USD 64.91 | EUR 75.42 | GBP 85.34 | JPY 0.57

<table>
<thead>
<tr>
<th>Cotton Market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spot Price (Ex. Gin), 28.50-29 mm</strong></td>
</tr>
<tr>
<td>Rs./Bale</td>
</tr>
<tr>
<td>18166</td>
</tr>
</tbody>
</table>

| Domestic Futures Price (Ex. Gin), October |
| Rs./Bale | Rs./Candy | USD Cent/lb |
| 18180 | 38028 | 74.83 |

<table>
<thead>
<tr>
<th>International Futures Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>NY ICE USD Cents/lb (Dec 2017)</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2018)</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
</tr>
<tr>
<td>Cotlook A Index – Physical</td>
</tr>
</tbody>
</table>

**Cotton & currency guide:** Cotton futures at ICE settled higher across contracts for the week. The average gains were around 2%. The December settled at 68.20 cents per pound. Likewise, the March contract ended the week at 68.11. The interesting fact is that the spread between the two contracts have narrowed down in last one week marginally from 11 points to 9 points however, during the week spread movement was volatile as it made a difference as high as 53 points. In fact trading volume in December-March has the highest pie this week in the total traded volume across contracts.

It is again clear evident that every time price moves down to 66s area there is hefty buying in the commodity in the form speculative interest or on-call sale fixation. However, on the other side market also continues to hold key resistance near 70 cents. Consequently, the broad trading range of 66 to 70 cents continues to focus in the market.
There are no changes in the aspects of fundamentals. Two major points that have been focused in the market, a) Weather condition being excessively cold in Texas region questions about the size of crop of in the US, b) Incentives to cotton farmers in Gujarat by government Rs. 500 per quintal for seed cotton remains at top story line.

**Currency Guide:**

Indian rupee appreciated by 0.2% to trade near 64.9 levels against the US dollar. Rupee has benefitted from general strength in global equity market amid optimism about US economy. Also supporting rupee is Indian government’s recapitalization plan. However, the US dollar remains supported by Fed’s rate hike expectations. Rupee may appreciate today on improvement in risk sentiment however gains are limited due to increased Fed’s rate hike expectations. USDINR may trade in a range of 64.8-65.05 and bias may be on the downside.

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

## INTERNATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China: Smart clothing’ industry takes on the world</td>
</tr>
<tr>
<td>2</td>
<td>How Leveraging Free Trade Agreements Can Improve Your Margins</td>
</tr>
<tr>
<td>3</td>
<td>Iran's Need for Foreign Trade Paradigm Shift</td>
</tr>
<tr>
<td>4</td>
<td>South Africa: SA Keen to Attract Investment</td>
</tr>
<tr>
<td>5</td>
<td>Turkey, Pakistan finalize free trade agreement talks</td>
</tr>
<tr>
<td>6</td>
<td>Good sourcing, Vietnam</td>
</tr>
<tr>
<td>7</td>
<td>Global brands sign contracts with Kenyan apparel units</td>
</tr>
<tr>
<td>8</td>
<td>Pakistan, Canada await joint study to boost trade</td>
</tr>
<tr>
<td>9</td>
<td>Turkey's annual textile, apparel exports nearing $30Bn</td>
</tr>
<tr>
<td>10</td>
<td>TPP nations seek to lay groundwork for broad agreement</td>
</tr>
</tbody>
</table>

## NATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apparel exporters flag post-GST issues before parliamentary panel</td>
</tr>
<tr>
<td>2</td>
<td>GST: Exporters set to get tax refund relief</td>
</tr>
<tr>
<td>3</td>
<td>Import duty on cotton, synthetic fabrics increased; Industry upbeat</td>
</tr>
<tr>
<td>4</td>
<td>GST has not helped garment exports: Traders to Parliamentary committee</td>
</tr>
<tr>
<td>5</td>
<td>Italian PM to visit India Today</td>
</tr>
<tr>
<td>6</td>
<td>SIMA hails hike in customs duty on imported polyester fabric</td>
</tr>
<tr>
<td>7</td>
<td>Apparel export body to investigate as UAE pips US, UK for top spot</td>
</tr>
</tbody>
</table>
INTERNATIONAL NEWS

China: Smart clothing’ industry takes on the world

NINGBO, China’s biggest clothing manufacturing center, is developing the industry through everything from bespoke clothing to smart technology and the Internet.

“Ningbo now has about 16,000 clothing companies, producing 1.5 billion pieces a year, with an annual output of 120.68 billion yuan (US$18.17 billion),” Dai Yun, deputy director of the Ningbo Economic and Information Technology Commission, told reporters at the 21st Ningbo International Fashion Festival last week under the theme of “Ningbo’s clothes for the world’s beauty.”

The four-day fair at the International Conference and Exhibition Center featured clothes from 239 companies from 12 countries and regions.

Various deals were signed during the fair, including US$1 million contacts signed between Ningbo Huaxia Garments Co and buyers from India and Middle East.

China is upgrading its industrial production as consumers demand better quality and more choices, and manufacturers are focussing on customers’ requirements for individual service.

“We already launched tailor-made services for men several years ago and this year we started doing that for women,” said Zhu Mengdi, a regional development manager of Romon Group, who is in charge of the company’s business in southwest China.

Zhu said his group targeted customers with relatively higher incomes — tailor-made suits cost about 3,000 yuan — and the high-end market, such as wedding outfit.

“We now have about six stores, each with one professional tailor, in Shanghai and Ningbo, which provide services for women,” Zhu said. “And more stores will open in the future.”
Other companies target the lower end of the market, but sometimes face a problem of perception.

“People have a stereotype that tailor-made clothing is a luxury item only found in up-market stores or from big-name brands,” said Zhuang Xuyong, technical director of Deifeiciga, a local brand offering bespoke clothing with their own store in Yinzhou District of Ningbo and their own factory located in Qiucun Town, Fenghua District.

“But a piece selling for 6,000 yuan from a big brand can actually be made for about 2,000 yuan,” said Zhuang.

**Smart manufacturing**

The broader apparel industry also faces the challenge of rising labor costs at home and the shifting of factories to counties with lower wages.

But Ningbo-based companies are turning to smart manufacturing, replacing labor with high-tech machines.

“Ningbo is the first city to pilot the ‘Made in China 2025’ project and the local government is investing a total of 13.3 billion yuan over the next three years to promote smart manufacturing and industrial upgrading,” said Chen Zhongchao, vice mayor of Ningbo.

Ningbo Cixing Co Ltd developed an automatic knitting machine that can complete a sweater in 45 minutes. The computer-programmed machine is fed by reels of threads.

“We now have sold about 180,000 such machines and have about 30 percent of the global market,” said Zhang Hong, a research and development engineer with Cixing.

Zhang said the machines can help manufactures reduce their workforce and a single worker can manage eight machines.

The Internet is also reshaping clothing retailing as e-commerce platforms take off and self-service shopping becomes increasingly popular.
“E-commerce has bounded ahead in recent years,” said Liu Xin, deputy director of the industry department of the China National Textile and Apparel Council.

**E-commerce taking off**

The volume of clothes sold on the Internet grew about 20 percent year on year between January and August this year, according to Liu.

“Our trade volume on the Internet has reached 2.5 million yuan per day and accounts for about 40 percent of the company’s whole trade volume,” said Ye Qiaokun, the development manager of Tonlion, a brand under Ningbo Beyond Fashion Group Co Ltd.

With the increasing popularity of e-payment through mobile phones, self-service shopping is becoming another hot trend in China’s retail sector.

Ningbo Cixing has developed a self-service machine selling shoes. The shoes are put on the shelves inside the box-shaped machine and people can see examples through the glass fronting the cabinet. A touch screen allows them to choose size and color and pay by Alipay or WeChat by scanning the QR code displayed on the screen after they make their choice.

“The machine has not been put into the market. But we are finding the best locations to place them,” said Zhang.

Source shanghaidaily.com - Oct 29, 2017

***************

**How Leveraging Free Trade Agreements Can Improve Your Margins**

Free trade agreements and foreign trade policies are making headlines more than ever in the past few years, especially the renegotiation of the North American Free Trade Agreement (NAFTA).

It has been a slow and often contentious process with meetings planned for mid-November, but all signs indicate it will drag well into next year.
Apart from NAFTA, the Trump Administration is still not showing any forward activity toward new bilateral trade agreements with other nations. And meanwhile, the European Union has struck numerous bilateral agreements with major economies that will be beneficial for all parties involved.

For those doing business globally and facing high duties in their target markets, leveraging free trade agreements is an attractive option to improve margins. Similar to FTAs, trade preference programs offer sourcing opportunities to support developing economies by granting duty-free access to the U.S. market – a lucrative offering for those exporting economies and importers seeking lower cost of goods.

**Many U.S. companies are risk-averse**

Despite the appeal of cost-savings and entry into new markets, FTAs and preference programs aren’t well-utilized in many industries. Dr. Sheng Lu, from the Department of Fashion and Apparel Studies at the University of Delaware, recently reported in the United States Fashion Industry Association’s (USFIA) Annual Sourcing Benchmark Study, that the utilization of major FTAs continues to fall year over year. The report suggests it is increasingly common for U.S. companies to give up the duty-saving benefits even when they source apparel from regions where trade agreements are in place.

“Most of the FTAs/trade preference programs enacted by the U.S. and its trading partners remain underutilized in 2017,” said Dr. Lu, “and, as a matter of fact, many of them are utilized even less by U.S. fashion companies than previous years conducting this study.”

Dr. Lu reports that companies point to the strict, complicated rules of origin and heavy documentation requirements for programs as deterrents to taking advantage of the duty savings offered by FTAs and preference programs.

The study confirms that many executives feel that FTAs aren’t “worth the time and resources required to comply with programs and obtain the required documents from the suppliers.”
Recent Amber Road sponsored surveys confirm similar responses across multiple industries. According to the American Shipper report, Bridging the Sourcing-Global Trade Divide, outside of NAFTA, usage of other U.S.-centric trade deals lag. Respondents cite a lack of trade agreements in the regions where sourcing is prevalent as the primary reason.

As companies struggle to distinguish themselves from the competition and fight against the threat of e-commerce, utilizing FTAs and preference programs can be a strategic sourcing decision that pays off.

**The rewards are tangible**

As of 2017, there are over 500 trade agreements in force around the globe; the U.S. alone has trade agreements in force with 20 markets around the world. Each of these represents an opportunity for growth, both strategic and economic. One of the most fundamental, but impactful, global trade initiatives a company can undertake is sourcing optimization to make the most of duty savings programs like FTAs and trade preference programs. Sourcing decisions based on FTA eligibility can deliver rewards in more than one area.

- **Increased margins:** Most companies base their sourcing decisions on commodity price alone, but if they factor in duty rates associated with free trade programs, they may find it is actually cheaper to source in another country. Duty savings programs can save importers and exporters many millions of dollars annually, directly affecting the bottom line.

- **Supplier base diversification:** Long-term sustained success of companies is hugely dependent on the resiliency of their suppliers. Companies can use diversification to mitigate potential risk and disruptions, while chasing the opportunity to save on product costs through duty savings at the same time.

- **Support to developing regions:** GSP programs support economic growth and development in beneficiary countries by helping these countries to increase and diversify their trade with the U.S. and other nations. Providing duty-free treatment for designated products, the cost savings are supplementary to the support your company provides to the sourcing regions’ economy.
The case for automating FTA management

Complying with the requirements of any trade agreement without automation can be difficult and expensive, with high risk of manual error. Finished goods must satisfy rules of origin (ROO) applicable for a given preferential agreement to qualify. The complexity of the rules varies with the finished goods’ classification. In addition, special provisions for certain products, like light & heavy automotive manufacturers in NAFTA, present additional challenges to meet the qualification criteria for passenger vehicles and trucks.

Obtaining preferential certificates from suppliers, verifying the accuracy and making sure the products are truly compliant is tedious work. Additionally, the non-availability of preferential certificates or certificates issued with incorrect data can ultimately impact a company’s financial tally sheet. Automating the FTA qualification process in a real-time manner provides for the ability to make accurate trade preference claims at the time of border crossing. Thus, eliminating the need to pay duties and recoup some of those duties through reconciliation later – creating much better cash flow and direct hard dollar savings.

Companies that deploy a global trade management platform, when combined with real-time global knowledge about trade regulations, can streamline the process of qualifying goods under FTAs. Among the benefits of deploying an FTA solution, companies can: automate and centralize the process for obtaining origin information from suppliers; qualify goods for multiple trade agreements with comprehensive BOM analysis; generate import documentation for customer entry; and annotate commercial invoices for exports.

Moving ahead

Even with protectionism on the rise, the real tide of global trade can’t be turned by even a few leaders who see it as the enemy. Just look to Brexit. With, in theory, a year to go before the U.K.’s divorce from the EU is finalized, countries around the world are clamoring to be first in line to create new trade agreements with the U.K. While uncertainty remains around the future of NAFTA, it represents one of the largest regional trading blocs in the world, and a positive outcome of the renegotiations will

www.texprocil.org
only serve to benefit companies that take early advantage of its cost-savings opportunities.

Jumping into the FTA pool now might be seen as a significant effort, but when applied correctly, with the proper automated GTM solution to power the intricacies of qualification and compliance, global companies will be well positioned to enjoy the rewards that can add up to millions of dollars saved.

Source: sourcingjournalonline.com- Oct 28, 2017

Iran's Need for Foreign Trade Paradigm Shift

The ubiquitous debate over Iran’s shaky foreign trade and non-oil exports surfaced once more when H1 trade statistics were out last month, showing a 3.2% decline in exports and a 15.37% rise in imports year-on-year.

The data also indicate that the country has a negative trade balance of around $3.05 billion.

Interestingly, the main reason for Iran’s meager amount of exports compared to its capacities, Mohammad Reza Modoudi, the deputy head of Trade Promotion Organization of Iran for goods and services export promotion, told Financial Tribune, is the fact that almost everything is being produced in the country.

“After the Islamic Revolution of 1979, we faced a series of problems on the international scene. The economic limitations imposed on us created difficulties in providing and supplying goods for the country. On the other hand, there was the issue of high unemployment and the government needed to create jobs for the growing population,” he said.

“Therefore, we turned to domestic production and endeavored to become self-sufficient in supplying our own demands to bypass international pressures and be minimally affected by the world’s unfriendly approach toward us.”
What happened at that point, he added, was that almost all officials gathered force to limit imports in a bid to support local production. They started issuing permits for small businesses to be launched throughout the country with the stated aim of becoming self-sufficient and generating jobs. “Self-sufficiency is good and praiseworthy, but only when there is a clearly defined strategy behind it,” he said.

**Scarce Trade Agreements**

Modoudi says according to research carried out by the World Trade Organization and its data regarding global trade, nearly half of all trade pertains to exchanges between countries that have regional trade agreements.

“It is interesting to know that the share of Iran is only 3% (that is, it has trade agreements with only 3% of its trade partners),” he said.

Iran has preferential trade agreements with only six countries, namely Turkey, Pakistan, Uzbekistan, Tunisia, Cuba and Bosnia and Herzegovina, while having only one free trade agreement with Syria.

A limited number of goods are only exported from Iran to Afghanistan on preferential tariffs.

Iran became an observer member to World Trade Organization in 2005, but WTO failed to assign a group chairman to discuss Iran’s foreign trade regime, due to the opposition of the US that has been hostile toward Iran ever since the 1979 Islamic Revolution.

Mojtaba Khosrotaj, the head of Trade Promotion Organization of Iran, said in August that joining WTO is no longer a priority amid America’s aggressive Iran policy under US President Donald Trump.

“Our priority is now to increase cooperation with neighboring countries and those in the region, which offer the most benefits to us,” he said.

Not being a WTO member, Iran has been banking on preferential trade agreements with the limited number of countries it has strong economic trade ties with.
Ill-Founded Trade Policy

“Why is it that we have preferential and free trade agreements with only a few countries? Today, if we want to expand foreign trade, we need to understand that exports and imports are two sides of the same coin and go together. Trade is a two-way road. We can’t say that we only want to export and not import anything in return. Based on this viewpoint, all countries would only want to export their goods. This way trade will come to an end,” Khosrotaj said.

“Therefore, I think we should be cautious when speaking of ‘import management’. If not properly conducted, this could fling us into a pit of strategic mistakes for which we’ll have to pay for. When speaking of trade, we mean that in return for a part of the other country’s market, we agree to give them a part of our own.”

The TPO chief noted that what happens in trade negotiations, the country offers to export oil and gas, along with chocolate, dairy, cement and steel.

“They say they want to sell us textile. We say we’ve already got a textile industry that can meet the domestic demand and imports will hurt our business. They say we want to export rice.

Our response is that we cultivate rice ourselves and imports are banned because we want to support our local farmers. They propose to export mangoes, but that’s a no-go again because people will shift to eating mangos and our apple market, for example, will be hurt.”

Khosrotaj stressed that you name it, Iran produces it and by saying that imports will cause damage to local production, talks come to a dead end.

“This is the reason why we can’t succeed in signing trade agreements with other countries. As such, when we fetter imports, exports are hampered as well,” he said.
No Competition to Incite Growth

Modoudi noted that development of Iran’s industries is impeded because they don’t feel the need to compete with better, more up-to-date products, as the country’s 80 million market is sufficient to consume the products of the small units founded using minimal investment.

“This way, we deprive ourselves of modern technology and potential foreign investors are discouraged from bringing their capital into our industries because at any given time, when the Iranian economy faces turmoil their activities will be the first thing questioned,” he said.

Due to these handicaps, the official said, neither Iran’s domestic market has found a proper modern form, nor has its foreign trade structures assumed global standards, making consumers unhappy in the bargain.

“So we are at our wit’s end here. We want to change but instead we are going round and round a vicious circle. We have to take into account that our resources and capacities are limited. The government needs a change of perspective,” he said.

No Export Orientation

Modoudi further said that the capacity defined for small production units after the revolution was to supply goods for a town, if not the province they were located in, and they were geared to meet domestic demand and no more.

“We found ourselves in a situation where there were countless small units producing goods, yet not in an industrial or economically viable scale. Back then, it was frowned upon if an official abstained from signing a business permit or questioned the feasibility of the projects. But the problem was that there were unfortunately no strategies or principles underlying these issued permits,” he said.

“Basically, during those years, no one thought of embarking upon production with the prospect of entering the international markets. The exception was a very small number of industries that were launched using government resources such as the oil, gas, copper, steel and petrochemical industries. So, our production was not export-oriented.”
To have export-oriented products, a lot of factors, including end price, productivity, research and development, market study and marketing, design and brand creation come to mind. Since all of these are capital-intensive, small units cannot and do not invest in them.

“Later, the domestic market got saturated with all these goods and producers faced a shortage of demand. What happened next was that they now wanted exports to solve their problems. But did their products measure up to international standards? No. Did they have the factors necessary for them to compete in the global market? Again, no,” Modoudi said.

He stressed that one of the main tasks facing Iranian industries is to upgrade these units and help them produce goods fit for exports, which is not an easy task.

**H1 Fall in Exports Scrutinized**

“At present, everyone is criticizing the trade figures for the first half of the current year (March 21-Sept. 22), saying why haven’t we arrived at the 21.7% rise in exports targeted in the Sixth Five-Year Development Plan (2017-22) for this year. But no one is considering the fact that growth has its requirements,” he said.

“It is stipulated in the fifth and sixth five-year development plans that in order to arrive at the expected growth rates, investments must be made in the related infrastructures and production capacities must be expanded. It is utterly meaningless to expect production units that are dealing with the same problems they had last year to generate growth in the current year. How can this come about?”

Modoudi said that after the implementation of the nuclear deal, formally known as the Joint Comprehensive Plan of Action, Iran experienced an increase in exports.

The reason behind this, he explained, was not that the country had an immense production capacity or that it was given the opportunity to use it to the fullest.
“No, this was not the case. Rather, over the sanction years, domestically produced goods had piled up in warehouses because our international trade activities were hindered. With the lifting of sanctions, we were able to sell those products and therefore, there was a rise in our export figures,” he said.

The official pointed out that during the first half of this year, exports declined, not due to the failure in maintaining production levels or export markets.

“We did some research on the products that showed a sharp export decline such as copper cathodes, pistachio, iron and steel and some oil products, and realized that our warehouses were empty,” he said.

Modoudi noted that Iran’s production capacity is limited and cannot keep up with international demand.

“Producers say that even if we work at our full capacity this year, we will still not be able to repeat last year’s records. So I must say that except for a few fields like cement or tile and ceramic industries, we have not as yet created the required production and export capacities and the investments made until now were to meet the domestic demand,” he said.

Modoudi concluded that overprotection of local production, though commendable on the surface, can in fact damage trade and the domestic market when it is conducted without planning and strategy.

Source: financialtribune.com- Oct 29 2017
South Africa: SA Keen to Attract Investment

Ambassador Nomasondo Sibanda-Thusi says South Africa invests in international trade and investment missions so as to attract investment. "As representatives of the government of South Africa, we are entrusted with the task of enhancing political and economic relations between the countries we are posted to.

"Our task is to promote cordial mutual bilateral relations that will enable us to position South Africa as a country of choice for bilateral trade and investment," said the country's Ambassador to Russia.

Sibanda-Thusi was speaking to South African businesspeople, who were attending the last day of the Investment and Trade Initiative (ITI) in Novosibirsk, Russia, on Thursday.

Organised and funded by the Department of Trade and Industry (dti) the ITI, which got underway on Tuesday, was aimed at increasing exports of agro-processing and clothing and textile products, among others, to the Russian market.

Twenty South African companies participated in the mission.

Ambassador Sibanda-Thusi said government invests in trade and investment missions because companies that participate in these missions are able to contribute to growing the economy of South Africa and creating jobs that the country needs very much.

"We identify markets where opportunities exist for the South African value-added products in particular, to be exported to. Once the companies find new export markets for their products, they increase their production which assists in saving jobs, and creating new job opportunities.

"That is the reason why we as government invest in these missions because their positive impact on our economy is far-reaching," she said.

Businesspeople in the agro-processing, and clothing and textile sectors spent the last day of the ITI visiting two supermarkets with the aim of identifying opportunities of supplying them with products from South Africa.
Fresh Produce Exporters Forum Anton Kruger said he is confident that more produce could be exported to more supermarkets in the Novosibirsk region of Russia.

Source: allafrica.com- Oct 27, 2017

Turkey, Pakistan finalize free trade agreement talks

Turkey and Pakistan have finalized negotiations on free trade agreement (FTA), and wished to sign the deal as soon as possible, Turkish Customs and Trade Minister Bulent Tufenkci said on Friday.

"I believe that trade relations with Pakistan will and must boost," Tufenkci said in a statement after meeting with Pakistan's Commerce Minister Muhammad Pervaiz Malik accompanied by a delegation.

He highlighted that Turkey attaches the importance to a proposed regional trade corridor linking Islamabad, Tehran and Istanbul.

Turkey and Pakistan inked the FTA Framework in the Pakistani capital Islamabad last March.

Trade volume between the two countries stood at around 610 million U.S. dollars in 2016, according to the Turkish Statistical Institute.

Turkey mainly exports Pakistan telecommunication equipment, television, textile and machinery, and imports textile yarn, cotton fabrics, plastics and organic chemicals from Pakistan.

Source: xinhuanet.com- Oct 28, 2017
Good sourcing, Vietnam

Vietnam is evolving as an attractive sourcing destination for clothing and footwear retailers, even against the broader shift to “near shoring” for speed to market. Drapers finds out why.

Although mainland China is still the most established market for the UK for clothing imports, accounting for £4.1bn in 2016, it is cooling as labour and operating costs rise.

As brands and retailers diversify their production resources, neighbouring Vietnam is becoming more appealing as an alternative to its rivals in Asia. Since the south-east Asian country joined the World Trade Organization in 2007, it has steadily expanded its export capabilities in clothing manufacturing.

A free trade agreement with the European Union is set to take effect in 2019, so sourcing from the region will inevitably accelerate. Its stable economic and political environment, and relatively clean record on compliance with safety and other corporate social responsibility (CSR) obligations could give it an edge on nations such as Bangladesh and Turkey.

H&M, Uniqlo and Marks & Spencer are among the retailers to have turned to Vietnam for their core suppliers. It is a relatively new market for M&S, which opened a direct sourcing office in Vietnam in 2015, focusing on footwear and tailoring.

In March M&S reported it employed around 41,800 workers across 21 Vietnamese factories for clothing, footwear and accessories. Its clothing and home suppliers employ a total of 766,717 workers in 960 factories globally.

Vietnam has long been a key sourcing market for US retailers. The UK shares deeper ties with India, Bangladesh and Pakistan, but Vietnam is starting to gain ground.

In the UK Fashion and Textile Association’s (UKFT) first clothing import rankings in 2016, Vietnam was 13th with a value of £492m. Figures previously reported by Drapers put the value of the country’s imports at £435m in 2015, growing from £226m in 2010.
UKFT international business development director Paul Alger predicts it will climb further up the top 20 this year: “Retailers will seek the cheapest possible option,” he says, observing that businesses have been turning to Vietnam in particular for finer work such as bridalwear and occasionwear.

“Sourcing from Vietnam in the UK has been coming along over the past five years as other countries, namely China, have become increasingly expensive. It also seems to be more flexible than China, which is more of a volume player and not as good with smaller orders. Vietnam is entrepreneurial and seems to have a stable government.”

Nevertheless, its population of around 90 million and relatively underdeveloped infrastructure means Vietnam has a way to go before it can compete with China and India on scale and efficiency.

“Vietnam’s capacities are limited compared with China and India,” says Alger. “While it has expanded exponentially, it’s not a big country. Other challenges are transport and logistics costs: it doesn’t fit with the near-shoring agenda.”

**Ethical appeal**

A renewed ethical focus is also starting to make Vietnam relatively attractive as a sourcing destination. After a string of high-profile scandals, including the 2013 Rana Plaza factory collapse in Bangladesh, western brands and retailers are profoundly aware of the need for thorough CSR and compliance policies at production sites.

Only China has more factories requesting accreditation for compliance from US-based independent certification programme World Responsible Accredited Production (WRAP) than Vietnam.

Laura Morroll, senior manager at Berkhamsted supply chain consultancy LCP Consulting, says although the scales are tipping towards Europe as the pace quickens on near-shoring, Vietnam remains “a sensible bet” for retailers’ core product ranges with predictable demand profiles, where speed to market might not be as much of a factor.

“In terms of the criteria for apparel retailers in deciding where to source from, price is key, but so is the capability and ability to manage production and risk,” she notes. “From a CSR point of view, Vietnam is a fairly safe and
established market to source from – it’s a safe pair of hands compared with other emerging markets.”

The UKFT’s Alger agrees: “I can see UK brands and retailers looking at Vietnam and wondering if it will solve their problems, as concerns over ethical issues in Bangladesh continue.”

Social and business compliance, however, carries a premium, and labour costs in the country are set to rise. Vietnam’s National Wage Council announced in August that the minimum wage may rise by 6.5% in 2018 to VND2.76m-VND3.98m (£92.10-£132.93) per month.

One boss at a supplier that sources textiles from Vietnam also suggests certain “political difficulties” have led to higher-than-expected costs: “Businesses had turned to Vietnam in recent years for cheaper prices, on the promise that there would be 0% [import] duty rates, but that hasn’t happened,” says the source, who does not wish to be named.

Morroll believes this will not deter retailers, as the cost increase will be offset by the benefits made from government-led investment in transport links and infrastructure, on top of foreign investment in new plants and manufacturing facilities. Improved infrastructure would also help to reduce the longer lead times caused by the market’s need to import most raw materials to cut and sell.

“Increasing labour rates may have implications in rising costs in Vietnam, but as a country it is making significant investment in technology and infrastructure, so the increase in labour rates would be balanced with this efficiency gain,” she says.

**US sourcing gains**

Vietnam is now second only to China for garment sourcing in the US. It grew by 18% to account for $1.1bn (£842m) of US clothing imports in January 2017, and by 17% to $495m (£379m) in footwear imports, the US Department of Commerce’s Office of Textiles and Apparel reports.

US manufacturing trade show Sourcing at Magic chose Vietnam as its focus country for its latest edition in August, citing its rapid export growth, and showcased more than 40 Vietnamese manufacturers.
Sourcing at Magic president Christopher Griffin says: “We see tremendous quality, great needlework and attention to detail. The entrepreneurial spirit is robust, especially in the south and Ho Chi Minh City.”

Griffin adds that for the US, Vietnam is particularly strong in producing footwear and clothing for the burgeoning athleisure market.

Despite the US’s well-documented withdrawal from the Trans-Pacific Partnership free trade agreement earlier this year, which dampened Vietnam’s hopes for a meaningful export boost, Griffin is confident that Vietnam will remain a key global sourcing player. He argues its position on compliance has played a significant part in ensuring its competitiveness.

“Looking at the safety record of [factories in] Vietnam, the facts speak for themselves,” he says. “In Bangladesh in particular, there are issues with worker safety where the industry has tried to band together and address them, but they continue.

“And for any brand, even without the human aspect regarding safety, it’s a PR nightmare to have tags in a factory that isn’t safe. Statistically, Vietnam has been proactive on compliance and safety issues, so it hasn’t been caught in this.

“Vietnamese sourcing can be quite bureaucratic and a bit slow. But when you weigh out the risks, Vietnam represents a very evenly balanced market.

“It has low domestic strife, is stable, has an established base in the south and is growing in the north. I believe more brands and retailers will look at it in the short term. Its momentum shows no signs of slowing.”

Source: drapersonline.com- Oct 28, 2017
Global brands sign contracts with Kenyan apparel units

Top global fashion brands are raising the profile of Kenya’s export processing zones (EPZs) by signing production contracts with apparel manufacturers there. Calvin Klein, Arrow, Izod and Cherokee are some such labels that have signed such contracts. These brands are looking to source more of their clothing items from Africa to reduce their reliance on Asia.

Many brands, such as Hennes & Mauritz (H&M), started local production in 2014 at Ashton Apparel. Hela Clothing, a new EPZ firm with 1,500 workers, is manufacturing Calvin Klein underwear and plans to double its workforce, according to a report in a Kenyan newspaper.

New Wide Garments is manufacturing Arrow and Izod labels and employs more than 7,000 workers. Global EPZ, with 1,500 employees, produces Cherokee clothing brand.

Increased contract manufacturing in the country is expected to boost textile and apparel exports whose earnings and production has dropped significantly from its peak in the 1980s.

Compared to 52 mills in 1984, Kenya now has 21 mills operating at a capacity of less than 50 per cent, according to the African Cotton & Textile Industries Federation.

Source: fibre2fashion.com- Oct 28, 2017

******************

Pakistan, Canada await joint study to boost trade

Pakistan is awaiting a go-ahead from Canada to establish a joint study for removing hindrances for promoting bilateral trade between the two countries.

Both sides had agreed a few years ago to establish a joint study to identify road blocks affecting businesses and exploring ways to promote bilateral trade.
In 2017, Pakistan and Canada have established a joint working group (JWG). Since then, only two meetings of the JWG have been held.

An official told Dawn that Islamabad has already handed over terms of reference (ToRs) for the establishment of this joint study to Canada in the second meeting of JWG.

“We are awaiting Canada’s response in this regard”, he said.

Official data compiled by the commerce ministry showed that balance of trade was in favour of Canada from 2006-07 till some time, owing mostly to the imports of oil seeds and machinery.

However, imports from Canada faced a shortfall in 2012-13 as well as 2013-14 mainly due to decrease in imports of oil seeds, aircraft equipment and parts, machinery, vegetables and vegetable preps.

Now, from 2014-15 till 2016-17 again, the balance of trade has swung back in Canada’s favour.

From the global perspective, Pakistan’s share in Canadian global imports of $471 billion is negligible, being $224 million only.

According to official sources, the low share is due to Canada’s inclusion in Nafta with the US and Mexico. Bangladesh, was also the beneficiary of the Canadian GSP scheme.

As a result of the Canadian GSP, Pakistan’s textile and clothing products are at a disadvantage, said the official, adding, this also resulted in steep drop in the overall exports to Canada.

Canada is one of the countries identified by TDAP for export promotion, as Pakistan’s exports to Canada have shown an increasing trend since 2009.

“We may request the Canadian side to work in coordination with TDAP for promotion of a select potential products for the Canadian market, particularly agro-processed food, seafood, apparel, gems and jewellery etc”, the official said.
Commerce ministry is also working on a proposal to develop the entire value chain of dates in consultation with the relevant stakeholders.

One of the major hindrances in the promotion of trade was change in the visa regime. The visa regime of Canada vis-a-vis Pakistan has become strict and visa rejections have increased. This needs to be looked into to increase people-to-people contact, added the official.

Further, blanket travel advisories issued by the Canadian government discourage businessmen from travelling to Pakistan. It would be more helpful if area specific travel advisories are issued instead of one travel advisory for the entire country.

Pakistan’s major items of exports to Canada are rice, articles of textile and clothing (knitted and crocheted), hosiery, medical/surgical instruments, sports goods, jewellery, iron and steel manufacturing. Thereof, fruit and fruit preps, spices, carpets, synthetic fabrics, chemicals, and cotton yarn.

Source: dawn.com- Oct 29, 2017

************************

Turkey's annual textile, apparel exports nearing $30Bn

Turkey's textile and apparel exports are approaching $30 billion annually, while $7.5 billion of this amount comes from Merter, a district in Istanbul known for its ready-to-wear textiles.

Merter Industrialists' and Businessmen's Association (MESIAD) Chairman Yusuf Gecü announced the latest statistics yesterday, adding that the district exports textile and apparel products to 215 countries around the world.

Gecü noted that all medium and large textile and apparel manufacturers in Turkey have a store or showroom in Merter. He said that there are 10,000 stores in the region and that the number of people directly employed in these stores has reached 100,000.

The chairman stressed that it is important to reach this employment figure in a region where only the promotion and sales of a labor-intensive sector, such as textile, are conducted.
He also stated that the number of employees in the production of these brands is much higher and that 80 percent of the textiles and apparel manufacturers in Merter produce outside the region.

Meanwhile, he pointed out that Merter welcomes 3,000 importers every day from 60 countries in the Middle East, Africa, the Turkic Republics, the Far East and especially from the U.S., Russia, Europe and Gulf countries. "We are the first to come to mind in terms of textile. Turkey is already the shining star of the world in the textile and apparel sector.

No matter where in Turkey, our producers are selling from here," he said. Merter's exports amount to 25 percent of annual textile and apparel exports in the country. He said that Turkey's 2023 goal is to exceed $50 billion in exports, adding that they aim to make up $15 billion of this figure in Merter alone.

Gecü said that Turkey's average export value per kilogram is around $1.7 and that this figure reached $15 in apparel and $5 in textile. He pointed out that they continue to work on further increasing these figures.

He explained that Turkish goods are perceived abroad as cheaper than Europe and much better quality than China. He said this perception was placed in the minds of consumers particularly in Russia, Turkic Republics, African, European, Middle Eastern and Gulf countries.

"We will combine quality product with design and deepen markets," Gecü said.

Gecü noted that the Turkish textile industry, which closely follows all the fairs in the world and participates in the events, closely monitors fashion and that this is how they can easily bring the latest trends to consumers. He emphasized that Turkey is among the few countries in the world in terms of producing quality denim jeans and knitted products. To conclude, Gencü said that Turkish producers are also working their way to becoming top brands themselves.

Source: dailysabah.com- Oct 29, 2017
TPP nations seek to lay groundwork for broad agreement

Chief negotiators from the remaining 11 signatory nations of the Trans-Pacific Partnership free trade agreement are set to start three-day talks in Urayasu, Chiba Prefecture, on Monday.

They hope to complete the final stages of the negotiation so that a broad agreement can be reached at a summit meeting of the Asia-Pacific Economic Cooperation forum in November.

The focus of the talks scheduled to start Monday was to be New Zealand and Vietnam. New Zealand’s new administration is wary of the TPP, and Vietnam has consistently been dissatisfied with the idea of discussions without the United States.

“We plan to make progress in the final stages of the talks, aimed at reaching a conclusion,” Toshimitsu Motegi, minister in charge of economic revitalization, said at a press conference on Tuesday.

Since the United States left the signed accord, the 11 nations have been negotiating over temporarily freezing some items to reflect U.S. demands. Most of the nations want to leave the agreement unchanged to prevent prolonging the negotiations. If the United States wanted to rejoin the TPP in the future, the frozen items could be opened up again.

So far, there have been requests to freeze about 50 items, including one that would set the duration of copyrights on works such as movies, a field in which the United States is strong, to “at least 70 years.” Japan wants to reduce the number of items by half in the meetings in Chiba, sources said.

The 11 nations plan to hold summit and ministerial meetings on Nov. 10 and 11 in Vietnam’s Danang, on the sidelines of the APEC summit meeting. Japan wants the pact to go into effect soon, and hopes that final decisions on what items to freeze can be made at the ministerial meeting, so they can announce to their leaders that a broad agreement has been reached.

However, Mexico has expressed uncertainty about the agreement. “One or two countries may have different opinions,” Mexican Economy Minister Ildefonso Guajardo said.
Vietnam, which was hesitant about a TPP without the United States, finally presented the official list of items it wants frozen in late October. Vietnam’s large textile industry had been counting on increased exports to the United States, so it appears to be demanding that rules on removing tariffs on textiles be relaxed so it can increase its exports to other countries. Negotiations over this issue are expected to be difficult.

New Zealand inaugurated a new administration in October under Jacinda Ardern. The new government has been investigating the prospect of revising parts of the TPP.

“Whether it’s TPP or any other agreement, it’s making sure we have the ability to ban foreign buyers from buying existing homes in New Zealand,” Ardern said in a Reuters report from Thursday.

This indicates New Zealand will demand the accord be revised to make it possible to suppress speculative investments by foreigners. If this revision is allowed, the negotiations would have to go back to square one.

Source: japan-news.com- Oct 29, 2017
NATIONAL NEWS

Apparel exporters flag post-GST issues before parliamentary panel

Apparel exporters have brought up the problems faced by them post GST before a parliamentary panel, signalling the “strong likelihood” of a decline in garment shipments from India and possibility of job losses.

The Apparel Export Promotion Council (AEPC) made a presentation to the Parliamentary Standing Committee (Rajya Sabha) on Commerce chaired by Naresh Gujral earlier this week.

The body pressed for early consideration of tax refunds blocked on the purchase of ginned cotton (agricultural inputs such as agricultural machinery, seeds, fertilisers, power, diesel and the like) and miscellaneous central or state levies like power cross subsidy, stamp duty, property tax and other levies for refund under Rebate of State Levies.

The council also drew the attention of the committee members to the issue of extension of exemption of IGST on import under EPCG (Export Promotion Capital Goods) or Advance Authorisation from March 31, 2018 to December 31, 2018, in order to provide a longer window for investment decisions.

It also asked for allowing utilisation of MEIS (Merchandise Exports from India Scheme) scrips for use in payment of CGST, SGST and IGST to ease the challenges of working capital blockage and other procedural issues. To arrest the decline in exports, the AEPC suggested that the competitive exchange rate and rupee appreciation be stabilised to protect the interest of exporters.

“The positive impact of GST is yet to be felt by garment industry where input costs have not come down. Overall effect of GST on apparel exporters, especially small and medium exporters, is burdensome and stressful due to substantial increase of working capital and higher transaction cost,” AEPC Chairman Ashok Rajani said. “It has not only impacted the production of apparel adversely, but has also led to pressure on margins for exporters due to lowering of drawback rates.”
The council, according to him, has informed the parliamentary panel that under the prevailing circumstances, there is a strong likelihood of exports from India dipping in the near future, as the global garment industry is very competitive.

“Further, competing countries like Bangladesh and Vietnam have cost advantages on account of preferential trade agreements with major export markets, and buyers are moving to these destinations for sourcing. This could have a cascading effect on the job scenario as exporters will be forced to shed jobs,” Rajani added.

Source: financialexpress.com- Oct 29, 2017

*****************

GST: Exporters set to get tax refund relief

In a big relief to exporters, the government is set to restore a majority of benefits under the drawback schemes, meant to reimburse taxes paid by exporters, the latest move aimed at fixing glitches that have emerged since the roll out of the goods and services tax (GST) almost four months ago.

Exporters have been complaining that the new duty drawback rates have severely eroded their competitiveness, already hit by a higher working capital requirement due to absence of timely refunds, resulting in a massive shift in orders to other countries and causing widespread job losses in sectors such as textiles and leather.

The distress has acquired a sharper salience ahead of the Gujarat election.

Though a committee headed by former home secretary G K Pillai is looking at various options, including proposing refunds of some state levies, the government has decided to go ahead and revise drawback rates, sources told TOI.

Several ministries such as textiles and commerce and industry have taken up the issue with finance ministry and a decision could be announced as early as next week, sources said.
For cotton and viscose textiles, the change in the duty drawback rates and refund of state levies (ROSL), which was in the range of 11-13% has now come down by 8-9%, garment exporter H K L Magu told TOI. "There was a spurt in shipments since exporters had the option to use the earlier drawback rates till September. In October you will see a significant fall in garment exports," he said.

A Noida-based garment exporter who deals with global firms such as Zara and other top brands said the change in the drawback rates has pushed up the cost of his products from $8 to $8.80, which led to some foreign buyers opting to turn to Vietnam and Bangladesh, which already have a labour advantage.

"A lot of exporters had contracted based on earlier rates. Because of GST has come down drastically, many of them are complaining about loss of competitiveness affecting them as the orders placed in May or June will see supplies till December-January.

As a result we have sought restoration of drawback. Plus, the problem with GST refunds is persisting and a restoration of the rates will reduce the pressure on GST refunds," said Ajay Sahai, director general of the Federation of Indian Export Organisations (Fieo).

Source: timesofindia.com- Oct 29, 2017

Import duty on cotton, synthetic fabrics increased; Industry upbeat

Heeding to the long pending demand of stakeholders in the textile industry, the Ministry of Finance, Government of India on Friday finally decided to increase the import and custom duties on man-made, synthetic and cotton fabrics and yarn of various categories.

According to an official notification released on Friday by Mohit Tewari, Under Secretary to the Government of India, a copy of which is available with ummid.com, Ministry of Finance, Department of Revenue has increased the import duty on Cotton Fabrics of various qualities from the existing 10% to 25%.
The Finance Ministry has also increased the Custom Duty on imports of Synthetic Woven Fabrics of various qualities, Other Woven Fabrics, Synthetic Filament Fabric, Artificial Filament Fabric and Artificial Woven Fabrics from the existing 10% to 25%.

The Finance Ministry has also increased the Custom Duty on imports of Syn Texturized Yarn, Artificial Texturized Yarn, Synthetic Yarn, PSF, VSF and Artificial Yarn from the existing 10% to 20%.

The Custom Duty on imports of Comber waste has been hiked from the existing 15% to 25% whereas that of Cotton Fiber has been revised to 25% from the existing 10%.

The revision in Custom Duty on the imports of Synthetic and Cotton Fabric is in line with the demand put forth by the stakeholders immediately after Smriti Irani took over the charge as Union Textile Minister and also during various meetings she held with the industry representatives.

The demand to impose anti-dumping duty on imports of fabric from countries like China, Malaysia, Indonesia and SAARC countries were also raised when Smriti Irani launched Power Tex India on April 01, 2017.

In writing and during verbal conversations with Smriti Irani and officials of the Ministry of Textiles, industry representatives had explained at length how local textile manufacturers were finding it difficult to compete with countries like China because of low import duty.

The industry was shaken when after the imposition of Goods & Service Tax (GST) it was feared that locally manufactured fabrics will be costlier in comparison with the imported fabrics, and hence the demand to curb imports of fabrics was reiterated.

It is still to be seen what impact the latest revisions in duties will have on the ailing textile industry as the Finance Ministry while increasing the import duties on fabrics has also increased import duties on yarn.

The industry however is upbeat and hoped the revision will be a breather in the present scenario. “Hike in the Import Duty of Synthetic and Cotton Fabric will surely protect the interests of weavers and help the domestic textile manufacturers”, Narain Agarwal, Chairman Synthetic & Rayon
Textiles Export Promotion Council (SRTEPC), said while expressing gratitude to Prime Minister Narendra Modi, Finance Minister Aruln Jaitly, Minister of Commerce & Industry Suresh Prabhu and Minister of Textiles Smriti Irani.

Source: ummid.com- Oct 28, 2017

GST has not helped garment exports: Traders to Parliamentary committee

Garment exporters have told Parliament's standing committee on commerce that they are yet to see any benefit from the Goods and Services Tax (GST), with no decrease in input costs.

A delegation of the Apparel Export Promotion Council (AEPC) also said shipments might dip in the globally competitive market. Bangladesh and Vietnam, for instance, have cost advantages on account of preferential trade agreements with major export markets and buyers are moving to these destinations for sourcing.

As a result, they have warned, they might be forced to shed jobs.

GST's compliance requirements, they've complained, has strained their time and cost resources. "The overall effect on apparel exporters, especially small and medium ones (MSMEs), is burdensome and stressful due to a substantial increase of working capital and higher transaction cost. MSMEs have to recruit the services of chartered accountants to manage GST payments and refunds," said Ashok Rajani, chairman of AEPC.

The body wants extension of the Integrated GST exemption on import under the Export Promotion of Capital Goods scheme or the Advance Authorisation scheme from end-March 2018 to December 2018. Apparel production, they contend, has been hit and the margins of exporters have come under more pressure due to the lowering of drawback rates.

However, a senior commerce ministry official said drawback rates would not be updated anytime soon. "The plan was earlier to phase out the rates three months after GST began. We have decided to extend that," he said.
However, export figures showed a surge across categories in September, including a 29.4 per cent jump in those of readymade garments. This was significantly up from the 0.5 per cent growth in August. GST was introduced from July 1.

Exporters say the rise was due to other reasons. "Exporters tried to push out built-up stock till September 30, when the old duty drawback scheme (DDS) was to be stopped," said Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations.

He said October's easing in GST rules might take till November or December to reflect in the charts. This includes the government continuing the DDS through revised rates and easing the filing of GST documents.

Exporters have also asked for more tariff support under the Merchandise Exports from India Scheme (MEIS), to s five per cent rate, so that rising working capital and transaction costs are covered. And, for allowing the utilisation of MEIS scrips for use in payment of Central GST, State GST and Integrated GST, to ease the challenge from working capital blockage and other procedural issues.

They also want early refund of embedded taxes on purchase of ginned cotton and refund of miscellaneous central/state levies like the power cross-subsidy and stamp duty, under the Rebate of State Levies mechanism.


Italian PM to visit India Today

Italian Prime Minister Paolo Gentiloni will undertake a state visit to India on October 30 during which the two sides will look at strengthening the bilateral political and economic relations.

Announcing the visit, External Affairs Ministry Spokesperson Raveesh Kumar said the prime ministerial trip from Italy was happening after more than a decade. The last visit of an Italian prime minister to India was in February 2007.
"The visit is aimed at strengthening the bilateral political and economic relations between the two countries," he said.

During his visit, the Italian leader will hold talks with the top leadership here, including Prime Minister Narendra Modi.

The Indo-Italy diplomatic ties were hit badly after two Italian marines -- Latorre Massimiliano and Salvatore Girone -- on board a ship named Enrica Lexie, were arrested for allegedly killing two Indian fishermen off the coast of Kerala in 2012.

Italy claimed the ship was in international waters and that only the International Tribunal for the Law of the Sea (ITLOS) should apply. It also moved the international court.

While Latorre returned to Italy in September 2014 following an order of the Supreme Court issued on health grounds, Girone was allowed to go in May 2016. They are now in Italy, pending the verdict by the arbitration court at the Hague. The Indo-Italy diplomatic row also impacted the European Union's relationship with India.

Gentiloni will be accompanied by his wife and a 15-member Italian CEOs delegation.

An interaction between the CEOs of the two countries is also being planned, the Ministry of External Affairs (MEA) said.

Italy is India's 5th largest trading partner in the EU with a bilateral trade of USD 8.79 billion in 2016-17, as per official figures.

India's exports to Italy are at USD 4.90 billion, while its imports are at USD 3.89 billion, resulting in a trade imbalance of USD 1 billion in favour of India. In the first four months of fiscal 2017-18, bilateral trade has reached USD 3.22 billion.

The MEA said over 600 Italian companies are active in India covering various sectors such as fashion, garments, textile and textile machinery, automotive, automotive components industry, infrastructure, chemicals, energy, confectionery, insurance etc.
A number of Indian companies are also present in Italy mainly in IT, electronics, engineering, automotive, pharmaceuticals and railway sectors.

In the EU, Italy has the third largest presence of Indian community (estimated at 180,000) after the UK and the Netherlands.


*****************************************

SIMA hails hike in customs duty on imported polyester fabric

Southern India Mills Association (SIMA) today thanked the Union finance and textile ministers and GST council for increasing the basic Customs duty on imported polyester fabrics from 10 per cent to 20 per cent.

Since man-made fibre price in India cost 20 to 30 per cent more due to high incidence of duties and levies, there was a threat of cheaper imports especially from countries like China, SIMA chairman P Natarajan said in a statement.

The increase in basic Customs duty would reduce imports, he said adding that there was a need to increase the import duty on cotton fabric also on par with polyester fabric in the interest of powerloom and handloom sectors to sustain their competitiveness.

Consequent to the scrapping of four per cent additional duty and levy of five per cent of GST on polyester fabric, the imported polyester fabric attracted 10 per cent basic Customs duty and five per cent IGST.

Therefore, there was a significant drop in the import duty threatening the survival of the domestic manufacturing industry due to cheaper imports especially from countries like China. Thus, the industry had represented to the Centre and the GST Council to increase the basic Customs duty on fabrics to retain the competitiveness of the domestic manufacturing industry, Natarajan said.


*****************************************
Apparel export body to investigate as UAE pips US, UK for top spot

A sceptical Apparel Export Promotion Council (AEPC) will send a team to the United Arab Emirates (UAE) to check how the West Asian country has become the top readymade garment (RMG) destination for India.

Data made available by the Directorate General of Commercial Intelligence and Statistics show 17.8 per cent growth in RMG export to the UAE for the April-July period, first four months of this financial year. The otherwise top destination, United States, saw only a 1.5 per cent growth in Indian shipments. Nor have any of the other top 27 large apparel exporting countries seen any significant jump in shipment to UAE, says AEPC.

“We are sending a team to investigate why this trend has emerged and whether these are genuine exports,” Ashok Rajani, the body’s chairman, told Business Standard. “Everybody was clear (at a Friday meeting) that these figures are exaggerated.”

In fact, over April-July, export of RMG to the UK, Germany and France saw a fall. Those to the UK fell 0.8 per cent to $583 million from a year before. Germany and France saw larger falls, of 2.6 per cent and 14 per cent.
This trend of the UAE outperforming these destinations defies logic, Rajani said.

The other puzzling trend has been for the month of September, showing a 25 per cent growth in RMG export, as against a declining trend in previous months. “The September growth is an aberration. Our committee has some of the largest apparel exporters and almost no one has seen any substantial rise in their export. We are awaiting the country-wise break-up for September,” Rajani said.

These figures apart, the Indian apparel industry says it under stress for varied reasons. “Most of our neighbouring countries have FTAs (free trade agreements) with Europe and, so, we are out-priced. Second, our currency has strengthened, while competing currencies have weakened. In addition, (the) duty drawback and ROSL (rebate on state levies) schemes have stopped since October,” Rajani said.

AEPC has petitioned on these matters and has been assured of some positive steps by the central government.