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INTERNATIONAL NEWS

U.S. lawmakers urge USTR to expand tariff exclusions on Chinese goods

A bipartisan group of more than 140 U.S. lawmakers called on U.S. Trade Representative Katherine Tai to immediately revive and expand a tariff exclusion process on Chinese goods to help U.S. manufacturers.

The House of Representatives members said in a letter to Tai that her current proposal to re-launch exclusions for a limited number of Chinese imports subject to "Section 301" is too narrow, and the tariffs paid since a broader exclusion programs lapsed a year ago have hurt American companies and workers.

"These increased costs are undermining the competitiveness of American manufacturing workers whose inputs are now more expensive compared to those made by foreign competitors," said the lawmakers, led by Democrats Ron Kind of Wisconsin and Suzan DelBene of Washington and Republicans Darin LaHood of Illinois and Jackie Walorski of Indiana.

"Sadly, the Section 301 tariffs have broadly impacted U.S. businesses in the manufacturing, agriculture, fishing, retail, energy, technology, and services industries." As part of Tai's announcement of a new strategy to push China on trade commitments last October, USTR sought public comments on a narrow list of exclusions for 549 Chinese import categories, including industrial components, thermostats, medical supplies, bicycles and textiles.

The lawmakers said this was too narrow, covering only 1% of original exclusion applications, and the lapse of previous exclusions have deepened challenges to businesses, especially small and medium-sized enterprises. "Given this, we strongly urge the USTR to expand its exclusion process as quickly as possible to give American workers, businesses, and families badly needed economic relief," the lawmakers wrote, calling also for a longer period of retroactivity for the exclusions prior to Oct. 12, 2021. The letter comes amid increasing calls by business groups for the Biden administration to cut tariffs as a means to ease inflationary pressures.

Source: kfgo.com– Jan 20, 2022

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Chinese central bank cuts rates on medium-term loans, reverse repos

The People's Bank of China (PBOC) recently cut interest rates of its medium-term lending facility (MLF) loans and reverse repos by 10 basis points amid efforts to lower lending cost and boost economic growth. It lowered the rate of 700 billion yuan (about $110 billion) worth of one-year MLF to financial institutions to 2.85 per cent compared with 2.95 per cent on the previous operation.

The central bank also added 100 billion yuan of funds into the market via seven-day reverse repos at an interest rate of 2.1 per cent, down from 2.2 per cent.

With 500 billion yuan worth of MLF and 10 billion yuan worth of reverse repos maturing on the same day, the aforementioned moves will lead to a net liquidity injection of 290 billion yuan into the market, official Chinese media reported.

The MLF tool was introduced in 2014 to help commercial and policy banks maintain liquidity by allowing them to borrow from the central bank using securities as collateral.

Source: fibre2fashion.com– Jan 20, 2022

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Rising exports mask skills gap in Cambodia's garment industry

Cambodia's garment industry is on the hunt for graduates as part of a campaign to see local staff take over senior positions in factories.

With a recently-aired television advertisement, the industry-funded Cambodian Garment Training Institute (CGTI) hoped to convince local talent the sector can offer careers that rise above the factory floor.

Student testimonials spliced with classroom clips tout the benefits of studying subjects like industrial engineering and apparel merchandising and learning skills "in high demand" by employers in the country's largest industry.

"Start your career with us, now," the advert, which ran late last year, concludes.

Cambodia's garment industry already employs over 750,000 people and generates more than a third of the country's gross domestic product. But it also suffers from a wider problem plaguing the economy: it is built on low-skilled, low-cost labor, a model that some say will eventually catch up with the nation.

In the short term, the stars have aligned for local garment factories. After weathering the economic fallout from the pandemic, which first hit the supply of fabric from China and then collapsed global demand, Cambodia's apparel manufacturers emerged with a tailwind, thanks in part to the state's successful vaccination campaign.

Regional trends have also given Cambodia a boost. Supply chain rerouting because of U.S.-China trade frictions, the coup in Myanmar, and severe COVID-19 outbreaks in rival garment producing countries Vietnam and Bangladesh led to increased orders in 2021, effectively neutralizing the impact of European Union trade sanctions levied on the Southeast Asian country in 2020.

Garment exports have risen 11% year-on-year, according to Customs Department figures from October. U.N. Comtrade data shows the country has increased its market share in most of its export destinations.

Garment Manufacturing Association in Cambodia (GMAC) secretary-general Ken Loo said the nation had enjoyed a temporary edge over competitors.

"It's been a combination of what's happening elsewhere with other countries negatively impacted, coupled with the fact that we've had a very successful vaccination program. It's really helped the industry bounce back from the slump in global demand," Loo said.

"Obviously this won't be a long-term situation. We're already seeing Vietnam starting to recover in terms of their COVID situation."

Looking ahead, analysts see in Cambodia short-term opportunities but long-term challenges, as well as acute exposure to supply chain disruptions and external forces.

To address the latter, industry expert Sheng Lu said Cambodia's post-COVID agenda needed to focus on diversifying its export destinations beyond the EU and the U.S. In 2020, Europe, plus Britain, received 35% of the garments, footwear and travel goods exported from Cambodia, while the U.S. received 37%, according to the World Bank.

Having most of its eggs in only two baskets has become increasingly precarious for the country. Penalized in 2020 by the EU for the oppression of political opponents, it now faces a review into its eligibility for important trade benefits with the U.S., which has expressed concern about Cambodia's close ties with China.

At the other end of the supply chain, Cambodia also faces the vulnerability of being entirely reliant on imported fabric, more than 60% of it from China.

Without investment in domestic textile production, Cambodia remains exposed to costly supply chain shocks. It will also struggle to comply with new trade conditions should it graduate from United Nations-assessed least developed country (LDC) status in 2024.

"Should Cambodia lose its LDC status, its apparel exports must contain more locally made textiles before enjoying duty-free market access to key markets like the EU, Japan and Canada," said Lu, an associate professor at the University of Delaware's department of fashion and apparel studies.

"In other words, should Cambodia fail to strengthen the local textile manufacturing capacity or move up the value chain, it could negatively affect the competitiveness of its garment exports in the long run."

Economist Intelligence Unit analyst Imogen Page-Jarrett said that, as production costs rise in China and Vietnam, the country would become an "increasingly popular destination" for low-cost, labor-intensive manufacturing such as the lower-end of the electronics assembly supply chain.

But, in the medium term, it would struggle to move up value chains because of a lack of skilled labor.

"Additional investment in training and education (an area which was damaged during the Khmer Rouge era) would be needed, and even then it could take a decade or longer to produce the workforce needed," Page-Jarrett said.

Cambodia's Minister for Labor last year pledged to spend $500 million on technical and vocational education and training (TVET) over the next five years.

"TVET is the fast track of skill accumulation in the country," said Labor Ministry spokesman Heng Sour. "Lately, the government has doubled funding for upgrading the public TVET institutes in Phnom Penh, Kandal and Kampong Speu province."

The sector, including 38 state-run TVET schools and over 100 private centers, has been the focus of a decade-long Asian Development Bank program to improve Cambodia's workforce.

The bank, which has spent $45 million, has faced an uphill battle. According to a 2018 ADB report, TVET centers lack qualified teachers, rely on outdated equipment and are seen in a negative light, leading to a cycle of low enrollments and persistent image problems.

"Young people still view TVET as a second option, or as education meant for the poor, marginalized groups, or school dropouts," it read.

The overall poor quality of primary and secondary education is another limiting factor.

While Cambodia has improved enrollment rates and boosted teacher salaries in recent years, a 2020 World Bank report found it has so far failed to produce a substantial improvement in learning. Its students perform lower than the ASEAN average in disciplines like reading, mathematics and science.

"The grim truth is that poor accountability in public schools magnifies Cambodia's long-standing low-quality learning," the report stated.

Labor rights advocate Khun Tharo said he was concerned the government had come to equate competitiveness with keeping labor costs cheap and lacked the vision to improve the quality of the workforce.

"The problem is about the political will of the government to make the necessary reforms," he said.

The road ahead for the garment industry is set to be addressed in a five-year development strategy which, although announced last year, is yet to be released.

Vocational training efforts for the important sector are being led by CGTI.

Set up in 2017 with help from Singapore's Textile and Fashion Industry Training Center, the institute receives funds via dues paid by GMAC members, who can redeem some of the payments as credits to train their workers.

It has held largely on-site short courses for almost 6,000 factory workers with subjects ranging from technical sewing to management skills, and has provided scholarships for 75 students to pursue diplomas.

It is these longer courses, which include six months in a classroom and a year guaranteed job placement, that CGTI center director Andrew Tey hopes will produce the first Cambodian to run a factory.

Tey said Cambodian workers were increasingly in supervisory roles and the lower rungs of management, but had largely failed to penetrate top jobs, which were still held by expats, mainly from places such as Malaysia, Taiwan, Singapore, South Korea, Thailand and China.

Part of the problem was perception, he said, with job hunters unaware that the sector offered above average salaries for management positions. Some recent diploma graduates from the institute were earning $600 per month, he said. The median salary for a household in Cambodia is about $400 a month, according to the Cambodia Socio-Economic Survey 2019/20.

"We pay well, a lot of people don't realize," Tey said, "We're targeting high schools, we want to change their mindset."

Source: asia.nikkei.com– Jan 20, 2022

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Bangladesh – Sri Lanka Preferential Trade Agreement: Gains and Policy Challenges

Despite enhanced trade partnerships in South Asia, intra-regional trade is far from reaching its theoretical potential. Similar production patterns and competitive sectors can be the causes. However, bilateral discussions to further lower trade costs continue.

The ongoing Bangladesh-Sri Lanka discussions on a preferential trade agreement (PTA) will benefit from knowing the potential gains from reducing bilateral trade costs. In addition, knowledge of products with higher potential for export gains will help optimise the economic benefits from a trade deal.

Bangladesh - Sri Lanka Trade: The Current Status

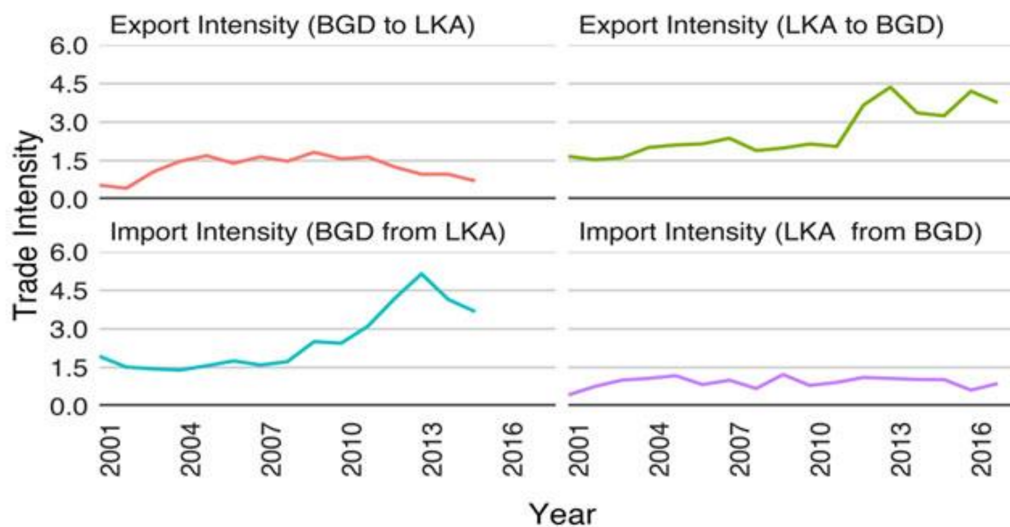
In 2018, when discussions on a PTA began to firm up, Sri Lanka's exports to Bangladesh were USD 133 million, while imports from Bangladesh were USD 37 million. Despite the low trade volume, Sri Lanka's exports to Bangladesh have grown (Figure 1).

In addition, Sri Lanka records a bilateral trade surplus with Bangladesh, which is encouraging given the country's trade deficit concerns. However, weak growth of exports from Bangladesh to Sri Lanka can be seen from 2001 to 2016 (Figure 1).

The current trade deals between the two countries are still partially restrictive. Both countries keep a sensitive list of products that are not eligible for tariff cuts. Sri Lanka maintains a list of 925 products sanctioned by SAFTA (South Asian Free Trade Area) while Bangladesh keeps 993 products.

Sri Lanka's sensitive list covers USD 6.2 million or 23.8% of imports from Bangladesh. The sensitive list of Bangladesh covers USD 77.6 million or 62% of imports from Sri Lanka. Thus, the elimination of sensitive lists may benefit Sri Lanka more.

Figure 1: Trade Intensity between Bangladesh and Sri Lanka



Source: Authors' Illustration using Trademap Data.

Motivations and Possibilities of a Trade Deal

Theoretically, bilateral alliances deepen trade by removing weaknesses in existing multilateral trade arrangements. A trade deal between Bangladesh and Sri Lanka can simplify trade regulations further. In addition, Bangladesh needs alternative preferential access as graduation from Least Developed Country (LDC) status will take away preferential access to its key markets. For Sri Lanka, increasing bilateral participation in production value chains, especially in the textiles sector, might be an economic motivation. Financial support extended by Bangladesh to manage Sri Lanka's foreign currency pressures might be a political motivation for a trade deal.

Eliminating sensitive lists can lead to trade creation, although it may not happen due to political and economic reasons. When it comes to tariff cuts, both countries will act defensively as certain products in the sensitive lists are vital for employment and revenue generation. Thus, the success of a trade deal depends on how many products with high export potential are under its purview.

In this direction, a group of products with specific characteristics can be identified as an offensive list. For example, Sri Lanka's offensive list includes products that Bangladesh imports from anywhere in the world, produced by Sri Lanka with a capacity for expansion. Sri Lanka has a comparative advantage in exporting that good, and Bangladesh already has a tariff on the product.

Export Gains from Tariff Elimination

If tariffs on the sensitive lists are eliminated, there will be modest export gains for Bangladesh and Sri Lanka in absolute terms. Sri Lanka will gain USD 24.7 to 49.7 million of exports to Bangladesh, while Bangladesh will gain USD 2.1 to 4.5 million of exports to Sri Lanka.

Potential export gains are given in a range due to assumptions on elasticity values used in the partial equilibrium model. Elimination of sensitive lists will generate a higher tariff revenue loss to Bangladesh, ranging between USD 13.5 million to USD 19.1 million. By contrast, Sri Lanka's revenue loss will be slight at USD 1.4 million to USD 1.9 million.

Click here for more details

Source: adaderana.lk– Jan 20, 2022

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Morocco denies a revision of free trade agreements with Tunisia and Egypt

After several days of rumors fueled by the Moroccan and Tunisian press, Ryad Mezzour, Moroccan Minister of Industry and Trade, put an end to the controversy. Interviewed by media24, he denied, on Wednesday 19 January 2022, the information published according to which Rabat was working on a revision of the free trade agreements (FTA) signed with Tunisia and Egypt.

At the root of the matter is a circular issued on 3 January 2022 by the Moroccan Customs and Indirect Tax Administration. It was issued to comply with the recommendations of the World Customs Organisation (WCO) after the amendments on the Harmonised System HS 2022. Based on customs tariffs and trade statistics in 211 countries, it came into force on 1 January 2022.

Morocco therefore had to update the customs codifications on the lists annexed to the bilateral FTA between Tunisia and Egypt.

A precedent with Turkey

According to the minister, the media misinterpreted. "These changes have had no impact on the preferential treatment under the bilateral free trade agreement between Morocco and Tunisia," he said in the columns of our colleague. The products covered by the FTA continue to be imported free of customs duties and taxes of equivalent effect. With the exception, however, of products on a joint Moroccan-Tunisian list which are subject to a single tax of 17.5% on import into both countries. But also, those included in a common negative list (18 products) and thus provisionally excluded from tariff dismantling by the two countries. As for trade with Egypt, only six categories of products are in the same case.

The trade balance between Morocco and Tunisia is unfavourable to Rabat with 708 million dinars (216 M€) of Tunisian exports against 370 million dinars (112.8 M€) of Moroccan exports.

To protect the Moroccan industrial fabric and jobs, such a measure of revision of the FTA (signed in 2004 and entered into force in 2006) was, on the other hand, taken in August 2020 against Turkey to balance the trade deficit with this country (19.5 billion dirhams - €1.85bn - in 2019 up 22% on 2018). 1,200 products (textiles and clothing, leather, automobiles,

metallurgy, wood, electricity) have been excluded from the FTA. An annual evaluation is planned to possibly revise this list. Since May 2021, these products have been subject to a customs duty equivalent to 90% of the common duty corresponding to their tariff heading, i.e. 36% of the value of the product. This is for a period of five years.

At the beginning of January 2022, Ryad Mezzour indicated that the free trade agreements concluded by Morocco with several countries over the past twenty years, represented 351.5 billion dirhams of foreign investment between 2011 and 2020, against 249 billion dirhams between 2001 and 2010 and 77.5 billion dirhams between 1991 and 2000.

Source: n.econostrum.info– Jan 20, 2022

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BTMA fears raw material crisis in Bangladesh, prices may soar

The Bangladesh Textile Mills Association (BTMA) recently expressed fears that the sector might face a crisis of raw materials, primarily cotton, in February and March as shipping lines are not ready to carry containers headed to Bangladesh due to a shortage of feeder vessels for timely unloading. Millers said if they failed to get cotton on time, production in many mills would stop and yarn prices would rise.

Though the letter of credits had already been opened for importing cotton needed for February-March, importers would not get the consignments on time due to the reluctance of shipping lines to enter the country's channel, BTMA office bearers told a press conference.

Along with shortage of feeder vessels, inefficiency of port has also been discouraging shipping lines to carry Bangladesh-bound cargo as loading and unloading take more time, causing additional anchoring charges for the mother vessels, BTMA president Mohammad Ali Khokon said.

Khokon said Bangladesh has to pay additional 4 to 5 cents for a pound of cotton due to the higher freight cost as container clearance in the country takes more than a week due to the complex customs procedures while other countries take a maximum of four to five days, according to Bangla media reports.

More than 100 members of the trade body verbally informed its president that shipping lines were unwilling to enter the Bangladesh channel. Due to the trade war between the United States and China, many containers remained stacked in the ports of the two countries, he said.

Khokon also demanded duty-free import of all types of fibres to ensure product diversification as different types of fibres with cotton are being used in the primary textile sector to produce yarns as per the demand of global buyers. BTMA senior vice-president Md Fazlul Hoque and director Md Saleudh Zaman Khan, among others, were present in the briefing.

Source: fibre2fashion.com– Jan 20, 2022

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NATIONAL NEWS

India-UK FTA talks will go very, very quickly, says Mayor Andy Street

According to official statistics, the West Midlands is second after London and the south east of England in terms of inward investments from India.

The negotiations between India and the UK to strike a free trade agreement (FTA), which launched last week, will conclude quickly due to an "absolute agreement" at the senior political level, the Mayor for the West Midlands region of England has said. Andy Street, who is in charge of the West Midlands Combined Authority that covers some of England's major industrial hubs of Birmingham and Coventry, expects his region to hugely benefit from such an FTA.

The UK's Department for International Trade (DIT) confirmed on Thursday that the FTA talks kick-started virtually on Monday and the first round is expected to last two weeks. Last week, UK International Trade Secretary Anne-Marie Trevelyan met her Commerce and Industry Minister Piyush Goyal in New Delhi to formally flag off the negotiations. While their joint statement sets an end of the year timeline for conclusion of negotiations, there is much speculation that such discussions are likely to drag on much further.

"These things tend to be rather longer than one would wish," Andy Street told PTI. "But I think there's a critical ingredient here: there seems to me to be absolute agreement at the senior political level that this has got to happen as quickly as possible. It is surprising how that can unlock these deals more quickly than otherwise. So, I think this will go very, very quickly," he said.

The mayor for the region that is dubbed the automotive capital of the UK, being home to the country's largest car manufacturer Jaguar Land Rover (JLR), believes the trade talks with India hold out great tariff-free promise for the West Midlands.

He said: "The big picture is that within the overall UK-India relationship there's a real opportunity for the West Midlands to build a strong trading relationship. We've already got a very good relationship because our single biggest company, Jaguar Land Rover, is owned by Tata.

“So, there’s an incredible Indian investment here and what we believe is that there’ll be many, many more opportunities particularly in sectors where we are very strong – automotive, net zero – overlap perfectly with the Indian economy. With its automotive cluster, 50 per cent of the research and development (R&D) for the sector is done in and around Birmingham.

“This is the region that will gain most. We’ve seen JLR turning to electric and also electric taxis being built, there’s electric motorcycles. So, this sector is becoming really, really strong here. Of course, the absence of tariffs with India will enable us to really work with the innovators,” said the Mayor.

According to official statistics, the West Midlands is second after London and the south east of England in terms of inward investments from India. Besides JLR, some of the other Indian companies located in the region include software services major Infosys and TVS Motors, which recently acquired Birmingham-based Norton Motorcycles.

“We are very confident that we have got the strength that we can build on the back of that FTA. But it doesn’t stop businesses developing before an FTA is done. We’ve got big aspirations at the moment with a number of Indian companies, Infosys being one, where we are expecting to do an investment deal well before we move to the formality of the FTA,” said Street.

As the force behind the creation of the West Midlands India Partnership (WMIP) last year to build on the strong Indian diaspora base of the region, the businessman-turned-politician flagged trade, tourism, business and academia as the areas with ‘huge opportunities to do more’. With a firm focus on the Commonwealth Games, scheduled for July-August in Birmingham, the region’s Mayor expressed his excitement at playing host as a “good part of the world” comes together with full stadiums and spectators in the wake of the COVID-19 pandemic.

The baton for the 2022 Games was in New Delhi to coincide with Trevelyan’s visit to flag off the FTA talks.

“You think of 2022, for the West Midlands the high point will be the opening ceremony of the Commonwealth Games on July 28. I would extend an invitation to India because it will very much tell the story of a part of the world that is very proud of its links with India and other Commonwealth countries,” said Street.

"We are looking forward to about a million visitors and about a billion people observing this on television, the biggest audience being in India. This is a perfect way to showcase to Indians, who understand the UK very well given the strength of the diaspora, how a region not always in the limelight has developed and what it offers. I hope it encourages more leisure visits and also business visits in the future," he said.

Source: financialexpress.com– Jan 20, 2022

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Exporters from SEZs, EoUs may soon be eligible for new input duty remission scheme

EPCES has submitted data for calculation of remission rates to RoDTEP Committee

Special Economic Zones (SEZs) and Export-oriented Units (EoUs) may soon be brought into the ambit of the government's new scheme for remitting import duties, probably as early as the coming fiscal, with the process of fixing the reimbursement rates already in the works, sources have said.

The new Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, which seeks to reimburse all input taxes that go into the manufacture of an exported item, was introduced for most sectors from January 1, 2021, but it had excluded units in the SEZs and EoUs.

Rectification soon

"There was no justification for excluding EoUs and SEZs from the RoDTEP scheme as all exporters, whether they operate from the special zones or the domestic area, should be reimbursed if they are paying input taxes. This will hopefully get rectified soon," a source tracking the matter told BusinessLine.

The Export Promotion Council for EoUs and SEZs (EPCES) has already submitted the required inputs to the three-member committee, headed by former Union Secretary G K Pillai, for determining the reimbursement rates for various sectors in the EoUs and SEZs.

"We have submitted data to the committee in respect of about 200 SEZ units and EoUs. These are details such as the value of output, the inputs going into it and all the taxes paid so that the rates can be arrived at," said Alok Chaturvedi, Director General, EPCES.

Rates already fixed by govt

Since the government has already fixed RoDTEP rates for most export sectors operating in the country outside the SEZs (Domestic Tariff Area), the exercise of fixing rates for those operating in SEZs or EoUs would not be an elaborate exercise.

"While fixing rates for units in SEZs and EoUs, the committee just wants to ensure that they are comparable to those in the domestic area and if there are some additions that need to be made," Chaturvedi said.

Growth in export from SEZ

Exports of goods from SEZs have been rising steadily and have posted higher growth in the first three quarters of the fiscal compared to overall exports from the country. In the April-Dec 2021 period, overall goods exports rose 49.66 per cent to $301.38 billion while goods exports from SEZs increased 60 per cent to $ 36.4 billion, per figures shared by the EPCES. Services exports from SEZ increased 17 per cent in the period to $ 51 billion.

The RoDTEP replaced the popular Merchandise Exports from India Scheme in January last year as the MEIS was ruled as a banned export subsidy by the WTO because it did not transparently link the reimbursement rates to input taxes paid by exporters. The MEIS was extended to both units in the domestic area as well as the SEZs and EoUs.

Source: thehindubusinessline.com– Jan 20, 2022

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GDP likely to grow 7.6% in FY23: India Ratings

Persistent weakness in private consumption and investment demand is estimated to contribute 43.4% and 21%, respectively, to this shortfall, it reckoned.

India Ratings and Research on Thursday forecast the real gross domestic product (GDP) to grow 7.6% on year in FY23, against an estimated expansion of 9.2% in the current fiscal upon a sharply-contracted base.

The real GDP in FY23 will be 9.1% higher than the pre-Covid (FY20) level. However, the size of the economy in the next fiscal will still be 10.2% lower than the FY23 GDP trend value (had the Covid-19 pandemic not slammed the brakes on economic growth), it added. Persistent weakness in private consumption and investment demand is estimated to contribute 43.4% and 21%, respectively, to this shortfall, it reckoned.

Elevated imports, as witnessed in recent months, will continue to pressure current account deficit (CAD) in the next fiscal and the drag-down impact of net exports on GDP growth in FY23 would be higher than in FY22, India Ratings' chief economist DK Pant said. Consequently, the CAD could worsen to 2.3% of nominal GDP in FY23 from 1.7% this fiscal.

The agency flagged continued risks to growth from tepid private final consumption expenditure, which is expected to drop from the pre-covid level in FY22. Robust pick-up in the PFCE, stressed the agency's principal economist Sunil Kumar Sinha, is a must for a sustained recovery in economic growth.

However, the Reserve Bank of India's (RBI's) Consumer Confidence Survey shows that sentiments have yet not recovered to the pre-Covid levels, Sinha said. Wage growth both in the rural and urban areas has been declining since mid-2020.

More importantly, real (inflation-adjusted) wages are indicating an erosion of household's purchasing power. Another important factor that has hurt consumption demand lately is an abrupt rise in the health expenditure of households in the wake of the pandemic. "These trends may be cyclical in nature, but the picture even at the structural level is not healthy for households. Household savings have declined and their leverage has gone up significantly since FY12, suggesting that a large part of the consumption

demand in the past has been financed through either reduced savings and a higher debt or both," Sinha said.

At the same time, while the government has renewed its focus on reviving growth through increased capex, private investments haven't quite picked up and any increase in this critical segment is limited to a few sectors like steel.

However, the silver lining is merchandise exports will likely grow 18.3% on year in FY23, even on an inconducive base, supported by a global trade resurgence, the agency has estimated.

Source: financialexpress.com– Jan 21, 2022

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Time ripe to attract more foreign investments into MSMEs: Gadkari

Asserting that MSMEs continue to play a crucial role in India's economic growth, the Union Road Transport and Highways Minister Nitin Gadkari on Thursday said that time is ripe to attract more foreign investments into MSME sector. Addressing the ICAI virtual international conference 2022, Gadkari urged the chartered accountants fraternity to play a leading role in attracting foreign investments into the MSME sector. "Our MSMEs contribute to 30 per cent of the growth. We need more capital investments to push growth. We are trying our level best to get more foreign investments in MSMEs. CAs role in this is important", he said.

Gadkari described chartered accountants as "main pillar of Indian economy" and urged them to use their innovative approach to capital raising and thereby support the Indian economy and MSMEs. "Attracting foreign investment into MSMEs is a huge challenge for all of us. We are trying our level best to accelerate growth in Indian economy. Because of Covid we are facing problems", he said.

Digitalisation

Gadkari highlighted that digitalisation is equally important, especially in government departments. "Digitalisation can help us to be more transparent, corruption-free and result-oriented", he added. Highlighting the government's thrust on Aatmanirbhar Bharat, Gadkari also urged the CAs to come up with suggestions on how the country could reduce imports. " The main area where CAs can play a role is is how can we increase our exports while reducing imports. There is huge potential and development of infrastructure is among the highest priority of the government.

The minister also sees chartered accountants playing a critical role in the monetisation of infrastructure projects. "We are already monetising road projects. We are getting excellent response from the market. Our idea is to do monetisation of ₹5 lakh crore in next two years. We are also planning monetisation of gas pipeline and power transmission lines. There is huge possibility of getting investment from abroad", he said. Gadkari also underscored the need to develop rural industries.

Source: thehindubusinessline.com– Jan 20, 2022

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States receive a total of Rs. 95,082 crore during January 2022

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman has authorised the release of an advance installment of tax devolution to State Governments amounting to Rs. 47,541 crore, here today. This is in addition to the regular devolution for the month of January 2022, also being released today.

Thus, States would receive a total of Rs. 95,082 crore or double their respective entitlement during the month of January 2022. State-wise break-up of the amounts being released is appended. It is pertinent to mention that the Government of India had released the first advance instalment of tax devolution amounting to Rs. 47,541 crore to States on 22nd November 2021.

With the release of the second advance installment today, the States would have received an additional amount of Rs. 90,082 crore under tax devolution over and above what has been budgeted to be released till January, 2022. It also needs to be noted that release from Government of India of the back-to-back loan amounting to Rs. 1.59 lakh crore to State Governments in lieu of GST Compensation shortfall in FY 2021-22 was completed by the end of October 2021.

This is in line with the commitment of Government of India to strengthen the hands of States to accelerate their capital and developmental expenditure to ameliorate the deleterious effects of CoVID-19 pandemic.

STATEMENT SHOWING STATEWISE DISTRIBUTION OF NET PROCEEDS OF UNION TAXES AND DUTIES FOR JANUARY 2022				
Sl. No.	State	Regular monthly installment for Jan 2022	Advance installment in Jan 2022	Total releases in Jan 2022
1	Andhra Pradesh	1,923.98	1,923.98	3,847.96
2	Arunachal Pradesh	835.29	835.29	1,670.58
3	Assam	1,487.08	1,487.08	2,974.16
4	Bihar	4,781.65	4,781.65	9,563.30

5	Chhattisgarh	1,619.77	1,619.77	3,239.54	
6	Goa	183.51	183.51	367.02	
7	Gujarat	1,653.47	1,653.47	3,306.94	
8	Haryana	519.62	519.62	1,039.24	
9	Himachal Pradesh	394.58	394.58	789.16	
10	Jharkhand	1,572.17	1,572.17	3,144.34	
11	Karnataka	1,733.81	1,733.81	3,467.62	
12	Kerala	915.19	915.19	1,830.38	
13	Madhya Pradesh	3,731.96	3,731.96	7,463.92	
14	Maharashtra	3,003.15	3,003.15	6,006.30	
15	Manipur	340.40	340.40	680.80	
16	Meghalaya	364.64	364.64	729.28	
17	Mizoram	237.71	237.71	475.42	
18	Nagaland	270.51	270.51	541.02	
19	Odisha	2,152.66	2,152.66	4,305.32	
20	Punjab	859.08	859.08	1,718.16	
21	Rajasthan	2,864.82	2,864.82	5,729.64	
22	Sikkim	184.47	184.47	368.94	
23	Tamil Nadu	1,939.19	1,939.19	3,878.38	
24	Telangana	999.31	999.31	1,998.62	
25	Tripura	336.66	336.66	673.32	
26	Uttar Pradesh	8,528.33	8,528.33	17,056.66	
27	Uttarakhand	531.51	531.51	1,063.02	
28	West Bengal	3,576.48	3,576.48	7,152.96	
	TOTAL	**47,541.00**	**47,541.00**	**95,082.00**	

Source: pib.gov.in – Jan 20, 2022

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MSME units are together capable of constituting a complete supply chain: MSME Secretary

There is tremendous potential for Indian engineering MSMEs to be integrated into the Global Value Chain due to their manufacturing cost advantage, said Mr B. B. Swain, Secretary, Ministry of MSME. Addressing the inaugural session of MSME Conclave organized by EEPC India yesterday, Mr Swain said that for the MSMEs to achieve high growth the two most significant interventions required are related to credit assistance and technology upgradation. He noted that the Ministry of MSME has been working closely with other Ministries and Departments to facilitate the ease of doing business for MSMEs.

"The Atma Nirbhar announcements have focused on easing access to registering as MSMEs, easing their access to credit and providing them the much needed protection as far as global tenders are concerned," Mr Swain said.

He informed the participants that MSMEs engaged in manufacturing of engineering products are about 29% of the 67 lakh MSMEs which have registered since 1st July, 2020 on the Udyam registration portal. "MSME units are together capable of constituting a complete supply chain and being globally competitive because of their diverse products ranging from intermediate to final products," Mr Swain said.

In his welcome address, EEPC India Chairman Mr Mahesh Desai said that MSMEs need to catch up a lot on the technological front as this is crucial to increase India's share in the global value chain. "Make-in-India initiative has brought ample scope for the Indian MSMEs to work with the large scale global manufacturing firms and get access to their upgraded technology and efficient marketing techniques.

Following the onset of the pandemic, large corporations in the developed world have been looking at India as an alternative destination for manufacturing," Mr Desai said. He noted the crucial role of MSMEs in the economy saying that the sector contributes around 30% to India's GDP and has 50% share in the country's exports. "The significance of the MSME sector in India has long been recognized and its potential has also been identified. In the National Manufacturing Policy, manufacturing output has been targeted to increase to 25% of GDP," he stated.

EEPC India, with nearly 60% of its members coming from the MSME sector, has been playing an instrumental role in developing the engineering MSMEs of India. It has been working closely with the government to promote the MSMEs producing engineering products and in line with the initiative of the Department of Commerce for technological upgradation, set up two technology centers in Bengaluru and Kolkata to address the problem of technological backwardness of the engineering MSMEs.

"We promise our best endeavor towards higher integration of this sector in the global value chain through continuation of our strategic activities for the upgradation of engineering MSMEs and we believe that such summits fully dedicated for MSMEs will help us to achieve our goal," said Mr Desai.

A Knowledge Paper titled 'Integrating Indian MSMEs to Global Value Chain' was also released in the inaugural session of the Conclave. The paper has suggested that India's trade regime should promote value addition in the country. "Hence, the general tariff structure should be low on raw and primary goods, slightly higher on intermediaries and the highest on final products," it said.

It further recommended that both direct and indirect tax structure should be neutral and not discriminate between the nature of firms. "Banks and the financial institutions should be more willing to discern genuine exporters and demand less of collateral. Finally, stability in policy measures with less intervention and emphasis on neutrality on behalf of the government will be necessary," it listed among some of the broad pointers.

Source: pib.gov.in - Jan 20, 2022

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Govt must consider extension of expiry dates under provisions

Last Monday, the Supreme Court directed that the period from 15th March 2020 to 28th March 2022 shall stand excluded for the purposes of limitation as may be prescribed under any general or special laws in respect of all judicial or quasi-judicial proceedings and that the balance period of limitation, if any, shall be reckoned from 1st March 2022. The government must take note and consider suitable extensions for other expiry dates prescribed under various provisions.

In March 2020, the Supreme Court took suo-motu cognizance of the Covid-19 pandemic and extended the period of limitation for judicial and quasi-judicial proceedings from 15th March 2020 until further orders.

In March 2021, the Court restricted the extension up to 14th March 2021, as the pandemic had abated. In September 2021, the Court again took note of the situation caused by the second wave of the pandemic and extended the period of limitation till 2nd October 2021. Now the Court has again extended the relaxation till end February 2022 due to the disruptions caused by the third wave of the pandemic.

The order of the Supreme Court says that in cases where the period of limitation expires between 15th March 2020 and 28th February 2022, a period of 90 days from 1st March 2022 shall be granted to all persons. However, if the actual balance of limitation periods as on 1st March 2022 are greater than 90 days, such longer periods would be available from 1st March 2022.

The time period from 15th March 2020 till 28th February 2022 shall also be excluded in computing the periods prescribed under Arbitration and Conciliation Act, 1996, Commercial Courts Act, 2015, Negotiable Instruments Act, 1881 and any other laws, which prescribe period(s) of limitation for instituting proceedings, outer limits (within which the court or tribunal can condone delay) and termination of proceedings.

The Supreme Court, in all its orders, has dealt only with periods of limitation in judicial or quasi-judicial proceedings (including filing of appeals, etc.) and not for any other compliance under various legislations.

However, in the case of Vodafone Essar Ltd. Vs. Dispute Resolution Panel [2012] 340 ITR 352 (Del)], the Delhi High Court gave the benefit of the Supreme Court order to the petitioner. In the case of GNC Infra LLP Vs. Assistant Commissioner of GST [2021(110) TMI 973], the Madras High Court gave the benefit of the Supreme Court directions to the petitioner, in a matter involving delay in filing the refund application under Section 54 of the Central Goods and Services Tax (CGST) Act, 2017.

Recently, the Bombay High Court also, in the case of Saiher Supply Chain Consulting Pvt. Ltd. Vs. Assistant Commissioner of GST and Central Excise [Writ Petition (L.) no. 1275 of 2021], on the basis of the Supreme Court order, directed the authorities to consider a refund application under Section 54 of the CGST Act, 2017, earlier rejected as time barred.

During the first and second waves of the pandemic, the government extended many deadlines for filing various applications and even the expiry dates of import licenses and export obligation periods. The government should now take note of the latest directive from the Supreme Court and issue necessary notifications or circulars making clear the position regarding the applicability of the Supreme Court order to various administrative/statutory provisions.

Source: business-standard.com- Jan 16, 2022

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EPFO Payroll data: EPFO added 13.95 lakh net subscribers in November, 2021

The provisional payroll data of EPFO released on 20th January 2022 highlights that EPFO has added 13.95 lakh net subscribers during the month of November 2021, showing an increase of around 2.85 lakh net additions over the previous month of October, 2021 with a growth rate of 25.65%.Year-on-year comparison of payroll data also shows an increase of around 3.84 lakh in net payroll additions in November, 2021 as compared to 10.11 lakh net subscribers added during the previous year in November, 2020.

Of the total 13.95 lakh net subscribers added during the month, 8.28 lakh new members have come under the social security cover of EPFO for the first time. Approximately 5.67 lakh net subscribers exited but rejoined EPFO by changing jobs within the establishments covered under the purview of EPF & MP Act, 1952. The subscribers opted to continue their membership with EPFO by transferring their PF accumulations from previous to present PF account instead of applying for final withdrawal.

Age-wise comparison of payroll data shows that the age-group of 22-25 years has registered highest number of net enrolments with 3.64 lakh additions during November, 2021. Age-group of 18-21 also registered a healthy addition of around 2.81 lakh net enrolments. Age-groups of 18-25 years have contributed around 46.20% of total net subscriber additions in November, 2021. Members of these age-groups are usually fresh hands, entering into the job market following education signifies a crucial stage on application of academic learning and possibility of advancement.

Pan India comparison of payroll figures highlights that the establishments covered in the states of Maharashtra, Haryana, Gujarat, Tamil Nadu and Karnataka are in lead by adding approximately 8.46 lakh subscribers during the month, which is around 60.60% of total net payroll addition across all age groups.

Gender-wise analysis indicates that net share of female subscribers during the month is 2.95 lakh, which is almost 59,005 more than that of subscribers added during the previous month of October, 2021 when 2.36 lakh net females participated the organised workforce with an increase of 24.97%.

Industry-wise payroll data indicates that 'expert services' category (consisting of manpower agencies, private security agencies and small contractors etc.) constitutes 41.48% of total subscriber addition during the month. In addition, growing trend in net payroll additions has been noted in industries like building and construction industry, textiles, schools, restaurants, cement etc.

The payroll data is provisional since the data generation is a continuous exercise, as updation of employee record is a continuous process. The previous data hence gets updated every month. From the month of May-2018, EPFO has been releasing payroll data covering the period November 2017 onwards.

During the difficult time of Covid pandemic, EPFO is committed to provide a helping hand to its stakeholders. It reaffirms its vision to be an innovation driven social security organisation aiming to ensure uninterrupted and seamless service delivery,through state-of-the-art technology. With extensive use of social media nowadays, EPFO is available on Twitter, WhatsApp and Facebook to help the subscribers and addressing their issues.

Source: pib.gov.in – Jan 20, 2022

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India – Sri Lanka S&T cooperation look towards new areas like waste-water technologies, biotech, sustainable agriculture, big data analytics & artificial intelligence

India and Sri Lanka extended the existing S&T cooperation for 3 more years, with focus on new areas like waste-water technologies, biotech, sustainable agriculture, aerospace engineering, robotics, big data analytics, and artificial intelligence, as well as industrial collaborations at the India-Sri Lanka 5th Joint Committee on S&T Cooperation held on January 20, 2022.

“India and Sri Lanka have a great legacy of intellectual, cultural, and religious interaction and relationship of more than 2500 years old. Trade and investment and cooperation in education and other sectors have gone up in recent times, and in this line, cooperation in S&T becomes very critical,” said Mr. S. K. Varshney, Advisor, and Head, International Cooperation, Department of Science and Technology (DST), Ministry of Science and Technology, India, who led the delegation from the country and was the Indian co-chair.

“This platform will provide an opportunity for discussing various other facets which are possible for collaboration in the domain of S&T. There are lot of opportunities available for bilateral cooperation. India offers fellowships like India S&T fellowship, e-ITEC and both the countries can work through a number of multilateral platforms like BIMSTEC, which they are part of,” he added.

Mrs. Deepa Liyange, Secretary, State Ministry of Skills Development, Vocational Education, Research & Innovations, Sri Lanka, the co-chair from Sri Lanka, reiterated the well-established bilateral relationship between both the countries and welcomed India’s cooperation in S&T sectors and research areas for boosting scientific knowledge in the country.

Mr. Vinod K. Jacob, Deputy High Commissioner from India in Sri Lanka, highlighted that as part of India’s "Neighborhood First" policy which guides the country’s cooperation with Sri Lanka, this meeting would help build on existing collaborative work and help these reach greater heights. He further mentioned that under the e-ITEC program, since April 2020, 550 Sri-Lankan nationals have benefitted from training in various Indian institutions in areas like biotech, medical research, renewable energy, and so on.

"S&T is a key enabler of socio-economic and sustainable development. The tools in science will enable the world in achieving the 2030 agenda of sustainable development, and it is high time we create conducive environment for S&T and innovation. A strong bilateral cooperation is extremely important for a country's progress, and Sri Lanka looks forward to a fruitful joint cooperation programme," Mr. Niluka Kadurugamuwa, Deputy High Commissioner from Sri Lanka in India, pointed out.

The delegates exchanged information on the ongoing S&T activities in the two countries. The Indian side presented the overall STI Policy and priority areas by showcasing the core mandates of DST, multi-stakeholder base of DST, India's recent progress in S&T, as well as focus on securing India's future in technology through missions like NM-ICPS, NM-QTA, Methanol mission, new initiatives like VAJRA, TARE, Vigyan Jyoti, Accelerate Vigyan. India's international S&T engagements were also elaborated upon. The Sri-Lankan side also highlighted the scope and status of S&T in their country and its application in various areas of national importance. Organizations like National Science Foundation, Sri Lanka, Council of Scientific and Industrial Research, India and Industrial Technology Institute, Sri Lanka detailed on activities performed by the respective Scientific Agencies and areas of potential collaboration between both the countries.

The delegates reviewed the ongoing collaborative activities in the 9 areas spanning food technology; plant base medicines; meteorology; space research & applications, robotics & automation; industrial electronics, renewable energy; waste management; information and communication technology and discussed about the future activities.

The board mutually agreed to extend the Programme of Cooperation (POC) for another 3 years between both countries and identified new areas such as like waste-water technologies, industry and biotech, sustainable agriculture, aerospace engineering, robotics, big data analytics, and artificial intelligence to be included in the POC. The need to invite new joint proposals in S&T areas was underlined, and the group recommended conducting more webinars in the wake of the current pandemic situation for enhancing collaborative research and making collaborations stronger.

Source: pib.gov.in – Jan 20, 2022

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182 factoring companies for MSMEs now, up from seven earlier

The RBI has allowed all non-deposit taking NBFC-Investment and Credit Companies (NBFC-ICCs) with asset size of ₹1,000 crore and above to carry on with factoring business, significantly boosting the number of such companies to 182 from seven earlier.

Factoring companies offer bill discounting facilities to MSMEs. These can trade their receivables online and get immediate payment from factoring companies at a discount. This enables them to get immediate liquidity instead of waiting for the bills to be honoured by the customers.

However, if the customer doesn't honour the bills, the MSME may still be liable for repayment to the factors.

The had amended the Factoring Regulation Act, 2011 in July last year, widenig the scope of companies that can undertake factoring business. The act permitted Trade Receivables Discounting System (TReDS) platform to file the particulars of assignment of receivables transactions with the central registry on behalf of the factoring forms for operational efficiency. The act also empowered the central bank to form regulations for factoring companies.

The central bank said in a gazette notification dated January 14 that eligible companies can apply to the Reserve Bank for seeking registration under the Act.

Source: business-standard.com– Jan 21, 2022

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Offline retailers feel Omicron chill as Republic Day sale nears

Offline retailers are feeling the Omicron January chill as consumers are apprehensive about venturing out in the midst of rising Covid cases across the country. Covid restrictions, as well as concerns over the new virus variant, are seeing shoppers pull back from the high streets and shopping malls, clearly cautious about streaming into stores and choosing to self-censor instead.

THROWING A WRENCH IN RECOVERY

- Fewer trips to malls mean lower footfall and sales, resulting in higher stockpile
- With Covid response curbs in place, offline retailers have also had to redraw their operational dynamics, according to state-specific restrictions
- Fashion retailers have not been able to liquidate stock during the ongoing EOSS and the sale period could extend to mid-February

Offline retailers' hopes of a bumper End-Of-Season Sale (EOSS) and Republic Day (R-Day) Sale to compensate for losses over the pandemic have been dashed.

Fewer trips to malls mean lower footfall and sales, resulting in higher piling of stock - and possibly higher discounts.

Electronics retail chain Vijay Sales said its R-Day Sale will happen in Mumbai since there is no lockdown in Maximum City. “We will stretch it over three-four days,” said Nilesh Gupta, managing director (MD), Vijay Sales. Also, discounts this year will be somewhat higher, compared to the previous year. It plans to offer discounts in the range of 15 per cent and 20 per cent, compared to the 12-14 per cent it offered at its earlier R-Day sales. With Covid response curbs in place, offline retailers have also had to redraw their operational dynamics, according to state-specific restrictions.

“Our footfalls are impacted 20-25 per cent and the sales season could be subdued this year,” said Mukesh Kumar, chief executive officer (CEO), Infiniti Mall. Even the food and beverage sales at its malls have been impacted due to restrictions, forcing them to pull down shutters at 10 pm in a city that supposedly never sleeps like New York, but rendered somnolent after Covid-19.

He added that brands don’t seem too bullish on the sales season this year and have slimmed their advertising wallet. Kumar said brands could probably take a more decisive call before the weekend.

Fashion brands are already in the middle of EOSS, which will also coincide with the R-Day Sale, but footfall has been impacted due to customers staying indoors and shopping online.

Fashion retail chain Lifestyle said its EOSS is up and running. It is only advertising in states where there are fewer restrictions.

“We are running our EOSS across stores at discounts we normally offer (up to 50 per cent), but we don’t expect the response to be like last year's,” said Devarajan Iyer, CEO, Lifestyle. He added that footfall has been impacted due to higher cases of Covid and consumer awareness about safety. If there are any more lockdowns, the response to its sales will be muted, he said.

Major Brands India, which has labels like Charles & Keith, Aldo, and Bath & Body Works under its belt, is also running its EOSS, but has seen reduced footfall at its stores. “Footfall at our stores has been low, but we are running the regular EOSS with up to 50 per cent discount,” said Tushar Ved, president, Major Brands India. He said its brands have witnessed higher traction online.

Fashion retailers have not been able to liquidate stock during the ongoing EOSS and the sale period could extend to mid-February, said a retailer. Health & Glow, a beauty and personal care multi-brand retail chain will offer up to 50 per cent discount across brands and categories on its website, as well as in-store. Its sales start on January 21 and it will offer additional discounts on brands, makeovers, and skin tests.

“As a natural outcome of the pandemic, given the lockdowns and curfews, offline has taken a hit and footfall will likely be lower during this period. However, the consumer will turn to shopping online, and so Health & Glow will continue to be a part of key holiday retail events,” said K Venkataramani, MD and CEO, Health & Glow.

Venkataramani added that over the past three-four years, it has taken to digital advertising in a big way, and traditional media has taken a backseat. “In line with our plans to grow our omnichannel sales, our online advertising spend has quadrupled over the past year and will likely continue to increase for online channels,” he said.

Source: business-standard.com– Jan 21, 2022

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