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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 130 of 2017 June 26, 2017

USD 64.50 | EUR 72.19 | GBP 82.19 | JPY 0.58

Cotton Market (23-06-2017)		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20079	42000	**82.93**
Domestic Futures Price (Ex. Gin), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19870	41563	**82.07**
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	**85.86**	
Cotlook A Index – Physical	**83**	

Cotton & currency guide: Interesting moves and interesting events related to cotton is seen through last one fortnight.

The July fell incessantly straight from 87 cents to 71 cents; so in the case of subsequent contracts with more or less same momentum.

July has come to a period whose first notice period shall resume on next Monday and will get converged to spot price so major fall in price looks limited.

For reference July is the only contract posted a positive close on Thursday while rest contracts just fell with winds of bearish trend.

The most active December contract descent for the ten consecutive trading sessions to close near 66.70 cents.

For the domestic participants we have an excellent strategy where in one needs to Sell July contract and Buy October contract simultaneously.

We expect the spread should narrow down substantially.

The key logic for such spread strategy is at the exchange more than 40K bales of FED stocks lying as part of old crop can pressure on the July future.

On the other hand October fall be limited due to unavailability of new produce and tight stocks.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Euratex warns against hard Brexit
2	Ethiopia's Chinese built industrial park attracts world-class companies
3	Vietnam signs deals worth $8 billion with USA
4	Global nonwovens market to be worth $50.8 billion in 2020
5	Iran: Textile Exports Hit $1.1b Last Year
6	Pakistan's textile industry goes on war path, as exports shrink
7	Bangladesh: Apparel makers aim $1b from Japan despite dip
	NATIONAL NEWS
1	'Export promotion schemes to continue under GST regime'
2	Before the colours fade away
3	Warangal mega textile park: Officials woo investors
4	‘EU authorities not giving date for talks on FTA’
5	SEZs keen on FTA rates, commerce ministry working on proposal
6	New EXIM regime

INTERNATIONAL NEWS

Euratex warns against hard Brexit

The European Apparel and Textile Confederation, Euratex, has warned against a hard Brexit, suggesting it is in the common interest of the UK and the EU27 industries to push for a smooth Brexit, thus enabling the current highly integrated supply chains to keep on working smoothly from fibers to end products.

Euratex says divergences in the regulatory legislation of the EU and UK would create trade barriers, result in high additional costs for consumers, would have a very serious impact on the industries of both sides given the comparably high import tariffs that would apply in the textile and clothing sector.

It says a future comprehensive EU27-UK trade and investment agreement should consider the already existing close economic relationship between the European textile and clothing industries and that a transitional arrangement should cover suspension of customs duties and all legal and regulatory areas with relevance for the textile and clothing industry.

The EU28 textile and clothing industry remains a significant industry within the EU, despite considerable outsourcing to southeast Asia over the past two decades.

European textile and clothing companies are globally leading, regarding technical textiles, sophisticated high-quality yarns and fibers, and high-end apparel goods.

The UK lies in third place for the EU27's most important trade partners in textile and clothing goods.

Source: fashionatingworld.com- June 24, 2017

HOME

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Ethiopia's Chinese built industrial park attracts world-class companies

Ethiopia's flagship Chinese-built Hawassa Industrial Park has proved successful in just less than a year as it has attracted various world-class textile and apparel companies to the east African country.

One among the renowned companies that have shown interest in the Hawassa Industrial Park is PVH, a company known for marketing diversified portfolio of brands including Calvin Klein and Tommy Hilfiger. The company has already established its first manufacturing industry in the Hawassa industrial park.

The industrial zone has so far welcomed 18 companies that have already started operations inside the park. Six of them are presently exporting their products to the international market.

The east African country has targeted to generate 1 billion U.S. dollars annually once the park starts operations at its full potential.

Built by China Civil Engineering Corporation (CCECC), the Hawassa industrial park, located in Ethiopia's southern city of Hawassa, some 275km south of the capital Addis Ababa, was initially completed in a record time of nine months back in July 2016.

Ethiopian Prime Minister Hailemariam Desalegn, speaking at a ceremony marking the park's official operation commencement on Monday, said that his country's favorable business environment is drawing a growing number of foreign investors and huge Foreign Direct Investment (FDI).

The premier further asserted that the Hawassa industrial park can be seen as a "foundation in Ethiopia's ambition to be the manufacturing hub of the African continent."

The Ethiopian Investment Commission has also announced its plan to replicate the best lessons obtained from the Hawassa Industrial Park to other parks being built across the country.

The Ethiopian government highly believes that the development of industrial parks is the major path for the country to realize its vision of becoming manufacturing powerhouse in the African continent.

In this regard, the country has budgeted more than one billion U.S. dollars for the construction of industrial parks in the second five-year Growth and Transformation Plan (GTP-II) period, effective from 2015 to 2020.

The Ethiopian government expects the development of industrial parks throughout the country would increase the share of the manufacturing sector to the country's agriculture sector dominated GDP, in which the manufacturing sector stood at only 5 percent for many years.

After proved successful by attracting PVH to the flagship Hawassa industrial park as an anchor company, the Ethiopian Investment Commission has planned to replicate this plan further to Mekele and Kombolcha industrial parks that are expected to be operational by the end of this month.

Mekelle and Kombolcha Industrial Parks, located some 783km and 252km north of the capital Addis Ababa respectively, are also under construction by Chinese companies.

The Ethiopian Investment Commission is eyeing on Vanity Fair and H&M, among other companies, to make establishment in the two parks that are dedicated to the textile and apparel sector.

Source: xinhuanet.com- June 25, 2017

HOME

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Vietnam signs deals worth $8 billion with USA

To sustain its export-driven economy and minimise the impact of US withdrawal from the TPP, Vietnam is placing a great thrust on the increased trade relations with the US, which is its largest export market. Vietnam and the US have recently signed business deals worth US$8 billion, in the sectors such as aircraft engines and development of power generation capabilities, along with hospitality, science and technology, academia and energy. The trade tie is expected to generate 23,000 American jobs and help in reducing the US trade deficit with Vietnam, which stood at almost US$32 billion in 2016.

Trade stats

Trade between the two countries has been witnessing 20 percent growth annually since 2001, with 2016 trade reaching US$47 billion – 33.5 times higher than 2001 figures. Vietnam is US's 16thlargest trade partner and the fastest-growing market for US exports. Trade between the two nations is however tilted towards Vietnam. In 2016 and 2015, Vietnam's trade surplus stood at US$32 billion and US$31 billion respectively.

In the first four months of 2017, US accounted for 20 percent of Vietnam's exports, an increase of 8.7 percent from the same period last year. Major export items included textile-garment, footwear, computers, seafood, farm products, timber and timber products, electronics and components.

Deals sealed in 2017

In the recent exchange, deals worth U$8 billion were signed between the two countries. General Electric signed its largest single combined sale with the country worth US$5.58 billion for power generation, aircraft engines, and services.

The agreement includes 20 jet engines made by CFM International, a joint venture of GE and Safran for VietJet Aviation. Also included is a 12-year engine service contract for 100 Boeing 737 MAX aircraft that VietJet has ordered. VietJet also signed a US$1 billion deal with GE Capital Aviation Services for aircraft financing.

In the power sector, GE signed an MoU to build two 750-megawatt gas-fired turbine power plants in conjunction with state energy group Petro Vietnam. The deal also included joint development agreement for an 800-megawatt wind power facility. Caterpillar and its Vietnam subsidiary agreed to provide generator management technology for more than 100 generators in Vietnam. The remaining deals focused on hospitality, science and technology, academia and energy.

TPP without the US

As is the known fact that Vietnam would have been one of the major beneficiaries of the original TPP's reduced tariffs. TPP including US would have led to an increase in US investments and help Vietnam position itself as a viable alternative to China for low-cost manufacturing. However, with the new US administration favouring bilateral trade deals rather than multilateral, few TPP member countries are pushing to revive the agreement without the US.

Vietnam had brought in changes in state-owned enterprises and deregulated key sectors such as finance, telecommunications, and retail to gain increased access to the US market. Even without the US, Vietnam believes that a renegotiated TPP will be feasible as TPP focused not only on market access, but also on labour reforms, transparency, IP protection, and anticorruption, which would help modernise its economy.

The country will also benefit from increased market access in new members and a deeper integration in global supply chains. TPP11 will allow member states reduce their dependence on China, which backs the Regional Comprehensive Economic Partnership (RCEP), which is a 16-nation trade pact that includes the Association of Southeast Asian Nations (ASEAN), along with China, Australia, India, Japan, South Korea, and New Zealand.

Trade outlook

Trade experts predict exports to grow over 13 percent in 2017 driven by acceleration in global trade and higher import of raw materials and electronic parts. Largest export markets will continue to be the US, EU, China, and Japan accounting for 22 percent, 18 percent, 12 percent, and 8 percent respectively of total exports.

Source: fashionatingworld.com- June 24, 2017

HOME

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Global nonwovens market to be worth $50.8 billion in 2020

The nonwoven industry is on a sustained growth momentum since last four decades and is a key constituent of the man-made fibre market. European Disposables and Nonwovens Association (EDANA), the international association, most recent summary of its annual statistic shows that, the overall production of nonwovens in Greater Europe grew by 3.3 per cent per cent in volume in 2016 to reach 2,395,098 tonnes despite an uncertain economic climate. EDANA has also previously estimated that the production of nonwovens in Greater Europe represents approximately 25 per cent of the worldwide market in 2014.

Asian nonwoven market

Until the last decade, the nonwoven industry was primarily based in Europe, North America, and Japan. Now, nonwovens are produced on thousands of lines around the world.

The nonwoven industry is now truly global and Asia is now the dominant nonwoven producing region, accounting for 42 percent of the world's production in 2014.

China accounts for a significant proportion (66 per cent) of the Asia volume and is now the most important nonwovens producer worldwide with production volume in 2014 estimated at 2.4 million tonnes and increasing gradually.

Nonwoven market in India

India's nonwoven market is growing at a rate of 8-10 per cent. However, in the coming years, the continuous growth of India's GDP, increasing purchasing power and India's initiative in the economic development will give a boost to this field, and it is assumed that it would achieve a growth rate of 12-15 per cent.

Now, the production of nonwoven in India is touching 190,000 tonnes. As per the expert report, the per capita nonwoven fabric consumption in India was 155 gm, which nearly reached to 350 gm by 2015 and likely to be 600 gm by 2020.

Bangladesh gaining stronghold

Currently, Bangladesh is rising as a significant player in nonwoven industry as it is being considered that the market is offering huge opportunities, which is a welcome sign for the nonwoven industry in Bangladesh.

But against this large demand, there are only a few manufacturers who are producing nonwoven products. Hence, this large market is controlled by little number of countries. In that case, Bangladesh has large opportunity to capture this huge market by establishing a significant number of nonwoven fabric industries in Bangladesh.

The future

The global nonwovens market will grow to be worth $50.8 billion in 2020, up from a value of $37.4 billion in 2015, according to the latest exclusive research from Smithers Pira.

Data shows that global consumption in 2015 was 9.0 million tonnes and this will increase at annual rate of 6.2 per cent and 7.2 per cent respectively over the next few years with consumption scheduled to reach 12.1 million tonnes in 2020.

Globalisation will accelerate over the next decade, and global economic power will likely to shift eastward. Europe, Japan, and the US will experience a relatively slow growth, while Asian economies grow faster.

Besides the global markets, low and middle-income countries are becoming the world’s largest consumer markets, the demand will likely to increase for all nonwoven products. One can expect a boom in construction nonwovens, as well as further growth of low-impact consumer and hygiene products.

Source: fashionatingworld.com - June 23, 2017

HOME

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Iran: Textile Exports Hit $1.1b Last Year

Some 189,400 tons of textile products worth more than $1.13 billion were exported in the last Iranian year that ended March 20, 2017, registering an 8.1% rise in weight and a 1.7% decrease in value compared with the year before.

Nearly 5,700 tons of hand-woven carpets worth $345.7 million were exported during the period, indicating a 7.5% and 18.4% year-on-year growth in tonnage and value respectively, Iran Chamber of Commerce, Industries, Mines and Agriculture's news portal reported.

The increase in carpet exports is mainly attributed to the implementation of the Joint Comprehensive Plan of Action (the formal name of the nuclear deal Iran signed with world powers in 2015), which made it possible for Iran to resume hand-woven Persian carpets to the US, traditionally the biggest market for the Iranian product.

The US banned the import of Iranian carpets, among other products, in September 2010. About $306.5 million worth of machine-woven carpets weighing 55,500 tons were exported, showing a 4.3% rise in weight and 8.9% decrease in value year-on-year.

The export of textiles stood at 98,500 tons worth $278.3 million, registering an 8.6% and a 1.7% YOY growth in weight and value respectively.

Some 3,800 tons of apparel and 8,100 tons of leather products worth $46.2 million and $61.3 million respectively were exported. Apparel exports indicated a 2.6% and 3.9% YOY decline in weight and value respectively while leather product exports experienced a 15.7% and 3.2% YOY growth in volume and value respectively.

Finally, 17,800 tons of shoes worth $96.6 million were exported, showing a 17.9% rise in weight and 33.1% fall in value.

Source: financialtribune.com- June 25, 2017

HOME

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Pakistan's textile industry goes on war path, as exports shrink

Pakistan's biggest industry, labour employer and dollar earner, has gone on warpath as production and exports shrink.

On a call of the industry leader, All Pakistan Textile Mills Association (Aptma) all textile mills observed "Black Day, on June 20. The mill owners, managements and worker protested in front of their mills and, put on anti-government slogans at their premises.

It was carried out peacefully in all major industry centre across Pakistan, including Karachi, Lahore, Multan, Faisalabad and Peshawar. They displayed banners, and slogans, against the "anti-industry, anti-investment, and anti-export policies of the government." They resolved "to continue their agitation for restoration of the viability of the textile industry."

The annual exports of textiles have declined form $13.5 billion in FY-14 to $10.5 billion in FY-17. It, and may go down further on the back of the growing foreign competition from China and India, as well as from such new comers as Vietnam, and non-cotton-growing Bangladesh.

The domestic reasons which led to "virtual disintegration of the textile industry," over the years, as experts and industry analysts say included: High cost of doing business, growing tax burden, expensive bank credit, high cost of electricity and natural gas, use of old machinery, lack of installing modern machinery and use of new technology.

Textiles, and four other top exports - carpets, leather products, surgical apparatus and sports goods - industries which are the biggest producers, exporters ad dollar-earners, were granted a huge Rs180 billion subsidy and bailout package by Prime Minister Nawaz Sharif in November last to raise production and exports.

But, beset by an ever-growing budgetary deficit, declining tax collections, growing government's increasing borrowing from banks at home and abroad, large repayments of foreign credits and no-cash-in-hand, Finance Minister Ishaq Dar is virtually holding up the disbursement of the Rs180 billion bailout package. It was to be dispersed to the industry over 18 months, at the rate of Rs10bn a month.

The textile exports, coupled with nearly $19 billion annual remittances sent home by overseas Pakistani workers plus $20 billion annual exports in FY-17 are the only two dollar earners. Pakistan direly needs to enlarge these inflows, to pay for $50 imports, as in FY-17.

Pakistan's current account deficit is widening. It hit the all-time high of $32 billion in FY-17. The government's lack of response to the industry's demands circles around the cash-starved government's budgetary decisions to raise taxes and its refusal to repay the promised tax refunds.

The industry on paper has given the industry a number of tax concessions but the government has created a time-wasting system under which the producers and the exporters of textiles first pay all their sales and other taxes when they purchase, from the market, various inputs for any product.

The producers and exporters then get the official certification of the State Bank of Pakistan (SBP), central bank, confirmation that the relevant goods have actually been exported, and payment for these exports has been received from abroad in foreign exchange. These repayable amounts to the exporters are called Tax Refunds. Aptma says the ministry of finance is illegally holding up repayment of tax refunds totalling Rs200 billion to the industry for no reason. But, Dar says the reason is "the government has no cash to repay Rs200 billion."

Aptma's former chairman Yasin Siddik, says: "Out of the Rs180 billion bailout plan, only Rs400 million have been returned to the industry. For disbursement over the next 18 months, only Rs4 billion has been provided in the budget for FY-18."

It means the finance ministry itself has killed the bailout package.

Syed Ali Ahsan, Aptma president for Punjab announced at a news conference: "We will hold a convention of all associations of the textile industry in Islamabad on July 7 to "discuss the problems include the falling exports, closure of textile mills and job retrenchment. We will also stage a protest in font of the Parliament of Pakistan to press for meeting our demands."

He also said: "The government is not serious in solving our problems. One hundred (rpt 100) mills have already been closed down so for. If the government fails to redress our problems, the remaining mills will also be shut down."

Aptma group leader Gohar Ejaz demanded "an immediate reduction in electricity and natural gas tariff. The energy tariff is 10 per cent higher in Pakistan than in the countries competing against us. They include China, India, Bangladesh and Vietnam.

Ahmed Kamal, chief of Pakistan Textile Exporters Association (PTEA), is of the view, due to "the ongoing crisis 30pc processing industry have already closed down, and more than 10,000 workers have lost their jobs. This has resulted from the ongoing liquidity crunch, caused by to non-disbursement of our Rs200bn Withholding Tax. Textile exporters have been deprived of liquidity as 30pc to 40pc of their working capital has been blocked in the tax refund cycle."

While the government stays mum, this being the current state of Pakistan's biggest industry - textiles - what does the future holds for it?

Source: khaleejtimes.com- June 25, 2017

HOME

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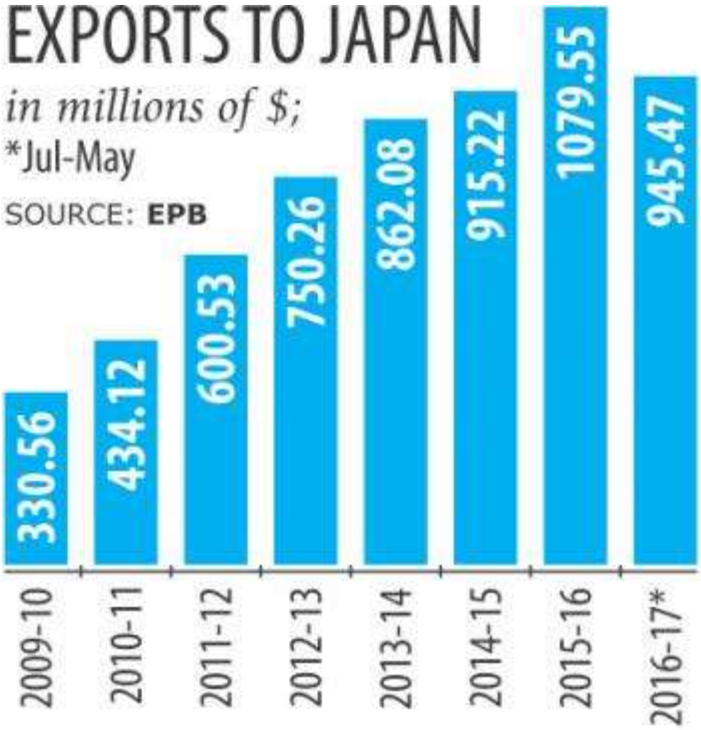
Bangladesh: Apparel makers aim $1b from Japan despite dip

Shipments to Japan declined 3.7 percent to $945.47 million in the first 11 months of 2016-17 because of a fall in prices of goods and security concerns following the Holey Artisan attack in Dhaka last year, according to exporters.

Though the earnings fell 16.09 percent short of the Export Promotion Bureau's periodic target of $1.12 billion, exporters hope to cross the $1 billion mark by the end of the fiscal year, an achievement already made in the EU, the US and Canadian markets.

Japan is Bangladesh's single largest export destination among Asian nations and its market offers promising returns for quality apparel and leather and jute and associated goods.



Exports to Japan have been soaring over the last few years maintaining nearly 20 percent growth every year.

Currently, Bangladesh's annual export earnings from other Asian countries such as China and India hovers around $700 million each.

Exports to Asian markets, especially to that of Japan, started rising as financial recessions of 2008 and 2009 affected the Western world badly.

Moreover, the Bangladesh government offers stimulus packages for exploring new destinations like Japan, China and India. Markets across the world, other than the traditional ones of the EU, the US and Canada, are considered as new destinations.

Another catalyst has been the relaxation of the Rules of Origin by the Japanese government on knitwear and woven garments from least developed countries.

This allowed Bangladesh to enjoy a zero-duty trade privilege and a competitive edge against countries like China, India and Pakistan in meeting Japan's annual demand for garments worth over $40 billion.

“Garment export from Bangladesh to Japan is rising every year. We are receiving a good response from the Japanese retailers,” said Mohammad Hatem, former vice-president of Bangladesh Knitwear Manufacturers and Exporters Association.

During the July-May period, Bangladesh exported garment goods worth $696.32 million to Japan, according to data from the EPB. Of this, $374.38 million came from woven items and $321.94 million from knitwear.

Furthermore, the Japanese government adopted the China Plus One policy in 2008, which aims to reduce overdependence on China for goods like apparels, electronic gadgets and home appliances.

“Overall, the Japanese consumers are quality conscious. They tested Bangladeshi goods for years and have now started coming to Bangladesh,” said Tareq Rafi Bhuiyan, secretary general of Japan Bangladesh Chamber of Commerce and Industry.

Apart from apparel items, Bangladesh's leather, jute and allied items are performing strongly in the Far East Asian country, said Bhuiyan.

However, they are a bit concerned over security as the Japanese government raised an alert following the attack in Dhaka's diplomatic zone on July 1 last year when nine Italians, seven Japanese, three Bangladeshis and an Indian were killed. “Japan is a very promising market for us. We are expecting more export earnings,” said Bhuiyan.

He said Bangladesh has already selected a place at Narayanganj's Araihazar to set up a separate special economic zone for Japanese investors.

Source: thedailystar.net- June 25, 2017

HOME

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NATIONAL NEWS

'Export promotion schemes to continue under GST regime'

The export promotion schemes will continue under GST regime, said commerce secretary Rita Teaotia.

The government is committed to continue with the incentive schemes while upgrading the system to resolve the issues of the exporters and importers. There are chances that the deemed export benefits may discontinue for level playing field in the GST regime.

These clarifications were given by Teaotia at the open house session organised by the Federation of Indian Export Organisations (FIEO) on mid-term review of foreign trade policy at Bangalore. The session witnessed participation of exporters from various organisations including textiles, silk, engineering and defence among others.

At the programme, the exporters argued for continuation of all schemes to make Indian products competitive as well as the need for exemption route instead of tax payment and then take refund. Karnataka silk industry stated that introduction of 5 per cent GST for the industry will harm their growth as they were facing competition from countries like China and the process is done by marginal worksman.

"The major global trade is happening in high and medium technology sector where India's share is absolutely low. China is constantly increasing its share in this sector and thereby showing quantum jump in exports," said Ganesh Kumar Gupta, president, FIEO.

He urged the commerce secretary to provide fiscal stimulus to high and medium technology sector in the mid-term review of the foreign trade policy. Further, he also stressed the need to build India's reputation of being the leader in software to sell our hardware and software embedded hardware.

Dr A Sakthivel, regional chairman, FIEO(southern region) said that paying GST and taking refund will block working capital of exporters which is costly compared to our competing countries.

He also highlighted various anomalies like non-inclusion of garments manufacturers in the 5 per cent GST announced for textiles industry job works.

Source: fibre2fashion.com- June 26, 2017

HOME

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Before the colours fade away

Combating international competition and racing against time, the textile industry is looking to the Centre for a leg up

As the country prepares to migrate to the Goods and Services Tax (GST) regime from July 1, textile and clothing exporters rest their hopes on the continuance of duty drawback taking into account all levies.

"For an international buyer, it is what India brings to the table beyond product, quality, and reliability. The concern of exporters is that they should not be out-priced by competitors," said an industry insider.

The GST will cover several taxes and the duty paid by exporters for the products they import will come as a refund in the form of a duty drawback. However, there are certain levies that are not subsumed in the GST and these should be refunded, say exporters. Examples of such levies include electricity tax, market committee fees and VAT on fuel. It is critical, said the industry person, that poor clarity on duty drawback against these levies does not impact international competitiveness.

'Little to cheer'

Analysis of data available for Indian textile and clothing exports during 2016-2017, there is little to cheer about for the industry. Textile and clothing exports increased by a mere 0.9% for the year ended March 2017. Exports were $35.42 billion in 2016-2017 as against $35.11 billion the previous year.

Data from Cotton Textiles Export Promotion Council (Texprocil) shows that export of cotton yarn, fabrics and made-ups declined 3.06% in 2016-17 compared with the previous year.

Export of man-made yarn, fabric and made-ups also contracted 2.75 %. However, ready-made garment clothing exports rose 2.31% $17.35 billion.

For a country that has the second-largest integrated textile manufacturing facility globally, next to China, the almost flat growth in the exports is a matter of concern, especially since countries such as Bangladesh and Vietnam have seen exports rising.

China enjoys about 35 % share in the world textile and clothing exports while India, in second position, has a mere 4.89% share. Bangladesh and Vietnam are close behind at 4.62% and 4.05% share respectively and their exports are mainly garments. Significantly, world imports of textile and clothing had fallen 2.39% in 2016 (January-December) as against imports in 2015.

Almost 75% of the units in the weaving and garmenting segments in the country are in the unorganised sector. These units have to adapt to the new tax system and that, industry watchers said, might take time. The revised drawback rates should be announced at the earliest so that exporters can quote prices to the buyers.Hence, there will a short-term impact on exports when GST is introduced, say industry sources.

In the process of adapting to the new system, exporters in the man-made fibre segment (MMF) might face even more challenges because of the inverted duty structure. While it is 18% for MMF fibre and yarn under GST, the rate is 5% for fabric.

For a large-scale MMF garment exporter, the option of importing fabric will be cost-effective, pointed out Durai Palanisamy, executive director of Pallavaa Group, which is into MMF yarn and fabric.

However, the impact of GST on exports will depend largely on duty drawback that will be available, he adds.

Why exports have fallen

While the slow down in global demand and strengthening of the rupee against the dollar in recent months are some of the factors, there seems to be an inherent competitiveness issue for the Indian textile and clothing industry, said an industry insider — an opinion that has popular support in the industry.

Infrastructure challenges that push up costs, preferential tariffs that neighbouring countries such as Pakistan, Sri Lanka, and Bangladesh enjoy with EU markets, the need for economies of scale, and significantly, the China factor are all issues that need to be addressed for textile and clothing exports to leap forward.

“While a bit of the slowdown of Indian exports is market-linked, in the last four or five years, competition has intensified and it is purely cost competition,” said a spokesperson of the Apparel Export Promotion Council.

From fibre upwards in the value chain, the textile and clothing sector is strong in spinning and garmenting segments. But, weaving and processing are weak links, said a source. Similarly, while India is a leading producer of cotton, man-made fibre is not available to the industry at international prices.

Globally, 65% of the textile and clothing consumption is man-made fibre-based and the remaining 35% is cotton based.

While 80% of Chinese exports are MMF-based, almost 80% of Indian exports are cotton based. Thus, the Indian industry seems to be competing in a limited space.

Man-made fibre imports attract anti-dumping duty and there is a need to make available MMF at international prices to be competitive, the source said. “This will give the manufacturers an [alternative] to cotton, and boost production of man-made fibre-based fabric and garments too.”

The global supply chain has also undergone changes since 2012. China is more dependent on Vietnam and ASEAN countries for its needs, Bangladesh and Vietnam are growing leaps and bounds, and Indian costs are going up.

“We should be able to leverage on the strengths in the spinning and garment segments by strengthening the processing and weaving segments,” said Siddhartha Rajagopal, executive director of Texprocil.

“We should become a hub for fabric manufacturing. We should look at countries that can source fabric from us and gradually for garments too,” he said.

‘Large units needed’

Last year, the Union Government announced a ₹6,000 crore special package for the apparel sector, a special package for made-ups and a comprehensive scheme for the power loom sector. What is needed is a focused scheme to have at least 30 or 40 large-scale, high-technology processing units, says J. Thulasidharan, chairman of Confederation of Indian Textile Industry.

On the infrastructure front, since the industry is highly segmented and is spread across the country in clusters, movement of goods is high. The need for better road connectivity, operation of vessels to key international destinations, and power, among others, all add to the cost. These are long-term issues and efforts should be at least initiated to address these so that the industry sees the benefits in the coming years, said a source, requesting anonymity.

Textiles is also an industry that sees frequent fluctuations in prices and demand and many units are in the unorganised sector. While a push in apparel exports can be an engine of growth for the other segments, both the industry and the Government should work towards building the international competitiveness of the overall industry, said the source.

This requires substantial incentives to strengthen the weaving and processing segments. “Further, the needs of the small and medium-scale exporters should be met and they should encouraged to expand as just 3% of the industry has economies of scale. The policies meant for the domestic industry should not impede exports.”

Industries need to be encouraged to re-invest their profits in the textile value chain rather than hedging in other sectors and in business innovation. Policies for the garment sector should look at exporters and domestic players separately.

“As a country, we need to be export-oriented in our policy,” says D.K. Nair, a textile sector consultant.

Source: thehindu.com- June 25, 2017

HOME

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Warangal mega textile park: Officials woo investors

Though there is no news about when Chief Minister K Chandrasekhar Rao would be laying foundation for the proposed integrated textile park in Geesgonda mandal of the district, officials have started the exercise to woo investors for mega park.

District officials are interacting with the members of Warangal Chamber of Commerce on the proposed textile park and explaining them the advantage of setting up units in the textile park.

District administration had assured all kind of support to mill owners setting up their units in the textile park.

The officials are assuring to provide all the necessary permissions in the shortest possible time to the investors. They are also assuring to develop infrastructure around the surrounding villages to facilitate better connectivity to the park.

Director of handlooms and textiles Shailaja Ramaiyer, during her visit to the city held discussions with textile industries representatives and assured them that they would be provided incentives to develop their units in the park. Even industries minister KT Rama Rao is promoting textile park during his visit to different parts of the country.

The state government would be providing various kinds of incentives to all the units coming up in the mega textile park. "State government is coming up with a new textile policy soon.

We would provide special incentives to those setting up their units in textile park in the textile policy. We would be providing capital and power incentives and many other benefits," a senior official said.

Textile association members are demanding the government to provide incentives for at least nine years so that they could sustain.

According to officials, the state government's vision is to have a 'fibre to fabric (end-to-end)' facility in the textile park.

Every thing right from spinning, dying to processing to finished goods facilities would be made available in the mega park.

While textile parks in different parts of the country like Solapur, Tirupur and Surat are engaged in manufacturing specific categories of garments, the park in Warangal will cover all segments.

The state government has plans to connect all the spinning units both handlooms and powerlooms to the textile park

Telangana produces 60 lakh bales of cotton, but the consumption by the local mills is just around 10 lakh bales. The surplus is offloaded in States such as Tamil Nadu and other neigbouring states.

Fact files

- The park is coming up on 2,000 acres
- Around 1,200 acres have been earmarked in the first phase of development
  Telangana produces 60 lakh bales of cotton
- Consumption by local mills around 10 lakh bales
- About 10 lakh bales produced in erstwhile Warangal alone
- 33 spinning mills operating in Telangana with 20 lakh spindler capacity
  F100 crore released for acquiring land for the textile cluster PSG and Department of Handlooms and Textiles and Apparel Export Parks had inked an agreement, with the former undertaking to provide technical assistance in skill development and training and R&D support for technological upgradation

Source: timesofindia.com- June 26, 2017

HOME

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'EU authorities not giving date for talks on FTA'

Union Minister of State for Commerce and Industry Nirmala Sitharaman said the proposed Free Trade Agreement (FTA) with European Union was getting delayed because the EU authorities were not giving dates for negotiations.

Ms. Sitharaman told this while answering a query from *The Hindu* on why the FTA was getting delayed inordinately, on the sidelines of rolling out a BJP programme aimed at expanding the party's base in the State, here on Friday.

She added that as part of 'Vistarak Yojana', a scheme conceptualised by the party to spread its base in the State, the party workers would be staying at booth level to disseminate the welfare initiatives taken up by the Union Government among the people.

Source: thehindu.com- June 25, 2017

HOME

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SEZs keen on FTA rates, commerce ministry working on proposal

The commerce ministry is working on a proposal to allow special economic zone (SEZ) units to sell products outside these tax-free enclaves at concessional duty rates.

An SEZ area is considered to be a foreign territory for trade operations and duties and are mainly set up for the export purpose.

However, goods can be supplied from an SEZ unit to a DTA (domestic tariff area or outside SEZ) buyer on payment of appropriate Customs duty as products coming from these zones are treated as imports into the country.

The SEZ players have demanded that they be allowed to sell their goods in DTA on same terms as applicable under free trade agreements (FTAs) signed by India with different countries.

In essence, they want that the benefit of low or nil duty under an FTA should be extended to their products sold in domestic markets.

India has signed several FTAs with countries, including Japan, Malaysia, Asean (the 10-nation South East Asian bloc) and South Korea, under which it permits imports of a host of goods at a significantly low or nil duty.

"Such a decision would help boost the manufacturing sector of the country. Although SEZs are treated as foreign entity for trade purposes, they are set up within the country and they employ local people," an official said.

The issue was recently discussed by the commerce ministry.

However, experts take the line that domestic manufacturers would lose competitiveness if SEZ units are allowed to sell products at concessional duties.

Export Promotion Council for SEZ and EoUs (EPCES) Chairman Rahul Gupta stressed that the proposal would not affect domestic manufacturing as SEZ units use local raw material for manufacturing and also provide jobs here.

"SEZs should be allowed to sell their goods at best FTA rates to increase manufacturing in these zones," he suggested. After imposition of minimum alternate tax (MAT) on SEZs, investors started losing interest to invest, which the commerce ministry is trying to revive.

The SEZs enjoy 100 per cent income tax exemption on export income for the first five years, 50 per cent for the next five and 50 per cent of the ploughed-back export profit for another five years.

Exports from SEZs grew nearly 12 per cent to Rs 5.24 lakh crore in 2016-17. Data showed that as on March 31, these zones have attracted investments worth Rs 4.23 lakh crore and generated employment for 17.31 lakh people.

States such as Tamil Nadu, Karnataka, Telangana and Maharashtra are home to the highest number of operational SEZs. Till May 1, the government has approved as many as 421 zones, of which 218 are operational.

Source: economictimes.com- June 25, 2017

HOME

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New EXIM regime

Exporters will benefit from the subsuming of 17 central and state taxes in the GST and a comprehensive set-off of input tax on goods and services. These provisions would reduce the cost of manufactured goods and services and make exports competitive. In addition, the exports will be exempted from payment of GST and, if paid, the tax would be refunded.

This tax exemption/refund policy is in keeping with the WTO rules that say no taxes should be exported. Accordingly, exports have been treated as "zero-rated supply" under the IGST Act.

Exports sent out of the country are considered zero-rated supplies. Supplies made to a SEZ developer or SEZ unit have also been accorded the same status. Exporters can avail credit of the input tax on the inputs procured for the production of such zero-rated supplies.

Exports need the conversion of inputs such as raw material into the finished product that is exported. An exporter would get the refund of GST paid on inputs and exemption from payment of GST on the final product.

For this, a firm has to apply for the refund of the GST paid on the inputs after the completion of exports. It has been agreed that 90 per cent of the refund amount would be granted within seven days of the filing of an application. Refund of the balance would be granted after verification of documents.

The GST route of refund on taxes paid would not be available to exporters who procure goods from the firms (a) not registered with GST on account of low turnover, or (b) opting for GST under the composition scheme.

Import will be treated as inter-State supplies and IGST will be levied as the additional duty of customs in addition to the basic customs duty on import. Customs duty will now have only two components in most cases: basic customs duty and IGST. However, other duties such as anti-dumping or safeguard duties, etc., wherever applicable, will be levied as before. Tax paid (IGST) on imported goods will be eligible for credit as input tax credit to the importer.

GST would affect the efficacy of all export promotion schemes. Till now, the facility of exemption from the payment of all duties is available to exporters under export schemes like Advance authorisation or the Export Promotion Capital Goods. Post GST, the exemption only from the basic customs duty would be available. Similarly, 100 per cent Export Oriented Units would lose the duty exemption privilege and be like any DTA unit that will get exemption only from payment of basic customs duties on exports.

Also, no supplies would be treated as deemed exports. This means the supplies to EOU/STPI/mega power projects that are currently exempt from central taxes will become taxable. The new Duty Drawback scheme under GST will refund only the Basic Customs Duty and Central Excise duty paid on the exempted inputs.

The main issue of exporters would be blocking of the working capital. The exporter would pay GST at the time of buying of inputs and will get the refund after the exports that would take place after 6-12 months. High-interest rates would increase the working capital cost and make exports expensive. However, these increased expenses would be partly offset by the lower tax rates and reduced cascading effect.

Source: thehindubusinessline.com- June 26, 2017

HOME

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