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INTERNATIONAL NEWS

USA: Cotton futures rise on declining stocks and production concerns

THE LOWEST cotton stocks in three years have seen cotton futures rise sharply in recent weeks.

During last week cotton futures made sharp gains on Wednesday, breaking through new highs for the season.

Tobin Gorey, Commonwealth Bank commodity analyst said the New York December 2021 contract finished the day not far under US89 cents a bushel, a new high for the season.

Mr Gorey also said the May 2022 contract had hit season highs, both in US and Aussie dollar terms.

Expectations of lower production in parts and increased textile demand as world economies get back into gear post COVID-19 are driving the rally.

The US Department of Agriculture has world cotton stocks projected at 89.3 million bales at the end of 2021/22. Meanwhile, global production is forecast 5 per cent higher at 118.9 million bales.

This is a healthy increase but still below 2019 record levels.

The demand is set to shift from China, whose textile industry is becoming less competitive due to rising labour costs, to other nations such as Bangladesh and Vietnam.

However, while there are some concerns about production several major producers are in good condition.

Unlike in the northern US, which has been hard hit by drought, production prospects look good in the US, where the crop is centred on the south, while Brazil, another major cotton growing nation, is also in a strong position.

Further ahead, there is plenty of subsoil moisture here in Australia's major cotton producing areas and growers have already indicated the price is likely to be high enough to spark a substantial plant.

Mr Gorey said while there had been a spike in prices in the past fortnight, fundamentally there was still likely to be adequate supplies of cotton.

In our view the balance of the numbers still leaves cotton with comfortable supply," he said.

"On balance it is likely it stays that way unless southern hemisphere crops - still just a twinkle in the eye - shrink dramatically."

Meanwhile locally cotton from the Northern Territory continues to move across to Queensland ginning facilities following a successful harvest.

Source: northqueenslandregister.com– July 17, 2021

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Will First Guaranteed Income Program Save US Retail Sales? Week Ahead

California lawmakers on Thursday approved a $35 million program to provide monthly cash payments to qualifying residents, allowing recipients to spend the funds at retail for anything they want to buy.

Unlike past government assistance programs that have limited benefits to food or housing, this one has no restrictions on what recipients can purchase.

The fact that there's no limit on where the benefits can be spent means recipients can apply it to food and shelter, as well as life's other necessities, including apparel and shoes.

The vote from California lawmakers came on the same day that parents were expected to receive their payments under President Joe Biden's expanded federal child care tax credit. While temporary, the payments are seen by some as a form of guaranteed income. And the payments are expected by many to fuel sales in the back half of 2021, particular for the back-to-school shopping season that runs now through September.

Retail research firm Customer Growth Partners is projecting BTS sales to grow 16 percent year-over-year, sending volume to a record $780 billion. Apparel and accessories are expected to be the big winners of the season, followed by sporting goods and home.

Meanwhile, pent-up demand has been bolstering retail sales in the U.S. June department store sales rose to 108 percent of 2019 levels, up from 100 percent in May and 98 percent in April, according to Stephanie Wissink, broadlines research analyst at Jefferies.

"We believe the pull forward of Amazon Prime Day this year to June, compared to July 2019 and October 2020, was likely one driver of the strength, in addition to continued stimulus benefit, and the reestablishment of demand for fashion apparel [and] footwear," Wissink said.

The analyst said the strength of June's department store recovery validates department stores' relevance, while omnichannel improvements—like scaling curbside pickup and ship-from-store—enable the distribution channel to better compete with online retailers.

In general, retail sales rose 0.6 percent month-over-month to $621.3 billion. When compared with June 2020—a time when some retailers were in the early stages of reopening their doors following temporary pandemic lockdowns—sales rose 18 percent.

The Department of Commerce report said sales at apparel and accessories stores rose 2.6 percent from May, but were up 47.1 percent from the year-ago period. Department stores gained 5.9 percent from May, and increased 24 percent from last year's figures. Nonstore retailers, mostly e-tailers, saw June sales rise 1 percent from May and up 12 percent from a year ago.

National Retail Federation (NRF) said sales for the first six months of the year were up 16.4 percent over the same year-ago period. "We're continuing to see an impressive recovery," said Jack Kleinhenz, chief economist for the retail trade group. "The economy and consumption are particularly sensitive to government policy, and the boost we saw from government support earlier in the year is continuing to show benefits. Reopening of both stores and the overall economy has progressed, and even higher prices seen in some retail categories reflecting the push-and-pull of supply chain challenges haven't proven to be a deterrent to spending."

While some believe retail sales should fare well this year as more Americans get their jab, the vaccination program didn't meet Biden's plan to have July , as the target date for a return to pre-pandemic normalcy. A number of states have eased restrictions and many workers are expected to return to their offices in September, but there are still many Americans who have yet to get their shots. And concerns are rising that once people have updated their wardrobes and they feel more comfortable getting out and about that they'll start applying some of their discretionary funds to experiences instead of goods like apparel.

In the meantime, governmental programs such as the temporary expansion of child tax credits and the new state-funded guaranteed income plan from California could also help spur continued spending at retail, such as for apparel and shoes. California's program is aimed at helping recipients—like pregnant women and young adults fresh out of foster care—reduce the stresses of poverty. While local governments will apply to participate so they can run their own programs, it will be up to the state's Department of Social Services to determine who will get funding. Current programs provide monthly payments ranging from $500 to $1,000.

Guaranteed income support programs are part of a social movement that falls under the general rubric known as universal basic income (UBI), which refers to regular cash payments to a set group. UBI is somewhat controversial as critics say it leaves little incentive to work and keeps recipients dependent on the government.

Yet, at the same time many agree that something needs to be done to help people who are near or below the poverty line. The fact that California's new program does away with limitations on how benefits are spent is more an evolution of past programs, and could be used as a test for other states.

Source: sourcingjournal.com– July 16, 2021

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European textile firm Nextil to open fabric plant in Guatemala in 2023

Spanish textile firm Nextil Group will open a new fabric production plant in Guatemala, a country with a long tradition in textiles. The plant, with an area of 25,000 square metres, is expected to come on stream in Q1 2023. It will be located 30 minutes away from the city of Guatemala, with easy access to Atlantic and Pacific and the Pan-American road.

The plant's geographical location will give Nextil Group access to the mass production market in competition with Asian suppliers, enabling it to obtain a return on items that are currently deficit, securing maximum efficiency in logistics and distribution, with preferential tariff arrangements, the company said in a media release.

With an overall investment of €40 million, the new production plant will have 350 local employees on its payroll and this number will grow as the pace of production steps up. The plant will also train Guatemala university students who wish to go into the textile sector. The Spanish group will keep welfare and social responsibility benefits on a par with production plants in the EU or US, including a health clinic, company store with credits, monthly grocery bag and a fund for loans to employees.

The industrial plant will optimise its cost structure in line with other plants in the group and will maintain the certifications of origin for its products, thanks to the agreements arranged by this Central American country. Guatemala has EUR1 certification, by virtue of which it can preserve the origin of goods from both Europe and the US, in turn obtaining preferential treatment on entry to those markets.

Nextil Group will maintain its existing production plants in Spain and the US for value-added specialties, for the development of new products and for local and commercial logistics.

"We want to get into a market that is currently inaccessible for us due to the cost structure, while keeping our existing plants for value-added products and the development of new collections in Spain," said Manuel Martos, the general manager of Nextil.

The industrial group will build a state-of-the-art factory. In keeping with its policy of environmental commitment, the textile group's new plant will implement a plan to maintain a low carbon footprint and incorporate cutting-edge machinery and advanced systems in energy saving, rainwater treatment and reuse of resources, among others, the release said.

The basic principle of the Greendyes dyeing method will also be applied at this new plant. This dyeing process patented by the group features low water consumption, no toxic products and execution at ambient temperature, thereby considerably reducing energy consumption.

Source: fibre2fashion.com– July 17, 2021

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Slowing down growth can help fashion brands curb overproduction, labor exploitation

Fast fashion production has doubled in the past 20 years ago, estimates a Business Insider report. The industry produces clothes equivalent to one garbage truck full of clothing waste in its single production cycle, says World Economic Forum. Notorious for its gross disregard for the environment, the industry contributes to high carbon emissions, water waste, and overall environmental pollution.

A reason for the industry's complete disregard to the environment is the shortening lifecycles of clothing items. As a Remake report states, from 2000 to 2014, fashion purchases increased 60 per cent, of which almost 85 per cent ended in landfills. Indeed, the industry is encouraging consumers to donate excess clothes to environmental charities and funds for last few years. However, this does not completely address the problem of overproduction.

Mass production triggers unsustainable practices

One reason brands mass produce is to confirm to the latest fashion trends. They usually contract out designs to manufacturers for short-frame production. As per a 2011 study by the International Journal of e-Education, e-Business, e-Management and e-Learning (IJEEEE), fast fashion brands introduce new styles every five weeks. Zara launches 11,000 new clothes per year as opposed to 2,000-4,000 launched by other brands like H&M or GAP. The production cycle of fast fashion brands is often marked by unethical and unsustainable practices.

Most fast fashion brands enter short-term contracts with manufacturers for mass producing trend-based fashion items. Manufacturers, in turn, subcontract to ease the pressure of overproduction. They hire workers on low wages, with zero job security. A 2018 ILO report shows, most hired workers are verbally and physically abused for failing to meet production targets.

Addressing labor and environment violations

The targets for production are also grossly overestimated. A report by the Business of Fashion affirms, retailers often overbuy to maintain inventory flexibility. However, this leads to increased inventory-to-sales ratio. To get

rid of excess inventory, brands either burn or shred their clothes, notes Timo Rissanen, Fashion and Textile Researcher. For instance, H&M is estimated to have burnt 60 tons of new and unsold clothes worth $4.3 billion in 2018. To bridge this gap between demand and over production, brands need to take the responsibility for ethical and environmental violations by suppliers. They need to tackle issues of both unethical labor practices and unsustainable environmental negligence.

The issue of overproduction plagues not just the fast fashion industry but also manufacturers of luxury clothing items. Luxury brands often place large orders to keep their inventories flexible and set trends. They burn off unsold clothes to retain brand exclusivity. For instance, Burberry is reported to have burnt clothes worth $26.8 million tons in 2018. The brand's action sparked a debate on the need to relook the industrys and consumers approach to fashion. It also gave rise to the idea of degrowth or a planned reduction of product volume and slow consumption of clothing.

AI to target degrowth

Experts believe, degrowth can be used to increase sustainability in supply chain by applying trend analysis techniques with the help of AI technology. Degrowth strategy can help brands curb carbon emissions, water wastage, and environmental mismanagement within the production process itself. By implementing AI in design and manufacturing, brands can target overproduction issues. They can use automatic forecasting models to analyze mid-term sales and forecast future trends.

Consumers can adopt degrowth by extending their clothes lifecycle. They can also contribute to the shift towards green economy by buying more second-hand clothes. Advocacy campaign Remake's also advocates degrowth as a consumer-endorsed business solution through its new campaign own #NoNewClothes pledge.

A critical aspect of sustainability, degrowth needs a purposeful shift to conscious supply and demand. Brands need to lower production volumes and follow slower time frames. They also need to enter into long-term contracts with manufacturers to provide increased job-security to workers.

Source: fashionatingworld.com– July 16, 2021

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Uzbekistan, Pakistan agree to finalise preferential trade agreement

Uzbekistan and Pakistan recently agreed to finalise a preferential trade agreement (PTA) within three months to boost bilateral trade volume. At the 6th meeting of the Uzbek-Pakistani Inter-governmental Commission on Trade-Economic and Scientific-Technical Cooperation (IGC) in Tashkent, both sides agreed to form joint working groups on several sectors to boost cooperation.

The meeting was co-chaired by Uzbek deputy prime minister and minister of investments and foreign trade Sardor Umurzakov and Pakistan's commerce adviser to the prime minister Abdul Razak Dawood.

Both sides agreed that the trans-Afghan corridor connecting the countries would play an important role in enhancing bilateral trade between the two countries, according to Pakistani media reports.

The parties agreed to deepen partnership in the field of industrial cooperation, including by organising joint ventures in the field of textile industry, assembly of agricultural machinery, processing and packaging of fruit and vegetable products.

It was settled to deepen cooperation in energy and mineral sector, agriculture, transportation and communication, labor, education, tourism, science and technology, technology parks, housing and communal services, intercity collaborations, standards, meteorology, culture and youth affairs.

In April this year, Prime Minister Imran Khan and Uzbek President Mirziyoyev held a virtual summit to discuss the joint promotion of the project for the construction of the Trans-Afghan railway, increasing the trade turnover, enhancing cooperation between leading enterprises and companies of the two countries, resuming air traffic, developing inter-regional contacts, cultural and humanitarian exchanges.

Source: fibre2fashion.com– July 17, 2021

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Bangladesh-France economic ties hit by pandemic last year

Economic relations between Bangladesh and France were affected last year by the COVID-19 pandemic. Bilateral trade last year came down to €2.76 billion, recording a fall of 15 per cent compared to 2019 figures, according to the embassy of France in Bangladesh. The total value of French imports from the country fell by 15 per cent in a year to reach €2.52 billion in 2020.

French exports last year to Bangladesh decreased by 12 per cent compared to 2019, amounting to €238 million, the embassy said.

Readymade garments and leather products comprise 98 per cent of French imports from Bangladesh. France remains one of Bangladesh's largest export markets and its third customer in the European Union, considering all products.

The bilateral deficit which registered a threefold increase in the last ten years, came down to €2.23 billion last year, according to Bangla media reports.

"To reduce the huge trade deficit we are facing, France is eager to put its world acclaimed know-how and experience at the service of Bangladesh and its people, especially in the sectors where our companies' excellence is proven worldwide.

Hence, we follow with keen interest developments in such sectors as power generation (including renewable energy), rail transportation, water treatment and all environment related issues," the embassy was quoted as saying.

Source: fibre2fashion.com– July 16, 2021

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Bangladesh among 3 countries leading recovery: USDA

Bangladesh has joined two other countries to lead the global cotton trade recovery as the demand for the commodity has risen sharply thanks to buoyant apparel shipments, according to the United States Department of Agriculture (USDA).

"Record global trade is boosted, led by robust demand in China, Bangladesh, and Turkey," the USDA said in its June report.

Cotton exports are up for the three largest exporters -- India, Brazil, and the United States. The US forecast has higher exports while stocks are projected at their lowest in four years.

The US season-average farm price has lowered by one cent to 67 cents per pound, the USDA said in its report on cotton for 2020-21.

For 2021-22, the June forecast shows higher trade and consumption with lower production and stocks.

A lower consumption outlook for India is more than offset by the higher-than-expected demand in China, Bangladesh, and Turkey, driving higher imports for these countries, said the USDA.

The recent import growth of cotton in Bangladesh resulted from the skyrocketing demand among local millers, spinners, traders and importers.

For instance, the export of yarn in the local markets is deemed to have grown by 163 per cent year-on-year between April and June this year, data from the Bangladesh Textile Mills Association (BTMA) showed.

This is a result of higher demand from garment exporters, and for resumption of the full use of capacities of mills by spinners and weavers, it said.

In the first 11 months of fiscal 2020-21, the country earned $28.57 billion from garment exports, registering 11.1 per cent year-on-year growth, according to data from the Export Promotion Bureau.

Knitwear shipments fetched $15.36 billion, and woven garments brought home $13.19 billion, clocking 20.55 per cent and 1.80 per cent year-on-year growth, respectively.

The export data shows that the Bangladeshi garment sector is recovering fast with the rise in demand in the western world.

A significant development was the return of woven shipments to the positive territory last month after declining for a year.

The demand for woven items had fallen in the western world as formal events were suspended because of the lockdowns and fears over contracting Covid-19.

Knitwear items maintained 12 per cent growth over the last year because of an increase in demand for more extended stays of people at home.

"The recovery trend is good, and it will not be short-term this time," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

However, it will take long to recoup the industry's losses last year because of the fallouts of the Covid-19, he said.

"We have been receiving a handful of work orders. There has been the reinstatement of previous orders. But many factories are running at losses," Hassan said.
Last year, international clothing retailers and brands either suspended or cancelled work orders worth $3.18 billion, of which 90 per cent have been reinstated so far.

Hassan said the retailers and brands had been paying up, but there were many who had gone bankrupt and were still delaying payment.

The volume of merchandise trade was down 15.5 per cent year-on-year in the second quarter of 2020 when lockdowns in many countries were in full effect. But by the fourth quarter, trade had surpassed the level of the same period in 2019, said the World Trade Organisation on May 28.

On the global cotton trade, the USDA said China's 2020-21 imports were forecast at a seven-year high, driven by the highest projected consumption

in three years, robust state reserve imports, and attractive prices for imported cotton relative to domestic supplies.

Imports are expected to support China's record year-over-year rise in consumption.

China's 2020-21 consumption is expected to recover from the lowest level in 16 years to surpass the previous year by 7 million bales, accounting for half of the gain in global use.

Currently, spinners' spot margins are roughly 30 per cent higher compared with that of the previous year due to the robust demand for cotton yarn and significantly lower yarn stocks, said the USDA.

Since Bangladesh is not a major cotton-producing nation, 99 per cent of the requirement for the raw material is met through imports.

Traders, importers and millers may import 8.5 million bales of cotton this year, spending $3 billion this year, said the BTMA.

Last year, cotton imports fell to 7.5 million bales as production came to a halt in many mills after the government had imposed nationwide restrictions to tame the coronavirus pandemic. (One bale equals 480 pounds.)

Source: thedailystar.net– July 18, 2021

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Pakistan: Textile output: flat-lined?

Over the past few years, share of value-added products in textile export earnings has increased, while export earnings from yarn and cloth have fallen drastically. Since overall value of exports has grown, this may imply that the country is exporting more value-added goods, a welcome sign. However, two concurrent trends have appeared, which lend credence to the claim that higher export earnings have not come on the back of meaningful volumetric export growth.

If PBS, USDA, and Textile division (MoC) are to be believed, Pakistan's textile fibre output is static at ~3.4 million metric tons for past 5 years (excluding covid-year). Since yarn exports have been steadily falling since FY13, it follows that a higher quantum of yarn output is being retained locally. Domestic yarn consumption has increased by 38 percent during the intervening years. Is locally consumed yarn feeding into higher volume of value-added exports? Or is the textile industry consuming higher volumes of yarn to make value-added products for an ever-growing local market?

While yarn (LSM) data is considered reliable as it is primarily reported by spinning mills in the documented sector, woven cloth production mainly takes place in the SME weaving clusters, which do not formally report their output.

If cotton cloth figures as reported by LSM were to be believed, cotton cloth production would appear to be similarly static at 1.05 billion square metres. Since this is less than of the cloth export volume, the LSM production number cannot be relied upon as an indicator for total cloth output.

Either way, in absence of reliable data, cotton cloth export may appear to be a valid proxy. However, a cursory review of trade data reveals that cotton cloth exports have fallen by nearly two-thirds since FY19.

This may lead to a logical conclusion that since yarn output is not increasing while cloth export has fallen drastically in FY21, total cloth output (unknown) may have also not registered any substantial increase. If greater share of both yarn and cloth are being retained locally for value-added production, is it feeding into higher volume of value-added exports or home-grown consumption of textile products?

This is where we must enter the realm of conjecture. Since FY19, when cotton cloth export volume was at its peak, cloth export has declined by 63 percent. Meanwhile, the highest quantum increase in exports has come in knitwear, where volume has increased by 35 percent (FY21 over FY19). Quantity of bedwear and towels exported has only witnessed a modest increase of 10 percent. In fact, towel exports in FY21 is still 7 percent less than their peak levels (FY18). Most surprisingly, readymade garment export volume has fallen by one-third since peak levels in FY19 (Covid year volumes have been excluded on purpose).

Here, several caveats must be emphasized. Drawing comparisons of percentage change in exported volume of different product categories may lead to faulty conclusions as the unit of measurements are widely varying. While cloth is measured in meter squares, bedwear and towels are measured in metric tons, while knitwear and garments are measured in dozens. Moreover, since volume exported in some product categories is increasing while declining in others, the data may at best be considered inconclusive. But consider the following:

Back in FY19 when cotton cloth export was at its peak, denim fabric exports had the single largest share in woven fabric exports (HS code 5208 to 5212), both in volume (22 percent) and value terms (29 percent). If greater share of cloth/fabric previously exported is being retained at home for manufacturing of value-add exports – in this case, denim pants, shouldn't quantity of readymade garments rise as a result?

Moreover, the highest volume increase has been witnessed in knitwear, which by definition, does not consume woven fabric. Is the 10 percent increase in bedwear export volume sufficient to account for 63 percent decline in cloth export? Has Pakistan diversified towards finer count bedsheet exports, which consumes more yarn? Has the overall local cloth production declined significantly to support higher consumption of yarn by knitwear exports? To answer this, one must look at the last piece of the puzzle.

Which is the count-wise yarn production. According to data supplied by Textile Commissioner's Organization, the count-wise constitution of local yarn production has remained broadly unchanged over the past decade. Note that total cotton yarn production also includes mixed yarns such as poly/cotton and poly/viscose, thus the LSM yarn statistic represents overall yarn production, inclusive of man-made filaments.

Moreover, as per TCO, man-made fibre consumption for yarn production has also remained unchanged since at least FY14, indicating that production of non-cotton fibres has not seen substantial increase either. Is it then possible to produce higher volume of finer-count bedsheets and other finished products for exports when overall volume of higher count (fine, and superfine) yarn has remained mostly unchanged?

Here, it must be re-emphasized that unless higher value-added products exports are converted into equivalent of yarn or fabric consumed (in production of these products), it is impossible to categorically state whether volume of exports has increased, declined, or remained unchanged.

But it is hard to fathom whether the same is unknowable, considering the textile sector has active and independent industry associations for every step of the value chain, from filaments to woven fabrics, denim, upholstery, hosiery, bedwear, towels, fashion apparel, and readymade garments. Surely, the industry associations must have product-wise data collection mechanisms in place, both for total production and exports, which could help answer whether textile export volume is increasing in tandem with earnings.

Here, it must be emphasized that – if export volume is indeed declining - it is not a reflection on quality of exports. A hundred dozen T-shirts manufactured and sold to Ralph Lauren are, of course, better than five hundred dozen T-shirts sold to Gap Inc. or Walmart. If the quality of exports is increasing, same must reflect in higher average unit prices. But at a time when higher unit price of exports are simultaneously driven by higher world prices of raw cotton, is it fair to conclude that quality of exports has irreversibly improved (or improved at all)?

The questions raised here are not unsolvable mysteries as the answers must lie with various textile industries associations. And it is crucial that these must be answered, as it is hard to fathom that value-added output may increase substantially when raw cotton consumption, yarn production and cloth production have all (possibly) flat-lined.

Thus, if domestic yarn output has remained unchanged since FY16, while domestic market size has arguably increased as indicated by mushroom growth in retail brands (or at least organically in tandem with rise in per capita income), can textile export volume be truly increasing?

Which leads to a parting thought: since 2016, domestic textile industry has borrowed Rs126 billion in long-term concessionary credit under export-oriented LTFF scheme for fixed investment (post-TERF, the amount has increased to Rs 224 billion). If textile output (as indicated by yarn and fabric production) and, export volume has not increased substantially (if at all), whom exactly is the concessionary credit subsidizing?

Source: brecorder.com– July 16, 2021

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NATIONAL NEWS

How India can be part of global supply chains

Backed by good infrastructure, a revamped SEZ policy that allows duty-free imports and domestic market sales will help

The US, EU and Japan would like to reduce their economic dependence on China, especially for critical supply chains. This is the result of the realisation that China may not be averse to using the leverage this dependence provides for the pursuit of its strategic objectives. This is in addition to normal risk mitigation against supply disruption, which cannot be ruled out for a variety of black swan events.

The recent Quad statement on cooperation for resilient global supply chains is noteworthy in this regard. These developments provide India with a major historic opportunity.

Strategic objectives of major powers do nudge large businesses to look at certain investment destinations seriously, But actual investment decisions flow from a careful considerations of likely profits and risks. India has to get this computation right for those parts of the global supply chains which it would like to get. This, therefore, needs smart industrial policy and investment promotion in addition to getting macroeconomic fundamentals right and improving our ranking in the Ease of Doing Business

A major shift in policy has been taking place in the pursuit of Atma Nirbhar Bharat. These found clear expression in the Finance Minister's Budget speech. The two key industrial policy instruments being adopted are a review of import duties to promote domestic manufacturing and a PLI (Production Linked Incentive) scheme for cash payment on the achievement of pre-determined benchmarks to firms across a wide spectrum of manufacturing.

There is recognition that inverted duty structure needs to go. Import duties are to be used for promoting manufacturing. The state would also take up the development of large textile parks. This could be the beginning of a long overdue return of the state in developing industrial areas with scale and competitive infrastructure, the essential prerequisite for becoming part of global supply chains.

A revamped policy framework for SEZs (Special Economic Zones) with duty-free imports can give India the benefit of creating a parallel ecosystem for success in manufacturing and becoming a part of global supply chains. The SEZs have delivered good results in IT-related services but results in manufacturing have been modest. A major reason for this has been that the development of SEZs was the responsibility of the private sector. Most of them did not have the ability to acquire the scale required for global markets.

State agencies have, however, been doing this over decades. It is time to get the state agencies back into developing SEZs with scale and infrastructure comparable to those achieved in China and South-East Asia.

In addition to scale, expressway connectivity to the National Highway network and through it to ports and airports would add to the competitiveness of the SEZ as an investment destination. The new DFI (Development Financial Institution) should be able to provide the longterm loans that such ambitious developments need.

It would also be necessary to provide facilities such as cheaper quality power, common effluent treatment facilities, skill development centres, and testing and certification facilities of international standards. The substantive change that is needed would be to permit sales from production in the SEZ to the domestic market, with the imposition of duties at the lowest rate applicable to imports from any trading partner along with value addition requirements under any trade agreement. This would create a level-playing field for investment and job creation within India vis-a-vis our trading partners.

Tax exemption

Individual units could acquire scale as they could supply to the Indian market and cater to global markets at the same time. This would, in substance, be equivalent to the present dispensation of the requirement of earning foreign exchange. Sales to the domestic market would displace imports from elsewhere and so save foreign exchange which is the same thing as earning foreign exchange.

But then the question would arise about there being a level-playing field between those who invest and produce in the domestic tariff area (DTA) and those who do so in the SEZ. The big incentive that has been given to the investors, production units as well as the developer, in the SEZ is tax

exemption on profits. This has also been the source of a less-than-friendly institutional attitude of the Revenue Department in the Finance Ministry. This incentive can be done away with.

Exemption on taxes on profits are not decisive in determining investment decisions of firms who need to see reasonable profits. This is borne out by the experience of SEZs till now. Once sales to the DTA area are permitted and if an SEZ is well provided with infrastructure and connectivity then it should with its zero import duty regime, be as attractive an investment destination for global supply chains as, say, Thailand.

To succeed in making a breakthrough in getting global supply chains speedily now when a major window of opportunity has opened, it would be best to pursue a dual track approach of offering attractive investment destinations with globally competitive infrastructure in both the domestic tariff area as well as in the SEZs with the new investor-friendly regulatory framework. Direct conversations with firms in the West and in Japan and willingness to evolve and fine tune incentives would clearly help. Time is of the essence.

Source: thehindubusinessline.com– July 16, 2021

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Finance Minister Smt. Nirmala Sitharaman addresses US India Business Council (USIBC) Roundtable on 'Maximizing India's Sustainable and Inclusive Growth as a Global Destination for U.S. Investment'

Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman today participated in the Roundtable organized by US India Business Council (USBIC) on "Maximizing India's Sustainable and Inclusive Growth as Global Destination for U.S. Investment' through video conferencing which witnessed participation of prominent foreign investors like General Electric, Baxter Healthcare USA, Brambles, Marsh & McLennan Companies, PepsiCo amongst others.

The Roundtable provided the investors with an opportunity to engage with Finance Minister and other senior officials of Government of India. The areas of discussion included Life Sciences, Green Energy, Infrastructure, Insurance, Defence, Security, Manufacturing, Renewable Energy, Power, Pharmaceuticals, Textiles and Hospitality and Digital economy.

Smt. Sitharaman acknowledged the efforts of CEOs of top-40 American companies for creating a global task force to mobilize resources for India during the 2nd COVID wave. She also mentioned that India and the U.S. have also set an ambitious target of achieving $500 billion in two-way trade.

Smt. Sitharaman spoke about stimulus packages announced recently which is tailored to meet the basic requirement of investors. She also informed the investors about India's consistent and continuous wide-ranging reforms which makes the country an attractive destination for foreign investment and how India continues to rise as a global economic powerhouse. She mentioned about this year's budget initiative pertaining to International Financial Services Centre (IFSC) at GIFT City, where the Government is committed towards developing it into a globally competitive hub for innovation and financial activities to serve the Indian economy and the region as a whole.

The broad messages conveyed to the investors were:

- Strong, calibrated relief and reforms during COVID leading to sharp decline in new COVID infection with ramping up of the vaccination programme.

- Continued macro-economic stability and resilience in economic recovery in the recent months.
- Strengths/advantages of India as an investment destination
- Vision to make India 'Atma Nirbhar'
- Steps taken towards Infrastructure led economic growth
- Creating multi-sectoral opportunities for investors.
- Strong track record of the Nation towards reform implementation in the last 6 years

In her concluding remarks, Smt. Nirmala Sitharaman spoke about going ahead with an overall vision to build a self-reliant modern India. The Finance Minister stated that the Nation is committed for long term relationship with US Investors. She spoke about:

- Consistent and continuous productive reforms that make India investor friendly destination
- Vibrant and pulsating Financial Markets
- Enormous investments underway in Infrastructure sector
- Covid and its aftermath demonstrating Indian economy's resilience
- Tremendous potential of Innovation and R&D

Economic Affairs Secretary, Shri Ajay Seth highlighted India's progress in areas of policy and taxation. He emphasized upon the e-way bill system which promotes faster and more seamless movement of goods both intra and inter-State. He also spoke about this year's responsive and responsible budget focusing towards resolving investment and tax assessment issues, asset monetization and privatization of most of the sectors.

About USIBC

The U.S.-India Business Council was formed in 1975 as a business advocacy organization to enlighten and encourage the private sectors of both India and United States to enhance investment flows.The Council helps in making business between the United States and India easier, more efficient, and more profitable. It connects the two largest democracies in the world and inspires sustainable solutions to business challenges – both local and global.

Source: pib.gov.in– July 16, 2021

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Think tank recommends India set up new trade negotiating body

As India prepares for renegotiations and new trade negotiations with complementary markets including the UK, US, and European Union, a think tank paper has recommended establishing a new body of experienced trade negotiators with a designated trade representative within the ministry of commerce.

Normally, India's trade negotiations are done by bureaucrats from the commerce ministry either through permanent representation in Geneva at the WTO or through a need-based swift move of other civil servants from relevant ministries, Ridhika Batra, a non-resident senior fellow at the Atlantic Council's South Asia Center and vice president of corporate affairs, Americas for the Mahindra group, said in a report on India-US trade relations released by the think tank.

Notorious in leading negotiations

Inadequate resources and skill set can lead to a situation where officers work reactively instead of proactively on trade deals, she said underscoring that historically, India has been notorious in leading negotiations on behalf of developing countries at WTO or at GATT.

Whether it was leading the developing nations during the Uruguay Round to resist expansion of issues under trade in services like agreements on trade-related investment measures (TRIMS) and property rights (TRIPs), or during the Cancun Round to counter agricultural and farm subsidies for developed nations, India managed to stay in the limelight with half a dozen bureaucrats voicing the opinion of the developing markets.

"There is not a dearth of talent in India, but an effort to mobilise a special unit of trade negotiators is required. A lateral movement of sector experts would bring in the necessary expertise," Batra said in the paper 'Looking Ahead: Strategies to Improve US-India Trade Negotiations', which is part of the report – 'Reimagining the US-India Trade Relationship'.

Observing that the Indian public and private sectors have had a global footprint for a decade, she said they have an active role in foreign-policy formulation that is reflected in international trade negotiations. "Recruiting industry experts in the ministry may result in biases. A simple option would

be to set up a body within the ministry of commerce that recruits fresh graduates and lawyers who are not yet associated with any private-sector entity but have the required qualifications for trade negotiations," Batra wrote.

"If such a body is established, then what is worth cloning from the USTR model is the appointment of a designated trade representative as the principal adviser to the commerce minister on trade policy and on the impact of other Indian policies on international trade," Batra said. This designated representative could be responsible for the trade policy graduates and lawyers, compensating for their lack of experience.

The designated trade negotiator also could be responsible for coordinating trade policy with other agencies, states, and industry representatives, and act as the principal international trade policy spokesperson for the ministry of commerce, she wrote. "By setting up a designated trade representative and trade wing, the ministry of commerce would have the capacity—purely dedicated to trade negotiations—to work actively toward new versions of deep trade agreements with tough negotiators," Batra argued.

Source: thehindubusinessline.com– July 16, 2021

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Apparel exports fall for 4 years as Bangladesh, Vietnam gain ground

The government's decision to extend a major export-promotion scheme for textiles until March 31, 2024 has cheered trade bodies but industry insiders say more incentives are needed as the scheme has not been able to arrest the continuous decline in India's apparel shipments even before the pandemic.

The Cabinet decided on July 14 to extend the Rebate of State and Central Taxes and Levies (RoSCTL) scheme to ensure policy stability and provide continued export incentives to apparel manufacturers and exporters. The scheme was introduced in March 2019.

Trade bodies such as the Apparel Export Promotion Council have also hailed the decision to continue the scheme on apparels and made-ups. However, industry insiders say the issues in the sector and the level of hit businesses have endured since 2017 should have ensured that benefits actually rose.

Garments manufacturing is the largest component of textiles, which in turn is the largest private sector job creator in India. But over the past decade, India has gone from being the 2nd to the 5th largest exporter of garments. Falling exports

In the latest instance, exports in the sector fell 20.8 percent in one year from $15.5 billion in 2019-20 to $12.3 billion in the past financial year.

For calendar year 2020, industry figures compiled by the Federation of Indian Export Organisations (FIEO), showed that while India exported $12 billion worth of apparels in 2020, once close competitors Vietnam ($27 billion), Bangladesh ($ 35.8 billion) have raced well ahead. Even tiny Cambodia has exported $7.3 billion and ships more than India in certain categories.

"Many neighboring countries have emerged as our competitors having tariff advantage either on account of Least Developed Country status or owing to effective free trade agreements," FIEO President A Sakthivel said.

Industry insiders say the sector has continued to face a slew of continuous challenges over the past few years. "First the industry took more time than others to adjust to the Goods and Services Tax regime, the continuous

downward revision of export incentives, and the ever present working capital challenges since 2019 has curtailed exports," said a functionary of industry body Ficci.

India faces challenges in global trade and rising competition, especially in the form of more shipments at lower costs from regional competitors. According to the World Trade Organization, Bangladesh's export of apparel more than trebled between 2008 and 2018.

Also, even before the COVID-19 crisis, demand from key importers and particularly, the UAE, had gone down drastically, say exporters. The trend started in late 2018 with many new manufacturing units coming up in free market zones in the UAE, which prefers to source raw materials from India as opposed to finished goods.

Export incentives

The Central Board of Indirect Taxes and Customs (CBIC) had also slashed duty drawback rates on cotton, man-made and blended garments. As a move to provide relief to the industry, the RoSCTL was launched.

Ever since COVID-19 struck India, the government has announced a single new measure for the sector as a whole, the extending of the Rebate of State and Central Taxes and Levies (RoSCTL) scheme. In place since March, 2019, it provides benefits to exporters in the form of duty credit scrips similar to existing schemes.

But, it does so while rebating all embedded state and central taxes on paid inputs. This includes VAT on petrol, mandi tax, electricity duty, and stamp duty on all export documents, among others.

"The extension of RoSCTL benefit coupled with free trade partnership with US, UK, EU, Australia, Canada, etc. would be a game changer for Indian apparel and made-ups sectors and will help the sector to get its rightful share in the global trade," Sakthivel said.

Source: moneycontrol.com– July 15, 2021

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Economic activity in India to start normalising in FY22: S&P Global

S&P Global Ratings recently affirmed India's sovereign rating at the lowest investment grade of 'BBB minus' for the 14th year in a row with a stable outlook, saying the country's strong external settings will act as a buffer against financial strains despite elevated government funding needs over the next 24 months.

Economic activity in India will start normalising throughout the remainder of fiscal 2021-22, resulting in real gross domestic product (GDP) growth of about 9.5 per cent, it forecast. The sovereign credit ratings on India reflect the economy's above-average long-term real GDP growth, sound external profile, and evolving monetary settings, S&P Global Ratings stated.

"India's democratic institutions promote policy stability and compromise, and also underpin the ratings. These strengths are balanced against vulnerabilities stemming from the country's low per capita income and weak fiscal settings, including consistently elevated general government deficits and indebtedness," it said in a statement.

A significant proportion of this rebound will be due to the very weak base in the prior fiscal year, when the economy contracted by a record 7.3 per cent. India's fiscal settings are weak, and deficits will remain elevated over the coming years even as the government undertakes some consolidation.

The country's strong external settings help buffer the risks associated with the government's high deficits and debt stock, S&P said while affirming 'BBB minus' long-term and 'A-3' short-term unsolicited foreign and local currency sovereign ratings on India.

"The stable outlook reflects our expectation that India's economy will recover following the resolution of the COVID-19 pandemic, and that the country's strong external settings will act as a buffer against financial strains despite elevated government funding needs over the next 24 months," it added.

Source: fibre2fashion.com– July 17, 2021

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E-comm firms need to be regulated

E-commerce companies originated as 'digital platforms', linking customers to sellers and eventually delivering the products to the customer. Over the years, especially in the West, their logistics capability strengthened and their business models have undergone a transformation.

Look at large companies like Amazon today. The chronology, 'selling on the platform' and then 'delivering through logistics', is now getting reversed. 'Logistics' and moving the goods closer to the customer is happening first, and then what may follow will be the sale on the platform. Sounds interesting, but how?

With the advent of data-science, large e-commerce players like Amazon today predict what the customer may want to order in the next few days. Having such deep insights, they can possibly ship items ahead to a fulfilment centre close to the customer; and deliver in matter of hours when such sale eventually happens.

By patenting floating warehouses and drone deliveries from such floating warehouses, Amazon is already inching closer and competing with logistic giants like DHL, Federal Express and UPS.

With 'high-end' predictive analytics getting sharper, this 'logistics driven' model will get perfected. This raises an interesting question: Is Amazon a company that sells products on the internet, or is it a logistics company?

Amazon's 'fast delivery' and 'state of the art' logistics business give it the 'competitive edge'; its logistics business is growing into a mammoth activity. With its growing market power, it recently attracted antitrust regulations in the US, where sellers on the platform complain of preferential treatment if only they use Amazon's logistics support, which comes at a much higher cost; forced use of Amazon's logistics arm negatively impacts such 'third party' sellers.

In the US, the e-commerce industry and giants like Amazon and Walmart, with their sheer size and scale, are attracting the attention of the competition commission and antitrust regulators. Unlike in Western markets, the issues with respect to e-commerce in developing markets like India are different.

FDI in marketplace

The biggest challenge for the Indian e-commerce industry is to create a level-playing field between the e-commerce companies and the 'sellers' on their platforms; sellers are basically small, medium and large manufacturers, and constitute the backbone of the Indian economy. Experience shows that e-commerce companies primarily push 'their own' sellers in many ways, including preferential treatment on their platforms and unsustainable 'deep discounts', killing in the process other sellers and brick-and-mortar operators.

In order to resolve the tension between the e-commerce platforms and the sellers on their platforms, way back in the 2016 the Indian government enacted the 'FDI in marketplace' legislation, which primarily restricts e-commerce companies from owning inventory and offering discounts, which used to form the very basis of their survival. The regulation further restricted their group companies or any 'one' seller or merchant on the marketplace from contributing more than 25 per cent of the sales generated by the e-commerce company on its platform.

The central idea of the 'marketplace' legislation is sensible; This compels e-commerce firms to be structured as mere 'asset light' platforms and forces them to focus their efforts to be 'market makers' in the literal sense; linking the customers to the 'sellers' selling on the company's platform. Such a focus not only helps the platform to specialise as a 'match maker' but also drives the sellers to focus on the quality of their products, with the customer eventually getting the best experience — a 'win-win' for all the stakeholders.

This was also intended to stop large players like Amazon and Flipkart preferentially treating their own sellers listed on the platform, Cloudtail and WS retail, respectively, at the cost of 'third party' sellers on their platforms. Unfortunately, four years have passed since the legislation, but still the regulators are unable to enforce the spirit of the 'marketplace' model and companies are allegedly continuing to flout the rules. Further, many large players like Reliance and Tatas are entering the industry making big bets.

The Tatas recently acquired BigBasket and the fitness start-up 'Curefit', and are now consolidating all their digital activities under one umbrella. Reliance's JioMart is gaining traction. The Adanis are not far behind; they could enter the e-commerce space through logistics which is their 'core capability' and are partnering with Flipkart in e-commerce. The need for stringent e-commerce regulations in now more important than ever before.

Following serious allegations from Retailers Association of India and consumers on e-commerce companies flouting regulations, the government recently introduced a draft 'Proposed Amendments to the Consumer Protection (E-commerce) Rules, 2020' which tightens the earlier 'marketplace' regulation of 2016.

The proposals emphasise that e-commerce firms should restrict their role to 'market makers' and not have their own companies on the platform; not push down third party sellers using technology, indirectly influencing inventory; and not announce 'flash sales' and influence price and sales to their benefit. Many issues of blatant violations have been highlighted.

The proposed regulations, though strongly opposed by e-commerce companies, are important and timely. The industry needs to be regulated given the scale and the power enjoyed by of a few players, which are bound to have a profound impact, both positive and negative, on the key stakeholders including consumers.

The government has to now come down heavily on companies flouting the rules and make them play by the book. The oversight mechanism needs strengthening and the gaps addressed. There are however certain clauses in the proposed regulation that lack clarity; for example, the definition of the term 'related party' is so broad that it would hamper even those companies playing well within the spirit of the legislation. Such issues need to be discussed with the industry and sorted out.

It is crucial to ensure a level-playing field, which is fair for all players, big or small. All of them need to be given a fair chance for growth on an arm's-length basis, and leave the rest for the best to 'win', ensuring that eventually the interests of the consumers is taken care of.

Source: thehindu.com– July 15, 2021

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The new Indian Tech-xtile industry

The Indian textile industry is one of the oldest in the country's economy, dating back several centuries. Today, the textile industry accounts for 14% of the overall industrial production, contributes to approximately 30% of the total exports, adds 4% to India's GDP and is the second-largest employment generator after agriculture.

The sector is highly branched out, catering to various divisions ranging from conventional handloom products to cotton, wool, silk products, natural and man-made fibre, yarn, and apparel. Usage of textiles is widespread across key end-use industries like healthcare, defence, automobile, and construction. Its massive potential for employment generation opportunities in the industrial and organised sectors in rural and urban areas has transformed the industry into a significant contributor to accelerating the economy.

Sector's upward growth trajectory

The country's textile domain has been experiencing a colossal growth potential, and with a more technologically innovative supply chain being put into place, the sector's advancement could be further propelled. Between 2000 and last year, the industry has received FDI inflows in surplus of $3 billion, considerably driving up the sector's growth.

The Indian textile industry is majorly reliant on cotton as its prime constituent. The production of raw cotton in the country plays an essential role in enabling the textile industry to flourish.

The sector that was impacted by the pandemic has managed to turn the crisis into an opportunity. The post-COVID-19 era has offered a growth prospect for the digital textile industry owing to its virtual operations. By acting as a game-changer, the role of technology in strengthening the industry's potential has resulted in increased sales that will continue to persist even in the forthcoming years.

India is home to some of the leading textile companies such as SVP Global Ventures, Welspun India, Grasim Industries, Vardhman Textiles, to name a few. Considering the industry's growth potential and employment generation, the government introduced the Integrated Skill Development

(ISDS) Scheme to address the skilled labour required to run the diverse textiles sector and its segments.

As per a recent study, the textiles sector accounts for about 7% of the overall industrial output, thus lending momentum to exports simultaneously. It further estimates that textiles will account for $82 billion in exports by as early as 2021.

The growing industry figures indicate that our country is set to touch the USD 185 billion figure by 2024-2025. One of the significant contributors to the textile industry's growth is SVP Global Ventures.

The company has observed sustained growth in last two quarters, bouncing back from the lockdown impact. Their product mix of high margin compact cotton yarn, rise in yarn prices, infusion of AI-based technology in manufacturing, and strategic location of Sohar plant at Oman and Jhalawar plant at Rajasthan has provided tremendous operational efficiencies.

The company worked efficiently during the pandemic. SVP plans to expand the Oman plant further by doubling the spindle capacity to three lakh and adding another 3,500 rotors. The company has the vision to be a fully integrated textile company. Towards this end it has set up a plant in Sohar, Oman to manufacture garments to cater to Middle East market.

The National Textile Policy (NTP) 2000 targets to generate occupation by way of increased global investments. This policy's key focus areas comprise technical upgrades, productivity enhancement, diversification of products and financing arrangements.

Technological advancement

Further to the sector's potential growth, the technology element plays a crucial role in reviving the Indian textile industry. Technology has reshaped the textiles industry to meet the rising demands and trends by providing data-driven customer operations.

The sector is amidst a wave of innovation with automation and artificial intelligence in textile machinery. These developments have allowed organisations to work remotely and control their machinery and data collection and analytics to march towards further improvement.

SVP Global Ventures has installed state-of-the-art manufacturing technology to expand business operations and production capacity as one of the industry leaders. The company has installed 150,000 spindles and 2,400 rotors cotton yarn automated manufacturing facility in Jhalawar, Rajasthan.

The company's relentless drive to adopt new technology has given it competitive advantage globally. Furthermore, digitally-backed transformation in manufacturing technologies will further boost existing capacities with a labour-intensive to capital-intensive production approach.

The modern machinery with Artificial Intelligence (AI) technology enables the company to manufacture yarn of the highest quality in higher operating margins with traditional spinning mills. These tech-infused efforts, upskilling labour, logistics efficiency will further result in higher productivity.

Overall, with the remarkable advances and backed by solid domestic consumption and healthy export demand, the future for the Indian textiles industry seems to be bright. Also, the gradual economic growth/newnormal amid the pandemic has given rise to higher disposable incomes, further leading to the surge in demand for products, thereby creating a bigger domestic market.

Source: livemint.com– July 16, 2021

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India's textile exports to the US outpace China during January-May'21: OTEXA

The value of India's textile exports to the US outpaced China during January to May '21 period, following a rebound in the market.

As per OTEXA, a trade body of US Department and Commerce, India textile shipments to the US grew by 66.69 per cent to $2.28 billion in the first five-month period of 2021.

During the same time, US' import of textile products grew by 39 per cent to $12.47 billion. India's share to this value remained 18.32 per cent.

On the other hand, China shipped textiles worth $4.32 billion from January to May '21 period, constituting around 34.65 per cent of total textile import value of US.

The share of India's textile exports increased by over 3 per cent, signaling a shift of business from China is not just on papers as rumoured by some industry stakeholders in the neighbouring countries.

Made ups constituted larger chunk in the total shipment from India to the US, valuing $1.92 billion, and growing by 64.54 per cent on Y-o-Y basis.

Yarn shipment increased by 88.37 per cent to $55.16 million, while fabrics' exports clocked $302.92 million.

Source: fashionatingworld.com– July 16, 2021

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Amazon India increases storage capacity; adds 11 new centres

E-commerce marketplace Amazon India has expanded its operational network to offer more than 43 million cubic feet of storage space for sellers across India. It has also launched 11 new fulfilment centres and expanded 9 existing ones, ahead of the upcoming festive season for a faster and more consistent experience for its customers and sellers.

The centres are located across states such as Maharashtra, Bihar, Gujarat, Assam, Rajasthan, Punjab, Delhi, West Bengal, Uttar Pradesh, Telangana, Tamil Nadu and Karnataka. Some of these new fulfilment centres will be operational ahead of Prime Day 2021 and all new fulfilment centres will be operational before the festive season, the company said in a media release.

Buildings across Amazon India's fulfilment network are designed with state-of-the art technology and efficient building systems that minimise energy usage. The buildings have on-site and off-site solar panels, which produce solar power. Most buildings are also designed to be net water zero with multiple initiatives such as rainwater collection tanks, recharge wells to replenish water into aquifers, sewage treatment plants and ultra-low water efficient fixtures.

Fulfilment centres are also being designed to make these work places accessible to people with disabilities as Amazon India continues to hire a diverse workforce and make the workplace more inclusive.

Akhil Saxena, VP, customer fulfilment operations, APAC, MENA & LATAM, Amazon, said "With the increased storage capacity of 43 million cubic feet, we will continue to seamlessly cater to the growing demand of our customers, while offering a better experience with wider selection and faster delivery. This expansion will also provide a fillip to the ancillary businesses who support us including those involved in packaging, logistics, and transportation, amongst others, while creating meaningful work opportunities across the country."

Amitabh Kant, CEO, Niti Aayog, said: "E-commerce has played a crucial role throughout the pandemic by supporting people, small businesses, and creating thousands of local job opportunities. I am happy to see the focused investments by Amazon across Indian states in building and scaling the state-of-the art infrastructure. This will play a critical role in supporting

MSMEs jump-start from the economic disruptions of COVID-19 pandemic and accelerate their journey towards being digital entrepreneurs."

Amazon has created one of the most advanced fulfilment networks and sellers in India have been benefitting from Amazon's expertise in fulfilment, reliable nationwide delivery, and customer service. When using Fulfilment By Amazon (FBA), sellers across India send their products to Amazon's FCs and once an order is placed, Amazon picks, packs and ships the order to the customer, provides customer service and manages returns on behalf of the sellers.

Source: fibre2fashion.com– July 16, 2021

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Reimbursement of additional discount to distributor will attract GST, says Kerala AAAR

Kerala'a Appellate Authority for Advance Ruling has upheld that additional discount reimbursed by a company to its distributor will be added to the consideration payable by the customer to the distributor. This sum will attract GST in the hands of the distributor.

Experts feel that as there are divergent views on applicability of GST on dealer discount, detailed clarification from Finance Ministry is warranted to minimise disputes.

The appellant, Kottayam-based Santhosh Distributors, is an authorised distributor of Castrol, a global company engaged in industrial and automotive lubricants. The appeal mentioned the distributor is paying the tax due as per invoice value issued by them and availing the input tax credit (ITC) shown in the inward invoices received by them from the company or from stockist.

What the appeal says

According to the appeal, Castrol has two types of dealers — normal dealers and workshops and both get supply from distributor like the appellant. Through its distributor, the company gives discounts based on SKU or quantity to workshops. Discounts are also available for normal dealers through distributor.

While the distributor is obliged to pass on the discount, he is also entitled to receive them from the company in addition to discount/rebate of 4.3 per cent, as mentioned in the agreement. Here the scheme in question is SKU discount offered by the company in relation to sale by its distributor.

In 2019, he filed an application with the Authority for Advance Ruling (AAR) with three queries — whether discount provided by the company to their dealers through distributor attracts GST, whether the amount shown in the Commercial Credit note issued to the distributor by the company attracts proportionate reversal of ITC and will the amount received as reimbursement of discount/rebate attract GST.

What AAR ruled

AAR held that additional discount given by the supplier through the applicant (distributor), which is reimbursed to the applicant, is a special reduced price for the customer. Hence, the amount represents consideration paid for supply of goods to the customer. Therefore, "this additional discount reimbursed by the supplier of goods/principal company to the distributor/applicant is liable to be added to the consideration payable by the customer to arrive at the value of supply under section 15 of GST law at the hands of distributor/applicant."

Further, it said that commercial credit is not eligible for reduced tax liability. It held that the applicant is liable to pay GST in the amounts received as reimbursement of discount/rebate from the company. Aggrieved by the ruling, the applicant appealed before AAAR. However, going through all the facts and arguments, the appellate authority upheld the AAR ruling.

According to Harpreet Singh, Partner with KPMG, whether discount given by a company to their dealers is part of consideration received by dealers from their customers, is a circumstantial question with no straight-jacket answer. The answer would depend upon how the transaction is structured, agreement between the company and dealers, documentation etc.

"In view of divergent views and resultant diverse practices being followed, Government may consider coming up with Clarifications on all kind of pre/ post-sale discounts and reimbursements. The same would not only ensure consistent approach, but also avoid unwarranted litigations," he said.

Source: thehindubusinessline.com– July 16, 2021

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Covid cuts Tirupur garment hub biz, 10% orders go to other nations

India's largest garment hub Tirupur continues to reel from the effects of the pandemic, with almost 10 per cent of its orders for the upcoming season getting diverted to Bangladesh, Vietnam, Cambodia and China. The sector had seen a drop of about 9 per cent in exports during the first wave, but the impact is likely to be more this time, according to industry experts.

Being one of the epicentres of Covid cases in the state, a majority of manufacturing units in the textile belt were closed for almost six weeks during the second wave. According to Tirupur Exporters'. Click here for more details

Source: business-standard.com – July 16, 2021

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Andhra Pradesh targets Rs 5,000 crore from its retail parks policy

The state government declared retail parks policy 2021-26, anticipating targeted investment of RS 5,000 crore in the next five years. The government has proposed to encourage retail trade parks with a minimum investment of Rs 100 crore with 5,000 direct employments.

The state government issued orders on Thursday to attract investments in retail trade in the state. The government proposes to encourage development of retail parks in every district each park with focus on one particular trade, like pharmaceuticals, textiles, plastics, electricals, etc.

A nodal officer will be designated in every District Industries Centre (DIC) to facilitate the retail investment and promote retail parks to come up in the districts. The nodal officers would provide handholding for those who are interested in establishing the retail park. The nodal officer would help the investors get all clearances from the government.

The policy also provides infrastructure assistance from the state government for any park with an investment of Rs 100 crore or providing 5,000 direct employment. The government would provide the roads, water, sewerage, electricity and other facilities to such parks. However, these incentives would be extended to the investors only if they fulfil the mandated investment or employment target, the state government said.

The state government also proposes to encourage organised retailers to set up their warehouses/distribution centres within the designated areas in the park. The government proposes logistic policy to cover the required initiatives for encouraging setting up of world class warehouses on PPP basis.

“Andhra Pradesh has huge potential to become one of the leading destinations for retail trade. The state is a leader in agriculture, horticulture, dairy/poultry production and other raw materials, ranking amongst the top states in India across many sectors,” said R Karikal Velaven, special chief secretary to the government, while declaring the AP Retail Park Policy 2021-26.

He further said that the state government would work “with retail associations to encourage local sourcing from Andhra Pradesh through buyer-seller meets.”

Source: timesofindia.com – July 16, 2021

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