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# IBTEX No. 216 of 2018 — October 19, 2018

USD 73.41| EUR 84.16 | GBP 95.63 | JPY 0.65

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 21298 | 44550 | **77.20** |

**Domestic Futures Price (Ex. Gin), October**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 22990 | 48090 | **83.33** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2018) | 78.05 |
| ZCE Cotton: Yuan/MT ( Jan 2019) | 15,420 |
| ZCE Cotton: USD Cents/lb | **85.70** |
| **Cotlook A Index – Physical** | **87.25** |

**Cotton Guide:** Cotton futures had another dull session that ended near unchanged. ICE December future settled at 7805, up 13 points. Basically market is moving in the same band of 75.50 to 80.40 for more than one month and absorbing almost all the old and new factors in the market.

The currency war, heavy volatility in US dollar and many other currencies, tariff conflicts between US and China, lower export sales figure for the past few weeks from US including cancellation from China, weather problem amid Hurricane season in the US, uncertain crop estimates in India and inadequate flow of new arrivals. These are the major points that are being played in the market however market continues to adjust and trade in the aforementioned band.

We believe time to come market will come out of this band. Unless either side of the band is cleared market will remain in the same range. So we consider 80.40 as key resistance level where as 75.50 as support.

Coming onto trading front other months also traded sideways on Thursday. The trading volume was around 26000 contracts whereas aggregate open interest stood at 261000 contracts almost no major change from previous day.

Technically, the market remains vulnerable to another leg-down. However, today the bulls did the minimum required to keep a potential bottom in play. The 7750 area is still the short-term razor's edge. A close decisively blow 7750 would take the potential bottom of the table and may lead to a test of the recent low of 7537. The area from 8000+/– to 8200+ is tough resistance. An ability to get above that area would change the outlook completely. However, there's currently no sign of the kind of strength that a move like that would require. Daily momentum is neutral.

Post the market hour the weekly CFTC data were released. The only surprising is the slight cut in on call sales number. The drop in December on-call sales has been the biggest change in the report for the last 6 weeks.

December on-call sales were down 1,193 contracts to 23,421 contracts on this week report and down 15,553 contracts over the last 6 weeks. They peaked on June 15th at 55,310 contracts. December on-call sales a year ago were 26,331 contracts.

December on-call purchases were down 374 contracts to 18,329 contracts. December on-call purchases a year ago were 15,980 contracts.

Total unfixed on-call sales dropped by 67 contracts to 136,532 contracts. Total on-call sales a year ago were 139,016 contracts. Total on-call purchases were 45,414 contracts, up 331 contracts. Total on-call purchases a year ago were 37,275 contracts.

On the domestic front most of Physical markets were closed on Thursday due to local festival holiday. The arrivals and trades were nil. The future market had limited trading hours. The October posted a close at Rs.22740 marginally higher from previous close. The trading range for the day would be 22500 to 22900 per bale.

**Indian rupee**- Indian rupee has opened little changed to trade near 73.62 levels against the US dollar. Indian rupee remains pressurized by weaker risk sentiment and Fed's monetary tightening outlook. Risk sentiment is weak amid slowdown in Chinese economy, trade worries, Brexit uncertainty and Italy budget crisis. China GDP rose 6.5% in Q3 as against market expectations of 6.6% growth. European leaders have questioned Italy 2019 budget at their latest summit while there is no major breakthrough in Brexit talks. There are suggestions of extension which means Britain could remain associated with EU after 2020. The US bond yields are near 7-year high as FOMC minutes confirmed that Fed will continue with interest rate hikes beyond neutral rate. However, supporting rupee is sharp correction in crude oil price. Brent has slipped below $80 per barrel as global economic concerns has dented demand outlook. Rupee may remain under pressure unless we see risk sentiment improving significantly. UDINR may trade in a range of 73.4 - 73.85 but bias may be on the upside.

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

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# INTERNATIONAL NEWS

## US says it wants trade deals with Japan, UK, EU

The United States said it intends to negotiate three separate trade deals with Japan, the UK and the EU, but it could take several months before negotiations begin, the BBC reports.

“We are committed to concluding these negotiations with timely and substantive results for American workers, farmers, ranchers, and businesses,” said US trade representative Robert Lighthizer.

The announcement comes as the US has been fighting a trade war with China, the world’s second largest economy, which economists warn will harm global economic growth.

The US plans to start negotiations with Japan, the world’s third largest economy, “as soon as practicable, but no earlier than 90 days from the date of this notice,” wrote Lighthizer in a letter to Congress.

In the case of the UK, negotiations are to start “as soon as it is ready” after it leaves the EU in March 2019.

Donald Trump prefers bilateral deals over multilateral ones as part of his more protectionist trade policy. He has already pulled out of the Trans-Pacific Partnership deal and has renegotiated NAFTA, the trade deal in place between the US, Canada and Mexico.

“The UK welcomes the US Administration’s confirmation that it intends to begin negotiations for a Free Trade Agreement with the UK once we have left the EU,” a government spokesperson said.

Source: business-review.eu- Oct 17, 2018

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## U.S. Tariffs on Textile Imports From China Leads to Trade Opportunities Elsewhere

With new tariffs being placed on textiles coming from China, many U.S. fabric importers are scrambling to find new textile trading partners whose goods are not subject to the recently imposed 10 percent tariff that could rise to 25 percent at the beginning of the year.

“I would expect to see sourcing shifts away from China to other countries or an increase in prices for goods that either can’t be sourced elsewhere or for which the cost of shifting is greater than the increase in duties,” said Elise Shibles with the San Francisco–based international law firm Sandler, Travis & Rosenberg.

For Alen Lahiji, who owns Solid Fabric Textile and Islands Fabric in Los Angeles, the financial threat is immediate, and he is currently trying to change the companies with whom he does business. His textile partners currently include suppliers in the United States, India, Taiwan, Hong Kong, Korea, Japan, Pakistan and China.

“It’s going to hurt the manufacturers. Everyone is going to get hurt by this,” he said. “Everyone is going to be paying more in the end—way more.”

His cotton, poly/cotton blends and rayon are sourced from China, but, with the looming 25 percent tariff increase on Jan. 1, he is wasting no time finding new textile partners. He also has seen a rush to import fabric from China before the January tariff increase.

“All the containers have been booked right before January. Everyone is ordering as much as they can,” he said.

While textiles are included in the current tariff increase, apparel has not yet been added to the list of affected products. Taking advantage of this loophole, Lahiji is planning to expand his business to include finished products.

“Because there is no tariff on clothing, I am one of the people who is starting to add apparel to my offerings,” he said.

Due to the apparel exemption, textile manufacturers in countries other than China are hearing from American business partners who want their fabrics shipped there for clothing production.

“We sell to a lot of American customers who still manufacture in China, and they are asking us to deliver fabrics there, so I look at this as a global market,” said John Gomes, who works in sales for the Portuguese textile company Sidónios Malhas. “As a corporation, you have to take advantage of the potential for the future of the industry and make it work.”

In addition to circumventing the textile import tariffs through importing finished apparel products from China, U.S. businesses could save money by buying fabrics from Chinese-owned factories in Africa. Depending on how products are labeled with the country of origin, this could be another loophole for businesses in the United States.

“The Chinese have been moving operations to different countries in Africa as they look for their own China for their own needs,” said Deanna Clark-Esposito, founder of the Clark-Esposito Law Firm in New York City.

China is also transferring its own Chinese way of manufacturing to these countries. “With this aspect, I would see the Chinese moving deeper into Africa with respect to textile manufacturing,” she said.

If China loses its position as a major supplier of textiles to the United States, countries such as India could fill in the gap. India’s prime minister, Narendra Modi, launched a “Made in India” campaign, which could help nurture its textile-import relationship with the United States. India is moving to produce more synthetic fabrics rather than its well-known natural cotton–based materials.

“Because of India’s Ministry of Textiles former Secretary Anant Kumar Singh, and the way that they decided to allocate funds for their textile industry, they are moving farther and farther away from natural fibers and embracing man-made fibers,” said Smita Paul, owner of Oakland, Calif.’s Indigo Handloom. “They are following the rest of the crowd.”

Turkey, which has historically had a strong textile-manufacturing industry, is another country that could swoop in and replace some of China’s business. In 2017, $378 million in textile imports were sourced from Turkey, according to Pinar Tasdelen Engin, the president of Turkey's Uludag Textile Exporters' Association.

"We've always been quite strong in the American market. This is going to improve, not just because of the tariffs but because of how we look at the business," she said.

While Turkey ranks ninth within the United States' top-ten textile-export partners, Engin would like to see her country move up to the top three.

"We've invested a lot in our technology, and it's quite a big industry that we are eager to carry. Turkey has a big potential in the United States," she explained. "We are very strong in prints, jacquard fabrics, knits and lace."

Not everyone in the industry is convinced that U.S.-based businesses will shift their textile sourcing from China. Arturo J. Rodriguez of fashion-technology firm Audaces feels there will be increased business with international textile partners other than China, but he doesn't think the changes will be significant.

"Once those tariffs come into place, will India grow a bit? Yes, it will. Will Mexico grow a bit? Yes," he said. "Will it have an impact on the amount imported to the U.S. from China? The number of units in SME [square meter equivalent] of textiles from China will drop a bit but not a lot."

While tariffs on Chinese products have been a hot topic for weeks, other trade-related issues are now surfacing.

The White House on Oct. 17 said it would withdraw from the Universal Postal Union treaty, which provides discounted shipping rates on small packages sent to the United States from other countries—including China. As the trade war intensifies, customs officials will become more stringent regarding their surveillance of shipments arriving in the United States.

"U.S. fabric importers should anticipate increased scrutiny from U.S. Customs and Border Protection for non-China imports, especially if part of a visible shift in trade patterns," Shibles said. "CBP may suspect that some of the shift is the result of illegal transshipment."

To more efficiently conduct trade with textile partners, Shibles advises importers to practice detailed recordkeeping for all transactions with their suppliers, as shifting trade from established Chinese partners to new sources could raise red flags with customs agents.

“I recommend that textile importers review their recordkeeping practices as well as those of their suppliers to be able to substantiate the origin of the goods to CBP’s rigorous standards,” she said. “This exercise should be part of setting up any new vendors as well as reviewing existing non-China vendors.”

Source: apparelnews.net- Oct 18, 2018

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## Trade Craze Set to Drive Apparel Manufacturing’s Move

As the gap between fashion’s winners and losers continues to widen, and tariff turmoil continues to roil markets, more apparel players will move their production out of Asia and closer to their customer base.

And provided they’re equipped to embrace the influx of automation, the technology will be what fuels the shift.

In fact, automation technology already on the horizon stands to cut 70 percent of the labor time out of the supply chain by 2025, making even onshoring to the U.S. “a real economic opportunity,” Karl-Hendrik Magnus, partner at McKinsey and Company said announcing the findings of a study launched at the Sourcing Journal Summit in New York last week.

“We’re going to see, in the next five years, a significant increase in semi-automated production,” Magnus said. “And then in the next five to 10 years, we’re going to see with the labor technologies come real onshoring and full automation at scale.”

By 2025, 79 percent of respondents in McKinsey’s report said a step change in nearshoring is likely. But the road to realization for nearshoring and onshoring won’t be a short—or simple one. Particularly if trade continues to convolute things.

The major catalyst for bringing manufacturing back home, according to Reebok VP of product operations, Erika Swan, is what's happening in Washington.

"It's the trade barriers," Swan said at the Sourcing Journal Summit. The trade war between the United States and China in particular, which has seen tariffs of up to 25 percent levied on Chinese-made inputs and apparel products, has given some companies an impetus to scale back on China sourcing to mitigate these unforeseen cost increases, but many have found themselves hard-pressed to quit the country because of how offshoring has reshaped the global supply chain in recent decades. "The big challenge is almost the monopoly of Tier 2 suppliers in this region… The consumer in this region is not willing to pay extra for nearshoring."

Apparel players in Asia will continue to invest in automation as they have been, only furthering their competitiveness and creating a more challenging case for pulling production. And with geopolitical tensions quickly diminishing the benefits of offshoring, sourcing markets for North America and Europe will need to make bold and immediate investments in nearshoring and automation, McKinsey said.

Nearshoring's evolution from nascent to normal, Under Armour chief supply chain officer, Colin Browne, agreed, will really come down to how the apparel industry engages its Tier 2 suppliers.

"Over 50 percent of our cost is Tier 2 suppliers, and if you don't get that bit right, if we don't figure out how to engage those suppliers, it's going to be really difficult to make that shift," Browne said.

Albeit slowly, the apparel industry does seem to be making the shift to a supply chain less vulnerable to the whims of trade protectionism and punitive tariffs, and one more in line with the speed and proximity demands of the customer base.

For both MAS USA and some of its key customers, there's already been a move to develop a greater presence closer to the consumer.

"We've established ourselves in onshore and nearshore locations already, but I don't think the shifting can happen overnight. It's going to take some time," said Ramesh Fernando, CEO of MAS USA, the domestic arm of the Sri

Lanka-headquartered largest apparel and textile manufacturer in South Asia.

It's also going to take some data, and a definitive relationship between brands or retailers and their suppliers—and likely some investment from both sides.

"The old way of 'let me squeeze them for the lowest FOB' is not going to solve the chicken or the egg problem of who's actually going to invest," Magnus said. "It's going to take a much longer, much deeper relationship."

For Under Armour, which doesn't own any of its own factories, its team is well interwoven with the suppliers that produce its product. As part of the company's Baltimore, Md.-based Lighthouse initiative, a cutting-edge design and manufacturing hub, partnerships are part of what drives innovation.

"We do have a lot of partners and we work with them to think through how much we can innovate product, and they can then run through the innovations we can then place with them," Browne said.

According to Swan, brands and retailers should also be considering how to share their customer data with Tier 1 suppliers and build an exchange between Tier 1 and Tier 2 suppliers to transfer that data to them, too.

"Data is not a PO, it's just a forecast—so how can we really action it and how can I gain speed for my customer base?" Swan posed.

There may be a long road ahead for shortening the supply chain and really realizing nearshoring at scale, but according to McKinsey, it's a road paved with plentiful opportunity for the industry.

"The opportunity of automation in a more demand-based supply chain is huge, but it requires a very, very different mindset than the historical FOB optimization and finding the next cheapest needle mindset…it's about customer orientation," Magnus said. "These disruptions that we're seeing are so profound that they will lead to competitive advantages that are very difficult to mimic."

Source: sourcingjournal.com- Oct 17, 2018

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# Currency Crisis in Emerging Markets Could Impact Sourcing Decisions

Some emerging markets, including those integral to the global textile and apparel supply chain, are vulnerable to a monetary crisis that has seen currencies depreciate rapidly against the U.S. dollar in recent weeks, according to a new IHS Markit global market report.

Citing its "External Vulnerability Index," IHS Markit said emerging markets such as India, Indonesia, South Africa and Ukraine are exposed to varying degrees of vulnerability, with their currencies under pressure and susceptible to a balance-of-payment crisis that has seen emerging market currencies depreciate by roughly 8 percent against the dollar through the end of September.

Meanwhile, currencies like the Turkish lira which has depreciated against the dollar by 37 percent this year, and the Argentine peso, which has depreciated an even greater 54 percent, are even more susceptible to a monetary crisis. Turkey is an important supplier of apparel and textiles to the United States and Europe, and a currency crises could affect the price of raw materials imported by Turkish factories to manufacture their products.

The trouble for emerging market currencies, according to IHS Markit chief economist Nariman Behravesh, started when the U.S. Federal Reserve began tightening monetary policies. The unwinding of certain accommodative conditions that started in late 2008 when the Fed adopted quantitative easing to combat the financial crisis and pushed U.S. interest rates to extremely low levels, have been part of the problem.

In turn, emerging market economies needed to borrow more heavily in dollar-denominated debt and as many of these emerging market countries normally run current-account deficits, these factors combined to make them vulnerable to the current balance-of-payments crises.

"The higher external financing costs due to Fed policy tightening has diminished investors' confidence in the emerging markets' ability to repay their external debt," Behravesh said. "This could lead to an abrupt suspension of foreign financing that would force a drastic reduction in current-account deficits.

Countries facing this ‘sudden stop’ would reduce their current-account deficit by either curtailing domestic demand or boosting exports. Since boosting exports takes time, most countries adjust in the near term by curtailing demand, which leads to recession.”

The External Vulnerability Index ranks 190 countries based on the stability of their currencies, using measures such as the current account balance, external debt exposure, foreign exchange reserves and inflation. Macroeconomic policy and political risk also are factored into the final ranking.

Additional elements of the vulnerability score include countries’ foreign exchange systems, the size of foreign direct investment (FDI) inflow and external debt.

The External Vulnerability Index score correlates with the rank of a country out of the 190 surveyed, meaning a score of 25 indicates a country’s currency ranks as the 25th most vulnerable.

Among the most vulnerable of the emerging markets is Ukraine, with a score of 8, while China, with a score of 170, is considered among the least vulnerable.

The South African rand, which has depreciated 13 percent against the dollar through September, will continue to be vulnerable, IHS said, recording a score of 31, with weakness across all index factors except inflation.

Falling in the middle of the index rankings were Indonesia at 74 and India at 81, owing to their high ratios of external debt to foreign exchange earnings.

The two countries are important suppliers of apparel and textiles to the U.S., with India second and Indonesia eighth in value terms for the year-to-date through August, according to the U.S. Commerce Department’s Office of Textiles & Apparel.

The Indonesian rupiah depreciated by more than 9 percent through September, while India’s rupee depreciated by just under 12 percent during the same period. This could negatively impact export prices for suppliers in those countries.

“The least vulnerable emerging markets are China and Russia, owing to their persistent current-account surpluses, low external debt exposure and ample foreign exchange reserves,” Behravesh said. “However, Russia is far less robust, owing to geopolitical risks and its open borders to capital movements.”

The U.S. Treasury Department on Wednesday declined to cite China as a currency manipulator, despite the ongoing conflict over its trade practices and complaints surrounding its monetary policy. Treasury Secretary Steven T. Mnuchin said his agency “is working vigorously to ensure that our trading partners dismantle unfair barriers that stand in the way of free, fair, and reciprocal trade.

Of particular concern are China’s lack of currency transparency and the recent weakness in its currency. These pose major challenges to achieving fairer and more balanced trade, and we will continue to monitor and review China’s currency practices, including through ongoing discussions with the People’s Bank of China.”

Currencies from Turkey and Argentina, which are among those having depreciated most significantly against the dollar, rank high on the index. Turkey, with a score of 10, “shows danger signs across almost all indicators: high current-account deficit even after accounting for FDI inflows, large external debt exposure, low level of foreign reserves and high inflation,” the report said.

Argentina, at 25, “shows vulnerabilities across these measures, except the current account if we factor in FDI.

Other notable countries in the apparel and textile supply chain with a score below 100 were Egypt, Mexico and Colombia. Brazil scored 106, and the Philippines scored 107.

Source: sourcingjournal.com- Oct 18, 2018

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# Global Nylon Market Growth Challenged by Synthetic Fiber Alternatives

The global nylon filament yarn market, impacted by increased use of other synthetic fibers, is expected to post a compound annual growth rate (CAGR) of just around 4 percent through 2022.

Though nylon is being buoyed by heightened interest in activewear, according to the latest market research report from technology research and advisory firm Technavio, the fiber is facing challenges to growth.

"The key factor slowing down the growth of this market is the availability of substitutes," Technavio's report said. "Synthetic fibers such as polyester filament yarn, polypropylene filament yarn and acrylic fiber are major substitutes of nylon filament yarn."

Polyester filament yarns carry the benefits of cost-effectiveness, moisture resistance, high elasticity and wrinkle-resistant properties, and many brands have adopted polyester and polypropylene-based filament yarns in clothing and textile accessories for the comfort, softness and lightweight elements today's consumers prefer.

"The demand for polyester fiber is anticipated to increase during the forecast period due to its abrasion and chemical resistance," Technavio said. "Thus, an increase in consumer preference for yarns that offer cost-effectiveness and comfort can impede the growth of the market."

The report cites widespread infiltration of sports apparel into everyday consumer wardrobes as a key emerging trend in the global nylon filament yarn market.

Nylon filament yarn is used extensively in producing sports apparel and accessories, adventure equipment and travel accessories. It's also widely used in jerseys, tracksuits, socks, swimsuits, shorts and T-shirts.

"The rapid commercialization of the sports apparel sector can significantly promote the growth of the nylon filament yarn market," a Technavio senior analyst said.

The availability of nylon filament yarn in various colors, shades and patterns is likely to drive the sector, the analyst added.

Fabric technology firm Cordura recently launched TrueLock, with a new wolf gray color leading the way for the brand's next generation of durable colors, as part of its efforts to solidify its position and commitment to expand its solution-dyed nylon (SDN) 6,6 fiber business.

Cordura TrueLock fiber is made from parent company Invista's nylon 6,6 multi-filament fiber that is solution-dyed to create deep, durable color throughout the fiber structure. Invista has been expanding its nylon production capacity in the United States and abroad.

Its facility in Camden, S.C., expanded last year to increase U.S. capacity of high-tenacity, specialty fibers for Cordura fabrics.

The Camden investment has accelerated the development of new SDN capabilities that complement the facility's existing high-tenacity nylon 6,6 filament fiber manufacturing processes.

Invista also is investing more than $1 billion to bring its latest adiponitrile (ADN) technology to China in an effort to satisfy strong demand in the country for the chemical used to manufacture nylon 6,6 fiber.
Over the past five years, Invista has invested more than $600 million in China to support the nylon market.

At Invista's site in Victoria, Texas, a $250 million project to upgrade manufacturing technology and increase production of ADN is set to begin construction early next year.

Source: sourcingjournal.com- Oct 18, 2018

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## Chinese initiative to support Africa's development

At the 2018 Forum on China-Africa Cooperation (FOCAC) in Beijing, China announced that it will launch eight major initiatives, including a trade facilitation initiative to push forward China-Africa economic and trade cooperation, connect more deeply with the Belt and Road initiative and build an even stronger China-Africa community.

The initiative is set to support the manufacturing industry in Africa and enhance its capacity in trade. The initiative is not only in favor of the independent development of African countries, but also generates opportunities for Chinese companies to take part in the African modernization process.

The recovery of the African economy is currently going well and regional integration within Africa has gained headway. Additionally, China-Africa trade, after so many years of development, needs an upgrade.

Against this backdrop, the trade facilitation initiative needs to focus on the following five areas.

The first of these is expanding imports from Africa. Many Chinese products that are labor intensive, such as textiles, clothes, shoes and hats, are exported to Africa, which has somewhat threatened local manufacturers by limiting their export capability in similar products.

The current trade pattern is not optimal for African countries to improve their international competitiveness and independent development. China will continue to buy more African products, especially non-resource products. The Chinese government welcomes African countries to participate in the China International Import Expo and will waive exhibition stand fees for less developed countries in the continent.

Through these measures, China has opened the gate for African companies to enter the Chinese market, which will help them join the global value chain. Moreover, cooperation between authorities for statistics, standard and quality supervision on both sides will be improved. China will also continue to lower the non-tariff barrier and improve exchanges between customs authorities.

The second aspect is providing trade facilitation aid. African countries have relatively weak infrastructure and their national economic systems are still being established. African trade also faces problems in efficiency and high costs.

Therefore, China will implement 50 trade facilitation programs in Africa, including programs such as exhibition stand fee exemption, and support programs for exchange and cooperation in standards, market access, personnel training, customs procedures and health testing. Together, they will boost export capabilities and trade integration on the continent.

Third is broadening the awareness of Chinese and African brands. Western developed countries are currently the main source of high-end commodities in the African market. Light industries in many African countries have been growing slowly and average incomes are limited. Chinese products, with their competitive prices, have become the top choice for middle- or low-income consumers.

However, tempted by quick sales, many Chinese businesses have overlooked building solid brands, so the image of Chinese products is weak. To address this, China has supported Chinese brand exhibitions in Africa, introducing famous brands and quality products in appliances, equipment, machines and high technology to African customers. To further open the Chinese market to African products, China will continue to support African countries' trade promotion activities in China.

The fourth point is fostering free trade cooperation. Though high-level free trade agreements are the inevitable trend for world economic development, China has adopted a step-by-step method that considers the realities of economic development in African countries. China is a firm supporter of the multilateral free trade system led by the WTO.

It will also support the construction of free trade areas in the continent by carrying out the trade facilitation initiative. Before the FOCAC Beijing summit, China and Mauritius signed a free trade agreement, which has set an example for future negotiations with other African countries. The free trade agreement will create a better institutional environment for China-Africa trade and economic cooperation.

The fifth and final area is strengthening e-commerce cooperation. Chinese e-commerce trade volume has surged rapidly in recent years, becoming a new economic engine and expanding to number one worldwide in online retail. As information and telecommunication infrastructure improves, the prospects for e-commerce in Africa are promising.

Unlike Chinese e-commerce, with its mature online and offline integration, African e-commerce faces challenges to success: insufficient internet infrastructure, less-developed mail and courier services and less use of online payment systems.

Based on this, China and African countries will have to discuss cooperation in e-commerce. The two sides can enhance policy coordination, share experience, and conduct joint research and personnel training. China will also encourage more Chinese e-commerce companies to explore the African market, promoting the trade of advantageous and unique products on both sides with the help of e-commerce.

Trade will generate growth and investment, and the trade facilitation initiative will create more space and infinite business opportunities for both Chinese and African businesses.

Source: globaltimes.cn- Oct 17, 2018

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## ITC to support 100 MSMEs from 20 countries to attend China Import Expo

The International Trade Center (ITC) said Wednesday it will provide support to 100 companies from 20 least developed countries (LDCs) and developing countries in Africa, Asia, and Latin America to participate in November's China International Import Expo (CIIE).

The CIIE will be held in Shanghai on Nov. 5-10.

"ITC is proud to partner with China for the first edition of CIIE, which offers a new arena for South-South trade, cooperation, and dialogue," said ITC Executive Director Arancha Gonzalez.

The micro, small and medium-sized enterprises (MSMEs) going to China have been selected from a variety of sectors, including food, textiles and apparel, and services.

In Shanghai, the ITC-supported companies will be showcasing their products and services, establishing new contacts with potential business partners and exploring how to tap into the Chinese market.

In cooperation with its partners, ITC has been preparing the selected companies to participate in global trade fairs and familiarize themselves with Chinese market requirements.

This has included the development of dedicated e-learning courses on exporting to China, offered through ITC's SME Trade Academy platform.

ITC experts will provide continued advisory support to companies throughout the event, to set up their booths and manage their business interactions with visitors and professional buyers.

In addition to the companies attending CIIE, ITC is providing support to trade and investment support institutions from Bolivia, Cambodia, Lao PDR, Myanmar, and Nepal, to take part in the event in Shanghai.

According to data on CIIE's website, more than 2,800 companies from over 130 countries and regions are expected to join the expo. "For the companies, we are supporting to attend, (and) the event provides a unique opportunity to tap into the huge potential offered by the Chinese market," said Gonzalez.

"For developing and least developed countries, the CIIE is an opportunity to be exposed to new export markets and increase their competitiveness through trade."

The ITC is the joint agency of the World Trade Organization (WTO) and the United Nations that assists small- and medium-sized enterprises in developing and transition economies to become more competitive in global markets.

Source: xinhuanet.com - Oct 17, 2018

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## Global spandex market to grow exponentially at over 8 per cent by 2023

The global spandex market estimated at over 760 kilo ton in 2015, is likely to cross 1,550 kilo ton by 2023. It is likely to grow at a CAGR of over 8 per cent from 2016 to 2023. China dominated the Asia-Pacific market in 2015, accounting for 60 per cent of the total volume.

### Apparels, textiles, automobiles drive market

Major growth driver for the spandex market will be the apparel and textile industry which uses spandex in manufacturing leggings, gloves, cycling jerseys and competitive swimwear et al.

Spandex is also used to provide stretchability to garments used in active sports. Factors such as superior elasticity, regaining original shape, durability, lightweight, resistance to UV light boost its demand in the global market.

The other big consumer is the automobile industry. With global automobile sales on the rise demand for spandex is expected to touch new highs.

### Raw materials for spandex production

Polytetramethylene ether glycol (PTEG) and MDI derived from petrochemical feedstock are the raw materials required for spandex production.

PTE GGlobal spandex market to grow exponentially at over 8 per cent by 2023 001 accounted for more than 70 per cent spandex production in 2012. However, stringent government norms, to curb carbon footprints, are likely to hinder its future growth. Alternatively, renewable sources with stable raw material supply are likely to provide more growth opportunities.

### Bio-based spandex for garment applications

Invista, under Lycra, has introduced bio based spandex for apparels. Bio spandex contains approximately 70 per cent of the sustainable feedstock made out of renewable butanediol from dextrose which is derived from corn.

The company markets this as a specialty product and sells it at a premium rate. Invista uses bio-based 1.4-butanediol as raw material from Genometica's developed technology which has successfully developed fermentation route for the chemical using E. coli to metabolise sugar.1,4-butanediol is then synthesised to THF which is further used for PTEF production.

The global spandex market share is moderately consolidated and comprises of companies such as BASF, DuPont, Invista, Indorama and Mitsubishi Chemical. Other major companies include Zhejiang Huafo, Dow Chemical, Yantai Bailu Chemical Fiber Co and Swan Fiber Co.
Asia-Pacific dominates the world spandex market

Asia-Pacific was the dominant market for spandex production and is likely to witness highest gains by 2023. China accounted for more than 50 per cent of the global share in 2014 and is the major manufacturer.

North America is also likely to witness moderate growth owing to increasing demand for sportswear in the US. Europe is likely to witness below average growth rates over the forecast period. Latin America is likely to grow at significant rates owing to growth in sportswear and apparel industry.

Source: fashionatingworld.com- Oct 18, 2018

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## Myanmar's CMP garment export earnings $2.2 bn in Apr-Sept

In the six-month April -September mini budget this year, earnings from export of cut-make-pack (CMP) garments in Myanmar was around $2.2 billion, which was around $1 billion more than the figure in the same period last year, according to the commerce ministry.

The European Union (EU) had doubled its order for Myanmar's CMP garments this year.

The EU order was worth about $90 million last year compared to $180 million this year, said Khaing Khaing Nwe, secretary of Myanmar Garment Entrepreneurs Association.

Unless there are changes in EU-Myanmar relations, good potential for garment market will continue, a report in a Myanmarese English-language daily quoted her as saying.

The country's garment export was valued at $337 million in 2010 and it rose to about $1 billion in 2014, commerce ministry data show. Its value was $1.46 billion in 2015.

Source: fibre2fashion.com- Oct 18, 2018

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## Countries witness increase in textile and apparel exports in first 8 months of 2018

Most countries recorded an increase in its textile and apparel exports during the first eight months of 2018. China's textile exports during the period increased marginally up by 1.2 per cent while its apparel exports declined by 1.06 per cent.

Vietnam's textile and apparel exports during this period increased by 24.47 per cent. Its apparel exports grew by 27 per cent, while fabric exports increased by 34.31 per cent. Yarn exports were up by around 4 percent

Pakistan's exports of most of textile product categories in August exports recorded a robust growth of 25.55 per cent over July. Its raw cotton exports shot up by 165.37 per cent, cotton fabric exports went up by 40.47 per cent, knitwear exports were up by 34 per cent and made-ups exports increased by over 50 per cent.

The Sri Lankan apparel exports in August were 6 per cent higher than in January. March recorded the highest exports at US$ 465 million. While in April, at US$ 323 million, Sri Lanka's apparel exports were the lowest.

However, India's textile and apparel exports in July were 5.82 per cent lower than in January. Exports of its woven apparel till July declined by 19.43 per cent.

Turkey's textile and clothing exports also went down by 5 per cent in August 2018, compared to exports in January 2018. Export growth has fluctuated wildly during these eight months.

Source: fashionatingworld.com- Oct 18, 2018

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## Bangladesh taps cotton advantage

Cotton has helped farmers in Bangladesh cultivate land which used to previously stay fallow due to lack of irrigation facilities.

Due to its vertical tap root, cotton is much more resilient to high temperatures, less water intensive and needs just one round of irrigation. Cotton yields better results than rice which requires standing water and multiple rounds of irrigation. While the input costs for growing cotton are slightly higher than that for rice, the returns for cotton are significantly higher.

Cotton is an economically viable crop, especially in drier regions. Here demonstration farms have been set up that provide information and inputs support to farmers and buy cotton from them at market prices to ensure they get the best returns.

Yet most small scale farmers continue to grow highly climate sensitive traditional crops such as rice for fear of perceived uncertainties. Perceived risks, primarily due to lack of information and support, have resulted in the transition to cotton cultivation being limited to farmers who have the economic avenues to bounce back from potential losses.

Bangladesh's domestic cotton production forms merely four per cent of the industry's demand for raw cotton. Cotton imports are proving to be a major drain on foreign exchange reserves in Bangladesh. To improve the balance of trade and make the textile industry, which contributes about 27 per cent to the country's GDP, more self-sufficient, domestic cotton production needs to increase exponentially.

Source: fashionatingworld.com- Oct 18, 2018

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# EU pushes for approval of trade agreement with Vietnam

The European Commission submitted for approval on Wednesday a free trade agreement with Vietnam, its first comprehensive open markets deals with a developing Asian country.

The EU-Vietnam trade and investment agreements will need approval from the EU's 28 members and from the European Parliament, some of whose members have expressed concern over Vietnam's human rights record.

The parties have agreed a related accord to promote democracy and human rights, including commitments, dialogue and possible sanctions. EU Trade Commissioner Cecilia Malmstrom said no one denied there were human rights problems in Vietnam.

"We are talking openly about this with our Vietnamese counterparts and the trade agreement will not make Vietnam a fully fledged democracy overnight. It is one tool in the toolbox that we have in relations with Vietnam and other countries," she told a news conference.

The European Union will sign a trade deal on Friday with Singapore, another member of the Association of Southeast Asian Nations (ASEAN), and is in talks with Indonesia.

It is unclear whether the European Parliament, which is expected to debate and vote on the Singapore agreement as well as the EU-Japan free trade deal, will have time to pass the Vietnam accord before EU elections in May.

The trade deal would eliminate 99 percent of all tariffs, although some staged over a time period and some, notably agricultural products, limited by quotas.

Vietnam, for example, would cut its duty on EU car imports from 78 percent to zero over 10 years and for wines and spirits, from around 50 percent, over seven years. EU companies would also be able to bid for Vietnamese public contracts.

In return, the European Union would take seven years to eliminate its duties on certain Vietnamese products, such as its major textiles, clothing and footwear exports.

Vietnam has pledged to protect 169 European food and drinks products, such as champagne or Parmigiano Reggiano cheese, meaning such names could only be used for EU imports.

The agreement includes a chapter on sustainable development, such as implementing international standards on labour rights and the Paris climate accord.

Source: euronews.com- Oct 17, 2018

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## EU warned against punishing Myanmar by axing trade preferences

Rights groups say action would hurt workers but leave military leaders unscathed

International companies and human rights groups are warning the EU not to suspend the bloc's trade preferences for Myanmar, which they say would endanger hundreds of thousands of jobs — mostly held by young women — in one of Asia's poorest economies while leaving the country's military leaders unscathed.

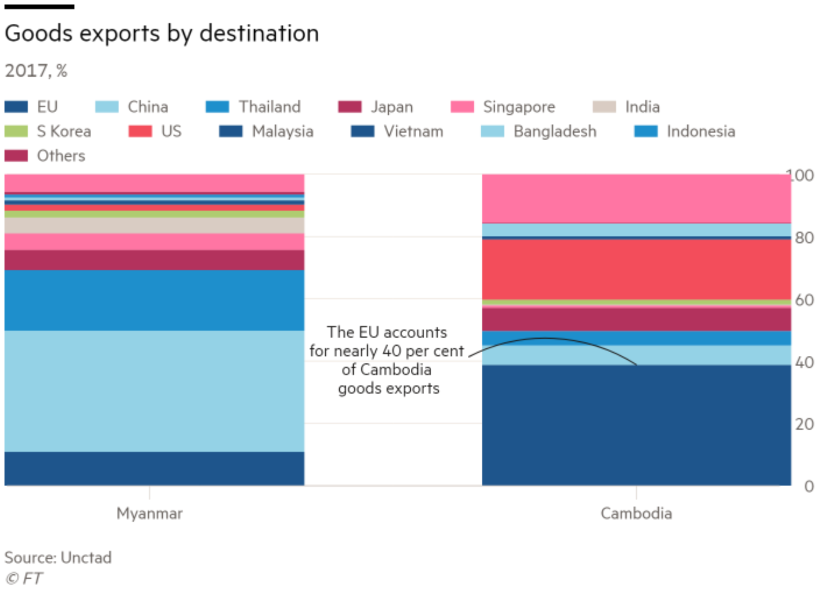
The bloc has already begun a review of Cambodia's access to the EU's "Everything but Arms" (EBA) trade agreement, which gives poor countries tariff-free access to the bloc for all exports except weapons and ammunition.

In undertaking the review, Cecilia Malmstrom, the EU trade commissioner, pointed to "harassment and intimidation" during the recent election that saw Cambodian prime minister Hun Sen hold on to power after quashing the opposition.

In remarks on October 5, Ms Malmstrom also said Brussels was considering reviewing Myanmar's duty-free access to the EU because of what she called "a deeply worrying and worsening situation for the Rohingya [people]". The bloc will send a fact-finding mission to Myanmar at the end of October to decide whether to review its EBA trade agreement.

At stake are billions of dollars of textile and clothing exports from Cambodia and Myanmar. Garments and footwear accounted for more than 70 per cent of the more than $1bn of goods Myanmar exported to the EU last year, while Primark, Inditex, Lidl and Adidas are among the European brands that buy from its industry.

The interventions come as the Asia-Europe summit gets under way in Brussels this week at which south-east Asia's deteriorating human rights record — including alleged atrocities committed against Myanmar's Rohingya minority — will be under scrutiny.

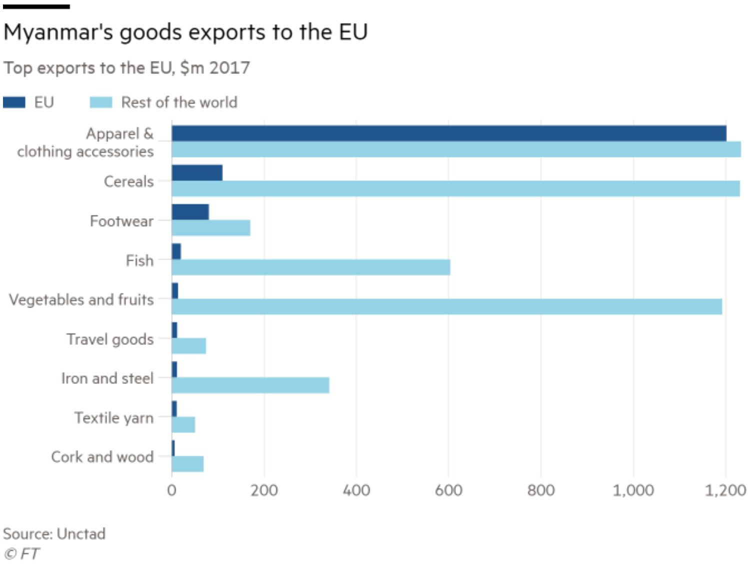



"Europe should still advocate its values but the garment industry, which has nothing to do with the conflict, would be the first one to suffer the consequences," said Filip Lauwerysen, director of the European Chamber of Commerce in Myanmar.

H&M, the Swedish clothing retailer, said in a statement that it understood the need for the EU to address what it called "the severe human rights situation in Myanmar".

However, it added: "It's a complex issue, and also potential negative effects on employment for people in the garment industry must be taken into consideration."

According to a report commissioned last year by the C&A Foundation, more than 90 per cent of Myanmar garment workers are women, most are aged 16 to 23, and 19 per cent are from Rakhine, where last year's crackdown on the Rohingya occurred.

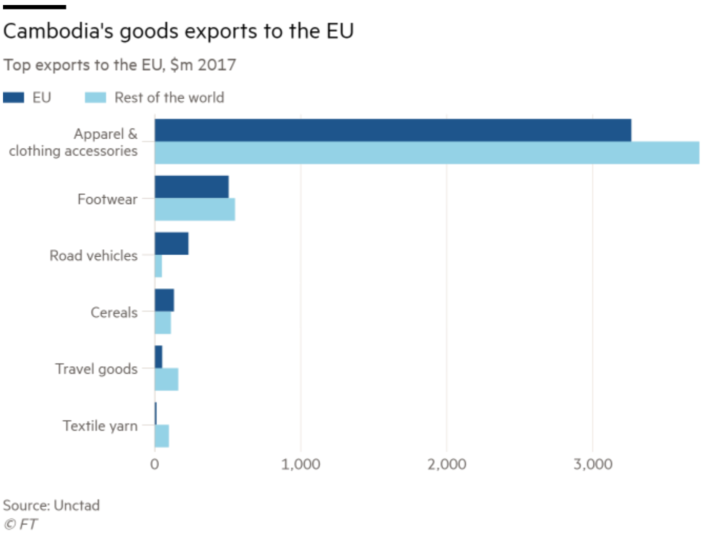



According to the Myanmar Garment Manufacturers Association, the industry employs more than 500,000 in the country and sends about 70 per cent of its exports to the EU. “If they [the EU] do this, more than 300,000 young women will lose their jobs,” said U Myint Soe, the group’s chair.

The controversy over EBA is reviving old arguments concerning the west’s tools for leverage over Myanmar that have been ongoing since military rule.

It also throws into relief the conflict between growing international calls for accountability against Myanmar’s military leaders, and donor countries’ effort to promote its troubled economic and political transition.

Businesspeople who oppose the removal of EBA say foreign involvement in the sector has promoted better business and human rights practices.




The EU in June imposed travel bans and asset freezes against seven Myanmar military and police officers. However, human rights campaigners said cutting off trade preferences would do little if nothing to sanction military leaders, while further inflaming societal tensions.

“If broad-based sanctions harmed average citizens, which is likely, then domestic anti-Rohingya sentiment would escalate,” said Matthew Smith of Fortify Rights, a human rights group. Mark Farmaner, of

Burma Campaign UK, called the EU's potential review of trade preferences for Myanmar "crazy".

In Cambodia, members of the banned Cambodia National Rescue party have spoken in favour of targeted sanctions against the Hun Sen government.

However, the European Chamber of Commerce in Cambodia wrote to Ms Malmstrom this week, expressing "serious concerns" about the EU's review of EBA preferences for the kingdom.

The group said that while it "understood and shared" the EU's concerns over recent developments in Cambodia, suspending the agreement risked causing "long-term negative impacts" on the country's business competitiveness and the EU's ability to promote best practices in a country and a region where China's presence was growing.

Source: ft.com- Oct 17, 2018

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## Pakistan: PM aide calls for expanding trade with China and Japan

With Pakistan losing its share in international markets, Adviser to Prime Minister on Commerce Abdul Razzak Dawood has stressed the need for zero duty on raw material, adding the government will try to find markets in China and Japan to boost dwindling trade.

Addressing a press conference on Wednesday, Dawood said Pakistan was looking towards China for access to its markets for agricultural and industrial products.

"I will ask Japan to give duty-free access for Pakistani products to its market," he said, adding the share of textile products in total exports was 60%, but the share of Pakistan's textile exports in the international market had dropped.

The adviser said Pakistan was also losing its position in regional markets, adding that India, Bangladesh and Vietnam had outpaced Pakistan in exports.

He said Pakistan's total exports had declined from $25 billion to $20 billion during the previous government's tenure, but appreciated the previous administration for giving incentives to the exporters.

Talking about gaining access to new markets, the adviser said China was cooperating in that regard. He shared that he would visit Beijing on November 2 and was hopeful of a positive response from the Chinese side.

He added that he would visit Japan and ask for duty-free market access for Pakistani products. The adviser emphasised that Pakistan wanted to open trade with Afghanistan, India and Iran.

Dawood expressed the hope that the government would be able to introduce contamination-free cotton in the next two years in order to fetch a good price in the international market.

"Pakistan cannot earn revenue unless cotton quality improves." The adviser said poor quality seeds of cotton were being sold to the farmers. Pakistan would ask China to provide technical assistance of its scientists for introducing quality seeds of cotton.

The adviser shared that an awareness campaign would be launched for contamination-free cotton in the country and provinces would be taken on board in that regard.

Talking about the cash-strapped Utility Stores Corporation (USC), he said the USC management had misled about the inventory worth Rs4 billion, adding USC had no inventory.

Source: tribune.com.pk- Oct 18, 2018

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# Pakistan: Rs182 billion additional tax set to be levied

Additional customs duty on approximately 6,000 items is expected to be raised from 2% to 3% via the tax regulators recommended SRO, which will raise an additional revenue of over Rs50 billion for the FBR, sources said

A summary has been endorsed by the law division of levying Rs182 billion additional tax and simultaneously giving Rs40 billion tax relief, for which an official tax notification is to be published soon.

According to sources, the Federal Board of Revenue (FBR) had forwarded drafts of SROs for a rise in regulatory and additional customs duties for endorsement to the law division, reports Express Tribune.

However, parliament's go-ahead via the finance bill isn't required since the tax regulator has the power to raise additional customs and regulatory duties.

Additional customs duty on approximately 6,000 items is expected to be raised from 2% to 3% via the tax regulators recommended SRO, which will raise an additional revenue of over Rs50 billion for the FBR, sources said.

And revenue receipts from additional customs duty will reach Rs130 billion from the previous Rs80 billion.

Sources shared that via the revised SROs, rate of regulatory duty on imported yogurt, milk, butter, honey, whey powder, poultry, flour, super-fine flour, dry fruits, fruits, betel/areca nut, aluminium, paints, varnish, perfumes, lipstick, make-up items, pre-shave and after shaving items, soaps, wash basins alongside other 1,300 items is expected to rise by 5%.

Aside from this, 5% duty is being levied on flour import and regulatory duty on import of kids' garments, male and female shirts, tracksuits, ladies' shawls, scarfs, handkerchiefs, ties and other items will be raised from 5% to 10%.

Also, regulatory duty rates will be increased from 10% to 15% on live poultry, chicken margarine, paints, varnish, sulfuric acid, paints, varnish, CTP plates and photopolymers utilized in the printing of newspapers and magazines.

Plastic stoppers utilized in the packing of items, clips, caps, gloves, cotton yarn, cotton fabrics, glass, glass bottles and jars, cutlery made of glass and all types of locks used in furniture and other items will see their regulatory duties rising from 10% to 15%.

The rate of regulatory duty will be increased from 25% to 30% on fish meat, fish, different flavoured milk and cream, whey powder, potato chips, coconut, Brazilian dry fruits & cashew, fresh or dry porridge, all kinds of nut bolts and washers.

Source: pakistantoday.com.pk- Oct 17, 2018

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## NATIONAL NEWS

# India's self inflicted wounds: What keeps its textile industry from taking off even as China moves away from low cost manufacturing

We Indians love to compare ourselves with China. However, when it comes to textiles and clothing, India's export of $40 billion lags far behind China's $269 billion despite its long history and obvious advantage in raw material and labour. Forget China, India is now behind Bangladesh and Vietnam.

Between 2000 and 2010 China doubled its global export share in apparels from 18.2% to 36.4%, but India's share inched up from 3% to 3.2%. Again, between 2010 and 2016 China was able to retain its global market share at 36%, Bangladesh could increase it from 4.2% to 6.4%, Vietnam almost doubled it from 2.9% to 5.5%, but India managed to raise it from 3.2% to 4%.

Many argue that industrial wages in China have been rising, so it's time for India to move decisively and seize the global opportunity of $284 billion of textiles and another $443 billion of clothing that's knocking on its door. But India may not grab it unless it addresses the regulatory mess that successive governments have created over the years.

A series of imprudent regulations on fibre, wages and trade policy have made India mainly a supplier of raw material, ie cotton fibre and yarn. It's no surprise that India's apparel export accounts for 40% of its total textile export which has been hovering around $40 billion for the last five years.

The apparel export of developing countries be it Bangladesh, China, India or Vietnam is primarily a commodity business where the exporter is merely a contract manufacturer. It thrives on cost arbitrage and thin margins. India's apparel export is dominated by SMEs which lack not only pricing power but also cheaper institutional credit, technical know-how and skilled manpower.

Any additional inefficiency due to raw material, logistics or border and customs procedures is bound to result in loss of orders. There's a limit to how much export incentives can make up for such inefficiencies even if such incentives are not challenged at WTO.

A recent BCG study finds that labour productivity in India's apparel factories is lower than that in Vietnam and Bangladesh, yet the government has been hiking minimum wages and flirting with the idea of a national minimum wage. Such policies will make India's textile sector lose further on cost competitiveness.

Wage hikes must have some reference to workers' productivity, otherwise it will induce relocation of factories to cheaper destinations. That is, in fact, already happening with top textile companies such as Arvind Mills and Raymond setting up factories in Ethiopia where electricity and labour cost less and LDC (least developed country) status confers duty free access to top consuming markets such as EU, Japan and the US.

Indian government favours cotton so it attracts lower import and GST vis-a-vis synthetic fibres and yarns. That artificially keeps cotton cheaper and over-promotes its use. Thus, India must adopt a fibre neutral taxation policy to align fibre production and consumption with global demand trends.

India has failed to use trade policy to its advantage – for pushing its exports to major consuming markets starting from the EU, EEU, Japan to North and South America, or safeguarding its domestic industry from the influx of cheap imports from countries such as Bangladesh or China.

The EU is the world's largest apparel importer with an annual import of $85-90 billion. However, India's exports are subject to 9-10% import duties versus 0% for Bangladesh, Sri Lanka and African countries.

A free trade pact with EU will remove this duty disadvantage but India has been dragging its feet. Similarly, an FTA with Russia-led EEU will open a completely new market (so far dependent upon imports from China) for India's value added textile products.

Textile and clothing market in Mercosur countries is highly protected with basic customs duties as high as 26-35%. High import duties along with high logistics cost have kept this big market virtually inaccessible. Thus, the expansion of India-Mercosur preferential trading agreement (PTA) into a full-fledged FTA covering textile items will be immensely helpful.

China is a top consuming market but it imposes high import duties (10-15%) on clothing items. Australia is another $10-15 billion clothing market. The RCEP negotiating platform can be used to get improved market access for apparels in Australia and China.

Indian trade negotiators have also failed badly in securing favourable terms for textile and clothing in FTAs that are already operational such as SAFTA or India-Japan CEPA.

Allowing duty free imports from Bangladesh (under SAFTA) and other LDCs under unilateral duty free quota free (DFQF) facility without any sourcing restrictions have resulted in ever increasing import of apparels made of Chinese fabrics that's hurting the whole of India's textile value chain comprising of fibre, yarn, fabrics and apparels. That calls for urgent tweaking in sourcing rules.

Similarly, stringent sourcing restrictions imposed by Japan under India-Japan free trade pact have resulted in a virtual denial of market access for India's apparel exports. India should use the review mechanism of the trade pact to get these provisions relaxed or removed.

Moreover, inverted duties (higher import duties on raw materials and lower on finished products) encourage import (rather than export) of finished goods. India should use the upcoming budget in February to end this self-inflicted trade policy measure.

To summarise, India has failed so far to tap the global textile and clothing opportunity. It can still improve things by tweaking its regulations on labour, fibres and trade.

Source: timesofindia.com- Oct 18, 2018

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## US tariffs on Chinese imports opens new opportunities for India

According to a latest commerce ministry study, the extra US tariffs on its imports from China have opened a window of opportunity for India to push for higher exports in 171 items — ranging from textiles to marine products — with additional outbound shipment potential of up to $8.7 billion a year.

The Trump administration has announced an extra levy of up to 25 per cent on $250-billion Chinese supplies in two phases, which will make Indian products more competitive than China's in the US market.

The first round of higher duties on $50-billion Chinese goods has created the space for India to tap the export window in close to three dozen items with potential annual supplies of $2.1 billion.

Similarly, in the second round of duty increase, India has the scope to drive up exports in 135-171 products, with potential outbound shipments of $5-6.6 billion a year.

These Chinese goods face additional American tariff of 10 per cent up to end-December, after which it will be raised to 25 per cent. The US is India's largest merchandise export destination with exports to the country touching $48 billion in 2017-18.

The products where India can make inroads into the American market with greater vigour include shrimps and prawns, yarn, fabrics, man-made filament, copper and products made of such base metals, steel and iron products, garlic, berries, sugar confections, oilcake, distillate fuel oil, organic compounds, certain plastic, leather, rubber and wooden products.

Source: fashionatingworld.com- Oct 18, 2018

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# India working out WTO-proof export incentives

Old schemes being replaced; new ones being vetted by trade experts and legal teams

India is trying to put in place a WTO-compliant export incentive regime to replace its current raft of subsidies, which were targeted by other countries for being non-WTO compliant.

North Block officials said the finance ministry, the commerce ministry and other economic ministries are almost ready with the new schemes that are now being vetted by trade experts and legal teams.

The schemes that are under attack at the WTO and proposed to be replaced include the Merchandise Export from India Scheme, the Export Promotion Capital Goods Scheme and some incentives for special economic zones.

Among the new incentive schemes proposed is assistance to MSME production clusters. Clusters would be given assistance that would be about the same as that given to them as direct subsidies.

Officials also said they were looking at refunding not only local taxes such as the GST but also embedded taxes and charges such as the "Mandi" tax levied on farm products as well as excise and VAT paid on auto fuels, etc.

A number of countries, including the US, have opposed India's export subsidies at the WTO as the country's per capita income has been over $1000 for several years now.

The WTO mandates that a country can offer export subsidies as long its per capita income was below $1,000. India crossed that mark in 2010 but according to one set of rules had a cushion of eight years.

However, another rule states that if the per capita income is above $1,000 for three years in a row, then this is not applicable.

The WTO has notified that India's per capita income had been above $1,000 in three successive years — 2013, 2014 and 2015. It now stands at $2,000.

**Relief roster**

- Under WTO attack
- MEIS, EPCG Scheme
- Incentives for SEZs

**New schemes proposed**

- Assistance to MSME production clusters
- Refund of GST, Mandi tax on farm goods, excise and VAT on auto fuels

Source: telegraphindia.com- Oct 18, 2018

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## GST: FinMin may not extend deadline to claim input tax credit for 2017-18

*Industry, auditors' body had sought extension from Oct 20 to Dec 31*

The Finance Ministry is unlikely to accept the request made by industry bodies and CA association to extend the due date for claiming input tax credit for the period July 2017-March 2018.

According to the rule, a registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after due date of furnishing of the return under section 30 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

Return for the month of September has to be filed by October 20 while last date for filing annual return (for financial year 2017-18) is December 31.

"As of now, there is no plan to extend the due date from October 20 to December 31," a Finance Ministry official told BusinessLine. This meant that the businesses have been left with just three days (including one gazetted holiday on October 19) to file the return online. There have been issues regarding GSTR Form 3B.

There are arguments that rules talk about GSTR 1, 2 and 3 and not 3B which means if the matter goes to court, there will be problem for the Government.

"GSTR 3B has been notified under relevant section of the law and accordingly it is in use after suspending GSTR 2 and 3. We are hopeful that this arrangement will be able to stand legal scrutiny," the official said while adding some States also asked for clarification on the filing issue.

**Too many paper works**

Various industry bodies and CA body have argued for extending the date on the grounds that very little time was left to complete too many paper works. They said the due date for filing Income Tax Return and Audit report was October 15 which means businesses have just 5 days to prepare the input tax credit claims.

And now the problem is that any wrong entry will prove costly.
The Institute of Chartered Accountants of India (ICAI) said, "Consequence of incorrect claim of input tax credit are grave (in terms of interest at 24 per cent) and hence tax payers are yet to identify and claim correct input tax credits."

ICAI had said even legally Form GSTR3B is not a return in lieu of Form GSTR-3. Moreover, all the notifications providing for due dates or extending the said due dates for filing of returns will be notified separately. According to ICAI, in the above backdrop, it is contended that there is no due date for filing return (Form GSTR 3) under section 39 of the CGST Act 2017 and hence, input tax credit pertaining to the financial year 2017-18 can be claimed till the date of filing of the annual return. "This interpretation may also lead to disputes and aggrieved assessee may drag the matter to the court, which needs to be avoided," it said.

It has listed difficulties such as maintenance of books of accounts and records under the GST law, classification issues, reconciliation of inward/outward supplies and claim of input tax credit for multi-location tax payers may require longer time beside many other issues. It said only at the time of preparation of annual returns, along with the reconciliation statement, that the tax payers will come to know the input tax credit and which has not yet been claimed pertaining to last fiscal. Accordingly, it appealed for extension of the date.

Source: thehindubusinessline.com- Oct 17, 2018

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## Migrants' exodus from Gujarat to reduce India's textile output by 10-15%

80% of the country's synthetic textile output comes from Gujarat, which is seeing migrant labour move out to escape the violence following rape of a minor, and better opportunities back home

The exodus of Hindi-speaking migrant workers from Gujarat, following a series of violent attacks on them, could lead to a decline in India's textile output by 10-15 per cent this year.

"Gujarat is a major textile producer. Hence, the mass return of migrant workers from the state is set to reduce India's overall textile output by 10-15 per cent this year," said R K Dalmia, president, Century Textiles and Industries, a leading player.

The country's textile industry is concentrated in a few pockets of Gujarat and Maharashtra in the west and Tamil Nadu and Karnataka in the south. A large proportion of workers employed by these units comes from Bihar, Uttar Pradesh, and West Bengal. Unlike in the developed countries, textile factories in India are not fully automated and remain labour-intensive.

Gujarat contributes nearly 80 per cent to India's overall production in synthetic textiles. All units in the segment are facing labour scarcity. While large players have employed workers on a regular basis, adhering strictly to labour laws, small- and medium-sized units are facing huge problems in terms of labour availability.

Most of such units have, therefore, reduced their production by 20-25 per cent or higher. The flashpoint of the crisis was the rape of a minor girl allegedly by a migrant from Bihar.

The incident triggered attacks on north Indians across Gujarat, resulting in their mass return to home states. The number of migrant labourers in Gujarat is estimated at 10 million.

According to some textile representative bodies, the current labour shortage can partly be attributed to migrant workers returning to their native places on the occasion of Dussehra and Diwali. This, they said, was a seasonal phenomenon.

“Typically every year, labourers take three-four months of leave around October and return a month or two after Diwali. The industry prepares for the workers’ shortage months in advance or extend their delivery schedule to meet the labour shortage. This year, however, the impact is wider due to mass return of migrant workers,” said Siddharth Rajagopal, Executive director, the Cotton Textiles Export Promotion Council of India (Texprocil).

Delivery of export orders has been a perennial issue for textile exporters due to labour shortage. While the outlook for textile exports improved due to a steep depreciation in the rupee against the dollar, the labour shortage could prove to be a speed breaker.

**IN NUMBERS**

| | |
|---|---|
| **100 mn:** People employed in India's textile industry, directly or indirectly | **80%:** Gujarat's contribution to the country's synthetic textiles production |
| **10 mn:** Estimated number of migrant labourers in Gujarat | **20-25%:** Cut in output by SMEs and MSMEs in the wake of the exodus of migrants |

A senior official of the Synthetic & Rayon Textiles Export Promotion Council, under the Ministry of Commerce, said labour shortage had always been an issue in this sector. “While the return of migrant workers might lead to some impact, it is hard to quantity in terms of their business volume and contribution in exports,” he said.

"Moreover, with the employment guarantee schemes, workers also find jobs in their home towns. So, many of them return after their leave period gets over, while a number of skilled workers also get migrated to other industries, including agriculture," he added.

The data compiled by the Confederation of Indian Textile Industry shows around 100 million people are employed in the Indian textile industry, directly or indirectly, across the country.

Source: business-standard.com- Oct 18, 2018

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# Vietnam's leading textile firms attend the sixth India International Silk Fair

More than 20 Vietnamese businesses are showcasing their products at the sixth India International Silk Fair, which opened in New Delhi on October 16.

The Vietnamese firms in attendance include Việt Nam National Textile and Garment Group (Vinatex), the Investment and Trade Promotion Centre and business representatives from Hà Nội, Tuyên Quang and Lạng Sơn provinces.

The three-day event is an opportunity for Vietnamese garment, textile and interior decoration firms to seek partners, expand their markets and learn about new techniques. The fair gathers 120 leading Indian silk producers and 250 foreign businesses from across the world.

The fair showcases silk garments, fabrics, accessories and carpets, and is expected to feature business meetings, a fashion show and workshops. The organising board expects to welcome about 10,000 visitors during the event.

India is the world's second largest producer of silk after China and is emerging as a leading exporter.

The Việt Nam Customs statistics show that in the first eight months of 2018, garment and textile trade between Việt Nam and India reached US$799 million, up 35 per cent from the same period last year.

Việt Nam's imports of Indian cotton were valued at $343.8 million, up 46 per cent against the previous year, while the country's exports of garment and textile products hit $203 million, up 20 per cent.

Source: vietnamnews.vn- Oct 17, 2018

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