



## Cotton yarn spinning in African countries

Cotton plays a significant role in the economy of sub-Saharan Africa. However, merely 15% of the cotton grown in the sub-regions processed locally; the bulk of it is exported as a basic raw material.

The United Nations Industrial Development Organization (UNIDO) has embarked on various initiatives to support the African cotton industry. The study has been carried out with Gherzi Textile Organization AG; consulting firm specialized in the textile industry based in Zürich, Switzerland, with the aim of building productive capacities in the cotton, textile and garment value chain.

The study includes a technological-economic feasibility study for setting up a cotton yarn spinning mill based on the factor costs prevailing in the eleven sub-Saharan African countries. A comparative analysis of economic returns has revealed that only a few African countries can meet the investment criteria as energy is scarce and expensive.

The study serves as a template based on a set of given premises and parameters. However, any decisions taken by a particular company should take into account several factors, among them: cotton and yarn prices, exchange rates, interest rates, type of technology and equipment, product mix, location, market access and government support measures. In addition, the study provides an opportunity for policymakers in African countries to learn from the experiences gained by cotton and textile-producing Asian countries in strengthening the value chain.



## Duty-free access of textile items to India

Bangladesh got duty-free access of 46 textile items to Indian market, and is expected to narrow down trade gap between the two countries.

Lt Col (Retd) Faruk Khan, Commerce Minister said currently, 480 items are on India's negative list. Last year, Dhaka demanded the removal of 61 products, mostly textile items (46), from the list.

According to Federation of Bangladesh Chambers of Commerce and Industry

(FBCCI), India has US\$ 3.0 billion apparel market size in which Bangladesh can easily capture a large portion, because of its cheap labour cost benefit. Indian trade with Bangladesh will also be increased as Bangladesh imports huge amount of raw materials from India for value-addition.

Bangladesh's imports from India in 2009-10 were US\$ 3213.70 million against its exports of just US\$304.63 million.

## Slow investment due to uncertainty of gas and power connections

The new investment in the primary textile sector is declining due to recent uncertainty in the gas and power connections and a lack of capital for infrastructure.

Bangladesh Textile Mills Association (BTMA) said that primary textile sector, which includes spinning, weaving, printing, dyeing and finishing, plays a vital role as backward linkage industries for woven and knitwear garments by supplying fabrics and yarn. Currently, primary textiles meet the demand for more than 80% fabrics in knitwear and 40% in woven.

A total of 13 new spinning mills were set up during January-August this year, while the number was 10 last year, 7 in 2009 and 44 in 2008.

The number of new initiatives in weaving is also on the decline, as 19 new units were set up during January-August this year, while the number was 34 last year, 49 in 2009 and 66 in 2008. Only 5 units were set up in dyeing, printing and finishing in the January-August period this year, 10 units last year, one in 2009 and 24 in 2008.

Zaid Bakht, Research Director of Bangladesh Institute of Development Studies (BIDS), blamed the slowdown on gas and power crises, low incentive from the government, relaxation of rules of origin by EU and inadequate fund from banks. He also linked political unrest and weak infrastructures to the sluggish investment in primary textile.

According to AK Azad, President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the flow of investment in the textile sector is on decline to the gas and power crises and the recent changes in the rules of origin by EU.

The readymade garment makers prefer importing fabrics, rather than buying from the local millers as they can enjoy duty benefits from the EU even from export of garment made from the imported fabrics.

## Bangla Textile mills demand cash export incentive

Textile manufacturers in Bangladesh demand that government should provide more cash incentives and place restrictions on imported yarn and fabrics from India.

Jahangir Alamin, President of Bangladesh Textile Mills Association said that if the government did not raise a cash export incentive for textile makers to 15% from 5% now and it would be very difficult for them to survive and remain competitive in the international market. While the cash incentive should remain in force until 2015, the government should also take initiative to encourage use of local fabric and yarn.

There are more than 1,300 primary textile manufacturing factories in Bangladesh's textile sector with a total investment of more than \$4.0 billion, which help the country to save huge foreign exchange. Readymade garments are the principal export earner for Bangladesh, and also the biggest employer, after agriculture, in the country.

Bangladesh at present suffers daily shortages of up to 2,000 megawatts of electricity and 500 million cubic feet of gas due to demand that is growing much faster than output.

The BTMA President further said that due to an increasing trend of importing yarn and woven and knit fabrics at rates dictated by ups and downs in international cotton market, the local millers in Bangladesh are suffering.

Bangladesh imported 278 million kgs of yarn and fabric in the first half of 2011, which is 25% higher than in the same period of last year, according to government and BTMA statistics.

## Spinning mills face crisis due to raw cotton and yarn prices volatility

The country's textile and spinning mills have been in the news for quite sometime because of the price volatility in the global cotton market. The mills are now in dire straits mainly because of two factors -- the abrupt fall in cotton prices after an astronomical rise and the changes brought about by the European Union (EU) in the Rules of Origin (RoO) under its Generalised System of Preferences (GSP) facility since January 2011. In recent months, the sale of both locally manufactured yarn and fabrics has declined steeply as they are costlier than the imported yarn and fabrics.

The local spinning mills alone, according to the President of the Bangladesh Textile Mills Association (BTMA), have a combined inventory of 250,000 tonnes of yarn worth Tk. 90 billion. Similarly, the textile mills also have a large stock of unsold fabrics with them because the local apparel exporters have started procuring fabrics from Pakistan, India, Indonesia and Vietnam at cheaper prices.

In fact, the textile industry of Bangladesh is facing an adverse situation resulting from the price volatility of cotton in the international market. The local mills have spun yarn with cotton procured at high cost and textile mills produced fabrics with the high-priced yarn. But the main buyers of the fabrics, the export-oriented apparel units, have stopped using the locally manufactured fabrics, as those are costlier than the imported ones.

The relaxation of the RoO by the EU has made things even easier for them. The situation has reached to such a critical extent that many textile mills have threatened to pull their shutters down soon if the government did not come to rescue them from this extremely difficult situation.

### Exporters to benefit from US downgrade in US Credit rating

The latest news pertaining downgrade of the US credit rating, which is supposed to weaken the dollar against other currencies, will benefit Bangladeshi exporters over their competitors.

Bangladesh's competitors in apparel exports, including China, India and Vietnam, are speculating that the dollar would fall considerably against their respective currencies, which would reduce their exporters' competitiveness.

If an Indian exporter now gets Rs 45.33 against a US dollar, he may get Rs 43 after the impact. Similarly, the Chinese exporters may get less from the present 6.39 Yuan against a US dollar. However, in Bangladesh the dollar has been gaining against the taka and it may rise further due to an increase in import demand and now an exporter gets nearly Tk 74 for a dollar.

It is also interesting to note that 95% of Bangladesh's total external trade worth \$56 billion in fiscal 2010-11 was in dollars, even though Bangladesh follows a floating exchange rate, it is often managed by the Central bank. The dollar may weaken across the globe, but not in Bangladesh, as the taka is not expected to be stronger and there will always be a demand for the dollar quoted Ashim Kumar Saha, Head of Treasury of NCC Bank.



### BRAZIL

#### Payroll tax rolled back for textile firms

Textile manufacturers in Brazil will no longer have to pay a 20% payroll tax. This was among a basket of measures announced by the government to protect the country's manufacturers from a rally of its currency.

The measures include a cut in taxes, tightening of trade barriers and increase in lending. The announcement was made by President Dilma Rousseff's government after the country's industrial output declined 1.6% in June, which is the second biggest decrease since 2008.

The package of tax breaks called 'A Bigger Brazil' will cost US\$ 16 billion to the government over the next two years. It includes a mandate to government bodies to favour domestic suppliers, even if their bid is higher than the foreign firms.

The rollback of 20% payroll tax will be presently applicable to textile firms, shoe manufacturers, software companies, and furniture makers.

Besides the rollback of payroll tax, the government has announced that exporters of industrial goods will be provided with tax credits equal to 0.5% of their exports, which would later be raised to 3%.

The government further plans to quicken the repayment of credits owed to firms, tighten anti-dumping regulations, and continue the present tax breaks for a year on the purchase of capital goods.

The Finance Minister said that the government will ask the countries in the Mercosur trade bloc, including Argentina, to hike duty on about 100 items as a measure to protect against cheaper imports.



### COLOMBIA

#### Textile exporters look for new markets

Colombian textile and clothing exports to neighbouring country Venezuela have plunged, along with which it has also failed to strike a trade deal with the United States. This has prompted the country to look for alternative new global markets.

President Juan Manuel Santos' said that Colombia will explore new markets around the globe and will also try to sign a free-trade accord with the US in order to hike its exports.

He said that, US politicians had voted in favour of the trade deal, but was held up due to the political climate in that country.

Recently Colombia has struck a free-trade deal with Canada which came in to effect from August 15. It has also struck a deal with Switzerland and deals with other European countries are on the cards.

Meanwhile Colombia is also trying to mend relations with Venezuela, which was its biggest importer of textiles, till strained political relations soured trade between the two countries.

The second biggest market of Latin America – Mexico too is on the radar of exporters. Colombian exports to Mexico reached US \$117 million in 2010, up 8.8% from its previous year.

Clothing sales accounted for a massive 56.4% of that amount and also rose 6.1% from 2009. Exporters from the sector say there is a good potential to export denim jeans and innerwear to Mexico.



### ETHIOPIA

#### Textile and clothing exports reach \$62.2 million

Ethiopia has nearly tripled its textile and apparel exports in its most recent fiscal year – but is falling way behind the government's ambitious plans to grow the sector's annual export earnings to \$1 billion over the next five years.

Textile exports jumped to US\$62.2 million in the 12 months to 7 July, up 168% on the \$23.3 million earned the year before. However, this still falls short of the export turnover target of \$100 million set for 2010-11.

Revenues rose by \$39 million thanks to government measures to attract foreign direct investment (FDI), modernising and privatizing state-owned enterprises, and encouraging cotton cultivation.

The challenges include a shortage of cotton, price fluctuations, and power shortages. These are challenges are cited as reasons, when textile sector is starting to lag.

The major export destinations for Ethiopia's textile products are Turkey, Germany, Italy, the United Arab Emirates, US, UK, Netherlands, China, Australia, Belgium and Sudan, which together account for more than 94% of the country's apparel and textile shipments. The top export category is apparel (at 40% of the total), followed by yarn, thread and woven products.



### GERMANY

#### Textile machinery exports to Asia up 49.3%

German textile machinery exports to Asia rose by 49.3% to a value of €966 million during the first half of 2011, according to the German Textile Machinery Association (VDMA). Exports to Europe reached €404 million, an increase of 25.3%, whilst sales of German machinery into Central and South America rose by 21% to a value of €98 million. During the first half of this year, exports to Africa were worth €24 million, a 12.6% increase, whilst in North America exports rose by 9.2% to a value to €85 million.

China emerged as the top market for all German textile machinery sectors during the first half of 2011. Exports of weaving and spinning machinery increased, with knitting machinery exports rising by 87 units compared with 2010 levels. India was the second largest market, followed by Turkey, the USA, Brazil and Italy. There were gains across all these markets compared with the same period in 2010.

By sector, spinning machinery represented the largest export sector for German textile machinery manufacturers during the first half of 2011, at 61.4% of the total market. Knitting and hosiery machinery exports comprised 38.1%, finishing machinery, 10.2% and weaving machinery, 7.7% of the market.



### INDIA

#### Textiles and garment exports to grow 20%

Indian textiles and garment exports are likely to touch US\$ 32.35 billion in the current fiscal, said Anand Sharma, Minister of Textiles in Parliament. He said the country exported textiles and garments worth US\$ 26.8 billion last fiscal, and the figure is expected to increase at 20.7% year-on-year to US\$ 32.35 billion in 2011-12.

By the end of the Eleventh Five-Year Plan (2007-12), the Minister expects the size of India's domestic textiles sector to grow to US\$ 65 billion. The Minister noted that the percentage of textiles and garments in India's total exports decreased to 10.63% in fiscal 2010-11 from 11.46% in the fiscal 2008-09.

As per the latest statistics released by the World Trade Organisation (WTO), India's textiles and garments exports accounted for 3.91% of global exports in

2009, compared to 3.36% in 2007.

Nine million new spindles have been set up during the 11th Plan Period till now, and the total spindleage in the country has risen to 48 million spindles at the end of fiscal 2010-11.

The country's cotton yarn as well as fabric production has increased during the last three years. The production of cotton yarn grew to 3,510 million kg in 2010-11, up from 2,948 million kg in 2007-08. Similarly, fabric output increased to 61,057 million sq meters in 2010-11, up from 55,257 million sq meters in 2007-08.

#### Indian Cotton export under OGL (Open General License)

The growth and performance of the predominantly cotton based textile industry is often being subjected to wrong policies on cotton front from February 2008, after the removal of cotton textiles from the Essential Commodities Act.

Apart from free export under OGL, the various incentives offered to the multinational and other larger cotton traders including 5% export incentive with retrospective effect, DEPB benefit, bulk discount and liberal credit norms by CCI, etc had serious impact on the textile industry during the global recession and also the current cotton season.

The premature cotton export announcement made by the Commerce Minister for the season 2010-2011 and subsequently issuing a notification to export the entire earmarked quantity of 55 lakh bales in 45 days during the peak season flared up the price from Rs.38,000 per candy to Rs.63,000 per candy in three months.

Fearing that the government might allow additional quantity for export resulting in shortage of cotton, textile mills procured cotton at over Rs.60,000 per candy which later crashed to Rs.30,000 per candy making the spinning mills to incur over Rs.6,000 crores loss in just four months. In addition, the heavy accumulation of yarn stock caused due to suspension of yarn export registration for four months made the spinning mills to incur another Rs.5000 crores loss in the working capital.

The textile industry wants an urgent bail out package to sustain its survival, whereas government and RBI are yet to take a decision to revive the industry.

The additional 10 lakh bales of cotton export announcement made by the government have already increased the cotton

price from Rs.30,000 per candy to Rs.42,000 per candy.

S.Dinakaran, Chairman, The Southern India Mills' Association (SIMA) has said that the announcement of allowing cotton export under OGL from 1st October 2011 for the cotton season 2011-12 has come as a serious blow for the cotton textile industry in the country. He stated that the industry Associations have recommended the government to permit cotton export under OGL only from 1st January 2012 considering the need for rebuilding adequate buffer stock, enabling the domestic mills to procure adequate quantity of quality cotton and also avoid any speculation during the beginning of the season.

S.Dinakaran has said that the Association is not against cotton export. But at the same time the government should benchmark its policies with our major competing countries like China and Pakistan on cotton front and ensure raw material security for the textile industry, which employ over 92 million people directly and indirectly and also consume over 80% of the cotton produced in the country.

#### Garment exporters seek new destinations

India's garment exporters are seeking for new destinations due to tepid demand in the traditional US and European markets. Indian garment manufacturers are suffering due to escalating cotton yarn prices coupled with slowdown in the US and European economies.

The fall in cotton prices, from Rs 62,000 a candy (356kg) to Rs 34,000 a candy, provided some relief to garment units, but, prospects of increase in the business are bleak as consumers in the developed countries have decreased their demand.

According to Apparel Exports Promotion Council (AEPC) Chairman, Premal Udani, we are evaluating the trade prospects in Japan, Russia and South America. After signing a free trade agreement with Japan, Indian players may get a better access to buyers. The existing suppliers from China may be a threat but we hope to replace them.

Tirupur Exporters Association President, A. Shaktivel said, our exporters are dependent on the US and Europe, but some are testing waters in South America. The fall in the cotton yarn price has been offset by the increase in the dyeing cost for the Tirupur-based units. The dyeing cost earlier was Rs 60-70 a kg and has increased to 150 a kg as the yarn is sent to the north for dyeing.

### Domestic textile firms hit by duty-free imports from Bangladesh

In a major setback to the already struggling domestic textile industry, the government may remove 61 items, including 48 readymade garments, from the list of protected goods India has so far maintained under Safta, its free trade agreement with SAARC countries.

In a surprise announcement, Anand Sharma, the Union commerce Minister, said the government was considering removing the restriction on import of readymade garments from Bangladesh ahead of the Prime Minister's visit on September 6-7. Bangladesh has been pitching for this for quite some time.

The decision will hamper the entire Indian textile industry, resulting into massive job losses. Most textile industry including power looms, spinning and dyeing, belongs to the unorganized sector, which has been struggling with low export orders.

It would worsen the industry's condition if the government gives prominence to the Bangladeshi textile industry at the cost of India, said Shishir Jaipuria, Chairman of the Confederation of Indian Textile Industry (Citi).

The Indian government had already raised duty-free import quota of readymade garments from Bangladesh by 2.0 million pieces to 10 million pieces in April this year. But, Dhaka wanted to access India's mass consumption market duty free. Bilateral trade between the two countries stood at \$2.6 billion in the FY10.

Cheap labour is the major advantage for the textile industry in Bangladesh as compared to India. Textile being a labour intensive industry, any unfavourable trade policy will hit the entire industry badly.

According to D K Nair, Secretary-General of Citi, the decision will be a major blow to the lower end of the domestic textile industry, including the major belts like the dyeing sector of Tirupur and knitwear hub of Ludhiana which provides employment to hundreds of thousands of people.

Rahul Mehta, president, of the Clothing Manufacturers Association of India, said the decision would result into imports of \$2.5 billion per year in addition to a loss of nearly 1.25 million jobs.

### Indian Government removes restrictions on cotton exports

Cotton growers, ginner and exporters, who were troubled by the plunge in cotton prices in recent months, finally have something to rejoice upon.

The government withdrew the ban on exports of cotton for the remaining part of the current cotton season (2010-11) and put it under Open General License (OGL). The Indian cotton season runs from October to September. The government took this decision, amid high seasonal cotton inventory and crash in cotton prices by as much as 50%.

This was announced by the Commerce Secretary – Rahul Khullar, who said cotton exporters will henceforth have to only register with the Directorate General of Foreign Trade (DGFT).

It may be recalled that last month, the government had permitted exports of an additional 1.0 million bales of cotton (1 bale = 170 kg) over and above the 5.5 million bales it had permitted earlier.

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### Technical Textile sector expected to touch Rs 160000 crores by 2017

The global market size of technical textiles was US\$127 billion for the year 2010 and it is expected to reach US \$ 127 billion by the year 2012-13 at an annual growth rate of 3.5%, said Sujit Gulati, Joint Secretary, Ministry of Textiles, Government of India.

He said market size of technical textiles in India is estimated at Rs.63,204 crore during the year 2010-11 and based on the past trend of growth, the sub group on technical textiles for XII Five Year Plan has projected the market size to touch Rs.1,60,000 Crores in the year 2016-17 with a growth rate of 20% annually. The sub group further has projected the market size of medical textiles at Rs.6,000 Crore by 2016-17 at a growth of 20% annually.

### Cotton Advisory Board estimates higher cotton production

The Cotton Advisory Board (CAB) estimates cotton production in 2011-12 (October-September) to be 355 lakh bales. The provisional estimate of cotton production in 2010-11 is 325 lakh bales. Consumption by the domestic industry is expected to be 253 lakh bales this year and 281 lakh bales next year and exports to be 70 lakh bales (2010-11 and 2011-12). The closing stock next season is expected to be 56.5 lakh bales.

According to D. K. Nair, Secretary General of Confederation of Indian Textile Industry, this is a preliminary estimate for the forthcoming season. The domestic textile industry will appeal to the Union Government to permit cotton exports next season only from January 2012 under the free list so that the textile mills here have better purchase options at the beginning of the season.



### Supportive packages for textile units

Close to \$1 billion will be allocated for upgrading the production line of textile units, said Director General of Textile Industries of Ministry of Industry, Mine and Commerce.

In addition, close to 5 trillion rials (\$500 million) has been earmarked for easing cash flow of textile, leather and garment industries. Moreover, over \$112 million will be allocated as compensation for the rise in the price of cotton and avert its impact on downstream industries.



### Batik textile producers adopt sustainable practices

The production process of the batik fabric – a textile craft practiced since centuries in Indonesia and Malaysia, is considered to be environmentally unfriendly.

The manufacturing process consumes huge amount of water, kerosene and energy and uses toxic dyes and chemicals. However efforts are being made to adopt sustainable practices and produce more ecologically friendly batik fabrics.

The Clean Batik Initiative (CBI) set up last year by the Indonesian-German Chamber of Commerce in cooperation with the EU Switch-Asia Grant programme is assisting batik producers in adopting an efficient, safe and clean production process.

The four-year program conducts workshops to provide technical assistance on adopting sustainable means and gives information related to using resources like energy, water and fuel efficiently.

Batik is produced by using an ancient technique of heating wax on kerosene stoves to be later applied on the fabric. CBI developed a more efficient process by using an electric stove attached with a thermostat, thereby saving precious fuels.

CBI is also promoting use of natural dyes, which will to a great extent reduce pollution in water bodies since the chemical dyes are released in to water ways and in the process environmentally harming the lakes and rivers.



### Launch of GM cotton crops

Kenya will reap its first lot of commercial genetically modified (GM) cotton, popularly known as Bt cotton in 2014, when seeds will be made available to farmers.

Bt cotton seeds are immune against certain crop diseases and are even drought-resistant. Hence, they yield almost double the quantity of crop than

what the farmers usually harvest with ordinary seeds.

Experimental checks of GM seeds are being carried by Kenya Agricultural Research Institute (KARI) at its demonstration farm in Thika. Also, farmers in Embu have been imparted training in cultivation of these seeds.

The path for the launch of GM crops in Kenya has been cleared with the commercialization of GM crops getting legal sanction, since the technology is cited as being advantageous to the farmers. At present, Kenya each year needs to produce 200,000 bales to gain self-reliance in cotton, and this can easily be attained with plantation of GM cotton.

The preference for GM cotton is a part of government's endeavour of attaching greater importance to small scale farming, to alleviate rural poverty and to ensure cheap availability of raw materials for domestic textile producers. The move is even intended at speeding up recovery of the domestic cotton industry, which crashed during 1990s due to a number of issues including large-scale import of used garments.

Kenya highest yield was of 70,000 cotton bales in 1986, which has since fallen to just 45,000 bales in 2010. Experts at the Cotton Development Authority opine that Kenya has a capacity to produce 260,000 bales of cotton per year, a figure which would make Kenya self-sufficient in cotton production.



### Clothing exports to European Union bloc

Exports of clothing from Nepal, which had been stagnant since the last few years in the absence of any quota have now started growing. However, it is the small producers and exporters who are tapping the demand for garments from the European Union.

Apparel exports to its biggest market; USA had declined during last few years, mainly due to withdrawal of duty-free access, political instability and labour unrest. However the European Union bloc has now become the biggest market for Nepali garments accounting for 60% of clothing exports, with the rest accounted for by India, US, Germany, etc. Even big production units are splitting their operations in to smaller ones, in a bid to control unionism or are contracting their work to smaller production units, though both the options reduce their competitiveness.

## Around the World

Mr Uday Raj Pandey, President - Garment Association of Nepal (GAN) said that since last 4-5 years the clothing export market is very slow from Nepal. Earlier the main market was USA, but now we also export to the European Union, which now accounts for 60% of exports.

Uday Raj Pandey further said currently India is developing in to a big market for Nepali clothing. So, we are targeting India also, because India is very near to Nepal. Big stores from India are also sourcing goods from Nepal for their branded stores.

Actually, the fabric from which the apparels are produced comes from other countries like China and Korea, the garments are produced in Nepal and then sent to India because, that type of fabric is still not available in India. This year, in the budget the government has given some 2%-4% export subsidies to the exporters, so hopefully, that will benefit to increase exports.

## NICARAGUA

### Apparel exports higher than China

During the first quarter of 2011, Nicaragua was the Central American country with the highest growth in apparel exports (in terms of volume) to the United States, when compared to the same period last year. On the other hand, China registered a drop in volume of apparel exports to the U.S. during the aforementioned period.

According to the Office of Textiles & Apparel (OTEXA) of the U.S. Department of Commerce, during the first half of 2011 Nicaraguan apparel exports to the U.S. grew by 22% in terms of volume, reaching 202 million square meter equivalents (SME), and jumped 27% in terms of value, up to US\$586 million.

OTEXA data also reveals that although the value of China's exports to the U.S. grew 8% during the first semester of 2011, there was a 3% decrease in terms of volume, dropping from US\$4,219 in the first half of 2010 to US\$4,100 in the same period of 2011.

Furthermore, a recent study by O'Rourke Group Partners found Nicaragua to be the single most competitive option for sourcing numerous apparel products, not just in this hemisphere, but in some cases also compared to China, Vietnam and Bangladesh. Some of the factors contributing to the country's competitiveness include its low costs, educated labour pool, improving labour productivity, consistent quality, and excellent free trade zone system and speed-to-market performance.

Nicaragua's textiles and apparel industry is an important development engine for the national economy, as it employed nearly 59,000 people by the end of 2010 and, during the same year, exported 362.4 million SME, valued at US\$1,017.5 million. The 2010 was a record year in Nicaragua' apparel exports history, showing a strong recovery after the international crisis that affected the global apparel industry.

By 2010, Nicaragua was the 12th largest worldwide apparel supplier to the U.S. in volume, thus becoming an important player in the global textile and apparel industry. According to estimates by the National Free Zones Commission (CNZF, for its acronym in Spanish), in 2011 there will be significant growth in Nicaragua's apparel exports to the world, reaching a total of US\$1,300 million, a 28% increase versus 2010.

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### SRI LANKA

#### Country to revive handloom craft

Sri Lanka plans to revive its handloom textile industry in the war-torn north-east with a project modelled on the Rwandan Peace Collection, where baskets woven by war-widows were sold at Macy's department stores.

The project by the Minister of Industry and Commerce is meant to help revive livelihoods of families in the north-east after the end of the 30-year ethnic war in May 2009. This socially vulnerable group including widows in the North and East numbered at 49,000 in 2002, but increased to 82,000 in 2009, said a ministry statement.

The initiative plans to support a portion of the female headed households in the north-east provinces with livelihood support while assisting towards their responsibility of looking after the needs of nurturing their families.

The project will be implemented through existing weaving centres in the districts of Jaffna, Mannar, Vavuniya, Mullathivu, Killinochchi, Trincomalee, Polonnaruwa, Batticaloa and Ampara.



### USA

#### Mexican apparel industry plans to increase business

Mexican apparel exporters are aiming to benefit from the country's close proximity to the USA by offering US customers short run, fast fashion items and full package manufacturing, according to Global Apparel Markets, which is published quarterly by Textiles Intelligence.

Mexican companies are focusing on niche markets because the so-called

"Walmart market" consisting of high volume, low value items has largely been lost to China.

As recently as 2000 Mexico was the USA's largest apparel supplier, but in the first five months of 2011 it was only the sixth largest. Since the elimination of quotas at the end of 2004, US buyers have been able to source more apparel from Asia at cheaper prices and this has had a detrimental effect on the Mexican apparel industry.

US imports from Mexico fell each year between 2000 and 2009 and Mexico's share of the market declined over this period from 14.7% to 5.4%. Furthermore, although US imports from Mexico rose in 2010, Mexico's share of the market fell again during the year and in the year ending June 2011 Mexico accounted for just 4.8% of the US import market.

Continued economic uncertainty in the USA has provided an opportunity for Mexican exporters to revitalize their exports to the country.

In particular, Mexico has been benefiting from a reluctance among US apparel buyers to order large quantities of apparel from China while uncertainties remain in the US market. Many buyers have been looking to suppliers in closer proximity to the US market who are willing to make to order and provide faster turnaround times, thereby minimizing risks of overstocking. Mexico is well placed to supply these companies. It is conveniently located for short runs and goods can be with customers in the USA within six hours.

If the industry is to succeed in the medium to long term, however, more investment is needed to improve quality and design. Also, it needs to look to alternative markets in order to reduce its reliance on the US market.

At present, the USA accounts for over 95% of Mexico's total apparel exports. However, the industry is looking to export

more to Latin America, particularly Brazil, Colombia and Venezuela. In addition, the country is aiming to compete with Turkey in the global market for jeans, especially in Europe.

In October 2011 Mexico will be hosting the 27th convention of the International Apparel Federation (IAF) and the Mexican industry is hoping to use the opportunity to tell the world what it has to offer. Mexico has more than 40 free trade agreements in place, enabling manufacturers in the country to export goods duty-free to almost anywhere in the world. Mexico is therefore ideally placed to become a manufacturing hub.

#### Cotton production & consumption to expand in 2011-12

The U.S. Department of Agriculture (USDA) cotton forecast for 2011-12 projects growth in both world cotton production and consumption, with production exceeding consumption for the first time in 7 years. Global production is forecast to rise to a record of about 125 million bales, 10 million above 2010-11.

The nearly 9% growth rate for 2011-12 pushes the anticipated crop nearly 12 million bales above the 5 year average. Cotton production in 2011-12 is forecast to increase in most of the major producing countries, led by India, China, and Pakistan.

World cotton consumption for 2011-12 is projected at 119.5 million bales, 3 million higher than 2010-11 and the largest since 2007-08. Growth similar to the long-term average is supported by improving global economic conditions, cotton product demand in developing countries, and the expectation of a bumper crop. Cotton mill use in 2011-12 is forecast to expand in the major consuming countries, led by China and India. ♦

#### Pakistan to grant MFN status to India

Dr. Mirza Ikhtiar Baig, Chairman Standing Committee on Banking, Credit and Finance FPCCI on his return from India disclosed that on the strong recommendation of the business community of Pakistan including President FPCCI Senator Ghulam Ali and President India-Pakistan Chambers of Commerce & Industry S. M. Muneer, the government of Pakistan in principle has agreed to give Most Favoured Nation (MFN) status to India and to liberalize trade between the two countries. Subsequently same has been announced by the Commerce and Foreign Minister of Pakistan.

India has already granted MFN status to Pakistan in 1995 and on the recent visit of Pakistani businessmen delegation, agreed to remove all non-tariff barriers on the export of Pakistani goods to India. Both countries have agreed to set a target of \$6 billion in next 3 years from the present level of \$1.8 billion annually. The government of Pakistan has agreed to remove items from the negative list allowing their import from India towards implementation of SAFTA agreement. That with these steps there will be direct trade between India and Pakistan and all illegal trade of more than \$2 billion routing through Dubai and Singapore will be stopped.

Dr. Baig is optimistic that as per joint declaration of the two Commerce Ministers in Delhi, India will support Pakistan and withdraw their objection against duty free export to EU in the forthcoming WTO meeting to be held on 20th October 2011 in Brussels, which will build up the confidence between the two countries, said Dr. Baig.