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# IBTEX No. 21 of 2017 Jan 27, 2017

USD 68.17 | EUR 72.74 | GBP 85.61 | JPY 0.59

## Cotton Market Update

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20103 | 42050 | **78.68** |

**Domestic Futures Price (Ex. Gin), March**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20680 | 43258 | **80.94** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( March 2017) | 74.19 |
| ZCE Cotton: Yuan/MT ( January 2017) | 15,250 |
| ZCE Cotton: USD Cents/lb | **87.09** |
| **Cotlook A Index – Physical** | **83.20** |

**Cotton & currency guide:** Cotton price traded slightly higher on Wednesday to settle the February contract at Rs. 20520. However, the market was shut on Thursday due to Republic day holiday in India while the US markets were active. As of this morning on Friday the counter is seen trading at 74.26 cents per pound. This means market is expected to see a marginal gap up in the price on today's trade. However, overall we expect cotton market to remain volatile on today's trading session

Talking on the spot front, market is continuously holding around Rs. 42500 to Rs. 42800 per candy. However, from the futures front prices on the MCX futures platform ended higher in the most active month.. February settled at Rs. 20,520 per bale (Rs. 42,925 per candy). March's premium over February is placed at Rs. 160 per bale. Turnover declined from the previous day's high of over 10,000 lots, to 6,804 lots (170,100 bales)

Further on the US, ICE futures vacillated from positive to negative ground before the most actively traded deliveries settled higher. Nearby deliveries opened near unchanged and traded in a narrow price range. Shortly after the release of the US Export Sales report, buying intensified, and front months quickly soared higher, with the March '17 contract reaching 74.93 cents/lb

However, after failing to break through a key resistance level of 75.00 cents per pound, the spot month slipped lower. Speculators continue to roll their positions from the March '17 delivery to May '17 and July '17 contracts ahead of the spot month's first notice day on February 22

Overall we expect cotton to trade mixed. The trading range for the day would be Rs. 20400 to Rs. 20700 per bale for February future trades at MCX

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

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# INTERNATIONAL NEWS

## Trump Meets With US Manufacturers Over Jobs, Trade

Often politicians are accused of making empty promises in order to get elected. President Donald Trump has proven to be anything but a typical politician, however, so it should come as no surprise that he began his first full week in office following through on the promises that got him elected.

First, he signed an executive order to remove the U.S. from the Trans-Pacific Partnership Monday. The 12-nation trade deal, which represented about 40 percent of the world's economy, was seen by some as a way to help insulate the U.S. from China's dominance. Now, some lawmakers are questioning whether the move has given China the edge when it comes to trade.

Next, he met with executives from some top American firms to discuss bringing jobs back to the U.S. Among the companies represented were Ford Motor, Lockheed Martin Corp., Under Armour Inc. and Whirlpool Corp, all of which have supply chain and trade interests all around the world.

The President took the opportunity to reaffirm his stance on imports.

"A company that wants to fire all of its people in the United States and build some factory someplace else, then thinks that product is going to just flow across the border into the United States, that's just not going to happen," he said, according to the New York Times.

To further encourage corporations to employ Americans, he asserted his intention to cut corporate tax rates to 15 to 20 percent and reduce regulations, like environmental protections, by 75 percent. These moves would be financially rewarding for companies producing in the U.S. and they would also make it quicker and easier for those firms to gain approvals for new factories.

Of the meeting, Ford president and CEO Mark Fields was quoted as saying: "I think, you know, walking out of the meeting today, I know I come out with a lot of confidence that the president is very, very serious on making sure that the United States economy is going to be strong and have policies, tax, regulatory or trade to drive that, and I think that encourages all of us as

CEOs as we make decisions going forward. So it was a very, very positive meeting, and I think a positive meeting for the United States of America and manufacturing in general."

Answering to pressure from the administration, Ford recently cancelled plans for a plant in Mexico in favor of expanding its operations in Michigan.

Source: sourcingjournalonline.com – Jan 25, 2017

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## Australia open to China and Indonesia joining TPP after US pulls out

Trade minister talks with Canada, Mexico, Japan, New Zealand, Singapore, Malaysia, Chile and Peru could salvage deal.

The Australian government will push ahead for a Trans-Pacific Partnership trade deal without the United States and is open to Indonesia, China and others seeking to join the agreement.

The Australian trade minister, Steven Ciobo, made the call for countries to push ahead with a so-called TPP 12-minus-one agreement now that the US president, Donald Trump, has signed an order that the US will not join the deal.

On Monday evening, the prime minister, Malcolm Turnbull, reportedly confirmed Australia's commitment to the TPP in a phone conversation with Japan's prime minister, Shinzo Abe.

At a media conference on Tuesday, Turnbull said there was no question that the US pulling out was a "big loss" for the TPP. Asked if TPP countries should push for China to join, Turnbull said there was "potential" for it do so.

"It is possible that US policy could change over time on this, as it has done on other trade deals," he said, noting that Congress and the secretary of state, Rex Tillerson, were in favour of the TPP.

"There is also the opportunity for the TPP to proceed without the United States."

On Tuesday Ciobo told ABC's AM that a TPP with the US "can't go ahead unless the US was to change its mind" but Japan, Australia and others wanted to hold on to the gains negotiated so far under the deal.

He said Australia had had talks with Canada, Mexico, Japan, New Zealand, Singapore, Malaysia, Chile and Peru to salvage the deal without US involvement.

Asked about China joining in the US's stead, Ciobo said the original architecture enabled other countries to join.

"Certainly I know Indonesia has expressed a possible interest and there would be scope for China, if we're able to reformulate it, to be a TPP 12 minus one [country] … [and] for countries like Indonesia or China, or indeed other countries, to consider joining."

Ciobo said there were a number of "competing factors" that would complicate a TPP 12-minus-one agreement, including that Mexico and Canada may first have to deal with Trump attempting to renegotiate the North American free trade agreement.

"It's a moving space but it's an important space – we must continue to pursue giving Aussie exporters the best chance, to get preferential access for Australian exports."

Ciobo confirmed the Australian government had not done modelling about the possible size of benefits under a TPP 12-minus-one agreement, because it had been a "hypothetical" until Trump signed the order.

He said the agreement was good for Australia because it improved access to markets including Canada and Mexico and lowered compliance costs.

Asked whether the Turnbull government would push for parliament to ratify the TPP despite the US withdrawal, Ciobo said it would "keep that option alive".

"We're not going to be like [opposition leader] Bill Shorten and the Labor party and walk away from this deal because it requires a little bit of elbow grease."

Labor supports the TPP in principle but has said it is pointless to consider it in parliament given the US's withdrawal. It has come under pressure from its union backers to reject the deal outright.

According to the final chapter of the TPP, the trade agreement can go ahead only if at least six of its 12 original members have ratified the agreement, and if those six countries represent 85% of the combined GDP of all 12 countries.

It means the deal cannot come into force if the US or Japan fails to ratify the agreement because, between them, they represent 79% of the GDP of all 12 original signatories. Without the US or Japan involved there is no way for the remaining signatories to fulfil the 85% requirement.

On Tuesday Labor's trade spokesman, Jason Clare, said Trump's executive order "put the final nail in the coffin of the TPP", declaring the deal "officially dead".

In a statement Clare said the US decision "makes a mockery of all the nonsense we've heard from Malcolm Turnbull last week that he can change Donald Trump's mind and that this legislation would help".

Clare did not appear to put much stock in the possibility of a TPP 12-minus-one agreement, warning the TPP would "have no effect at all" without the US.

"It's over. Donald Trump has killed the TPP. It's time for Malcolm Turnbull to wake up and move on, and develop a real economic plan for Australia."
Ciobo said the Coalition would not walk away from "high-quality trade deals" and accused Labor of poor economic leadership.

Source: theguardian.com– Jan 26, 2017

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# 2nd round of negotiations kicks off for Indonesia-EU CEPA

A second round of negotiations for the Comprehensive Economic Partnership Agreement (CEPA) between Indonesia and the European Union (IEU-CEPA) kicks off on Tuesday and is set to end on Friday in Bali.

"In this round, we'll follow up modal [negotiations], leveling perceptions of each party's ambitions and clarifying drafts suggested by each delegate," Iman Pambagyo, international trade negotiation director general with the Trade Ministry, said in a press statement.

"Only then in the next rounds will we have comprehensive negotiations. Hence, this round is crucial to determine the direction ahead," he added.

The IEU-CEPA study has been conducted since 2010 but the scoping paper had been in progress since 2012 until it was concluded last year, before the first round of negotiations proceeded in Brussels, Belgium, in September.

With an aim to be concluded by 2018, the deal could improve trade, investment and training cooperation between the two parties through a lack of tariffs and other facilities.

Indonesia is Europe's fifth biggest trading partner amongst Southeast Asia countries and 30th biggest of countries worldwide. Europe, meanwhile, is the country's fourth-largest trading partner.

In 2015, exports and imports between the bloc and Indonesia accounted for US$26.1 billion, with Indonesia enjoying a surplus of $3.5 billion, Trade Ministry data showed.

Source: thejakartapost.com – Jan 25, 2017

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# China Promoting Rival Trade Deal After US Exit From TPP

Just one day after President Donald Trump announced the US is withdrawing from the Trans-Pacific Partnership (TPP), China on Tuesday used the opportunity to promote a rival regional trade deal.

"We are ready to work with all parties concerned to continue to promote ... economic integration in the Regional Comprehensive Economic Partnership," Chinese Foreign Ministry spokeswoman Hua Chunying said. RCEP is a proposed pact that excludes the US and is aimed at cutting trade tariffs between the ten member states of the Association of Southeast Asian Nations (Asean) and Australia, China, India, Japan, South Korea and New Zealand.

Analysts say America's exit from TPP gives room for China to emerge as a leader in Asia-Pacific economic trade development.

"Trump's exit from the TPP is a big relief for China. The TPP was indeed a strategy that directly competed with China's [plans]. Now China has more space to further develop its economy," Ni Dongxiong, professor at the Institute of National Defense Strategy in Shanghai, told dpa.

Other Asia-Pacific countries hoping to create a regional trading zone as part of the largest-ever trade deal also said Tuesday they would push on without the US.

Japanese Finance Minister Taro Aso told a news conference that Japan would continue to work with other TPP member countries to promote free trade and Foreign Minister Fumio Kishida said he would continue discussions with the US.

"I believe the US also understands the importance of free trade. So, it's important to continue to closely communicate with [Washington]," Kishida said.

Prime Minister Shinzo Abe would talk directly to Trump about TPP in a future meeting, according to government spokesman Yoshihide Suga.

Australian Trade Minister Steve Ciobo said the US's withdrawal was "a great shame but not unexpected," adding that he was interested in seeing if a TPP of 12 nations, minus one could work.

Australia would keep alive the option of ratifying the deal and has already had discussions with Canada, Mexico, Japan, New Zealand, Singapore and Malaysia about working towards an alternative, Ciobo told Sky News television.

New Zealand Trade Minister Todd McClay expressed the same sentiment, saying that his country too would pursue TPP with the remaining members. Peruvian President Pedro Pablo Kuczynski also proposed creating an Asia-Pacific trade bloc without the US.

"We have to work with China, India, Australia and New Zealand, among others," Kuczynski told RPP radio. "We are going to take the best things from TPP, put them in and take out the things that are not so good."

Kuczynski hosted the most recent Asia-Pacific Summit (APEC) in November 2016 in Lima, where the outgoing US president Barack Obama joined in a leaders' closing statement that rejected protectionism.

The order to withdraw the US from TPP was one of the plans that Trump, who took office Friday, had outlined for his first 100 days in office. Without the US, the remaining TPP members are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

The agreement sought to lift key trade barriers in the region and would have eliminated or reduced about 18,000 tariffs on industrial and agricultural goods, including textiles and clothing.

Several other governments of Asian TPP members have voiced an interest in continuing the agreement without the US. Including the US, TPP countries have a combined population of 800 million and account for around 40% of the world economy and 26% of world trade, valued at more than 11 trillion dollars.

Source: lse.co.uk– Jan 25, 2017

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# Trump Proposes 20 Percent Tax on Imports from Mexico

The latest in Trump's trade tactics is a 20 percent tax on imports from Mexico—essentially over the wall.

President Trump is committed to building a wall along the border between Mexico and the United States and has ensured that Mexico will pay for it one way or another.

Mexican President Enrique Peña Nieto has, however, repeatedly said Mexico will not pay for the wall and just cancelled a scheduled meeting with the U.S. president, announcing his decision Thursday via Twitter after Trump signed an executive order Wednesday to get construction started on the wall.

Trump then took to Twitter saying: "The U.S. has a 60 billion dollar trade deficit with Mexico. It has been a one-sided deal from the beginning of NAFTA with massive numbers...of jobs and companies lost. If Mexico is unwilling to pay for the badly needed wall, then it would be better to cancel the upcoming meeting."

Former president of Mexico Vicente Fox Quesada responded to @realDonaldTrump saying: "...Mexico has spoken, we will never ever pay for the #f—ingwall."

Twitter sparring aside, The White House said Thursday afternoon that President Trump wants to impose a 20 percent tax on all imports from Mexico to pay for the wall, and the measure would be part of a tax overhaul package Congress is considering.

White House spokesperson Sean Spicer said, explaining the tax, "We have a new tax at $50 billion at 20 percent of imports—which is, by the way, a practice that a 160 other countries do right now," according to Reuters.

Spicer added, "Our country's policy is to tax exports and let imports flow freely in, which is ridiculous. But by doing it that way we can do $10 billion a year and easily pay for the wall. Just through that mechanism alone."

The problem with Trump's proposed 20 percent tariff, it that it's unclear whether it can in fact be done as Spicer says.

A source familiar with U.S. trade relations said it's not clear whether Trump really knows what he's talking about, as he can't unilaterally impose such a tax. What's also unclear is how this could work with NAFTA in place.

Looking at textiles and apparel as of November, 83 percent are eligible for duty free benefits under NAFTA. It could be that a 20 percent tax like this would apply to that remaining 17 percent that don't benefit, adding to the tariffs they already face, or that anything claiming NAFTA benefits is taxed 20 percent.

At this point, there's been little in the way of facts to support the rhetoric and those familiar with the matter aren't yet sure what to make of this move. What is clear so far, however, is that relations between the U.S. and Mexico are likely to be strained.

Source: sourcingjournalonline.com – Jan 26, 2017

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## Preferential Trade Agreement (PTA) with Turkey Revised

Islamic Republic of Iran Customs Administration has published a new list of goods that will be eligible for reduced import tariffs as part of a Preferential Trade Agreement with Turkey.

The new list comprises 23 commodities, including steel products, home appliances and furniture, among other items, whose current import tariffs will be lowered by 30%, according to the IRICA statement published on its website.

The items that mostly include products with high tariffs of up to 55%, were entitled to 20% discount based on the previous PTA list.

The new tariff cuts were approved by the Trade Promotion Organization of Iran on January 15, and are currently in effect, the statement says.

Iran-Turkey preferential trade agreement was signed in January 2014, when former Turkish Prime Minister Recep Tayyip Erdogan (now president) paid an official visit to Tehran. But it took a year for the deal to take effect.

Based on the initial agreement, Turkey lowered tariffs for 125 Iranian goods, in return for Iran reducing rates for 140 Turkish items.

Minister of Industries Mohammadreza Nematzadeh discussed the review of the PTA list with the Turkish Minister of Economy Nihat Zeybekci in a visit to Turkey earlier this month.

Both sides sought to update and upgrade the list. Though, the IRICA statement did not mention the changes Turkey might have made to the list of Iranian goods it imports.

This is not the first time the PTA is revised. Both sides have reviewed the list in the past on several occasions.

The preferential tariff system, which requires both countries to levy lower rates of duty on imports from each other than they do on imports from other countries, is expected to ease two-way trade in goods and services.

As Iran is not a member of the World Trade Organization, pursuing preferential agreements with other countries seems to be the only way to enhance its commercial ties.

Meanwhile, Iran and Turkey are looking at the prospects of upgrading the agreement to a full-blown free trade deal in the future, in line with their goal to increase mutual trade to $30 billion per annum.

According to IRICA data, Iran imported $2.02 billion worth of non-oil goods to Turkey during the nine months of the current fiscal year that ends in March, registering a 10% decline compared to the year before. Gas, copper, aluminum, steel, zinc, petrochemicals, watermelon, pistachio and raisin were among the main exports.

Iran's exports to Turkey stood at $2.71 billion during the same period, which indicates a 10% drop year over year.

The imports mainly included bananas, grain, cigarette, tobacco, machinery, timber, cotton, beans, steel, pharmaceuticals, paper, shampoo and apparel.

> Controversy

Experts believe PTAs will lead to improved quality of domestic products by increasing competition in the local market. Another advantage, they argue, is that these agreements help regulate imports and help fight smuggling.

Nonetheless, the government has come under fire by domestic producers for its policy to periodically review and decrease import tariffs. Ever since the PTA with Turkey went into effect, critics have complained that the reduced tariffs is in Turkey's favor.

The recent tariff cuts on home appliances, including dishwashers, washing machines, refrigerators and air conditioners, which are regularly subject to 40% tariff rates, have not been welcomed by domestic industries.

Meanwhile, PTA advocates believe the tariffs on goods imported to Iran are among the highest in the world and that the discounts still keep them higher than the international average. The latest Iran-Turkey PTA revision will only reduce the existing tariff on home appliances to 28%.

PTA supporters refer to control of smuggling as the main benefit of these agreements. Some say reducing tariff rates or even removing them altogether is the best way to combat smuggling, which experts believe is the main hurdle to growth in the domestic manufacturing sector.

Iran has the largest share of contraband apparel imports from Turkey, for instance. This was expected to change for the better following tariff discounts implemented in the initial version of the PTA list, though textile industry players opposed it.

In May last year, Iran excluded textile from the PTA list, meaning clothing imports from the neighboring country no longer enjoyed lower import tariffs. Iran Textile Association welcomed the move, saying it would bring positive change to the domestic textile industry.

Around $2.6 billion worth of clothing is imported to Iran every year, according to members of apparel unions. However, twice this amount is smuggled into the country.

Source: financialtribune.com- Jan 26, 2017

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# Vietnam: Textile, garment sector finds way to restore

With fierce competition with international rivals, textile and garment sector is seen to face difficulties. It is predicted that many small and medium enterprises will lose its order; accordingly it is likely that the sector will get failure in local and export market.

The Vietnam Textile and Apparel Association (VITAS) said, the sector's export turnover reached around US$28.5 billion in 2016, much lower than expectation of US$1.5 billion and completing 92 percent of the goal.

VITAS managers explained that there had been downturn in the world; therefore, all nations faced difficulties in expanding market even big countries like India, China whose export turnover reduced compared to 2015.

In addition, Vietnamese textile was in stiff competition with its strong Chinese, Indian, Pakistani and Bangladesh competitors which enjoy their governments' preferential policies.

Despite these difficulties, Minister of Industry and Trade Tran Tuan Anh highly lauded the sector because its current market share in giant markets showed a growth; for instance, its market share in the US increased by 11 percent and also in Japan.

When it comes to 2017, VITAS said that the sector will still face difficulties because of fierce competition and strong competitors will continue attract more order than Vietnam thanks to its government's tariff and foreign exchange preferential policies and political unrest in some countries.

Vinatex added that in 2017, Vietnamese textile and garment sector will not yet take full advantages of EVFTA and TPP which take effect in 2018.

With such prediction, the sector set target of 6.5-7 percent in 2017 or US$30 billion.

As per the Ministry of Industry and Trade, in 2017, in addition to opportunities, the integration will produce challenges for the sector especially for small and medium companies.

Local small and medium enterprises can even lose its traditional commodity order which bigger companies especially FDI companies will grasp it. Subsequently, small and medium companies should have long broad and long-term strategies besides the government's support to overcome the rough time.

The state-run Vietnam National Textile And Garment Group (Vinatex) General director Le Tien Tuong said that his group strives to push up production by 14 percent compared to last year.

The group will make the effort to increase export turnover by 11 percent and import turnover by 9 percent. To complete the goal, Vinatex will focus on expanding its markets more especially key markets such as the US, EU, and Japan.

He petitioned that the government should have policies to encourage local enterprises in implementing of higher export processing methods, namely FOB, ODM and OBM. Moreover, the government should have preferential credit policies to purchase Vietnamese materials and for investment of special equipment as well as organizing promotion fair to attract more customers.

Source: vietnamnet.vn - Jan 26, 2017

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# NATIONAL NEWS

## Textile and garments industrialists expect reduction in taxes and interest rates

Industrialists of Indore, the hub for textile mills and ready-made garments, expect reduction in taxes and interest rates in the upcoming budget 2017 to give a boost to the struggling industry.

Madhya Pradesh Textiles Mills Association has demanded the government to put cotton and man-made fibre products in the lowest tax rate slab in the GST, which is expected to be implemented in coming months.

The association has also demanded to reduce the excise duty on man-made fibre (MMF) to create a supportive business ecosystem in the state.

According to the Madhya Pradesh Textiles Mills Association, the present rate of excise duty on MMF and its products is 12.5 per cent, which makes the products costly as compared to other textile products.

Industry participants said that to increase the consumption of man-made fibre as per the National Fibre Policy, the excise duty on MMF and filaments should be reduced from the current 12.5 per cent to 6 per cent.

The consumption of MMF in the country is only about 40 per cent as against 70 per cent in the global market.

The industry is also demanding to withdraw the import duty on wool fibre as the woollen industry is completely dependent on imports.

Rajesh Chardiya, an industrialist said, "The textile industry is labour intensive and requires high capital for running operations. The government should reduce the interest rates for supporting the industry."

Textile and garment industry was severely hit by demonetisation leading several textile units to slash production by 20 per cent to 30 per cent.

Industry participants said that the bank interest rates should be reduced to about 5 per cent from the current 12 per cent to 14 per cent.

They said that the interest rates in the competitor countries such as China and Vietnam are 5 per cent to 7 per cent.

Source: timesofindia.com- Jan 27, 2017

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## Modernisation of powerloom cluster sought

Karimnagar MP B. Vinod Kumar on Wednesday met Economic Affairs Secretary at New Delhi Shaktikanta Das to seek a mega powerloom cluster at Sircilla in the coming Union budget.

In a letter addressed to Union Finance Minister Arun Jaitley which was handed over to Mr. Das, Mr. Vinod Kumar reminded that the Central and State government had many times in the past assured the mega powerloom cluster at Siricilla for integrated development of powerloom industry.

Recently, Industries Minister K.T. Rama Rao also requested Union Textiles Minister Smriti Irani to sanction the cluster at Siricilla. The Under Secretary to Textiles Ministry sent an office memorandum in this regard to the Department of Economic Affairs Prashanth Goel.

There were 36,000 power looms in the textile park at Siricilla, 250 tiny dyeing units, 400 warpin machines, 15 old cotton sizing machines and one private spinning mill.

The annual turnover of Siricilla power loom cluster was around ₹ 300 crore.

A diagnostic study report of IL & FS, an infrastructure development and finance company, found that the cluster needed to move in the textile value chain to improve socio-economic conditions of workers.

Subsequently the agency submitted a detailed project calling for technology upgradation, strengthening the value chain and market development.

Source: thehindu.com – Jan 26, 2017

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# Apparel industry is shifting base from China, creating a potential market of $280 billion for other countries: Ratika Jain of CII

## How is the Indian textile sector placed?

India has the ecosystem from fibre to fashion, both in cotton and man-made fibre, an abundant and young labour force, a vibrant domestic market and a good second largest exporter of textiles, apparel and made-ups in the world. Currently, the imports into India for apparel, made-up and textile items are low but there are specific segments where they are growing rapidly. These include Moisture Management Fabric (MMF) and technical textiles. As wage cost is rising and Yuan gaining strength, apparel industry is shifting base from China, creating a potential market of $280 plus billion for other countries. India is uniquely positioned to capitalize on this opportunity.

## What are the big issues that the sector is facing?

There are key challenges which need to be addressed. Setting and scaling up: the textile sector was traditionally reserved for Small Scale Industries (SSIs) de-reserved in late 2000 year. The largest Indian apparel and made-ups factory will employ 3000-4000 people, large Chinese factories employ over 10,000 people at one place. Some even go up to 30,000 people. Significant attempts have been made to increase the scale in Indian industry but the key issues revolve around - labour, land and building, enabling infrastructure such as power and connectivity. Unfavourable labour environment:

The fear of managing large number of employees has dissuaded several enterprises from growing. Some states have introduced progressive reforms to benefit the industry, still majority are far from adopting progressive reforms.

The biggest capital cost components for an apparel factory are the land and building costs which is more than 50 per cent. Issues related to land acquisitions have deterred entrepreneurs from venturing into large scale manufacturing. Our clusters are fragmented and lack clear positioning in the minds of Buyers.

High operating cost: It has two aspects. The cost side pressures such as - tax, power, wage, wage increases and other is labour productivity. The sector is highly labour intensive. The wage cost can go up from 6 to 8 per cent of the overall cost base in yarn to as high as 30-40 per cent in the case of apparel. Synthetic value chain is very poor despite huge raw material base.

The lack of local fabric availability at the right quality and at competitive prices leads us to resort to importing MMF fabrics. Such imports result in loss of drawback on exports of apparel made from such imported fabric. Another issue is differential treatment of cotton (0) and synthetic (12.5 per cent) products in terms of excise duty. Energy cost is higher in Gujarat and Maharashtra compared to rest of the country, where fabric and yarn production is concentrated. Labour productivity is poor than countries like Bangladesh, mainly due to poor working conditions, insufficient training and high attrition rates.

Market barriers: Higher duty on synthetics and lower drawbacks as compared to competitors is another major factor. This make synthetic segment uncompetitive. The cost disadvantage ranges from 2 to 11 per cent. China has maximum VAT rebate for textile and apparel exporters of 17 per cent, whereas India allows a drawback of around 7-11 per cent. Trade barriers is another issue. Logistic Challenges: both in domestic and export markets logistics is a challenge. Be it land ports (ex. Petrapole) or sea ports (JNPT) customs procedures and clearances take more time than other countries. India suffers 2-3 week disadvantage against China and one week gap against Vietnam on logistics.

Investment and financing entrepreneurship is an issue: TUFS is an important scheme by government but its benefits has gone towards the spinning sector. As time to market is important in fashion industry, Indian manufacturers are not able to complete as cost of working capital is high.

Indian Manufacturers are not able to stock up fabric for upward processing as compared to China & Vietnam. India takes on an average 63 days from placement of PO till shipment from Mill. While china takes 31 days and Vietnam takes 46 days. Lack of investment in knit technology and other latest processing technology.

**Where do you think India needs to catch up to be a global market leader?**

Firstly, build scale to suit the fabric of Indian society, as the industry is highly labour intensive, introduce flexible labour laws; job linked support schemes, innovative hub and spoke models for apparel/textile parks to employ labour in hinterlands and introduce PPP models for Industry to provide scale and create jobs.

In India, share of companies with revenue more than 200 million is 3 per cent while in China it is 14 per cent and in Bangladesh it is 7 per cent. Secondly, bridge the operating cost gap, especially on synthetics. Entrepreneurs need to aggressively drive up productivity by investing in world class facilities, process improvements and build a culture of manufacturing excellence.

Simplified tax structures and neutral implementation of GST for both cotton and synthetic products will give the much required boost to the industry. Thirdly, infrastructure, especially at ports, import facilities and clearance procedures should be streamlined to cut turnaround times.

Signing FTAs with major markets like the European Union can equalise market access positions with key competitors like Bangladesh. Bangladesh has zero duty access to EU, Vietnam is on its way, India has 10 per cent duty, while China has 12 per cent duty on cotton shirt. Fourthly, increased investments in technology, especially processing and technical textiles either through capital subsidy or technology partnerships.

The A-TUFS released in December 2015 has taken welcome steps in this respect. Fifthly, Indian entrepreneurs need to invest both financial and human resources on technology and innovation to address the constantly evolving markets.

Investments are required in technical textiles, processing, and apparel making in particular. India needs to create its own 'silicon-valleys' for technical textiles, with a full ecosystem of investors, start-ups, production facilities and ultra-fast clearances. Ease of doing business is equally critical for innovation.

**Which segment within the textile supply chain is the weakest? And what can be done to boost it?**

Fabric and processing are the weakest segments of the value chain. However, need is to provide end to end solution for the entire value chain. Global brands like PVH, H&M, GAP etc see India's end to end ecosystem as one of our value propositions in replacing China.

In order to strengthen the value chain, synthetics industry needs support in the form of GST neutral rates for cotton/MMF; synthetic fiber should be available at international rates, power cost rationalization; global competitiveness, drawback scheme similar to China under GST; adjust export drawback in the interim to reflect state taxes (depends on final drawback rates notified by Government); capital cost rationalization.

Though India is a leader in the yarn space, where and how does it lose the edge in the processing and fabric stage?

The processing and fabric segments are highly fragmented and comprising of SSIs. China is a leading in fabric exports globally, accounting for over 45 per cent of all global fabric exports in 2014. India is relatively poor in knits category due to lack of technology and investment, while global market is moving towards knit category.

The imports of knit fabric is rising rapidly, which needs to be curtailed through better sufficiency in these segments which can be achieved by strong processing facilities in India.

In apparels, India's domestic and global position in apparel has been relatively strong compared more developed economies but has underperformed peers like Bangladesh, and Vietnam who have seen growth rates of over 18% per annum over the last five years compared to India which has averaged 9 per cent in most categories. India's competing countries are having duty free access in major markets, USA and EU. This make Indian textile products highly uncompetitive in these markets.

**The cabinet has approved the new textile package... how do you think it will benefit the textile supply chain?**

The special package announced recently is expected to boost competency of textile and apparel exports in international markets. The seasonal flexibility i.e. increases in overtime limit from 50 hours to 100 hours and introduction to fixed term employment are already addressed by Government in the special package. This will help the sector to attain scale of production.

With EPF scheme reforms and overtime caps, introduction of fixed term employment, additional incentives under TUFs, industry will be encouraged to increase scale and capacity.

Enhanced duty drawback will encourage competitiveness of Indian exports in foreign markets. It is equally important to protect the entire value chain. Spinning, weaving, processing sector are the key segments of the value chain which is supplying raw material to the apparel sector. Supporting these segments will benefit the entire textile and apparel industry to attain competitiveness.

Source: businesstoday.in - Jan 25, 2017

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## Textiles Ministry keen to improve jute quality, boost diversified products

The Union Textiles Ministry proposes to widen the scope ofJute I-CARE (Improved Cultivation and Advanced Retting Exercise) programme to improve the quality of raw jute and farmers' yield in India as part of jute product diversification drive.

The programme was launched by the Agriculture Ministry in 2015 as a pilot scheme in five jute growing States, including West Bengal, which produces 80 per cent of total raw jute supplies.

It aims to reduce the time of retting jute fibre from 22 days to eight or nine days by using specific micro-organisms. Farmers were offered certified seeds at 50 per cent subsidy, farm implements and training on improved agronomics.

Though India is the world's largest raw jute producer, 60 per cent of the produce is rated as average (CD-5) or below, which is not suitable for producing diversified products. With 75 per cent of raw jute supplied to mills enjoying purchase protection from the Centre under a mandatory packaging order, the sector suffers from limited interest in diversifying jute goods beyond sacking products.

**Quality push**

While phasing out of the protection remains a debatable issue, the Textiles Ministry is keen to increase supply of better-quality raw jute to encourage production of diversified commodities.

The Ministry recently held a meeting with the Union Agriculture Ministry to discuss ways and means to involve State governments in the project and to expand the scope of the programme.

"The quality of raw jute should be improved to encourage production of diversified jute products," Textiles Minister Smriti Irani told *BusinessLine* on the sidelines of a recent conference in Delhi on Indo-Bangladesh co-operation, organised by the Institute of Social and Cultural Studies.

Drawing a parallel with Bangladesh, she said: "India tops in raw jute production but, Bangladesh earns six times more export revenue."

Bangladeshi jute mills do not enjoy any purchase protection from the government. Nearly 80 per cent of the country's 10-12 lakh tonnes of jute products are exported. A sizeable chunk (150,000 tonnes) of total exports is shipped to India.

Responding to questions about the anti-dumping duty imposed by India on Bangladeshi jute products, Irani said it was imposed following due procedure and after one-and-a-half-year-long enquiry proceedings.

According to sources, Bangladesh was exporting jute products to India at prices lower than its domestic rates.

Source: thehindubusinessline.com– Jan 26, 2017

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## Saurashtra trade body to host international show in Rajkot

The Saurashtra Vyapar Udhyog Mahamandal will host the third International Trade Show in Rajkot to give a global platform to local traders.

"The five-day trade show will start from February 11 in Rajkot and conclude on February 15," SVUM president Parag Tejura said yesterday.

"The United Kingdom is the country partner while various government sectors have also extended support for the success of the show," he said.

"Over 500 delegates from around 30 countries are expected to visit the show," he said.

"We have huge demands for agricultural equipment, renewable energy, and solar, food processing machinery, building materials of all kind, pharmaceuticals and health care products, and garments and textiles business from countries mainly from Africa," Tejura said.

"During the last trade show, over Rs 100 crore business was done from different sectors like agriculture equipment and machinery, readymade garments and textiles, imitation jewellery, mini tractors, handicrafts, ceramics and sanitary wares and kitchenware," he said.

"We expect the business to double this year after completion of the third edition of the show," Tejura said.

"The main objective of the show is to give a proper platform of international market to our local traders and manufacturers and organising such a show will definitely help them sell their products in international market," he added.

Source: india.com- Jan 25, 2017

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# Craftsvilla takes a fabric tour of India on social media

With a vision to take people back to their roots, Craftsvilla.com, the largest online ethnic store, recently did a Fabric Tour of India on social media. Launched in time for Republic Day, the concept is an attempt from the e-commerce company to take people on a tour of India's cultural heritage through the traditional weaves of the country.

craftsvilla is also set to launch a handloom collection that will have Banarasi, Kanjeevaram, Pochampally Ikat, Bhagalpuri silk among other famous handwoven textiles.

What stands out about this initiative is that it is not just the popular weaves like Banarasi, Kanjeevaram or Chanderi that have been featured. Craftsvilla has picked up beautiful yet lesser-known textiles such as Phanek (Manipur, North East), Pachra (Tripura) Apatani (Arunachal Pradesh), Kunbi (Goa), Kullu Shawls (Himachal Pradesh), Kuchai Silk (Jharkhand), and showcased them on the map of India, said the company in a statement.

The initiative got an enthusiastic response as fans took to social media to show their appreciation in the comments.

"Craftsvilla has always taken up initiatives that help people connect back to their roots. And fabric tour is one such initiative. India is a hub of crafts and weaves.

While most people know about the mainstream crafts and weaves, there are still unknown gems from various parts of the country that people have not heard about. This is our attempt at popularising these arts and crafts," said Monica Gupta, co-founder, Craftsvilla.

Woven by master craftsmen who work incessantly to keep alive a tradition that goes back centuries, Indian fabrics are a medley of vibrant colours, gorgeous designs, beautiful prints and intricate motifs that tell the tale of India's rich and glorious past.

Even Indian designers are experimenting with the traditional textiles to come up with designer sarees. Craftsvilla's initiative paves the way for modern Indians to know all about the history of their country in an interesting way.

Source: fibre2fashion.com- Jan 27, 2017

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## Jharkhand to promote silk and handicrafts at Global Fair 2018 in Dubai

Jharkhand entrepreneurs to partake at the Global Fair 2018 to be held in Dubai where they will be promoting silk, lac and traditional and other handicrafts depicting cultural heritage of the state.

Chief Minister Raghubar Das while reviewing Small and Cottage Development Board said that with the Jharkhand entrepreneurs participation at Global Fair, it will boost up local products in national and international markets. Coordinators should be appointed on district, block and village level. The coordinators will coordinate with the Sakhi mandals and Yuva mandals and promote their products.

The CM said that there are ample opportunities of lac and silk production in the state. Small and Cottage Development Board has been constituted with this view.

Sakhi mandals and Yuva mandals will be trained to produce things in demand with a view to benefit themselves to the maximum extent.

Chief Secretary Raj Bala Verma, Development Commissioner Amit Khare, Principal Sec to the CM Sanjay Kumar, RDD Principal Sec N. N. Singh, Principal Sec, Home S.K.G. Rahate, Sec to the CM Sunil Kr. Barnwal, Sec Nitin Madam Kulkarni, Industry Director K. Ravi Kumar and other officials were present on this occasion.

The organization is entrusted with the role of implementation of the Government funded schemes to promote Tasar Silk, Handloom and Handicraft of the state.

Source: yarnsandfibers.com- Jan 26, 2017

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