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INTERNATIONAL NEWS

USTR Talks Trade and Textiles at Milliken and A&E

United States Trade Representative (USTR) Katherine Tai made a trip to the heart of the U.S. textile industry on Thursday, taking tours and talking Made in America and the sector's importance at Milliken & Company and American & Efird (A&E).

Tai's visit comes at a pivotal time for the U.S. textile supply chain, which produced $64 billion in output in 2020 and employed nearly 530,000 workers. The industry has been at the forefront of a domestic production chain manufacturing over a billion personal protective equipment (PPE) items during the Covid-19 pandemic.

Her time at Milliken included a tour of the company's Magnolia plant in Blacksburg, S.C., and a roundtable discussion highlighting the critical role women contribute to textiles, the vital need for policies supporting a domestic supply chain and the sector's significant impact on the U.S. economy. Milliken is one of the largest textile companies in the country, employing more than 6,000 domestically and an additional 1,350 globally. Milliken's textile unit employs 2,500 people across eight counties in South Carolina and is the fourth-largest manufacturing employer in the upstate region, according to the National Council of Textile Organizations (NCTO).

"Milliken is honored to host Ambassador Tai at our Magnolia plant to discuss not only the invaluable contributions we make every day to our community and our nation, but also the importance of sound trade policies that bolster domestic production and the co-production chains we have built, in particular with our Western Hemisphere trading partners," said Chad McAllister, executive vice president of Milliken & Company and president of its Textile Business division, according to an accounting of the event supplied by NCTO.

"To have Ambassador Tai on-site at one of our U.S. facilities is an opportunity to showcase our breadth of innovation in the industry and our passionate team of American workers who help our business succeed," McAllister added. "We are fortunate and thankful for Ambassador Tai's leadership as well as her commitment to understanding the challenges and opportunities of our industry."

Tai told the gathering that as USTR she is committed to helping all of their textile companies build on their success by finding market opportunities and helping reach new customers.

"I want to ensure that our trade policy matches the innovation and changes happening in the textiles industry," she said. "With your help, we can continue addressing critical issues. In doing so, we will help the textiles industry maintain its competitive edge and ensure it remains a global standard-bearer in the years to come."

On the second leg of her trip, the USTR visited A&E's manufacturing facility in Mount Holly, N.C. A&E operates as part of Elevate Textiles and its global portfolio of advanced products and textile brands, including Burlington, Cone Denim, Gütermann and Safety Components.

During the visit, U.S. textile executives spanning the fiber, yarn, fabric and finished product textile and apparel industry participated in a roundtable with Tai, discussing the competitiveness of the domestic industry, outlined priority issues in Washington, such as the importance of the Western Hemisphere co-production chain and ways to jointly support domestic supply chains through Buy American and Berry Amendment policies that help onshore production, spur investment, maintain the safety and security of the armed forces and generate new jobs, according to NCTO and a summary provided by Tai's office.

In a roundtable with textile executives, Tai also discussed the Biden-Harris administration's work to increase two-way trade opportunities in the Northern Triangle countries of El Salvador, Guatemala, and Honduras, according to the USTR readout. As the textiles industry continues to implement environmentally sustainable practices, she pledged to work closely with companies to ensure USTR's policies complement their work to tackle climate change, advance economic growth and create jobs.

In addition, Tai thanked the roundtable participants for their "remarkable effort to reconfigure their production lines to make personal protective equipment at the height of the pandemic." She noted that she wants to work with the industry as the administration develops a long-term strategy to build and sustain the United States' long-term capability to manufacture supplies for future pandemics and biological threats.

"It was an honor hosting Ambassador Tai at our manufacturing facility in Mount Holly, employing 380 valued associates and just two miles from where the company started 130 years ago," Elevate Textile CEO Sim Skinner said. "A&E maintains a significant manufacturing footprint in the Carolinas with 1,200 total associates, and we contribute significantly to our local community and the entire manufacturing base in the United States, touching every aspect of life, from the threads in Super Bowl footballs to flags on the moon and most recently, to the very PPE products protecting our frontline heroes and fellow Americans against COVID-19 and the Space X suits that are orbiting Earth right now."

"We had an engaging discussion with [Tai] on our company's and industry's innovation and competitiveness, and on the policy priorities that we believe will help ensure our competitiveness and long-term investment in the domestic textile industry," Skinner added.

NCTO president and CEO Kim Glas said Tai's leadership in the international trade policy arena and her understanding of the challenges confronting domestic manufacturers and U.S. workers under the international trade system "is unparalleled."

"The U.S. textile industry is one of the most dynamic, innovative industries in the U.S. economy and our co-production chain with our Western Hemisphere trade partners is essential," Glas said. "Trade policies are essential to this manufacturing sector and workforce. We look forward to working closely with the ambassador and her office to advance policies that bolster domestic production."

"We are grateful to Ambassador Tai for participating in an engaging and substantive discussion with industry leaders today on a whole host of policies, ranging from the importance of Buy American and Berry Amendment government procurement policies to maintaining strong rules of origins in free trade agreements to the need to address larger systemic trade issues with China," Glas added.

Source: sourcingjournal.com– Sep 24, 2021

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China's Zhejiang orders production suspensions to meet energy targets

Eastern China's manufacturing hub Zhejiang ordered a swath of companies to temporarily halt production as the province struggles to meet its energy consumption targets.

About 160 energy-intensive companies have been affected, mainly in the textile, dyeing and chemical fiber industries. "It is mainly for the provincial government's energy consumption control requirements," said a community official at Ma'an area in Shaoxing city, in northeastern Zhejiang province.

Nearly 80% of the affected companies are in Ma'an, where a production halt order was issued for Sept. 21-30, according to the official.

The central government is pressing local authorities to reduce energy consumption as part of a national green transition strategy to lower emissions of climate-changing greenhouse gases. Beijing aims by 2025 to reduce national energy consumption per unit of GDP by 13.5% from 2020 while cutting carbon emissions 18%. Local governments have been given specific reduction goals.

In a document issued by the National Development and Reform Commission in August, Zhejiang was among several provinces receiving a "second-level warning," meaning they face severe challenges to meet the energy targets.
The Keqiao district in Shaoxing, which oversees Ma'an, is China's most important textile industry base, accounting for 30% of national capacity. Local authorities have ordered companies to reduce power usage and cut production.

Several publicly traded companies have disclosed production halts. Zhejiang Xidamen New Material in a Wednesday filing with the Shanghai Stock Exchange said the company suspended production under the power control order. Another Shanghai-listed textile printing and dyeing company, Zhejiang Yingfeng Technology, issued a similar statement.

A dyeing company executive in Keqiao told Caixin that his business received the production halt order Tuesday.

"The suspension is quite long, and it will definitely affect business as order deliveries will be delayed," the executive said.

Power generators in Shaoxing have been under pressure amid this year's coal shortage, worsening the power supply shortfall. Last week, two local electricity suppliers issued warnings about short supply due to surging coal costs.

The provincial government in Zhejiang released a five-year plan in May requiring high energy-consuming industries including textiles, dyeing and plastics to upgrade their technology and improve business efficiency. City authorities across the province have stepped up efforts to control energy consumption.

In addition to textiles, several steel companies in Zhejiang have been ordered to reduce output over the past week, steel industry portal Mysteel.com showed.

The neighboring province of Jiangsu, home to several major petrochemical producers, also ordered local mills to cut production.

Source: asia.nikkei.com– Sep 25, 2021

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EU's troubling proposal for carbon neutrality

The move seems to be discriminatory as EU's norms are being imposed on other nations. Compliance costs may also rise

Recent weeks have witnessed three important developments related to trade and climate change — the Intergovernmental Panel on Climate Change ('IPCC') has again highlighted the grave reality that the world cannot wait any longer to combat the climate crisis.

The European Union (EU) has unveiled details of a Carbon Border Adjustment Mechanism (CBAM) as a replacement of its current Emissions Trading System (ETS). In a recent report on CBAM, UNCTAD has warned that India's trade with the EU would be substantially impacted by the CBAM. Hence, the EU CBAM merits analysis.

With the objective of levelling the playing field for its producers who have to comply with stringent domestic carbon emission curbing regulations, since 2005 the EU has been implementing its ETS. The ETS operates on a 'cap and trade' system, where a total limit (cap) is set on the carbon emissions by industrial installations in identified sectors.

There is a fixed number of emission allowances within this cap, for which installations are not charged. A part of these allowances are free — meaning that up to the free level, installations are not charged for their emissions. Beyond the free level, and up to the cap, installations have to pay for the incremental emissions. The ETS operates to gradually reduce free allowances under the caps, in order to make EU's production and manufacturing more carbon-neutral.

Under the ETS, the onus of reducing carbon emissions is on the EU domestic industry. However, the CBAM seeks to shift this burden to the foreign entities who export to the EU. The implementation of the CBAM is proposed in two phases — the transitional phase between 2023-2025 and the full implementation from 2026.

What is CBAM?

CBAM is intended to be a tax on imports of certain predetermined carbon-intensive goods into the EU. Currently, this measure is proposed to apply to the following products: cement, iron and steel, aluminium, fertilisers and

electrical energy. The amount of the CBAM tax will be based on embedded carbon emissions voluntarily declared by third country producers/exporters, who register in a central EU database. The voluntary declaration would need to go through a complex verification processes, before importation to the EU is allowed upon imposition of the relevant CBAM tax.

If a third country producer/exporter does not register with the CBAM system, or is unable to provide data for verifying the actual embedded emissions, then applying the default emissions calculation, the EU is likely to impose a high punitive carbon tax on imports from these foreign producers. Indian producers/exporters could also be exposed to this high tax.

Many concerns arise from the design and proposed implementation of the CBAM. First, compliance with this complex system will require considerable adjustment by foreign producers/exporters. Registration with the central EU system will also raise compliance costs for them.

Second, the EU would unilaterally judge the domestic climate responses of each exporting country. Given that the EU considers its own system to adequately address the emission crisis, this unilateral judgment of each exporting country's domestic climate change response may lead the EU to conclude that foreign products require taxation for emissions, whereas EU's domestic producers do not.

Third, the design of the CBAM suggests that with the exception of countries that participate in the ETS — Iceland, Lichtenstein, Norway and Switzerland — the EU is unlikely to recognise carbon cutting rules of other countries as being equivalent to its own measures. Hence, the EU seems to be attempting to impose its climate-related measures extraterritorially and in a discriminatory manner.

Fourth, the EU claims this measure to be consistent with the rules of the WTO. However, the registration requirements with the CBAM system and the carbon pricing methodology seem to raise troubling concerns regarding the consistency of the CBAM with rules of the WTO. To illustrate, as the CBAM is based on carbon emissions embedded in imported products, a potential discrimination may exist between imported goods from different countries, and between imported and domestically manufactured goods. Such actions could violate the non-discrimination mandates of WTO.

Further, the EU may find it difficult to justify the CBAM by invoking exceptions in the WTO rules aimed at conserving exhaustible natural resources, or protecting human life and health,. However, it is doubtful whether the CBAM will satisfy the requirements that the measure should not be arbitrary or a disguised restriction on trade. If it does not satisfy these conditions, it will violate WTO rules.

Fifth, against the EU's professed goal of encouraging international cooperation on emission reduction, the CBAM appears to be an attempt by the EU to compel an extraterritorial application of only its own rules and emission curbing standards. This would also go against the principle of common but differentiated responsibilities (CBDR) as recognised under the UNFCCC.

CBDR is a principle under the UNFCCC which acknowledges that while all states have a shared obligation to address climate change, different countries have different capabilities and responsibilities to address these issues. Given that the CBAM attempts to impose the EU's standard of curbing emissions, it is likely to violate the spirit of CBDR.

Hence combating climate change requires constructive collaboration by the international community. EU's CBAM proposal in its current form raises important concerns from the perspective of WTO and environmental law.

Further, the UNCTAD report states that CBAM's impact on climate change would be limited — only a 0.1 per cent drop in global CO_2 emissions. On the other hand, it will raise trade costs for developing countries including India. The EU needs to address these concerns, if the CBAM has to be an effective response to climate change, which is also agreeable to other nations.

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Source: thehindubusinessline.com– Sep 24, 2021

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Cargo piles up as California ports jostle over how to resolve delays

Nike Inc. doesn't have enough sneakers to sell for the holidays. Costco Wholesale Corp. is reimposing limits on paper towel purchases. Prices for artificial Christmas trees have jumped 25% this season.

Despite mounting shipping delays and cargo backlogs, the busiest U.S. port complex shuts its gates for hours on most days and remains closed on Sundays. Meanwhile, major ports in Asia and Europe have operated round-the-clock for years.

"With the current work schedule you have two big ports operating at 60%-70% of their capacity," said Uffe Ostergaard, president of the North America region for German boxship operator Hapag-Lloyd AG . "That's a huge operational disadvantage."

The American supply chain has so far failed to adapt to the crush of imports as businesses rush to restock pandemic-depleted inventories. Tens of thousands of containers are stuck at the ports of Los Angeles and Long Beach, California, the two West Coast gateways that move more than a quarter of all American imports. More than 60 ships are lined up to dock, with waiting times stretching to three weeks.

Participants in each link in the U.S. chain – shipping lines, port workers, truckers, warehouse operators, railways and retailers – blame others for the imbalances and disagree on whether 24/7 operations will help them catch up. All of them are struggling with a shortage of workers.

The ports of Los Angeles and Long Beach are managed separately and operate 13 private container terminals. Long Beach officials said last week they would try operating 24 hours a day from Monday to Thursday. Gene Seroka, executive director of the larger Port of Los Angeles, said his port will step more cautiously, keeping existing hours while waiting for truckers and warehouse operators to extend their hours.

"It has been nearly impossible to get everyone on the same page toward 24/7 operations," Mr. Seroka said.

Truck drivers often don't show up at scheduled appointments to pick up boxes at the inundated container yards to make space for the next load to

come in, say shipping and port executives. Truckers blame terminal congestion, saying delays at one appointment can cause them to miss the next, and that shipping lines aren't doing enough to clear out the towers of empty containers taking up space at the docks.

Before any changes this coming week, the longshore routine at the ports involve two shifts: 8 a.m. to 4 p.m. and 6 p.m. to 3 a.m. An overnight shift of five hours is available, but it is up to 50% more expensive and rarely used, say liner and terminal operators who foot the bill. Cargo pickups on Saturday are also rare, being charged as premium shifts, and there is no work on Sundays.

The International Longshore and Warehouse Union, which represents the dockworkers, said its members would work a third shift or on weekends, but the pileup of containers must first be fetched out of the port, so there is space to unload more from ships.

"Congestion won't be fixed until everyone steps up and does their part," said Frank Ponce De Leon, a coast committeeman at the ILWU. "The terminal operators have been underutilizing their option to hire us for the third shift," he said.

Federal safety regulations limit most commercial truck drivers to 11 hours of driving time in a 14-hour workday. Port truckers often prefer to start early in the morning so they can maximize the number of loads they move a day, said Tom Boyle, chief executive of Quik Pick Express LLC, a trucking and warehousing provider based in Carson, California, not far from the port complex.

Night shifts are less popular. Drivers who pick up loads late at night don't always have a place to put them. Truckers might have to park a box in a drop yard, and then deliver it later when the destination warehouse is open.

"The biggest issue it probably comes down to is labor," said Mr. Boyle, who said his company, like other fleets, is constantly looking for drivers.

California residents want to escape high cost of living

A shortage of labor is also causing significant delays in loading up freight trains, which move up to 30% of all containers to big distribution hubs like Chicago.

Union Pacific Corp., one of two main railroads moving freight from the West Coast into the country, is primarily seeing delays, or dwell, when it picks up cargo from ports and hands it off to trucks at destinations, Chief Executive Lance Fritz said in a recent interview. "Where we see dwell is on either end," he said.

Nike executives said Thursday that the amount of time it takes to move a cargo container from Asian factories to North America is now about 80 days, or twice as long as it was before the pandemic. Moving items such as paper towels or furniture within the U.S. is also a challenge, with Costco executives saying it can be difficult to find trucks or drivers on short notice.

"If you work a gate 24/7 it will improve your velocity" only if all participants are involved, said Wim Lagaay, chief executive of APM Terminals North America, which operates a terminal in Los Angeles. "Up to 30% of overall truck appointments are not met because there are not enough trucks, drivers or chassis."

Port truckers say some appointment slots go unused because of the lack of equipment, such as the chassis needed to haul containers, or because of restrictions on what drivers can do during that appointment, including returning empty containers.

"There is too much congestion from empty containers on terminals," said Matt Schrap, chief executive of the Harbor Trucking Association, which represents carriers at the ports of Los Angeles and Long Beach. The shipping lines aren’t moving the boxes out, "which is preventing us from returning empties that we are storing in our yards," he said.

With such long delays, some cargo owners are no longer arranging to pick up their boxes. Mr. Seroka, the Los Angeles port director, said they use the containers as mobile storage units because it is cheaper to leave them at a port than to rent warehouse space.

"Even if [warehouses] were open 24/7, there is simply no space," said Jason Tolliver, an executive at real-estate firm Cushman & Wakefield PLC. About 98% of warehouses in Southern California’s logistics-heavy Inland Empire region are fully occupied, and the entire Western U.S. has a 3.6% vacancy rate.

With scarce warehouse capacity, many truckers leave the boxes outside the facilities along with the chassis. Liner operators say that it normally takes three days to return the chassis to the port, but it now takes eight.

Los Angeles and Long Beach face different challenges than export or transshipment piers in Asia and Europe. Other ports haven't dealt with such high import volumes over the past year by so many operators while the inland part of the supply chain has stayed largely unchanged.

Overall container volumes at the Port of Los Angeles have grown 30% so far this year over 2020, but Mr. Seroka said trucking capacity has increased by only 8%. The warehouse development is equally challenging, he said, as there is an estimated minimum 25% less storage space than needed.

"It's impossible to effectively move such volumes if we don't move to 24/7 operations across the supply chain," said Mario Cordero, executive director at the Port of Long Beach. "They do it in other parts of the world."

Source: foxbusiness.com– Sep 25, 2021

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Nike call shows how complicated and messy logistics have become

Nike cut its revenue forecast and warned of inventory shortages in the coming months that will affect its business across regions.
After spending a few minutes talking about triumphs at the Olympics, buzzy sneaker drops and a headquarters tour with LeBron James, Nike Inc. executives spent much of the rest of their quarterly earnings call addressing something much less glamorous: logistics.

“We are not immune to the global supply-chain headwinds that are challenging the manufacture and movement of products around the world,” Chief Financial Officer Matt Friend said on the call.

Nike cut its revenue forecast and warned of inventory shortages in the coming months that will affect its business across regions. The mess stems from long shipping times and factories that have been forced to halt production due to Covid-related lockdowns. That’s left management searching for answers.
Executives said they didn’t anticipate that the situation would worsen over the last 90 days, with government shutdowns in Vietnam and Indonesia and bottlenecks clogging transit around the world.

They went into extraordinary detail to explain the situation to investors and analysts. Friend said 80% of Nike’s shoe factories in Vietnam and nearly half of its apparel plants are closed, causing the loss of 10 weeks of production thus far. It’ll take several months to get back to full capacity.

Shipping times, meanwhile, have doubled across key routes from Asia to North America because of congestion at ports and railways, plus labor shortages. Goods that used to take 40 days to ship across the planet now take 80 days, leaving products stuck in transit for months. Margins have been hurt by rising ocean-freight surcharges.

“Both Matt and I wish we had a crystal ball, but we don’t,” said Chief Executive Officer John Donahoe. “We’re doing what great sports teams do, which is confronting the reality, making adjustments, showing agility and executing in a way where we emerge stronger.”

Analysts are concerned that it won't be enough, especially as Nike heads into the crucial holiday season when the spike in consumer demand could further jam up global trade channels.

"We fear this issue is just too large to control, even for the best-run athletic brand in the world," Camilo Lyon, an analyst at BTIG, wrote in a note to clients after the call.

Source: economictimes.com– Sep 26, 2021

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Vietnam enterprises can't produce because of lack of materials, parts

Many enterprises will not be able to regain previous production capacity If Vietnam doesn't have a comprehensive economic promotion program.

Seven textile and garment companies in Tien Giang province, with 13,300 workers, have sent a petition to Prime Minister Pham Minh Chinh, provincial authorities and the Vietnam Textile and Apparel Association (Vitas) , asking for help to resume production before they lose clients.

The companies said they had suspended operation since mid-July. Some of them had organized production under the 'three on-site' mode (employees have to eat, sleep and work onsite to maintain production), but stopped on August 5.

"We are facing a risk of bankruptcy as most clients have announced cancellation of orders, or asked to send products by air instead of marine shipping," the petition said.

"Textiles and garments sales depend on the season. Partners cannot keep waiting for us."

It's now the time for models for next-year fashion season. "In order to obtain one order, we have to develop models six months in advance at least and compete with a lot of rivals. If we fail to do this, we will lose customers and markets," they said.

Some foreign partners have warned that if Vietnamese companies cannot reopen by September 20, they will place orders with other countries. If this happens, textile and garment companies will lose clients and have no more orders for the 2021 year-end season and 2022.

Vitas Chair Vu Duc Giang confirmed that most textile and garment companies in the south have stopped production and some big brands have canceled orders.

In previous years, Vietnam's textile and garment companies mostly did outsourcing for foreign partners. But many them now design and create products to obtain higher added value. However, this also means risks due to seasonality.

Some foreign partners said they will only make decisions on whether to place orders if Vietnam's enterprises can regain normal operation. Meanwhile, enterprises are not sure when they can.

The same situation is occurring with the footwear industry. According to the Vietnam Leather, Footwear and Handbag Association (Lefaso), the long period of social distancing has caused 80 percent of factories in the industry in HCM City, Dong Nai, Binh Duong, An Giang and Kien Giang to stop production.

In northern and central regions, footwear companies are running at 50-70 percent of capacity because of social distancing and a lack of workers. Many companies have reported losses because they have had to scale down production.

Businesses are struggling hard to recruit new employees due to a labor shortage. To be employed, workers must meet the requirements for 'green cards', which includes being vaccinated against Covid-19.

As for the seafood industry, Nguyen Hoang Anh, General Director of Nam Mien Trung Seafood Investment, said shrimp cannot be harvested and sold.

"We now can farm shrimp on only 20 percent of total area because of the lack of feed, breeders and materials for cultivation," he said.

Many other seafood companies are in the same situation and experts have warned of a material shortage crisis in the next months.

Uncertain future

The statistics in August clearly show losses to Vietnam's economy.

The worrying issue now is the ability of the manufacturing sector to sustain the long period of social distancing. The PMI (purchasing managers' index) dropped to 40.2 in August, a 16-month low.

Meanwhile, industrial production in August fell by 11 percent compared with the same period last year, a sharp fall after the solid growth of 12 percent in the first six months.

This was the first time in a year that exports decreased significantly. Supply chain interruption and production disruption have occurred in some industries.

The Ministry of Industry and Trade (MOIT), in its report to the Government, stressed that the situation of enterprises has become much worse compared with a few months ago. A lot of factories and production bases which are important links in supply chains have suspended operation or reduced capacity.

A number of foreign associations have urged the Government to take action promptly to help enterprises preserve their competitiveness and not lag behind others during economic recovery.

Source: vietnamnet.vn– Sep 26, 2021

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Indonesia promotes trade with non-traditional markets

Indonesia is increasing its efforts to penetrate non-traditional markets, with preparations for a trade and investment forum with Latin American and Caribbean countries, and a new platform for doing business with Central and Eastern European countries.

Since his first term, President Joko Widodo has pushed government agencies to boost exports to non-traditional markets, as part of his instruction for diplomats to focus more on economic diplomacy.

As part of these efforts, the Foreign Ministry has embarked on a series of trade and investment promotion activities to a number of far-flung markets in recent years.

The Indonesia-Latin America and Caribbean Business Forum (INA-LAC Business Forum) 2021 is slated for October 14-15

Earlier, Indonesia suceffully hosted the first forum in 2019, and the second one in 2020.

According to director general of America and Europe at the Foreign Ministry I Gede Ngurah Swajaya, as a country with the biggest economy in Southeast Asia, Indonesia has the potential to take advantage of the Latin American and Caribbean economies.

In 2020, total trade between Indonesia with Latin America and the Caribbean region increased to 8.25 billion USD from 7.75 billion USD in 2019, Swajaya informed. In the first half of 2021, the total trade between Indonesia and the region reached 4.91 billion USD, an increase of 13.83 percent from the same period the previous year.

Indonesia's main exports to Latin America and the Caribbean are vegetable oils, vehicles, electronics, rubber, and footwear. Meanwhile, its main imports are animal feed, cereals, sugar, cotton, and chocolate.

As the pandemic is still limiting movement across countries, the INA-LAC 2021 will be held jointly through face-to-face and virtual meetings, Swajaya said.

Based on the success of INA-LAC and other trade and investment forums, the Foreign Ministry is looking to redouble efforts in Central and Eastern Europe through the Indonesia-Central and Eastern European Business Forum (INA- CEE).

In the January - July period, Indonesia gained earned 2.6 billion USD from export of goods to Central and Eastern European countries, maily rubber, crude palm oil, footwear, seafood, coffee, furniture, electronics and textiles.

Indonesia's largest trading partners in this region include Russia, Turkey and Ukraine.

Source: en.vietnamplus.vn– Sep 24, 2021

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Bangladesh trying to promote exports of artificial fiber apparel: TexPro

Bangladesh is looking to focus on the synthetic textile apparel market due to the growing global demand for garments made from synthetic and blended yarns. This is expected to increase national synthetic apparel exports in the coming months. Today, cotton apparel accounts for about 70 percent of total apparel exports from Bangladesh.

According to the International Textile Manufacturers Federation (ITMF), artificial textile apparel accounts for about 78% of the global fashion garment market.

According to the Bangladesh Textile Factory Association (BTMA), the country's spinning mills are beginning to switch to producing synthetic yarns. Due to the growing demand from garment factory owners, some of the industry's strongest players have already invested in the establishment of new units of synthetic and blended yarns.

Bangladesh is looking to focus on the synthetic textile apparel market due to the growing global demand for garments made from synthetic and blended yarns. This is expected to increase national synthetic apparel exports in the coming months. Today, cotton apparel accounts for about 70 percent of total apparel exports from Bangladesh.

Norman Group, a leading textile manufacturer in South Asia, has established a synthetic yarn production unit capable of producing approximately 100 tonnes of synthetic yarn per day. We are also constructing units for blended spinning and cotton yarn with a daily production capacity of 125 tonnes. The company has invested about 500 chlores in the unit and production is scheduled to begin in October 2022.

In addition, the Envoy Group plans to invest Tk125 Claw in the production of approximately 12 tonnes of synthetic blended yarn per day. Matin Spinning Mills will invest Tk186 Chlore to produce synthetic yarns, and Maksons Group plans to invest about Tk1,000 Chlore in three new spinning units in the Millsaray Economic Zone. Square Textiles and Mozaffar Hossain Spinning Mills have invested about Tk30 and Tk250 chlores, respectively. Currently, Bangladesh imports most synthetic fibers from China.

Bangladesh's average monthly exports of artificial clothing were $ 585.74 million in the second half of 2020, while the average monthly exports in the first half of 2021 were $ 450.57 million, down 23.08%. Fiber2Fashion market analysis tool TexPro..

However, it is expected to increase by 9.42% in the second half of 2021 to an average of $ 439 million per month. By 2022, the monthly average is expected to surge 33.51% to reach $ 658.22 million.

Source: eminetra.com– Sep 23, 2021

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Pakistan: APTMA berates move to impose duty on export of cotton yarn

The All Pakistan Textile Mills Association (APTMA) has strongly opposed the move of imposing Regulatory Duty (RD) on the export of cotton yarn, saying it would not only distort the momentum gained in exports after decades but will also disturb the continuity of government policies for export-led growth.

In a statement, Abdul Rahim Nasir, APTMA Chairman, said that a certain group with vested interests was busy in making unnecessary hue and cry for levying RD on the export of cotton yarn on false pretexts with the intent to agitate the historic high trend of textile exports, roll back investment of more than $4 billion and to deprive the country of projected additional 500,000 jobs.

He urged Prime Minister Imran Khan, Adviser to the Prime Minister on Commerce Abdul Razzak Dawood and Finance Minister Shaukat Tarin to take stock of the situation and ensure continuity of policies in the larger interest of the economy and the country's exports.

He emphasized that cotton yarn was sufficiently available in the country for consumption in the value-added sector for export purposes, which is evident from the fact that cotton yarn export has declined in the past years while textiles have achieved historic high exports of 15.4 billion dollars.

While referring to the article published on 24th September 2021, which is based upon "misguided and contradictory figures", the APTMA chairman outlined the facts in his statement saying that cotton yarn exports have decreased by 25pc in quantitative terms from 0.522 million tons (FY19) to 0.390 million tons (FY21) and 26pc in value terms. Exports of cotton yarn in FY21 have decreased by 5pc in quantitative terms while value has increased by 3pc as compared to FY20.

According to the PBS data, over the last four years, cotton yarn exports are on a declining trend both in quantity and value terms. It shows that cotton yarn produced domestically is being used in the value-added sector, which is evident from exports figures. The export of the value-added sector have shown remarkable growth during FY21, registering 32pc in the towel, 19pc in garments, 37pc in knitwear, and 29pc in bedwear exports. The textile exports have increased by 23pc in FY21 while registering 29pc growth in the

first two months of the current fiscal year. In August 2021, textile exports have registered a growth of 45pc over the same period last year.

Instead of considering any idea to impose RD on cotton yarn export, there is an urgent need to ensure the supply of basic raw materials (cotton and MMF) at competitive rates. Domestic production of cotton yarn is about 3.5 million tons and local consumption is 90pc for value-added products while only 10pc is being exported.

He said APTMA believes in a free-market mechanism for textile trade all across the value chain. In a scenario, when cotton is short by 6 million bales and polyester is short by 200,000 tons, these raw materials need to be imported to keep the mills operating normally to achieve the textile exports target of $21 billion.

APTMA will not let anybody sabotage the industrialization and export growth and put restrictions on free exports of yarn, Greige Fabric or Dyed Fabric, he said. APTMA believes that export incentives should only be given to the goods made from Pakistani produced materials. This will not only increase industrialization but also reduce the burden on imported materials which have put pressure on the balance of trade numbers.

Source: thenews.com.pk– Sep 27, 2021

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Pak-China cooperation to revive cotton fields in Pakistan

Last season, Pakistan harvested 5.6 million bales of cotton, which is the lowest point in the past 30 years.

Meanwhile, Pak-China cotton-related cooperation is in full swing. "We are mixing the advantages of China cotton and Pakistan cotton to create new cotton varieties," said Shahid Iqbal, Ph.D. scholar of Cotton Research Institute in Henan, China, who has been working for a Pak-China cottonseed program in Henan for 4 years. This is one of the microcosms of the ongoing China-Pakistan cotton collaboration.

The dilemma of Pakistan cotton

"Last year, we had to import more than 50% of cotton," said Muhammad Abdullah, executive director of Sapphire Fiber, one of the largest textile companies in Pakistan. He complained that low production and quality force the local industry to choose imports. "Presently, the domestic consumption of cotton is 14 million bales. However, Pakistan harvested 5.6 million bales of cotton in the last season only." He added.

Cotton production in Pakistan is in a vicious circle. According to the research of Central Cotton Research Institute (CCRI), low production of cotton lead to the low profitability of cotton planting. Cotton farmers turn to grow sugarcane in cotton-growing areas for better income. Sugarcane plants robbed water from cotton plants and humidified the whole area. The high humidity leads to more insects which are deadly to the cotton plants and farmers have no technology to deal with them.

What makes it worse is the climate change in the past few years, which is also weakening cotton's strength and staple elongation. Another quality problem is the impurity which is caused by 100% manual picking.

As pickers picked the cotton, stored and transported it, contamination is entering in the cotton, which may causes spots on the final product.. Kamran Razaq, cotton field supervisor of Sapphire Fiber pointed out that the impurity content of imported cotton is 4.5%, while the counterpart in Pakistan cotton is 8-9%, which is below the criteria of the textile mills.

To break the vicious circle of low cotton production, higher quality seed is the top demand, which can also help in quality improvement.

“ The heat resistance of Pakistani cotton is excellent. The high-yield and high-quality traits of Chinese cotton are also what Pakistan seeds need. The germplasm resources of China and Pakistan are complementary,” said Shahid Iqbal, the guy who appeared at the beginning of the article, who used to be a scientific officer of Cotton Research Institute in Multan. “ We have a plan to send new cotton seeds to Pakistan next year for adaptability test and select the best ones and use them for production..”

Xinjiang Agricultural University and University of Agriculture Faisalabad (UAF) have also been cooperating in cotton cultivation for a few years. They have experimental fields in Faisalabad and plans to test mechanical picking in Pakistan. “In North Xinjiang, one of the biggest cotton areas in China, the mechanization is 90%. We use machine picking everywhere," said Chen Quanjia, deputy dean of Xinjiang Agricultural University, adding that drought-resistant and water-saving technologies in Xinjiang including drip irrigation and mulching are also leading the world. “Such technologies and equipment can be transferred to Pakistan to assist them coping with the current dilemma. China and Pakistan need to assist each other to improve our cotton production together.”

Dr. Muhammad Ali Talpur, vice president of Pakistan Central Cotton Committee (PCCC), revealed that a modern biotechnology center of excellence laboratory is about to be set up at CCRI to promote cotton research activities.“China Pakistan Economic Corridor(CPEC) is opening new avenues for cotton research and development to solidify PCCC on modern scientific lines.” He said.

“Under CPEC, CCRI in Multan had declared a cottonseed cooperation collaborating with Fauji Fertilizer Company,” added Dr. Zahid Mehmood, director of CCRI. “We plan to cultivate related talent, introduce related technology and arrange areas for mechanical cotton picking. Our collaboration with China is going on. Hope we have stories of success in the future.”

Source: brecorder.com– Sep 24, 2021

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Pakistan: Govt transforming Punjab into a 'hub' of investment, trade activities: minister

Addressing the 35th Annual General Meeting of Pakistan Textile Exporters Association, he said that due to the investor friendly environment, local and foreign investors are investing in Punjab. The growing investment in the country is an expression of confidence in Prime Minister Imran Khan's economic policies.

He said new industrial zones in the province would usher a new era of industrial development in Punjab. He said that the Punjab Board of Investment would not spare any effort in promoting investment in the province and providing facilities to investors. Under the vision of Prime Minister Imran Khan, Punjab Government is committed to facilitate industrialists and investors for improving economic activities and increasing employment opportunities, he said.

He said Faisalabad is the central hub of textile sector, with a large share in exports of different textile products; therefore, country's biggest expo center will be established at Faisalabad. Government have strong believes that economic revolution in the country can only be possible through trade promotion and all possible support to export sector is being extended to achieve optimum growth.

Textile industry is the backbone of economy and remedial measures to overcome the challenges are being taken to uplift this sector. In order to keep industrial wheels moving during pandemic times, Government had taken several measures including easy financing for payment of wages and liquidation of outstanding refunds. No country could achieve economic targets without the due role of exporters, he said. Future of Pakistan is very bright and all resources will be mobilized for converting Pakistan according to the Premier's vision of economically stable and strong Pakistan.

The Country Director ILO Ms. Ingrid Christensen, addressing the occasion, said that Better Work Programme (BWP) will help improve Pakistan's compliance and exhibit its commitment to improve labor welfare. BWP included a comprehensive framework on improving industrial relations through training and compliance with international labor standards including occupational safety and health, nature of employment, discrimination and other forms of labor practices as well as strengthening employers' and workers' organization in textile industry, she said. This

program is successfully being run by ILO and IFC in eight countries benefiting a workforce of 2.5 million as 1,700 factories and 150 international brands are linked with this programme, she added.

Earlier, PTEA Chairman Muhammad Ahmad presenting his annual report said that despite the turbulent economic environment and challenges appeared on account of Covid-19, Association continued its efforts to put the business on the path of economic diversification and growth by enhancing its value proposition. This year, we envisioned the idea of striving towards pro-business reforms to ensure a favorable environment that is conducive to growth, boost productivity and enhance the competitiveness with regional rivals in international markets. To achieve the same, we worked closely with the Government quarters and all relevant flora to build mutual grounds for the betterment of textile industry in general and textile exporters in particular.

Some of such initiatives were the formulation of ease of doing business proposals, reduction in cost of production, structural reforms in the tax system and availability of energy inputs at regionally competitive prices. He expressed the hope that new team will continue the efforts to strengthen the linkages with the local and international businesses to promote and protect the interests of textile industry. Newly elected Chairman PTEA Sohail Pasha said that rising cost of doing business has not only stalled fresh investment in the textile industry but have also hampered the export growth.

Government should devise a comprehensive strategy to counter the issue in order to accelerate the industrial pace and also to save livelihood of millions of workers. Pakistani exports are under pressure due to prevailing economic financial, industrial crisis in the country as well as persistently high cost of production which is badly affecting the industrial and trade activities and productivity output. He appreciated the successful efforts of outgoing team in resolving the issues confronting exports.

Source: brecorder.com– Sep 27, 2021

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Importer-exporter code not updated after 2005 to be de-activated from Oct 6

IEC holder has to navigate to the DGFT website and update their IEC online.

The Commerce Ministry has decided to deactivate all importer-exporter codes (IECs) that have not been updated after January 2005 with effect from October 6 this year, a move which would help in knowing the actual number of real traders in the country.

The Importer -Exporter Code (IEC) is a key business identification number that is mandatory for exports or imports. No person shall make any import or export except under an IEC number granted by the DGFT.

On August 8 this year, the Directorate General of Foreign Trade (DGFT) was mandated all IEC holders to ensure that details in their IEC are updated electronically every year during the April-June period." All IECs which have not been updated after January 1, 2005, shall be deactivated with effect from October 6, 2021," according to a trade notice of the DGFT.

It stated that the concerned IEC holders are provided one final opportunity to update their IEC in this interim period till October 5, failing which the given code would be de-activated from October 6.

"Any IEC where an online updation application has been submitted but is pending with the DGFT RA (regional authority) for approval shall be excluded from the deactivation list," it added. Further, it said that for re-activation of the code after October 6, the IEC holder has to navigate to the DGFT website and update their IEC online.

"Upon successful update the given IEC shall be activated again and transmitted accordingly to the customs system with the updated status," the notice said.

According to an industry expert, de-activation of IECs helps in reducing the base load of the directorate and it helps in knowing the actual number of real exporters and importers in the country.

The nature of the firm obtaining an IEC includes proprietorship, partnership, LLP, limited company, trust, and society. After the introduction of GST (Goods and Services Tax), IEC number is the same as the PAN of the firm.

Source: financialexpress.com– Sep 26, 2021

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Trade winds: High-stakes EU & UK free trade agreements make wish lists longer

Ministries and industry bodies ready list of demands as formal talks to commence soon

Experts, too, have suggested that in their negotiations, both the sides need to work on less controversial issues first. Subsequently, innovative solutions need to be firmed up to break the log jam in more contentious matters.

As India prepares to launch formal negotiations with the UK and the EU this fiscal for free trade agreements (FTAs), domestic players rush to submit demands for greater market access in hundreds of products, with textiles and garments featuring in the wish list of most stakeholders, sources told FE.

Apex exporters' body FIEO alone has submitted with the government a list of 240 products — ranging from textiles and pharmaceuticals to engineering goods—in which it wants the UK to cut tariffs. Government officials are drawing up a comprehensive list of items for the talks. This includes electrical machinery, capital goods, auto components, organic chemicals, leather, footwear and toys, among others.

The textile ministry is pitching for duty-free access in textiles and apparels, which made up for 19% and 14% of India's exports to the UK and the EU, respectively, last fiscal. Textile secretary UP Singh told FE that the inclusion of these products in the planned FTAs will certainly boost India's exports. However, the government will take a "balanced view" when it starts negotiations, keeping in mind interest of all stakeholders, he added. The EU imposes up to 9.6% duty on Indian textiles and garments, while least developed countries like Bangladesh, and Pakistan get duty-free access.

The Apparel Export Promotion Council and the Confederation of Indian Textile Industry, too, want such products to be part of early negotiations. Similarly, other export organisations seek easier access in dozens of products, relevant to the sectors they represent.

However, some others, mainly in the dairy and farm sector, don't want the government to commit tariff cuts in these products.

Since its pull-out of the Beijing-dominated RCEP trade negotiations in November 2019, India has been seeking to expedite talks with key economies. But it has made it clear that any trade agreement will have to be "fair" and "balanced".

While negotiations with the UK could be wrapped up relatively early, those with the EU will be a long-drawn process, given the complexities associated with the 27-member bloc, commerce ministry officials said.

Nevertheless, New Delhi will try to hammer out an early-harvest agreement with London, based on issues where a consensus can be easily forged. This would be followed up with a more comprehensive FTA.

Similarly, as FE has reported, the resumption of negotiations with the EU after a gap of over eight years could see both the parties focussing on "low-hanging fruit" first, before switching on to contentious matters that had hampered talks earlier.

Government officials are also studying the EU's negotiations with China for an investment agreement and its FTA with Vietnam for meaningful talks.

After 16 rounds of talks between 2007 and 2013, formal talks for the FTA were stuck over stark differences, as the EU insisted that India scrap or slash import duties on sensitive products such as automobiles, alcoholic beverages and cheese, among others. India's demand included greater access to the EU market for its skilled professionals, which the bloc was reluctant to accede to.

Since 2013, though, the situation has changed dramatically with Brexit, and the attractiveness of the EU as a large market has somewhat eroded. Nevertheless, it still remains an important trade destination.

India's exports to the EU, excluding the UK, dropped 8% in the wake of the pandemic to $41.4 billion in FY21, representing 14.2% of the country's total outbound shipment of goods. Similarly, its exports to the UK declined 7% to $8.2 billion last fiscal.

India's major exports to the EU in FY21 were textiles and garments ($5.6 billion), organic chemicals ($4.2 billion), iron & steel and related products ($3.9 billion), mineral fuels, etc ($2.9 billion) and pharmaceuticals ($1.9 billion). Its exports to the UK included textiles and garments ($1.6 billion),

gems and jewellery ($744 million), electrical machinery ($565 million), pharmaceuticals ($618 million) and auto ($244 million).

Experts, too, have suggested that in their negotiations, both the sides need to work on less controversial issues first. Subsequently, innovative solutions need to be firmed up to break the log jam in more contentious matters.

For instance, Arpita Mukherjee — professor at Icrier who specialises in trade and investment—has proposed a threshold price for alcohol for tariff liberalisation, as was done by Japan for Australian wines under the RCEP.

Source: financialexpress.com– Sep 27, 2021

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India needs 4 -5 more banks like SBI to meet changing requirements of the Indian Economy: Nirmala Sitharaman

Union Finance and Corporate Affairs Minister Smt. Nirmala Sitharaman has said that India needs four or five more banks like SBI. She said that we need to scale up banking to meet the changing requirements in light of shifting recent realities of economy and industry. "The way in which the economy is shifting to a different plane altogether, the way in which industry is adapting, so many new challenges keep arising. To address these challenges, we need not just more, but bigger banks." The Union Minister shared this point of view with the banking community, during her keynote address at the 74th Annual General Meeting of the Indian Banks' Association (IBA) in Mumbai today.

FM asks IBA to improve access to financial services pan India through scientific digitized mapping

The Finance Minister exhorted the industry to imagine how Indian banking has to be in the immediate and long-term future. "If we look at post-COVID scenario, India's banking contour will have to be very unique to India, where there has been an extremely successful adoption of digitization. While banks in many countries could not reach out to their clients during the pandemic, the level of digitization of Indian banks helped us to transfer money to small, medium and big account holders through DBT and digital mechanisms."

The Union Minister underlined the importance of seamless and interconnected digital systems in creating a sustainable future for Indian banking industry. "Long-term future of Indian banking is going to be largely driven by digitized processes."

The benefits of digitization notwithstanding, the Finance Minister observed that there are wide disparities as well in access to financial services. She said there are parts of our country where brick-and-mortar banks are necessary. The FM asked IBA to improve access of banking in every district through a rationalized approach and optimal utilization of digital technologies.

To achieve this, the Union Minister advised IBA to carry out digitized location-wise mapping of all bank branches for every district of the nation. "Almost two-thirds of nearly 7.5 lakh panchayats have optical fibre connection, IBA should consider this and conduct an exercise and decide

where banks should have a physical presence and where we are able to serve customers even without physical branch. IBA should take the initiative and complement government's efforts for financial inclusion and enhancing access to financial services, especially in unserved and under-served areas.”

“Be nimble, agile, adaptive, it is a must for attaining 1 trillion dollar export target for 2030”

Click here for more details

Source: pib.gov.in– Sep 26, 2021

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India and Columbia business opportunities

India is an important trade and investment partner for Colombia. Despite COVID-19, in 2020-21, the total trade balance was USD1.731 million. Colombia exported USD795 million to India in products like oil and coking coal, wood, metal scrap, aluminum scrap, vinyl chloride polymers and gold.

While India exported to Colombia USD 936 million in products like organic chemicals, pharmaceuticals, cotton, motorcycles in CKD form, machines, plastic materials, aluminum. Over a decade India's FDI into Colombia has been around USD 1 billion in manufacturing and services of added value.

The business environment between both countries boasts of 13 bilateral agreements in many fields have laid the foundation for building a stronger relationship, like: Investment Promotion & Protection, Double Taxation Avoidance Agreement, Information Technology, Hydrocarbons, Business Development, including the latest one of exploration and use of Outer Space for Peaceful Purposes. Yet, there is an opportunity to unlock the untapped potential of two-way trade between Colombia and India.

Nearly more than thirty Indian companies have settled down in Colombia, driven by the benefits offered by the country as an investment platform. Colombia also enjoys a privileged geographical position, located in the northern part of South America, with access to the Pacific and Atlantic oceans, it is a gateway to the southern part of the continent, and is commercially and culturally an influencer to the countries of Central American and the Caribbean, and is part of the Pacific Alliance trade bloc.

Colombia offers investors advantages as an exporting platform too, for example to the United States thanks to a Free Trade Agreement (FTA), among other several FTAs that the country has. It is a politically stable country, whose economy always grows, and as said by many businessmen, it is a lucrative market. With a competitive SEZ regime that grants benefits to businesses involved in production or service activities other markets can be served, counting a population around itself of almost 1 billion people.

A constant presence of Colombian companies in India is yet to be a reality. India is generating great opportunities across several different sectors of its economy through FDI (USD 64 billion in 2020). Sectors like food processing, ready-to-eat food, the services sector, airport services, security, water treatment, renewable energy, urban infrastructure, and services

(waste treatment), cosmetics, and luxury goods, could be of interest to the Colombian companies. This is a call to the 'Multilatinas' and 'Global Latin' companies from Colombia to come to India and see what the country has to offer. The growth of products and services in India can be exponential.

Despite the size and differences among both countries, there are business opportunities for both sides, like:

Food and Food Products: India's growing population and income per capita will create a huge demand for high-quality products: fruit, vegetables, grain, pulses, juices, which Colombian companies produce and with whom Indian companies can invest/partner.

Colombia as a hub for Indian products and manufacturing: localization of the supply chains and nearshoring are two great options to cover the Latin-American market from Colombia under the current scenario, where the prices of the containers are very high, and the constant restrictions due to the covid-19.

ITeS: Colombia has started a race to to establish itself as a technology hub: the Latin American Silicon Valley, and India is a reference point. India's own tech valleys like Bengaluru and Hyderabad; the NITI Aayog Agency, the Start-up India Initiative are important to look at. As per the RBI, India has 100 unicorns, while Colombia has only two. But with Colombia's policy called the "Orange Economy", the scenario is promising and changing rapidly. FDI is welcome.

Media and Entertainment: Colombia's Film Law, offers tax incentives for foreign production companies of 40% cash rebate on expenses paid in the country on film services and 20% of the amount paid for logistics services.
Doing business in India or in Colombia is not without challenges, some of which may seem insurmountable at first. In our experience at the Colombia-India Chamber of Commerce we always brief both Indians and Colombians on how cultural barriers will always be there, and how flexibility plays a key role along with patience in the bureaucratic processes and regulatory frameworks.

Source: financialexpress.com– Sep 26, 2021

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PLI for textiles: Govt to impose 30-60% as value-addition norm

Beneficiaries may not be allowed to do outsourcing, opt for job work

The Textile Ministry is considering imposition of a minimum value-addition criteria of 60 per cent for garment manufacturing, spinning and weaving activities, and a lower 30 per cent requirement for processing for industry to qualify for the ₹10,683-crore Performance Linked Incentive (PLI) scheme for textile products, according to officials tracking the issue.

Additionally, PLI beneficiaries will not be allowed to do outsourcing or opt for job work (getting part of the processing or manufacturing done by independent workers), a source told BusinessLine. "These specifications are likely to be part of the PLI guidelines for textiles that are being worked out," said the source.

Norms being worked out

The PLI scheme for man-made fibre and technical textiles was approved recently by the Cabinet, but its guidelines are still being formulated by the Textile Ministry in consultation with other Ministries and departments. The value-addition criteria is being included in the scheme to ensure that enough manufacturing takes place locally and leads to the planned employment generation, said the official. In case of processing, the value-addition norm has been kept at 30 per cent since processing has a high throughput (the rate at which a company can produce and sell its good) and value addition is low.

"One processing industry can feed thousands of garment factories. Their margins are small but volumes are more. That is how they make their money. Their value addition is relatively less," the official explained.

But in case of weaving, spinning or garment making, it is quite feasible and desirable to have value addition of at least 60 per cent. "We know that for these segments value addition can be as much as 100 per cent. However, for some high-volume product, very high value addition may not work out. So, the government is looking at fixing it at 60 per cent," he added.

According to the Cabinet announcement, to be eligible under the scheme, two types of investments are possible. Any individual, firm or company willing to invest a minimum of ₹300 crore in plant, machinery, equipment and civil works (excluding land and administrative building cost) to produce products of the notified MMF fabrics, garment and products of technical textiles, shall be eligible to apply for participation in first part of the scheme. In the second part, any individual, firm or company, willing to invest a minimum of ₹100 crore, shall be eligible to apply.

The factories based around aspirational districts or Tier-3 & Tier-4 cities will be given priority. It is especially expected to benefit Gujarat, UP, Maharashtra, Tamil Nadu, Punjab, Andhra Pradesh and Telangana, according to the government.

Source: thehindubusinessline.com– Sep 23, 2021

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Covid crisis: How pandemic determined trajectory of impact and recovery for MSMEs in logistics sector

Logistics for MSMEs: The last 24 months have seen wave after wave of adversities for the traditional logistics players, especially the micro and small businesses. As we are weathering the second wave of the pandemic, how have micro and small logistics businesses been impacted, and what is expected for them in the coming months? This can be assessed by zoning in on medium and long-distance transportation. At the start of 2019, 75 per cent of India's medium to long-distance trucks were owned by small players having five trucks or fewer. Some of these are owned by small groups, some owned by drivers, and others by small business owners. The trouble for the sector was triggered by the slowdown in the auto sector, which uses a significant number of these trucks. In the second half of 2019, as auto sales dipped, companies reduced production or even halted factory operations temporarily.

This was a major stressor for the sector, and its impact can be seen in the lower number of new truck purchases in that year – 40,000 fewer trucks were sold that year compared to the previous one. The fleet owners were reeling under the financial pressure brought about by the slowdown, and as things were starting to look up, the pandemic hit without warning. The truck purchase numbers for 2020 were lower by a similar number and the expectation in 2021, even lower.

Impact of first wave and initial road to recovery

In the immediate aftermath of the first set of lockdowns in early 2020, cross-border movement across states remained tricky, and what businesses could be operated varied. This led to a significant drop in the daily availability of long-distance loads from any given city. The government announced loan moratoriums to support the truckers, and they could afford to be in business while that relief started. The expectation at the time was that once the first wave was brought under control and loan moratoriums being in place, fleet owners could stay in the game and get back to normal operations at the end of the pandemic.

Amid attempts to cope, a significant number of long-haul trucks shifted to doing shorter trips within a state and across nearby cities while the very small fleet owners moved to the agricultural sector. The Agri sector is centered around a different set of geographic clusters than the industrial ones but could offer prompt payment and even premium rates. These shifts and coping strategies could still not absorb the stress in the system, not by a long shot.

A significant number of fleet owners reduced their truck holdings, and another big chunk had to exit the business altogether. Many sold their trucks at the first opportunity they got, and many others surrendered their vehicles to the financiers. By the time the second wave rolled in, there were 30 per cent fewer small and medium traditional logistics businesses in the sector compared to the previous year.

Things could have improved had the economy been continued on the recovery trajectory we saw in the early months of 2021. But the timing and the severity of the second wave points to the inevitable outcome – a lot more small and micro logistics companies will have to adapt, resize, or quit.

Difference in impact between first wave and second wave

During the first wave, there were no clear policies in any organization about how to handle the pandemic and lockdowns. And as the scare of the first wave abetted, everyone found a rhythm to work through the situation. There was a sense that the challenges are temporary and short-term, there will be financial support to manage loans and EMIs, and business will get better as more loads become available in the market.

During the second wave though, companies had more clear policies. There were thresholds and rules about when to reduce capacity or shut down production. And with prior experience of how long the first wave took to subside, the outlook for many has been to drastically cut losses and reduce risk from the pandemic. Players now know the risks and unpredictability associated with long-distance trips. There could be delays in getting return trips, there could be lockdowns. Drivers are also less willing to do long hauls for the same reasons. And there is a real fear of getting infected and health being impacted.

Expectations

Generally, monsoon season is a trough for logistics, barring those operating in a few segments. The impact of the second wave is also to be expected to last through this period. The recovery could start with FMCG as their demand can bounce back faster than most other segments. On the other hand, the auto sector will still struggle and is not expected to be part of the first recovery cycle.

Source: financialexpress.com– Sep 26, 2021

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India likely to push for strict origin norms in UAE FTA talks

India is likely to push for strict origin norms in its proposed free trade agreement (FTA) with the United Arab Emirates (UAE) to determine the source of goods and avoid circumvention as the latter is a trans-shipment hub.

It will also take a call on the UAE's request to include government procurement, small and medium enterprises (SMEs) and e-commerce in the proposed FTA, as this could have a bearing on the country's stance on these issues in the World Trade Organization (WTO).

While India has opposed the plurilaterals on e-commerce and SMEs at the WTO, it is not a signatory to the Agreement on Government Procurement.

The two sides kick-started the first round of the negotiations on the FTA - called the Comprehensive Economic Partnership Agreement (CEPA) - on Thursday, with discussions on tariff concessions on goods, services, rules of origin and non-tariff measures. "Text negotiations and technical meetings on some chapters have started but issues such as investment will be discussed later," said an official.

Investment related issues are likely to be taken up next week, when large sovereign wealth funds from the UAE and other business would participate.

To ensure no circumvention of duties takes place through rerouting of trade routes, India is likely to push for the mandatory 35% value addition in the origin country to claim duty exemption under the pact. This is crucial as the UAE is a trans-shipment hub, making it difficult to implement the rules of origin criterion.

Source: economictimes.com– Sep 27, 2021

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Extra long staple cotton prices surge on fears of supply shortage

Raw cotton prices are ruling between ₹11,000 and ₹13,000 per quintal this year as against ₹5,500-6,500 per quintal last year.

Prices of the extra long staple Dharwad Hybrid Cotton-32 (DCH-32) have almost doubled over the past year on fears of a shortfall in production due to lower planting of the crop. Also, the global rally in varieties such as Pima and Giza has influenced domestic prices, trade sources said.

DCH kapas (raw cotton) prices are ruling between ₹11,000 and ₹13,000 per quintal in markets such as Chitradurga and Ranebennur in Karnataka, said Shantilal P Ostawal of Cotseeds Corporation, a ginner in Hubballi. Ostawal said the prices were ₹5,500-6,500 per quintal last year.

Advantage Karnataka

Cotton with fibre length of over 33 mm are considered as ELS and DCH-32 is mainly grown in parts of Mysuru, Shimoga, Haveri, Chitradurga, Dharwad and Belgaum districts in Karnataka. It is also grown in regions around Ratlam in Madhya Pradesh, Ostwal said.

ELS varieties such as Surabhi and Suvin are grown in Tamil Nadu, but the area is less. DCH grown in Mysuru region finds it way to Tamil Nadu for ginning and pressing, Ostwal said.

Karnataka accounts for 50-60 per cent share of the ELS cotton produced in the country, followed by Madhya Pradesh with around 30 per cent and Tamil Nadu accounting for the rest, Ostwal said.

Overall production for DCH 32 stood at 2.35 lakh bales last year, with production in Karnataka estimated at 1.10 lakh bales. “This year the crop is estimated lower in Karnataka at around 75,000 bales, Madhya Pradesh at 60,000-70,000 bales and Tamil Nadu 5,000 bales,” Ostwal said.

Growers’ problems

Over the past 3-4 years, the ELS cotton has been witnessing an uptrend, said Appuswamy Lakshmanan, Director, Sri Santhalakshmi Mills in Pollachi.

However, due to difficulties faced in growing ELS cotton, more farmers are shifting to the regular Bt varieties.

“The period of ELS cultivation is pretty long compared to the short or medium staple cotton. The ELS crop cycle takes a minimum of six months and farmers, not wanting to take any risks, are shifting to Bt cotton and that’s the reason the area is coming down,” Lakshmanan said. Moreover, the minimum support price for ELS is not remunerative, he said, adding that concerted efforts were required to bring back farmers to cultivating the premium cotton.

In India, Bt cotton accounts for over 97 per cent of the cotton acreage.

Susceptible to pink bollworm

M Ramaswami, Rasi Seeds Managing Director, said yields are lower by 25 per cent in ELS compared to Bt cotton. Also, DCH is susceptible to the pink bollworm.

Pima and Giza cotton prices have flared up in the US on crop shortage and are ruling at around 230 cents per pound, double the 110-115 cents last year, said Ramanuj Das Boob, a sourcing agent for domestic mills and multinational companies. DCH cotton prices, which ruled at Rs 1.03-1.04 lakh per candy of 356 kg last week, have now increased to Rs 1.07 lakh. ELS cotton is used for blending in yarn to add strength and exported, Boob said. Besides, higher count cotton is also used for clothing and linen. The imported price of ELS cotton into India with a 10 per cent duty costs around Rs 1.30 lakh a candy.

Source: thehindubusinessline.com– Sep 24, 2021

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Australian Trade Minister Tehan to meet Goyal to speed-up free trade talks

Australian Trade Minister Dan Tehan will be in India next week to lend 'momentum' to the India-Australia Free Trade Agreement (FTA) talks in a meeting with his Indian counterpart Piyush Goyal.

"Both India and Australia are keen to advance negotiations on the proposed FTA. We already have had several meetings of groups of officials dealing with various components of the pact. The Australian Minister's visit will give further impetus to the on-going efforts," an official close to the development told BusinessLine.

Tehan is likely to be in India on September 30-October 1 and the Joint Ministerial Conference is tentatively scheduled on September 30, sources said.

In an interaction with the media in Canberra on Wednesday, Tehan said that he was heading to India next week to see if greater momentum could be added to FTA talks with the country. "Prime Minister Modi's government has begun promoting a free trade narrative and is seeking closer economic ties with like-minded nations, including Australia...While in India, I will seek to further advance our recent progress towards a FTA, or what is called the Comprehensive Economic Cooperation Agreement, CECA," he said.

'Early harvest'

Both countries are committed to achieving an early harvest announcement on an interim agreement to liberalise and deepen bilateral trade in goods and services, and pave the way for an early conclusion of a full CECA, the Minister added. Tehan and Goyal had participated in a video conference on August 27 where the two decided to work on an early harvest package covering liberalisation of trade in limited items which would then pave the way for a CECA in goods, services and investments. The two set a timeline of concluding the early harvest package by December 31, 2021.

The timeline is ambitious but as both countries have engaged in intensive trade talks when the CECA was first launched in 2012, the past experience would help in the present negotiations, the official said. The earlier talks were discontinued in 2015 over differences in areas such as access for

Australian farm products into Indian markets and level of visa liberalisation for Indian professionals in Australia.

'Aware of limitations'

"Since negotiators from both sides are aware of the interest areas, sensitive areas and possible redlines of t

Total trade between India and Australia in 2020-21 was $12.29 billion. India's exports to Australia were valued at $4.04 billion while imports were at $8.25 billion.

Source: thehindubusinessline.com– Sep 23, 2021

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India, US looking forward to reconvening trade policy forum this year

India appreciated the US decision to support the initiative by India and South Africa, to seek a waiver of IPR at the WTO,

Prime Minister Narendra Modi in his first-ever in-person meeting with President Joe Biden laid "strong emphasis" on developing trade and economic relations with the United States, Foreign Secretary Harsh Vardhan Shringla has said.

President Biden welcomed Prime Minister Modi to the White House on Friday. The meeting of the two leaders in the Oval Office lasted for more than 90 minutes, instead of the scheduled 60 minutes.

"There was a strong emphasis by the Prime Minister on developing the trade and economic relations," Shringla told reporters at a news conference here after the meeting on Friday.

It is here that the two leaders felt that they should ask their ministers concerned – Commerce and Industry Minister in the case of India and United States Trade Representative in the case of US – to see how to impart greater dynamism to the trade bilateral relationship, how to more speedily implement some of the decisions that could involve further accelerating the trade ties between the two countries.

There was also a discussion on the TRIPS paper. India appreciated the US decision to support the initiative by India and South Africa, to seek a waiver of IPR at the WTO, so that vaccines could be made more widely available, particularly in the developing world, he said.

During the discussion, Biden commented that he took the decision very early on in his presidency, and that he was committed to that decision.

In a fact sheet issued by the White House, the Biden administration said that under the upcoming Trade Policy Forum, the United States seeks to work with India to address trade concerns and enhance bilateral trade.

The US also looks forward to holding the next meeting of the US-India Commercial Dialogue and CEO Forum to enhance business and commercial ties between the two countries.

As of 2021, the US International Development Finance Corporation (DFC) has a portfolio in India valued at over USD 2.5 billion, covering projects across multiple sectors, including renewable energy, manufacturing, agriculture, healthcare, private equity, housing, and insurance. An additional USD 900 million in new projects are expected over the next fiscal year.

During the meeting, the prime minister envisioned a decade of transformation of partnerships in the US-India relationship articulated by what he called emphasis on tradition, technology, trade, trusteeship and talent, Shringla said.

Tradition being democratic traditions and values which both countries enjoy. Technology being the most important driving force in the world, but in particular in the US-India relationship.Trade given the strong complementarities between Indian and US markets, increasing bilateral trade was a priority.

"Trusteeship was instrumental in dealing with the emerging global challenges of climate change. Trusteeship as in India, including what was espoused by Mahatma Gandhi himself for the planet was the way that we secure the future is to go, planning for our future generations," he said.

Talent signifies the people to people link between the two countries, which is manifested by the contributions made by the Indian American community, Shringla said.
Source: financialexpress.com– Sep 25, 2021

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CBIC makes Aadhaar authentication of taxpayers mandatory for claiming GST refund

The notification follows the decisions taken at the meeting of the GST Council in Lucknow on September 17.

The government has made Aadhaar authentication of taxpayers mandatory for claiming GST refund.

The Central Board of Indirect Taxes and Customs (CBIC) has amended GST rules bringing in various anti-evasion measures, including disbursal of GST refunds only in the bank account, which is linked with same PAN on which Goods and Services Tax (GST) registration has been obtained.

The notification also states that from January 1, 2022, businesses who have defaulted in filing summary return and paying monthly GST will not be able to file GSTR-1 sales return of the succeeding month.

The notification follows the decisions taken at the meeting of the GST Council in Lucknow on September 17.

AMRG & Associates Senior Partner Rajat Mohan said, “To arrest tax evasion, the government has made Aadhaar authentication for proprietor, partner, karta, Managing Director, whole time Director, and authorised signatory compulsory before filing an application for revocation of cancellation registration and refund application.” EY Tax Partner Abhishek Jain said with the objective of preventing revenue leakage, the government has made Aadhaar authentication mandatory for a taxpayer to be able to claim refunds.

“The move will help in reducing cases of fraudulent refunds as only the verified taxpayers will obtain the refunds now,” Jain added.

With regard to taxpayers not bring able to file their GSTR- 1 if they have not filed their GSTR-3B of the previous month,Jain said this is a well thought restriction and a necessary control check to eliminate the cases where taxpayers although report their supply invoices in GSTR-1 (due to constant follow ups from recipients’ side) but they do not submit their corresponding GSTR-3B return through which tax is actually paid to the government.

"Compliant taxpayers would appreciate this move as till now their input tax credit was also at risk in case vendors do not file their GSTR-3B even though such invoice is appearing in GSTR-2A," Jain added.

Currently, the law restricts filing of return for outward supplies or GSTR-1 in case a business fails to file GSTR-3B of preceding two months.

While businesses file GSTR-1 of a particular month by the 11th day of the subsequent month, GSTR-3B, through which businesses pay taxes, is filed in a staggered manner between 20th-24th day of the succeeding month.

Source: financialexpress.com– Sep 25, 2021

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Labour market recovery swift but partial and exhausting, says Mahesh Vyas, MD & CEO of CMIE

Labour market has registered a swift recovery after the draconian lockdown of April 2020 but the recovery has been partial and exhausting, Mahesh Vyas, MD & CEO, Centre for Monitoring Indian Economy (CMIE), wrote in a recent article. Even as unemployment rate has recovered — it was 7.6% in 2019-20 and in July-August 2021 it averaged at 7.6%, down from 23.5% in April 2020 — it may have settled at a high rate of 7-8%, Vyas noted.

"The recovery seems exhausted because the incremental improvements have diminished drastically. In the past 12 months since September 2020, the net cumulative increase in employment has been just 44,483. This is negligible just 0.04 million on a base of over 400 million jobs. There have been several large increases from one month to the next. But, these are lost in subsequent months," Vyas wrote.

He saidthe partial nature of recovery is seen in the two other important ratios of the labour markets, the labour force participation rate (LPR) and employment rate. "In August 2021, the LPR at 40.5% was 2.1 percentage points lower than it was in 2019-20. The employment rate was 2.2 percentage points lower.

"These two ratios are more important than the unemployment rate. They had fallen dramatically upon the imposition of the lockdown and have recovered swiftly but, their recovery has remained partial 17 months after the first lockdown."

Vyas said the recovery has also been discriminating against salaried employees and entrepreneurs. Job losses were concentrated among salaried employees. Employment in August 2021 was 5.7 million lower than it was in 2019-20. This involves an 8.8 million loss of salaried jobs and two million loss of employment to entrepreneurs. These losses were partially offset by a 4.7 million increase in employment in farming and 0.7 million increase in employment as daily wage workers & small traders.

"The recovery of the labour market is … highly skewed in favour of the rural markets. Of the 5.7 million jobs lost between 2019-20 and August 2021, 3.7 million were lost in urban India. Urban India accounts for 32% of all jobs but it suffered 65% of the job losses following the Covid-19 pandemic," he noted.

Source: financialexpress.com– Sep 25, 2021

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Power Minister discusses new 'reforms-linked distribution sector' scheme with the States/UTs

Funding under the scheme will be released based on progress in operational and financial improvements in discoms, says RK Singh

Power, New and Renewable Energy Minister RK Singh on Friday said that the new reforms-linked distribution sector scheme has been designed as a bottom-up scheme and the discoms/States are empowered to prepare their own detailed project reports (DPRs) based on their need assessments prioritising the loss reduction works.

In a virtual meeting held with the States' Energy Ministers, Singh highlighted that the modernisation works such as system augmentation, renovation and modernisation of substations can also be carried out by discoms under this scheme.

The States Power Ministers informed the Minister that they were preparing their plans according to the timeline. Singh advised that the plan should address the weakness in the system, and it should take into account the increasing demands. He stated that the plan should take into account what the demand will be in 10 years down the line. He added that the system needed to be modernised.

Singh underlined that funding under the scheme will be released based on progress in operational and financial improvements in discoms. He elaborated that that loss reduction by discoms is not a difficult task and in order to reduce losses, they need to focus on improving billing efficiency, enhancing collection efficiency, ensuring timely payment for electricity consumption by Government departments and fixing tariffs reflective of actual cost of supply and the State Government making timely payment of Subsidy if they want to give electricity at lower rates.

Smart meters

The minister highlighted another important element of the scheme that it envisages prioritisation of 10 crore smart meters in all Government Departments and offices, Amrut cities, all UTs, high loss areas, commercial and industrial consumers other than agricultural consumers in TOTEX mode. He said that sufficient funds are available under the scheme, and with planning and sincerity in implementation, an operationally efficient and

financially sustainable electricity distribution sector can be developed, to meet the aspirations of citizens of the country."

Further, Singh also exhorted the ministers to encourage their States to avail benefits of the PM-KUSUM scheme for solarisation of agricultural feeders. With solarisation of agriculture feeders, electricity can be made available to farmers during day time free or at very low price from day one. States would save a huge amount of subsidy being paid by them towards electricity consumption in the agriculture sector. Further, rooftop solar may also be encouraged to meet the increasing demand in an environmentally friendly manner, the release further added.

Source: thehindubusinessline.com– Sep 23, 2021

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Cloth makers ask govt not to hike GST on garments

Seek a flat 5 per cent GST across the entire value chain to boost consumption The Clothing Manufacturers Association of India has expressed deep disappointed over the government move to increase the GST on all fabrics and garments priced above ₹1,000 to 12 per cent from 5 per cent.

Inputs into the MMF fabric segment (fibre and yarn) attracts a GST rate of 18 per cent and 12 per cent, while the same on finished goods apparel is 5 per cent (for those priced less than ₹1,000) and 12 per cent (for above ₹1,000). Addressing media after the GST Council meeting in Lucknow early this month, Finance Minister Nirmala Sitharaman said inverted duty structure in footwear and textiles sector was taken up in earlier meetings and it will be corrected from January after further discussions.

In order to correct an issue faced by a small section of the entire industry, the Council is considering to increase the prices of nearly 85 per cent of the final products to the consumers, said the Association. CMAI recommends a flat 5 per cent GST across the entire value chain that will resolve the inverted duty structure and boost consumption, it added.

The domestic garment industry is still operating at 65 per cent of pre-Covid levels as retail, which is the lifeline of apparel manufacturing, was one of the first to shut down and last to re-open, it said.

The sharp increase in cost of raw materials such as yarn, fabric, fuel, packaging materials and transportation has already pushed up final product prices by 5-20 per cent.

The struggling industry, one of the largest employers, has cut employment by 20 per cent after scaling down and shutting operations due to the Covid pandemic impact.

The support provided by the government to MSMEs through emergency credit lines are being wound up and banks have started recalling these loans. In addition to the stress of repayment of these loans, MSMEs will now need additional working capital with the GST refunds now going to 12 per cent, said the association.

Source: thehindubusinessline.com– Sep 25, 2021

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CBIC sets one-year time limit to complete investigation on GST evasion/fraud cases

Experts feel such a move will ensure that cases do not get time-barred

The Central Board of Indirect Taxes & Custom (CBIC) has set a one-year time frame to complete the investigation on cases of GST evasion and fraudulent Input Tax Credit (ITC). Experts feel that such a move will help the department ensure that cases do not get time-barred.

Pending cases

The instruction issued by GST Investigation Wing called for top tax officials (Principal Director General(s)/Principal Chief Commissioner(s)/Chief Commissioner(s)) within their jurisdiction to take stock of the pending investigation cases/other cases that warrant issuance of showcause notices and take appropriate action to ensure the timely completion of investigations and issuance of SCNs well before the last date.

This issue is critical as the last date to file the annual return for first three years (2017-18, 2018-19 and 2019-20) of GST is already over and the time frame for issuing order in case of any discrepancies has kicked in.

The board also observed that when compared to the number of GST evasion cases and fraudulent ITC cases, the number of showcause notices have been less during these three years.

Provisions of the GST Act set a time limit of three years and five years for issuance of orders. Considering this, the board felt that if the issuance of SCNs is pushed to close proximity of the end dates/last dates, it may leave very little time with the adjudicating authority to pass orders within the stipulated period mentioned in the Act.

“This might result in a situation where either the adjudicating authority is not able to pass orders within prescribed time period or quality of adjudication suffers. It is felt that the present situation warrants for extra efforts on the part of field formations and strict monitoring at supervisory level,” said the instruction.

Aditya Singhania, Founder at Singhania's GST Consultancy & Co, said that instruction to complete investigations, issuance of showcause notices and its timely adjudication, aims to shield cases from getting time-barred under section 73/74 (of GST Act), both in respect of non-fraud/fraud cases for protecting unaccounted tax revenue.

"This demands preparedness of taxpayers to ensure complete reconciliation of their returns filed vis-a-vis books of accounts, so that differences if found out can be smoothly substantiated. This comes as no surprise as the department has already started conducting audit of the assessee; however, the instruction will certainly force conducting audits of multiple years on cumulative basis," he said.

Source: thehindubusinessline.com– Sep 23, 2021

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GoM set up to rationalise GST rates

Karnataka CM heads panel tasked with restructuring, merging multiple slabs.

Setting the stage for an overhaul of the multiple tax rates under the Goods and Services Tax regime, the government has tasked a group of ministers (GoM) led by Karnataka Chief Minister Basavaraj S. Bommai with proposing a rationalisation of tax rates and considering the merger of different tax slabs within two months.

Currently, the GST regime has five broad tax rate slabs of zero, 5%, 12%, 18% and 28%, with a cess levied over and above the 28% on some goods, and special rates for items like precious stones and diamonds.

While Finance Minister Nirmala Sitharaman had announced, on September 17, a GST Council decision to set up two GoMs to shore up revenues, at the time, she had said that one of the panels will only look at tax rate rationalisation issues to correct anomalies, not the tax slabs per se. Ms Sitharaman had indicated that the effective tax rate under GST had slipped from the original revenue neutral rate of 15.5% to 11.6% 'knowingly or unknowingly' due to multiple rate cuts since GST's introduction in July 2017.

Mr. Bommai's seven-member group constituted by the Finance Ministry on Friday includes West Bengal Finance Minister Amit Mitra and Kerala Finance Minister K.N. Balagopal, as well as GST Council members from Goa, Bihar, Uttar Pradesh and Rajasthan. The group has been asked to suggest immediate changes, as well as a roadmap for short- and medium-term changes to the GST rate structure.

"The GoM shall review the current tax slab rates and recommend changes in the same as may be needed to garner required resources (and) review the current rate slab structure of GST, including special rates, and recommend rationalisation measures, including merger of tax rate slabs, required for a simpler rate structure in GST," the terms of reference for the GoM stated.

Maharashtra deputy CM Ajit Pawar has been made the convenor of another GoM on GST System Reforms, which will look at tapping IT tools to minimise tax evasion and make compliance easier for taxpayers. This group

will subsume two existing ministerial groups on IT challenges and revenue mobilisation owing to the overlap in their mandates, the Ministry said.

The GoM includes seven other ministers, including Tamil Nadu Finance Minister Palanivel Thiaga Rajan, Haryana and Delhi Deputy CMs Dushyant Chautala and Manish Sisodia, as well as ministers representing Andhra Pradesh, Odisha, Chhattisgarh and Assam in the Council.

Source: thehindu.com– Sep 27, 2021

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Growth story: Recovery to gain momentum, but jobs, capex still a concern

The fairly swift recovery following the second wave of the pandemic will likely gain momentum in the festive season ahead. However, even as tax collections exceed expectations and high-frequency indicators show a pick-up, employment numbers remain worrisome. Headline unemployment has fallen in September to just 5.89% but urban joblessness is hovering around 8%; CMIE estimates the net cumulative increase in employment in the past 12 months at just 44, 483. That's just 0.044 million on a base of 400 million jobs.

Hopefully, the recovery process won't lose steam and the supply-side issues will be sorted out. While exports are surging, an analysis by HSBC shows it's high-skill exports —mobile phones, machinery, pharmaceutical products, and IT services — have gained global market share while low-skill and labour-intensive exports — textiles and agriculture — have been weak. Indeed, labour seems to be moving from factories to farms creating surplus in rural areas.

It's good news curbs on expenditure have been lifted and that several central government departments can now spend from their allocated budgets starting October; the clampdown had limited expenditure for some departments, including commerce, renewable energy, textiles, to just a fifth of the FY22 outlay.

One reason or the lower-than-expected GDP growth in Q1FY22 was the small increase in government expenditure, though some of this was attributed to the states. Where government has spent is on capex; the increase in the first four months was almost 15% y-o-y.

The other big concern is the capex cycle: An analysis by Nomura shows that while FY22-23 may see some impact of deferred investments, originally planned during FY21-22, the phasing profile of envisaged capex reveals persisting near-term risks to the private investment outlook.

The aggregate project approvals, in value terms (including all funding sources — banks/FIs, debt, equity), fell 57% in FY21 versus a steady improvement over FY18-20, albeit on a lower base. The aggregate number of projects which had declined in FY20, saw a further fall in FY21.

To be sure investments are fairly strong in sectors such as e-commerce which also create large numbers of jobs, both white-collar and blue-collar ones.

The drop in daily infections and accelerated vaccination should encourage the public to move out of their homes and return to their workplaces and also visit public places. That should give the services sector a boost.

Source: financialexpress.com– Sep 27, 2021

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Online festival sales to clock GMV of $9 billion: RedSeer

Tier 2 cities will continue to drive growth as they are 55-60 per cent of the total shopper base this year. This year's festive sales are expected to grow 22 per cent y-o-y to touch about $9 billion gross GMV during the whole festive month, according to consulting firm RedSeer's latest E-commerce Festive Season Report.

Last year, the players clocked a GMV of $7.4 billion during the festive season. The growth will mostly be driven by the accelerated online adoption which has been witnessed as an effect of Covid-19. Secondly, Tier 2+ will continue to drive growth as they are 55-60 per cent of the total shopper base this year, against 57 per cent in 2020 festive days.

On the other hand, as offline retail and mobility is recovering almost up to pre-covid levels, this will impact the online festive sale as customers may opt for offline shopping as well. Further, categories have been evolving differently during these months which will see an impact as well.

While mobile will continue to dominate driven by new launches, electronics are expected to see the second highest demand driven by the wide range of selection, easy payment options including EMIs and Buy Now Pay Later among other factors.

Additionally, fashion is also expected to see a steady recovery this festive season with greater outdoor mobility of consumers and steady rebound of fashion and office wear.

The report finds that the sellers are very bullish and are looking to recover the losses suffered due to Covid. Nearly 80 per cent of the sellers agree that festive sales will play a key role in recovery, while 70 per cent agreed that the bigger online players have been supportive and positive which led up to the sales event.

The overall online GMV is expected to touch $49-52 billion which is around 37 per cent growth from last year primarily driven by strong consumer funnel expansion and the high adoption of online shopping post-covid across the categories.

“We believe that the 2021 online festive sales will continue to ride on strong tailwinds of greater consumer digital adoption supported by an increasingly positive macro and consumption sentiment post the Covid second wave.

At the same time, we see strong bullishness in sellers towards online festive sales as nearly 80 per cent of them believe of showing strong sales growth and make up for the losses during Covid period,” said Mrigank Gutgutia, associate partner at RedSeer.

Source: thehindubusinessline.com– Sep 23, 2021

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Improving employability: UGC push to apprenticeship-plus degrees is welcome

The UGC prodding colleges and universities to offer undergraduate courses that include industrial training and apprenticeship is a much-needed step towards improving employability of the youth. Unemployment may have fallen to 7.35% in recent weeks but remains elevated. Job losses have been huge and the recovery looks uncertain for many. Against such a backdrop, the need is to make degree-holders more employable so that they are able to compete in a tight job market; the bulk of engineering graduates, as some surveys have shown, were considered unemployable, and the problem is likely to be far worse across other disciplines.

Given the degree programmes UGC is batting for are to be developed in consultation with the Sector Skill Councils, the AICTE and industry bodies such as Ficci and CII, chances are this problem will be addressed to a considerable degree. The structure of such degrees is likely to put students on shopfloors for as long as a year, distributed across the duration of the degree course.

The relevant guidelines, released July last year, are quite progressive and optimally treat such undergraduate courses on a par with regular courses, especially when it comes to eligibility for admission into postgraduate courses. While the guidelines stipulate that at least 20% of the total credits of degree programme with apprenticeships embedded be assigned to the apprenticeship/internship, India can, take a leaf out of Germany’s book for some vocationally-oriented courses.

Germany has been a trendsetter in skilling and marrying apprenticeship to academics, and those who opt for its “dual knowledge system” typically spend 70% of the length of the programme at the workplace/shopfloor, learning on the job, and 30% in the classroom.

This system has guaranteed, as per a clutch of surveys, very high levels of employment among those enrolled, even as early as in the final stages of completion of the course. Such programmes are not just certified by the university but also by university guilds in the country, leading to greater acceptability of graduates by potential employers.

While the system is backed by a piece of legislation, the highest standards of training, academics, as well as apprentice well-being are upheld through close collaboration of universities, companies, industry associations and labour unions. The other crucial aspect is standardisation of a course across the country, which has meant a student certified for completion of a programme run by a university in one region is treated on a par with graduates of a programme run by a university from a different region; to that end, it is expected that the Indian higher education regulator asking universities to furnish details of the programmes they wish to run will lead to some degree of standardisation across geographies.

Industry bodies can play a big role in this since they would be best place to assess a common level of requirement. Both industry and the government will need to do the heavy-lifting to get the skilling space in the country to thrive. While India spends just 1% of its GDP on skilling, if the country is to meaningfully join the global supply-chain the spend must go up to at least 7%. Industry must also partner these efforts. In Germany, 400,000 companies, big and small, officially participate in the dual education effort—80% of the country's large companies engage apprentices though this route—in sharp contrast with just 30,000-35,000 in India.

Source: financialexpress.com– Sep 27, 2021

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