BANGLADESH

Government takes several jute mills back from private firms

The Bangladesh government has taken eight jute and textile mills back from the private sector as they violated major conditions that were set when the state-owned mills were handed over. For a long time, the authorities had kept these enterprises closed after taking them over from the government, according to information provided by the jute and textile ministry of the country.

As the mills remained closed for a long time, it led to unemployment of thousands of mill workers, thus negating the primary objective of handing them over to private authorities, said the ministry in a statement.

The mill authorities failed to pay their dues to the Bangladesh Textile Mills Corporation (BTMC), Bangladesh Jute Mills Corporation (BJMC) and some other financial institutions. The authorities also did not comply with major conditions, prompting the government to take the mils back from them, said media reports quoting the ministry.

The mills that have been taken back by the government are Fouzi Jute Mills, Ghorashal, Narsingdi; Madaripur Textile Mill, Kokil Textile Mills Limited in Brahmanbaria; A R Hawlader Jute Mills Limited in Madaripur; Eagle Star Textile Mills Limited in Chittagong; Jalil Textile Mills Limited in Fouzdarhat, Chittagong; Dhaka Jute Mills Limited; and Gausia Jute Mills Limited in Dhaka.

Export target set at $41 billion for FY-2017-18

The Bangladesh government has set its export target at $41 billion, with a growth target of 7.87%, riding on apparel products, for the FY2017-18. Around $37.50 billion of the above amount is expected to come from the manufacturing sector, including the RMG sector, while $3.50 billion will come from the service sector, including computer services.

Commerce Minister Tofail Ahmed said this announcement will take into consideration the global economic outlook, policy changes in import and

export destinations, fluctuating exchange rate, stakeholders' feedback and supply-side capacity and we have set the target for FY18. I think we can achieve because it is a conservative target.

The government wants to earn $30.16 billion from the RMG sector with an 8.12% growth. It also plans to earn $1.38 billion from leather industry, followed by jute and jute goods at $1.05 billion and $880 million from home-textile products.

Meanwhile, export-oriented business representatives present in the meeting urged the government to provide policy support, along with incentives, to help achieve the export target.

The lead time is very important as businesses have to export products after importing raw materials, but we struggle to ship products due to congestion in Chittagong port, said FBCCI President Shafiul Islam Mohiuddin.

Due to rise in the e-commerce business, the buyers have broken down RMG products into several categories to have unique and different designs to meet consumer demand. Mohiuddin also claimed that businesses are still not getting adequate electricity supply and they have to use costly fuel-run generators to run their factories.

CHINA

13th Five-Year Plan for the apparel and textile industry

13th Five-Year Plan for the apparel and textile industry

China's Ministry of Industry and Information Technology (MIIT) has released its development plan, the 13th Five-Year Plan for period 2016-2020, for the apparel and textile industry.

China itself is expecting a slower growth for the industry (growth rate was 8.5% in 2011-2015 whereas the plan set a goal of 6%-7% for next five-years). Similarly, fibre end-use ratio and annual labour productivity growth rate were set lower than the previous plan. Exports of Chinese textile and apparel are decreasing notably and the plan did not set a fix growth rate but said to maintain a stable market share in the world export market.

In order to make the T&C industry sustainable, the plan set a conservative target for energy and water consumption (per unit of industrial value added) and emission of total pollutants.

China expected to be world's largest apparel market by 2019

China will continue to be a leader in the global apparel market, despite falling yuan, rising raw material and labour costs. As per Euromonitor forecast, China will exceed the United States to become the world's largest apparel market by 2019.

The report suggests annual apparel sales in China will reach $333 billion in 2019, an increase of 25% from $267 billion in 2014. In comparison, apparel sales in the United States are estimated to reach $267 billion in 2019, which is only 3% higher than $260 billion in 2015.

The study points out that China seems to be an even more competitive apparel market than the United States because no apparel brand was able to achieve a market share of more than 1.5% in 2015 in China, whereas, in the United States, market shares of several leading brands exceeded 2%. Moreover, domestic brands overall outperform international brands in the Chinese market.

Despite its overall market size, as a developing country, dollar spending on apparel per capita will remain much lower in China than many developed economies around the world. In 2015, each Chinese consumer on average spent $240 on apparel versus $815 in the United States, even though apparel spending accounted for a larger share of household income in China around 10% compared with the United States less than 3%.

Sheng Lu, of the Department of Fashion & Apparel Studies, University of Delaware points out, it is time US apparel companies and fashion brands start thinking about their sourcing strategy, specifically for the Chinese market. He says for many Chinese apparel companies, serving the domestic market will help them upgrade from low-value-added manufacturing to higher-value-added functions such as design, branding and distribution to boost exports.

INDIA

Domestic home textile sector face challenges due to INR appreciation

An appreciating rupee has been posing a major challenge to sustain the growth of domestic textiles industry, which has seen a low turnaround in the past few quarters, mainly due to high raw materials prices.

The major players in this segment, including Bombay Dyeing, Trident and Welspun, have seen a sharp turnaround in their profitability over the past six quarters, despite challenges in domestic demand.

Bombay Dyeing, for example, has seen its profitability increase to Rs 211.36 crore on a turnover of Rs 447.50 crore for the March 2017 quarter. In the January-March 2017 quarter, however, the profitability had seen over 90% growth over the same period year ago. The company had reported a loss of Rs 52.97 crore in the October-December quarter of 2016.

Similarly, Trident and Welspun had also reported a fall in their profitability during the January-March quarter of 2017.

The Indian textiles industry is currently facing challenges in the form of currency risk, increasing competition from China on unfavourable currency and higher raw material costs.

Interestingly, China's yuan has fallen by 4% in the past three months, even as the Indian rupee has appreciated by around 4% in the same period. The recent currency movement has given China an advantage over India, as observers see a weakness in the rupee against the major global currency.

Experts believe the currency risk for the Indian home textile players is likely to be moderate in the coming year. Moreover, India will continue to enjoy cost advantages in home textiles on lower labour cost, better availability of cotton and favourable government policy.

India, China and Pakistan together account for 80% of all bed and bath linen imported by the United States; India has an edge with a 54% market share in bed sheets and 42% in terry towels in 2017 (as of June).

In bed sheets imports by the US, India's share has increased since the calendar year 2009, while Pakistan's share has fallen while China's share has remained flat.

India is well poised to gain from long-term growth in the global home textiles market, as it leverages the twin benefits of lower cost of production and a significant share of global installed capacity. India's home textiles industry is estimated to grow at a CAGR of 8.3% during 2014-21 from $4.7 billion in 2014 to $8.2 billion in 2021.

Cotton textile exports from India declined in 2017

The overall export of cotton textiles from India declined in 2016-17 compared to the previous two fiscal years, according to Ajay Tamta, Minister of state for textiles.

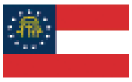
He said the government has taken steps to revive exports of cotton textiles, which include cotton yarn, cotton fabric, cotton makeups and cotton raw waste.

According to data shared by the Minister, the shipments of cotton textiles from India stood at Rs 70,936 crore during 2016-17, as against Rs 72,994 crore in the previous financial year and Rs 71,913 crore in 2014-15.

The steps taken by the government to boost the export of textiles, including the exports of cotton commodities are announcement of a special Textile Package for garments and made-ups sector; MEIS scheme under new Foreign Trade Policy 2015-20; Restoring interest rate subvention for pre and post-shipment credit for the textile sector; increased duty drawback rates for some textile articles and duty-free import of trimmings, embellishments and other specified item under Export Performance Certificate Entitlement scheme.

Tamta while informing about the present export policy, said that both the export of cotton and cotton yarn at present are under Open General License.

The Directorate General of Foreign Trade, the ministry of commerce and industry being the facilitator for the import and export of cotton and cotton yarn has dispensed with the registration requirement for export of cotton as well as cotton yarn.



GEORGIA

Three textile factories to be opened in West Georgia

According to the Head of the International Investors Association (IIA), Osman Chalishkan, three textile factories are to open in Kutaisi and Poti by the end of this year. The factories will import raw materials from Turkey, produce clothes and export them to Europe.

Chalishkan announced that the factory will be built in Poti, Georgia's port city on the Black Sea coast, and will employ 3,000 people and US$ 3 million will be invested at the factory. As for the factories in Kutaisi, the legislative capital of Georgia, investor companies will rent places for two factories to employ 600 people. According to Chalishkan, one of the companies was founded and will be operational in about two months. The second company is now selecting an area for the factory.

The factories will not be launched immediately because the companies need to train employees for the first three months, and thereafter production will begin shortly.

VIETNAM

Local textile, garment firms yet to reap FTA benefits

The domestic garment and textile companies in Vietnam have mostly missed out on the much-touted benefits of free trade agreements (FTAs).

Vietnam has signed 12 free trade agreements, of which 10 FTAs have come into force: VN-ASEAN, ASEAN-India, ASEAN-Australia-New Zealand, ASEAN-South Korea, ASEAN-China, ASEAN-Japan, Viet Nam-Chile, Viet Nam-Japan, Viet Nam-South Korea and Viet Nam- Eurasian Economic Union, said Nguyen Ngoc Hoa, deputy director of the HCM City Department of Industry and Trade.

Pham Xuan Hong, chairman of the Garment-Textile-Embroidery-Knitting Association in HCM City, said the garment and textile industry has to import around 70% of its materials for production, mainly from China. Therefore, the domestic garment and textile businesses have not taken many advantages of FTAs since they cannot meet the rule of origin requirements. And one of the main reasons for this is that Vietnamese firms lack knowledge on this issue, concluded Pham Xuan Hong.

Trinh Thi Thu Hien, head of the origin of goods division under the Ministry's Export-Import Department, said that currently, more than 50% of garment and textile products are making full use of opportunities provided by FTAs, but these are mainly FDI companies. Rules of origin can neutralise preferential tariffs under FTAs, she explained.

Therefore, goods eligible for preferential treatment under FTAs have to meet general or product-specific rules of origin and have appropriate documentation, known as the certificate of origin (C/O) and thus each FTA has its own certificate of origin form.

A product can qualify for the C/O if it is cut-made-trimmed in Vietnam under the ASEAN FTA, but under other FTAs like ASEAN-Japan and Vietnam-Japan pacts, firms must meet the rules of origin from the fabric onwards, which is a big challenge for Vietnamese firms since the country still relies heavily on imported fabrics.

Under the EU-Vietnam FTA, the ministry has negotiated to apply more flexible rules of origin. While this FTA also requires rules of origin to apply from fabric onwards, meaning that exports to the EU must use fabric produced in Vietnam or the EU, the agreement also allows firms to use fabric from another third country which has FTAs with both Viet Nam and the EU.

The exports in the garment and textile sector were still focused on a few main markets. He urged exporters to diversify their export markets, especially those with which Vietnam has signed FTAs, so as to avoid or minimise risks.

Firms need to study carefully the characteristics of each market as well as its rule of origin requirements.

It also important to note that garment and textile exports reached over US$14 billion in the first half of the year, a year-on-year increase of 11%. Following the solid first-half performance, the industry is expected to achieve its 2017 export target of $30-31 billion, an increase of 10% over last year.◆