IBTEX No. 185 of 2021 September 17, 2021

US 73.45| EUR 86.43| GBP 101.41| JPY 0.67

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	US textile and apparel imports rose in July
2	China applies to join Pacific trade pact to boost economic clout
3	Cargo 'Collusion': Walmart Home Supplier Prevails in $600K Ocean Freight Lawsuit
4	Cotton prices to be bullish this year predict analysts
5	UK again delays post-Brexit import trade controls
6	UK's M&S to close 11 stores in France after Brexit
7	Cambodia and Turkey promote cooperation among businesses
8	Diversification can help Vietnam lift production amid latest COVID 19 outbreak
9	Bangladesh: No adequate supply of yarn to meet demand of textiles mills
10	Pakistani: Dawood for regional economic integration

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify "the sender" by return e-mail and delete the message from "your system". Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any "information" in this message that does not relate to "official business" shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.

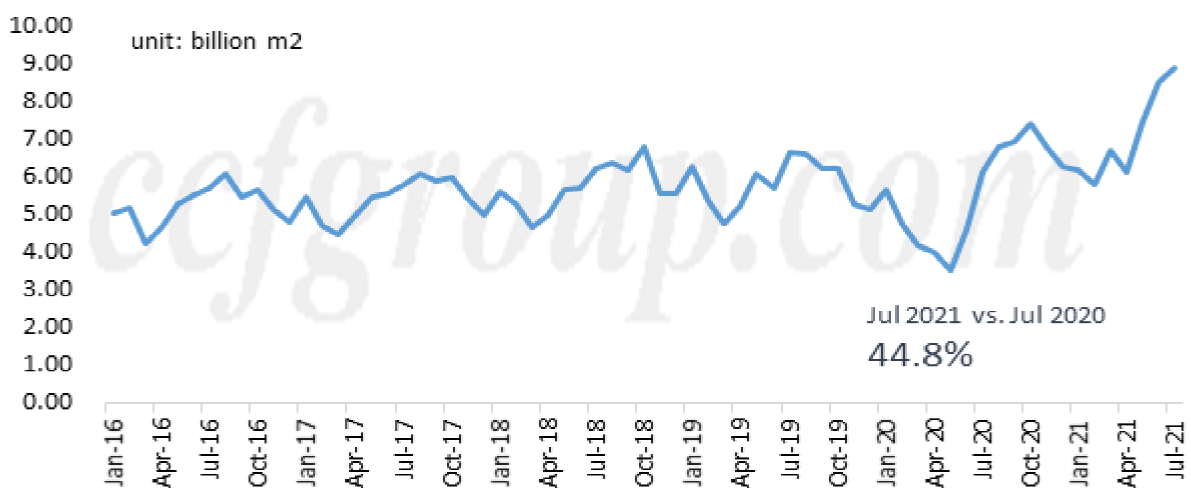
	NATIONAL NEWS
1	Finally, policy cottons on to MMF
2	Tamil Nadu to announce technical textiles policy
3	Rs 31,000-crore support for bad bank: Finance minister Nirmala Sitharaman
4	Explained: How MSME exporters are impacted due to global shortage of shipping containers
5	FTP must acknowledge MSMEs' e-commerce exports for Atmanirbhar Bharat: Amazon's Abhijit Kamra
6	Building a resilient economy
7	Singapore Opposition leader asks govt to release more info to dispel misinformation about FTA with India
8	Inverted duty: Time to permit refund for input services
9	Container prices soar as shortage hits exporters
10	MSME, other retailers expect full recovery in retail sales by October to pre-pandemic levels
11	No e-way bill needed if principal supply is service and no goods are involved
12	'In person' GST Council meeting on Friday, States to press for compensation for longer period
13	'Truck rentals costlier by 2-2.8 per cent'
14	Grasim Industries to open school in India's weaving & spinning hub

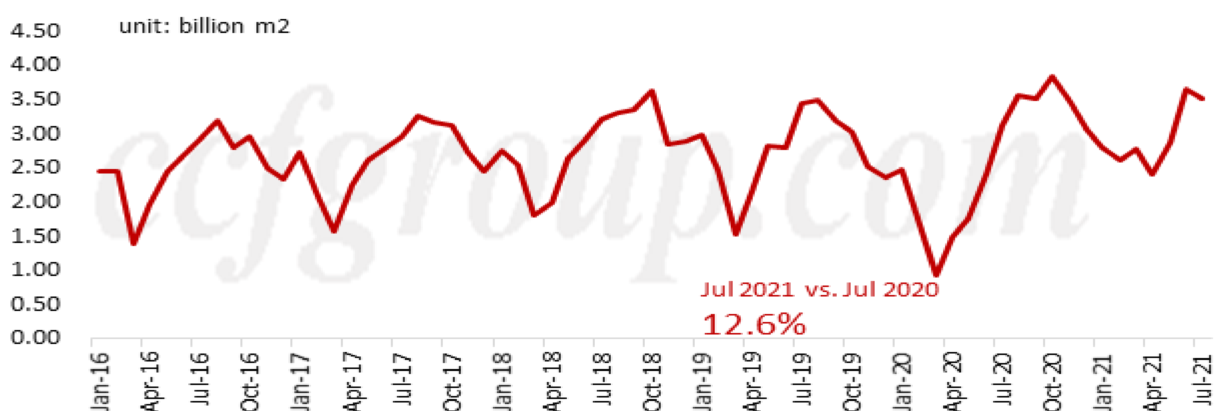
RECEIVABLE FINANCING, CREDIT
INSURANCE AND RISK ADVISORY

INTERNATIONAL NEWS

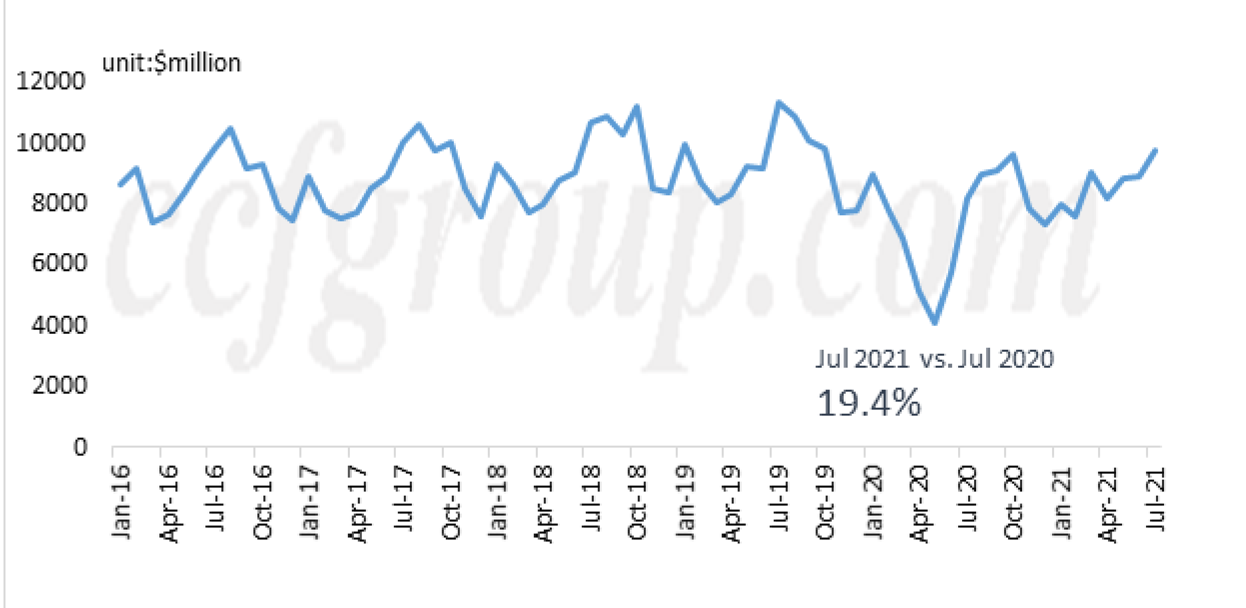
US textile and apparel imports rose in July

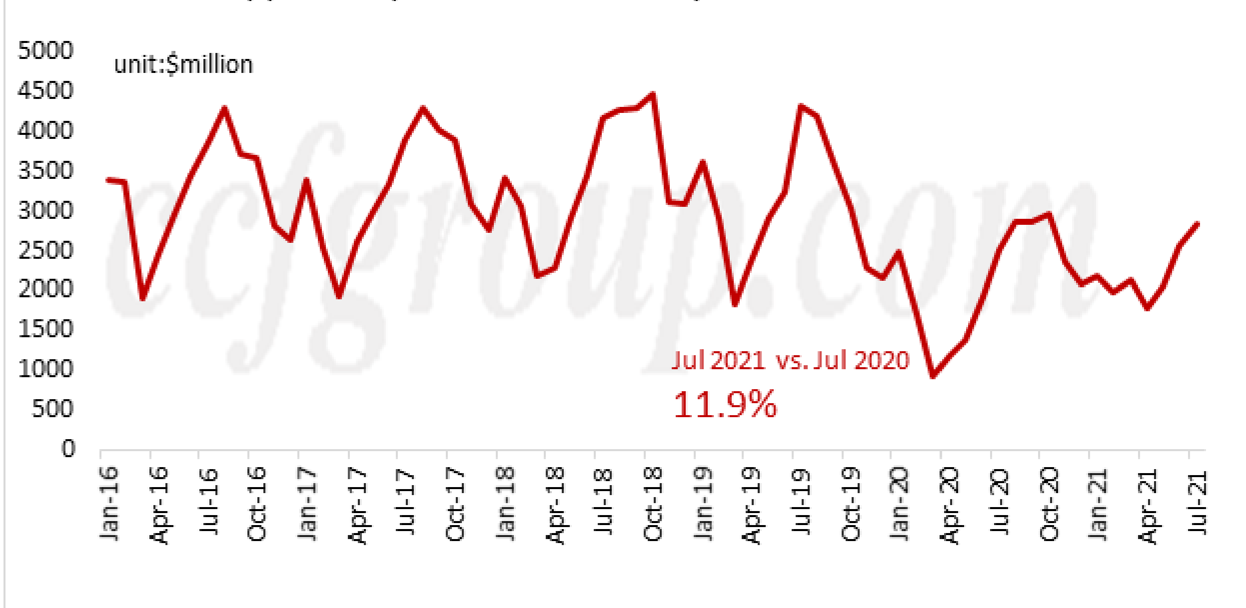
The latest data showed that US textile and apparel imports reached 8.92 billion square meters in Jul, up by 44.8% year-on-year, 4.5% month-on-month and 33.4% compared with the same period in 2019 respectively. And the volume from China reached 3.52 billion square meters in Jul, up by 12.6% year-on-year but down 3.4% month-on-month respectively. The imports rose by 2.5% compared with that in same period of 2019, indicating that the growth of the volume from China was lower than the total imports.





US textile and apparel imports value rose in July, compared with both a year and a month earlier but declined double digit compared to that in 2019 two years ago, especially the value from China dropped sharply.

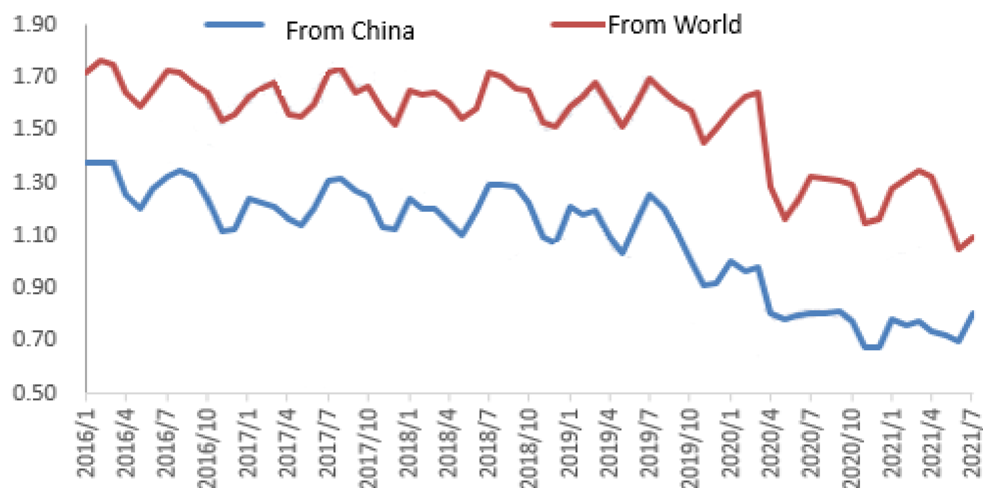


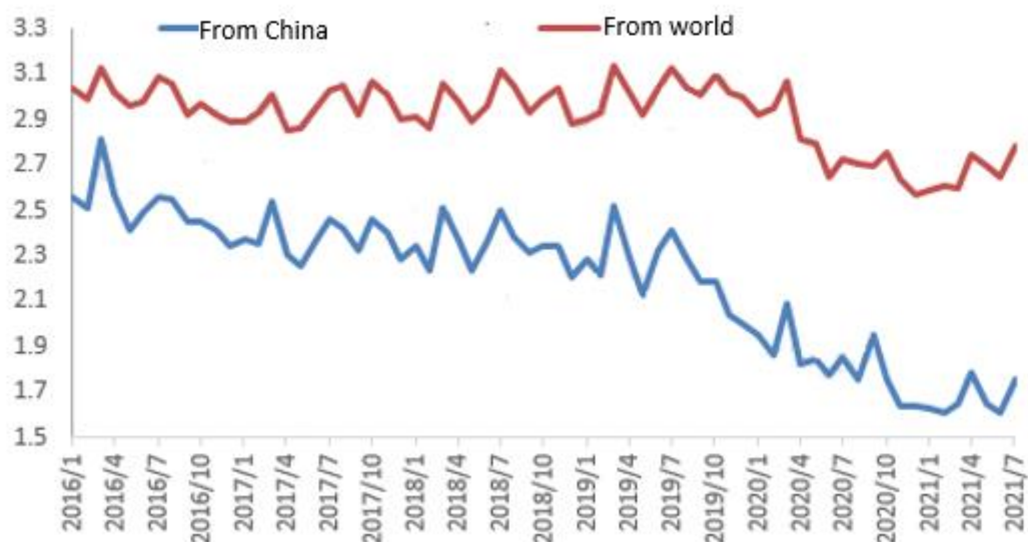


US apparel imports value and volume moved up in Jul, compared with both a year and a month earlier but declined compared to that in 2019, so did that from China, indicating that the demand recovery of US apparel imports was not as good as that of US textile imports, especially in value, which was related to unit price.

In July 2021, the average unit price of US apparel imports went up somewhat but was still at a relative low compared with recent years. The average unit price of US apparel imports from China was lower than the total

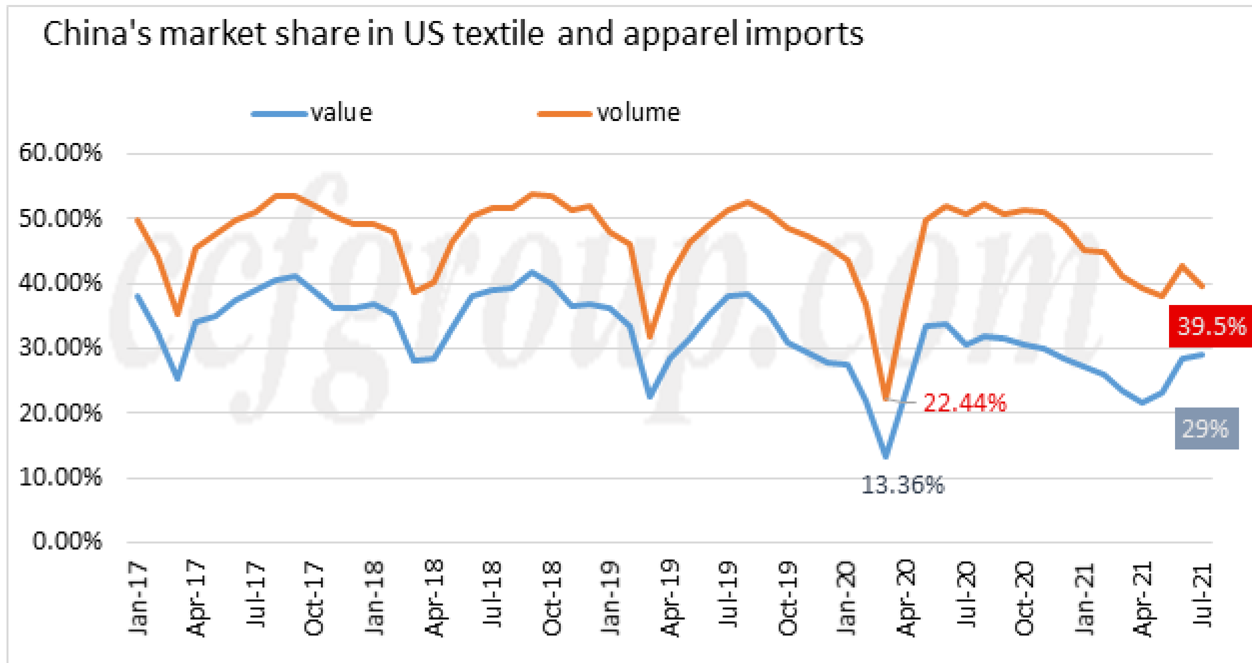
and their price spread has expanded in recent years, especially from last year to this year.





China stays the largest supplier for the US market in July 2021, accounting for 39.5% of total US apparel imports in volume and 29% in value, followed by ASEAN and India. But China's market share in US textile and apparel imports slipped somewhat this year.

In conclusion, the growth of US textile and apparel imports in July was still strong, with the average unit price rising from the previous month, but still at a relatively low level.



From the perspective of origin, China's market share declined this year, with imports from China declining in July compared with the previous month. While market share of India and ASEAN inched up, and other markets increased considerably. It can be seen that new markets have joined the sources of US textile and apparel imports.

Source: ccfgroup.com– Sep 17, 2021

HOME

****

China applies to join Pacific trade pact to boost economic clout

China has filed an application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the commerce ministry said, as the world's second-biggest economy looks to bolster its clout in trade. Commerce Minister Wang Wentao submitted China's application to join the free trade agreement in a letter to New Zealand's trade minister, Damien O'Connor, the Chinese ministry said in a statement late on Thursday.

The CPTPP was signed by 11 countries including Australia, Canada, Chile, Japan and New Zealand in 2018. Before that, it was known as the Trans-Pacific Partnership (TPP) and seen as an important economic counterweight to China's regional influence. Japan, the CPTPP's chair this year, said it will consult with member countries to respond to China's request, but stopped short of signalling a timeline for doing so.

"Japan believes that it's necessary to determine whether China, which submitted a request to join the TPP-11, is ready to meet its extremely high standards," Japanese Economy Minister Yasutoshi Nishimura told reporters on Friday. The TPP was central to former U.S. President Barack Obama's strategic pivot to Asia but his successor, Donald Trump, withdrew the United States from the pact in 2017.

Accession to the CPTPP would be a major boost for China following the signing of the 15-nation Regional Comprehensive Economic Partnership (RCEP) free trade agreement last year.

Beijing has lobbied for its inclusion in the pact, including by highlighting that the Chinese and Australian economies have enormous potential for cooperation. However, relations between the two countries have soured.

Britain in June began negotiations to enter the trade pact, while Thailand has also signalled interest in joining it. read more
Wang and O'Connor held a telephone conference to discuss the next steps following China's application, the Chinese Ministry of Commerce said.

Source: reuters.com– Sep 16, 2021

HOME

****

Cargo 'Collusion': Walmart Home Supplier Prevails in $600K Ocean Freight Lawsuit

Home furniture manufacturer and supplier MCS Industries, Inc. got a win in a Federal Maritime Commission (FMC) court two months after filing a $600,000 lawsuit against China's Cosco Shipping and Switzerland's Mediterranean Shipping Co. alleging they failed to meet their contractual commitments.

Although Mediterranean has yet to settle, Cosco agreed to resolve the dispute for an undisclosed sum as afforded by the FMC's confidentiality policy.

U.S.-based MCS, whose home goods and furnishings retail clients include Target, Walmart, Home Depot and Lowe's, claimed in its initial suit that the foreign-owned carriers had "unjustly and unreasonably" exploited customers and colluded to manipulate the market in violation of the U.S. Shipping Act.

In particular, MCS alleged that collusion was made possible by the fact that there are now just three alliances which the major ocean carriers are now a part of (2M, THE Alliance and Ocean Alliance) that dominate more than 90 percent of the main east-west shipping routes. Mediterranean is part of 2M, while Cosco is part of Ocean Alliance.

"In a stark break from pre-pandemic practice, several ocean carriers refused to negotiate or provide service contracts to MCS, and those that did provide such service contracts, including the respondents named herein, refused to provide more than a fraction of the cargo capacity that MCS requested and needs, despite the fact that the respondents overall have continued to operate at or near pre-pandemic capacity," the filing reads.

MCS said Cosco offered just 1.6 percent of the capacity it was contractually obliged to make available from May to July, while Mediterranean offered 35 percent. The home décor supplier also alleged that Cosco discriminated against U.S. shippers, instead favoring Chinese shippers with greater space allotments.

Cosco initially called MCS's 1.6 percent claim "a falsehood," saying that the supplier did not confirm any bookings during June at the traditional ports

they mutually use. The Chinese company claimed MCS failed to use all space offered and confirmed to it in July.

Nevertheless, MCS said that the limited service forced the company to buy space in the "spot market," which dictates the current market value for immediate delivery.

"By definition, the service contracts required respondents to 'commit to a certain rate or rate schedule and a defined service level, such as assured space, transit time, port rotation or similar service features,'" the complaint said.

These spot rates have been inflated at prices much higher than contract rates, with MCS indicating in its suit that a container that cost approximately $2,700 to ship from China to the U.S. West Coast in 2019 now might cost $15,000 or more on the spot market.

As of Sept. 16, Drewry's composite World Container Index of spot freight rates calculated an increase to $10,374.64 per 40-foot container, 323 percent higher than the same week in 2020. This is the 22nd consecutive week of increases. Similar to MCS's comment in its July filing, Drewry calculates the average spot rate of a 40-foot container to be $16,138, or 252 percent up from a year ago.

The FMC settlement agreement aims to restore and reinforce the longstanding business relationship between the parties, so it appears MCS and Cosco will resume their partnership under the new terms. As such, the settlement agreement "reflects the parties' desire to resolve their issues without the need for costly and uncertain litigation," it said.

For these reasons, MCS requested the agreement's approval and the dismissal of the claims against Cosco.

The suit is still ongoing with Mediterranean, which initially rejected MCS's collusion claims, and said in its response that its non-carriage of the manufacturer's cargo was in line with agreements.

As one deal gets settled, another rises. Eucatex North America, a company in the construction space, filed a complaint with the FMC, alleging that CMA CGM and Fenix Maritime Services overcharged for detention and demurrage on 43 containers, leaving it more than $270,000 out of pocket.

The case is likely being watched by other shippers, hit hard by escalating freight fees, capacity constraints and port congestion during the pandemic.

Additionally, MCS's claims that both Cosco and Mediterranean violated the U.S. Shipping Act are timely as bipartisan legislators are looking to update the law, particularly when it comes to detention and demurrage, which many say has led to eye-watering cargo costs. A coalition of 152 companies and trade associations representing U.S. importers, exporters, transportation providers and other supply chain stakeholders submitted a letter of support to Congress on Monday, Sept. 13, endorsing the Ocean Shipping Reform Act of 2021.

Source: sourcingjournal.com– Sep 16, 2021

HOME

****

Cotton prices to be bullish this year predict analysts

Cotton futures contract reached a 7.5-year high in August as falling global supply gave a boost to demand from China. A report by execution-only service provider Capital.com says, the benchmark intercontinental exchange (ICE) cotton contract for October delivery hit 96.27 cents a pound (lb) on August 27. Although prices have fallen since, they stabilized around 95 cents. Starting at 77.31 cent a pound this year, the price index on cotton futures surged in the next two months as demand recovered post-COVID-19.

Growth halted in late February as Europe imposed fresh lockdowns to curb the third COVID-19 wave. Rising cases in India and Philippines and a ban on cotton from Xinjiang also derailed price growth. Increased demand from China started boosting prices in late March. This caused the October 2021 cotton contract to recover above 80 cents in early April. However, the index still remained significantly below the record high of $1.9455 a pound in 2011 amid a global supply shortage.

US' share in China's cotton imports sees a rise

In first 11 months of MY2021, China imported 1.2 million tons of cotton from the US. This raised US's share in China's cotton imports to 45 per cent, reports the US Department of Agriculture (USDA). Published on September 10 this year, the USDA report says, US exports to China reached their highest levels in eight years, with demand mostly led by China's State Reserve. Rise in demand from China is expected to further support the US cotton market rate. The US agricultural export for the full-year (FY) 2021 is also expected to rise 24 per cent over last year to $173.5 billion, says USDA quarterly trade forecast.

In MY 2021/22, China total cotton imports are forecasted to reach 2.6 million metric ton, shows data from the Chinese Office of Agriculture Affair. Cotton consumption the country is expected to increase to 8.7 million metric ton during the year. Most consumption will be driven by improved demand from the domestic and international market, says the Chinese Office of Agricultural Affairs.

Bullish prices in 2021

Analysts at FXStreet opine, the price rise in cotton will continue until it reaches 94.5 cents a pound. This level can be used as an entry point for placing a pending order to buy. Agricultural product data provider Mintec also predicts, cotton market will remain bullish this year as cotton farmers have switched to more profitable crops such as soybean and maize (corn), due high demand in the Chinese market. However, COVID-19 and resurgence of new cases are likely to dampen consumer demand and manufacturers' willingness to place orders, notes Cotton Incorporated in its August report.

CFDs to rescue traders from losses

In such a scenario, investors can trade cotton with contracts for difference (CFDs) on Capital.com. These CFDs allow traders to speculate on price changes in the commodity without owing the underlying asset.

With CFDs, traders can also benefit from the positive and negative price fluctuations as they maximize gains on volatile assets such as commodities. However, traders need to be aware of the high risk involved in such trading it can also maximize their losses in case the asset price moves in the opposite direction Traders need to make a thorough research on CFDs before investing in them. They should not invest more than they can afford to lose.

Source: fashionatingworld.com– Sep 16, 2021

HOME

****

UK again delays post-Brexit import trade controls

The United Kingdom has again delayed the implementation of some post-Brexit import controls, saying it would phase in checks next year rather than impose them now when industry supply chains are strained. Having delayed their introduction by six months from April 1, the government has now pushed the need for full customs declarations and controls back to January 1, 2022.

Safety and security declarations will be required from July 1 next year.

The United Kingdom left the European Union's (EU) single market at the beginning of 2021 and the immediate introduction of checks on British goods going to Europe hit sales hard.

Introducing import checks on goods coming to Britain would compound problems stemming from the COVID-19 pandemic and a shortage of truck drivers in the run up to Christmas, the logistics industry had warned.

Industry sources in the logistics and customs sector told a global newswire that the UK government's infrastructure was not ready to conduct the full checks by October 1.

The industry argues that while European producers can still sell to Britain without the extra cost and hassle of a full customs border, British producers face the reverse. First-half sales of food and drink to Germany, Spain and Italy were all down by around half compared with 2019, it says.

The government said it had introduced a new 'pragmatic' timetable to give companies time to recover from the pandemic.

British businesses, and customers, have complained in recent months that a shortage of workers in logistics, driving and warehouses has led to long delays in deliveries, with some supermarkets and restaurants struggling to stock a full range.

"Businesses will now have more time to prepare for these controls which will be phased in throughout 2022," Brexit minister David Frost said.

Source: fibre2fashion.com– Sep 17, 2021

HOME

****

UK's M&S to close 11 stores in France after Brexit

British retailer Marks & Spencer said it would close all 11 franchise food stores it runs with partner SFH in France over the coming months after new trade rules in place since Britain left the European Union hammered product availability.

The group said on Thursday that its remaining nine franchise stores, run with Lagardere Travel Retail, will continue to trade and the pair were working on a sustainable future business model.

M&S Chairman Archie Norman has been complaining for months that the retailer has struggled to get goods into EU members Ireland and France since Britain left the EU's single market at the beginning of the year, due to the huge amount of additional paperwork that was required.

"M&S has a long history of serving customers in France and this is not a decision we or our partner SFH have taken lightly," said Paul Friston, M&S' international director.

"However, as things stand today, the supply chain complexities in place following the UK's exit from the European Union, now make it near impossible for us to serve fresh and chilled products to customers to the high standards they expect, resulting in an ongoing impact to the performance of our business."

The 11 stores that will close by the end of this year are located predominantly across the high streets of Paris. The nine stores run by Lagardere are located in travel hubs such as airports, railway and metro stations. In April, M&S reconfigured its food business in the Czech Republic to remove supply chain risks. It took out all fresh and chilled products from stores, and doubled ranges of frozen and ambient products.

Last month, M&S upgraded its profit outlook after a jump in demand for food in its home market and a surge in online clothes sales indicated that its latest turnaround plan was starting to deliver. Shares in M&S were down 1.3% at 0951 GMT, paring 2021 gains to 34.8%.

Source: retail.economictimes.indiatimes.com– Sep 16, 2021

HOME

****

Cambodia and Turkey promote cooperation among businesses

Cambodia and Turkey held yesterday afternoon via videoconference a business forum to enhance and promote cooperation among businesses from both countries.

According to a news release from the Cambodian Ministry of Foreign Affairs and International Cooperation (MFAIC), the "Cambodia-Turkey Business Forum" was organised by the Royal Embassy of Cambodia to Turkey and the MFAIC's Economic Diplomacy Coordinating Group (EDCG), through collaboration with Cambodia Chamber of Commerce and the Confederation of Industrialist Businesswoman and Businessman (SANKON) of the Republic of Turkey.

Dr. Nhim Khemara, Secretary of State and the Head of EDCG, presided over this forum attended by over 350 participants, it pointed out.

This Forum focused on key sectors including trade, agro-industry, textile, construction, tourism, education and ICT, the same source underlined.

It will also serve as a crucial platform for businesses from both sides to be exposed to new economic opportunities and explore new potentials in pursuit of mutual benefits and prosperity, it concluded.

Source: khmertimeskh.com– Sep 16, 2021

HOME

****

Diversification can help Vietnam lift production amid latest COVID 19 outbreak

The outbreak of COVID-19's Delta variant has paralyzed Vietnam's garment industry. Though factories are allowed to operate they have to provide accommodation or transport for workers, leading to a sharp increase in expenses.

This has disrupted manufacturing activities in Vietnam, as per a Business of Fashion report. Almost 62 per cent textile and apparel companies in the country have been compelled to suspend operations due to continued lockdowns and restrictions, as per the Vietnam Textile and Apparel Association.

This has also impacted operations of major brands in the country. For instance, Nike, which imported almost its products from Vietnam in 2020, is at the risk of running out sneakers made in Vietnam, says a Panjiva report, a division of S&P Global Market Intelligence.

American brands with operations being hit

The crisis has hit American brands the most as Vietnam accounted for roughly 40 per cent of US imports in the year till July 31, reveals Panjiva data. The American Apparel and Footwear Association (AAFA) therefore urged President Biden to accelerate America's supply of vaccines to Vietnam.

Meanwhile, brands like On, Puma and Adidas plan to relocate their manufacturing facilities to safer countries and regions. This may increase their production costs in short-term. However, they will have to meet customer's demand, says Winnie Leung, Professor, George Brown College, Toronto.

Inventory challenges lead to uncertainty

Puma expects Vietnam's lockdown to be extended by another two weeks as cases continue to rise. The company also expects a delay of four to six weeks in restarting production, states Robert-Jan Bartunek, Senior Manager-Corporate Communications. Adidas also expects shutdowns to last until the end of third quarter, says Kasper Rorsted, CEO.

The latest outbreak further compounds Vietnam's woes currently facing issues like port closures in China and shipping delays in the US. It also adds to future market uncertainty as rising freight rates are likely to make inventory acquisition a bigger challenge next year, according to investment bank Cowen.

Any Halliwell, Senior Director-Retail, Publicis Sapient, says, this may also disrupt global supply chains and reduces brands' working capital. To survive, brands and retailers will have to diversify and adapt to the changing situation. Players with diversified manufacturing will fare better.

Source: fashionatingworld.com– Sep 16, 2021

HOME

****

Bangladesh: No adequate supply of yarn to meet demand of textiles mills

It is necessary to increase the investment in this sector by supplying yarn according to the demand for this sector, which may take one to two more years. As a result, the people involved in the sector are looking for a solution to the problem of import yarn, said the concerned people in a meeting of textile mill owners with Terry Towel exporters held on Thursday.

This information has been known from the relevant sources present at the meeting. The meeting started in the evening and ended at 8 pm.

Apart from Bangladesh Textile Mills Association (BTMA) president Mohammad Ali Khokon and Bangladesh Terry Towel & Linen Exporters Association (BTTLMEA) chairman Shahadat Hossain Sohel, senior leaders of both the organizations were also present at the meeting.

After the meeting, Bangladesh Terry Towel & Linen Exporters Association (BTTLMEA) Chairman Shahadat Hossain Sohel told Business Standard on Thursday night that the local textile mills were not able to meet the demand for yarn.

Therefore, they will increase new investment. As a result, there is no alternative to import for solving the problem. And the free market economy does not solve the problem by fixing prices.

"As a result, we will seek the cooperation of the Ministry of Commerce to facilitate imports."

Fazlul Hoque, vice-president of Bangladesh Textile Mills Association (BTMA), who was present at the meeting, told Business Standard that "they (Terry Towel) have received many orders. We are not able to supply yarn according to their needs, true. If they need any cooperation in this case, we will tell the government about it."

However, another leader present at the meeting said it was also difficult for exporters to import yarn. Because, 75 percent of their members do not have a bond license. As a result, they will not be able to import yarn with duty free facility. In that case the imported goods may have to be redeemed with a bank guarantee.

Terry Towel products mainly use 10 and 16 count yarns, which are mainly produced from wastage cotton. With the increase in export orders, the quality of these two types of yarn is increasing and the textile mills are supplying denim to the exporters.

Source: tbsnews.net– Sep 17, 2021

HOME

****

Pakistani: Dawood for regional economic integration

Addressing the Pakistan-Tajikistan business forum, Abdul Razak Dawood, said, "The objective is regional connectivity and trade. We want to follow the example of Association of South East Asian Nations (ASEAN) and Europe in enhancing Intra-regional trade and connectivity," said a press release issued here.

Adviser invited Tajikistan to start trade through seaports and Pakistan will trade through its land routes. There are a lot of challenges and it will take time, but "we need to work together to overcome these issues," he said. He said that Pakistan wanted to have Joint Ventures in textiles, pharmaceutical sectors and logistics sectors.

Source: brecorder.com– Sep 17, 2021

HOME

****

NATIONAL NEWS

Finally, policy cottons on to MMF

Modi government's recent steps will help MMF segment evolve but is it enough for India to regain ground globally?

Indian policy makers, for decades, had preferred a textile policy that significantly favoured cotton. The reasons are not far to seek. India is the largest producer of cotton in the world accounting for 25 per cent of global output. At around 125 lakh hectares, the country has the largest acreage under cotton with six million or so farmers growing the fibre.

Despite the support, India's cotton dominated textile exports have faltered over the years. Share of readymade garments (RMG) in the nation's export basket has fallen from 11 per cent in 2001 to 4 per cent in 2020. Cotton yarn's share has halved since the turn of the century. Overall share of textile exports has dived sharply from 24 per cent to 11 per cent in the last two decades. This is because the world has moved away from natural fibres like cotton to man-made fibres (MMF) such as polyester, viscose and Kevlar. MMF-based RMG today accounts for 70 per cent of the global trade (will be 80 per cent by 2025) and India's share in that is a mere 2 per cent. This, despite the fact that it is the second largest producer of MMF.

Other textile majors have adapted to the change. China's share in MMF textiles (as of 2019) is 38 per cent while new entrants Bangladesh and Vietnam have already mopped up 9 per cent and 6 per cent share respectively.

Continued focus on cotton even after the fashion shifted away from it has proved to be India's undoing and no government, despite the data staring at the face, had the political will to make the course correction.
The change began when Prime Minister Narendra Modi met eight representatives from the textile industry in December 2019. He had called them to understand the steps to be taken to revive the textile sector (a major employment generator) and boost exports.

In the 2020-21 Budget, the government removed the anti-dumping duty levied on purified terephthalic acid (PTA), a key raw material to make Polyester Staple Fibre — a MMF. Now PSF is available in India at international prices.

Textile parks push

In February 2021, the government announced the Mega Investment Textiles Parks (MITRA) policy under which seven large integrated textile parks, each spread over 1,000 acres, will be set up in the next three years. The industry representatives had said that such infrastructure would help smaller players scale up rapidly (critical for competitiveness) apart from attracting foreign direct investment. Along with capital will come latest technology and modern processes, they had argued. MITRA will benefit both cotton and MMF segments.

In August, the government scrapped the anti-dumping duty on viscose staple fibre (VSF), another critical input for MMF textiles. This was quickly followed by Remission of Duties and Taxes on Export Products (RoDTEP) scheme to reduce the tax burden on exporters and make them more competitive.

Earlier this month a production-linked incentive (PLI) scheme for textiles with focus on MMF and technical textiles was announced involving incentives worth ₹10,683 crore. Experts have called the scheme attractive and expect investments of at least ₹25,000 crore to ₹30,000 crore in the MMF space including in ramping up raw material capacity, processing facilities and setting up of design studios. If implemented properly, the PLI scheme will bridge India's gap with its competitors when it comes to MMF capabilities.

Will these measures help India regain its dominance in textile exports? They will, no doubt, help the country increase its share in the MMF pie globally. But any talk of regaining lost glory is premature. Consider this: according to CRISIL, in the US where import duties are same for India and its competitors, Bangladesh and Vietnam offer their products 34 per cent and 19 per cent cheaper respectively. A lot more needs to be done for Indian exporters to become competitive.

Tax matters

GST structure for MMF is inverted. GST on fibre is 18 per cent, on yarn 12 per cent and 5 per cent on fabric. This needs to be corrected as MMF manufacturers are unable to take input credit in full and this adds to their cost. In the case of cotton, GST is uniformly 5 per cent. It is time for a fibre neutral policy.

Indian exporters also lose their cost competitiveness on account of higher power and logistics cost Labour is pricey too. Monthly wages in Bangladesh ($101), Sri Lanka ($148) and Vietnam ($216) is a lot lower than India ($257). More reforms and investment in infrastructure are needed to bring these costs down. Automation, especially in RMG, will help increase productivity and reduce costs.

Till the time Indian exporters gain competitiveness, it is important for the government to incentivise them. Bangladesh and Vietnam are going out of the way to do so. Indian government's allocation towards incentives for the textile sector have, on the other hand, reduced sharply. It is almost 70 per cent lower in FY21 and 56 per cent in FY22 over FY20.

Another critical element is the market access. Competitors have moved fast to stitch preferential trade agreements with importing countries. Vietnam has FTAs with the UK, Canada and the EU. It has a most favoured nation status with the US. Bangladesh exports to Canada and the EU at zero duty on account of its least developed nation status. It also has a FTA with UK.

India, for its part, is struggling to improve its pathetic record in concluding FTAs. Talks with EU, Canada and Australia have seen no progress for ages. The US has said that it is not interested in a trade pact with India. If all goes well we may have a deal with the UK next year. Without preferential access, Indian exports will face strong headwinds.

Textiles is one sector that is already self-sufficient and with little more support, can grab a strong share of the global market. In other words, it has the potential to showcase the success of Modi government's Atmanirbhar Bharat initiative.

Source: thehindubusinessline.com– Sep 16, 2021

HOME

****

Tamil Nadu to announce technical textiles policy

State signs up for Techtextil India 2021, a leading international trade fair for technical textiles and non-wovens

The Tamil Nadu government has signed up for Techtextil India 2021, a leading international trade fair for technical textiles and non-wovens, aimed at strengthening indigenous textile production and attracting textile investments into the State.

The State government will be promoting technical textile policies through both physical and virtual segments of the hybrid fair organised by the Messe Frankfurt Trade Fairs India.

Hybrid edition

One of the first major business events in India for the technical textile sector since the pandemic, Techtextil India 2021 will bring together the entire industry to showcase technical textile technologies across industries such as healthcare, agriculture, construction, infrastructure, sports, apparel etc.

The first hybrid edition will take place from November 25–27 at the Bombay Exhibition Centre in Mumbai.

"While there are several inherent advantages for the growth of technical textiles in Tamil Nadu specifically, many raw materials used in the production of sanitary products, artificial ligaments, seat belt webings, airbags are still heavily imported. The Techtextil India Forum can help us reduce import dependency and bring investments in R&D, manufacturing, innovation by partnering with global technical textiles companies," Pooja Kulkarni, MD & CEO, Guidance Tamil Nadu said in a press release.

According to the release, technical textile players from Tamil Nadu including Cyber Textiles India, Jayashree Spun Bond, Lenzing Ag India, Liester Technologies, Loyal Textile Mills, Milltex Engineers, Superfil Products and Uster Technologies (India) have confirmed their participation for in the event.

Source: thehindubusinessline.com– Sep 16, 2021

HOME

****

Rs 31,000-crore support for bad bank: Finance minister Nirmala Sitharaman

Some analysts have, however, raised the issue of moral hazard in such guarantees, arguing that it amounts to the government bailing out lenders for their failure in due diligence and, in some cases, complicity with unscrupulous elements.

Finance minister Nirmala Sitharaman on Thursday said the government will offer guarantee to the tune of Rs 30,600 crore on the security receipts (SRs) issued by the National Asset Reconstruction Company (NARCL), or the so-called bad bank, while acquiring non-performing assets from lenders. While this amount will reflect in the government's contingent liability, the actual fiscal outgo could be lower if the recovery from the bad assets turns out to be higher than expected.

The guarantee, cleared by the Cabinet, is a decisive step towards the resolution of toxic assets worth Rs 2 lakh crore through the NARCL structure, as sovereign backing is expected to make the entire process a lot more viable and credible.

The guarantee will cover the shortfall between the face value of the SRs and the actual realisation from the stressed assets. It will be valid for five years and can be invoked only in case of resolution or liquidation of the assets. The SRs will be tradable.

"The backstop (guarantee) gives credibility to the process...So, once you take the bad assets out (of banks' books), manage them, re-evaluate them and put them on the block for sale, there is certainly a greater prospect of getting a higher value for them. That's why this route has been adopted," Sitharaman said.

Some analysts have, however, raised the issue of moral hazard in such guarantees, arguing that it amounts to the government bailing out lenders for their failure in due diligence and, in some cases, complicity with unscrupulous elements.

But RBI governor Shaktikanta Das and chief economic adviser KV Subramanian have defended the government's plan. In an interview to FE in July, Das said even globally, whenever there is a systemic clean-up of bad assets, the sovereign plays an important role. The US government, for

instance, came out with the policy of TARP (Troubled Asset Relief Program) after the global financial crisis. What is important, therefore, is to ensure that this ARC framework being put into place is driven by market principles, Das had added.

Though the government is giving guarantee on the SRs, it has not contributed to the equity of the so-called bad bank. In fact, public-sector banks (PSBs) will hold 51% in NARCL. Similarly, the PSBs and public financial institutions will have a 49% stake in the India Debt Resolution Company (IDRCL), which is being set up as an asset management company to work out the NPAs under the overarching NARCL structure, and the rest will be owned by private lenders. As many as 16 banks – both public and private — and some NBFCs have evinced interest in contributing to equity of these entities.

Financial services secretary Debasish Panda said the NARCL is expected to resolve stressed loan assets above Rs 500 crore each amounting to a total of about Rs 2 lakh crore. But in the first phase, fully-provisioned bad assets of about Rs 90,000 crore will likely be transferred. The remaining assets with lower provisions would be transferred in the second phase.

The NARCL will acquire the assets at net book value by offering 15% of them upfront (in cash), and the rest (85%) in SRs. Once the bad loan is resolved, realisation for the relevant bank would be in sync with its SR interest in that asset.

Typically, the NARCL will acquire assets by making an offer to the lead bank. Once its offer is accepted, the IDRCL will then manage the bad loans, add value to them and finally sell them off.

To disincentivise any delay in resolution, the government has stipulated that the NARCL will have to pay it a guarantee fee of 0.25% (of the outstanding guarantees) from the second year of its incorporation. This will then be increased progressively – to 0.5% in the third year, 1%in the fourth year and 2% in the fifth year.

The sovereign guarantee comes at an opportune time. Gross NPA ratio of banks may surge to 9.8% by March 2022, under a baseline scenario, from 7.48% in March 2021, the Reserve Bank of India (RBI) has warned in its Financial Stability Report in July.

Explaining the reason as to why the Centre chose to back the NARCL when 28 private ARCs are already operational, government officials have said they lacked adequate financial and operational muscle to work out large stressed assets of Rs 500 crore or more — the kind of NPAs that will be transferred to the so-called bad bank.

Source: financialexpress.com– Sep 17, 2021

HOME

****

Explained: How MSME exporters are impacted due to global shortage of shipping containers

Trade, import, and export for MSMEs: The government had last week announced that it will release Rs 56,027 crore in the current financial year against pending export incentives due to over 45,000 exporters, around 98 per cent of which were small exporters in the MSME category.

MSMEs and other exporters have been dealing with liquidity challenges as payments for goods exported are delayed.

Trade, import, and export for MSMEs: The international shortage of shipping containers is having an impact on micro, small and medium exporters as well with freight rates jumping over 350-400 per cent in the past year for key locations including the US, Europe, Latin America, and Africa. According to experts, a combination of factors as a result of the pandemic has led to a shortage of available containers for exporters including MSMEs. Amid Covid, the volume of shipping vessels in operation was also likely reduced that had led to a lesser number of containers available while a larger set of containers had remained at inland depots and stuck at ports such as in the US and China.

This has impacted the turnaround time for containers that has eventually led to delay in shipments. The post-Covid recovery in global trade amid container shortage and delay in shipments have triggered an increase in freight rates. Consequently, MSMEs and other exporters have been dealing with liquidity challenges as payments for goods exported are delayed.

"It is emanating from the disruption caused by the pandemic and the fallout continues. Freight rates have gone up 350-400 per cent on an average basis for shipping to Europe, the US, Latin America, Africa in September from the year-ago period. There are around 340 odd vessels that are still waiting at the US port and it shows that there is congestion at various ports.

So one part of the problem is that large ships are not operating in full capacity," Ajay Sahai, Director General and CEO, Federation of Indian Export Organisations (FIEO) told Financial Express Online. Moreover, no orders were placed for new containers during the pandemic and in meantime, many containers were abandoned also as they had become obsolete and old, Sahai added.

AV Vijayakumar, Chairman at Federation of Freight Forwarders' Associations in India (FFFAI) echoed that one of the major reasons for the shortage is the congestion at the US and Chinese ports while there is a shortage of shipping space as well because exports have been increased globally. "MSMEs have been affected very badly due to this with increased freight rates.

For instance, from Chennai to the US, the present pricing is $12,000-13000 from earlier around $3,000. Similarly, for European ports, it is now $3500-4,000 from $750-800 earlier. Even if you have the container but you don't have the space, then how would you transport. That's also because there is a shortage of ships available. So, when shipments get delayed then automatically payment also gets delayed," Vijayakumar told Financial Express Online.

HKL Magu who runs export house Jyoti Apparels and ships knitted and readymade garments to businesses in the US, Europe, Canada, South America, and South Africa said he has been paying 5-6X more for container prices due to the shortage of containers. The price paid has gone up to $10,000 for exporting to the US. "If we were paying $2,000 earlier, now we are paying $10,000 for shipping to the US. We are ready with the goods but there is no space and that naturally affects the working capital while I see this to be a temporary impact. With the disbursement of export incentives, which are yet to begin, it might ease the working capital issue," Magu told Financial Express Online.

The government had last week announced that it will release Rs 56,027 crore in the current financial year against pending export incentives due to over 45,000 exporters, around 98 per cent of which were small exporters in the MSME category. The incentives due to exporters belonged to different export promotion schemes such as MEIS, SEIS, RoSL, RoSCTL, other scrip-based schemes relating to earlier policies, and the remission support for RoDTEP and RoSCTL schemes for exports made in the 4th quarter of FY21.

Importantly, the delay in getting a container goes up to three-four weeks from earlier two-three days. With respect to lack of space on the ship, the containers are sailed in more than one voyage, perhaps spread over one or two months and since the containers are not shipped in one go, the business cycle of exporters is elongated, said Sahai.

The Central Bureau of Indirect Customs (CBIC), noted Sahai, has now asked customs to give clearance to around 20,000 containers stuck at various ports in India in order to be available to exporters as soon as possible. Moreover, there is also demand from exporters to regulate the export of empty containers. Sahai said that it could be on the lines of Kolkata port that has restricted the export of empty containers to 100. Also, a freight support scheme is among the suggestions made by FIEO to the government up to March next year to support exporters who have been incurring losses.

Source: financialexpress.com– Sep 16, 2021

HOME

****

FTP must acknowledge MSMEs' e-commerce exports for Atmanirbhar Bharat: Amazon's Abhijit Kamra

Trade, import, and export for MSMEs: "Every possible category that you can think of, Indian MSMEs are exporting that to different countries through 17 marketplaces across the world we operate that caters to customers in over 200 countries."

"While Covid badly impacted all of us, but it also exposed the importance of diversifying for entrepreneurs."

Trade, import, and export for MSMEs: Amazon's flagship programme for MSMEs to start or expand their e-commerce exports business – Amazon Global Selling — has onboarded over 70,000 exporters since its launch in 2015. The cumulative sales by these exporters so far stood at over $3 billion. This assumes significance amid the government's vision to boost MSME exports from 48 per cent share in total exports last year to 60 per cent in the following five years.

To achieve this, e-commerce exports by MSMEs could prove to be a vital component towards achieving the overall goal of Atmanirbhar Bharat, Abhijit Kamra, Director, Global Trade, Amazon India told Financial Express Online's Sandeep Soni in an interaction. Kamra, who leads the Global Selling programme, explains its evolution and shares his views on the upcoming foreign trade policy (FTP), challenges to e-commerce exports, learning from Covid for such exporters, and more.
Edited excerpts:

How the Global Selling programme has evolved over the past six years to enable e-commerce exports by MSME sellers?

From a global selling standpoint, we started the Amazon Global Selling business in 2015. A lot of data was telling us that Indian entrepreneurs including manufacturers, weavers, artisans, etc., are creating very good quality products. And our thought was that, how do we connect all this good supply coming out of India with customers across the world by leveraging our technology and expertise in supply chains for anybody who's motivated to build an export business.

We identified few fundamental challenges that were holding the Indian MSMEs back from an export standpoint. It was about market intelligence such as what products to manufacture for which export country, then it was related to market access of how do you start exporting to these countries because, in the erstwhile offline export channel, it's very difficult and expensive to do that. Another challenge was how do you take care of cross-border logistics because it was overwhelming to create a cross-border supply chain for individual entrepreneurs. The fourth issue was around cross-border payments that how do you take care of your global remittances and payments and do it efficiently. And lastly, it was a lot about how can you build a brand connecting directly to customers outside India.

Along the way, we've seen a lot of homegrown brands become global brands. This has never been possible in the history of commerce in India and that's reflecting in the progress we are seeing. So we have now over 70,000 exporters associated with us. We are looking at billion dollars of MSME exports as a milestone for us. It took three years for us to get to the first billion dollars while the next billion dollars came in in 18 months, and the last billion dollars came in 12 months. So that, in a nutshell, is what Global Selling has been all about for Amazon in India.

How do you see this from a forex perspective as MSME exports are a critical part of India's overall export?

Everybody knows how critical the MSME sector and its exports are as the backbone of India's economic activity. And, specifically now as we are putting the pandemic behind us, it is important to see how can we create more opportunities for the economy to jumpstart more avenues for forex to come into the country. So from that standpoint, e-commerce exports is a very efficient way. Every possible category that you can think of, Indian MSMEs are exporting that to different countries through 17 marketplaces across the world we operate that caters to customers in over 200 countries. Overall this has such a large multiplier effect leading to product innovation, technology, advancement, job creation, and finally, contributing to India's economic growth.

In light of the upcoming foreign trade policy (FTP), what definitive measures need to be taken to boost e-commerce exports?

This is where FTP actually comes in. Because the current FTP was initiated in 2015, it primarily caters to offline exports because at that time there were

no e-commerce exports. But now as the channels have evolved, e-commerce exports are growing really fast. So it is critical that FTP acknowledge e-commerce and technology-led exports and then take definitive measures towards it. To realize the Prime Minister's vision of Aatmanirbhar Bharat, and increase the share of MSME exports from 48 per cent to 60 per cent, we have recommended end-to-end digitisation in the upcoming FTP.

If we want it to be a broad-based and large-scale movement where every MSME can participate in exports, it has to be digitized. We need to increase awareness about exports and increase the radius of digital exports. Also, we need to enhance our logistics capabilities, ease compliances and create very specific capabilities for export through e-commerce, which will foster operational efficiencies. So broadly, that's where our thinking regarding FTP is.

Digitisation is important but what about challenges related to efficiency in production, supply chains, storage, etc.?

It all comes down to efficiency in every leg of the value chain. The first part is efficiency in what you're producing. The first thing done is providing market intelligence that is very machine learning-led and provided to all exporters so that they know in which market what products are selling and at what price points because that allows you to be very efficient in what you're producing, knowing the capabilities that exist in our country. So, technology allows you to be precise and reduce overheads in terms of products that fail. The second thing is market access. If you want to be an exporter, typically you will have to visit one of the trade fairs, set up a booth, take samples, and show products. That's a lot of costs built-in even before you start. So now with market access what we're trying to do is wherever you are in the country, you can open an account, like a social media account that reduces your cost right from step two.

Then the third thing is the supply chain which is very expensive. If you are an offline exporter, you need to get your own container and warehousing in the destination. Sitting in India, getting a warehouse let's say in the US is going to be expensive and intimidating.

Also, there are minimum order quantities in terms of where you need to take a certain size of warehouse because otherwise, nobody's going to give you a warehouse. The way we've designed the model is that if you want to store one product with us for one day, we will charge you for one product for one

day. By variablizing that cost structure, there's a lot of fixed costs, money blockage, and inefficiency that go away.

How many MSME exporters are likely to be added as Amazon targets $10 billion worth exports by 2025?

We've got multiple scenarios playing out right now and it is very difficult to say. I think the short answer is more and more because $10 billion is a large export number. The only way one could do it is if we are able to achieve our goal of large-scale enablement of exports, a lot of people will participate in the export journey.

Are you looking at a dedicated export programme for women sellers you are looking at similar to Amazon Saheli for domestic women-run businesses?

We don't have a focused export programme for women entrepreneurs, but we partner with women who are part of the Amazon Saheli programme, and wherever there is interest for them, to export, we partner with them. But the Saheli program is largely focused on the domestic market. Any learning out of the pandemic for you and exporters on your platform?
While Covid badly impacted all of us, but it also exposed the importance of diversifying for entrepreneurs because during Covid what happened was that people who had exposure to exports when the India business was impacted, the US business was still doing well. When the US business got impacted, the UK business was doing well. So, they were able to really hedge their businesses. And that's become a learning.

Lastly, a lot of e-commerce sellers are scouted by Thrasio-style startups to acquire and grow them. Do you think sellers' growth could be accelerated through this model?

I'm not super privy to their thinking and operating model. I look at it from a customer standpoint because, in the long run, that's the only thing that succeeds. So any brand, whether they manage it on their own, or they are managed through one of these entities, as long as they can do the right thing for customers, which provides good quality products, innovate, and provide a good experience, I feel any brand on our platform can succeed.

Source: financialexpress.com– Sep 15, 2021

HOME

****

Building a resilient economy

Resilience at the national level can only be delivered through public investment

Amidst the hopes of a V-shaped recovery of the Indian economy, the National Statistical Office (NSO) had recently estimated that India's economic growth has surged to 20.1% in the April-June quarter, despite a devastating second wave of COVID-19, while the gross domestic product (GDP) had contracted by 24.4% in the April-June quarter of 2020-21. Supporting these estimates, in its recently launched Trade and Development Report 2021, UNCTAD has estimated global growth to hit 5.3% in 2021 and growth in India to hit 7.2%.

Growth prospects

According to the report, India showed a strong quarterly growth of 1.9% in the first quarter of 2021, on the back of the momentum of the second half of 2020 and supported by government spending in goods and services. Meanwhile, a severe and broadly unanticipated second wave of the pandemic hit the country in the second quarter, on top of rising food and general price inflation, forcing widespread lockdowns and drastic consumption and investment adjustments. Given the inherent fragilities, India's growth in 2021 as a whole is estimated at 7.2%, which is one of the fastest compared to most countries in the analysis, but is still not sufficient to regain the pre-COVID-19 income level.

However, going forward, the economy is likely to experience a deceleration of growth to 6.7% growth in 2022. Beyond that, and even assuming the pandemic is fully under control, the situation is looking increasingly precarious for many emerging economies. To revive and sustain growth, action is needed both at the international and national levels.

The report strongly supports India's proposed temporary suspension of the World Trade Organization TRIPS waiver, which is considered as a necessary step to enable the local manufacture of vaccines in developing countries but is being resisted by some advanced economies. The need for the waiver increases in the face of the inability of COVAX and C-TAP schemes to mobilise the requisite resources from Northern governments and corporations.

Building resilient growth also requires a global strategy that mitigates the threat of global warming whilst simultaneously addressing the inequities and fragilities of a financialised world. Given the existing constraints on developing countries, new sources of finance are required, including a significant scaling up of support from the international community in line with its commitment to common but differentiated responsibilities.

A robust public sector

At the national level, efforts are required to build resilience, which can only be delivered through public investment. COVID-19 has reinforced the idea that resilience is a public good and responsibility of the state. It has to be delivered through a robust public sector with the resources to make the necessary investments, provide the complementary services and coordinate the multiple activities that building resilience involves.

Revisiting a theme that the report, now in its 40th year, has long been promoting, the challenge of mobilising financial resources for sustained growth is seen as too important to be left solely to market forces. A financial system that accords a more significant role to public banks, breaks up and guards against the emergence of megabanks, and exercises stronger regulatory oversight is less likely to generate speculative excesses and more likely to deliver a healthier investment climate.

The report also warns against cutting wages to boost competitiveness. Wages are a critical source of demand and their growth can stimulate productivity and underpin a strong social contract. Minimum wages and related labour legislation are needed for appropriate protection against abusive practices. Policies targeting informality are of particular importance, especially for a country like India with a large informal economy.

It is important to build a healthy, diversified economy. For this, a strong industrial policy focusing on building digital capacities is needed. A resilient economy goes beyond offering a residual category of safety nets designed to stop those left behind from falling further.

Source: thehindu.com– Sep 17, 2021

HOME

****

Singapore Opposition leader asks govt to release more info to dispel misinformation about FTA with India

The government's refusal to release data and answer questions of national relevance earlier had allowed people's misunderstandings to fester, and falsehoods to proliferate, The Straits Times quoted Singh as saying.

Singapore must remain open and welcoming to foreigners, the prime minister said, adding that it "bodes well" for Singapore's future. (Representational image: IE)

Strongly criticising what he described as a “reactive” policy towards communication, Singapore’s Opposition leader Pritam Singh has asked the government to release more details to dispel misinformation swirling about the free trade agreement with India, amid allegations that the pact helped Indians to take up well-paying jobs in this country.

The government’s refusal to release data and answer questions of national relevance earlier had allowed people’s misunderstandings to fester, and falsehoods to proliferate, The Straits Times quoted Singh as saying. Singh, who is the chief of the Opposition Workers’ Party (WP), was speaking during the debate on two motions surrounding Singapore professionals, managers, executives and technicians and the competition they face from foreigners.

One of the motions was filed by Progress Singapore Party (PSP) non-constituency MP Leong Mun Wai, and the other by Finance Minister Lawrence Wong.

“Emotions had been simmering on the ground long before the Progress Singapore Party had latched onto the issue of the Comprehensive Economic Cooperation Agreement with India (CECA) and foreign employment,” the Indian-origin Opposition leader said. The PSP, which is also in the Opposition, has repeatedly highlighted the CECA with India as an example of how Singaporeans have lost out to foreigners.

Calling for a change of culture in communication, Singh, who has pushed for freedom of information laws in the past, urged the government to release more information to better inform public debate on the issue. “The government needs to reflect on its own omissions and resistance when it comes to providing data and information, and how it ought to take some responsibility for the groundswell of misinformation about CECA,” he said.

In a 30-minute speech, Singh set out his party's stand on FTAs and CECA. "It is undeniable that FTAs have encouraged investment and created jobs and opportunities for both Singaporeans and foreigners," he said. He also noted that there have been some elements here and abroad that have used CECA as "a dog-whistle, masquerading racism for genuine economic concerns".

"The WP abhors and denounces racism and xenophobia," Singh stressed. But Singh said it was fair to ask if the Ministry of Manpower had regulated work passes in the best way possible, adding that the WP does not take it as a given that Singapore's pro-trade policies will guarantee good jobs for all Singaporeans.

In fact, some groups have ended up worse off, he said, pointing to the sandwiched class, workers who lack skills and lower-income Singaporeans. For these groups, there was a perception that the playing field is uneven, and some have directed their anger at foreigners of Indian ethnicity who have become more visible and taken up well-paying jobs here, he said.

"Ordinary Singaporeans do not delve into the intricacies of free trade agreements. Instead, they look around and come to conclusions based on what they perceive and experience," added Singh. "If Singaporeans have not for years been seeing foreigners occupying well-paying jobs while qualified Singaporeans are unemployed or underemployed, we would not be talking about this today."

Singh noted that this influx of foreign workers and permanent residents from the mid-2000s had bothered former prime minister Goh Chok Tong, who had stepped down as prime minister by then.
In the second volume of Goh's biography, Standing Tall, he had said that he was "surprised and annoyed" and had told Prime Minister Lee Hsien Loong so. Citing this, Singh said: "If a former prime minister whose job was not directly threatened or been taken away by a foreigner can say he was 'surprised and annoyed', how much more so for a Singaporean who has experienced such fear of, or even actual loss of their livelihood?" He warned that these feelings of insecurity and dislocation can shake Singapore's national cohesion.

Giving suggestions on how to address these sentiments, Singh said the government would have to communicate more and much better on foreign employment.He noted that WP MP Leon Perera had asked in 2016 about the number of intra-corporate transferees – foreign employees brought in

from the overseas offices of multinational corporations – allowed into Singapore through CECA. But the Government had "simply refused to answer a question of national relevance for which data was readily available". "Is this acceptable? Can Singaporeans be blamed for assuming that the numbers must have been so huge that the Government saw fit not to reveal them?", he said.

He added that the release of the figure earlier this year, during a parliamentary debate on FTAs and CECA, had achieved the opposite effect. While more information has been given in the course of addressing the issue in the past months, "the government's release of information on such matters would likely continue to be reactive and when it suits the government, rather than proactive and when it suits the people", Singh added.

He warned that this could leave the door open for external parties to exploit the foreigner-local issue to compromise and destroy Singapore's psychological defences, particularly in the face of the ongoing Cold War between the United States and China. "Particularly for an issue as sensitive as this, the default position of the Government should be to release more information and explain the situation," he said.

Singapore Prime Minister Lee Hsien Loong on Wednesday said that he was glad that MPs took a "firm and unequivocal" stance against racism and xenophobia in Parliament, asserting that the city state must remain open and welcoming to foreigners. His remarks came after Singapore's Parliament, where the ruling People's Action Party (PAP) has an absolute majority, passed a motion on securing Singaporeans' jobs and livelihoods. Lee, in a social media post, said that the Members of Parliament "firmly rejected attempts to use Singaporeans' fears and anxieties to divide and weaken us".

Singapore must remain open and welcoming to foreigners, the prime minister said, adding that it "bodes well" for Singapore's future. Meanwhile, Singh also made four other suggestions, including tracking the extent of skills transfer from foreigners to locals and reporting it as a key performance indicator for each sector; introducing fixed-term employment passes that can be renewed only if a company can prove that its Singaporean workers have benefited from skills upgrading; tracking skills-related underemployment.

The Opposition leader also suggested setting up a permanent Parliamentary Standing Select Committee dedicated to scrutinising the issue of jobs and foreign employment.

Source: financialexpress.com– Sep 16, 2021

HOME

****

Inverted duty: Time to permit refund for input services

The Supreme Court has urged the GST Council to reconsider the formula and take a policy decision on it

In the field of indirect taxes, certain rulings pronounced by the Supreme Court of India are christened landmark judgments — either because the judgement is on a much-litigated topic or because the law was not clear.

In the service tax era, decisions of the apex court in the Tamilnadu Kalyana Mandapam case (whether service tax would be applicable to mandap-keepers), UOI vs State of Uttar Pradesh (whether sale of a SIM card is a sale or a service) and Home Solution Retail (whether service tax would be applicable for rent of buildings) could be called landmark judgments.

Under GST, the recent decision of the apex court in the VKC Footsteps case could be one of the early landmark judgments. The issue before the Supreme Court was whether the refund on inverted duty structure (where GST on inputs is higher than GST on outputs) is available for both inputs as well as input services.

The background to the case before the Supreme Court was that the Gujarat High Court had ruled that refunds should be given both for inputs as well as input services while the Madras High Court had ruled that it should be given only for inputs and not for services. After a detailed discussion, the Supreme Court toed the line of the Madras High Court and ruled that refund would not be available in case there are input services.

Refund on inputs

The apex court upheld the amendments made to Rule 89 (5), restricting such refund only for inputs, and said that it is not ultra vires of Section 54 of the GST Act. It observed that the intention of the government is to grant such credit only for inputs and the Court cannot enter into the policy domain of the government and direct the sanction of refund for input services also.

There was a request made to the Supreme Court to rule on changing the formula for refund such that that the input services credit must first be allowed to be used to pay tax on the inverted rated supplies though the formula mandates the entire tax liability is paid only out of input credit. This would keep the refund entitlement to the minimum.

The Court observed that the present formula tilts the balance in favour of the Revenue by reducing the refund granted. The proposed solution of prescribing an order of utilisation of the ITC accumulated on input services and inputs may tilt the balance entirely in favour of the assesses. The Supreme Court strongly urged the GST Council to reconsider the formula and take a policy decision on it.

The policy decision should propose a mechanism by which the ITC on input services, otherwise not eligible for refund, is utilised first even while reducing the tax payable on the inverted rated supply of goods and services. Courtesy this judgments, the taxpayer only loses his right to claim a refund — the credit would be in his credit ledger and can be utilised to pay GST on taxable supplies.

The underlying theme of the arguments made in favour of permitting a refund for input services was that a distinction should be not made between goods and services in an Act that is titled “Goods and Services Tax Act”. If the government was keen on distinguishing between goods and services, it might as well have passed a separate Sale of Goods Act and a separate Rendering of Services Act.

The GST rate on most services is 18 per cent whereas there are quite a number of goods that are taxed at 12 per cent and 5 per cent — only the exclusive members of goods in the 28 per cent tax slab would not be eligible for a refund of taxes paid.

In the past, the government has always reacted by amending the laws whenever landmark judgments are pronounced by the Supreme Court. Can we expect a reaction in the September 17 meeting of the GST Council?

Source: thehindubusinessline.com– Sep 16, 2021

HOME

****

Container prices soar as shortage hits exporters

Average prices up 18% and 37% for 20- and 40-ft boxes

The average prices of containers rose by 18 per cent and 37 per cent for 20-foot and 40-foot dry containers (DC), respectively, at Indian ports between May and September, adding to the overheated container freight rates that has roiled India's export-import (EXIM) trade.

Hamburg-based Container xChange says that the continued surge in container prices and growing imbalance of container availability in India is negatively impacting and leading to supply chain slowdown, a problem which will continue to grow up until 2022 and beyond.

Container xChange is an online platform that brings together all stakeholders of the container logistics industry to buy, sell and lease shipping containers.

Data trends and analysis by the firm on the impact of global supply chain disruption on the Indian container logistics market indicates that there is further rise in the historically high prices of 20-foot and 40-foot dry containers at Nhava Sheva, Mundra and Chennai ports.

Rise in prices

Compared to May, in September, prices for 20-foot dry containers rose by 18 per cent while the prices for 40-foot containers increased by 37 per cent, according to the online platform.

The average price of a 20-foot dry container in September is $2,462 (₹1,81,320.15), up from $2,078 in May. The pre-pandemic price was about $1,000 for 20-foot dry container and $2,000 for 40-foot dry container.

The average price of a 40-foot dry high cube container is $4,193.75 (₹3,08,859.20), a 37 per cent increase over the price in May which was $3,041.84 (₹2,24,023.91).

The Container Availability Index (CAx) by Container xChange, a tool used to monitor inbound and outbound volumes of containers for ports globally, indicates that the inbound containers are at an all-time high since 2019 by

about 4 times at Chennai port (and similarly other ports in India), indicating an all-time high imbalance of inbound and outbound containers at the port.

"The growing imbalance of inbound and outbound containers being experienced in the Container Availability Index (CAx) at major Indian ports (including Nhava Sheva, Mundra and Chennai) is an indication of two key market conditions – exports are being impacted immensely (inspite of a record month in July for India's exports) and imbalance of inbound containers over outbound containers is getting worse by the week," Christian Roeloffs, CEO and Co-founder, Container xChange told BusinessLine.

"The CAx values at major Indian ports are rising because exporters are facing hurdles to export their goods from India. The rising container freight and spot costs over the past months, containers stuck in other locations which delays their cargo and vessel capacity issues are some pain points," said Johannes Schlingmeier, Co-founder and CEO, Container xChange.

The costs have been skyrocketing since the beginning of the year 2021 and continue to soar higher every week. Therefore, the number of containers that could have taken off from India to its destination has slowed down, mirroring a trend observed in the global supply chain slow down, he added.

Source: thehindubusinessline.com– Sep 16, 2021

HOME

****

MSME, other retailers expect full recovery in retail sales by October to pre-pandemic levels

Ease of Doing Business for MSMEs: With the growing rate of vaccination, businesses are increasingly optimistic, though with a degree of caution, about better customer footfall across segments in September and October to revive the overall retail market.

Food & groceries category indicated a growth of 4 per cent in August vis-a-vis August 2019 levels.

Ease of Doing Business for MSMEs: MSME-dominated retail sector in the country is hoping for a full recovery by next month. With the growing rate of vaccination, businesses are increasingly optimistic, though with a degree of caution, about better customer footfall across segments in September and October to revive the overall retail market. The confidence has been on the back of month-on-month growth in recovery after the second wave of Covid, which struck in February this year, pulled the sector back from complete recovery in the following one or two months.

“In the macro scheme of things, most definitely August has been much better than last August for the restaurant sector. A lot of players have exceeded 80 per cent of their pre-Covid sales in casual dining space at least. However, every city has a different recovery path as every city has been under different restrictions.

For instance, restaurant timing in Delhi has been normalised but not in Noida while timing in Gururgram got normalised prior to any other city but Mumbai’s timings are still restricted, etc.,” Kabir Suri, Co-founder and Director, Azure Hospitality told Financial Express Online. Azure owns and manages brands such as Mamagoto, Dhaba Estd 1986, Sly Granny, Foxtrot, etc. Suri is also the new President of National Restaurant Association of India (NRAI).

Azure was able to pivot its business towards the delivery model to tide over Covid-related challenges. Suri said that the delivery model now contributes to 35 per cent of the business in comparison to 6-7 per cent in the past. “People who have been able to do delivery have been able to recover up to 90 per cent. For certain brands of ours, we are close to FY19 level recovery city-wise,” he added.

Importantly, according to the latest edition of the Retail Business Survey by the Retailers Association of India (RAI), retail sales in August 2021 were at 88 per cent of the pre-pandemic levels (August 2019), as against 72 per cent in July 2021. In categories, Quick Service Restaurants (QSR) showed signs of growth with 12 per cent sales in August 2021 as compared to August 2019 sales, while the food & groceries category indicated a growth of 4 per cent. However, beauty & wellness, which included salons, apparel, footwear and jewellery were yet to catch up to the pre-pandemic levels of sale.

"Laggards are still the garments, footwear, jewellery, and beauty & personal care. The indication of customer cheer is related to these items while electronics, food, and QSR are doing well. Consumer durable is on the right path as well. We can get the remaining 12 per cent recovery by October if there is no third wave. Retailers are sitting with cautious optimism as we are seeing customers now coming out for shopping and eating," Kumar Rajagopalan, CEO, RAI told Financial Express Online.

Prithviraj Kothari who runs RiddiSiddhi Bullions and is also the National President at India Bullion and Jewellers Association said that while there is some Covid fear among customers however jewellery showrooms are witnessing increased business over the past few months to an extent that jewellery market is seeing up to 80 per cent pre-Covid recovery.

"The market should be smoothly growing now and demand should be picking up further as the festive season is ahead. There is already an 80 per cent recovery at showrooms from 2019 levels. Retailers are also excited about the upcoming marriage season while the gold price has also been stable now to around Rs 47,000 from over Rs 57,000 in August last year that would encourage customers to shop," Kothari told Financial Express Online.

Source: financialexpress.com– Sep 16, 2021

HOME

****

No e-way bill needed if principal supply is service and no goods are involved

For movement of goods whose value is at or over ₹50,000, e-way bills required

GST Network, the information technology backbone for the indirect tax system, on Thursday, said no e-way bills (EWB) required if principal supply is service and no goods are involved. However, in case of mix of goods & services, E-way bills will be required to be generated by entering codes for both.

E-way bill is required to be generated for the movement of goods if their value is ₹50,000 or more. It is kind of a proof that tax has been paid on the goods being taken from one State to another or even from one city to another within a State

"In cases where the principal supply is purely a supply of service and involving no movement of goods, the e-way bill is not required to be generated. However, in cases where, along with the principal supply of service, movement of some goods is also involved, e-way bill may be generated," GSTN said in an advisory.

Further, it explained there may be situations when there is supply of services like printing services, works contract services, catering services, pandal or shamiana services, etc. along with movement of goods. "In such cases, e-way bill may be generated by entering the details of HSN code of the goods, along with SAC (Service Accounting Code) of services involved," it said.

Trade bodies' query

It mentioned that representations have been received from various trade bodies stating that they are not able to generate EWB for movement of those goods where the principal supply is classifiable as a service, since there is no provision for generating an e-way bill by entering the SAC. In an effort to resolve this issue, the advisory was issued.

Source: thehindubusinessline.com– Sep 16, 2021

HOME

****

'In person' GST Council meeting on Friday, States to press for compensation for longer period

Rate revision for over 50 goods and services on the cards

The stage is set for the first phyiscal GST Council meeting since last March. On Friday, in Lucknow, Finance Minister Nirmala Sitharaman and authorised Ministers/officials of 28 States and three Union Territories with legislature will meet 'in person' to discuss and decide on an elaborate agenda comprising rate or regulations changes related with over 50 goods and services, correction in inversion of duties on items such as footwear and textiles, considering new mechanism to deal with profiteering, setting up an unified portal and ease of compliance, besides others.

Time of compensation

According to sources, the meeting is expected to devote maximum time of compensation mechanism beyond June next year. States are pressing for compensation beyond June as they say impact of the pandemic is still weighing heavy and they are getting less revenue.

GST was implemented with effect from July 1, 2017, with an assurance, inscribed in a legislature, that States will get compensation for five years, in case they face any revenue shortfall. It was said that if revenue growth rate is less than 14 per cent, the gap will be met through compensation mechanism. Fund for compensation will be provided through special cess on certain category of goods such as automobiles and tobacco products.

Due to less than expected growth of revenue during the last fiscal and this fiscal, the GST Council approved special borrowing by the Centre to be given back-to-back to States. Interest and repayment of principal amount will be met through collection of compensation cess. For FY 2020-21, total borrowing was around ₹ 1.10 lakh crore while for the current fiscal it is pegged at around ₹1.57 lakh crore, out of which ₹75,000 crore has already been borrowed and given to States.

The GST Council has already decided that levying of cess will continue beyond June 2022 until entire loan amount is repaid along with interest. States are looking for compensation beyond five years. It is expected that Centre will talk about more revenue enhancement measures through increasing compliance and rationalisation of duties.

Now the Council will need to consider two issues: compensation in case of revenue shortfall for a period beyond five years ending next year and compensation cess on certain items.

Focus points

Among the list of goods and services, decision on one particular proposal will get maximum attention and that is related with food apps such as Zomato and Swiggy. The proposal is to prescribe E-Commerce Operator (ECO) dealing in food delivery such as Swiggy and Zomato liable to pay GST on restaurant services supplied through them.

As on date, these apps are registered as Tax Collectors at Source (TCS). Another interesting proposal is to levy 18 per cent GST on coconut oil packed in a container with size of less than 1000 millilitres and 5 per cent on the oil above 1 litre.

GST Council is expected to consider options for National Anti-Profiteering Authority (NAA) whose four years term coming to end on November 30. Options include handing over profiteering matters to Competition Commission of India or any other body. Four-year terms of NAA has been marred by very high number of litigations challenging almost every anti-profiteering rules.

Source: thehindubusinessline.com– Sep 16, 2021

HOME

****

'Truck rentals costlier by 2-2.8 per cent'

Report cites export recovery and festival season among various causes

Amid the recent hike in diesel and tyre prices, truck rentals rose 2-2.8 per cent in the last two weeks, says a report by the Indian Foundation of Transport Research and Training (IFTRT).

Recovery in exports, construction, infrastructure, general merchandise, FMCGs, consumer durables, electronic items, steel, cement, feritlisers and movement of fruits and vegetables have pushed up truck utilisation by 10-15 per cent, the report said. The increase in e-way bills issued by traders and transporters for medium and long haulage, the inventory piled up for the festival season by wholesalers, and improved consumer spending have also contributed to the increase in truck rentals, the report said.

For 18-tonne payload multiaxle trucks, the rental for a Delhi-Mumbai-Delhi roundtrip was ₹1,21,500-1,24,500 in the last two weeks — an increase of 2.5 per cent compared to the August 15-31 fortnight. For Delhi-Kolkata-Delhi, it was ₹1,02,000-105500 — an increase of 2.8 per cent.

For Delhi-Chennai-Delhi it was ₹1,34,500-1,38,500 — an increase of 2.7 per cent. Senior fellow and coordinator of IFTRT SP Singh said transport contractors have received 28 per cent input tax credit under GST on purchase of new goods carriers, along with the depreciation allowance under the Income Tax Act.

Source: thehindubusinessline.com– Sep 16, 2021

HOME

****

Grasim Industries to open school in India's weaving & spinning hub

Grasim Industries Limited, a flagship company of the global conglomerate Aditya Birla Group, held a foundation stone ceremony yesterday for the upcoming English-medium Aditya Birla Public School at Pallipalayam – a central weaving and spinning hub near Erode in the south Indian state of Tamil Nadu. It will benefit 1,400 students annually.

On the occasion, Dilip Gaur, managing director, Grasim Industries Ltd, said, “At Aditya Birla Group, we have always believed in transforming lives through all our business and social endeavours. Education is one such touchpoint by which we are impacting the lives of our children and the community at large. This school is a humble contribution by Grasim Industries Ltd for the well-being of thousands of kids of the Pallipalayam – Erode region.”

Aditya Birla Group operates 56 schools, imparting quality education to more than 46,500 students. The Aditya Birla Public School, Pallipalayam, will be affiliated to the Central Board of Secondary Education and initially have classes up to Class 7 with two sections. Subsequently, every year, one class will be added up to Class 12.

Gaur informed, “We plan to admit 700 students in the first year, and overall expect 1400 students to benefit with the introduction of senior secondary grades.” He added, “We believe that quality education encourages people to think clearly and independently. It can liberate and empower communities to create their future. This school will not only empower the children of Erode and Palliapalayam but also contribute towards the socio-economic development of communities residing in Erode.”

Renowned textile industrialists attended the bhoomi poojan (foundation stone laying ceremony) from Erode along with senior members from Grasim Industries Ltd.

Recently, as part of its multi-pronged efforts to support communities affected by COVID-19, the Group has pledged support to three prominent government hospitals in Tamil Nadu’s Erode and Pallipalayam, to provide medical equipment and upgrade medical infrastructure such as oxygen support, digitalisation of X-ray units, blood bag refrigerator, defreezer and

ECG machine which will go a long way in supporting underprivileged sections of workers in the textile industry.

Source: fibre2fashion.com– Sep 17, 2021

HOME

****