Cotton Market

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

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<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<td></td>
<td>19648</td>
<td>41100</td>
<td>82.09</td>
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Domestic Futures Price (Ex. Gin), January

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<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<td></td>
<td>20690</td>
<td>43279</td>
<td>86.44</td>
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International Futures Price

- NY ICE USD Cents/lb (March 2018): 82.63
- ZCE Cotton: Yuan/MT (Jan 2018): 14,970
- ZCE Cotton: USD Cents/lb: 89.70

Cotlook A Index – Physical: 90.35

Cotton & currency guide: Cotton price attempted to move higher on Thursday. The ICE March future made an intraday high of 83.94 cents however ended the session a tad lower at 82.63. It failed to cross 84 cents and gave up the gains to close off the high. Nonetheless, the overall movement was positive and in comparison to previous day it gained by 50 points.

With the both side movement and mostly on the positive tone the trading volumes were high. As of latest data the recorded volume was 47,850 contracts mostly double from previous day’s trading volume. The total open interest was higher on Thursday. To give more clarity the open interest in May is now relatively higher than the March contract. May has added 13,850 contracts in the last 8 sessions. May open interest began Thursday at 67,950 contracts, up 1,027 contracts previous day. The aggregate open interest held was 304,637 contracts.
Despite of higher price cash sales continue to be good. The bulk of the sales, though, are for discounted cotton including volumes of low miconaire Texas cotton. Sellers believe the volume of sales may be greater if the market dropped under 80-cents. The weekly export sales figure would be released today. The last week’s total sales were 367.50K bales and any substantial increment/decrement in the figure would determine the fresh direction market.

On the technical front no major change as in 80 cent continues to be strong support and below that market may slip down to 78 cents. Likewise, on the higher side we see 84 as immediate resistance and break of which may break the recent high and move towards 86 cents per pound. So for the day we expect cotton to trade in the range of 82 to 83.80 while in the near term the broad range would be 80 to 85 cents.

On the domestic front, spot price continues to hold strong. As per latest quote the spot price of Shankar-6 variety has quoted at Rs. 42,100 per candy ex-gin. The equivalent price is around 84.10 cents per pound with the prevailing exchange rate. Likewise, Punjab J-34 quoted at Rs. 4388 per maund. On the supply front the estimated arrivals were around 180-182K lint equivalent bales. Which include includes 55,000 in Maharashtra, 48,000 in Gujarat, and 32,000 in Andhra Pradesh/Telangana.

However, the local future contracts have been taking cues from both Indian spot market and the US ICE future. The most active January future trades at MCX on Monday most part of the day was hovering positive and made a high of Rs. 21040. However, the same ended the session lower at Rs. 20810 per bale. The price has come off the high because a tad decline in the ICE future. Nonetheless, the trend still holds positive and the trading range should be Rs. 20600 to Rs. 20900 per bale.

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>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Across China: Chinese brands eye smart clothing market</td>
</tr>
<tr>
<td>2</td>
<td>Turkey may impose higher anti-dumping duty on Bangladesh</td>
</tr>
<tr>
<td>3</td>
<td>Mapping the environmental impacts of China's textile industry</td>
</tr>
<tr>
<td>4</td>
<td>Pakistan: Value-added sector for abolishing duties, taxes on cotton yarn import</td>
</tr>
<tr>
<td>5</td>
<td>Rosy outlook for Vietnam’s garment trade</td>
</tr>
<tr>
<td>6</td>
<td>52% of online apparel shoppers turn to Amazon</td>
</tr>
<tr>
<td>7</td>
<td>Bangladesh: High tariff’s impact on trade</td>
</tr>
<tr>
<td>8</td>
<td>Mixed feelings on Vietnam’s FTA</td>
</tr>
</tbody>
</table>

## NATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Irani urges fabrics industry to give data on dumping</td>
</tr>
<tr>
<td>2</td>
<td>Textile, garment exporters seek budgetary support to stay competitive</td>
</tr>
<tr>
<td>3</td>
<td>Bad news for Indian, Chinese polyester makers: US imposes anti-dumping duty</td>
</tr>
<tr>
<td>4</td>
<td>MSMEs not getting GST refunds on time</td>
</tr>
<tr>
<td>5</td>
<td>GST Council cuts rate on 83 goods, services</td>
</tr>
<tr>
<td>6</td>
<td>TSIIC to launch mega industrial parks in 2018</td>
</tr>
<tr>
<td>7</td>
<td>UP govt’s roadshow for business summit</td>
</tr>
<tr>
<td>8</td>
<td>Budget 2018: Government may tweak income tax laws for job creation</td>
</tr>
<tr>
<td>9</td>
<td>Mumbai’s first textile museum project is finally on track</td>
</tr>
</tbody>
</table>
INTERNATIONAL NEWS

Across China: Chinese brands eye smart clothing market

Taking a jacket off a plastic model, Hu Niuzai reached for the inside pocket, pulled out a cord and plugged it into a power bank.

"That's it, now the down jacket is warming up," said Hu, technology executive at Fujian Septwolves Industry Company, a garment maker in east China's Fujian Province.

The heat-generating jacket is the company's latest foray into smart clothing and was released in late November.

The down jacket uses graphene, a material that can generate heat when given a low voltage charge with a low risk of electricity leakage.

"It will warm up in just 30 seconds, and is safe," said Hu. "It offers three temperature options from 35 degree Celsius to 55 degree Celsius."

The jackets have been distributed to more than 2,000 stores in China, and Hu said the company will further explore the smart clothing market.

"We plan to spend about 50 percent of our company's revenue developing smart clothing, as well as upgrading our assembly line," he said.

The company is headquartered in Jinjiang, a textile manufacturing hub in east China, a cluster of the country's most well-known sports shoe and male garment brands.

In recent years, the local government has been promoting its garment industry to shift from labor-intensive manufacturing to tech-driven automated production.

As the smart clothing industry picks up steam, local firms are combining fashion with high-tech including using new materials, electronic accessories, and embedding sensors.
The smart clothing market is expected to exceed 4 billion U.S. dollars by 2024, according to a report released by Global Market Insight, a market research and strategy consulting firm.

Rising awareness of health coupled with an increased desire to monitor bodily functions such as blood pressure and heart rate will boost the demand for smart clothing, said the report.

Global fashion brands and technology firms have all joined the market.

In September, Levi's teamed up with Google to release a cycling-friendly denim jacket with bluetooth control for phones. Apple published three patents for smart fabrics on the second half of last year.

"Technology is a growing market," said Peng Haitao, head of Marketing Department at Fujian Qipai Group. "The traditional clothing industry should not miss the opportunity."

The company started making smart clothing in 2016. In late 2017, it released an upgraded smart jacket with a health and activity monitoring wristband in the cuff.

The company has set its eyes on the global market.

"We have done market research. Smart jackets have been well accepted by sport and fitness fans in Europe," said Shi Chunpin, head of Qipai's Research and Development Department.

"Smart clothing is the future," said Peng, "we want to create room for consumer's imagination."

Source: xinhuanet.com- Jan 18, 2018

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Turkey may impose higher anti-dumping duty on Bangladesh

Turkey is likely to impose higher rate of anti-dumping duty on export of yarn/thread from Bangladesh following its failure to prove the alleged violation of the product's rules of origin. A team of Turkish consultants recently informed the Bangladesh Textile Mills Association (BTMA) that the Turkish government has launched a probe and the Bangladesh embassy in Turkey has also been informed about the issue through a verbal note, a BTMA source revealed.

Investigations started in December and they were warned and Bangladeshi companies need to respond within three weeks. If they don't respond, they will be subject to very high anti-dumping measures. The government of Turkey also claims products sourced from Bangladesh do not originate in this country.

Bangladeshi exporters are basically circumventing existing rules they say. Around 11 companies now export yarn/thread of artificial fibres to Turkey. Irregularities have been found against five export-oriented companies out of 11, a BTMA source said.

Bangladesh textile owners fear Turkey might impose higher anti-dumping duty on exports of yarn/thread of synthetic staple fibre. This will seriously affect the country's genuine yarn exporters if the Turkish government imposes duty and stops importing the items.

Some companies have just started exporting yarn/thread of synthetic staple fibres to Turkey on a small scale. "We don't want that regular exporters would get hurt by some irregular exporters.

Besides, the country's image is linked with it," BTMA Secretary General Feroz Ahmed was reported to have said. He said they heard four items of yarn/thread have been brought under investigation by the Turkish government.

Source: fashionatingworld.com- Jan 18, 2018

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Mapping the environmental impacts of China's textile industry

Some clothing brands have been criticized for subjecting their workers to sweatshop labor. Now, a new map aims to spotlight their environmental impacts too.

The IPE Green Supply Chain Map is a new tool, currently the only one publicly available, that shows how multinational brands’ suppliers are contributing — or not — to air and water pollution in China. The country is the world’s largest producer of textile, and is known for its huge manufacturing industry, including clothing.

The map is an initiative by Beijing-based environmental research organization The Institute of Public & Environmental Affairs and New York-based international environmental advocacy group Natural Resources Defense Council, and contains data for close to 15,000 major industrial facilities in China. It identifies brand suppliers’ name and location, emissions data, waste and water consumption, and environmental violations overtime.

It also provides a visual of air and water quality in different Chinese cities and localities. The map ranks Khotan, a town in Xinjiang province in Western China, as having among the worst air pollution in the country.

By making such data public, the two organizations are hoping to raise awareness among brands and their consumers of the impacts of textile manufacturing on the environment, and reduce that by making informed decisions on their business and purchases.

“It's a transformative step forward for supply chain environmental transparency,” Kate Logan, IPE’s green choice outreach director, told Devex. “It creates an accountability mechanism for brands and suppliers to maintain positive performance and publicly respond to any issues as soon as they arise. All of this transparency will increase the efficiency of management and reduce costs.”

Textile manufacturing is one of the most highly-polluting industries in the world, said Kurt Kipka, senior project manager at NRDC.
When it comes to greenhouse gas emissions, Kipka said the fashion industry was responsible for 1,715 million tons of carbon dioxide in 2015, accounting for about 5.4 percent of the 32.1 billion tons of global carbon emissions in 2015. Textile mills are also a huge contributor, about one-fifth, to the world’s industrial water pollution, using thousands of toxic chemicals during production, some of which are found to be carcinogenic.

“The figures can vary among sources and type of environmental impact, but it is clear that the textile industry is among the top five polluting global industries,” Kipka told Devex.

Meanwhile in China, official data from the Ministry of Environmental Protection reveal that the textile industry was the third largest source of industrial wastewater in the country. In 2015, the industry produced 1.84 billion tons of wastewater effluent, accounting for 10.1 percent of China’s total industrial wastewater discharge.

“Over the past 20 years, shifts in this sector to production almost exclusively in developing nations has meant that much of the industry operates below global standards in resource use efficiency and pollution control, which in turn provides significant, attainable opportunities for improvement,” Kipka said.

In its infancy, the map covers only a few brands with supply chains in China’s clothing manufacturing industry, but the two organizations hope it will inspire other companies to join the effort and volunteer their supplier list as well. Currently, the map covers six apparel and clothing companies: Esprit, Gap Inc., Inditex, New Balance, PUMA, and Target. They also hope brands will be active in responding to their suppliers’ performance via the map.

“We’re currently refining an instantaneous, simultaneous three-party alert system to facilitate this level of management,” Logan said.

They hope the map can inform other countries and industries with interest in managing the impacts of their supply chains as well.

Asked whether they have done similar studies and tracing initiatives among international development organizations and companies, Kipka said they haven’t, but that “with more information it could be worth considering.”
“Although we have not conducted this effort, it is certainly an opportunity for growth. So long as the data and supplier lists exist, we can connect the dots and allow the results to speak for themselves,” the senior project manager said. “That is the beauty of this initiative, it simply takes existing information and makes it more usable for a key audience — allowing them to take action in accordance with their own policies and principles.”

The map can be viewed in English, but some information is only available in Chinese.

The initiative speaks to the goal 12 of the Sustainable Development Goals, which aims to ensure sustainable consumption and production patterns. Among its goals: “By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.”

Source: devex.com- Jan 18, 2018

Pakistan: Value-added sector for abolishing duties, taxes on cotton yarn import

Value-added textile export sector representative has urged the prime minister to abolish all duties and taxes on cotton yarn import, saying it would help earn much-needed foreign exchange for the country and reduce trade gap which reached $18 billion during July-Dec period of FY2017-18.

Muhammad Jawed Bilwani, chairman Pakistan Apparel Forum and chief coordinator value-added textile export sector, said that value-added textile export sector has the largest share in the total textile exports of Pakistan to the tune of $11.08 billion (53% of total exports i.e. $20.44 billion and 89% of total textile export i.e. $12.45 billion) and cotton yarn is the basic raw material of value-added textile export industry and it is not easily available in the domestic market owing to low cotton yield.
He said cotton yarn prices have been increased by 30pc and that sharp increase in the price is making the value added textile export sector uncompetitive in the international market which will lead to negative impact on exports which are persistently increasing during current fiscal.

Value added textile exporters were in great fear that if the prompt action won’t be taken by the government to ensure easy availability of quality cotton yarn at best prices, exporters will fail to meet their export orders which were booked six months back, he added.

Bilwani emphasized on the fact that globally import of raw material is allowed duty free while exports of raw material is restricted to benefit value addition to earn more foreign exchange.

Bangladesh’s value added textile exports have reached $30.24 billion (FY2016-17) as they allow duty free import of raw material – cotton yarn and always encourage value addition which is their key to success. Value added textile export is stagnant at $11.08 billion (FY2016-17) due to exorbitant duties and taxes on cotton yarn import, he claimed.

He said presently value added textile export sector is already facing stiff competition in the global market due to highest cost of inputs – gas, electricity and water compared to our regional competitors like Bangladesh, India, Vietnam, Sri Lanka etc.

Moreover, stitching units registered with Ministry of Textile Industry cannot import yarn for manufacturing of garments meant for export under the DTRE scheme.

He said that the value added textile export sector is the backbone of the nation’s export and has the ability to uplift the exports and economy.

He urged the Prime Minister to abolish all duties and taxes on cotton yarn import and import of cotton yarn be allowed freely from anywhere for re-export with value addition in the light of free market mechanism to encourage value addition for earning more foreign exchange for the country.

Source: nation.com.pk- Jan 19, 2018
Rosy outlook for Vietnam’s garment trade

2018 is looking rosy for Vietnam’s garment-textile industry, with exports forecasted to fetch 33.5-34 billion USD, up 10 percent year-on-year.

Chairman of Hung Yen Garment Company (HUGACO) said he believes the achievements recorded in 2017, thorough preparations of businesses, and the Government’s plan on support industry development will support the industry to achieve robust growth.

According to the Vietnam Textile and Apparel Association (VTAA), at the beginning of 2017, the sector overcome a range of challenges caused by the pending Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the decreasing global demand for apparels.

The industry reversed that trend from the second quarter of the year and ultimately raked in an export turnover of 31 billion USD, representing a rise of 10.23 percent from 2016.

In the year, Vietnam’s garment-textile exports to major markets like the US, the EU, Japan, the Republic of Korea and Russia increased by 7.2 percent, 9.23 percent, 6.1 percent, 11.8 percent and 56 percent, respectively.

The growth of the Vietnamese garment-textile sector is rated the highest as compared with that of other garment-textile exporters like China, India, Bangladesh, Turkey and Indonesia.

Duong said garment firms are expected to get more orders in 2018 but suffer pressures caused by dropping garment prices in many markets.

Truong Van Cam, VTAA Vice Chairman, noted that the domestic garment enterprises will have compete with their rivals from Myanmar, Cambodia and Bangladesh in terms of insurance, land, tax, transportation and customs procedure costs.

Le Tien Truong, General Director of the Vietnam Textile and Garment Group (Vinatex), suggested local garment-textile businesses focus on technological applications, investment attraction and the building of connectivity chains of the VTTA.
Apart from pouring more investments into design, original design manufacturing (ODM) should be increased to 10 percent in order to raise added values of products.

To achieve the two-digit growth target in 2018, VTAA suggested businesses adapt to market changes, expand the domestic market and diversify products, while forming production chains.

Source: en.vietnamplus.vn - Jan 16, 2018

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52% of online apparel shoppers turn to Amazon

More than half (52%) of apparel shoppers who bought clothing online in the last six months said they shopped at Amazon, according to a survey of 1,500 U.S. shoppers from digital marketing agency CPC Strategy. Nearly half (47%) of shoppers gravitated toward retailer or brand websites.

Men were more likely to shop Amazon, while women were more likely to buy from a retailer’s website, according to the survey. Of those who bought apparel on Amazon, 31% said it was because of its fast and free shipping, 26% cited their preference to shop for apparel on mobile, 25% cited low prices, and 20% said they value the ability to filter products, according to the report.

Shoppers, however, aren’t turning to Amazon for high fashion or high quality. More than half (54%) look for casual apparel like jeans and sundresses, and between 25% and 30% of shoppers look for athletic wear, outerwear, loungewear and basics. "The biggest takeaway for retailers is this: If you can’t compete with free shipping or low prices, then you need to have a very unique brand or high quality product," according to the report.

Dive Insight:

Even CPC Strategy researchers, well aware of Amazon’s command of e-commerce, were caught off guard by its entrenchment in apparel sales, according to CEO and co-founder Rick Backus. "We knew that Amazon dominated most retail verticals," he said in a statement. "But when we saw the survey results, we were pretty surprised that over 50% of shoppers opted to buy apparel most frequently on Amazon in the past six months."
That means that, while Macy’s has suffered sales dips as it works through its painful-but-necessary downsizing Amazon has expanded and improved its apparel offering. Together, that has helped to make Cowen & Co.’s now-famous prediction — that Amazon would leapfrog Macy’s as America’s biggest apparel seller — closer to coming true.

It's not some natural drift, though; Amazon is making it happen. Digital research firm L2 uncovered how diligently Amazon brings out best-sellers — using data from brands selling on its site to develop its own versions. Amazon Essentials’ top-performing item, for example, was the "Men’s Cotton Pique Polo Shirt," markedly similar to Dockers’ "Men’s Short Sleeve Solid Poly Pique Polo Shirt" at half the price, L2 found. "With Levi’s/Dockers owning the second highest share of Best Sellers in the Men’s clothing category, this suggests Amazon’s private label brands pose the greatest threat to the very brands that are top of the category today," noted L2.

Brands with a preexisting audience, however, do have the upper hand on Amazon, according to CPC Strategy’s report. That requires a brand promise based on more than price.

"If your brand stands for something, and has strong appeal on its own to consumers, then you’ll do great...Without brand as a guide to quality and lifestyle meaning, Amazon does very little to help you justify a price difference over something that looks very like what you already have,” Retail Systems Research Managing Partner Nikki Baird said, according to a statement in the report. “That’s why UGG has invested in Amazon presence like it has – it has the strength of its brand to back it. Sure, you can buy knockoffs, but if you want UGGs, nothing else will do.”

Fulfillment remains a conundrum, however. Amazon's convenience play is strong, and respondents told CPC Strategy that free, fast shipping and easy returns are factors in shopping there. While those costs are high for everyone, only Amazon has the financial cushion to support that, thanks to its AWS cloud services.

Mobile is also increasingly a must, as more younger shoppers turn to their phones to at least browse for clothing, CPC Strategy found. By far, most (71%) online apparel shoppers head for their computers, while 26% prefer their phone (18%) or tablet (8%). But 18-24 year olds were the most likely (40%) out of all ages to report they would shop for apparel from their phone,
and CPC Strategy noted that could be higher if more retailer mobile sites were easier to use.

Source: retaildive.com - Jan 18, 2018

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Bangladesh: High tariff’s impact on trade

Bangladesh has made a major transition in its trade policy from a protectionist stance to a freer trade regime since the early 1990s as is reflected by the reduction in the average tariff rate from as high as 105 percent in 1990 to 13 percent in 2016. Despite that, in 2016, Bangladesh’s average applied tariff rate was the highest in South Asia and much higher than those of the countries in Southeast Asia.

Also, in 2016, the share of tariff lines with international peaks (rates that exceed 15 percent) in total tariff lines was as high as 39 percent, which was much higher than most of the South Asian (except Nepal and Pakistan) and Southeast Asian countries. Given this scenario, it is suggestive that there is scope for further tariff liberalisation in Bangladesh in terms of cutting down the average tariff rate as well as the tariff peaks.

Admitting the need for further tariff liberalisation in promoting export and economic growth, there are concerns that a mere tariff cut is not sufficient to achieve such targets. First, since 2000, reduction in the average tariff rates has hardly had any systematic association with both the import-GDP ratio and export-GDP ratio in Bangladesh.

Second, the presented scatter-plot shows an interesting analysis for 171 countries, where it appears that Bangladesh is in a group of countries (Group A) with low per capita GDP but high tariff rate. The countries in Group D (quite large in number) are with larger per capita GDPs and much lower tariff rates. However, there is also a sizeable number of countries in Group C, where countries have both higher per capita GDP and high tariff rates.

All these indicate an apparent inconclusive association between the cut in tariff rates and the promotion of both trade and national income. Unfortunately, the discussion over trade policy in Bangladesh is primarily focused on tariff rates, and there are dominant conservative views against
further tariff liberalisation with concerns over the loss in revenue and protection of domestic industries.

However, the emerging challenges and complexities in the global trading regime calls for an overhaul of conventional thinking in the trade policy regime in Bangladesh. Four critical issues need to be considered in this overhauling process.

First, the effort for further tariff liberalisation in Bangladesh, in terms of cutting down the average tariff rate as well as the tariff peaks, need to be continued as it creates a necessary condition for further diversification of the export basket.

The use of para-tariffs for the protection of domestic industries needs to be transparent and consistent with the WTO framework, and timely phase-out of such para-tariffs is warranted. However, it should be kept in mind that with the escalation of the preferential trading arrangements (PTAs), and assuming Bangladesh’s engagement in PTAs will increase in future, the preferential tariff rates will become more important than the MFN (most favoured nation) tariff rates. Therefore, the simple average tariff rate would not reflect the true picture of the status of tariff protection in future.

Second, the trade policy needs to be pro-active to effectively engage with multilateral, regional and bilateral trading arrangements, and to take initiative for participation in the prospective mega-trading blocs. Bangladesh, being an LDC and thus receiving trade preferences in major export destination markets, has so far been very passive in such trading arrangements. However, with the bright prospect of getting out of LDC status in the near future, such trade preferences will turn out to be redundant and the country has to bank on its comparative advantage and competitive strengths in future.

Third, the trade policy needs to facilitate Bangladesh's effective integration with the global and regional value chains. Currently, the country’s successful integration in the GVC is only through the readymade garments, and there is a dire need to diversify the export basket. Providing export subsidies for export diversification has turned out to be an easy but ineffective tool. More fundamental problems are associated with policy-induced and supply-side constraints. In this context, the trade policy needs to be synchronised with other policies and programmes in the economy.
And finally, the trade policy needs to present an action plan to deal with the NTMs or non-tariff barriers (NTBs), which are increasingly getting more prominence in international trade. However, much of the alleged problems of NTMs/NTBs originate at home rather than in the export destination countries due to weak infrastructure, lack of human resources and various procedural obstacles. The action plan should help build the country's capacity in this endeavour.

Source: thedailystar.net- Jan 18, 2018

Mixed feelings on Vietnam’s FTA

Government officials and key economic experts say the free trade agreement (FTA) between Vietnam and the European Union (EU), widely expected to be signed this year, should not be viewed as a threat, but rather as an opportunity to strengthen Cambodia’s industry.

Many have raised fears and concerns that the FTA between neighbouring Vietnam and the EU, one of Cambodia’s biggest trade partners, could severely hurt the kingdom’s exports.

Negotiations for a Vietnam-EU FTA were launched in June 2012 and are expected to conclude this year. Under the new deal, it is believed Vietnam will enjoy access to the EU market nearly tariff-free.

“The FTA would definitely affect Cambodia’s exports, particularly for milled rice and garments and footwear,” said Vongsey Visoth, secretary of state at the Ministry of Economy and Finance.

“Howeever, for Cambodia, not everything would be negative. There would be some good things for us as a result of this deal.”

On the negative side, Mr Visoth said, Cambodian exports to the EU will probably take a hit, as Vietnam will be able to send products to the European market more cheaply. “Vietnam will be able to export with no tariffs,” he said.
On the other hand, the agreement will force Cambodia to become a more competitive player in the region, which will result in the country upping its quality standards, productivity and capacity.

“Whether or not Vietnam has an FTA, we have to survive according to market principles,” Mr Visoth said.

“We don’t want others to feed us water. We need to rely on ourselves, and we are getting there, step by step.”

“We have to improve our industry, including productivity and logistics, and try to work our way up the value chain,” he said. “Threats like this always are opportunities in disguise.

“We can turn this situation on its head and use it to improve ourselves.”

Chan Sophal, director of the Centre for Policy Studies, sees another advantage of an FTA between Vietnam and the EU.

“Under the deal, Vietnam’s industrial activity will rise significantly and it will need raw materials from neighboring countries to meet demand,” he said. “And they would buy those raw materials from Cambodia.”

“It will be an opportunity for Cambodia to increase exports to Vietnam. They will face shortages because they will be sending so much of their local production overseas, and Cambodia will need to step in to fill their demand.”

May Kalyan, senior advisor to the Supreme Economic Council, stressed the importance of stepping up the game in the industrial sector to face the challenges that the new agreement will pose.

“Our share of the international market would become smaller,” he said. “We are going to need to diversify production and find new markets for our products. This is a must.”

Mr Kelyan also said the country would need to address the high cost of transportation and electricity in the country, as well as upgrading the skills of the local workforce.
“We are now on the right path, working towards these goals. We are increasingly able to compete with other countries.

“But it will take some time to deal with our structural problems,” he said.

Cambodia’s GDP is expected to increase by 6.9 percent in 2018, driven mainly by strong performances in the agriculture, manufacturing and services sector, according to government data.

The trade volume between Cambodia and the EU was worth $5.1 billion in 2016, a 13 percent increase year-on-year. $4.5 billion of that trade were Cambodian exports to the EU.

Source: khmertimeskh.com - Jan 17, 2018
NATIONAL NEWS

Irani urges fabrics industry to give data on dumping

The textile industry should come forward with market intelligence and evidence to fight anti-dumping in the apparel segment, Union Textiles Minister Smriti Irani has said.

Speaking at an event organised by the Chennai Citizens Forum today, Irani said that while dumping of fabrics from China has always been a challenge, the industry should provide the Commerce Ministry with market intelligence and port-wise details of dumping so that the Ministry can prepare a clear case in line with WTO norms.

“It is unfortunate that despite my continuous appeals, I never had the industry come forth with the paper work,” she added.

She urged the apparel industry to bring enough evidence and information so that a definitive case of anti-dumping could be filed.

Handloom focus

Irani said handlooms and handicrafts are another focus area for the Centre. “It could be a niche market in the world,” she said. However, the lack of quality in the sector has been a major challenge.

“The industry and the government should work together to bring in quality control so that we can create a handloom brand,” Irani said.

Source: thehindubusinessline.com- Jan 18, 2018
Textile, garment exporters seek budgetary support to stay competitive

Concerned about the recent fall in exports of textiles and garments and rise in imports from countries such as Bangladesh, exporters are looking at the government to come up with more incentives in the forthcoming Union Budget to prop up the domestic industry.

The Textile Ministry has already formed a committee to look into the issues raised by the industry and exporters are hopeful that together with the Finance and Commerce Ministries, some assistance could be extended to the sector. Garments exports have suffered a huge blow with three consecutive months of fall since October 2017 and hopefully the industry’s problems would be looked into seriously and suitably addressed, pointed out HKL Magu, Chairman, Apparel Export Promotion Council (AEPC).

“Under the new GST and drawback rules, the reimbursements of taxes for the sector have gone down to the extent of 7 per cent (of the value of exports), whereas an additional incentive of 2 per cent was given to the sector in the foreign trade policy review in December. There is a shortfall of 5 per cent which has to be addressed in the Budget as it is pulling down exporters,” Magu told BusinessLine.

AEPC has sought a number of interventions from the government in the Budget for 2018-19, which includes more incentives, continuation of duty-free import of speciality fabric up to 1 per cent of export value of garments, round-the-clock customs clearance, withdrawal of GST on air-freight and duty-free import of samples.

Exports of garments and textiles declined 3 per cent in December 2017 to $2.99 billion, although in the April-December 2017 period it posted a growth of 2 per cent at $26.13 billion.

What has rattled the domestic industry more is the rise in imports in the comparable period. According to figures compiled by textile body CITI, India’s imports of garments from Bangladesh increased 66 per cent to $111.3 million during July-December 2017 compared with $66.9 million in the same period last year.
‘At a disadvantage’

“Garment manufacturers in India have to pay duty on imported fabrics, while Bangladesh can import fabric from China duty-free and convert them into garments and sell to India duty-free. This is putting the Indian garment industry at a major disadvantage and this figure is expected to go up in coming months,” according to Sanjay Jain, Chairman, CITI.

CITI proposed that by including cotton yarn under the Merchandise Export from India Scheme (MEIS) and providing ROSL (Rebate of State Levies) for fabrics, Indian can retain its competitiveness in the global market.

Magu said that the positive response from foreign buyers at the on-going India International Garment Fair in New Delhi proved that there was still a lot of global interest in Indian garments.

“Despite the fact that we have not provided airfare to our exhibitors this year, we have already had 400 participants from across the globe. We expect about 100 more tomorrow as the Hong Kong fair, happening simultaneously, will end on Thursday. This makes us optimistic about the future,” he said.

Source: thehindubusinessline.com - Jan 18, 2018

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Bad news for Indian, Chinese polyester makers: US imposes anti-dumping duty

On Wednesday, the United States announced an anti-dumping duty on fine denier polyester staple fiber imports from China and India.

Reliance Industries is one of the main polyester exporters from India to the US. “US Secretary of Commerce Wilbur Ross announced the affirmative final determinations in the countervailing duty (CVD) investigations of fine denier polyester staple fibre from the People’s Republic of China (China) and India, finding that exporters from China and India received countervailable subsidies of 41.73 to 47.55 percent and 9.50 to 25.28 percent, respectively,” US Department of Commerce said in its statement.
According to a factsheet shared by the US Department of Commerce, in its investigation on India, the department calculated a preliminary dumping rate of 2.66 per cent for RIL.

Bombay Dyeing & Manufacturing Company was the second Indian company which was made a mandatory respondent to the investigations and was assigned a dumping rate of 21.43 percent, the fact sheet stated.

“The US will no longer sit back and watch as its domestic businesses are destroyed by unfair foreign government subsidies,” Ross was quoted in the statement. RIL is the largest producer of polyester fibre and yarn in the world, with a capacity of 2.5 million tonnes per annum more than half of almost half of India’s overall capacity of 4.5 MT. RIL earlier in November stated it expects a growth of 5 per cent per annum in this segment in India, higher than the global growth rate of 3 percent per annum.

For the financial year 2016-17, demand for polyester in India grew at 3 percent on a year on year basis. Per capita consumption of polyester globally comes to the tune of 6 kilogram (kg) per person, compared to 3 kg per person in India and 11 kg per person in China.

An email query sent to RIL remained unanswered. “Demand for polyester has been good in the last few quarters as crude prices were low.

However, with the rise in crude prices, this is likely to change. For RIL, polyester is a small part of its larger petrochemical business, so I do not expect it to be a significant hit for the company at large.

In addition, its share of exports to US of its total polyester production may also be lower. Having said that, one needs to look at what exactly is the duty to access the financial hit,” said an analyst.

Source: business-standard.com- Jan 19, 2018
MSMEs not getting GST refunds on time

In the current scheme of things, the GST has caused a shortfall of working capital for SME clients, the Kerala Financial Corporation official said, explaining the circumstances under which the scheme is being launched.

“They are paying taxes on the realised profits and only after that can refunds be applied for. But as deadlines for GST returns get extended, they are made to wait longer for refunds,” the official said.

This has constricted the operating capital and has forced many to cut costs. As per the Act, refunds due for a financial year can be applied for only after the closure of the financial year on March 31.

Small and unorganised businesses in the traditional sectors such as textiles, leather and footwear are currently experiencing a supply disruption. Since they are labour-intensive, the situation is threatening the employment situation too.

One example is the footwear sector in North Kerala. For footwear with maximum retail price below ₹500, the rate at which GST is payable is 5 per cent. Most raw materials required for its manufacture attract GST at rates up to 18 per cent. This differential in rates has resulted in all the units in this sector having excess input credit.

While the smaller players have accumulated credit in the range of lakhs of rupees, bigger ones do it in crores in the five months that GST has been in operation.

This accumulated credit can only be funded with the working funds of the enterprise. Consequently regular operations are getting hit with each passing day.

Source: thehindubusinessline.com- Jan 18, 2018
GST Council cuts rate on 83 goods, services

In some New Year cheer, the Goods and Services Tax Council on Thursday began discussions on easing the compliance burden for businesses, with a single monthly return and uploading of invoices.

For consumers, it decided to cut rates on 54 services and 29 goods, including tailoring, old cars, bio-diesel, drip irrigation systems and cooking gas.

“The new rates will come into effect from January 25,” said Finance Minister Arun Jaitley, after the 25th meeting of the GST Council.

According to an official release, the tax on old and used motor vehicles and buses running on bio-diesel would be lowered to 18 per cent from the current 28 per cent; diamonds and precious stones will be taxed at 0.25 per cent, and tailoring services at 5 per cent.

To protect the domestic industry and boost employment, nearly 40 items have been classified as handlooms and the Fitment Committee of Officers will now finalise their rates.

Returns eased

Jaitley, who chairs the GST Council, also announced that discussions have begun on a single return system of GST 3B, and uploading of invoices by the buyers and sellers.

“At a later stage, in case of any differences, they can be asked to explain,” he said, indicating that essentially GSTR 1, 2 and 3 will no longer be used.

Presentations on return filing were made by Bihar Deputy Chief Minister Sushil Kumar Modi, who heads the ministerial group on IT systems; GSTN CEO Prakash Kumar and Infosys non-executive Chairman Nandan Nilekani.

“A final decision will be taken by the GST Council in its next meeting, which is likely to be through video-conferencing,” Jaitley said. Inclusion of items outside GST, including real estate, crude oil, natural gas and petroleum, will be taken up at the next meeting.
The Council also discussed revenue collections under the new levy and possible deterrent provisions. This would include the E-Way Bill, which will start from February 1.

As many as 15 States have also decided to roll out intra-State Bills from next month.

To ease fiscal pressure on the finances of the Centre as well as States, the Council also decided that ₹35,000 crore from the Integrated GST collections would be distributed among them.

“This will help ease the indirect tax positions of the Centre and the States. The Centre is well ahead of its direct tax target,” Jaitley stressed, indicating the commitment to fiscal consolidation. He also expressed hope that indirect tax collections will pick up as anti-evasion measures are put in place.

**Composition collections**

The Council discussed low collections under the composition scheme, where 17 lakh registered dealers have paid only ₹307 crore as tax. “This will be factored in when the CGST, SGST and IGST Act are amended,” Jaitley said, adding that amendments will be circulated within the Council in the next meeting.

It will also consider re-introduction of the reverse charge mechanism for those under the composition scheme.

Jaitley said that the Anti-Profiteering Authority will accept ₹119 crore from Hindustan Unilever Ltd on a provisional basis. “The matter is before the authority,” the Finance Minister said.

Source: thehindubusinessline.com- Jan 18, 2018
TSIIC to launch mega industrial parks in 2018

An action plan has been prepared for launch of several mega industrial projects taken up by Telangana State Industrial Infrastructure Corporation (TSIIC) in the State in 2018.

Land acquisition for these mega industrial projects was nearing completion and efforts were being made to commence operations this year itself, officials said.

The State government is giving equal priority for agriculture, irrigation, power, welfare and development programmes besides industrial sector. It has taken up mega industrial projects like Pharma City at Mucherla, NIMZ at Zaheerabad, medical devices park at Sultanpur, Kakatiya Mega Textiles Park at Warangal, MSME-TIF Green Industrial Park at Dandumalkapur and other upcoming industrial parks, as prestigious projects to boost industrial development in the State.

“Land acquisition has been taken up for these projects on a priority basis as they will attract huge investments and create large scale employment. Upon completion, these projects will give a fresh boost for industrial development in the State. Huge investments are expected in pharma and textile sectors in the State,” said TSIIC Chairman Gyadari Balamallu recently.

Simultaneously, the TSIIC is pushing for development of IT sector through construction and promotion of IT Towers, T-Hub regional centres and industrial parks besides construction of IT Park at Budwel in Hyderabad city.

Officials said TSIIC required about 50,000 acres for grounding its mega industrial parks. Of these, acquisition of 70 per cent land had been completed and acquisition of the remaining land was likely to be completed shortly.

Except for Kakatiya Mega Textile Park, majority of upcoming mega industrial parks are located on the outskirts of Hyderabad.

Infrastructure development works have begun in about 2,000 acres of Kakatiya Mega Textile Park after Chief Minister K Chandrashekhar Rao laid foundation stone in October last year. And works of 10 companies which signed memoranda of understanding (MoUs) with TSIIC for setting up units
at the medical devices park, coming up in 250 acres, are at various stages of construction.

However, land acquisition for Pharma City project and National Investment and Manufacturing Zone (NIMZ) project are in the pipeline. These projects would require 19,333 acres and 12,635 acres respectively. Officials have already acquired over 50 per cent land for these projects and are confident to complete acquisition of the remaining land within a few months.

Officials said 17,000 acres of required land had been identified and field officers were pursuing acquisition of 8,000 acres of private lands. “We have already acquired nearly 8,000 acres for Pharma City and another 4,000 acres for NIMZ Phase-I,” the officials said.

Meanwhile, the stage is set for laying foundation stone for MSME (Micro, Small and Medium Enterprises) Green Industrial Park being developed jointly by TSIIC and Telangana Industrialists Federation (TIF) at Dandumalkapur in Yadadri Bhongir district.

Chief Minister will lay the foundation stone for the 377 acres park in February. About 400 MSME units will be established in the park which will be operationalised by 2019. The project will be a green industrial park causing least possible pollution

Source: telanganatoday.com- Jan 18, 2018

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UP govt’s roadshow for business summit

Uttar Pradesh government launched a roadshow in Gujarat on Thursday to promote UP as a business-friendly investment destination. The UP government will be hosting an investors' summit in the last week of February and is looking forward to sizeable participation from Gujarat's industrial houses and entrepreneurs.

Deputy chief minister of UP, Dr Dinesh Sharma, who was present at the road show, said, "Unlike earlier times when UP was infamous for corruption and crime, the state is now moving on the path of development."
Sharma was speaking on the sidelines of the roadshow for UP Investors Summit 2018. Sharma added, "The new government wants to create a conducive environment for development and on the same lines, various policy-level changes have also been brought about."

Lauding the current establishment in UP, Sharma said, "Our government has zero tolerance towards crime and corruption, and now, it is a fear free environment for investors. Our new industrial policy will encourage investments as well as Ease of Doing Business (EoDB) in the state."

The UP government is eyeing big investments from Gujarat's businesses, especially from the textile and pharmaceuticals sector.

"Textile and pharma are thriving industries of Gujarat and have a huge potential. Many of them are looking for expansion and we are confident of our capacity to provide the same in Uttar Pradesh," said Satish Mahana, UP industries minister.

Sharma said that the focus of the summit will be development of underdeveloped regions of the state. Sectors such as logistics, information technology, dairy industry and tourism are also being looked at for an exchange of resource and expertise with Gujarat.

"We also want to promote the state's rich heritage of culture, religious and eco-tourism aspects," said Sharma.

The event will focus on 14 key sectors such as pharma, electronics, IT, MSMEs textiles, dairy and logistics among others. "The focus will be to generate employment for the state and create a conducive business environment to attract more investments," said Dr Anup Chandra Pandey, commissioner, infrastructure and industrial development, UP.

Source: timesofindia.com- Jan 19, 2018
Budget 2018: Government may tweak income tax laws for job creation

Providing a stimulus to job creation is likely to be a focus areas of Budget 2018. In the run-up to the Budget, this has been a focus of discussions between finance ministry officials and external stakeholders as well as in internal brainstorming sessions.

Various countries provide tax benefits for creation of additional jobs (see table). Even India has such provisions, but owing to certain conditions that have been stipulated, many companies — especially in the service sector — have been unable to reap its benefits. It's likely that section 80JJJAA of the Income Tax (I-T) Act may be tweaked to provide a greater impetus for job creation or some other new provision introduced.

Under section 80JJJAA, which came into effect from fiscal 2016-17 and replaced an earlier provision, 30% of additional employee cost is available as a deduction for three years, including the year in which the new employment is generated. Companies who have a turnover of Rs 1 crore or more are eligible to claim benefits for new employment created by them.

Various conditions have been set out in this section. If an individual is employed for less than 240 days in the first year, such an individual is not treated as an additional (or new) employee. For the textile sector, a lower threshold of 150 days has been set.

Further, if the monthly salary of any additional employees exceeds Rs 25,000, then the salary of such employees are excluded for the purpose of computing the additional employee cost against which the benefit is available.

In its pre-Budget memorandum, Ficci points out that in a scenario where an employee has worked for less than 240 days in the first year, but for the entire year in year two and year three, even if all the other conditions are met
with, the company will still not be able get the corresponding benefit under this section in any of the three years.

EY India partner & national tax leader Sudhir Kapadia explains, "Significant uncertainty arises in respect of those hired from August onwards as they are not able to complete 240 days in the first year. Employers are not incentivised to hire post-July, in any given year."

"The condition of completion of 240 days by an employee should be tested in two consecutive years instead of only the first year. Thus, if the employee fulfils the condition cumulatively in the first two years of employment, the company should be allowed to claim the additional deduction from years two to four," he adds.

P V Srinivasan, an industry veteran and now a practising chartered accountant, says, "Further, if an employee's salary exceeds Rs 25,000 per month, such an employee is not treated as an 'additional employee' for the purpose of computing the benefits under this section. This largely disqualifies the service sector, including the IT sector."

Ficci recommends that this limit be increased to at least Rs 50,000 per month. Kapadia adds, "This ceiling limit does not address the normal increments over the next two years. The limit of Rs 25,000 per month should apply only for the first year and be capped at Rs 50,000 in the next two years."

Srinivasan concludes, "Currently, only the formal sector is covered as it excludes employees who do not participate in the recognised provident fund. Section 80JJJAA incentives do not much advance the object of generation of employment, since employment obligation typically is long-term whereas the incentive is only for three years.

The government should facilitate fixed-term employment contracts (say, of three years tenure), rather than focusing on permanent employment. This will be more in sync with the industry's changing needs and also help in employment generation."

Source: timesofindia.com- Jan 18, 2018
Mumbai’s first textile museum project is finally on track

More than eight years after the textile museum was proposed, the Brihanmumbai Municipal Corporation (BMC) has floated a tender worth Rs25 crore for the first phase at Kalachowki in Chinchpokli.

The museum will come up at the 10-acre heritage precinct of the India United Mills compound. The project aims to document, archive and represent Mumbai’s textile legacy.

The first phase will cover an area of approximately one acre or 7,000sqm. The area has three ring and spinning structures, a chimney, a semi-automatic loom and a pond. All individual structures in the compound have heritage status.

The first phase includes reconstruction of seven structures, landscaping and rejuvenation of a pond, restoration of an old chimney, sitting area overlooking the lake, eating kiosks and an amphitheatre.

The BMC is also planning a light and sound show. “We plan to retain as many old structures as possible. The show will also celebrate the legacy of mills and chawls,” said IA Kundan, additional municipal commissioner.

The second phase includes Indian textile galleries, exhibition spaces, a showcase of generations of mill workers, different machines and other historical aspects.

Source: hindustantimes.com- Jan 19, 2018