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USD 64.36 | EUR 73.75 | GBP 84.24 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19744	41300	**81.33**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
19990	41814	**82.34**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.97
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**83.06**
Cotlook A Index – Physical	**83**

Cotton & currency guide:

The week gone by cotton futures at ICE platform ended lower at 66.58 down by 200 points from the previous week's close. Market was predominantly in the bear's hand.

We believe the view remains bearish and for this week cotton price is expected to remain weak and recommend selling on rise. From the price perspective we expect soon the 66 cents as support level may be breached.

Upon break down of the same the fall may extend towards 65.40 cents. On the higher side we expect unless 67.50 are breached the trend would remain weak.

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The major fall that was witnessed last week is basically post the USDA report was released stating US production would hold above 19 million bales and the world's largest producer India would witness better than last year production due to higher acreage, better monsoon and expected higher yield. Overall we expect the trend to remain weak.

Currency Guide:

Indian rupee trades little changed near 64.45 levels against the US dollar. Rupee is gaining support from strength in domestic and global equity market.

The US dollar index is also choppy amid mixed economic data. However, weighing on rupee is lower bond yields amid increased talks to RBI's interest rate cut. Rupee may trade in a range of 64.3-64.6 but overall bias may remain positive.

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

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INTERNATIONAL NEWS

Vietnam: Garment, textile shipments from Vietnam rise by 11%

The Vietnamese Ministry of Industry and Trade revealed the country has gained about USD14.6 billion from exporting garments and textiles in the first 6 months, mainly to American, European and Japanese countries.

Moreover, data showed that garment exports have accounted for mre than USD11.8 billion in the six-month period, marking a 9.1% expand in H1 of 2017.

Meanwhile, Vietnam's garment and textile shipment revenues are estimated to hit USD31.3 billion during the year.

Source: menafn.com- July 16, 2017

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Pakistan: Textile sector dying a slow death: ICST

The Islamabad Chamber of Small Traders (ICST) on Sunday said that textile sector was on the decline due to flawed export policies.

ICST Patron Shahid Rasheed Butt said that the textile sector was considered the backbone of the economy.

"Therefore, the government should take note of the plight of this sector. Weak trade diplomacy and semi-educated export managers have proved to be a double whammy for the export sector, which was already reeling from various problems," he said.

"The failed trade diplomacy is one of the reasons behind dwindling exports. This has forced the government to borrow from international lenders repeatedly to save the country from default.

Fundamental changes have to be introduced in the export sector. Otherwise, the government will have no option to borrow to keep forex reserves within respectable limits," he said.

Source: dailytimes.com.pk- July 17, 2017

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Globalisation and free trade benefit not just the elite

One of the great disadvantages of being a member of the Bank of England's monetary policy committee is that unless you say something about interest rates, people do not take much notice of your speeches.

This was the fate that befell Ben Broadbent, the bank's deputy governor for monetary policy, a few days ago. His interesting and welcome speech on globalisation steered clear of a mention of interest rates, though he offered his views on rates in a subsequent interview.

On globalisation — which it is fair to say has had a terrible press in recent years and is blamed for the rise of populism in many countries, including Britain — he pointed out a simple truth. Yes, there will be losers from globalisation but they are greatly outweighed by the winners. And the gains from globalisation are spread among the population, not confined to a small elite.

This is a frustrating time for economists. It is, as Broadbent pointed out, nearly 250 years since Adam Smith demolished mercantilism: the idea that trade is a zero-sum game and one country's gains are another's losses.

It is exactly 200 years since David Ricardo gave us the law of comparative advantage, which explained why countries specialise, or should specialise, in the products and services they are relatively better at doing. Yet, centuries later, we have an American president whose protectionism is based on a mercantilist view of the world. And globalisation, far from being seen as a route to improved living standards, is blamed for their weakness.

To illustrate his theme, Broadbent used the apparently unhelpful example of textiles and clothing. Since the mid-1970s, when import penetration began to rise sharply under the impact of lower tariffs, employment in the sector has fallen significantly — by about 90 per cent. Then it used to account for one in 30 jobs, now it is one in 370. So people who were employed in this sector were losers from globalisation.

British consumers were, however, significant winners as a result of falling clothing prices. Household incomes are 3 per cent higher in real terms than they would have been in the absence of the fact that, both in absolute terms and relative to other prices in the economy, clothing is a lot cheaper than it was.

A straight comparison between these two effects results in a £36bn ($60bn) gain for consumers, against a £15bn loss of incomes for those who were employed in the clothing sector in Britain. Even this, however, is likely to understate the gains from globalisation. As Broadbent put it: "There's a big difference between particular jobs and overall employment. Individual jobs are lost continually ... Yet aggregate employment has risen — since both the mid-1970s and the mid-1990s — and the rate of unemployment has fallen. In any reasonably flexible labour market, new jobs are created as others are destroyed."

The latest figures, indeed, showed a record employment rate of 74.9 per cent in the UK and 32 million people in work. That does not prevent some yearning for the jobs of the past, but you cannot run an economy on nostalgia.

What if the new jobs are of poorer quality than the ones they replace? Does not globalisation then lead to a rise in income inequality?

All the evidence, most recently an International Monetary Fund study in April, found that technological progress dwarfs any impact on inequality from globalisation. Technology benefits the highly skilled at the expense of the low-skilled and unskilled.

The irony is that concerns about globalisation have been mounting as it has been struggling, even before Donald Trump's election. The era of "hyper-globalisation" that began in the early 1990s has gone into partial reverse since the financial crisis. World trade, which once led global growth, has barely kept pace with it in recent years.

Globalisation matters. When it has gone into reverse, productivity and living standards have suffered, as we saw most dramatically between the two world wars. Stronger growth in world trade in recent years would have been associated with faster economic growth and, most importantly, growing rather than stagnant productivity and rising real wages.

Those blaming globalisation for weak living standards have got it 180 degrees wrong. We needed more of it, not less.

It matters too in the long term. On Thursday, the UK Office for Budget Responsibility issued its fiscal risks report, and a sobering document it was. The OBR continues to cling to the assumption that productivity will recover to normal growth rates in the next few years; if it does not and if recent weak productivity trends are the "new normal", then taxes and/or government borrowing will need to rise, even if the government sticks to its tight spending plans.

Though the clock is ticking, it is too early to say where "the risks posed by Brexit" — to use the phrase in the OBR report — will end up. The OBR is less troubled by a one-off "divorce bill" payment to the European Union, which will not affect the public finances in the long run, than by what it describes as "the implications of whatever agreements are reached with the EU and other trading partners for the long-term growth of the UK economy".

The OBR reminds us that it does not take much for real problems to mount. As it put it: "If GDP and receipts grew just 0.1 percentage points more slowly than projected over the next 50 years but spending growth was unchanged, the debt-to-GDP would end up around 50 percentage points higher."

That is easily possible, or worse. At the G20 meeting in Hamburg, countries had trouble agreeing on a commitment to global free trade. America has a protectionist president from whom offers of an early trade deal should be taken with a bucketful of salt. Trade, particularly in services, is the key to our prosperity but it is not clear how it can be unlocked.

In or out of the EU, Britain would benefit from a revival of globalisation. Things can change, and quickly, but the omens are not good. Aspiring to be a new global champion of free trade is not much use if nobody else is playing.

Source: theaustralian.com.au- July 17, 2017

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EAC officials oppose US bid to review Agoa trade deal over mitumba ban

Senior officials from Rwanda, Tanzania and Uganda argued in Washington on Thursday that their collective phase-out of used clothing (mitumba) imports should not result in any loss of benefits from a US preferential trade programme.

The representatives of the three East African Community (EAC) countries spoke in opposition to an effort by a US business association to restrict their eligibility for the trade initiative known as the African Growth and Opportunity Act (Agoa).

The Secondary Materials and Recycled Textiles Association (Smart) filed a petition with US trade authorities in March urging that the three countries, along with fellow EAC member Kenya, be deemed ineligible for Agoa's allowance of duty-free textile and apparel exports to the US market.

Lawrence Bogard, an attorney representing Smart, warned at Thursday's US government inquiry that the association's member companies would suffer major losses in jobs and revenues if the EAC ban on used-clothing imports is fully implemented.

Mr Bogard also argued that Kenya should be included among the EAC countries facing partial loss of their Agoa benefits.

The top US trade agency had announced last month that Kenya would be excused from the group of countries potentially subject to review of their Agoa eligibility.

That decision was said to be based on "recent actions Kenya has taken, including reversing tariff increases, effective July 1, 2017, and committing not to ban imports of used clothing through policy measures that are more trade-restrictive than necessary to protect human health."

But the Smart representative suggested on Thursday that Kenya ought to be included in the Agoa eligibility review until officials in Nairobi clarify their commitments.

Smart specifically seeks confirmation that Kenya's reported imposition of minimum tariffs on containers of used goods “will not be implemented in a manner that negates the July 1 roll-back of Kenya's tariff increases,” Mr Bogard said.

Kenya would have far more to lose from suspension of its duty-free textile export privileges under Agoa than would any of the other EAC countries. Kenya sold $394 million worth of textiles and clothing on the US market last year, compared to the total $43 million sum of Agoa trade for Rwanda, Tanzania and Uganda.

The Kenyan embassy in Washington says that 66,000 jobs in Kenya are linked to Agoa's textile-export provisions. The opposing parties presented their comments to a panel of representatives of six US government agencies: the departments of Commerce, Labour, Treasury and State, as well as the US Agency for International Development and the Office of the US Trade Representative.

Kenya was not represented at the hearing.

America First' policy

Looming over the three-hour session before a standing-room-only audience was the Trump administration's “America First” policy. The US president has vowed to oppose any trade initiative that he deems injurious to American interests.

And Smart sought on Thursday to depict the EAC ban on used-clothing imports as a threat to thousands of US jobs. The hearing chaired by Constance Hamilton of the US Trade Representative's office was contentious at times.

She and other US officials challenged the East Africans' insistence that the agreed-upon three-year phase-out of used clothing imports did not amount to a “ban.”

A member of Uganda's delegation at the hearing also insisted that Tanzania's and Uganda's doubling of levies on used-clothing imports — from $0.20 to $0.40 per kilogramme — was not a “tariff increase” but rather a “realignment.”

Ms Hamilton also pointedly asked how Rwanda's increase from $0.20 to $2.50 per kilo could be seen as consistent with the rules of the World Trade Organisation. A Rwandan representative replied that the increase would be in effect for only one year.

Washington-based trade consultant Stephen Lande asserted that the hearing should not have been convened at all. Taking the side of the East African representatives, Mr Lande told the panel that the US Congress intended that such official inquiries should be held only when “all other possibilities have been exhausted.”

Consultations failed

Ms Hamilton responded that prior consultations had failed to resolve the issue at hand. She added that “Smart has the right” to petition for punitive action against countries alleged to be violating Agoa rules.

Some of the statistics presented by Smart also differed markedly from those offered by EAC representatives. Mr Bogard put the total annual value of US used-clothing exports to the EAC countries at $124 million. A Ugandan official said the total is about $30 million.

EAC countries' representatives also disputed Smart's contention that the used-clothing action violates two of Agoa's eligibility criteria. The 17-year-old programme requires participant countries to have achieved “elimination of barriers to US trade” or be making progress in that direction.

Agoa also stipulates that benefit-recipient countries should be moving toward a “market-based economy.”

'Market forces'

Ms Hamilton asked at one point why the EAC countries don't let “market forces” determine consumers' clothing choices. A Ugandan official replied that market forces should be determinants but should also be “guided” when necessary.

The EAC countries decided to adopt the used clothing import phase-out as a means of encouraging development of their own textile manufacturing sectors, said Uganda Trade Minister Amelia Kayambadde, who spoke in her capacity as chair of the EAC's Council of Ministers.

““Industrialisation is a strategic pillar of EAC integration,” Ms Kayambadde said. “The heads of state decided that textiles and footwear manufacturing is a priority.”

Growth of those sectors will likely create many more jobs in East Africa than will be lost through the shutdown of local businesses involved in the used-clothing trade, the EAC representatives argued.

Apparel manufacturing involves “a long value chain,” Ms Kayambadde noted. She suggested that jobs would be produced all along it in the form of cotton growing, ginning, weaving, garment manufacturing, leather tanning, shoe making and retail businesses.

Asked by US panel members to provide studies showing such an outcome, EAC representatives said such analyses are being undertaken. They meanwhile offered anecdotal responses.

'New clothing'

A Ugandan official said “Kenya has found a big, big appetite for new clothing and goods produced within the region.” Ms Kayambadde concurred that throughout the EAC “the demand is now for new clothing.” East Africans, she said, “want a new life. People are able to afford to buy new things.”

Mr Bogard argued on Smart's behalf that the ban on used clothing imports will be more likely to benefit Asian producers of low-cost garments than East African entrepreneurs seeking opportunities as textile manufacturers.

Loss of Agoa textile-export benefits would harm not only the EAC countries themselves but also US clothing manufacturers operating in East Africa, said Jeremy Lott, president of San Mar Corporation.

His firm based in the western US employs 4,000 Americans and hundreds of Tanzanians, Mr Lott told the panel.

San Mar manufactured more than 10 million shirts at its Tanzanian facilities last year that were subsequently exported to the US, he noted. "An abrupt end of Agoa eligibility for Tanzania would force us to move production to China," Mr Lott warned.

He said that members of San Mar's mostly female workforce in Tanzania are paid at rates five times the national average income.

Source: businessdailyafrica.com - July 13, 2017

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Dark clouds over Pakistan's external trade: What is actually wrong with our exports?

While in itself is quite alarming that Pakistan's overall trade deficit – the difference between total exports and imports – is reaching the $ 30 billion mark, for the first time in the history, in the just concluding financial year; that is not all and there much more to worry about our trade with rest of the world.

The persistent downward trajectory of the exports, which were already considerably short of imports, is something needing urgent attention. Pakistan's exports are on a decline, continuously for last three fiscal years. After achieving the record figure of $ 25.1 billion in 2013-14, overall exports declined to $ 23.7 bn. in 2014-15 and further to $ 20.9 in 2015-16. The declining trend continued in the first 11 months of 2016-17 as well, totalling $ 18.5 bn. and recording a further decline of 3.1%.

Thus, because of this continuous decline in exports, in addition to around 20% increase in imports, the country this year is faced with a mammoth record trade deficit of around $ 30 billion for 2016-17.

Pakistani exports are heavily concentrated in textiles. Out of $ 18.5 bn. total exports in first 11 months of 2016-17, some $ 11.2 bn. are textile products/items. This is more than 60 % of the total. The remaining 40% is also concentrated heavily in three categories/items: rice, leather, and sports goods. It indicates that country's export base is quite narrow, not broad-based enough.

As far as the direction of exports is concerned, we see a concentration here as well. More than 17% of Pakistani exports are destined for a single market, the US. This is followed by some 7-8% to China.

Five European nations – UK, Germany, Spain, Netherlands and Belgium – absorbs some 24% of Pakistani exports, put together. Afghanistan gets between 6 to 7% annually. Several other European nations are also among Pakistan's top 20 export destinations. The figures tell us that more than half of Pakistan's total exports are destined to the US and Europe alone, and if we include China and Afghanistan – this goes up to more than two-thirds of the total.

The argument of the policy makers on this decline is that the absorbing capacity and buying power in the main export destinations has decreased after the US / European financial crisis – 2008-09 to 2013-14. Nonetheless, Pakistani exports during past three fiscal years have declined at a faster pace than the overall decline in exports to the US and EU, from rest of the world. Our exports to China are also on the decline in net worth, which is not a result of the global financial crisis.

Institutions such as Trade Development Authority of Pakistan (TDAP) are entrusted to serve the purpose of increasing Pakistan's exports. However, the concerned institutions (we are not singling TDAP out here) are hardly seen by independent experts as inefficient- and competent-enough. A large number of exhibitions are arranged and attended all around the world but positive, meaningful and tangible results are invisible for past three years.

In the budgets for last three fiscal years, incentives for exports such as softer export refinance facility, R&D financing, faster rebates and quarantine facilities have been announced, but export has not shown signs of positive come back.

A major drawback in government policies is that the attention is overwhelmingly on further incentivizing the textile industry – which indeed provides the bulk of exports but at the same time, some of the experts argue, is already over-pampered and is touching the limits of its potential.

Pakistan's exports can be increased by focusing on non-traditional items, value addition in products such as rice, leather, sports goods, and developing special programs for gems and other precious stones,

processing and packaging of food and herbs, etc. Tourism and health services can increase Pakistan's services exports, which is not getting the due attention of policy makers.

Exporters on their part complain that Pakistani industry has been rendered uncompetitive because of shortages of energy and its high rates, and also because of an unprecedented flow of imports (what many label as dumping) from China. They also say that government functionaries especially the tax administration creates hurdles in the way of growth of exports.

Coming to what and how much we buy from the rest of the world, figures tell that Pakistan's total imports during July 2016 to May 2017 stand at $48.5 billion dollars. Official data also indicates that imports from China account for 30.2% of total imports during July 2016 to January 2017 period. At this percentage, some $ 14.6 billion of imports from China alone have reached Pakistan – which are not much less than our commutative exports to the entire world, in the same period.

Nothing but a pity that country known as an agrarian economy imports food items above $ 3 billion, much of that edible oil and tea. Yes, it needs to be acknowledged that spike in imports in recent months is also due to increased import of capital goods and machinery, for CPEC and related projects – a bulk of that for power projects – which may be positive in the long run.

Unless some drastic, out-of-the-box measures are taken, there is no major upward trend visible in Pakistani exports for next foreseeable fiscal years, only a slight improvement is on the horizon.

Source: dailypakistan.com.pk - July 17, 2017

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Azerbaijan: Gov't set to accelerate sustainable cotton production

Cotton is the most widely used fiber in the world today, comprising half of all fiber production. Around 90 countries worldwide grow cotton, used to make clothes and other textiles worldwide, with much of the rest coming from synthetic products.

Because cotton is such a valuable money crop, Azerbaijan has recently set a course on restoring its traditional industry -- cotton growing and now the state is providing huge support to this sphere.

In the 1970-1980s, cotton production was of crucial importance for Azerbaijan's economy, accounting for approximately 25 percent of agricultural revenue. At the time, the country harvested a million tons of cotton per year.

Until 2016 cotton production remained very insignificant. But the measures, taken last year allowed to increase the sown area of cotton to 51.400 hectares, and its production increased up to 89.4000 tons.

In 2017, the sown area reached 136,000 hectares, and production is planned to reach to 260,000-270,000 tons.

Cotton seeds are sowed in fields where weed and unwanted plants are removed. Special pesticides and fertilizers are used to ensure the best quality product. The harvesting is done through machine when the cotton takes the shape of boll. Later, it is processed seeding, picking, ginning and baling. Other types of chemical and machinery are used to produce better quality of cottons.

Today, the country is implementing very serious measures to stimulate citizens and farmers to expand cotton growing areas.

The State Program for 2017-2022 signed by President Ilham Aliyev on July 13 will further strengthen measures directed at developing this sphere.

The purpose of the State Program is to develop cotton growing in Azerbaijan, increase export potential in this sphere, ensure employment of

the rural population and increase the production of cotton to 500,000 tons in 2022.

Within the framework of the State Program it is planned to hold various institutional measures, improve regulatory and legal framework, strengthen personnel potential, apply innovative technologies, attract foreign investments and a number of other measures.

The National Fund for Entrepreneurship Support (NFES), Azerbaijan Investment Company and the State Service for Management of Agricultural Projects and Credits under the Agriculture Ministry, as well as domestic and foreign investments and other sources are identified as sources of the financing for the State Program.

President Ilham Aliyev, who constantly made accent on importance of developing of this sphere, raised this issue once again at a meeting of the Cabinet of Ministers dedicated to results of socio-economic development in the first half of 2017 and objectives for the future.

The head of state said Azerbaijan restored the glory of cotton growing, increasing crop area of cotton by about three times.

“The number of those who want to engage in cotton growing is already growing. This creates a good opportunity for complete elimination of unemployment in cotton-growing regions. If in 2015, some 35,000 tons of cotton were procured, then last year this figure reached about 90,000 tons. If last year cotton was grown on 51,000 hectares, then this year it is grown on 136,000 hectares. We increased cultivated areas by approximately three times,” he said.

President Aliyev added that cotton is grown in more than 20 regions of the country.

“We have been able to make a serious turn in cotton growing. Cotton is also excellent export good, sold on world stock exchanges, and at the same time is a resource base for the activities of the Mingachevir Industrial Park. Of course, we will try to export the finished product,” he said.

Source: azernews.az- July 14, 2017

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First apparel industrial park to come up in Iran

Iran is slated to get its first ever apparel industrial park which will be set up by the public, private and cooperative sectors of the country. The park is being established with an aim to meet domestic demand and boost exports. A memorandum of understanding (MoU) has already been signed between various parties of the country in this regard.

The industrial park will come up near Imam Khomeini International Airport in Tehran and will be spread over an area of 190 hectares. It will be extendable to 300 hectares, said an Iranian news agency quoting Ali Yazdani, Chairman of Iran's Small Industries and Industrial Parks Organization during the MoU signing ceremony.

The first phase of the park has already been designed and the development has started for the second phase. It will have around 300 apparel manufacturing units in addition to other service providers like hotels, design centres and training institutes. Brands from Italy and other countries will also participate in the industrial park, as per Yazdani.

He added that the private sector of Iran is responsible for developing the manufacturing and trading spaces, while the public sector will develop its infrastructure. About 3,000 to 5,000 square metres of area is dedicated to each of the service and production unit. Close to 30 trillion rials ($791.139 million) will be invested to develop an area of 1 million square metres, said Yazdani.

Investors from countries like China, Italy, Turkey and South Korea have shown their interest in the ongoing project. The apparel industry has the potential to create the highest number of jobs, said Hamid Kalantari, deputy minister of cooperatives, labor and social welfare.

The MoU was signed between Iran's Small Industries and Industrial Parks Organization, Cooperative Investment Guarantee Fund, ministry of cooperatives, labor and social welfare, Iran's Clothing Association, and Tose'e Ta'avon Bank.

Source: fibre2fashion.com - July 14, 2017

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SMEs in China capitalising on e-commerce boom

Small and medium-sized enterprises in China are capitalising on the e-commerce boom to restructure the way business is done. Online sales of consumer goods in China soared 26.2 per cent from the previous year to 5.16 trillion yuan in 2016. Ministry of Commerce has forecast strong growth in consumption in 2017 with deepening supply-side structural reform.

"The Internet should empower SMEs in the industrial chain," said Jack Ma, chairman of China's e-commerce giant Alibaba at a meeting in Hangzhou, according to a Chinese news agency report.

Besides being a platform for millions of buyers and sellers, Alibaba has initiated a Tao factory programme to pair up business partners, the report said.

Tao Factory has amassed 10,000 factories and promoted custom designs. Most of factories are based in manufacturing strongholds such as Guangdong, Zhejiang and Fujian provinces, said Yuan Wei, head of Tao Factory, the report said.

Factories put up details of products online, including size, technological standard, quality and samples. They also register details that attest to their credit.

"Tao Factory focuses on improving efficiency on the production side, through partnering up Internet sellers and SMEs," Yuan was quoted as saying.

Chuansheng Knitting, based in Dongguan, Guangdong Province, used to churn out sweaters and other garments. Now about 80 per cent of their business comes from online sellers, according to the report.

"Under the traditional mode, it took us a long time to get payment, which frequently affected our capital chain. Now we cater our production according to different clients and different orders," said manager Li Bing.

Most of the orders are not large volumes, but clients require goods to be ready in short notice, and profits are usually very high, Li said. "We recently had an order of 100 pieces, and they had to be ready in a week.

The profit per piece was 2,000 yuan ($ 295)," said Li.

Tao Factory works well for traditional manufacturers like the garment industry, Yuan said. "Factories may have large inventory, but on the other side, certain demands are really high. Based on big data, demand in a certain period of time can be calculated, and we can give advice to buyers and sellers. We also offer information on designers and raw materials for the factories," said Yuan.

"Integrating online and offline business is the future," he said.

Guangzhou Blue Leaves Garment Factory used to supply for wholesalers in nearby cities. "A few years back, our salesmen had to go door to door to get orders, now everything relies on the Internet. We even have orders from foreign buyers now," said manager Jiang Zaijian.

Source: fibre2fashion.com - July 15, 2017

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Sri-Lanka: Export growth must escalate for higher economic growth in 2017

There is widespread disappointment with the country's economic performance. Economic growth declined since 2015 and grew by only 3.8 percent in the first quarter of this year. The economy is expected to perform better in the second half of the year, if export growth gains momentum to stimulate the economy.

Growth

In contrast to growth of 5.3 percent in the first quarter of 2016, the economy grew by only 3.8 percent in the first quarter of this year. While Industry grew by 6.3 percent and services grew by 3.5 percent, agricultural production fell by 3.2 percent. There was continued expansion in construction but growth of manufacturing was inadequate.

The second quarter's economic growth is likely to be similar to that of the first quarter with only a marginal difference either way. Agricultural production fell owing to drought conditions, floods in one part of the

country and drought in others. Paddy production is estimated to have fallen by 40 percent.

Longer impact

These adverse climatic conditions would continue to impact on agricultural production in the months ahead. Drought in the coconut triangle will reduce next year's coconut crop and drought in dry zone areas would reduce the yala crop significantly. Consequently the poor performance in agriculture would drag down economic growth.

Other sectors

However the slow growth of the economy this year cannot be attributed to the fall in agricultural production alone. Agriculture's contribution to GDP has been less than 10 percent for some time. In 2016 agriculture contributed only 7.1 percent of GDP.

The inadequate performance of manufacturing was a prime cause for the low GDP growth. Industrial sector growth in recent years has been driven by a robust growth in the construction subsector rather than in manufacturing. This has been so this year as well. The inadequate growth in manufacturing is a serious weakness in the economy.

While growth in construction is dependent on imports, export led manufacturing could contribute to export growth. Since this is not the growth pattern in Sri Lanka, the country incurs large trade deficits that lead to balance of payments difficulties. It is not only the slow rate of growth but the nature, composition and quality of growth that has been inadequate.

Multiple causes

Much of the disappointing economic performance in the first half of this year has been put on adverse weather conditions. The drought of last year and the floods and drought in the first half of this year are undoubtedly one of the reasons for the economy's slowdown.

However, the economy lacked momentum owing to many other factors: lack of certainty and clear direction in economic policies, political instability and confusion, obstructionist actions of the opposition,

preoccupation with controversial political and constitutional issues rather than needed economic reforms and health hazards. External factors have also impinged adversely on the performance of the economy, especially exports and inward remittances.

Constraints waning

Hopefully these constraints are waning and the global environment would be more conducive to the country's exports, earnings from tourism and remittances from abroad. The improvement in the country's export earnings since March this year is a significant silver lining. A boost in exports would not only improve the trade balance and balance of payments, but also enhance economic growth by expansion of manufacturing.

Favourable factors

The improvement in export earnings since March this year, adequate rainfall enabling much higher generation of hydroelectricity and resurgence of tourism could improve the economic performance in the second half of the year and continue into the next year. There is a glimmer of hope owing to an improvement in the country's export earnings since March this year. If this boost in exports gains momentum it could enhance economic growth by expansion of manufacturing.

Export Performance

Export earnings during the first four months of 2017 grew by 3.5 percent owing to higher earnings from tea, spices, machinery and mechanical appliances, petroleum products and seafood exports. However, export earnings from textiles and garments, gems, diamonds and jewellery and food, beverages and tobacco declined during the four months of this year compared to that of the same period last year.

The growth in exports in March and April this year has been in both agricultural and manufactured exports. Export earnings increased by 11.9 percent in April 2017 compared with that of April 2016. Earnings from industrial exports, which account for about 75 per cent of total exports, grew by 8.6 per cent in April 2017.Textile and garment exports increase by 3.0 per cent in April 2017 in comparison to April 2016.

Earnings from machinery and mechanical appliances, printing industry products and wood and paper product exports also showed an improved performance in comparison to April 2016. However, export earnings from several other exports such as gems, diamonds and jewellery, leather, travel goods and footwear declined in April 2017 compared to a year ago.

Agricultural exports

Earnings from agricultural exports grew by 22.7 percent in April 2017. Earnings from tea exports increased by 17.1 per cent due to higher prices, despite the decline in volume exported. Earnings from seafood exports increased by 59.7 percent in April 2017 due to a 251 percent growth recorded in seafood exports to the EU, following the removal of the ban on fisheries products. There is a prospect that these improvements in exports would continue.

Concluding reflections

Natural disasters, drought and floods had a severe toll on the livelihoods of thousands of people that cannot be estimated in economic terms. However the slow economic growth of recent years and this year is not due to unfavourable weather conditions alone.

The impact of decreased agricultural output on economic growth was not substantial as agriculture contributes only a small proportion of national output. The tardy growth of the economy was due to slow growth in the manufacturing sector. Rapid economic growth cannot be achieved without a significant growth in manufacturing.

Inadequate investment, especially foreign direct investment, has been a key factor in the country’s poor export performance. The investment climate has not been conducive for investment owing to weak macroeconomic conditions, policy uncertainty and the socio-political environment that is hostile to foreign investment. The opposition to Chinese investment in Hambantota is clear evidence of it.

Since these unfavourable conditions and lack of economic reforms are likely to continue, a spurt in economic growth cannot be expected. However if the recent growth in exports gains momentum, the economy could grow somewhat faster during the second half of this year and in 2018.

Source: sundaytimes.lk - July 16, 2017

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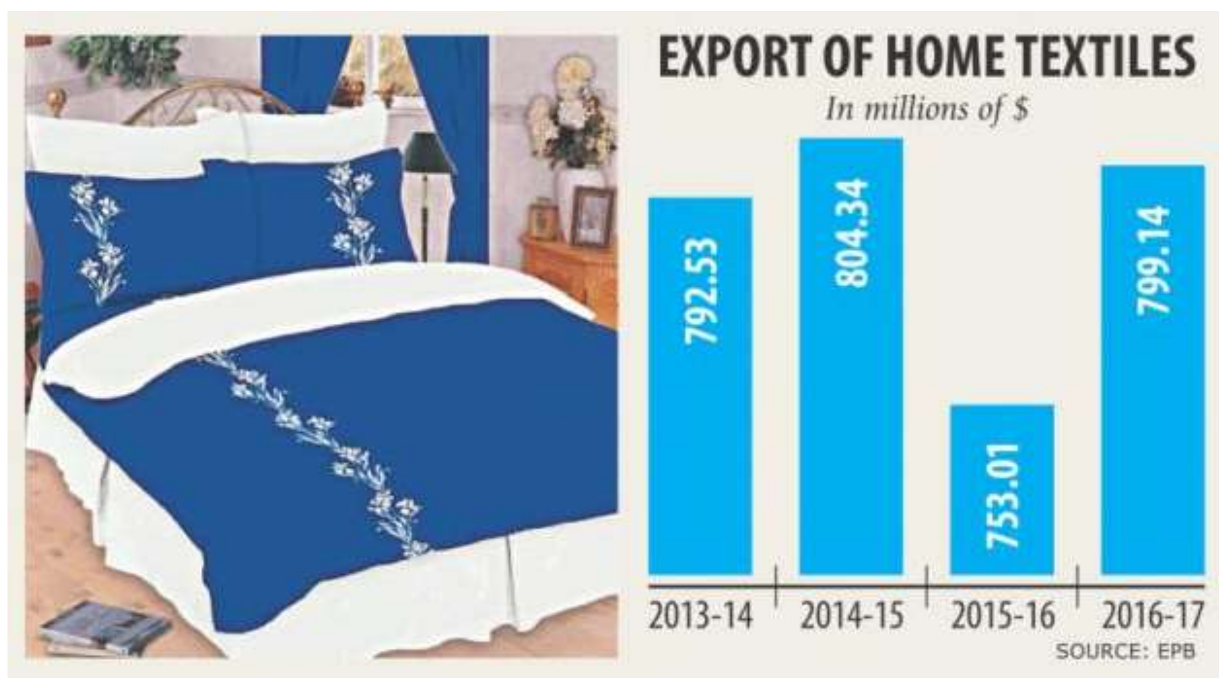
Bangladesh: Home textile exports fail to reach potential

Despite having huge potential in home textile, Bangladesh is unable to expand its market share in the European Union because of duty benefits extended to Pakistan, a cotton grower.

Bangladesh, on the other hand, is a 100 percent cotton importer.



In December 2013, the 28-nation bloc granted Pakistan the GSP Plus status for four years. The GSP Plus status allows 20 percent of Pakistani exports, including home textile, to enter the EU at zero duty and 70 percent at preferential rates.

"Bangladesh has been competing with Pakistan in the same market in the same product category, so it is difficult to perform better," said Md Shahidullah Chowdhury, executive director of Noman Group, which counts retail giants like IKEA, H&M, Kmart, Walmart and Carrefour as its customers.

In 2016, more than $6.86 billion worth of home textiles were imported from outside the EU, according to data from the European Apparel and Textile Confederation, Euratex.

Of the sum, China accounted for 33 percent, Pakistan 25 percent, Turkey 16 percent and India 11 percent. Bangladesh's share was 7-8 percent.

Besides, there were remarkable gains in value for Vietnam, Morocco, Taiwan and Ukraine, according to the data.

“Apart from China, the other countries like Pakistan, India and Turkey have their own advantages,” Chowdhury said.

For example, all four major home textiles exporters -- China, Pakistan, Turkey and India -- have their own cotton.

Still, Bangladesh's home textile market share in the EU has been increasing in recent years as local manufacturers are becoming adept in this particular segment, Chowdhury said.

Currently, Bangladesh has only five major home textile makers and exporters, he said, adding there are some small ones whose volume is still low. In contrast, the other countries have hundreds of such millers raring to get a slice of the $130 billion global home textile market.

Noman Group exports home textiles such as bed sheets, pillow covers, curtains, cushion covers and bed covers worth nearly $200 million, 80 percent of which is EU-bound, in a year.

The retail value of the home textile segment was estimated to be about $107.24 billion in 2014 and is expected to reach $131.50 billion by 2020, according to industry insiders.

In 2016-17, Bangladesh's home textiles export increased 6.13 percent year-on-year to $799.14 million, according to data from the Export Promotion Bureau.

Bangladesh, the world's second largest apparel exporter, could have had a bigger share of the European home textile market if the exchange rate between the euro and the US dollar was more favourable, exporters said.

The volatile currency exchange rate ate up about $3 billion of export value last year, as Bangladesh's foreign dealings are in the US dollar.

Source: thedailystar.net - July 16, 2017

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Smart production needed for Vietnam's textile industry

Smart production towards sustainable development of the textile and garment industry was discussed at a workshop by the Vietnam Textile and Apparel Association (VITAS) in Hanoi. The event, part of a cooperation programme between the Republic of Korea (RoK) and Vietnam, sought to improve Vietnamese textile enterprises in the context of digital era.

The cooperation programme was agreed in a memorandum of understanding signed at the RoK-Vietnam Joint Economic Committee's 15th meeting in the RoK on February 7, 2016, Vietnamese news agency said.

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The seminar sought to improve the capacity of Vietnamese textile enterprises in the context of digital era and the fourth industrial revolution to sharpen their competitive edge.

It also provided a platform for Vietnamese firms to meet with leading RoK experts, and get consultations of dyeing and smart fabric management systems, digital technology transformation, 3D design in the fashion industry, and sustainable development trends in the textile and garment industry.

VITAS president Vu Duc Giang said the RoK was now the fourth largest importer of Vietnamese apparel. It spent $ 2.28 billion in 2016 on this. Vietnam imported a great volume of fabric and materials from the RoK to serve its textile industry in the year.

Truong Van Cam, vice president of the VITAS said the association was encouraging its members to renovate production towards smart production in line with the on-going fourth industrial revolution.

The smart factory solution in the industry is hoped to increase productivity and quantitative production, reduce production cost, effectively manage personnel and provide better working conditions, he said.

Source: fibre2fashion.com - July 16, 2017

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Philippines eyes free trade agreement with US

The Philippines is looking to take its bilateral relations with the US a notch higher as it eyes to secure a free trade agreement (FTA) with the world's largest economy.

Trade Undersecretary Ceferino Rodolfo, who co-chaired last week's Trade and Investment Framework Agreement (TIFA) meeting with Assistant US Trade Representative Barbara Weisel, said a bilateral FTA is the next step between Philippine and US trade relations.

"On our part, we put forward that the Philippines is interested in further enhancing our market access to the US. That has always been a key objective of the Philippines, whether we attain it through the TPP (Trans-Pacific Partnership) or the enhancement of the GSP (General System of Preferences) or a bilateral FTA, we are pursuing that," Rodolfo said.

"But since the US is not part of the TPP anymore, therefore our entry now to the US is down to two – enhancement of the GSP, which we are continually doing, and now we're studying if it's possible to have a bilateral FTA with the US," he added.

During the TIFA meeting, Rodolfo said the US government confirmed that its current trade policy is geared toward bilateral rather than multilateral or regional arrangements.

According to Rodolfo, the US said it would further study the possibility of forging an FTA with the Philippines.

He said among the key factors to be considered by both countries for an FTA is the size of the market, the economic logic of such agreement, and policy gaps or how aligned both countries are in terms of policies.

"If our policies are too different from each other, then negotiations will be very hard. But what we told them is that under the TIFA, we have already closed most of the issues. Before, we had an issue when it came to intellectual property (IP), but that is not an issue anymore since we have been taken-out of the US Special Watchlist.

We also had a problem on labor review, but we were also able to close that. As far as our problem with agriculture and frozen meat products is concerned, we are in continuous discussions with them. So in effect, we have almost narrowed our gap," Rodolfo said.

He said other major concerns of the US such as IP as it applies to public health, foreign equity restrictions for services sector which includes the very broad based definition for public utilities, geographic indications, and government procurement are also being addressed.

Given these developments, Rodolfo said "there can be a basis for a negotiated outcome that is acceptable to both." Rodolfo said DTI is currently doing an internal study taking off from a gap analysis it did earlier in line with the country's planned participation to the TPP.

"So taking off from that, we are now looking that should we have an FTA with the US, how hard will it be and what will be its benefits to us," he said.
In a statement last week, the Office of the United States Trade Representative (USTR) said officials from the Philippines and the US agreed to work together "to foster free, fair, and balanced trade between them" during the TIFA meeting.

A stronger Philippine-US trade was further reinforced when the US government late last month approved the Philippines' application to expand its current GSP coverage to include travel goods, a move seen expanding the country's economy by 0.5 percent and creating 70,000 new jobs.

Aside from the duty-free status for travel goods it received, the Philippines has also escaped a potential imposition of trade remedy measures by the US, while other major Asian economies have been put at risk.

The USTR said bilateral trade in goods between the US and Philippines in 2016 reached $18.2 billion.

The Philippines was US' 31st largest export market for goods last year. The US, meanwhile, was the Philippines third major trading partner, the second biggest export market, and third top import supplier.

Source: philstar.com - July 17, 2017

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US should not withdraw from NAFTA, but improve it: VF

The United States should not withdraw from the North American Free Trade Agreement (NAFTA), but seek to improve it, VF Corporation vice president and managing director product supply-Americas, Randy Price said, while testifying recently before the Office of the US Trade Representative (USTR). Price testified along with a host of business leaders.

In his testimony, Price recommended the US Administration use caution as they explore potential changes to aspects of the NAFTA textile and apparel rules and flexibilities.

He also testified that while there is room for improvement in the agreement, any changes should increase competitiveness and flexibility.

"We recommend focusing on growing NAFTA trade, not contracting it," Price said. "If you look at potential changes to NAFTA, any changes you make will impact existing business and trade built over decades and impact jobs in the United States," Price said.

Explaining why NAFTA matters to VF's business, Price said, "I see every day how NAFTA has supported an integrated textile and apparel supply chain that has helped VF grow and thrive and benefited our US suppliers."

"NAFTA supports tens of thousands of VF jobs in the United States as well as tens of thousands of jobs at our U.S. suppliers who grow the cotton and make the materials that go into our NAFTA-made products. NAFTA has been good for our industry," he added.

Citing an example he said, a pair of Wrangler brand jeans assembled in one of VF's Mexican factories uses cotton from Texas, fabrics and zippers from Georgia, and threads from North Carolina.

This process supports thousands of jobs across the United States. "Without NAFTA there would be significantly less demand for these US exports, and our VF supply chain in the US, Mexico and Canada would be much smaller," Price said.

Business leaders who testified before the USTR included those from the US Fashion Industry Association, the National Council of Textile Organizations and the American Apparel and Footwear Association.

Source: fibre2fashion.com - July 17, 2017

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Bangladesh to host workshop on apparel brand development

A workshop on the development of apparel brand will be held in Bangladesh on July 29. The workshop titled 'How to build your own apparel brand and directly address European and US Consumers' will be organised by Bangladesh Apparel Exchange (BAE). It is an effort to promote the country's apparel sector.

Bangladesh is world's second largest apparel exporter.

The garments produced in Bangladesh are yet to establish their brands in the international market, founder and chief executive officer of BAE Mostafiz Uddin said.

The workshop will help the local manufacturers, entrepreneurs and all those associated with the apparel sector to expand their business globally, according to Bangladesh leading daily.

Apparel manufacturers, top level managers and leaders of the textile industry will be participating in the workshop which will throw light on the importance of creating own brands for Bangladesh.

The day long programme will focus on sharing information on the development of Bangladesh's apparel sector by incorporating new designs to meet the demands of international brands.

It will give insight on designing brands and selling directly to western wholesale and end consumers.

Further, it will highlight the importance of e-commerce, the modern direct-to-consumer selling method and execution whilst accessing the best resources at the lowest cost enabling the margins to grow significantly.

Source: fibre2fashion.com - July 16, 2017

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NATIONAL NEWS

India trade deficit narrows to $13 billion in June

India's merchandise exports grew marginally year-on-year in June, signalling tepid global demand.

Data released by commerce ministry on Friday showed that exports grew by 4.39% in June to $23.56 billion and imports rose by 19.01% to $36.52 billion from the same month last year. The trade gap in the month narrowed to $12.96 billion from $13.8 billion in May.

Rice, marine products and engineering goods contributed the maximum to the higher exports, increasing by 27.29%, 24.27% and 14.78%, respectively.

Gold imports in June more than doubled to $2.45 billion compared to from $1.2 billion a year ago. Among imports, pearls, precious and semi-precious stones (86.31%) and petroleum products (12.4%) surged the most apart from gold (103%). Pulses worth Rs.2,268 crore were imported in June compared to Rs.2,131 crore in the same month.

"The continued growth in imports of pulses despite the record harvest and decline in prices is somewhat surprising… A contraction in services imports contributed to a 5% rise in the services trade surplus to $5.81 billion in May, even as services exports largely stagnated at the year-ago level," said Aditi Nayar, principal economist at ICRA Ltd.

India's merchandise trade deficit in the first quarter of the financial year has more than doubled to $40 billion compared to $19.23 billion in the year-ago period.

According to Nayar, the current account deficit will spike to $15-16 billion in first quarter of the financial year from a marginal $0.3 billion recorded a year ago, rivalling the size of the deficit recorded over the four quarters of the previous fiscal.

Source: livemint.com- July 16, 2017

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Raymond to launch new khadi range on Oct 2

Textile and apparel major Raymond Ltd will launch Khadi by Raymond on October 2. Raymond was first to forge the first partnership with Khadi & Village Industries Commission (KVIC) and will promote the fabric in India and global markets.

"We have decided to launch the khadi range on Gandhi Jayanti on October 2. We will launch it through 300 exclusive stores and about 10 KVIC stores across India. It will be introduced to international markets also in near future," Raymond VP & head sales Ram Bhatnagar

"The range will be in the mid to premium segment," he said.

He did not rule out exclusive Raymond Khadi stores in future.

"Initially not, but we cannot rule it out in future. We have to be cautious about expansions due to supply limitations. As the products are 100 per cent handmade, production cannot be raised in short period," Bhatnagar said when asked about exclusive Khadi stores from Raymond.

Raymonds offering in Khadi range will begin from Rs 700 onwards for a metre of fabric. It will also offer premium product Khadi lines including suits. All Khadi items will be 100 per cent hand woven and handmade.

The company is initially working with 40 khadi clusters across India and will expand gradually.

Raymond will procure silk fabric from Murshidabad and muslin cotton from South India khadi clusters, officials said.

Under the partnership, Raymond has guaranteed a minimum procurement of Khadi and Khadi products for a period of five years with primary purchases in muslin cotton, wool blends and silk.

The company will also bring in design interventions at Khadi manufacturing clusters along with technical expertise.

Source: businesstoday.in- July 16, 2017

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Providing impetus to handloom weavers

At a time when the demand for handloom textiles is on the decline, the Tamil Nadu handloom textiles department has launched a 15-day exhibition to provide impetus to the ailing industry.

State minister for tourism Vellamandi N Natarajan inaugurated the exhibition at GVK Mini Hall at Woraiyur on Saturday.

The handloom industry took a beating as weavers were unable to cope with the emerging trends in the garments industry.

"The preference for handloom textiles is declining as people find items made in the power loom more attractive. The introduction of GST has also increased the price of handloom textiles," said PV Ramasamy, a weaver from Karur.

Thathaingarpettai on the outskirts of Trichy was once famous for its hand-woven dhotis. However, the introduction of power loom ruined the sector as weavers found it difficult to compete with the sheer volume produced by the machines.

"Former chief minister MGR was fond of dhotis from Thathaingarpettai. Now, there are around 75 weavers in our area who have continued with the business. Over 400 weavers have abandoned the business. The invasion of power loom caused a setback for us because they can produce items in large numbers, said Ravi from T Pettai.

A total of 25 stalls of various handloom textile weavers from Karur, Kancheepuram, Karur, Nagercoil, Salem and a few other areas have been set up at the exhibition. There is also a discount of 20 % on all the products. The textiles department has set a sales target of Rs 25 lakhs for the exhibition.

However, not all is lost for the industry as it still has its customer base who feel comfortable in wearing handloom garments. "Our business is moving on because of a set of customers whose preference is handloom garments. They prefer it because of the quality. If we are able to bring it to the larger market, the industry can be revived," said S Saravanan, of Thuraiyur in Trichy.

Source: timesofindia.com- July 17, 2017

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With GST, cheap saris to be '3 times' costlier

Saris and dress materials that were available for only Rs 70 would cost around Rs 200 if the Centre does not withdraw 5 per cent GST imposed on the textile industry, said the president of Surat textile traders' body, which has been protesting the new tax regime for around one month.

With little or no textile trading activity in the city for over the past 20 days, powerlooms too had shut down for five days. However, these units opened on Friday.

Owners of powerloom units in the city had joined the textile traders protest, demanding the Centre withdraw GST (Goods and Services Tax) on the industry. Before the imposition of the GST on July 1, the textile industry was exempted from taxation.

Federation of Surat Textile Traders Association (FOSTTA) president Manoj Agrawal said, "The Surat textile industry caters to rural and poor population of India by supplying cheaper saris — some costing as less as Rs 70. Now, with the imposition of GST, the cost of the saris will go up.

The textile industry of Surat does not only manufacture cheapest saris, but also luxurious ones, costing around Rs 7,000.

There is no major market of the cheapest and the costliest saris in India, but those priced between Rs 200 and Rs 250 are high in demand in all states. We expect that after GST, the prices of these saris will rise to Rs 350 to Rs 400. Besides GST on yarns, manufacturing and trading are taxed and the final product reaching the customers will cost more." Until GST, those involved in the industry used to pay income tax only.

Some experts said the traders and owners of powerlooms apprehended government officials now looking into their documents and records with the industry coming under tax purview. This, they said, led to strike by weavers and traders.

According to experts, Surat mills out around 40 per cent of the country's total synthetic fabric production and saris made from man-made fibres are cheaper and bought by the poor.

A chartered accountant requesting anonymity said, "The entire textile trading and weaving sector wanted to keep themselves safe from the tax officials and for that they are protesting the GST. They don't want any government official to peep into their business. They claim that they are paying income tax and wanted to get free from other tax structures."

There are over 9 lakh powerlooms in Surat city and the district and weave out over 6 crore metre of cloth everyday. Over 4 lakh labourers, mostly from Uttar Pradesh, Bihar, Maharashtra, Odisha, West Bengal and Rajasthan, work in the powerloom units. The daily turnover of the powerloom units is estimated to be Rs 90 crore.

Sachin Weavers Association president Mahendra Ramolia said, "Earlier 12 per cent VAT was imposed on yarn manufacturers, but now as per the new tax regime, 18 per cent GST has been imposed on yarn, while 5 per cent on powerloom units, 5 per cent GST on traders and 5 per cent on dyeing and printing units."

He further said, "If government is firm on implementing GST, they should tax the yarn manufacturers more. Majority of textile traders and powerloom factory owners are not much educated. We don't want to fall into hectic work of filing returns of GST and for that we have to appoint accountants and give him salary. We have demanded that we will file return quarterly."

Source: indianexpress.com- July 15, 2017

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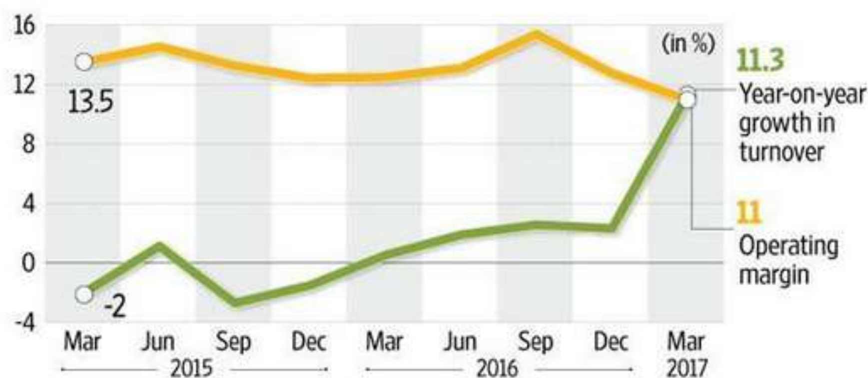
Low cotton price outlook favours mills, but will yarn spin a robust tale?

There is not much hope for textile mills in terms of realization on sales as yarn prices are expected to be range bound given moderate utilization levels and soft cotton prices



Spinning mills that were facing a problem during the first half of FY17 due to rising prices of cotton are soon set to see a U-turn in their fortunes. In the last two months, news of good monsoon, higher acreage under cotton cultivation and better output expected for the 2017-18 season are harbingers of stable, if not higher profitability.

From April to November 2016, cotton prices (Sankar-6 variety) soared from Rs90 per kg to around Rs140 per kg. Lower crop and tight inventory levels fuelled prices in the domestic market.

Meanwhile, news of China's lower stock inventory led to hope that China's cotton imports will resume again. This too supported the high cotton prices. Spinning mills therefore bore the brunt of the high prices impacting operating margins during the last two quarters.

A sample of 13 large spinning mills from rating agency Icra reflects these trends *(see chart)*. Profitability was squeezed, as a result, of the twin problems of flat revenue growth and high input costs.

The average operating margin after peaking at 15.4% in the September 2016 quarter, dropped to 12.8% in the December quarter and further to 11% in the March 2017 quarter.

But softer cotton prices in the last two months bring hope for mills. Will it sustain? Industry experts forecast a 10% increase in acreage in the 2017-18 season after a similar decline in the previous season.

Also, international prices are unlikely to firm up given the robust harvest in United States of America and also Australia. Domestic prices being linked to global indicators, they should therefore stay soft in the coming months.

The key, however, is for yarn demand to increase. India's total yarn production declined to a five-year low in FY2017.

The demand from mills was weak during 2016 primarily due to a steep decline in cotton yarn exports (due to weak Chinese imports), which comprises a third of the country's output. Although exports have revived in the last few months, analysts believe that it is insufficient to offset the steep decline earlier.

Mills are also hopeful of higher off take by domestic fabric weavers given the festive season ahead and the pent-up demand following a near freeze in off take due to demonetisation and the uncertainty linked to the new goods and services tax (GST).

Meanwhile, there is not much hope for mills in terms of realization on sales as yarn prices are expected to be range bound given moderate utilization levels and soft input (cotton) prices. Icra forecasts profitability of spinners to remain range-bound at a modest level sustained during the past three years.

Meanwhile, although the 5% GST is a welcome step for the cotton textile industry, issues and costs related to compliance may lead to disruption in the supply chain for some more quarters, given the small and medium scale nature of spinners and weavers. A true picture on operating performance would be seen only from the second half of FY2018.

Source: livemint.com- July 16, 2017

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'Textile clusters back on feet'

Most textile clusters have started getting back to production after the introduction of the Goods and Services Tax (GST), as they brace for the festival season.

The movement of yarn has picked up in the last three or four days, especially cotton yarn. With Deepavali nearing, industries need to start production and stock goods from now for the peak season sales, said J. Thulasidharan, chairman of Confederation of Indian Textile Industry.

Following the implementation of the GST, production was stopped in some of the textile clusters in the country as the weavers and traders sought withdrawal of the new tax system on textile goods.

Just about 10% of the powerlooms in Coimbatore region are operating after GST as traders from the northern States have not yet started their purchase.

They all need to move into GST and start procurement, said one of the powerloom unit owners at Somanur, near Coimbatore.

With regard to the manmade fibre (MMF), synthetic yarn prices are slightly up because of 18% GST on MMF fibre and yarn and 5 % duty on fabric.

Weavers were asking for a lower price of yarn — one of the reasons behind the demand of a cut in duty on MMF yarn to 12 %.

Source: thehindu.com- July 15, 2017

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Corporate India split over benefits of Modi's tax reform

Support for new GST regime unravels in country's textile heartlands

Under a concrete flyover in the heart of Surat's historic textiles quarter, Gajendra Singh Rathore stands on a stage in a spotless white cotton shirt and trousers, rallying protesters against the government's landmark tax reform.
This month's introduction of a national goods and services tax has been hailed as a historic moment for India's economy, transforming a fragmented regime into a single market by eliminating a confusing web of state and federal levies.

But it has also sparked unhappiness among smaller companies that suddenly face far more stringent tax compliance requirements. Meanwhile, larger groups — which have broadly cheered the expected efficiency gains — have had to digest a barrage of clarifications and rule tweaks from the finance ministry.

Unrest over GST has been strongest in the country's textiles industry, with strikes and protests among small traders, many of which will be subject to tax for the first time.

"Cloth is a basic necessity and creates a lot of employment for unskilled people," Mr Rathore, a textile trader, says after stepping down into crowd of his peers. "It should not be taxed." Surat, the second-biggest city in Gujarat, is a big support base for prime minister Narendra Modi, who served as chief minister of the western Indian state for 13 years.

Yet it has also produced the most prominent illustration of the tensions around GST. Hundreds of textile plants in Surat have shut down in protest over a new 5 per cent levy on the value added at each stage of the production process. Some states, including Gujarat, had previously imposed value added tax on cotton but the rates were lower and the new regime is expected to be enforced much more strictly.

Small traders in Surat complain they will incur unacceptable losses of time and money through complying with the new regime, which will require all businesses with revenue above Rs2m ($31,000) to file returns every month.

"There are so many requirements in GST [and] it is so complicated that it is difficult for businessmen to understand," says Naresh Jain, owner of a small textile manufacturing business. "These people are uneducated and illiterate but there are no resources to help them."

Similar complaints have been made across a swath of industries but some argue this very discontent shows the positive impact the tax will have by jolting companies into a culture of compliance. "Many companies did not prepare in time, as they thought it was going to get postponed," says Harishanker Subramaniam, national leader for indirect tax at EY. "Meanwhile, others are complaining because they have always evaded their tax but are now going to get caught in the net for the first time."

Disruption has also been felt by larger companies long used to dealing with the tax authorities. Car sales, for example, fell 11 per cent year-on-year in June, the biggest drop for four years, as consumers held off on purchases in the hope GST would bring down prices.

Shoppers in certain areas have faced stock shortages after retailers sold off goods at a discount before the tax came in, worried they would not be able to claim their full tax credits on them afterwards. This has left some people unable to find the medicines they need.

"Retailers were afraid about what would happen to their goods post-GST so they sold them at steep discounts and cleared their stocks," says Himanshu Goel, vice-president of tax at TR Chadha & Co.

In Surat, most mid-sized and larger businesses have welcomed the change, says Hetal Mehta, vice-president of the South Gujarat Chamber of Commerce and Industry.

He gives the example of his own electric motor business, which will now be able to claim credits for tax paid by its suppliers.

In the short term, however, some analysts are predicting a slowdown in consumer goods sales, as distributors withhold orders from smaller businesses that may not yet be compliant with the new system, fearing they might be unable to claim these tax credits.

In sectors such as textiles, meanwhile, the new regime will be a relative boon for large, integrated companies, which will have to pay tax only once, at the end of the complex manufacturing process. In contrast, the other production system widespread in India — smaller businesses collaborating in fragmented supply chains — will be hit by tax every time product passes from one company to another.

"Small traders like me will disappear and many workers will be left jobless," says Raja Tated, a textile trader in Surat, adding: "We're not opposing the government or Mr Modi — only the GST."

Source: ft.com- July 17, 2017

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Five P Venture inks pact with Central Silk Board

Erode-based Five P Venture India Private Ltd and Bengaluru-headquartered Central Silk Board (CSB) inked an agreement for development and commercialisation of handloom silk products.

This MoU signed at the first-ever mega trade fair for the textile sector organised by the Ministry of Textiles at Gandhinagar early this month, would go a long way in boosting the eco-system of Chennimalai handloom cluster, which hitherto has not worked with any other fibre other than cotton, said Bharathi Chinnuswamy, Chief Executive.

"At Five P, we had earlier introduced fibres such as linen, recycled cotton, Tencel and Modal and developed a variety of fabrics. Silk is a niche fibre, which we have not ventured into this far.

With the board's technical support, we will be able to develop new, niche products," she said, adding "this development (referring to the MoU with CSB) could also help revive the heritage skills of the handloom weavers in Chennimalai belt".

Making such value added products will not only take the company to the next level but also enhance the income of the handloom weaving community and improve their living standard, she said.

Bharathi also expressed her awe over showcasing the company's in-house brand Nool By Hand at the Lakme Fashion Show, held during the Textiles India Fair. "The apparel adorned by the men and women were of handwoven organic cotton; we were thrilled to see top models wearing our apparel," she said, quite excited about the experience.

Source: thehindubusinessline.com- July 16, 2017

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Malkha spins a yarn of tradition

According to the World Atlas, India is the second largest producer of cotton in the world, and yet their major cotton export is American cotton, which doesn't grow here naturally. Indian cotton farmers are in heavy debt trying to compete with this global market, but some believe Malkha is the future. The Malkha initiative, started in 2003, strives to bring control of spinning and weaving. Uzramma, founder, Malkha India, recently held the talk 'Malkha in the World' onthe issue and the organisation's goals.

"Malkha is a social movement. This is about democracy, and unless people who make things in India own their production, there is no real democracy,"said Uzramma.

Malkha India has spearheaded the movement to give more control to cotton farmers, providing them means of production. To date, there are five Malkha centres in Telangana and Andhra Pradesh, and over 120 weavers with most coming from the village where the spinning wheels are located.

Uzramma's primary drive for her movement stems from the link between cotton farmer suicides and power looms which function best with American cotton. "The only cotton suitable for the power loom is American cotton, which won't grow in India. So the farmers need fertilizers and pesticides, which they buy with their own money until they can't, and then they are forced to take loans," she explained.

While power looms are faster and can process more cotton, some native cottons are damaged and torn and are labeled inferior. In addition, weavers are paid very little.

"Handweavers are not respected for their occupation. We pay our weavers much more — about `3000 — but it's still only as much as we can give," she said.

The issue finds its roots in mass farming overseas. In the US, huge fields of cotton are harvested with large cotton picker machines that compact the cotton into bales but this is said to damage the cotton. Also, the cotton that is run through the power loom produces only one colour of fabric and uses large amounts of electricity to run. Handweaving cotton, she said, allows a more flexible and cost-efficient production.

According to Uzramma, the flipside of using a power loom — high power use, limited colours, and overall high cost — is too much for local farmers who stop weaving and instead ship their product overseas. "What is happening to weavers is they are losing their skills. With Malkha, we're finding there are people waiting to pick it up," she said.

Despite promising results in both farmer cooperation and growing overseas awareness of their product, textile consumers continue to show ignorance about the fabric's better qualities — though the fabric is heavy and rough at first, it softens after several washes and keeps cool in summer. "One place where we absolutely fail is communication," she said, responding to a textile supplier who raised the issue. "We're improving, but obviously we aren't quite there yet."

Additionally, a problem and long term goal Uzramma faces is reaching out to cotton farmers in the area. "We can't make real progress until nearby farmers are able to grow organic cotton.

People growing organic cotton are very far away, and the controversial BT cotton is the only cotton available." As a result, they have primarily worked so far with 35-count cotton.

Source: newindianexpress.com- July 16, 2017

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India at risk of losing Nepal transit trade to China

India is at risk of losing the Nepalese transit trade to China, whose high-speed rail link, particularly under the One Belt One Road (OBOR) initiative, compares favourably to the slow trundle of Indian goods trains and the capacity constraints on the border with Nepal.

According to the World Integrated Trade Solution (WITS), set up by the World Bank and UN trade bodies, Nepal imported goods worth $6.6 billion in 2015 and exported goods worth $660 million.

India accounts for 60 per cent and 63 per cent, respectively, of Nepal's imports and exports. The rest of the trade, valued at over $3 billion, is also routed through India.

China controls only 14 per cent of Nepal's trade demand, but is now aiming to significantly shift Nepal's transit trade from India to itself.

The OBOR proposal itself is costly, and may have serious repercussions for the tiny Nepalese economy, where remittances account for almost 27 per cent of GD. But even given Nepal's geographical proximity with India, the high cost of logistics makes the Chinese rail proposal seem more viable.

Nepal has so far been using Kolkata as a transit port, but loading and unloading take days. According to a BIMSTEC study, cargo arriving in Haldia takes 11.5 days to reach Birgunj in Nepal by rail, covering 680 km, against the 22 days' sea travel from Shanghai to Kolkata.

The cost of transporting cargo from Kolkata to Birgunj is much the same as the sea freight.

Due to efficient cargo handling, and flexible offers from Maersk Line and CONCOR, which have monopoly rights to take railway rakes to Nepal, Visakhapatnam port operations are cheaper than those at Kolkata, but only marginally.

The sea freight advantage is eroded by higher rail freight due to a longer (by 1,400 km) distance.

The rakes' travel time has increased from two-and-a-half days (Kolkata-Birgunj) to four-and-a-half days at an average of speed of 13 kmph; that speed is almost half the average goods trains' speed of 25.5 kmph as claimed by the Railways' in 2012-13.

At a recent workshop organised by the Nepalese Embassy in India, Railway officials admitted that a higher ratio (62 per cent in 2012-13) of passenger trains and low investment in track capacity are affecting goods movement.

But they blamed the poor handling capacity at the CONCOR-operated Birgunj dry-port (Himalayan Terminal) in Nepal and the delay in Customs clearance for the escalation in trade costs.

Railway data show serious capacity constrains at both the Raxaul (Bihar) railyard and Birgunj, which took 25 hours on an average in 2016-17 to unload a rake, against the stated capacity to unload two-and-a-half rakes a day.

CONCOR sources say they are constrained by inadequate siding capacity.

The situation is no better at Raxaul, where Railways restricted loading on 35 of the 90 days from April to June. To ease congestion, the Railways is scheduled to open a new goods shed at Ramgarwa (the next station to Raxaul) by the end of this year.

Customs, a hurdle

According to Railway sources, considering track capacity constraint and other issues, the turnaround of rakes can be improved by round-the-clock Customs clearance at the Indian border gates at Raxaul.

Right now, officials work on a 10-to-5 shift, which causes a pile-up of rakes awaiting clearance.

Meanwhile, the progress of proposed cross-border rail links at Jogbani (Bihar)-Biratnagar (Nepal) and Integrated Check-posts (ICP) at key border gates has hit a slow track.

The Land Ports Authority, under the Union Home Ministry, completed the Indian side of ICPs at least a year ago. But the Ministry of External Affairs (MEA) is yet to complete the Nepalese side.

At Biratnagar, the construction is yet to take off. There is also limited coordination between the Railways and other agencies.

Source: thehindubusinessline.com- July 16, 2017

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India-China ties can't be reduced to black and white

Leadership-level exchanges and contacts with all ASEAN states have visibly deepened in the last three years and we should see that culminate on the occasion of the silver jubilee.

In this changing landscape, few would dispute that the evolving India-China relationship has a direct implication for ASEAN, for the larger Asia-Pacific, and perhaps even globally. We are all aware by now of the complexity inherent in the rise of two major powers near simultaneously, that too in close proximity.

That the powers in question are civilisational ones, with positive far history and difficult near history, add to the challenge. The big debate is about the opportunities and risks that emanate from this twin rise. Skewing the analysis in the direction of one at the expense of the other could mislead us.

In truth, the India-China relationship by now has acquired so many dimensions and so much substance that reducing it to black and white argumentation cannot be a serious proposition. It is not only that India and China have stakes in each other; the world and especially ASEAN have a vested interest in this matter.

This is not to suggest that old problems have been all been addressed or that new issues will not arise. India has an alarming trade deficit that in our view emanates from obstacles to market access in China.

Negotiations on the long-standing boundary dispute also continue. Differences on issues like terrorism, nuclear energy access and connectivity initiatives have also acquired some prominence.

But the fact is that today, India-China relations are really multifaceted. Last month, when the leaders of the two countries met at Astana, they reached consensus on two key points: (a) that at a time of global uncertainty, India-China relations are a factor of stability, and (b) in their relationship, India and China must not allow differences to become disputes. This consensus underlines the strategic maturity with which the two countries must continue to approach each other.

ASEAN also has a natural interest in the growing ties between India and Japan. Gradually and steadily, Japan has emerged as a special strategic partner with whom India increasingly shares a global agenda. The planned Shinkansen high-speed rail project is the symbol of these changes.

But they do reflect a much more profound shift underway, one that involves a significant Japanese commitment to infrastructure modernisation in India, a substantially larger investment footprint and the accompanying ecosystem that nurtures these processes.

ASEAN nations are, of course, very familiar with these developments, though perhaps the scale in India is of a different order. Equally relevant is that as a country that shares similar values and principles, Japan is comfortable partnering India as it assumes greater security responsibilities. We also see the enhanced synergy between India and Japan on connectivity and maritime security as a positive for ASEAN nations.

The big question today in the world is the global strategic approach of the United States. This matters to India as much as it does to ASEAN nations, and indeed to the entire world. There seem to be a number of parallel processes at work. The United States is, generally speaking, reframing its terms of engagement with the world.

In some arenas, there may be a redefinition of its objectives. In others, we may be looking at a redrawing of its posture. At the same time, let us be clear what is not happening:

The US is not withdrawing from the world. On the contrary, it is seeking to get what it hopes to be a better deal from the rest of the world. These are still early days. It is important not to jump to conclusions.

The continued presence of the United States in the Asia-Pacific is an important factor in the calculations of all nations. Developing a nuanced understanding of the unfolding situation is a must for policymakers, as well as analysts.

In this background, it is important that India and the ASEAN have honest conversations on the big issues of the day. To my mind, there are essentially five that will require focused deliberation in the times to come:

i) Connectivity is today the new Great Game. India shares the international community's desire for enhancing physical as well as softer forms of connectivity. We believe in transparent development of infrastructure and the use of responsible debt financing practices, while underlining respect for sovereignty and territorial integrity, ensuring TOT, rule of law and the protection of the environment. This is a principled approach and we are always open to discussions.

ii) Maritime security is a second key concern. India supports respect for freedom of navigation, overflight and commerce throughout the region. It expects nations to resolve territorial and maritime disputes peacefully and in accordance with international law. And just as important, we practise what we preach. India is also increasingly shouldering responsibilities in this area.

In recent years, we have concluded White Shipping agreements with many countries and emerged as first responders in HADR situations, from Fiji to Yemen. The Indian Ocean is a collaborative arena with vast potential that, as the prime minister of Sri Lanka reminded me recently, is the largest English-speaking region in the world.

iii) Terrorism and radicalisation is a shared challenge, one where India would be open to working more purposefully with ASEAN members. Perhaps, there should be greater appreciation that it is India that insulates this region from many of the viruses proliferating to its West.

In an era when networking amongst terrorists is reaching serious proportions, societies facing threats must respond more cohesively. In particular, they must be clear that there is no justification for terrorism on any grounds.

iv) Economic globalisation is under pressure and even as we counter protectionism, it is important to analyse the causes for this trend. The virtues of preferential trade arrangements are less self-apparent today, possibly because many of its outcomes have been very one-sided.

Clearly, PTA/FTAs are not the same as openness. Arriving at a more balanced position would require a more objective assessment of how they have worked so far.

v) Finally, advancing an Asian security architecture founded on commonly accepted norms and rules. The centrality of ASEAN to its evolution is indisputable.

Source: business-standard.com- July 17, 2017

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