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USD 63.91 | EUR 78.13 | GBP 88.61 | JPY 0.58

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19720	41250	**82.27**

Domestic Futures Price (Ex. Gin), January		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20950	43822	**87.40**

International Futures Price	
NY ICE USD Cents/lb (March 2018)	83.42
ZCE Cotton: Yuan/MT (Jan 2018)	15,250
ZCE Cotton: USD Cents/lb	**91.75**
Cotlook A Index – Physical	**92.35**

Cotton & currency guide: The week gone by for Cotton was bullish. March and May contracts at ICE ended at 83.42 and 83.79 up by 184 and 80 points correspondingly from previous week's close. Cash sale enquiries are better despite higher price however market is near an overbought phase.

Major factors that are supporting market to rise while some of them have become more prominent recently:

A) **Export sales number:** Regular weekly export sales figure is been supporting Cotton price to trade positive. As of 11th January weekly export sales stood at 3,90,800 bales. For reference 2017-18 export sales have reached 1, 18, 18,100 bales up by 2.42 million bales from last year.

B) **Large long only positions**: Speculative positions have added record long positions as per latest CFTC weekly report. This was much anticipated across the globe. This week if no price correction or cut in open interest noticed then the next week report would be termed another week of record long position. This has been one of the major drivers of price.

C) **Record Open Interest**: With the steady trading volume the open interests are rising on a daily basis supporting cotton price to trade positive. As per latest number 308,726 contracts are the aggregate number.

D) **Rising on call sales**: Another interesting fact that is ruling in market is the unfixed on call sales position which is getting large on a weekly basis as per latest report by CFTC. As per 12th January report total on call sales were 157K contracts record number of positions for 5th consecutive weeks. However on call purchases were less than 28400 contracts. The rise in price is worrying mills to book their unfixed position and that itself is fueling market to hold onto positive tone.

E) **Indian crop numbers isn't sure yet**: Indian cotton continues to witness steady to higher price and hovering around Rs. 42K per candy ex-gin. There is still no clarity on the crop number and wide expected range is between 35.0 to 38.5 million bales. Also the pace of arrivals is also low. The average arrivals in January is less than 200K bales a day.

F) **Technical chart study**: Market is comfortably holding above 80 cents while 84.65 (recent high) is considered as strong resistance level. Although daily price is almost at the overbought zone but the momentum is still positive. We believe as long as market holds above 80 marks the trend is positive while a clear break out above aforementioned resistance will drive the underlying towards 86+ cents per pound.

On the domestic future front the most active January future which is due to expire this month end has been positive. In the last week cotton price for the mentioned contract ended at Rs. 20950 up by Rs. 230 from previous close. We expect market to hold its positive momentum and trade in the range of Rs. 20800 to Rs. 21180 per bale.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Automation in apparel: Boon or bane for Bangladesh?
2	20 tariff lines: Indonesia cuts duty to zero percent
3	Vietnam's FTAs: Boon or Bane?
4	Pakistan: Economic train remains on track
5	Pakistan: Govt urged to abolish duty, taxes on cotton yarn import
6	US fashion goes back to denim's glory days
7	Kenya to review strategy to boost exports to United States
8	Garment accessories fair starts in Dhaka Wednesday
	NATIONAL NEWS
1	Yarn, fabrics, made-up articles imports rise 20% in December
2	Revive incentives, slash tax to make exports viable
3	Garments eye incentives
4	How can India compete with a global economy undergoing profound change?
5	Busy Asean days ahead: Govt looks to strengthen political, economic ties
6	Odisha targets Rs 1 lakh crore exports by 2025
7	Commerce ministry for removal of sunset clause for SEZs
8	How world's biggest producer of cotton is now threatened by bollworms
9	GST rate on velvet fabric reduced to 5%

INTERNATIONAL NEWS

Automation in apparel: Boon or bane for Bangladesh?

he World Bank President Jim Yong Kim said in a recent conference that about two thirds of jobs in the developing world may be lost due to automation.

An ILO report on Textile and Clothing Sector in ASEAN states that the textile, clothing and footwear (TCF) sector is at the highest risk of losing jobs to automation. Let's examine the reality on the basis of a few snippets from latest news on this topic:

Case 1: Raymond will be letting go of 10,000 workers in a bold move across its 16 manufacturing facilities in India. These workers will be replaced by robots in the next three years, according to news reports.

Case 2: Adidas in 2016 successfully tested a fully automated shoe factory, also known as “Speedfactory,” using 3D technology and robotics in Germany. It plans to set up another automated plant in the United States this year. On the other hand, it is going to open its newest factory in 2018 in Arkansas which will be filled with fully autonomous robots and their human supervisors. With these new robotic production lines, Adidas will be able to manufacture 800,000 sports shirts per day, increasing production by 300 percent and with a very important reduction of its expenditure.

Case 3: Texprocess, a major trade fair for the international garment-manufacturing and textile processing industry, showcased a Digital Textile Micro Factory at its May 2017 show in Frankfurt, Germany. It was a live demonstration of an integrated production chain for apparel right from the design stage to digital printing to automated cutting to sewing. It provided a glimpse of what future factories would be like in a few years—more collaborative, flexible, customised, integrated, with zero waste and high-tech way of bringing the product live from design to the shop.

The abovementioned news pieces suggest that the threat from automation is real. Bangladesh cannot escape this threat as we service the same brands that will demand higher productivity, lower cost, lower carbon footprint, better working condition, quicker turnaround time, and flexibility. All of this seems to be possible through taking the automation route for manufacturing.

But at present, about 40 million people at different corners of the world are working in garment and textile manufacturing, to say nothing of the fact that many of those workers are also the sole earners in their families. Millions of these workers reside in “Global South,” which includes many of the world's less developed countries and regions.

In Bangladesh, over four million workers in the garment industry are earning over 82 percent of the nation's overall export income. The main “product” of Bangladesh is the labour of the millions who take raw textiles and transform them into finished garments every day, and in fact, much of this labour is concentrated in the final phase of production before shipping known as “Cut and Sew”—the very process that Western innovation is working to automate. Bangladesh currently does not have the capacity to pivot over the four million people into a new industry, which itself may not create the necessary jobs for that kind of transition.

While there is some merit in the above viewpoint that automation and the resultant job loss rate may not match with the new job creation rate, this alone is not a sufficient condition to halt the progress or growth which the technological advances unleash.

For example, a few years ago, mobile penetration was quite low. But now the first thing that 90 percent of the people do when they wake up in the morning is to reach out for their smart phone! Such is the capability of technology to change our lives, and such is the speed at which we humans adapt to the new way of living.

Moreover, how long can Bangladesh sustain on the “low labour cost” advantage? And whose wellbeing is served by us being known as the “lowest labour cost” country? Why should we not aspire to raise the level of the price of our labour? Why should we not accept automation and offer higher value-added products and services which require higher skills and higher wages?

Why should we not train the displaced workforce resulting from automation to take up jobs requiring higher skills? Why should we insist on dumbing down the precious human resource of our country by making them do “repetitive” tasks which a machine can do effortlessly and more productively?

There is something inherently wrong with this "chase to the bottom" attitude by the brands and retailers sourcing products from the low labour-cost countries. It smacks of "opportunism" and "exploitation" and "mindless profiteering" which must stop. We as an industry should not strive to reach the point where the low labour cost cannot go any "lower." The industry should instead strive to elevate the current wage levels to even higher standards for a better, more sustainable return in the future.

To expect better products and better services, higher productivity at a lower cost is not a bad thing at all, if it is aided by an overall advancement of the industry. All things considered, automation is not an enemy, but an ally in lifting an entire industry to the next level.

I want to end this piece with the interesting concept of "robot tax" to tackle the problem of job displacement by robots. Bill Gates, the world's richest person, suggested that a fiscal rethink may soon be necessary. If the latest wave of automation causes large numbers of job losses, the Microsoft Co-founder said, then taxing the robots and using the money to retrain the humans may be one way to deal with the upheaval ahead. That's something to think about.

I will leave it to my countrymen to decide whether automation is a boon or bane for Bangladesh.

Source: thedailystar.net- Jan 22, 2018

HOME

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20 tariff lines: Indonesia cuts duty to zero percent

Indonesia is said to have reduced duty to zero percent on 20 tariff lines after successful negotiations with government of Pakistan, a senior official of FBR told Business Recorder.

Indonesia is the biggest economy of ASEAN region with GDP of around $859 billion in 2015. It is also fourth world's largest population of 255 million with per capita income $11,100 (ppp) which makes it a lucrative consumer market.

The Indonesian President is scheduled to visit Pakistan during the third week of current month. He will also address the joint sitting of the Parliament.

Sources said the customs authorities are mainly responsible for issuance and implementation of statutory regulatory orders (SROs) on Free Trade Agreements (FTAs) and Preferential Trade Agreement and other bilateral agreements involving changes in tariff lines and customs duty structure. The FBR is well ware of such recent developments on changes in duty structure on imports and exports with other countries.

The items on which tariff has been reduced to zero are as follows (i) mangoes; (ii) broken rice - of a kind used for animal feed; (iii) broken rice - other; (iv) un-denatured ethyl alcohol of an alcoholic strength by volume of 80% or higher; (v) Ethyl alcohol and other spirits, de-natured, of any strength - other; (vi) tobacco, not stemmed/stripped - Virginia type, flue-cured; (vii) tobacco, partly or wholly stemmed/ stripped - Virginia type, flue-cured; (viii) articles of apparel and clothing accessories, of leather or of composition leather - articles of apparel; (ix) single yarn of uncombed fibres - measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number); (x) single yarn, of combed fibres - measuring less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number); (xi) woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/m2-denim;(xii) woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200 g/m2-Denim; (xiii) T-shirts, singles and other vests, knitted or crocheted, of cotton - for women or girls; (xiv) T-shirts, singles and other vests, knitted or crocheted - for men or boys, of other textile materials; (xv) T-shirts, singles and other vests, knitted or crocheted, of other textile materials - for women or girls; (xvi) jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted - of cotton; (xvii) trousers, bib and brace overalls, breaches and shorts - other; (xvii)) trousers bib and brace overalls, breeches and shorts - of cotton; (xix) other bed linen, printed - of cotton and; (xx) toilet linen and kitchen linen, of terry towelling or similar terry fabrics, of cotton.

In 2016, Pakistan had suggested to impose Non-Tariff Measures (NTMs) on Indonesia on a reciprocal basis aimed at making import of palm oil more restrictive like Jakarta did with Islamabad. There was understanding amongst stakeholders that "in view of unacceptable trade deficit, Pakistan should use her status as 4th largest importer of Indonesian palm oil, as a leverage to seek a waiver from most restrictive NTMs to get market access," sources added.

Source: fp.brecorder.com- Jan 19, 2018

HOME

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Vietnam's FTAs: Boon or Bane?

As 2018 brings newer and bigger free trade agreements (FTAs), Vietnamese enterprises are faced with tough choices. They can either adapt and move up the global supply chain, or stand by while imported goods flood the country's market.

Trần Thanh Hải, Deputy Director of the Ministry of Industry and Trade's (MoIT) Import-Export Department, told Vietnam News Agency (VNA) that from 2018 onward, 85 per cent of Vietnamese exports will be subject to significantly lowered tariff levels of zero to 5 per cent.

As part of the Government's policy to increase economic self-reliance and promote sustainable imports and exports, exports of Vietnamese goods to FTA markets grew strongly in 2017, contributing US$213.8 billion to the year's turnover of $408 billion, per the MoIT's data.

Hải was optimistic that Vietnamese businesses will benefit more from bilateral and multilateral FTAs with partner countries such as Hong Kong, Japan and the Republic of Korea (RoK).

Nonetheless, Hải admitted that the process of raising Vietnamese exports' value might not be as easy as expected. Since each FTA is tailor-made to suit member countries' needs, they have different levels of commitments and standards.

For example, he was greatly concerned by the fact that a Vietnamese automobile company would only be able to enjoy a zero per cent tax rate when exporting to ASEAN countries if their products have at least 40 per cent of components originating in Việt Nam.

Therefore, Hải suggested domestic enterprises focus on meeting standards set by the Vietnam-Korea FTA (VKFTA) and the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP), since they offer more special tariff treatments at fewer standard requirements than others.

The origin rules would encourage the country to produce locally, rather than importing materials and parts. But this could prove a long and difficult process for Vietnamese firms, he added.

Buy less, sell more?

Lê Tiến Trường, Vice Chairman of the Vietnam Textile and Apparel Association (Vitas), told VNA that textiles and garments exports growth rate to European market may not get an immediate boost from the Vietnam-EU Free Trade Agreement (EVFTA), due to preferential rules of origin.

Currently, the Vietnamese textile and apparel industry has to import 70 per cent of its raw materials, 42 per cent of which come from China and the rest from ASEAN and the RoK.

On the other hand, starting in 2018, many preferential import tariffs to Việt Nam will be progressively eliminated to zero per cent, provided the imported goods meet the MoIT's provisions on origin of goods and Certificate of Origin (CO) and be listed in the 17 FTAs of which Việt Nam is a member.

Phạm Tuấn Anh, Deputy Head of the International Relations Department under the Ministry of Finance, told the Ministry of Planning and Investment's online portal last week, that import tariffs reduction and elimination must be carefully carried out, lest it harm the State budget and domestic production activities.

Imports eligible for zero tariffs mainly come from ASEAN-related trade agreements, though pacts signed with Japan, China, RoK and the Eurasian Economic Coalition also boast a significant amount, according to 2017 year-end reports from the General Department of Vietnam Customs (GDVC).

For example, the VKFTA requires Việt Nam eliminate 704 import tariffs lines in 2018, while the AKFTA demands 477 tariff lines eliminated and 588 for the ASEAN-China Bilateral Trade Agreement (ACFTA).

Similarly, the Vietnam's Special Preferential Tariff Schedule for the Implementation of the ASEAN Goods Trade Agreement between 2018 and 2022 indicates a drop of 0.9 per cent in average tariff levels across all imports from 2017's number, as calculated by the GDVC.

Since these reductions were made public once the FTAs were signed, the MoF and the Vietnamese business community had ample time to prepare, said Tuấn Anh.

Despite fears that cutting import taxes will lead to a drop in State budget revenue, the GDVC reported overall income of VNĐ293 trillion ($13 billion) from import tax in 2017 alone, with a 2018 target of VNĐ295 trillion ($13.1 billion), he added.

Though Việt Nam had a trade deficit with China, ASEAN and RoK, the country's annual export turnover to these markets was growing strongly, up 60.6 per cent, 24.5 per cent and 31 per cent respectively in 2017, Tuấn Anh said.

Therefore, Việt Nam's FTAs would help promote economic growth, attract foreign investment, increase State budget revenue, create jobs and solve social security issues, instead of harming import-export balance, he said.

A helping hand

Surrounded by immense opportunities and challenges requiring initiative and flexibility, domestic enterprises should improve product quality, increase competitiveness and develop business plans to meet these FTAs' requirements.

Bùi Kim Thùy, Deputy Head of Origin of goods Division, MoIT's Import-Export Department, told VNA that in recent times, the ministry had made efforts to cut administrative procedures to help domestic enterprises take advantage of tariff preferences and rules of origin.

She listed a significant improvement in administrative procedures for issuing certificates of origin, which helps enterprises spend less time and costs via online registration.

Still, Thùy admitted that Vietnamese enterprises had not shown a desirable level of interest in the issue, due to lack of awareness.

She hoped that if domestic businesses understand and follow these FTAs' rules of origin, they will be able to take advantage of upcoming opportunities to enhance added value and ensure sustainable growth

Source: vietnamnews.vn- Jan 22, 2018

HOME

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Pakistan: Economic train remains on track

If the deficit in the current account is huge but overall balance of payments is positive, what does it mean?

It means inflows of foreign investment are either too thick or the country's external borrowing is high. Inflows of foreign direct and portfolio investment in Pakistan are quite moderate, with the country borrowing from external sources.

But this time, we're not borrowing from the International Monetary Fund (IMF). We are rather borrowing from international investors through traditional and Islamic bonds. That is, we are keeping our balance of payments in shape by increasing already fat forex liabilities.

In the first half of this fiscal year, the current account deficit expanded to $7.4 billion from $6.43bn a month ago. Though the overall balance of payments was still in surplus — thanks to an increase in forex liabilities — it fell to $1.859bn in July-December from $3.291bn in July-November. The pace of expansion in the current account deficit and a simultaneous squeeze in balance of payments surplus is quite alarming, to say the least.

Exports of goods and services and home remittances are growing but not fast enough to even feed the trade deficit of merchandise trade. Besides, outward repatriation of funds by multinational companies and foreign nationals working in Pakistan is gathering pace. So, the current account deficit will not see an impressive squeeze, at least not till the end of this fiscal year.

The rupee depreciation is now being seen by many as too little, too late — unable to make a big difference in exports this fiscal year. The narrative states that if former finance minister Ishaq Dar had not reversed State Bank of Pakistan's July 5, 2017 decision to let the rupee fall, the impact on exports would have been greater.

Still, as the rupee's inevitable decline began on Nov 8, with the SBP loosening the effective forex trade band, exports growth in November and December can partly be attributed to it.

Federal government officials hope that merchandise exports will reach $23bn this fiscal year from $20.448bn in 2016-17. Exports rose 11pc year-on-year to $11bn in July-December.

But the real problem lies in imports of goods that consumed $53bn in the previous fiscal year and are expected to touch $60bn during this year. This means that even if we view the situation through the most optimistic lens, a huge trade deficit of $37bn may occur this year.

In the first half, with goods imports of around $29bn, the half-yearly trade deficit is already at $18bn. And analysts say that imposition of regulatory duties and other similar measures to check imports growth may make very little difference because of strong demand and importers ability to get around restrictions by dealing with corrupt officials.

Demand for finished imported goods is growing only due to an increase in income levels. And increased industrial activity is necessitating imports of raw materials. The output of large-scale manufacturing (LSM) in the first four months of 2017-18 expanded by 9.64 per cent and 13 out of 15 categories of LSM, with a combined weight of 95pc in the index, recorded a rise in production.

These included such heavyweights as textiles, food and beverages, iron and steel and automobiles. Foreign direct investment (FD) in these and other industrial sectors is also providing an impetus to productivity.

In the first half of FY18, though inflows of FDI slipped to $1.721bn from around $1.765bn a year ago, "the general mood remains upbeat," officials claim, pinning hopes on China.

FDI from China shot up to around $1bn in July-December against $414m a year ago as progress on CPEC projects gathered pace.

"During the second half of FY18, too, FDI of no less than a billion dollars will come in from China alone," said a source in the Board of Investment, adding that FDI from France, Germany, Italy, Japan, South Korea, Malaysia, UAE, Turkey, Saudi Arabia, UK and USA is also in the pipeline for the rest of FY18.

Home remittances in the first half of FY18 grew 2.5pc year-on-year to about $9.745bn. But a matter of concern is a straight 7.5pc decline in expatriates' money coming from Saudi Arabia, our biggest remittances market.

A big decline in export of Pakistani workers (down to 496,287 in 2017 from 839,353 in 2016) does not auger well for growth in home remittances, let alone changes in overall dynamics of labour export market.

That is why Pakistan is now seeking a higher quota for its workers in Saudi Arabia and the SBP is tightening rules for forex companies to ensure that overseas Pakistanis send their money back home through official channels.

Cotton production

Cotton output during the current season has gone up 7.6pc year-on-year to 11.33m bales (up to Jan 15). Still, meeting the target of 12.6m bales seems difficult.

Officials of provincial agriculture departments say the total output may reach close to 12m bales at best.

As textile exports have started growing, a lower-than-targeted cotton output would only increase the need for imports. Since the country is already facing a big trade deficit, ensuring enough cotton production at home has become all the more important.

Khalid Abdullah, Cotton Comm-issioner of the Ministry of Textiles, recently told the APP news agency that the Pakistan Central Cotton Committee was being streamlined in an effort to see what could be done to boost the country's cotton yield.

He said a sub-committee set up for this purpose would meet sometimes this week. A local daily, quoting official sources, reported that during the next budget the government may set aside Rs10bn for a 10-year massive cotton research programme to ensure sustainable increase in cotton output and yield.

Source: dawn.com - Jan 22, 2018

HOME

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Pakistan: Govt urged to abolish duty, taxes on cotton yarn import

Value-added textile sector has urged the prime minister to abolish all duties and taxes on cotton yarn imports for re-export with value addition to earn the much-needed foreign exchange for the country and to reduce trade gap, a statement said on Saturday.

Muhammad Jawed Bilwani, chairman of the Pakistan Apparel Forum, and chief coordinator, value-added textile export sector said that the sector has the largest share of 53 percent in the total textile exports of Pakistan worth $11.08 billion of the total exports of $20.44 billion and 89 percent of the total textile exports of $12.45 billion.

Cotton yarn, being the basic raw material of the value-added textile export industry, is not easily available in the domestic market, owing to low cotton yield or substandard quality with higher rates, he added.

The cotton yarn prices have increased 30 percent, making the value-added textile export sector uncompetitive in the international market, Bilwani said, adding that this will lead to negative impact on exports, which have increased during the current fiscal year.

The value-added textile exporters fear that if the government does not take prompt action to ensure easy availability of quality cotton yarn at best prices, exporters will fail to meet their export orders, which were booked six months ago, he said.

He emphasised on the fact that globally duty-free raw materials import is allowed, while exports of raw materials are restricted to benefit value addition to earn more foreign exchange.

Bangladesh's value-added textile exports have reached $30.24 billion (FY16/17), as it allowed duty-free import of raw material – cotton yarn and always encourage value addition, which is their key to success.

The value-added textile export sector was already facing stiff competition in the global market due to highest cost of inputs – gas, electricity and water as compared to regional competitors such as Bangladesh, India, Vietnam, Sri Lanka.

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

The value-added exporters have requested the prime minister to abolish all duties and taxes on cotton yarn import and its import should be allowed freely from anywhere for re-export with value addition in the light of free market mechanism.

Source: thenews.com.pk- Jan 21, 2018

HOME

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US fashion goes back to denim's glory days

In 2017 the jeans market saw the largest year-on-year growth in the sector since 2013, pulling in over $95bn worldwide compared with $91bn the previous year while sales of premium designer jeans doubled its growth. The jeans market is booming again as the US turns back the clock to denim's glory days.

Witnesses believe shoppers are deciding to try other styles beyond the skinny silhouette that has been so popular for more than a decade. This season styles hark back to authentic American selvedge denim and come straight-legged, stiff and in a deep indigo type.

The trend began last year on the Calvin Klein catwalk, when designer Raf Simons paired dark indigo jeans with a matching shirt for his influential debut collection for the brand. For spring/summer 2018, a host of other designers joined the fray, showing not just indigo jeans but indigo denim in general. At Tom Ford, dark denim materialised in a sharp blazer with pointed shoulders and high-waisted, wide-legged jeans.

The impact of the trend is already being felt on the high street. Asos reported sales of jeans were up 58 per cent this week, compared with the same period last year, while denim dressing at the e-tailer was up 81 per cent from 2017.

Celia Cuthbert, the head of buying at Asos, says that "authentic dark, raw and untreated indigo" was its biggest denim trend this season, and that while its customers still loved slim and skinny jeans, the brand was seeing more and more sales coming through from wider-leg silhouettes and straight legs.

This look, similar to that immortalised by Marilyn Monroe in 1961's The Misfits and Martin Sheen in 1973's Badlands, evokes a glory time in American history when the US was the leading purveyor of denim worldwide.

Source: fashionatingworld.com - Jan 21, 2018

HOME

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Kenya to review strategy to boost exports to United States

Kenya plans to review its trade strategy to boost exports to the United States, officials said on Thursday.

Chris Kiptoo, Principal Secretary in the Ministry for Trade, told a media briefing that the first African Growth and Opportunity Act (AGOA) strategy for Kenya was developed in 2012.

"We are conducting an in-depth review of the current strategy in order to take stock of its implementation and success as well as to suggest interventions to boosting exports to the United States," Kiptoo said.

"Furthermore, within the new dispensation of devolved system of government, the strategy will collaborate with the county governments, as appropriate, to exploit the potential market," he said during the validation workshop on the national AGOA strategy review.

AGOA is a preferential market access system given to specific countries in Africa and the Caribbean by the United States.

Under the trade agreement, most of sub-Saharan African countries are allowed to export some products duty free to the U.S. market.

Since it was put in place by the U.S. in May, 2000, AGOA that mainly caters for textile and apparels trade, has been extended four times, the latest being in June, 2015, when it was extended for a further ten years to 2025.

Ministry of Trade data indicates that the United States is currently Kenya's third largest export destination.

Kiptoo said that Kenyan exports to the United States have grown from 110 million dollars in 2000 to 551.5 million dollars in 2016.

Kenya's exports to U.S. comprise mainly textiles and apparels made in the export processing zones.

Source: coastweek.com - Jan 22, 2018

HOME

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Garment accessories fair starts in Dhaka Wednesday

A four-day trade show on garment accessories and packaging industries will begin in Dhaka on Wednesday.

Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) in association with ASK Trade & Exhibitions Pvt Ltd and Zakaria Trade and Fair International will organise the ninth edition of the show—Gapexpo-2018—at International Convention City Bashundhara.

Some 450 exhibitors from 24 countries, including India, China, Japan, South Korea and Bangladesh, will showcase their apparel manufacturing technology, yarn and fabrics and garment accessories and packaging, printing technology and machinery.

Finance Minister AMA Muhith will inaugurate the fair in presence of National Board of Revenue's Chairman Md Mosharraf Hossain Bhuiyan, said BGAPMEA President Md Abdul Kader Khan.

The manufacturers are now exporting garment accessories and packaging products after meeting local demand, Khan said at a press meet in the capital yesterday.

“If the government provides the sector with proper policy support, we will be able to earn $12 billion from the sector by 2021.”

Two other events—Garmentech Bangladesh 2018, an apparel machinery and allied products tradeshow, and the ninth edition of the International Yarn and Fabrics Sourcing Fair—will also start at the same venue and at the same time.

Commerce Minister Tofail Ahmed will hand over export trophies given by the association, in the fourth day of the fair.

Tipu Sultan Bhuyian, CEO of Zakaria Trade and Fair International, and Nanda Gopal K, director of ASK Trade and Exhibitions, were also present at the press meet.

Source: thedailystar.net- Jan 22, 2018

HOME

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NATIONAL NEWS

Yarn, fabrics, made-up articles imports rise 20% in December

However, apparel exports dropped 0.3% between April and Dec. 2017 and 8% in December alone

Imports of yarn, fabrics and made-up articles during December last year rose 20% compared with December 2016, according to data released by the Ministry of Commerce and Industry.

'Matter of concern'

Sanjay Jain, chairman, Confederation of Indian Textile Industry, said this was a matter of concern as export data of Bangladesh showed India imported garments worth $111.3 million during July-December 2017 from Bangladesh, which was 66 % higher as against the same period of the previous year. Imports of knitted apparel from Bangladesh were worth $20.6 million in July-December 2016 and rose to $36.5 million between July-December last year.

Meanwhile, though total export of textile and apparel rose 2% between April and December 2017 over the first nine months of 2016-2017, apparel exports dropped 0.3 % during the same period and 8% in December alone.

A leading garment exporter here said one of the reasons for the decline in exports is revision of duty drawback rates. "Once an international buyer enters into a contract with an Indian supplier, the rates are fixed and might only go down in the future. "But, cotton prices and yarn prices are going up in the domestic market. And, the government has reduced the duty drawback rates. After GST, we do not know yet what refund we will get on duties paid on exports," the exporter said.

Mr. Jain said there was a need to impose safeguards such as Rules of Origin, Yarn Forward and Fabric Forward rules on nations like Bangladesh and Sri Lanka that had free trade agreements with India and China.

“Garment manufacturers in India have to pay duty on imported fabrics, while Bangladesh can import fabric from China duty-free, convert it into garments, and sell to India duty-free,” he said in a statement.

Source: thehindu.com - Jan 20, 2018

HOME

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Revive incentives, slash tax to make exports viable

Revive incentives for exports of apparels which were available before the Goods and Services Tax (GST) rollout, sector leaders have urged the government ahead of the Union Budget next month. They have warned that if the competitiveness is not regained, Indian exporters will lose buyers and it would be difficult to get them back.

In a letter to Union Textiles Minister Smriti Irani, Apparel Export Promotion Council (AEPC) said that before the rollout of GST, exporters of cotton apparel got total duty drawback of 11%, while exporters of Man-Made Fibre (MMF) garments got 13% duty drawback.

Post-GST, they get 3.5% and 4.0% duty drawback. This created a loss of 7.5% and 9.0% respectively. After a hue and cry by exporters, the government had increased the duty drawback by 2%, which is applicable from November 1, 2017 onwards.

"Still there is a deficit of 5.5% for cotton garment exporters and 7.0% for MMF garment exporters. This is increasing the cost of Indian exports and players are losing business," said HKL Magu, chairman of AEPC.

Duty drawback is available if the raw materials are imported.

According to AEPC data, exports dropped by 10% in November 2017 compared to the same month a year ago and by 8.8% for December 2017.

Meena Kaviya, chairperson of Textile Committee of Gujarat Chamber of Commerce and Industry (GCCI) said that while the government has raised import duties on fabric, it is not the case with garments, resulting in cheaper imports.

Source: dnaindia.com- Jan 21, 2018

HOME

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Garments eye incentives

The labour-intensive textile and garment companies, facing increasing competition from Bangladesh and Vietnam, are looking at sops such as additional allocation to upgrade technology and interest subvention (subsidy) in the forthcoming Union budget.

The Apparel Export Promotion Council has sought a number of interventions from the government, which include more incentives, continuation of the duty-free import of speciality fabric up to 1 per cent of export value of garments, round-the-clock customs clearance, withdrawal of GST on air-freight and duty-free import of samples.

The export of garments and textiles, which contributes 13 per cent to the overall shipments, declined 3 per cent in December 2017 to $2.99 billion although in the April-December 2017 period it posted a growth of 2 per cent at $26.13 billion.

While apparel exports have grown at a subdued pace in the face of intense competition, yarn exports also remained under pressure given the decline in demand from China as well as India's losing market share in the Chinese market.

"Adequate budgetary allocation for schemes such as refund of state levies and interest subvention benefits can help improve the competitiveness of Indian textile exporters in the international market and improve textile export growth," rating agency Icra said.

The budgetary allocation for the Technology Upgradation Fund (TUF) Scheme was reduced by 23 per cent to Rs 2,013 crore in 2017-18 from Rs 2,610 crore in 2016-17, a level even lower than 2014-15.

Subsidies under the TUF scheme are the key drivers for investment in the textile sector. Hence, lowering the allocation constrains the pace of capacity addition.

Source: telegraphindia.com- Jan 22, 2018

HOME

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How can India compete with a global economy undergoing profound change?

The global economy is undergoing profound change.

New technologies are impacting prospects for manufacturing-led development that has brought rapid prosperity to many parts of the world. Today, robotics, artificial intelligence (AI), 3D printing and the Internet of Things (IoT) are reducing the importance of low-wage labour.

There is concern that Industry 4.0 —where data and automation in 'smart' factories transform traditional manufacturing — may make it feasible for leading firms to re-shore manufacturing back to advanced economies, and closer to final consumers. China, too, is automating rapidly and is projected to be the world's largest user of industrial robots by 2018.

The en masse migration of labourintensive manufacturing activities to poorer economies with lower labour costs such as India may, therefore, not occur. How, then, can India compete?

The growth of manufacturing in India has been modest — with its share in GDP largely unchanged over the last two decades — especially when compared to the services sector. Globally, too, while India's share in global manufacturing production increased from 1.1% in the early 1990s to 2.8% in 2015, China's galloped from less than 5% to 25%.

Even so, India has made greater progress in some manufacturing sectors. For example, since 1995, it has ranked among the top 10 exporters of labour-intensive goods such as textiles, apparel and leather products, jumping to fourth place in 2011.

India has also maintained its comparative advantage in the export of pharmaceuticals and a range of commodity-based manufactures over the last two decades.

Although the criteria for becoming amanufacturing hub are now changing, some manufacturing industries are likely to remain relatively unaffected by Industry 4.0. This includes a range of commodity-based manufactures — basic metals, wood products, paper products and food processing — which are also less traded and, therefore, subject to less international competition. They will remain feasible entry points for India.

Go Hell for Leather

India can also remain competitive, at least for some time, in its traditionally strong areas such as the productionof textiles, apparel and leather products, which is the least automated subsector so far — as long as it combines low wages with other reforms that enable it to compete.

India's nascent success in the export of autos and electronics may, however, be harder to scale up. The use of robots in these industries is more widespread. They require closely clustered suppliers that can provide inputs on just-in-time basis, tilting the balance in favour of established manufacturing centres.

India's large domestic market is an asset. Foreign direct investment (FDI) to manufacture in India for India may, therefore, be less influenced by cost considerations associated with establishing export platforms. The large market will also likely continue to provide room for the domestic manufacture of lower-price goods.

Take, for example, India's two-wheeler auto sector, which has withstood international competition by producing low-cost, durable scooters and motorcycles with ubiquitous distribution and service networks. The scope for productivity gains may be even greater for lower-price goods where India can exploit opportunities beyond the domestic market. The country's exports of pharmaceuticals and three-wheeler scooters to other lower-income economies, especially in Africa, is a case in point.

Notwithstanding these opportunities, the heightened global competition resulting from automation technologies will raise the bar for success in export-led manufacturing. India must, therefore, prepare now to remain relevant.

If it can integrate its growing labour force with substantial improvements in the business environment, logistics and other backbone services, regulatory requirements, and so on, this may reduce the incentive for firms to relocate to higher-income countries with Industry 4.0 technologies.

Yet, if there is a limited window to industrialise using older technologies, reforms that improve the country's competitiveness and connectedness acquire greater urgency. India's recent rise to the top 100 in the Doing Business rankings is a step in this direction.

But there is more distance to cover.

Similarly, India's restrictions on trade in services — many of which are increasingly embodied and embedded in manufactured goods — are among the highest in the world and will need to be eased.

To prepare for 'smart' manufacturing, the diffusion of new technologies will require higher-order skills, better information and communication technology (ICT) infrastructure, astronger intellectual property rights (IPR) regime, and complementary professional services. Since developing the capabilities of workers, firms and supporting institutions is likely to be a gradual process, India must start planning now.

No Rocket Science

Here, too, the country can leverage some of its unique strengths. First, its world-class institutes of higher learning in engineering and management sciences have created pockets of skilled labour that can respond to changing industry demands. Second, India's vast diaspora in the science and technology space can facilitate the transfer of technology and skills.

Third, with the increasing 'servicification' of manufacturing — where the use of data will play an increasingly important role in optimising processes — India's success in software services can lay the ground for the greater integration of such services into production.

Source: economictimes.com- Jan 20, 2018

HOME

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Busy Asean days ahead: Govt looks to strengthen political, economic ties

For the government, the last week of January will focus on India's reach in Southeast Asia as business delegations and government officials from the Association of Southeast Asian Nations (Asean) pour in here. However, beyond the spectacle, a shaky trade deal and China's growing footprint in the region will keep discussions tight. After a picture-perfect trip by Israeli Prime Minister Benjamin Netanyahu last week, the government is preparing to project heightened trade and security ties with the 10 Asean nations, whose leaders would be the collective guests of honour on Republic Day.

Before that, starting Monday, the Asean-India Business and Investment Meet and Expo will see trade and economy ministers from the region visit India, with a large business delegation.

However, not a single company from Singapore, source of the second highest foreign direct investment into India, featured in the list of visiting companies made available to the media ahead of the event. The Asean bloc has been moving closer to China, which has funded massive infrastructure projects and boosted trade across the region. India has recently sought to court the block.

Asean is home to 640 million people, close to nine per cent of the world's population, more than the European Union. In 2015, their combined nominal gross domestic product had grown to a little more than $2.8 trillion. If Asean was single entity, it would be the sixth largest economy in the world — behind America, China, Japan, France and Germany.

The government's Asean-India Plan of Action for 2016-20 is based on the pillars of political security, economic and socio-cultural ties. However, while social closeness has been witnessed as tourists from India have flocked to nations such as Cambodia, Vietnam and Singapore, trade remains weak. Delhi's trade and investment ties have been pegged at 'lower than potential' by the government, at a little more than $71 billion.

The hope in Delhi is to improve it to $200 bn by 2022. Currently, import from the bloc exceed export by $9.6 billion. However, the 2022 aim is subject to a successful outcome of the proposed Regional Comprehensive Economic Partnership (RCEP) deal by the end of 2018.

The latter is a proposed free trade agreement (FTA) between the 10 Asean economies and six others with which the grouping currently has FTAs — Australia, China, India, Japan, South Korea and New Zealand. India and Asean nations have shared similar, as well as diametrically opposite positions on variables of the deal—tariff reduction in goods and liberalisation of services trade, among others.

The bloc recently blamed Delhi for stalling the deal consistently. "Asean nations had hoped to finish negotiations by 2017-end, the 50th foundation year of the bloc. But, growing acrimony between India and developed economies such as South Korea and Australia on matters of agricultural trade and immigration has prevented that," says Sachin Chaturvedi, director-general at trade and foreign policy think-tank RIS.

While RCEP issues will be discussed, a commerce ministry official said trade talks should be left to the official negotiation rounds, 20 of which have taken place, apart from five ministerial meetings, three inter-session ministerials and one summit-level talk between the heads of states. The next round, to take place in Indonesia, is not expected to drastically change things, the official added.

There are differences within the bloc as well. Smaller nations such as Cambodia and Laos maintain vastly different trade positions from the commodity-heavy and much larger economies of Malaysia and Indonesia. "India and China had earlier scrambled to gain the support of one nation or the other, effectively splitting the group," a Delhi-based trade expert says.

However, all participating nations had last year announced the RCEP should be completed by 2018, though member-nations have not agreed on several issues. The government would also be looking to focus on traditional textiles and promoting them in the regional and global market. A unique fabrics show is also planned with support from the Textiles ministry, sources said, where Asean and Indian designers will present traditional designs.

Source: business-standard.com- Jan 22, 2018

HOME

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Odisha targets Rs 1 lakh crore exports by 2025

Odisha is working on a new export policy and has set an export target of Rs 1 lakh crore by 2025, a minister today said. The state had registered exports of Rs 40,000 crore in 2016-17 and is eyeing Rs 50,000 crore exports in the current fiscal. “Odisha may touch an export turnover of Rs 1 lakh crore before 2025,” said MSME Minister Prafulla Samal after inaugurating the much-awaited export building ‘Raptani Bhawan’ here.

Stating that the state is going to have a new export policy soon, Samal said the roadmap is being prepared in consultation with FIEO (Federation of Indian Export Organisations). With the opening and shifting of all export related organisations under a single roof, exporters will be able to get services at a common point, which in turn will help furthering the growth of exports, Samal said. Directorate of EPM (Export Promotion and Marketing), Odisha and Federation of Indian Export Organisation (FIEO) have started functioning as soon as opening of the Raptani Bhawan.

Marine Products Exports Development Authority (MPEDA) and Office of Director General of Foreign Trade (DGFT) which have already been allotted space at Raptani Bhawan, will start operation very soon. MSME Additional Chief Secretary L N Gupta said that Odisha had the highest growth rate of 114 per cent amongst all the states during 2016-17 and the Centre has recognised it as ‘Champion State’.

“A trend of increase in Odisha export continues, which is reflected in the export turnover of nearly Rs 26,000 crore by November, 2017. To further boost the export turnover from Odisha, a new export strategy will be in place shortly,” Gupta told reporters.

He said that the new export strategy will focus on improvement in standards of quality and products, value addition in traditional export products, products and market diversification, downstream and ancillarisation of industries, unleashing the potential of e-commerce and development of eco-tourism in the state.

Gupta said that in order to improve the quality of products and services, MSMEs should register themselves under the 'Zero Effect-Zero Defect' (ZEZD) Programme offered by the Quality Council of India. He hoped that with the commencement of commercial operations by the Quality Control Laboratory of MPEDA and Testing Laboratory of Export Inspection Agency (EIA), standard and quality of exports would get further improved.

Omkar Rai, Director General, STPI while gracing the occasion, said the Raptani Bhawan is a landmark decision of the state government which can cater to exporters in a holistic manner. He said that there is a vast potential of IT and ITES services exports from Odisha. Last year, IT & ITES exports from Odisha was of the order of Rs 3,500 crore, which are likely to increase this year.

Source: financialexpress.com- Jan 20, 2018

HOME

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Commerce ministry for removal of sunset clause for SEZs

The commerce ministry has pitched for continuation of tax incentives being enjoyed by units in special economic zones (SEZs) with a view to boost shipments and job creation, a government official said. In a letter to the finance ministry, the department of commerce has also asked for removal of minimum alternate tax on SEZs.

In the Budget 2016-17, Finance Minister Arun Jaitley had stated that the income tax benefits to new SEZ units would be available to only those units which commence activity before March 31, 2020.

The commerce ministry wants removal of this sunset clause as it would negatively impact growth of these zones, the official added.

According to industry experts, the clause that indicates the date in advance on which tax incentives will cease to exist is a retrograde step and would impact investments and job creation in these zones.

“The sunset clause will impact investments. Projects which would not be able to get completed by March 2020, they may become unviable.

So, (the) government should consider removing this,” Export Promotion Council for EOUs and SEZs (EPCES) former Chairman Rahul Gupta said. Units in SEZs enjoy 100 per cent income tax exemption on export income for the first five years, 50 per cent for the next five years thereafter and 50 per cent of the ploughed back export profit for another five years.

SEZs, which emerged as major export hubs in the country, started losing their sheen after imposition of minimum alternate tax and introduction of sunset clause.

During April-September 2017-18, exports from these zones grew by 13 per cent to about Rs 2.67 lakh crore.

As on September last year, SEZs have attracted investments worth about Rs 4.49 lakh crore. Till December 1, 2017, the government has approved 423 SEZs, of which 222 are operational.

Last month, a commerce ministry-appointed panel has suggested that the Board of Approval, the highest decision making body for SEZs, should be given additional powers to exempt units and developers from certain rules to promote these zones.

Source: financialexpress.com- Jan 21, 2018

HOME

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How world's biggest producer of cotton is now threatened by bollworms

Chandubhai Patel, 56, has a sense of satisfaction that both his sons are educated —the elder, Vijay, is an engineer and the younger, Ajay, is waiting to pursue a higher degree after graduation. Like many other well-to-do cotton farmers in Saurashtra, Patel too engages labourers on a yearly contract basis, allowing him to avoid the drudgery of being in the farm every single day.

Other Cotton Woes in Gujarat

Fluctuation of cotton prices

Many farmers cannot afford to **stock cotton for a better price**

Availability of **spurious BT seeds** in the markets

Cheaper, **low-quality pesticides**

Only 40% cotton-cultivating area is under irrigation

Once in a while, he visits his farm in Vadod, egging his sons to accompany him, first to educate them on the nuances of cotton farming but more importantly to instil in them a sense of their legacy.

A little prodding and Patel tells you that he is not happy. Unreliable Bt cotton seeds, perennially low cotton prices, an uncaring political regime and, above all, the gulabi pest — the pink bollworm. To prove his point, he breaks one cotton boll after another to demonstrate the pink pestilence that has been the bane of his farming life.

Cotton in Saurashtra

Gujarat leads among nine major cotton-producing states in India; **Saurashtra produces 70% of Gujarat's cotton**

Total ginning mills 625

(ginning is a process that separates cotton fibres from cottonseed)

Spinning mills 125

out of which 100 export yarn

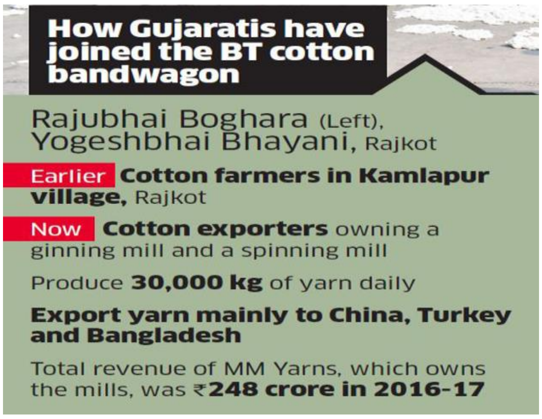
Source: Cotton Corporation of India, Cotton Advisory Board, media reports

"Before the pink bollworm menace, we used to produce 800 kg per bigha (2.5 bigha is equal to 1 acre), now we produce only 500-600 kg," says Patel, sipping cutting chai in his farm.
In between, he instructs the workers clearing a part of his cotton field to sow chickpeas. "This is the first time I am experimenting with a crop other than cotton."

In Junagadh, nearly 130 km south of Patel's farm, Dr LK Dhaduk and his 10-member team of cotton researchers accept that the pink bollworm is now resistant to genetically engineered Bt cotton.

It is partly because farmers do not follow the advisories, he adds. "We prescribe a number of measures to tackle the pink bollworm. But farmers in

Saurashtra have become too casual," says Dr Dhaduk of the Cotton Research Station housed inside the state-run Junagadh Agriculture University.



Farmers often ignore established pest control measures like pheromone traps that lure insects through chemical substances, and mix-cropping to reduce the resistance of a particular pest. Dhaduk, however, hopes that scientists — either with the government or in private companies — come out with an alternative Bt that can resist the pink bollworm.

Source: economictimes.com- Jan 20, 2018

HOME

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GST rate on velvet fabric reduced to 5%

The 25th Goods and Services Tax (GST) Council meeting, held under the chairmanship of finance minister Arun Jaitley, has recommended reduction of GST rate on velvet fabric (code 5801 37 20) from 12 per cent to 5 per cent with no refund of unutilised input tax credit.

The recommendation of the Council will be effective from 00 hours on January 25, 2018.

The Council, at its meeting in New Delhi, also decided that the late fee payable by any registered person for failure to furnish form GSTR-1 (supply details), form GSTR-5 (non-resident taxable person) or form GSTR-5A (OIDAR) will be reduced to fifty rupees per day and shall be twenty rupees per day for ‘nil’ filers. The late fee payable for failure to furnish form GSTR-6 (Input Service Distributor) shall be fifty rupees per day.

Taxable persons who have obtained voluntary registration will now be permitted to apply for cancellation of registration even before the expiry of one year from the effective date of registration.

For migrated taxpayers, the last date for filing form GST REG-29 for cancellation of registration has been extended by further three months till March 31, 2018.

On e-way bills, the GST Council said that the facility for generation, modification and cancellation of e-way bills is being provided on trial basis on the portal ewaybill.nic.in. Once fully operational, the e-way bill system will start functioning on the portal ewaybillgst.gov.in.

In addition, certain modifications are being made to the e-way bill rules which will be notified nationwide for inter-state movement with effect from February 1, 2018 and for intra-state movement with effect from a date to be announced separately by each state but not later than June 1, 2018.

The Council also accepted the report and recommendations submitted by the Committee on Handicrafts.

Source: fibre2fashion.com- Jan 20, 2018

HOME

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