementation of a new and inclusive wage structure in the RMG sector.

The prime minister has done her job and increased the workers’ wages, so we think buyers now have a responsibility to increase the prices they pay for products,” the BGMEA president said.
Without an increase in prices to go with the higher wages, the new wage structure could lead to the closure of a number of RMG businesses, he added.

“From 2014-2018, about 1,200 RMG factories had to shut down their operations. We predict that we may see more closures in the near future due to the new wage structure and other factors,” Siddiqur said.

He also said prices of Bangladeshi apparel goods had seen an 11.72% fall in the US market, which is the single largest export destination for Bangladeshi goods.

Furthermore, the BGMEA president urged trade unions and other stakeholders not cause conflict regarding the new wage structure by spreading incomplete information.

“From different sources, we have heard that some NGOs and a handful of labor leaders are spreading propaganda and manipulating other active and sincere workers to create anarchy in a peaceful sector. This is utterly unacceptable,” the BGMEA leader claimed.

“The National Garments Workers Federation, a trade union, distributed partial and distorted information about the minimum wage among the people,” Siddiqur said. “They compared the wage structure to that of 1998, 2006, and 2010, but shrewdly avoided 2013. Moreover, they said the 7th grade labour rate is 3-5%, when it is actually more than 20%.”

“There are a few groups who would be happy to create problems, but if this sector faces problems then it will be the workers who will be worst affected. It would further create an imbalance in the socio economic ecosystem. It is better not to provide manipulative and partial information, which can destabilize the industry, provoke workers, and tarnish the global image of the sector,” he added.

BGMEA Senior Vice President Faruque Hassan, and Vice President Mahmud Hasan Khan Babu were also present at the press briefing.

Source: dhakatribune.com- Oct 15, 2018
Uzbekistan to increase trade turnover by 17.2 pct

In January-September 2018, the foreign trade turnover of Uzbekistan amounted to $ 23 billion, thus showing an increase of 17.2 percent, compared to the same period last year.

Exports in January-September 2018 amounted to $ 9.3 billion (down 0.4 percent). The share of goods in the composition of exports reached 75.9 percent, of which energy carriers and petroleum products made 20.2 percent, food products-8.8 percent, chemical products and products from it - 7.3 percent.

The volume of exported services in January-September 2018 amounted to $ 2.25 billion, or 24.1 percent of total exports and increased by 21.9 percent compared to the same period last year.

The main part of the export of services falls for transport, tourism, as well as telecommunication, information, computer and financial services.

China and Russia occupy the largest share in the export of goods and services of Uzbekistan. The share of these countries in total exports is 37.1 percent.

The exported goods to China and Russia include a group of energy carriers and petroleum products, chemical products and products from it, as well as food products.

In January-September 2018, exports of textile products amounted to $ 968.3 million and increased, compared to the same period of 2017, by 14.8 percent, which is 10.3 percent of the total exports. Of the export structure of textile products, the main share is cotton yarn (57.3 percent), finished knitwear and garments (22.4 percent). Since the beginning of the year, more than 320 types of goods have been exported to 55 countries of the world.

The volume of exports of fruits and vegetables amounted to more than 873,500 tons and reached $ 649.4 million (a growth rate of 50 percent).

In the structure of exports of fruits and vegetables and vegetables, more than 512,600 tons were exported (physical growth increased 2.1 times) for the amount of $ 231.4 million, fruits and berries - 229,300 tons (physical growth increased by 120.0%) in the amount of $ 305.8 million (monetary growth,
compared to the same period last year, was 58.6 percent and 64.3 percent, respectively).

The share of the CIS countries in foreign trade turnover in January-September 2018 was 38.6 percent and compared to the same period, the growth rate of foreign trade turnover was 34.4 percent.

The share of other countries in foreign trade turnover in January-September 2017 was 66.3 percent. In the current year, foreign trade turnover with them decreased by 4.9 percent and amounted to 61.4 percent.

The volume of imports of services amounted to $165 billion, or 12.1 percent of total imports, and compared with the same period last year, increased by 21.5 percent.

Transport services, tourism services, as well as telecommunications, information, computer and construction services account for the bulk of imports of services.

In January-September 2018, goods and services from 156 countries were imported into the republic.

The five major partner countries (the Russian Federation, the People’s Republic of China, the Republic of Korea, Kazakhstan and Turkey) have a share of 61.0 percent in total imports, which is $8.35 billion.

During the last period of 2018, in September, imports were more than in the other months. In September in comparison with August the volume of imports of goods and services fell by $207.3 million, and amounted to $1.65 billion.

Source: azernews.az - Oct 15, 2018
NATIONAL NEWS

Export growth down 2% in Sept

Govt says decline due to base effect; exporters want higher credit flow

After a positive run in the first five months of this fiscal, the country’s goods exports fell 2.15 per cent to $27.95 billion in September 2018 (year-on-year). The government is hopeful that the decline is temporary, owing largely to a high-base effect.

Imports registered an increase of 10.45 per cent to $41.9 billion during the month, bringing down the trade deficit to $13.98 billion, according to data released by the Commerce Ministry on Monday.

“The decline in exports is a temporary phase. In October, we will see good growth in dollar terms and will match the current trend,” Commerce Secretary Anup Wadhawan told reporters.

Wadhawan pointed out that export growth was down in September 2018 as in the comparable last month there was an abnormally high growth of 26 per cent due to the cut-off for drawbacks at pre-GST rates.

According to exporters’ body FIEO, overall exports in September at $28 billion is the minimum needed to reach the $350-billion mark milestone in 2018-19.

“We reiterate our demand for augmenting the flow of credit to the export sector as a sharp decline in credit does not augur well for the future when exports are growing in double digits,” he said.

Despite the fall in exports, a number of items posted an increase, including petroleum products, chemicals, drugs & pharmaceuticals, cotton yarn & fabric, handloom products and plastic.

In the first six months of the current fiscal, exports posted a growth of 12.5 per cent in dollar terms. Imports grew 16.1 per cent.
Last month, the Commerce Ministry had roughly estimated export growth for 2018-19 to be about 16 per cent, which was the average growth figure for the April-August 2018-19 period.

Exports grew 9.8 per cent in 2017-18 to $302.84 billion.

Source: thehindubusinessline.com- Oct 15, 2018

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**Despite agreements India’s textile trade has underperform: Trade Advisor, MoT**

Despite, Free Trade Agreements (FTA’s) and Preferential Trade Agreements (PTA’s), India’s textile trade has not been performing well, said Aditi Das Rout, Trade Advisor, Ministry of Textiles.

Speaking at a meeting organized by Indian Texpreneurs Federation in Coimbatore, she said India’s textile and clothing exports are almost stagnant for the last five years.

She said that India has 10 Free Trade Agreements and six Preferential Trade Agreements and despite that our trade has underperformed. Such agreements look at various issues and compliance that prove expensive for the small and medium-scale businesses.

The textile and clothing industry is largely fragmented and is with SMEs, she added.

Suggesting measures, Rout said “We need to analyze why our trade has not performed despite the agreements.”

She also urged the industry to diversify into new markets and products, using branding as an effective tool, and invest to achieve economies of scale.

Highlighting the textile exports market for India, Rout said that the top destinations for the textile and clothing exports from the country are the US and the European Union. Substantial exports are also to emerging markets such as the UAE, Bangladesh, and China. Nearly 63 % of the exports are to markets where there are no free trade agreements.
Thus to give exports more visibility she said “Ministry of Textiles plans to handhold SMEs with trend forecasting services and have display locations and warehouses in potential and emerging markets.”

Keshav Chandra, Joint Secretary in the Union Ministry of Commerce, said the Government is working on a National Trade Portal and first module of the portal is expected to be up and running from August-September next year with the focus on four dimensions - logistics, online certification systems, financial systems, and compliances.

He said that textile and clothing exporters are struggling to compete with countries such as Vietnam and Bangladesh.

Quoting the reasons, he said that there is lack of nimbleness in the industry and government, which needs to be focused on,

“We are not fast enough to see what the next option is,” he said.

Further, he suggested having a focused group for each country and study the export-import trends and issues.

At the meeting, Indian Texpreneurs Federation presented a report on “Competition Analysis and Way Forward for FTAs for Indian Textile Sector”.

According to the report, India faces competition from Pakistan mainly because Pakistan receives zero duty market access in EU. In general, the country’s textile and clothing exports have tariff disadvantage ranging from 1% to 40%.

The way forward is to seek better market access under current FTA negotiations and have mutual recognition agreements with major export markets to combat impact of non-tariff barriers, report suggested.

Source: knnindia.co.in- Oct 15, 2018
India and EU: The devil lies in the (trade) deal

About a decade ago, the European Commission, troubled perhaps by the not-so-positive perception it has in India, decided to set up what it called a "Indo-EU news agency" to produce and disseminate real-time, accurate and informative news from the EU to India and perhaps vice versa.

After a lot of endless discussions within the notorious EU bureaucracy, they chose an Indian journalistic trade union body with little experience of dealing in international news, over the claims of some professional news agencies, for its partnership.

The enterprise, predictably, did not last too long and the perceptions remained, according to Bhaswati Mukherjee -- resulting in a "continuing challenge" with general "lack of visibility in the Indian media regarding the EU" and a general "negative tone" which some experts have said bordered on "disapproval and general indifference".

Mukherjee, who retired as Indian Ambassador to the Netherlands and also served in Paris as Ambassador to the Unesco, has spent the best part of her career trying to bring content and meaning to India-EU ties, which she thinks works much below its potential. In fact, she calls it "a faltering strategic partnership" in her seminal offering, "India and EU: An Insider's View".

Although Mukherjee says that the book is about "Europe meeting India", it is actually an expansive and insightful tour d'horizon of India's long engagement with Europe, such that has not been attempted to date, at least from the Indian perspective.

She gives the history, the different dimensions of the relationship, Europe's intra-state dynamics, the trade block, the perception factor and, finally, the way to go.

As Hardeep Puri, former Indian diplomat and now minister in the Modi government, said, it was a must-read for anyone dealing with India-EU dynamics.
Speaking at the book launch, Puri said, tongue in cheek, that EU's perception about India -- and the way it dealt with it -- would perhaps change if India becomes a $5 trillion economy. Despite common values of democracy, language, liberal institutions, etc., EU never resisted the urge to be "prescriptive" towards India, especially on human rights issues, particularly regarding Kashmir and India's penal system.

One of the other strategic areas of difference, as Mukherjee points out, is the way the two sides viewed their partnership. India was slow to respond to EU overtures of a strategic partnership, mainly because New Delhi was reluctant "to become a pole in a new multipolar world".

But slowly Indian thinking has evolved, especially under a nationalist administration, and Prime Minister "Modi has taken important measures to reinvent, redirect and reinvigorate India's foreign policy imperatives".

The relationship has appeared to have gathered new momentum and will continue to blossom post-Brexit, especially with coincidental positions on climate change and global warming and founding of the International Solar Alliance (ISA) by Modi and French President Emmanuel Macron.

Mukherjee says ISA will "consolidate the India-EU strategic partnership". The only irritant remains the proposed free trade agreement, or the Broadbased Trade and Investment Agreement (BTIA) as it is officially known.

Despite 16 rounds of negotiations, the deal is stuck because, in India's view, EU -- being India's largest investor and trading partner -- is not ready for any "give and take" in the negotiation and refuses to relent on access to services, of which UK till now was the biggest blocker.

Whether Brexit in 2019 will remove this "impediment" -- the British prism -- finally remains to be seen. There are clearly two ways of looking at the India-EU partnership, of which no one denies there is huge untapped potential:

While the EU remains optimistic largely, despite being tough negotiators in the board room, the Indian side remains sceptical and even cynical, with one former Indian ambassador to France publicly averring that the ties "had run its course" and it was high time "new ideas" were injected into the discourse.
to catch the imagination of the youth in both countries and bridge the "perceptional gap" that is obviating what should be a win-win relationship by all accounts.

But, as Mukherjee asks in her profound assessment, can the structural asymmetries and gaps be bridged by visionary leadership on both sides?

Source: business-standard.com- Oct 15, 2018

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**Quick estimates of IIP show upward trend for textile and clothing sector: CITI**

The quick estimates of Index of Industrial Production (IIP) for August has showed an encouraging trend for the textile and clothing sector.

The monthly index for textiles has increased from 116 during August 2017 to 125.1 during August 2018 showing an increase of 7.8%.

However, the cumulative index has increased from 116.3 during April-August 2017 to 119.7 during April-August 2018 showing an increase of 2.9%, said the Confederation of Indian Textile Industry (CITI).

Similarly, the monthly index for wearing apparel has increased from 121.4 during August 2017 to 144.3 during August 2018, showing a robust increase of 18.9%. However, the cumulative index has increased from 142.6 during April-August 2017 to 144.2 during April-August 2018 showing a marginal increase of 1.1%, CITI added.

Sanjay Jain, chairman, CITI, in a release said the general Index for August 2018 is 4.3% higher as compared to the level in August 2017. The cumulative growth for the period April- August 2018 over the corresponding period of the previous year stands at 5.2%.

According to him, this is a positive development and bring cheers for the overall textile industry as the union textile ministry played a big role through its pragmatic approaches in the last few quarters.
As said earlier, this turnout is just a beginning of a new dawn especially after industry faced back to back two big economic reforms ‘demonitisation’ and ‘GST’ implementation.

The industry strongly believes that this positive trend will continue and motivate the industry attracting fresh investments. It will also encourage industry to promote ‘Make in India’ initiative as mooted by the union government.

Source: financialexpress.com- Oct 16, 2018

Trade deficit shrinks to 5-month low

Merchandise exports grow 19.93% in rupee terms and 12.54% in dollar terms

India’s trade deficit shrank to its lowest in five months in September, at $13.98 billion, even as exports contracted for the first time in as many months, according to official data released on Monday.

The data from the government’s mid-year assessment of India’s trade shows that merchandise exports registered a growth of 19.93% in rupee terms and 12.54% in U.S. dollar terms.

“Merchandise trade deficit is $13.98 billion in September 2018, lowest in last five months, despite high oil prices,” the government said in a statement.

“Merchandise exports in September 2018 exhibited a positive growth of 9.65% in rupee terms. In dollar terms, there was a marginal negative growth in merchandise exports of 2.15% in September 2018.”

“This decline is entirely due to the base effect resulting from September 2017 being an abnormally high growth month of about 26% in dollar terms due to the imminent cut off then for drawbacks at pre-GST rates,” the statement added.
“Though the data shows a marginal negative growth in the month of September, primarily due to high base effect last year, the aggregate value of exports in this September is much more than in the month of April, June and July of 2018 in which we recorded as high as 17% growth,” said Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations.

**Petroleum rises**

During September, the major commodity groups that saw a strong export growth included petroleum products (26.8%), organic and inorganic chemicals (16.9%), drugs and pharmaceuticals (3.8%) and cotton yarn/fabs./made-ups, handloom products, etc. (3.6%) and plastic and linoleum (28.2%) in dollar terms. “Imports in April-September 2018 exhibited a positive growth of 16.16% in U.S. dollar terms,” the statement said.

“In September 2018, imports exhibited a positive growth of 10.45% in U.S. dollar terms (which is the lowest in last five months) and 23.78% in rupee terms.”

Source: thehindu.com- Oct 15, 2018

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**ET View: Incentivise innovation to spur export growth**

The latest figures show that India’s goods exports declined 2.15% in September (over the like period last year), with the total for the month adding up to $27.95 billion.

The decline is almost entirely statistical, as the seeming fall is due high growth in the previous September.

Nonetheless, it would make perfect sense to streamline and expedite disbursal of blocked tax credits due to exporters under the goods and services tax (GST) regime, without further delays.

We also need to address structural issues holding back growth in exports, like high logistics and transaction costs.
Note that exports in the goods segment during September, 2017 grew at an abnormally high rate of about 26%, due to cut-off date for duty drawbacks at pre-GST rates.

This time around, while overall goods exports have dropped, that for drugs and pharmaceuticals, chemicals, and cotton yarn, fabric and handloom products have all posted upticks.

In the first half of this fiscal, exports have notched 12.54% growth, while that for imports add up to 16.16%. Increased imports can well rev up exports, albeit with a lag.

We do need to incentivise efficiency improvements quite across the board economy-wide, to gainfully boost exports. More important, we need proactive policy to encourage innovation with low tariff barriers and an environment for high skilling, to better meet export demand.

Source: economictimes.com- Oct 15, 2018

India keen on pact with UK post Brexit

India is discussing a free trade pact with the UK. This could include an agreement on services and financial markets and could be signed after Britain negotiates its Brexit deal with the European Union.

Britain is trying to build safeguards into its Brexit pact which would allow Indian companies to continue to operate out of London and access the European markets.

Indian firms employ more than 1.1 lakh people in the UK. Britain is trying to continue its hold on Indian businesses post-Brexit by wooing them with technological partnerships in high-tech areas such as low-carbon automobile engines, graphene engineering and aerospace.

Britain is interested in expanding its footprint in the financial sector in India and in projecting London as the first choice for Indian companies raising global finance, so a deal involving financial markets is important for Britain.
India, in its bid to pave the way for a post-Brexit deal, will allow 100 per cent foreign direct investment in insurance brokerages. India is also keen on deals to ease the export of software as well as the movement of IT and healthcare professionals.

India’s textile and garment sectors are also extremely keen on a trade pact with the UK. These sectors are major forex earners, after software and gems and jewelry.

Source: fashionatingworld.com- Oct 15, 2018

Temporary relief to Indian economy: Trade deficit falls to lowest in 5 months, import growth slows

India’s trade deficit in September narrowed to lowest in the last five months since the imports growth slowed even as exports fell marginally during the month. September trade deficit fell to $13.98 billion, according to the data released by the Ministry of Commerce and Industry on Monday.

The overall trade deficit stood at $94.32 billion in the first six months – April to September – of the current financial year 2018-19, the data showed. “The decline in the merchandise trade deficit to $14 billion in September 2018 from $17-18 billion in the previous three months has been driven by seasonal factors and is largely in line with our estimate,” Aditi Nayar, Principal Economist, ICRA, said.

This might come as a temporary relief to the government struggling to keep current account deficit in check, in the wake of mounting crude oil prices and a rapid fall in rupee. “The merchandise trade deficit recorded a sharp YoY deterioration to $14 billion in September 2018 from around $9 billion in September 2017, in line with the absolute widening seen in August 2018.

This underscores that the correction in September 2018 relative to the size of the trade deficit in the previous three months, has been driven by seasonal factors, and is therefore likely to offer only temporary relief,” Aditi Nayar said.
Since January this year, the rupee has depreciated about 15%, meanwhile touching a lifetime low of 74.48/$ on October 11. As part of its efforts to curb imports, the government recently hiked import duty on select communication items to up to 20%.

Earlier last month also, the government had raised import duties on 19 ‘non-essential’ items.

India’s imports recorded an increase of 10.45% to $41.9 billion in September 2018 from the same period last year. For the April-September period, the overall increase in imports works out to be 16.16%.

The goods exports, which were seen rising since April this year, however, entered in the negative zone by registering the first monthly decline for the current financial year.

In September, the country’s exports dropped 2.15% as against the same period a year ago to $27.95 billion, the data showed. Exports registered an increase of 12.54% for the first six months of the current financial year.

The decline in exports was mainly due to the higher base last year seen immediately after the GST implementation, Commerce Ministry said. “This decline is entirely due to the base effect resulting from September 2017 being an abnormally high growth month of about 26 per cent due to imminent cut off then for drawbacks at pre-GST rates,” the commerce ministry official statement showed.

Despite the overall decline in exports during the month, chemicals, petroleum products, drugs & pharmaceuticals, handloom products, cotton yarn & fabric and plastic recorded an increase in exports, it said.

Source: financialexpress.com- Oct 15, 2018
India, UAE discuss ways to increase investments

India and the UAE Monday discussed ways to increase investments in areas including highways, airports and infrastructure.

The issue was discussed during the meeting of the UAE-India High Level Joint Task Force on Investments.

"Both sides deliberated on opportunities for cooperation and investment in both countries.

Also discussed in specific detail a number of potential investment projects in India, in the highways sector; infrastructure corridor projects, Sagar Mala projects and new greenfield airports," Commerce and Industry Minister Suresh Prabhu said in a series of tweets.

Prabhu also announced a fast track mechanism between India and the UAE to attract investments.

"Announced special, dedicated UAE Plus desk to be constituted under Invest India with Arabic speaking officials to help (facilitate investments)," he said.

He said that both the sides reviewed progress in addressing the agreed actions in the previous meeting at Abu Dhabi in January.

The bilateral trade between the countries stood at USD 49.88 billion in 2017-18, as against USD 52.7 billion in the previous fiscal.

The UAE is the tenth largest investor in India. In 2017-18, India received USD 1.05 billion foreign direct investment from that country.

Source: financialexpress.com- Oct 15, 2018
India International Silk Fair -2018 to begin Tuesday

The 6th edition of India International Silk Fair (IISF) will begin in New Delhi on October 16, with more than 100 exhibitors being expected showcase their product on the occasion.

Union Minister of Textiles Zubin Irani, will inaugurate the 6th edition of India International Silk Fair (IISF). Minister of State for Textiles, Ajay Tamta will also be present on the occasion.

Over 108 exhibitors of silk and blended silk products manufactured in different parts of the country will display their produce during the three-day event, organised by the Indian Silk Export Promotion Council (ISEPC) at Pragati Maidan.

Over 218 buyers from various countries will participate in the fair. Artisans from Jammu & Kashmir and North East will showcase their unique products from their region which will be an added attraction for buyers.

The fair will give a platform to exporters to display their products and to overseas buyers an opportunity to place orders and source their merchandise.

The IISF-2018 is expected to generate business of over USD 20 million for the small and medium enterprises (SMEs) engaged in producing silk and blended silk garments, fabrics, accessories and floor covering.

The Central Silk Board is putting up a Theme Pavilion showcasing the future vision of Indian Silk Industry. The fair is open for buyers and sellers and invited visitors only.

India is the 2nd largest producer of silk in the world. The silk industry is agriculture based and labour intensive and provides gainful employment to around 8 million artisans and weavers in rural areas.

Source: smetimes.in - Oct 15, 2018