Cotton Market (19-09-2017)

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

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<thead>
<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td></td>
<td>19314</td>
<td>40400</td>
<td>80.33</td>
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**Domestic Futures Price (Ex. Gin), October**

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<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td></td>
<td>18540</td>
<td>38781</td>
<td>77.11</td>
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**International Futures Price**

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<tr>
<td>NY ICE USD Cents/lb (Dec 2017)</td>
<td>69.62</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Sept 2017)</td>
<td>15,570</td>
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<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>91.68</td>
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**Cotlook A Index – Physical**

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<td></td>
<td>79.10</td>
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**Cotton guide:** A slight uptick in the cotton price performance on Monday’s trading session. The December future at ICE ended the session higher at 69.35 cents per pound and the same is seen trading higher at 69.63 cents. Although there is marginal rise in the price but market is moving in the confined range of 67 to 70 cents. As we indicate unless either side is broken side the market may continue to remain in the same phase. Likewise the domestic cotton price in India continued to trade steady while the futures moved in a very narrow range. The October future initially traded down which ended the session at Rs. 18540 down by Rs. 70 from the previous close. Likewise, the November and December future moves sideways.

There is no major development in the market. From the global front in the US mixed views are keeping the market sideways. In one side many are expecting US crops to be better in 2017-18 and likely estimates of production between 19 to 21 million tons while on the other hand many are also estimating large crop loss could be reported amid hurricane causing damage in the US.
Broadly we expect market to remain sideways. However, while we observe the technical charts though the trend is still bearish we see market approaching its oversold phase hence a marginal rebounding in the price couldn’t be ruled out. Further, Chinese reserve auction continues to be good. On Monday’s auction 96.3% were sold out of total offer. Cotlook reported 98 percent of the spinners participated. Sold were approximately 111,239 bales. Total sales to date were approximately 13.62 million bales. Remaining unsold reserve stock is estimated around 25.33 million bales. This year’s auction has already surpassed last year’s total auction sales by 1.4 million bales and the rest of the September auctions remain.

From the hurricane front, hurricane Maria is following the path of Hurricane Irma towards the United States via the Caribbean Islands. It is predicted to move east, possibly bringing rain to the Carolinas. It doesn’t look nearly as threatening to cotton as Irma did, but it’s out there. The USDA US Crop Progress report for the week ended September 17th was published after the ICE market trading was closed. It showed bolls opening at 44%, 7 percentage points behind the 5-year average. Cotton harvested stood at 11% versus 6% average. Crop conditions fell slightly overall, likely reflecting some of Irma’s negative impacts in the Southeast states.

For the day we expect cotton price to trade sideways. The trading range would be 70.20 to 68.80 cents per pound for December future. Likewise, October future may move in the range of Rs. 18690 to Rs. 18400 per bale at the MCX platform.

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

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INTERNATIONAL NEWS

International trends affect Brazilian cotton prices

Taking cue from international market trend of falling cotton prices, the Brazilian market too showed downtrend in the first fortnight of September 2017. The CEPEA/ESALQ cotton Index increased at the beginning of the month due to the firm position of sellers in the domestic market. However, the Index dropped in the later part of the fortnight.

Between August 31 and September 15, the CEPEA/ESALQ Index dropped 2 per cent, and closed at 2.4120 BRL ($0.7743) per pound on September 15.

The drop in international prices was linked to the reduction of the negative expectations regarding the American crop (due to the hurricanes forecast for that country), according to Center for Advanced Studies on Applied Economics (Cepea) researchers.

In addition, a report released by the United States department of agriculture (USDA) on September 12 revised up estimates for production and inventories for the US. This brought down quotes at the New York Stock Exchange and in Brazil.

Meanwhile, the volume of cotton exported by Brazil expanded three-and-a-half-fold in August 2017 (over July 2017) to 68,000 tons, according to Secex. However, cumulative exports till August this year were 43.8 per cent year-on-year lower at 238,400 tons.

In August, cotton imports declined by a sharp 92.4 percent to 70.2 tons as against the previous month’s imports of 920.5 tons. Imports from January till August totaled 32,900 tons compared to 21,800 tons in the same period of 2016, registering a growth of 51 per cent.

For the 2016-17 season, cotton production in Brazil is estimated at 1.53 million tons, around 18.6 per cent higher than in the previous crop, according to the 10th crop survey released by National Company for Food Supply (Conab) earlier this month. The estimated rise in production is based on favourable weather in the main cotton producing regions of the country.
Despite 1.7 per cent reduction in area under cotton, the average productivity is estimated at 1,629 kilo per hectare, 20.6 per cent up compared to the 2016-17 crop.

Source: fibre2fashion.com - Sep 19, 2017

UK fashion exports rake in £10.7bn

UK fashion exports rose to a record £10.7bn in 2016, according to the latest trade figures.

The data revealed an 8% rise in exports of footwear, clothing and textiles compared with the previous year.

The Department for International Trade said that the US, Hong Kong and Australia in particular snapped up more than £1bn in UK exports last year.

These countries are the top three buyers of homegrown brands such as Burberry, Mulberry and Temperley London, outside of the EU.

International trade minister Mark Garnier said: “From street style to haute couture, it’s no surprise that our prestigious fashion industry is in vogue with more than £10bn-worth of goods heading overseas last year.

"Our best brands will display their talent at London Fashion Week and as an international economic department, we are committed to supporting them in making the most of their exporting potential.”

The department is collaborating with the British Fashion Council (BFC) to help give British designers access to buyers from markets including the US, China and South Korea.

Around 15-20 designers will also be taken on a trade mission to Paris Fashion Week, where the UK will have a pop-up showroom.

Source: drapersonline.com- Sep 19, 2017
Egypt Tops Where to Invest in Africa Study, With Ethiopia and Rwanda on the Rise

Egypt, Ethiopia and Rwanda are up, and South Africa, Nigeria and Algeria are down, while all of Africa is at a crossroads in economic development, according to the newest edition of Rand Merchant Bank’s “Where to Invest in Africa 2018” report.

“The last three years have sounded an alarm, amplifying what is now a dire need for the economies of Africa to shift their focus from traditional sources of income to other viable alternatives,” said Neville Mandimika, a Rand Merchant Bank Africa analyst and contributor to the report.

The report’s Investment Attractiveness Index, which balances economic activity against the relative ease of doing business, illustrates how subdued levels of economic activity have diluted several scores on the index when compared to last year, resulting in several shifts within the Top 10.

“Over the past three years, some African governments have had to implement deep and painful budget cuts, announce multiple currency devaluations and adopt hawkish monetary policy stances, all as a result of a significant drop in traditional revenues,” said Celeste Fauconnier, Rand Merchant Bank Africa analyst and co-author of the report.

Notable omissions from the top 10 this year are Nigeria and Algeria, which have fallen from numbers six and 10 to numbers 13 and 15, respectively. Ethiopia and Rwanda, on the other hand, have climbed three and four places, respectively.

Probably the most notable change is that South Africa, once considered the fifth of the BRICS—those developing economies with the most potential—has fallen from first place for the first time since the inception of the report in 2012, ceding its place to Egypt, now considered Africa’s most attractive investment destination.

Egypt displaced South Africa largely due to the North African country’s superior economic activity score and South Africa’s sluggish growth rates that have deteriorated considerably over the past seven years. South Africa also faces mounting concerns over issues of institutional strength and governance, though in South Africa’s favor are its currency, equity and
capital markets, which are still a cut above the rest, with many other African nations facing liquidity constraints, Rand noted.

Morocco retained its third place position for a third consecutive year, having benefited from a greatly enhanced operating environment since the “Arab Spring” that began in 2010.

Ethiopia, a country dogged by sociopolitical instability but still a favorite of many foreign investors, including U.S. and Chinese apparel and textile firms, displaced Ghana to take fourth spot, mostly thanks to its rapid economic growth, having moved past Kenya as the largest economy in East Africa. Ghana’s slide to fifth position was mostly due to perceptions of worsening corruption and weaker economic freedom, the study said.

Kenya holds firm in the top 10 at number six. Despite being surpassed by Ethiopia, investors are still attracted by Kenya’s diverse economic structure, pro-market policies and brisk consumer spending growth.

A host of business-friendly reforms aimed at rooting out corruption and steady economic growth helped Tanzania climb two places to number seven. Rwanda re-entered the top 10 after spending two years on the periphery, helped by being one of the fastest reforming economies in the world, high real growth rates and its continuing attempt to diversify its economy.

At number nine, Tunisia has made great strides in advancing political transition, while an improved business climate has been achieved by structural reforms, greater security and social stability, the bank noted. Cote d’Ivoire slipped two places to take up the 10th position. Although its business environment scoring is still relatively low, its government has made significant strides in inviting investment into the country, leading to a strong increase in foreign direct investment over the years and resulting in one of the fastest growing economies in Africa, the study said.

For the first time, Nigeria does not feature in the top 10, with its short-term investment appeal having been eroded by recessionary conditions. Uganda is steadily closing in on the top 10, though market activity is likely to remain subdued after a tumultuous 2016 marred by election-related uncertainty, a debilitating drought and high commercial lending rates, the report noted.
Though Botswana, Mauritius and Namibia are widely rated as investment grade economies, they do not feature in the top 10 mostly based on the relatively small sizes of their markets.

One of the most important findings of the seventh edition of “Where to Invest in Africa” is that the African continent could find itself hovering on the brink of disaster if it continues to depend on its current economic fundamentals and does not usher in economic diversification.

The theme for Where to Invest in Africa 2018 is “Money Talks” and this edition “follows the money” on the African continent to evaluate aspects crucial to each country’s economic performance. The report focuses on the main sources of dollar revenues in Africa that allows it to measure the most important income generators and identify investment opportunities.

Nema Ramkhelawan-Bhana, also RMB Africa analyst and another report author, said, “Some countries have been more nimble and effective than others in managing shortfalls. But major policy dilemmas have ensued, forcing governments to balance economically prudent solutions with what is politically palatable.”

Ronak Gopaldas, another Africa analyst at the bank and report co-author, noted that recent years have exposed a number of African nations to severe economic stress, especially that of liquidity shortages.

“Unfortunately, there is no quick fix to infuse into a context as complex as this and traditional forms of revenue will remain a reality for many years to come,” Gopaldas added.

Where to Invest in Africa 2018 also includes 191 jurisdictions around the world and measures Africa’s performance relative to other country groupings. The findings are that African countries are still at the lower end of the global-performance spectrum, which continues to be dominated by the U.S., U.K., Australia and Germany.

Source: sourcingjournalonline.com - Sep 19, 2017
USA: Sustainability Gets Greater Focus from US Cotton Industry

The U.S. cotton industry is turning its attention more toward sustainability.

Cotton Incorporated, the research and promotion company for U.S. cotton producers and importers, said it is extending its commitment to sustainability of cotton across the supply chain with the appointment of Jesse Daystar as vice president and chief sustainability officer.

At the same time, the National Cotton Council’s Cotton USA Sustainability Task Force is setting its first goals for 2025.

“Dr. Daystar brings a wealth of experience and knowledge to this newly created role, which will oversee and coordinate our internal and external sustainability efforts,” said Berrye Worsham, president and chief executive officer of Cotton Incorporated. “As our company’s sustainability programs continue to gain momentum, Dr. Daystar will be a valuable resource for the company and the cotton industry.”

Daystar is well-versed in the complexities of sustainability research, particularly as it relates to cellulosic fibers, including cotton. His research has appeared in scholarly journals and his consulting work has led to the development of sustainability and chemical engineering tools, and certifications for clients including the U.S. Department of Agriculture, Department of Energy, Eastman Chemical and Piedmont biofuels.

Daystar’s experience includes sustainable chemical process development and efficiency management program development with the National
Council for Air and Stream Improvement, Mead WestVaco, Pesco-Beam Environmental Solutions and Kemira Chemical. Before joining Cotton Inc., he held the position of assistant director at the Duke Center for Sustainability and Commerce at Duke University, where he also taught. He earned a doctorate in forest biomaterials from North Carolina State University.

Meanwhile, the U.S. cotton industry is setting goals aimed to build upon the strong environmental gains already achieved over the past 30 years with the goal of helping its members meet their current needs while improving the global environment.

“Our industry wants to be the supplier of choice for those who are committed to only buying cotton that is produced with sustainable and responsible environmental, safety and labor practices,” said National Cotton Council chairman Ronnie Lee. “That is the objective that was set by the Council’s Cotton USA Sustainability Task Force.

Task Force chairman Ted Schneider, a Louisiana cotton producer, said the actual sustainability resolution that the Council adopted earlier this year called for the creation of the sustainability task force and specified that it collaborate with U.S. cotton industry associations “on developing industrywide goals for measurable continual improvements in environmental stewardship, farm productivity and resource efficiency such as land, water, air, input, and energy use.”

Schneider said that among the specific goals being pursued by 2025 are reducing by 13 percent the amount of land needed to produce a pound of cotton fiber, reducing soil loss by 50 percent in balance with new soil formation, increasing water use efficiency by 18 percent, reducing greenhouse gas emissions by 39 percent, increasing soil carbon in fields by 30 percent and reducing energy to produce seed cotton and ginned lint by 15 percent.

“U.S. cotton growers have achieved significant environmental gains over the past three decades,” Schneider said. “The goals are meant to continue that trend and to reinvigorate efforts through the setting of realistic targeted reductions.”
Dahlen Hancock, chairman of Cotton Inc., where scientists have worked diligently to develop and refine U.S. cotton’s sustainability initiative, said, “We believe the United States may be the only country in the world with these kind of specific, measurable, quantified goals.”

The Texas producer said the U.S. cotton industry is using “Field to Market,” a comprehensive system for measuring crop production’s environmental impact and identifying opportunities for improvement. That system, which works across the entire agricultural supply chain, is grounded in science-based tools and resources, system-wide collaboration, and transparency.

Hancock, who is the former chairman of the Council’s export promotions arm, Cotton Council International, said CCI looks forward to “sharing with U.S. cotton’s global customers the strides our industry will continue to make in providing the world with responsibly produced, quality fiber.”

Source: sourcingjournalonline.com- Sep 19, 2017

North Korea's biggest trading partner is China - and it's not even close

China has historically been North Korea's biggest trading partner - and it's not even close.

Business Insider put together two charts comparing North Korea's imports and exports by country using 2015 data from the Observatory of Economic Complexity (OEC), a project conducted at the MIT Media Lab Macro Connections group.

In 2015, 85% of imports came from China, according to the OEC. The isolated nation’s next biggest trade partner was India, from which North Korea got 3.5% of its total imports.

As for exports, 83% of North Korea's exports went to China. India, meanwhile, got just 3.5% of its exports.
The centrality of trade with China to North Korea's economy is especially salient given the recent rise in tensions following North Korea's missile and nuclear tests in recent months.

Last week, the United Nations Security Council unanimously passed a US-drafted resolution to levy new economic sanctions on North Korea. The resolution intends to cap North Korea's oil imports, ban textile exports, end additional overseas laborer contracts, suppress smuggling efforts, stop joint ventures with other nations, and sanction designated North Korea government entities, according to CNN.

China also previously announced a ban on imports of iron ore, iron, lead, coal, and seafood from North Korea.

Much attention has been paid to the commercial ties between China and North Korea in recent months. Some have argued that the North Korean crisis can be "solved" if China applies economic pressure on the isolated regime.

In the 2016 US-Korea Yearbook published by the US-Korea Institute of the School of Advanced International Studies (SAIS) in the 2016 spring semester (and so, coming before the most recent round of sanctions), Han May Chan, then a second-year student, briefly explained the argument why the success of economic sanctions might depend on China's participation.

Decades of sanctions have left other world powers with less sway over North Korea:
Kwon contented that the benefit of changing the target country's behavior by implementing strong enforcement of the sanctions comes at a cost of weakening its political influence over the target country over time. Indeed, with the exception of China, the United States and the UN member states have incurred increasing costs of reducing their own political influence over North Korea.

[...T]he DPRK has grown accustomed to the hostile sanctions regime for decades. Therefore, the effectiveness and the success of the current sanctions regime actually depends solely on China and North Korea. Unless the DPRK believes that the benefits from trade with the international community are greater than the current security benefits of prioritizing its military-first economy, North Korea will have little incentive to change its policy."

Others, however, have questioned whether a strong response from China - and China joining North Korea's adversaries - could lead to the conclusion desired by the US and the UN.

"The last thing you would do in [North Korea's] situation is give up your independent nuclear capability," Jeffrey Lewis, who directs an East Asia program at the Middlebury Institute for International Studies, told the New York Times. "The one thing you hold that they have no control over. You would never give that up in that situation."

Source: businessinsider.in- Sep 20, 2017

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Pakistan needs to modernise spinning industry

Pakistan needs to modernise spinning industry to boost its textile exports, Shaohui Zhang, head of a Chinese delegation, said on Tuesday.

The six-member Chinese delegation from China TexmaTech Co, the China’s state-owned company, visited the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) to discuss and explore potential of textile sector. “A spinning unit is required to produce one million spindles in order to compete in the international market for exporting textile products,” Zhang said.
“In Pakistan, the capacity of spindles production is very low, which was the major reason of un-competitiveness of Pakistan’s exportable goods,” he added. Pakistan has high quality cotton and good quality labour. “With the technology advancement these can be utilised in a better way to produce high quality yarn,” he added. The head of the Chinese delegatation said his country is producing only high quality yarn, otherwise their textile could not compete in the international markets.

He offered Pakistani textile sector use of Chinese machinery, which are producing good quality yarn. He also said enhancing production through such machinery could be consumed through export to China, which was the biggest market in the world. If Pakistan and Chinese businessmen jointly start production than one million spindles are not a big task. “It will help Pakistan fetch better foreign earnings, besides will also increase wages,” he added.

Zhang said that China-Pakistan Economic Corridor (CPEC) is not only an infrastructure project, but it has different dynamics. Pakistan’s industries should avail of this opportunity, he added. Manzoor ul Haq Malik, acting president of the FPCCI, praised the Chinese for their in-depth research on Pakistani textile sector.

He directed the FPCCI’s research department to prepare reports on Pakistan’s potential of textiles and how the local textile manufacturers could avail of Chinese offers.

Dr Ikhtiar Baig, FPCCI standing committee on banking, credit and finance chairman, highlighted the outcome of the discussions, saying that Pakistani small spinning units should be scaled up and there is need to upgrade technology.

Source: thenews.com.pk- Sep 19, 2017
Turkmenistan to further boost cotton industry

Turkmenistan is known worldwide for its huge oil and gas reserves, however it is not the only resource which brings the country most of its income.

One of the primary exports items of Turkmenistan has traditionally been cotton. Cotton is equalized to gold as it is widely used in various industrial branches, including textile, food, medical and some other industries.

The Central Asian country of over 5.6 million people is among the top 10 producers of cotton and its high quality, fine-fibre “white gold” is in great demand. The country invests millions of dollars into the sector to further develop the cotton industry and create textile plants.

During the Soviet Union, Turkmenistan’s agriculture was characterized by the monoculture of cotton. The country ranked second after Uzbekistan in cotton production among the six cotton republics of the Former Soviet Union. The situation began to change rapidly after 1990, when the government started to stimulate wheat production in order to achieve a higher degree of national food self-sufficiency.

However, despite this relative decline of cotton production, Turkmenistan ranks ninth largest cotton producer after China, India, the United States, Pakistan, Brazil, Uzbekistan, Turkey and Australia.

Almost half of all irrigated lands in the country or 545,000 hectares have been allocated for cotton-growing in Turkmenistan in 2017. The country is expected to produce 1.05 million tons of cotton in 2017. Currently, it is the harvest time in the country.

Although Turkmenistan lies along the eastern coastline of the Caspian Sea, the country’s four inner-most regions are where cotton growing is most prominent. Mary and Lebap regions produce about 313,000 and 300,000 tons of cotton, respectively.

The south-central Akhal region, in which the country’s capital of Ashgabat is located, produced about 207,000 tons, while Dashoguz brings in around 230,000.
Although agriculture accounts for only about nine percent of the country’s GDP, the sector continues to employ nearly half of the country's workforce, with the two largest crops grown being cotton and wheat.

The country supplies cotton to China, Russia, the UK, South Korea, Turkey, Iran, Indonesia, Singapore, Ukraine and Baltic countries. Cotton products are sold through auctions in Turkmenistan’s commodity and raw materials exchange.

Over 20 textile firms with predominantly Turkish partners currently operate in the country.

Under the State Program for development of the textile industry for 2011-2020, by 2020 the government plans to increase investments in the textile industry to $2 billion. This will include both upgrading existing facilities and building new ones.

The plan calls for increasing the number of employees in the industry from almost 30,000 in 2013 to 36,000 in 2020. This expansion is expected to allow the processing of nearly 230,000 tons of cotton per year and to expand annual export revenues by $350 million.

In 2017, Turkmenistan plans to harvest 1,05 million tons of “white gold”, particularly in Akhal velayat – 207,000 tons, in Dashoguz velayat – 230,000 tons, in Lebap velayat – 300,000 tons, in Mary velayat – 313,000 tons.

The total area of land, allotted for cotton is 545,000 hectares. In spring, they were sowed with medium- and finely-fibred varieties of cotton – “133”, “Yoloten-7”, “Dashoguz-120”, “Serdar”, “C-4727”, “Yoloten-39”, “Yoloten-14”, etc. For the new harvest of cotton, there are prepared 152 commodity points and 38 country’s cotton gin plants.

The 7th International Trade Fair of Cotton Products and International Conference “Cotton products of Turkmenistan and World Market” will be held in Ashgabat on November 25-26, Trend reported.

The event will be held with participation of the Turkmen Ministry of Agriculture and Water Resources, State Commodity and Raw Materials Exchange and the Chamber of Commerce and Industry.
Chinese businessmen to invest $300 million in textile sector: PRGMEA

Chinese businessmen would invest over $300 million in Pakistan’s textile sector through joint ventures with local companies for promotion of bilateral trade between the two countries.

Memorandum of Understanding (MoUs) have already been signed between Chinese and local firms for enhancing the mutual cooperation and investment in fabrication, accessories, and importing modern machinery from China for modernization and value addition in textile sector, Chairman Pakistan Readymade Garments Manufacturers and Exports Association (PRGMEA) and leader of All Pakistan Textile Mills Associations (APTMA) Ijaz A. Khokar said here on Tuesday.

Chinese firms have huge opportunity in distribution and joint venture with local potential industries and individuals for increasing trade and investment cooperation between business community of both sides, he said.

Leader of APTMA said that mega project of China Pakistan Economic Corridor would increase the economic and investment opportunities for the promotion of regional trade.

He said that CPEC would enhance the regional and global connectivity for connecting the local market and the developed economies.

Ijaz Khokhar said that local industries are fully prepared for grasping the trade and business opportunities after the completion of CPEC.

Replying to question, he said that Textile sector is back bone of country’s economies and recording 60% contribution total export of the country.

He urged for government support for adopting the modern technology in process, value addition and decreasing the inputs in form of energy for growth of textile sector.
He informed that International Apparel Federation (IAF) would establish regional office in Sialkot Pakistan, which is big success for local industry.

Source: dailypakistan.com.pk - Sep 20, 2017

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Robot shock threatens the most vulnerable communities

It is a question that is not going away: how much should we worry about intelligent machines stealing our jobs? Yet the debate feels stuck in a rut, fought over the narrow terrain of how many jobs might one day be automated. Is it almost half of jobs, as Oxford university academics Michael Osborne and Carl Frey predict? Or about a tenth, as the OECD believes? The discussion over this number seems to have become our yardstick for how much we should care. But we are so obsessed with this “how many” question that we have forgotten to ask one just as important: “where”?

If we have learnt anything from the economic transformations of the past few decades, it is that geography matters. Take MIT professor David Autor’s work on the impact of the “China shock” on US textile jobs. When China joined the World Trade Organization in 2001, there were fewer than 400,000 people working in American textile mills.

As a proportion of the 150m-strong workforce, they were a tiny sliver. But in 57 counties in the south east of the country, they accounted for more than 15 per cent of all jobs. The impact of Chinese competition in these places, says Prof Autor, was “like a mini economic bomb going off over downtown”.

His research found the people who lost their jobs went on to suffer more job churn and lower lifetime incomes. Poverty rose. More men started to die from drugs and alcohol. The economic ripples from the loss of manufacturing jobs hit other local businesses.

I only understood how quickly these aftershocks can happen while interviewing people in Longbridge in the UK about the closure of the Rover car factory in 2005. Roughly 5,000 people lost their jobs overnight. The next morning, so the wife of one worker told me, her child-minder lost nine customers.
At first glance, the implications from the China shock for the possible future “robot shock” seem reassuring. The trade shock was made much more damaging by the geographic clustering of the affected jobs. The impact of artificial intelligence is likely to be more diffuse.

While previous waves of automation have affected manufacturing areas disproportionately, MIT professor Daron Acemoglu points out that new breakthroughs in artificial intelligence are more likely to affect service sectors such as retail, delivery, accountancy and law. These tend to be spread more evenly across the economy. There is no one town that is home to all the tax accountants. Taxi drivers operate everywhere. Every town has shops.

Yet there are plenty of exceptions. London has a disproportionately high share of the country's legal and financial professionals, for example, some of whom are already being displaced by technology. A lawyer in London should be able to re-skill and find new work more easily than a textile worker in Alabama. But not all the workers facing disruption from AI are highly educated. Truck drivers in the US, for example, have some of the highest-paying jobs that do not require a college degree. The development of autonomous lorries threatens not only those jobs, but the cottage industry of ancillary services that stretches alongside the country’s major roads.

Call centres and retail warehouses, also at risk of automation, can be geographically concentrated too. In fact, you often find them built directly on top of former industrial sites. In Rugeley, a small town in the English Midlands, an Amazon warehouse stands on top of the closed coal mine. In the Scottish town of Bathgate, a call centre replaced the old electronic chipmaking plant.

National and local policymakers would do well to start thinking about geography now. We do not know how fast the next wave of automation will be, nor how powerful. But it would be a tragedy if the same towns that bore the brunt of the last wave of disruption had to bear the brunt of the next one too.

Source: ft.com - Sep 19, 2017
After TPP, Vietnam searches for other trade avenues

Vietnam may be doing well with its exports amid a global trade slowdown influenced by protectionist trends, but the nation could still be affected by the downturn in the future.

Notably, the US’s withdrawal from the Trans-Pacific Partnership (TPP) has dampened trade prospects in one of Vietnam’s biggest markets, according to Douglas Lippoldt, the London-based chief trade economist at HSBC Global Research.

“When the US pulled out of TPP…it reduced some of the liberalisation that we were hoping for,” said Lippoldt in an interview with VIR in Hanoi. “We wanted to see Vietnam getting better access to the US textiles and apparel market, for example, because duties on these products in the US are high compared to other sectors.”

This lost liberalisation limits Vietnam’s growth potential along one corridor. “The liberalisation slowdown with the US is a bit of a burden and one way to offset it is to have more liberalisation in the region,” he said.

Seeking other outlets

The ongoing negotiations on the Regional Comprehensive Economic Partnership (RCEP), meanwhile, could support Vietnam’s integration into pan-Asian supply chains.

“The increased openness in Asia that will come from this is important because it’s opening corridors that haven’t been fully liberalised before, like the trade routes between China and India,” Lippoldt said.

The RCEP accord, which is under negotiations, will improve access in Asia for Vietnam’s exports, and it will also enable Vietnam to seek inputs for production purpose more freely from across the region.

“Having access to the most competitive suppliers anywhere in the region is very important because it helps Vietnamese businesses to be even more competitive,” Lippoldt said. “So it's a win-win kind of solution, making Vietnam more competitive not just in Asia but anywhere [in the world].”
What’s more, the EU-Vietnam Free Trade Agreement will be able to open new corridors for Vietnamese firms to seek inputs from the EU at lower costs, thanks to lower tariffs.

“On the export side, tariffs and other impediments to trade at the border will be reduced in areas of interest for Vietnam, such as textiles and apparel, and agriculture. So market success should improve for Vietnamese products ranging from T-shirts to coffee, for example,” Lippoldt said. “There will be new opportunities to diversify, and this matters because diversification can help to keep Vietnamese trade robust and resilient if there is a problem somewhere in the global economy.”

**Pushing manufacturing and services**

According to World Trade Organization (WTO) metrics, Vietnam’s merchandise exports, mainly including agricultural and industrial products, grew annually at 16% from 2010-2016.

Commercial services trade, including transport, tourism, and other services, recorded an annual bump of 9% in the period. HSBC Research reported an average world trade growth of 5.07% per year in the 2010-2016 period.

There is much foreseeable potential for Vietnam’s service exports. HSBC anticipates there will be 2.6 billion new members of the middle class in emerging markets by 2050.

“As their incomes rise, these consumers will boost their consumption of imported products, including tourism,” Lippoldt said.

“While services trade can help Vietnam to diversify its export basket, I don’t think this is a substitute for manufacturing. Manufacturing will remain a main part of the country’s trade, and more can be done in manufacturing.”

According to Lippoldt, Vietnam can invest in higher value-added activities in its supply chains when it moves to different stages of the production process such as design or innovation.

These higher value-added activities may involve “developing brands or giving customers of Vietnam brand awareness, finding ways to innovate to
make Vietnamese products different from competitors. If you compete just in generic products, then the global competition is very tough and it’s hard to grow your margin, your profit,” Lippoldt said.

“But if you have a special brand that people are willing to pay extra for because they want this product or that product from Vietnam, then you have even better prospects.”

Source: vietnamnet.vn- Sep 19, 2017

Nigeria Not Maximising Free Trade Benefits

As Nigeria turns down the Economic Partnership Agreement (EPA) proposed by Europe, checks show that the country is not making maximum use of various international trading agreements with many countries.

After 16 years of the African Growth and Opportunity Act (AGOA) which allows 6,000 products to be exported to the US, duty-free, till 2025, Nigeria is yet to raise its export substantially to the world’s biggest economy.

In 2014, Nigeria exported products worth only $2.6 million to the US, while South Africa exported in excess of $1.2 billion. Nigeria’s non-oil export to the United States, under AGOA, fell to $1.141 million in 2016, representing a 23.5 per cent slump from $1.491m in 2015.

Ethiopia exported products to the US worth $35 million in 2013 and up to $40 million by 2015. Foreign companies such as Chinese big shoe maker, Huajian Group, produce in Ethiopia and specifically export to the US market, earning $20 million annually.

“What we have found is that we are not really taking advantage of opportunities in AGOA. We have failed to take advantage of the first 15 years of AGOA existence, but some others have,” said Olabintan Famutimi, president, Nigerian-American Chamber of Commerce, in Lagos.

Rather than benefit from the Common External Tariff (CET) which is a free trade agreement among the 15 countries of ECOWAS, Nigerian pharmaceutical companies were almost brought to their knees, due to an
aspect of the agreement that imposed five to 20 per cent tariff on imported raw and packaging materials, while requiring that drug importers pay no duty.

“The CET will simply destroy over N300 billion investment made by pharmaceutical industry and result in one million Nigerian employees in direct and indirect employment losing their jobs,” Okey Akpa, president, Pharmaceutical Manufacturers Group of the Manufacturers Association of Nigeria (PMG-MAN), told BusinessDay in 2015.

However, the Federal Government had to intervene this year, by imposing Import Adjustment Tax (IAT) on imported medicines, to save the industry from collapse.

Hamma Kwajaffa, director-general, Nigeria Textile, Garment and Tailoring Employers Association (NTGTEA) told BusinessDay recently, that the CET has further encouraged the influx of cheap textiles into the country, thus frustrating local players.

The complaint was attributed to the fact that goods from Asia and other parts of the world, now pass off as ECOWAS products, thereby denying Nigeria of the tax revenues. The CET encourages uniform tariff among 15 countries of West Africa, some of whom are zero duties.

“We have discovered that some third party goods come into the country in the name of CET. We are grappling with the problem, but if you are a manufacturer and import raw materials from Spain, you will pay tariff,” said Hameed Ibrahim Ali, comptroller-general of the Nigeria Customs Service (NCS) at a dialogue with the Manufacturers Association of Nigeria (MAN) last week.

The ECOWAS Trade Liberalisation Scheme, allows Nigeria and 14 other countries to export freely to the West African region, but Nigeria’s total exports to the region were worth $154.47 million in 2015, falling from $350.86 million the previous year.

Nigeria’s non-oil export in 2016 was estimated by the International Trade Centre at $3.04 billion.
John Isemede, former director-general of the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) and international trade expert with UNIDO, said Nigeria’s failure to maximise free trade benefits is based on its poor non-oil export capacity.

Muda Yusuf, director-general of the Lagos Chamber of Commerce and Industry (LCCI) said the major challenges are lack of competitiveness and information.

“Trade is about competition. If you have all the agreements and you are not competitive, you will make no headway,” said Yusuf.

“Many of the industries that are surviving in the country are doing so on the basis of protection. You have to be price and quality competitive and sometimes, there is insufficient information and awareness,” he said.

Nigeria, last week, rejected the Economic Partnership Agreement (EPA) because it will destroy its domestic industries.

“Nigeria has clearly indicated that it is not happy with the EPA. Unless we have the EPA that is favourable to us, unless we have an EPA that will not endanger our businesses, we will not be signing it,” Zainab Ahmed, minister of state for budget and planning, who represented Nigeria’s president Muhammadu Buhari, said at the MAN AGM.

The EPA is a free trade agreement between the 15 countries of the Economic Community of West African States (ECOWAS) and the European Union, seeking to enable West African countries access the European market and vice versa, without paying tariffs. Europe is committing 6.5 billion euros every five years beginning from 2015 to 2019, including during the 20-year transition period that will end in 2035.

The EU will open its market completely from day one, while West Africa will remove import tariffs partially over a 20-year transition period once the deal is ratified.

Nigeria recently ratified the Trade Facilitation Agreement (TFA) as the 107th member of the World Trade Organisation (WTO) while the Common Free Trade Area (CFTA) could begin in 2018.
EPAs will put your regional trade and integration at risk. You will find that most of the products that you are producing locally are in fact traded regionally in ECOWAS.

If you acquiesce to the EPA and its corollary liberalisation, EU competitiveness will certainly jeopardise your regional trade. EU products are likely to flood your market and displace domestic and regional production,” Benjamin William Mkapa, former president of the United Republic of Tanzania, advised Nigeria.

Source: sundiatapost.com- Sep 19, 2017

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**Fashion has growth potential in ASEAN markets: Report**

Fashion has the biggest growth potential in the Association of Southeast Asian Nations (ASEAN) markets, according to a recent research conducted by the Hong Kong Trade Development Council (HKTDC). About 63 per cent of the respondents from these nations who participated in the survey said that they would spend more on fashion in the next two years.

The HKTDC study revealed that ASEAN consumers were spending more on local brands than overseas ones, although there are also opportunities for Hong Kong companies that offer good design and quality.

"The results showed that many Hong Kong brands are well known among ASEAN middle-class consumers, who would like to see more of these introduced to their home countries," said Dickson Ho, HKTDC Principal Economist (Asian and Emerging Markets) during a press conference.

An overwhelming 95 per cent of respondents said they were willing to spend more on products with better quality, while 89 per cent liked ‘personal style’, said Ho. "These ASEAN consumers also exhibited a great desire to try trendy and novel items, with 83 per cent saying they were always willing to try new brands and products."

Environmental features, certifications, good design and packaging were found to be among ASEAN consumers' product selection criteria. "Brands
have to create value beyond their core functions to succeed in the ASEAN market," added Ho.

The survey found that ASEAN middle-class consumers were multi-channel shoppers, with their purchasing decisions heavily affected by online reviews. "At least 50 per cent of respondents have made purchases online or used both online and offline channels," said Ho.

"More than 50 per cent also reported that social media platforms such as Facebook, Twitter and Instagram had influenced their buying decisions. This shows that Hong Kong suppliers can use social media platforms to market products to ASEAN consumers."

Survey results also affirmed the proposition that ASEAN consumers regard Hong Kong as a lifestyle trendsetter and a hub for trendy products, while perceiving Hong Kong products and services as being mid-to-high end.

The survey was conducted in the second quarter of 2017, reaching more than 1,400 middle-income class consumers in Jakarta, Surabaya, Bangkok, Kuala Lumpur, Ho Chi Minh City, Hanoi and Manila.

Source: fibre2fashion.com- Sep 19, 2017

Egypt's garment exports $941 million in 8 months

Egypt's garment exports touched $941 million in the first eight months of 2017 compared to $865 million in the same period last year, the country's Readymade Garments Export Council announced recently. Exports to the United States increased by 6 per cent, reaching $461 million in the eight months compared to $436 million in the same period in 2016.

The council release exports statistics for the first eight months of this year. Exports to the European Union increased by 12 per cent in the first eight months, reaching $312 million compared to the last year’s figure of $280 million in the same period, according to a report in an Egyptian newspaper.

Exports to Arab countries increased by 44 per cent, reaching $53 million, whereas exports to African countries increased by 36 per cent, reaching $201 million.
The August export figure of $132 million was 8 per cent higher than the $122 million figure in the same month last year.

After the United States, Turkey has the second rank at $78.8 million, a 4 per cent decrease compared to 2016. Third comes Spain with a $91.4 million figure in the first eight months, which is a significant increase of 34 per cent over last year figure.

In the fourth place is the United Kingdom with $71.5 million in exports. Germany is at fifth with exports worth $41.9 million and Italy stands sixth at $46.7 million.

Source: fibre2fashion.com- Sep 19, 2017
NATIONAL NEWS

Normalisation of India-Denmark relations to boost trade ties

Normalisation of India-Denmark relations, that got a push with the launch of a direct flight between New Delhi and Copenhagen, will boost bilateral trade, which is billed to touch the $3 billion-mark by the end of 2017.

The relations between India and Denmark have historically remained cordial. In 2011, however, they were affected by the non-extradition of Niels Holek, better known as Kim Davy, a Danish national involved in what is known as the "Purulia Arms Dropping Case" in 1995.

India says he was involved in smuggling of weapons, which he air-dropped in West Bengal from a plane purchased in Latvia. He is said to have trafficked a total of four tonnes of arms.

Denmark blocked his extradition for trial in India leading to a setback to ties. Even in January this year, Prime Minister Narendra Modi raised the issue of his extradition with a Danish minister and was assured full cooperation.

"As the flow of investment grows and the two-way flow of businesses increase and a signal is sent out that the relations have normalised... then trade will also grow," Ambassador-designate to Denmark Ajit Gupte told IANS in an interaction at the Copenhagen airport here.

According to Gupte, national passenger carrier Air India's non-stop flight service launched last Saturday between New Delhi and Copenhagen acts as a "major positive step in normalising (bilateral) relations".

The combined commodities and services bilateral trade between India and Denmark increased to $2.82 billion in 2016 as compared to $2.80 billion in 2015.

In 2016, India had a trade surplus in commodities, while Denmark had balance of trade in its favour where services were concerned.
India’s exports to Denmark include articles of apparel and clothing accessories, textile yarns, organic chemicals, general industrial machinery and iron and steel, among other items, whereas it imports medicinal and pharmaceutical products, electrical and power generating machinery.

In terms of investments, data from "Statistics Denmark" showed that the Danish foreign direct investment (FDI) to India was $758 million in sectors such as manufacturing, trade and transport, financial and business services.

"In the last five years the Danish investment has been over $5 billion in India... Denmark has also agreed to become the partner country in the forthcoming event, World Food India, in November 2017; so we even expect the investments in food processing industries to grow," Gupte noted.

Major Denmark-based companies like shipping giant AP Moller-Maersk Group, Cheminova Agro, F.L. Smidth & Co., Danfoss, Carlsberg and others have already invested in India.

Source: business-standard.com- Sept 19, 2017

New Delhi urged to include textiles in MERCOSUR PTA talks

The Indian Texpreneurs Federation (ITF) has appealed to the commerce ministry to include textile products while negotiating expansion of its preferential trade agreement (PTA) with the MERCOSUR trading bloc in Latin America comprising Brazil, Argentina, Uruguay and Paraguay and discuss ways to reduce duties on textile products in this region.

ITF feels the region holds tremendous potential for India’s textile exports and the existing PTA does not include any textile item.

The duty on most textile products in this region is very high — between 24 and 35 per cent — and the market share of Indian textile products there at present is negligible, ITF said in a recent press release.

Citing an example, ITF said though Brazil imported textile and apparel
products worth $6 billion In fiscal 2015-16, India’s contribution to that was a mere $83 million.

As China is gradually losing its competitive edge in textile trade, if India can capture 15 per cent of China’s textile exports, it can double the country’s textile exports. Therefore, there is a need to focus more on free trade agreements (FTAs) and market diversification for textile products, according to ITF.

A PTA is a limited FTA where partner countries reduce import duties on a few identified products for the other. India’s exports to the MERCOSUR bloc in 2015-16 were $3.4 billion, while imports were $6.6 billion. This was just a fraction of the country’s bilateral trade with the United States valued at $68.6 billion and the European Union at $115 billion in the same fiscal.

Source: fibre2fashion.com- Sept 19, 2017

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GST Council to meet on October 6, may dole out sops to exporters

The 22nd meeting of the GST Council, chaired by Union Finance Minister Arun Jaitley, will be held on October 6 to deliberate on GSTN glitches and ironing out issues faced by exporters, a ministry official has said.

The meeting was scheduled to be held on October 24 but was rescheduled in view of the engagements following Diwali festival.

The next meeting of the Council will be held through video conferencing on October 6, the official said.

This will be the second time that the Council meeting would be held through video conferencing. The last such meeting was held on July 17 -- the first meeting after the roll out of Goods and Services Tax (GST) from July 1.

The issues that are expected to be discussed include the findings of the Group of Minister (GoM) on technical glitches on the GST Network portal.
Also, some relief to exporters could be on cards as Revenue Secretary Hasmukh Adhia headed panel met 8 export promotion associations today to understand their concerns.

Source: economictimes.com- Sept 19, 2017

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Export sops: WTO compliance

First, the good news. The August export figures have come as a relief in the background of declining growth witnessed by the sector in the previous few months. However, there is little scope for complacency. Experts have attributed this growth to spike in pre-GST order booking while raising concern over weak order booking position from October onwards.

Additionally, the labour-intensive sectors' contribution to this growth is not encouraging. Meanwhile, another issue is recently gaining increasing attention: India, now qualifying as a middle-income country under WTO rules, may soon be urged to phase out its export subsidy regime.

Our per capita income has been holding well above $1000 since 2013, and according to WTO rules, if a country's per capita gross national income (GNI) crosses $1,000 for three consecutive years it has to stop its export incentives to all sectors. Only production-based subsidies are allowed. So, it can now reasonably be expected that India will be dragged to the WTO, sooner or later, for its export subsidy regime.

In fact, we already have a taste of it due to the mounting pressure from some member states to stop our textiles export sops as the WTO does not allow a country—even with per capita below $1,000—to provide export sops to a sector global share of which crosses 3.25 percent for two consecutive years, a threshold the Indian textile sector has crossed in 2007.

It is true that WTO disputes usually take years to get resolved and an erring member gets enough time to make the requisite changes in its rules, but this should not be an excuse for inaction. Additionally, as abolition of export sops does not mean the end of all supports provided to the sector and is more about finding alternative schemes that are WTO compliant, it makes little sense to wait till the last minute.
According to recent reports, the Centre—finding it difficult to push the WTO deadline beyond next year—is now preparing to replace the textile exports sops with indirect benefits. Such haste can often lead to a difficult transition. In contrast, early preparedness is definitely a better approach.

Meanwhile, the last week saw release of some important macro data. First, current account deficit widened to a four-year high of $14.3 billion in the first quarter as gold imports picked up ahead of implementation of GST. Second, trade deficit widened to $11.64 billion in August and this may push up CAD further.

Third, industrial production grew a meagre 1.2 percent in July, dragged down by manufacturing. Fourth, August wholesale inflation accelerated to 3.24 percent and retail inflation to 3.36 percent, following which the RBI may hold the repo rate in the monetary policy review next month. These troubles warrant caution from our policy-makers.

Source: smetimes.in - Sep 19, 2017

India needs to double cotton farmers' income: top official

India needs to double the income of cotton farmers and non-farmers associated with the cotton industry by 2022 in addition to raising cotton productivity and improving its quality, the country’s textile commissioner Kavita Gupta said recently. The planned second technology mission on cotton would make that possible, she told cotton researchers in Nagpur.

Expressing concern over the declining quality of Indian cotton, she said contamination and adulteration are the two major problems that need to be addressed to bring cotton to international standards and be competitive.

Despite having the highest area — around 36 per cent — under cotton cultivation and being the biggest cotton producer, India’s productivity was almost half of that of the major cotton growing countries. The average productivity in India was 500-570 kg/hectare compared to the world average of more than 900 kg/hectare, she said. India exports one third of the produce.
Gupta was speaking at the valedictory function of the three day Asian Cotton Research and Development Network (ACRDN) meeting organized by the Indian Society for Cotton Improvement (ISCI) in collaboration with the International Cotton Advisory Committee (ICAC), the Central Institute for Cotton Research (CICR) and the Central Institute for Research in Cotton Technology (CIRCOT).

India launched its first technology mission on cotton in February 2000 with an aim to raise yield, improve quality, increase farmers’ income by reducing the cost of cultivation and improve the infrastructure in the market yards by modernizing the ginning and pressing factories and setting up new units.

Source: fibre2fashion.com- Sep 20, 2017

Readymade garment exports down 3.84% in August over GST worries

Readymade garments (RMG) exports dropped by 3.84 per cent in August. Exporters have said that they are not able to confirm orders since, after the implementation of the Goods and Services Tax (GST), duty drawback and rebate of state levies (RoSL) are yet to be decided.

In August 2017, Rs 8,556.35 crore worth of RMG exports were reported as against Rs 8,897.77 crore a year ago — a drop of 3.84 per cent.

Tirupur Exporters Association President Raja M Shanmugam said that the trend would continue as exporters are not able to take new orders since, after the GST implementation, the threat of loosing drawback to the tune of five-six per cent has prevented worried exporters from confirming orders.

After September, the duty drawback rate will come down and the real pinch of GST will start only from October. "This is going to be a very big threat to the growth of RMG," Shanmugam said.

Exporters have appealed to the authorities to rectify this anomaly through policy intervention in whichever way possible. If the trend continues,
India's share in global RMG exports is expected to come down to 3.5 per cent this year and to three per cent next year.

India's position will drop to ninth from its current sixth position and hundreds of people would lose their jobs, said Shanmugam.

There is also an apprehension that all benefits to exporters will cease from January 1 since the country has agreed and signed in the World Trade Organization that no incentive would be given after the country's per capita income reaches $1000 for three consecutive years. The country has reached that status already.

On the sector's outlook, exporters said that the delay in concluding the free trade agreement with the European Union has allowed China, Vietnam, and Bangladesh to grab the opportunities.

ALSO READ: Losing to Chinese imports: Why Surat textile traders are unhappy with GST

The Confederation of Indian Textile Industry (CITI) said that the condition of not allowing the refund of accumulated input tax credit (ITC) at fabric stage (with five per cent GST at the fabric stage and its related job works) has a huge impact on processed fabrics, especially cotton fabrics, as the dyes, chemicals, and ETP chemicals are expensive and attract 18 per cent GST.

More than 80 per cent of textile manufacturing units are highly fragmented and predominantly undertake job work.

The inverted duty will have a major impact on the cost of production, inflation, and export competitiveness, said CITI.

"It is essential to fully refund the accumulated ITC at every stage of manufacturing, especially the processed (dyed and printed) fabrics," said CITI.

In the post-GST era, knitted fabric processing units, which have a 20 tonne per day production capacity, undertaking dyeing job works, like Tirupur, at a rate of Rs 130 per kg would pay Rs 3.89 lakh per day as input tax and Rs
1.30 lakh per day as output tax. Thus, leaving Rs 2.59 lakh per day as unclaimed ITC.

This works out to Rs 9-10 crore of accumulated credit per dyeing unit (20-tonne production capacity) every year.

If the ITC is not refunded, it would significantly increase the cost and would affect not only the processing segment but also the exports of garmenting and made-ups, said a leading exporter.

CITI added that the garment and made-up sectors would be compelled to use imported fabric as indigenous fabric would become costlier due to inverted duty.

Source: business-standard.com- Sep 19, 2017

Exporters seek early refund, exemption under GST

In the first meeting of the GST Council on Exports chaired by Revenue Secretary Hasmukh Adhia, exporters made a case for exemption from import taxes on inputs under popular schemes such as Advance Authorisation and Export Promotion Capital Goods. They argued that many countries with a robust GST regime such as Canada, the EU, Vietnam, Indonesia and Australia provided such relaxation.

Exporters have also proposed that Integrated GST (IGST) refunds should be made on the basis of GSTR-3B, which has now been filed by most of them for the month of July. The government could later reconcile it with the actual invoices when detailed filing of returns is done (GSTR-1 and GSTR-2).

“We want refunds to be given on the basis of GSTR-3B only as an interim mechanism till things get settled down and filing of returns happen on time without extensions. Then automatically our refunds would also happen on time,” an exporter who attended the meeting told BusinessLine.
Incentive schemes such as Merchandise Export from India Scheme and the duty drawback scheme should also be allowed to continue under GST and there should be procedural simplification, exporters said.

“Earlier with a bond and LUT, we could continue exports. But now all our working capital is locked up and the wait for refunds is endless,” said another exporter who did not wish to be named.

Exporters said the Finance Ministry officials responded positively to the proposal of exempting from import taxes inputs under schemes such as AA and EPCG. “Earlier they were not willing to consider the proposal at all. But now that they were given details of other countries who were providing such exemptions, they promised to consider it,” the first exporter said.

**Council’s clearance**

However, an immediate decision by the government is unlikely and all recommendations of the committee will have to be first cleared by the GST Council, which now meets next month. Officials did not rule out an emergency meeting through video conferencing, if required.

“The Revenue Secretary has been apprised of the cash flow problem as the refunds for the August exports would be available only in December with a cascading effect even on the refunds for September,” PK Shah, Former Chairman & Currently Board Member, EEPC India.

The EEPC has also asked the authorities to release at least 90 per cent refunds immediately after the shipments and let verification and adjustment be done at a later stage.

Meanwhile, along with simplification in norms and faster refunds, the Council for Leather Exports has also called for rate reviews under GST. “GST on job works should be lowered to 5 per cent and on leather garments and goods to 18 per cent,” said PR Aqeel Ahmed, Vice-Chairman, Council of Leather Exports.

Source: thehindubusinessline.com- Sep 20, 2017
Shopping for a new market

It’s the company that’s showing foreign entrants how to succeed in the Indian retail maze. Swedish fashion retailer Hennes & Mauritz has been on the fast track from when it opened in September 2015. This month, it’s moving further into India’s second-tier cities and launching in different corners of the country — Indore, Coimbatore, Amritsar and Kolkata. In just two years, H&M has opened 17 stores and expects to end 2017 with 25. In the Indian market, that pace represents lightning speed.

When they first came to India in the early noughties, many foreign retailers floundered, flummoxed by complex market conditions. They also found their way blocked by State governments which feared Big Retail’s arrival would put kirana stores out of business and anger the small-trader community. “It was always two steps forward, one step back,” remarks one foreign retailer. In addition, there was the disruption caused by fast-growing online players.

Today, though, foreign retail chains are finally finding their feet. So you’ve got everyone from giants like Marks & Spencer and IKEA to fashion stars like H&M and even newer, fast-moving players like Japanese low-cost retailer Miniso that opened its first store last month and which is already talking about opening 210 stores by 2018 and making India its fifth-largest market.

“We’re seeing interest from companies of all sizes, from very large like Walmart and H&M to the smallest startups,” says Devangshu Dutta, chief executive of retail consultancy Third Eyesight.

The front-runners

Leading the way are fashion and accessories stores which are grabbing opportunities presented by young Indians, women especially, who’ve turned to western-wear in a big way in the last decade. Third Eyesight estimates some 300 fashion and accessories brands have entered India in recent years. “Fashion, accessories and beauty are areas where international brands and retail concepts are most transportable across borders,” says Dutta.
At the top of the fashion market are chains like H&M and another heavyweight, Zara, which entered India in 2009 and whose turnover is now over ₹1,000 crore. H&M had 2016 sales of ₹489 crore, up more than 80 per cent from the previous year.

Also in the fashion fray are a string of smaller chains like Forever 21 which is tied up with Aditya Birla, and new arrival, Splash India, which is a West Asia chain, and several others.

That’s not all. Amazon is soon set to make an offline debut in India when it opens a sprawling 44,000-sq ft Amazon Fashion Studio in Gurugram. India’s a key market for Amazon and this is only the third Amazon Fashion Studio globally after London and Amsterdam. Amazon aims to offer an entirely new retail experience with space for fashion brands to stage shows and a host of other offerings.

But it’s taken time for even the largest foreign retailers to get into high gear. M&S made a slow start a decade ago but now has 57 outlets, one of its largest networks outside the UK. It has a five-storey Mumbai flagship store and is expanding in tier-2 cities like Pune and Jaipur. Its latest foray has been to Raipur. M&S reports 16 per cent overall sales growth and faster growth in apparel.

**Beyond borders**

Other global retail stars like IKEA are also getting ready to dig deep roots here. IKEA’s moving slowly but steadily and will open its first 400,000-sq ft store in Hyderabad next spring.

Another sprawling superstore spread over 450,000 sq ft will open in Bengaluru next year. IKEA has been hugely successful in Asian markets like China and hopes to repeat this performance in India.

Retailing was once considered a business in which it was tough to cross borders but that’s been changing over the last two decades. So it isn’t just big names that hope to be over-the-counter winners in India. A string of smaller retail chains from China, Malaysia and even Turkey are looking to enter India and are hunting for franchisees. A giant like M&S has Reliance Brands as its local partner.
Franchise India chairman Gaurav Marya says over 50 foreign firms (including restaurant chains) are entering or about to enter the market. One such is Malaysian fashion chain Kioda — it specialises in Korean-inspired fashion — which is on the verge of launching and is ambitiously talking about opening 200-300 stores in India. Says Marya: “Tier-2 Asian brands are coming to India. And the Chinese are looking at India in a big way. This wasn’t happening before.”

While the market’s moving rapidly, the Government’s stepping forward at a much slower pace in certain areas and there’s still a patchwork of regulations. It now allows 100 per cent FDI in single-brand retailing (Apple should be able to open its stores soon). And it’s permitted 100 per cent FDI in food retailing. But the catch here is the produce must be ‘made in India’. Nobody goes to a supermarket just to buy food so that hasn’t attracted many takers. Now, the Government’s looking at allowing foreign supermarkets to have up to 25 per cent non-food offerings.

Even chains like Walmart, which haven’t been allowed to open supermarkets in India, are now assembling ambitious expansion plans. In India, Walmart serves as a wholesaler that sells to other smaller traders and hotels and restaurants; that’s turned out to be a profitable business with huge opportunities. Walmart has 21 stores currently and is thinking of opening up to 50 more.

**Tricky area**

Inevitably, most retailers are still looking at India’s top 5 or 10 cities but retailers like M&S are going beyond that frontier. Also, finding the right mall space remains tricky. As retail picks up once again, a new wave of mall development is gathering pace.

“The opening of FDI in retail created more demand and many international brands, which were waiting on the periphery, have taken up significant space in malls,” says Kunal Jaiswal, Offices Services senior director at Colliers International India. But in the end, it’s the Indian consumer who’s attracting foreign retail to India. Says Marya: “Nobody can ignore the Indian consumption story. ‘Consume in India’ is our story.”

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