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# INTERNATIONAL NEWS

## Global Foreign Direct Investment Rebounded in 2021, Despite Weakness in Greenfield Projects

Global foreign direct investment (FDI) showed a strong rebound in 2021, up 77 percent to an estimated $1.65 trillion from $929 billion in 2020, surpassing the pre-Covid-19 level, according to the United Nation's Conference on Trade and Development's (UNCTAD) "Investment Trends Monitor."

"Recovery of investment flows to developing countries is encouraging, but stagnation of new investment in least developed countries in industries important for productive capacities and key sustainable development goals (SDGs) sectors such as electricity, food or health is a major cause for concern," UNCTAD secretary-general Rebeca Grynspan said.

Developed economies saw the biggest rise, with FDI reaching an estimated $777 billion in 2021–three times the exceptionally low level in 2020, the report showed. In Europe, more than 80 percent of the increase came from large swings in conduit economies. Inflows in the United States more than doubled and were entirely derived from a surge in cross-border mergers and acquisitions (M&As).

FDI flows in developing economies rose 30 percent to nearly $870 billion, with a growth acceleration in East and South-East Asia, a recovery to near pre-pandemic levels in Latin America and the Caribbean and an uptick in West Asia. Inflows in Africa also rose, with most recipients across the continent seeing a moderate rise in FDI. The total for the region more than doubled, inflated by a single intrafirm financial transaction in South Africa in the second half of 2021.

Of the total increase in global FDI flows in 2021 of $718 billion, more than $500 billion was recorded in developed economies. Developing economies, especially least developed countries (LDCs), saw more modest recovery growth.

The report says investor confidence is strong in infrastructure sectors, supported by favorable long-term financing conditions, recovery stimulus packages and overseas investment programs. International project finance deals were up 53 percent in number and 91 percent in value, with sizable increases in most high-income regions and in Asia and Latin America and the Caribbean, UNCTAD noted.

In contrast, investor confidence in industry and global value chains was weak, according to the report. Greenfield investment project announcements were down 1 percent in number and up 7 percent in value. The number of new projects in global value chains (GVCs)-intensive industries such as electronics fell further.

In other sectoral trends, greenfield investment activity remains 30 percent below pre-pandemic levels on average across industrial sectors. Only the digital information and communication sector has fully recovered, UNCTAD said. A greenfield investment is generally defined as a type of FDI in which a parent company creates a subsidiary in a different country, building its operations from the ground up. In addition to the construction of new production facilities, these projects can also include the building of new distribution hubs, offices and living quarters.

FDI in the United States–the largest host economy–increased 114 percent to $323 billion, while cross-border M&As almost tripled in value to $285 billion. FDI in the European Union was up 8 percent, but flows in the largest economies remained well below pre-pandemic levels.

China saw a record $179 billion of inflows, a 20 percent increase, driven by strong services FDI, while Brazil saw FDI double to $58 billion from a low level in 2020, but inflows remained just below pre-pandemic levels.

The Association of Southeast Asian Nations (ASEAN) resumed its role as an engine of growth for FDI in Asia and globally, with inflows up 35 percent and increases across most members. FDI flows to India were 26 percent lower, mainly because large M&A deals recorded in 2020 were not repeated, while inflows to Saudi Arabia quadrupled to $23 billion, in part due to an increase in cross-border M&As.

Flows to South Africa jumped to $41 billion from $3 billion in 2020 due to the $46 billion share swap between the South African multinational Naspers and its Dutch-listed investment unit Prosus.

The recovery of investment flows to sectors relevant to the SDGs in developing economies, which suffered significantly during the pandemic with double-digit declines across almost all sectors, remains fragile, the report concluded.

The combined value of announced greenfield investments and project finance deals rose 55 percent, but mostly because of a small number of very large deals in the renewables sector. The number of SDG-relevant investment projects in developing economies rose only 11 percent. Renewable energy and utilities continue to be the strongest growth sectors, especially through international project finance.

In LDCs, the trend in SDG-relevant investment was less favorable. SDG investment project numbers in LDCs declined 17 percent, after a 30 percent fall in 2020.

UNCTAD said the outlook for global FDI in 2022 was positive, but the 2021 rebound growth rate is unlikely to be repeated, with international project finance in infrastructure sectors continuing to provide growth momentum, the report projected.

"New investment in manufacturing and GVCs remains at a low level, partly because the world has been in waves of the Covid-19 pandemic and due to the escalation of geopolitical tensions," said James Zhan, director of investment and enterprise at UNCTAD. "Besides, it takes time for new investment to take place. There is normally a time lag between economic recovery and the recovery of new investment in manufacturing and supply chains."

Source: sourcingjournal.com– Feb 02, 2022

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# Traffic Fee Doubling (Again) at Congested West Coast Ports

Starting Feb. 14, the West Coast Marine Terminal Operator Agreement (WCMTOA) will once again increase traffic mitigation fees at the Ports of Los Angeles and Long Beach, with the rates spiking to $78.23 per TEU (twenty-foot equivalent unit) during daytime shifts on weekdays.

The WCMTOA, which comprises the 12 international MTOs serving the Los Angeles and Long Beach ports, is imposing the fees at the request of the Biden-Harris Administration Supply Chain Disruptions Task Force. They are currently subject to regulatory clearance by the Federal Maritime Commission (FMC).

As part of the ports' PierPass OffPeak program, the traffic mitigation fees (TMF) are imposed by the operators to clear up congestion and encourage shippers or consignees to move cargo during off-peak hours. On Nov. 10, in response to an earlier request from the task force, WCMTOA temporarily adjusted the TMF to $78.23 per TEU between Dec. 1 and Jan. 31. Shippers were charged only on weekdays during the daytime shift.

Under this temporary adjustment filed in November with the FMC, the TMF was scheduled to revert to its previous levels on Feb. 1. That change did take place, with the rate returning to $34.21 per TEU or $68.42 for all other sizes of container and payable throughout all hours of terminal operation. The ports cooked up an appointment-based systems to encourage trucks to access the facilities during off-peak hours.

On Jan. 21, the task force's port envoy asked the WCMTOA to encourage more truck trips in the off-peak shifts by continuing to waive the fee during the second and third shift operations. The TMF hikes are different from the $100 per day container dwell fees that the ports have routinely delayed but should now take effect on Feb. 4. The executive directors of both ports will reassess whether they still need to implement the fee after they review the latest data. The two ports have seen dock-clogging cargo shrink 67 percent since announcing the fees in October.

This would ideally thin out the backlog of ships out on the ocean as well. But critics question how the ports are tracking where the containers are, especially since a vessel queue system was established in November.

"They told the ships they couldn't wait offshore—they have to wait…over the horizon where you can't see them," Flexport CEO Ryan Petersen said at the National Retail Federation Big Show last month. "If you counted the ships that were waiting on the horizon, the number had gone up by 30 to 40 percent." Nevertheless, the TMF, like the queueing and the dwell fees, is yet another move to encourage stakeholders to operate around the clock.

Under the original PierPass OffPeak Program, which was established in 2005 to mitigate severe traffic congestion around the ports, incentive pricing (such as charging a TMF for weekday, daytime container moves) was used to enable and drive traffic to new night shifts. OffPeak 2.0 was introduced in 2018 after consulting with supply chain stakeholders to address traffic bottlenecks with appointment systems instead of incentive pricing. The change also sought to eliminate the problematic truck bunching that occurred between shifts with the previous program.

Containers exempt from the TMF include empty containers, domestic and transshipment cargo, and import cargo or export cargo that transits the Alameda Corridor in a container and is subject to a fee imposed by the Alameda Corridor Transportation Authority. Empty chassis and bobtail trucks are also exempt. PierPass is a not-for-profit company created by the MTOs at the Port of Los Angeles and Port of Long Beach to address multi-terminal issues such as congestion, air quality and security.

The two ports are still awaiting results from both federal and state funding, with the White House's Infrastructure Bill setting aside $4 billion for capacity expansions enabling key ports to accommodate bigger vessels and further enhance the U.S.'s ability to move goods. And California Governor Gavin Newsom has plans to allocate $2.3 billion to supply chain spending, specifically $1.2 billion for the ports, freight and goods movement projects and $1.1 billion for worker training and zero-emissions vehicles.

These potential funds would build on the $52 million grant the White House previously announced in December to support the Port of Long Beach's on-dock rail facility, as well as a multi-billion-dollar loan agreement with California to modernize the state's ports, freight and other goods movement infrastructure.

Source: sourcingjournal.com– Feb 02, 2022

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# China-Russia trade hits a record high of over $140 bn

China-Russia trade reached $146.8 billion, exceeding the $140-billion mark for the first time in 2021, with exports to Russia growing steadily for six consecutive years, according to data from China's general administration of customs. Russian ambassador to China Andrey Denisov recently said the rising prices of some key tradable commodities—30 per cent of total exports—were the major growth drivers.

China's exports to Russia reached $67.6 billion with a year-on-year rise of 33.8 per cent, while its imports topped $79.3 billion worth of goods—up by 37.5 per cent compared with 2020 figures, according to a report in a Chinese state-controlled newspaper.

Russia continues to maintain its position as China's top source of energy imports which totaled 334.3 billion yuan ($52.5 billion) in 2021, an increase of 47.4 per cent, accounting for 65.3 per cent of China's total imports from the country.

Among them, imports of crude oil reached 260.2 billion yuan ($41.1 billion), an increase of 35.6 per cent while imports of coal topped 46.5 billion yuan ($7.2 billion) and natural gas 27.7 billion yuan ($4.3 billion). Imports of coal and natural gas from Russia went up by 148.7 per cent and 70.5 per cent respectively.

China significantly increased its imports of some Russian agricultural products such as rapeseed oil and beef with a year-on-year increase of 56 and 210 per cent respectively.

Meanwhile, China also consolidated its advantages to export electromechanical products to Russia. In 2021, China exported 268.5 billion yuan ($42.4 billion) worth of electromechanical goods to Russia, an increase of 32.5 per cent compared with 2020, accounting for 61.5 per cent of the total value of Chinese exports to Russia in 2021.

"Russia will also further expand the supply of coal and power to China as its demand for natural gas from Russia continues to expand," the ambassador was quoted as saying.

Source: fibre2fashion.com– Feb 02, 2022

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# Retail returns in US may amount to $761 bn for 2021: Report

Retailers expect more than $761 billion in merchandise sold last year to be returned by consumers, according to a report released by the National Retail Federation (NRF) and Appriss Retail. This accounts for an average of 16.6 per cent of total US retail sales, which soared to $4.583 trillion in 2021. The 2021 total rate of returns is up from 10.6 per cent during 2020.

Online returns are in line with recent years at an average of 20.8 per cent. According to NRF, online sales accounted for $1.050 trillion of total US retail sales last year. Approximately $218 billion of online purchases were returned, with $23.2 billion (10.6 per cent) deemed fraudulent.

"As total retail sales continue to accelerate from sustained consumer demand during the pandemic, it is no surprise that the overall rate of returns has also been impacted," said Mark Mathews, NRF's vice president of research development and industry analysis. "While retailers have indicated that they are seeing an increase in items returned to stores and online, the upside is that it also provides them with additional opportunities to connect further with customers and provide a positive experience."

According to the survey, for every $1 billion in sales, the average retailer incurs $166 million in merchandise returns. It also found that for every $100 in returned merchandise accepted, retailers lose $10.30 to return fraud. The categories with the highest return rates include apparel, which was similar to 2020 metrics at 12.2 per cent. The most common types of payment used during the original purchase that led to a return were credit cards (22.78 per cent), cash (12.69 per cent) and debit cards (7.04 per cent).

"Retailers must rethink returns as a key part of their business strategy," said Steve Prebble, CEO of Appriss Retail. "Retail is dealing with an influx of returned items. Now is the time to stop thinking of returns as a cost of doing business and begin to view them as a time to truly engage with your consumers."

Earlier this month, NRF reported that retail sales during the November-December holiday season reached a total $887 billion, exceeding its forecast of up to 11.5 per cent growth. On average, retailers expect 17.8 per cent, or $158 billion, of merchandise sold during the holiday timeframe to be returned.
The survey of 57 retailers was conducted by NRF and Appriss Retail.

Source: fibre2fashion.com– Feb 02, 2022

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# Nearshoring Takes Hold: 'We Can't Have All of Our Eggs in the China-Asia Basket'

After countless years of rumblings and promises, the long-heralded rise in nearshoring appears to finally be here.

In a McKinsey & Co. survey of 38 chief procurement officers at clothing companies, 71 percent said they plan to increase their nearshoring share, including 13 percent who expect to do so by more than 10 percentage points. Twenty-four percent plan to increase reshoring in their sourcing strategy.

For U.S. companies, Central America ranks highest on the list for future nearshoring activities. Roughly eight of 10 North American apparel players—nearly one-quarter of the respondents in McKinsey's survey are based in the region—plan on increasing their company's sourcing value share in Central America.

McKinsey's results, published in a November report, align with the latest data on denim imports from the Commerce Department's Office of Textiles & Apparel (OTEXA). According to OTEXA, overall U.S. blue denim apparel imports increased 28 percent year over year in October, while those from Western Hemisphere countries grew 40 percent. Mexico registered a 43 percent gain compared to 2020. Imports from the countries of the Central American Free Trade Agreement (CAFTA) rose 29 percent.

Kim Glas, the president and CEO of the National Council of Textile Organizations (NCTO), attributed the increased interest in Western Hemisphere sourcing to three factors: labor shortages due to Covid outbreaks, higher freight costs and the uncertainty related to the reports of forced labor in China's Xinjiang region. "I don't see it not being all tied together," Glas said.

The latter of those three factors became particularly pertinent in December when President Joe Biden signed the bipartisan Uyghur Forced Labor Prevention Act, legislation that bans imports from Xinjiang, into law. The act creates a "rebuttable presumption" that all products from Xinjiang have been made under coercion by persecuted Muslim minorities—thereby barring them from entering the United States under the 1930 Tariff Act—unless "clear and convincing" evidence proves otherwise. Previous rules which had targeted cotton products, tomatoes and some polysilicon products had only blocked goods if forced labor was suspected.

“I think it’s led to brands and retailers starting to ask more questions about their supply chain, like ‘Where did this cotton come from? How about this yarn?’” Glas said. “I would say, too, that [sourcing from China is] a high-risk strategy because [the] U.S. government is becoming even more vigilant related to this issue. And it does not appear that the Chinese are recalibrating their approach. In fact, there’s discussion of further retaliatory measures that China will take as a result of this legislation being signed into law.”

The U.S. government’s actions on Xinjiang, if fully enforced, provide an opportunity for companies “to shift sourcing closer to home, where they can understand the transparency in their supply chain,” Glas added.

Central America

Among those advocating for increased manufacturing in Central America is Vice President Kamala Harris, who in December announced new commitments to invest in the region from seven companies, including Parkdale Mills. A North Carolina-based manufacturer of spun yarn and cotton consumer products, Parkdale plans to invest $150 million in building a new yarn spinning facility in Honduras and supporting an existing facility in Virginia, the White House said. The investment is intended to support roughly 500 employees at each location. According to NCTO, the move will shift 1 million pounds of yarn per week away from supply chains in Asia.

“Parkdale sees an enormous opportunity for brands and retailers to re-shore and nearshore production supply chains and double the size of U.S.-[Dominican Republic-Central America Free Trade Agreement] trade, because of the rules of origin in our trade agreement and a shift in sourcing by brands and retailers mitigating their supply chain sourcing risks,” Anderson Warlick, chairman and CEO of Parkdale Mills, said in a statement released by the NCTO. “We are excited about what this opportunity means for jobs in the U.S. and the region for this critical production chain and couldn’t be more thrilled to be part of this effort. We look forward to working with the Vice President and her team on strengthening the textile and apparel production chains in the U.S. and region.”

In 2021, exports from Central American countries to the United States soared compared to the prior year. Going into the final weeks of the year, the latest data showed textile exports up 33 percent from the Dominican Republic on the low end and up 56 percent from Honduras on the higher end, NCTO’s Glas said. El Salvador, Nicaragua and Guatemala all landed somewhere in the middle. China and Vietnam, by comparison, were up 25 percent and 15 percent, respectively, she added.

Though the continued expansion of manufacturing in Central America will necessitate further investment in local infrastructure—something Glas said NCTO has been urging governments, including the United States', to do—the labor market seems to be there. Unlike in the United States, where businesses have struggled to find workers, Glas said there's a "strong interest" in these jobs, whether that's raw material, textile or apparel production.

Though much of the increase Central America has seen is related to lower-than-usual numbers in 2020, Glas said NCTO expects 2021 will surpass even 2019. Looking ahead, she believes it is "totally achievable and feasible" to double exports from Central America and Western Hemisphere trade partners in three to five years "if we put the right plans into place to make that happen."

"It's exciting," Glas said. "This is all very achievable and it will take all of us to make that happen. And I think hopefully Covid has taught us some critical lessons about supply chains, whether it was PPE or textile and apparel or home furnishing products, that we can't have all of our eggs in the China-Asia basket, we need to de-risk our strategy and to ensure that we have close proximity to market for products that we either use every day or we need in a health care crisis."

Brazil

Savelli (SVL), a Brazilian footwear company that manufactures footwear for its own brands as well as third parties, has seen increasing demand for Brazilian products, particularly from the United States. Bruna Pini Martins Machado de Moraes, SVL's export manager, said one of the reasons is companies' desire to not rely on one single producer after the pandemic. Those that used to produce entirely in Asia before are now looking to spread out across multiple locations so that they are not impacted should something similar happen.

At Pegada, another Brazilian footwear manufacturer, production dropped 20 percent in 2020 as Covid protocols limited the company's output. This year, however, orders have increased substantially, returning its factories close to full capacity and its outputs back to 2019 levels, CEO Gabriel Ranft said.

According to data from the Brazilian Association of Footwear Industries' (Abicalçados), the South American country exported 110.77 million pairs of shoes from January to November, generating $805.7 million. These totals represented increases of 31 percent and 34.6 percent in volume and revenue, respectively, against the same period in 2020. Compared to 2019, volume grew 5.6 percent and revenue decreased 9.6 percent.

Exports to the United States saw even greater improvements, with imports up 59.2 percent in volume year over year to 13.55 million pairs. Revenue from the first 11 months of the year grew 61.3 percent versus 2020 to $204.36 million. In November alone, volume and revenue jumped 138.8 percent and 210.6 percent year over year, respectively. The United States' share of Brazil's footwear exports has also increased, Letícia Sperb Masselli, manager of Abicalçados' Brazilian Footwear Program, said. Historically around 20 percent, that share has climbed to 25 percent.

"It's a lot of brands that used to produce in Asia looking for Brazilian factories to produce," Masselli said. "This is growing big, and our factories are having to adjust bigger than before the pandemic in order to fulfill that demand."

Though the supply chain issues of 2021 "definitely" helped raise interest in Brazilian manufacturing, Masselli said Abicalçados actually began hearing talk of increased orders in late 2020.

"There is a big movement of people who are talking about outsourcing nearshore," Masselli said. "Of course, there are some logistics situations that impact all over the world, but the huge [logistics] problems… are manageable when we are closer together."

Sustainability

With environmental concerns weighing more in companies' strategies, firms in the Western Hemisphere are turning to green practices to differentiate themselves from the competition.

Guatemala, for example, has a 70 percent renewable energy portfolio, Glas said. "That's fantastic as people are looking to continue addressing carbon emissions," she added.

In Brazil, SVL is aiming to make its production “100 percent sustainable” in a couple of years. In the short term, they plan to launch an eco-friendly line in 2022. Pegada, meanwhile, has obtained “many” certifications in Brazil and has joined Abicalçados’ Sustainable Origin Program.

“When we started to be approached by international buyers, especially Americans and some European buyers, they would ask us about sustainability,” Masselli said. “It’s been almost a decade now that we [have been] working on a certification of sustainable origin. It does not certify products, it looks at processes. So, we look at sustainability in ways, so it’s not only environmental, but we looked at social, we look at economical, we look at all of that.... We do not certify only the footwear factories, but the entire supply chain.”

Though the program is something that Abicalçados has mostly communicated domestically in Brazil, the organization launched it internationally in November at Expo 2020. “It’s going to be something that we will be working on for the next years in communicating this internationally,” Masselli said.

Source: sourcingjournal.com– Feb 02, 2022

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# Bangladesh Manufacturers Irate Over WTO-UN Report

Asia's big three apparel exporting countries are rivals, to say the least.

According to a recent report by the World Trade Organization and the United Nations, Vietnam has once again emerged as the highest rated by brands and retailers among the top three garment-exporting locales including China and Bangladesh in a competitiveness assessment by selected suppliers. This judgment isn't sitting well with Bangladesh.

Fashion brands and retailers view China and Vietnam as more critical sourcing bases, with Turkey another major sourcing destination for European Union-based fashion companies, according to the report.

"More than 70 percent of surveyed respondents currently source from more than six different countries, while nearly 40 percent source from more than 10 different countries. Larger companies, in general, adopt a more diversified sourcing base than smaller ones," the report said.

While China still leads in terms of the four key parameters of innovation, vertical integration, efficiency and lead time, Vietnam leaps ahead on seven others, and is seen as on-par with China in terms of production quality.

Bangladesh, which has held its place for a number of years as the second largest garment exporter in the world–a position taken over by Vietnam, according to some counts in 2020–rates lower in 10 out of 12 categories compared with its Asian neighbor.

Many Bangladesh manufacturers take issue with this characterization and some of the comparison in the report. For example, Bangladesh received a 2 for sustainability, compared to Vietnam's 3.5. This is puzzling to manufacturers there as they argue that Bangladesh has the highest number of green factories in the world.

"With 155 LEED certified green factories, Bangladesh has the highest number of green garment factories in the world," said Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA). "While assessing the competitiveness, the report stresses the need for vertical integration, raw material sourcing, innovation, flexibility, agility and speed to market. We have also prioritized all these points."

Exports in Bangladesh have picked up over the last six months, seeing a 28.4 percent uptick in this period compared to the corresponding period of FY2020-21. Manufacturers in Bangladesh also contend that the report doesn't accurately measure product quality, as Vietnam's expertise manufacturing higher-end items makes direct comparisons difficult.

However, other manufacturers and analysts in Bangladesh are taking heed of many of report's points, but believe the sourcing powerhouse has enough strengths to maintain its position.

Mustafizur Rahman, distinguished fellow at Bangladesh's Centre for Policy Dialogue, argues that the most crucial elements still favor Bangladesh. "Overall, it does give an appropriate picture in regard to the state of things," he said, referring to the competitiveness survey. "In regard to the quality, efficiency, lead time, vertical integration, financial stability, political stability Bangladesh falls behind Vietnam."

On the other hand, "If you look at the two crucial elements of competitiveness–price and tariffs–at the end of the day if you are efficient or not, for the buyers and brands the major issue in a particular segment is the price and second is the tariff," he added. "If they import at that price and then have to pay tariff or not, that adds to their buying decision."

"The other point important for buyers is lead time. In that case Bangladesh is somewhat lower than China and Vietnam, but brands and buyers can deal with that if they place orders beforehand. That's what they do now when they negotiate with Bangladesh–they factor that in knowing manufacturers have to import yarn and cotton and the knitwear section has been growing in strength," he said.

The report also pointed out Bangladesh's strong domestic links to spinning factories in the knitwear sector, creating high domestic value-added content for this export.

The garment manufacturing sector in Bangladesh accounts for more than 80 percent of the country exports, or more than 11 percent of GDP, and employs more than 4 million workers.

Source: sourcingjournal.com– Feb 02, 2022

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# NATIONAL NEWS

## "Union Budget 2022-23 positive and growth oriented", Chairman, TEXPROCIL

The Union Budget for 2022-23 has extended the Emergency Credit Line Guarantee scheme (ECLGS) up to March 2023 and its cover will be expanded by Rs. 50000 crore to total cover of Rs. 5 lakh crore. "This is a very positive step as it will provide the much-needed additional credit to the MSMEs," said Manoj Patodia, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL).

The Budget has also extended the last date for commencement of production for newly incorporated domestic manufacturing companies by one year from March 31, 2023 to March 31, 2024 to become eligible for concessional tax of 15 per cent. Further, for eligible start-ups established before March 31, 2022, a tax incentive has been provided for three consecutive years out of ten years from the date of incorporation.

The Budget has extended the period of incorporation for the eligible start-ups by one more year i.e., up to March 31, 2023. The Budget has also proposed to replace the Special Economic Zones Act with a new legislation that will enable states to become partners in Development of Enterprise and Service hubs. All these are steps in the right direction as they will enable our country to become Atmanirbhar and encourage "Make in India", according to Patodia.

However, Manoj Patodia expressed his concern that Made ups sector that contribute significantly towards exports has been left out of the facility of duty free imports of specified goods by bonafide exporters that has been extended to the exporters of apparel, handicraft and leather goods in the Budget.

The Chairman, TEXPROCIL also appealed to the Government to re-consider the Customs duty imposed on Cotton and its abolition.

Source: business-standard.com– Feb 02, 2022

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# 'Extension of concessional corporate tax for new units will help PLI in textiles'

Textile Secretary says all schemes for MSMEs announced in the Budget will benefit textiles as 90 per cent of units are in that sector

The Union Budget 2022-23 may not have specific benefits for textile producers but there are several general measures, including incentives for the MSMEs, that are beneficial for the sector, said Textiles Secretary Upendra Prasad Singh. In an interview with *BusinessLine*, Singh spoke about the provisions in details. Excerpts:

**Why is the budget estimate (BE) for 2022-23 for textiles almost four times the BE of the previous fiscal but only about 8 per cent higher than the revised estimates?**

The BE for 2022-23, at ₹12,228 crore, seems dramatically high when compared to the 2021-22 BE for 2021-22 at ₹3,631 crore. But it is comparable to the 2021-22 RE of for 2021-22 at ₹11,449 crore. The difference is to provide for the losses suffered by the Cotton Corporation of India (CCI) in their MSP purchase of cotton over the last two cotton years. The lLast two cotton seasons were badly affected by the pandemic with a number of several spinning mills and weaving units shutting down and garmenting units, too, closed during the lockdown. But farmers kept growing cotton. As traders and millers were not buying at that time, the CCI had to step in and make large scale purchases. It bought cotton worth Rs ₹55,000 crore at MSP over the last two seasons but sold it at a much lower price due to low demand suffering losses. So, an additional sum of Rs ₹8,000 crore was provided in the 2021-22 RE of 2021-22 and Rs ₹9,000 crore in 2022-23 the BE of 2022-23 to provide for the CCI losses.

**The Budget has allowed duty free imports of some items used by exporters. To what extent will it help the textile industry?**

Exemptions on items such as embellishment, trimming, fasteners, buttons, zipper, lining material and packaging boxes will definitely help the textile sector. These items are mostly imported by exporters as buyers want their own labels. The exemption was removed last year, but following a demand from exporters the Budget has restored it.

**Some handicraft exporters have noted that the exemptions no longer cover certain items such as electrical parts for fitting on lamps and Christmas lights. Can these be included?**

We will have to examine that. We have to look at the finer details. We do have a list of items that are covered under the customs duty exemption. If there are some items that have been excluded, we have to see what these are. We will need to talk to the industry first.

**Do you think the Union Budget will have any spin-off for the Production Linked Incentive scheme for textiles?**

Actually it will. The extension of the concessional corporate tax rate of 15 per cent by one more year, till March 31, 2024, for newly incorporated manufacturing companies augurs well for the PLI scheme for textiles as the scheme also gives two years to investors to start production. Investors who qualify for the PLI scheme can either start production by either 2022-23 or 2023-24.

Before extension of the time period for corporate tax concessions, only those investors under the PLI scheme would have got the benefit who would start manufacturing within a year. Now, investors can take their time and comfortably start their production activities within two years and still get the benefit. The new date gels well with the PLI scheme.

**Will it be correct to say that there may not be many direct measures to help the textile sector in this year's Budget?**

The Budget has a number of measures for the MSME sector. The textile sector is more than 90 per cent in the MSME category. If you look at the total MSME space, the biggest portion is taken by textiles. So, all benefits that have been announced for MSMEs will be applicable to textile units.

For instance, the Emergency Credit Line Guarantee Scheme (ECLGS) has been extended till March 2023 and it has an additional cover. This will definitely help the textile sector. Then there is the Credit Guarantee Trust for micro and small enterprises which has been revamped. Credit worth ₹2-lakh crore will be facilitated and the micro and small units in the textile sector can avail of it.

We are yet to know the details of the Raising and Accelerating MSME Performance (RAMP) programme (RAMP) scheme, that has been announced with an outlay of ₹6,000 crore over the next five years, but textile units stand to gain from that as well.

**The Budget focusses a good deal on rationalisation of basic customs duty (BCD). How will the exercise affect the textiles sector?**

This is a welcome move. There was a problem before as both ad valorem and specific customs duties were imposed on textile items. It has now been rationalised and there are only ad valorem rates.

Source: thehindubusinessline.com– Feb 02, 2022

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# Centre implements various schemesfor promotion and development of Textile sector

Government is implementing various schemes viz the Amended Technology Upgradation Fund Scheme (A-TUFS), Schemes for the development of the Powerloom Sector(Power-Tex), Scheme for Integrated Textile Parks (SITP),SAMARTH- The Scheme for Capacity Building in Textile Sector, Jute (ICARE- Improved Cultivation and Advanced Retting Exercise), Integrated Processing Development Scheme (IPDS), Silk Samagra, National Handloom Development Programme, National Handicraft Development Programme, Integrated Wool Development Programme (IWDP), National Technical Textile Mission etc. for promotion and development of textile sector on pan-India basis.

| Textile Sector | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 | |
|---|---|---|---|---|---|---|---|---|
| Name of the Scheme/ Project/ Programme | Allocation (RE) | Exp. | Allocation (RE) | Exp. | Allocation (RE) | Exp. | Allocation (RE) | Exp. (upto 10.01.22) |
| Schemes implemented under Handloom sector | 400.59 | 333.76 | 445.94 | 385.02 | 336 | 326.91 | 378.5 | 260.76 |
| Schemes implemented under Handicrafts sector | 240.61 | 195.39 | 332.31 | 282.16 | 284.77 | 260.55 | 297 | 184.73 |
| Schemes implemented under Wool sector | 5.3 | 3.3 | 29 | 16.5 | 10 | 9.33 | 10 | 5.95 |
| Schemes implemented under Silk sector | 600.61 | 601.29 | 765.45 | 787.61 | 650 | 650 | 876 | 655.44 |
| Schemes implemented under Powerloom sector | 106.18 | 92.67 | 152.78 | 41.53 | 60 | 55.01 | 47.48 | 22.59 |
| Schemes implemented under Jute sector | 28.04 | 28 | 84.55 | 104.42 | 71.53 | 71.5 | 112.01 | 81.08 |
| Technology Upgradation Funds Schemes (TUFs) | 622.63 | 615.68 | 494.37 | 317.9 | 545 | 556.38 | 650 | 401.02 |
| Scheme for Integrated Textile Parks(SITP) | 20 | 20.29 | 40 | 41.01 | 60 | 79.91 | 55 | 35.4 |
| Research & Capacity Building(SAMARTH, NTTM,NIFT etc.) | 93.99 | 50.27 | 182.66 | 149.45 | 201.16 | 199.01 | 276.1 | 168.02 |
| North Eastern Textiles Promotion | 112.6 | 65.71 | 126.01 | 117.21 | 42.4 | 79.21 | 49.94 | 13.6 |
| **Total** | **2230.55** | **2006.36** | **2653.07** | **2242.81** | **2260.86** | **2287.81** | **2752.03** | **1828.59** |

The details of funds allocated/released under various textile sector schemes during the last three years and current year are at Annexure. These are ongoing central sector schemes and are totally funded by the Central Government. Textile industry is one of the largest source of employment generation in the country with an estimated 45 million people engaged directly in this sector including a large number of women and rural population.

Details of funds allocated and released under various Textile Sector Schemes in the last 3 years and current year.(Rs. in crores)

This information was given by the Minister of state for Textiles Smt. DarshanaJardosh in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 02, 2022

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# Ink India-Britain free trade, unlock new opportunity

In May last year, Prime Ministers Narendra Modi and Boris Johnson announced their shared vision for a transformative decade for the India-United Kingdom partnership. That they met in the middle of India's second wave of COVID-19, shows their determination to turn their shared political will into action.

As part of that transformation, the two leaders declared their ambition to more than double bilateral trade by 2030, which totalled over £23 billion in 2019. They directed their governments to take rapid steps to reduce barriers to trade, and to complete the groundwork necessary to begin work on a Free Trade Agreement (FTA) by the end of 2021.

A beginning

These words have now been made real. Both governments have already taken action; for example, unlocking the export of British apples to India and enabling a greater number of Indian fisheries to export shrimp to the U.K. Small but meaningful steps by which both countries have demonstrated they can and have taken concrete measures to stimulate growth.

The big next step was the launch of FTA negotiations last month. On January 13, 2022 in New Delhi, India's Commerce Minister Piyush Goyal and the U.K.'s International Trade Secretary Anne-Marie Trevelyan announced their shared ambition to finish negotiations on a comprehensive and balanced FTA by the end of 2022. This is a big task; all trade negotiations are complex, and especially so between two partners of such different sizes and at such different stages of their development. The opportunities an FTA presents, however, are bigger — for both countries.

Businesses in both nations

Before looking at the future, it is worth taking stock of the present. There are nearly 600 U.K. companies in India employing more than 3,20,000 people. This includes: Barclays which has its biggest office outside of London in Pune, whilst JCB's products manufactured in India are exported to over 110 countries across the globe, as are those by consumer goods giant Hindustan Unilever headquartered in Mumbai; just two of many examples of British companies supporting Prime Minister Modi's vision for an Atmanirbhar Bharat.

Similarly, India is already a big investor into the U.K. — especially in dynamic sectors such as fintech, electric vehicles and batteries. In 2020-21, India was the U.K.'s second largest source of investment in terms of number of projects. Just last week, both Essar Group and Ola Electric announced investments into the U.K. But given the size of our two economies — the fifth and sixth in the world — our trade relationship in particular has underperformed. An FTA will change that.

The U.K. thrives on free trade. Having left the European Union's common trade bloc after 47 years (in 2020), we are building a network of like-minded democracies committed to free trade. The Indian government is showing its determination to agree to a new set of trade deals; and it is not coincidental that both governments are negotiating with similar countries, for example, Australia. India has an extraordinary opportunity to transform its economy and society in the next 30 years, as it hits its demographic sweet spot, at the heart of the Indo-Pacific region where half the world's people live and 50% of global economic growth is produced. Freer trade with the U.K. will help through greater access to a highly open and competitive market, offering valuable opportunities for India's booming companies — for example giving Bengaluru's start-ups direct access to London's capital markets.

Fine prospects

A U.K.-India trade agreement will stimulate growth and employment in both countries. U.K. government analysis shows that, depending on the depth of the deal, an FTA would add around £14.8 billion to the GDP of India and the U.K. collectively by 2035. A trade deal helps diversify supply chains by making it easier and cheaper for more businesses to do business across borders. Lower barriers coupled with greater regulatory certainty would incentivise new small and medium-sized enterprises to export their goods and services. An agreement also means Indian and British consumers see improvements in the variety and affordability of products.

There are good economic reasons for agreeing to an FTA. There are also good strategic reasons. The British Government's Integrated Review of our overseas policy, which I worked on before coming to India, describes the world we are in; messier, with more geo-strategic competition. It is one in which two dynamic democracies such as India and the U.K. need to work closer together to promote open economies.

From past to future

Finally, an FTA would mark a new way of working between the U.K. and India. It gives a new framework within which the two countries can grow and flourish together, putting the colonial economic relationship where it belongs — in the history books. We should acknowledge that past, especially in this 75th year of India's Independence, and build a future which is about opportunities for both countries.

This month also marks one year since I presented my credentials to India's President Ram Nath Kovind. I am honoured to be here at this defining moment — when the U.K. and India will shape the next 25 years of our destiny, as equal, forward looking partners.

Source: thehindu.com– Feb 03, 2022

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# Commerce ministry to soon notify modified interest subsidy scheme: Secretary

The interest subsidy or equalisation scheme has been approved by the Cabinet and the commerce ministry will "very" soon notify the "improved and modified" scheme for the exporters' community, a top government official said on Wednesday. Exporters have demanded the extension of the scheme. They get a subsidy under this scheme for pre- and post-shipment rupee export credit.

"The interest equalisation scheme has been approved by the cabinet. It is there, it is on. We will be notifying it very soon. It has been improved and modified. It exists and it has not been discontinued," Commerce Secretary B V R Subrahmanyam told reporters. According to the Budget documents, Rs 2,621.5 crore has been allocated for 2022-23 for the scheme. It was Rs 3151.15 crore under the revised budget for 2021-22.

The secretary said the scheme will be another shot in the arm for the exporters' community in addition to the huge arrears that the ministry released last year under different export promotion schemes. In July 2021, the Reserve Bank of India (RBI) had extended the scheme providing interest subsidies for post- and pre-shipment export credit till September 2021.

In November 2018, the interest subsidy was increased to five per cent from three per cent to boost MSME sector exports. Later, the government also included other merchant exporters under the scheme and allowed them interest equalisation at the rate of three per cent on credit for the export of certain products.

He said that overall, the Budget is for "most" exporter friendly. Sectors that have benefited hugely from it include gems and jewellery, leather, handicrafts, textiles, engineering, and aquaculture.

Exports during April-January of this financial year have already touched about USD 336 billion, which is the highest ever. The target of the ministry is USD 400 billion for this financial year. Earlier, in 2018-19, the country's exports reached USD 330 billion.

Source: economictimes.com– Feb 02, 2022

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# India's GDP expected to grow 7.8% in FY23: Crisil report

Domestic rating agency CRISIL on Wednesday estimated FY23 real GDP growth at 7.8 per cent as compared with the 8.5 per cent projected in the Economic Survey.

Finance Minister Nirmala Sitharaman's Budget proposals focused on loosening the purse strings by boosting capital expenditure and going slow on fiscal consolidation are aimed in the right direction, the rating agency said.

"All said, risks to India's economic outlook are still skewed towards the downside," it said, estimating the growth to slow to 7.8 per cent in FY23 from the 9.2 per cent in FY22.

The agency said global growth is expected to slow this year as major economies see a withdrawal of monetary and fiscal stimulus. It will have a direct bearing on India's growth prospects as exports have been a key demand driver of domestic growth during the pandemic.

Energy prices, especially that of crude oil, are likely to continue firming up, partly owing to geopolitical issues and Brent crude will average up to USD 85 a barrel as against USD 70.44 in 2021, which will curtail growth, stoke inflation and widen the current account deficit.

Additionally, even if global supply chain disruptions are expected to ease, critical raw material shortages such as those of chips could take time to tide over, the agency said.

The agency expects the nominal growth to come at 12-13 per cent, higher than the 11.1 per cent Budget Estimate, and the headline inflation to average 5.2 per cent.

The Budget makes way for the 35 per cent increase in capital expenditure by tightening the belt around revenue expenditure, and the government has refrained from giving any direct consumption support in the Budget, it said.

It added that frontloading infrastructure spending could bring about faster growth.

The agency said the commitment to the Mahatma Gandhi National Rural Employment Guarantee Act has been reduced to Rs 73,000 crore for FY23 from the Rs 98,000 crore in FY22 and Rs 1.11 lakh crore in FY21, as part of the expenditure cuts.

"Extending this job guarantee scheme could have acted as a bridge for boosting short-term incomes and consumption in the rural areas before growth becomes broad-based and the investment cycle kicks off," it said.

Spending has also been curtailed towards food subsidies to the Food Corporation of India (FCI) and for the procurement of wheat and paddy. But, they remain well above pre-pandemic levels, suggesting that the Budget is normalising some of these spends, it said.

On the revenue side, the agency commended the pairing of divestment targets to a realistic level but warned that tightening of financial conditions amid monetary policy normalisation could further add challenges on this front.

Source: business-standard.com– Feb 02, 2022

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# India on track to achieve $400 bn exports, negotiating FTAs: Goyal

India is on track to achieve the USD 400-billion export target in the current fiscal and is negotiating trade agreements with countries like the UAE, the EU and Canada, Commerce and Industry Minister Piyush Goyal said on Wednesday.

In a reply during Question Hour in the Lok Sabha, he said the prices of most of the commodities, including petroleum products, are prevailing high and because of this there is a stress on all sectors. However, international prices of finished products have commensurately increased and hence the exports of these products have not faced detriments.

"For 10th month in a row, April 2021 to January 2022, India has posted over USD 30 billion of exports. It is a record, we have already crossed USD 334 billion of exports which is more than the highest ever that India has done in full 12 months period.. We are well on track to achieve USD 400 billion of exports," Goyal said.

The minister said that the government is working to negotiate free trade agreements (FTA) or comprehensive economic partnership so that Indian exporters too get similar price advantage benefits.

"We have launched FTA negotiations with the UAE, Australia, the United Kingdom, the EU, Canada. We are also in dialogue with GCC countries -- the bloc of six countries in the Middle East-- who have shown keen interest in FTA with India and we hope to launch the negotiation in the near future," Goyal said.

With regard to support to small and medium industries, the minister said Rs 4.50 lakh crore government-guaranteed loans were given to 1.30 crore MSMEs during the Covid pandemic.

"Government is committed to increasing manufacturing and see India as manufacturing hub," Goyal added.

Source: business-standard.com– Feb 02, 2022

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# Budget 2022: SEZ 2.0 to revive activities, says Commerce secy Subhramanyam

The government is in the process of drafting a new legislation for the next chapter for special economic zones that will see more participation of state governments in creation of manufacturing hubs in the country, commerce secretary BVR Subhramanyam said on Wednesday.

The Centre will take states on board and will cooperate with them to enable them to become partners in creation of New Development of Enterprise and Service Hubs (DESH) or SEZ 2.0.

“We would like states to bring their estates also on to this so that when you have single-window clearance, it is single window clearance for both central and state-level clearances, we may even think of putting the states on the approval bodies either at the state level or regional limit. That’s the direction in which we are thinking. It’s a work in progress.

But I’m sure that this newest season will lead to a huge revival of activity in SEZ in areas they will be manufacturing both for the international market as well as for the domestic market,” Subhramanyam told reporters.

“What India needs is large industrial manufacturing zones, which have high-quality world-class infrastructure, digitally enabled and highly competitive in terms of whatever services it provides. These places will become the manufacturing hubs and we will recast the SEZ Act in the next couple of months as the finance minister said set to actually bring this system into place,” he said.

Subramanyam also said that the Union Cabinet has already approved the interest equalisation and the modified version of the scheme will be soon notified.

“The interest equalization scheme has been approved by the cabinet. It's mentioned in the Budget. We will be notifying it very soon,” Subramanyam said.

Source: business-standard.com– Feb 02, 2022

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# Textiles &Apparel Exports register 52% Growth in April - December 2021over last year's Corresponding Period

Production Linked Incentive (PLI) Scheme for Textiles has been notified with a budgetary outlay of Rs 10683 crore to promote production of MMF Apparel, MMF Fabrics and Products of Technical Textiles in the country. The objective is to enable Textile sector to achieve size and scale and to become competitive. The exports of Textiles & Apparel for the year 2018-19, 2019-20 and 2020-21 are USD 36,558 million, USD 33,379 million and USD 29,901 million, respectively. The export of Textiles & Apparel from April - December 2021 is USD 30449.85 million, posting an increase of 52% over the same period during 2020.

Details of Textiles & Apparel exports during April-November, 2021 is as under: USD Million

| | |
|---|---|
| April 2021 | 3244 |
| May 2021 | 3061 |
| June 2021 | 3053 |
| July 2021 | 3571 |
| August 2021 | 3355 |
| September 2021 | 3417 |
| October 2021 | 3410 |
| November 2021 | 3229 |

Statement on year wise FDI equity inflows for Textiles (including dyed, printed) is as under:

| Sl. No | Year | FDI in Rs crore |
|---|---|---|
| 1 | 2018-19 | 1,383.49 |
| 2 | 2019-20 | 2,276.55 |
| 3 | 2020-21 | 2,210.33 |

This information was given by the Minister of state for Textiles Smt. Darshana Jardosh in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 02, 2022

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# India's exports to China rise by 21% to $22.9 billion in 2021

India's exports to China rose by 21 per cent to USD 22.9 billion in the 2021 calendar year while imports surged by 49 per cent to USD 87.5 billion during the same year, according to data released by the Directorate General of Commercial Intelligence and Statistics.

Bilateral trade between the two countries rose to USD 110.4 billion in 2021 against USD 77.7 billion in 2020, registering a year-on-year growth of 42.2 per cent.

When compared with 2019 data, India's exports to China rose by 33.9 per cent in 2021. India's exports to China have risen consistently in the last three years despite the COVID-19 pandemic.

India's exports to China stood at USD 17.1 billion in 2019. It rose to USD 19 billion in 2020 and further to USD 22.9 billion in 2021.

However, India's imports from China declined from USD 68.4 billion in 2019 to USD 58.7 billion in 2020. But it rose sharply to USD 87.5 billion in 2021.

In 2019, India's total trade with the United States was highest with a value of USD 90.1 billion (share 11.1 per cent in total trade) as against China with a value of USD 85.5 billion (share 10.5 per cent).

With a share of 12.0 per cent, China became the largest trading partner of India in 2020, whereas, the United States' share stood at 11.7 per cent.

In 2021, the US has again taken a top slot as India's merchandise trade partner with a value of USD 112.3 billion and in the same year, India's trade with China was USD 110.4 billion.

Source: business-standard.com– Feb 02, 2022

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# GST reforms in Budget 2022 are an indication of tighter laws to come

Finance Minister Nirmala Sitharaman announced her second budget since the beginning of the COVID-19 pandemic. She began her speech highlighting India's 9.2% GDP growth, the highest amongst large economies. She also said that the Union Budget this year would lay the foundation and blueprint for the economy over the next 25 years.

In addition to it being a digital budget, there was a substantial focus on digital reforms spanning education, health, taxation of digital assets, and the launch of e-services. Some of the sectors that saw a slew of recovery measures were agriculture, startups, e-vehicles and energy, defence, healthcare, infrastructure, and housing.

On the GST front, the FM announced that revenue has been buoyant despite the pandemic and even saw a record collection of Rs.1,38,394 crore gross GST revenues in January 2022. This has been the highest ever collection since the inception of GST.

**GST Law**

Union Budget 2022 proposed certain amendments to the Central Goods and Services Tax (CGST) Act. The deadline for amendment, correction, or uploading of missed sales invoices or notes or for claiming missed input tax credit is now 30th November of the following year, instead of 30th September.

Section 29 of the CGST Act was amended for the cancellation of a GSTIN by an officer. If a composition taxpayer fails to file an annual return for three months beyond the 30th April deadline of the following year, their registration can get cancelled. For other taxpayers, a six months consecutive default in return filing is now replaced with a consecutive tax period default as may be prescribed.

In Section 37, a new sub-section states that taxpayers will be disallowed from furnishing their details of outward supplies for a tax period if the same is pending for any previous tax period. In keeping with this logic, Section 39 too has been amended to disallow taxpayers from filing their return under Section 39 if their return under Section 37 remains pending.

Section 38, governing the furnishing of inward supplies, stands amended to remove reference of the erstwhile GSTR-2, to be now replaced with GSTR-2A and 2B. The section is now named 'Communication of details of inward supplies and input tax credit'.

For non-resident taxpayers under GST, the due date to file GSTR-5 is revised from the 20th of the succeeding month to the 13th.

Further, Sections 42, 43, and 43A pertaining to the matching and reversal of tax credits stand removed. The changes in the GST law will apply once notified by the CBIC.

**Customs Duties**

On the customs duties front, Faceless Customs is now fully established. Further, more than 350 exemption entries are proposed to be gradually phased out. This includes exemptions on certain agricultural produce, fabric, chemicals, medicines, and medical devices for which sufficient domestic capacity exists.

The budget has also proposed to simplify the customs rate and tariff structure for sectors like chemicals, textiles, and metals in order to minimise disputes. In keeping with the objectives of 'Make in India' and 'Atmanirbhar Bharat', there will be exemptions removed on items that are manufactured or can be manufactured in India. Concessional duties too will be provided on the raw material that goes into manufacturing intermediate products.

The customs administration of Special Economic Zones (SEZs) will be fully IT driven by 30th September 2022 and will function on the Customs National Portal.

**Capital goods and project imports**

Union Budget 2022 has proposed the gradual phasing out of concessional rates for capital goods and project imports and for applying a moderate tariff of 7.5%.

This will be conducive to the growth of the domestic sector and the 'Make in India initiative'. However, the exemptions for advanced machinery that are not manufactured within India will continue.

## Impact on businesses

The GST reforms in this budget are an indication of tighter laws to come, especially governing return filing and input tax credit. The new year 2022 has already seen two major amendments to the GST law, effective 1st January 2022. Section 16(2)(aa) was introduced to allow taxpayers to claim input tax credit only if their vendors upload a particular invoice or debit note in their corresponding GSTR-1 or Invoice Furnishing Facility (IFF). This data has to then reflect in the recipient taxpayer GSTR-2B.

This amendment was further strengthened with Rule 36(4), which was also amended to completely remove the concept of provisional input tax credit limit. Now, taxpayers can only claim input tax credit on invoices that their suppliers upload.

The government has also tightened the GST law surrounding outward supplies. It has now become vital that the outward supplies in the GSTR-1 and GSTR-3B match. The GST portal is already giving out error messages stating that the GST registration can be suspended in cases where there is over a 10% difference in the liability reported in the GSTR-1 versus the GSTR-3B. This warning also pops up in cases where the input tax credit claimed in the GSTR-3B has over a 10% variation with the values auto-populated from the GSTR-2B.

For businesses, there is now the added pressure to reconcile purchase and sales data more frequently and in real-time. Further, there is unprecedented dependency on vendors and the need to follow-up more often to pressure them into uploading invoices on time. Input tax credit claimed in excess could result in demand notices and penalties, while input tax credit short-claimed could hit working capital and profits.

Source: economictimes.com– Feb 02, 2022

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# Operational guidelines for the Production Linked Incentive (PLI) Scheme for Textiles issued

Operational guidelines for the Production Linked Incentive (PLI) Scheme for Textiles were issued on 28th December 2021. The approved outlay of the scheme isRs. 10,683 crore.Empowered Group of Secretaries (EGoS), as constituted and Notified vide gazette No. P 36017/144/2020-Investment & Promotion dated 10.06.2020 issued by the DPIIT will monitor the implementation of the scheme. The composition of the EGoS for monitoring of PLI for Textiles will be as under:

1. Cabinet Secretary, Chairperson
2. CEO, NITI Aayog, Member
3. Secretary, Department for Promotion of Industry and Internal Trade, Member Convenor
4. Secretary, Department of Commerce, Member
5. Secretary, Department of Revenue, Member
6. Secretary, Department of Economic Affairs, Member
7. Secretary, Ministry of Textiles

The EGoS chaired by the Cabinet Secretary will monitor the progress of this PLI scheme; undertake periodic review of the outgo under the Scheme; ensure uniformity with other PLIs and take appropriate action to ensure that the expenditure is within the prescribed outlay.

EGoS is also empowered to make any changes in the modalities of the scheme, and address any issue related to genuine hardship that may arise during the course of implementation, within the overall financial outlay of Rs 10,683 crore.The scheme shall be valid upto 2029-30. The gestation period of the scheme is two years i.e. FY: 2022-23 to FY: 2023-2024.

This information was given by the Minister of state for Textiles Smt. DarshanaJardosh in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 02, 2022

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## State Governments to send their proposals for PM MITRA Parks Scheme by 15th March,2022

The PM MITRA Parks Scheme shall be implemented on pan-India basis and is intended for holistic development of the Textile sector. Selection of the location of PM MITRA parks will be on the basis of challenge method, once the proposal is received from interested State Governments. The State Governments have been requested to send their proposals with relevant documents by 15.03.2022.

The Government has approved Production Linked Incentive (PLI) Scheme for Textiles with a budgetary outlay of ₹10,683 crore for promotion of Man-Made Fibre(MMF) Apparel, MMF Fabrics and products of Technical Textiles. Benefits of PLI will be available to eligible companies in PM MITRA parks also.

However the Competitive Incentive Support (CIS) under PM MITRA Parks Scheme will only be available to those manufacturing companies who are not availing benefits of Production Linked Incentive (PLI) for Textile Scheme. Application for registration under PLI scheme is being received on the online portal of PLI scheme which was initially opened from 1st January 2022 to 31st January 2022 has now extended upto 14.02.2022.

This information was given by the Minister of State for Textiles Smt. Darshana Jardosh in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 02, 2022

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## Implementation of Agriculture Export Policy

In view of considerable overlap between schemes, it has been decided to merge the 'Scheme on Implementation of Agriculture Export Policy' with other district level schemes being planned by the Department of Commerce.

The institutional framework created under the District Export Hubs initiative, at State and District levels, is being utilized to achieve the objectives of Agriculture Export Policy.

This information was given by the Minister of State in the Ministry of Commerce and Industry, Smt. Anupriya Patel, in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 02, 2022

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# FDI Inflow

During the current financial year 2021-22 (up to November, 2021) Foreign Direct Investment (FDI) inflows worth USD 54.10 billion have been reported in the country.

The details of total FDI inflows reported during the last three financial years are as under:

| S. No. | Financial Year | Amount of FDI inflows (in USD billion) |
|---|---|---|
| 1. | 2018-19 | **62.00** |
| 2. | 2019-20 | **74.39** |
| 3. | 2020-21 | **81.97** |

Source: Reserve Bank of India.

The Government reviews the FDI policy on an ongoing basis and makes significant changes from time to time, to ensure that India remains attractive and investor friendly destination. Government has put in place a liberal and transparent policy for FDI, wherein most of the sectors are open to FDI under the automatic route.

To further liberalise and simplify FDI policy for providing Ease of doing business and attract investments, reforms have been undertaken recently across sectors such as Coal Mining, Contract Manufacturing, Digital Media, Single Brand Retail Trading, Civil Aviation, Defence, Insurance and Telecom.

The sector-wise details, which are available only for equity component of FDI inflows, are given below:

Click here for more details

Source: pib.gov.in– Feb 02, 2022

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# Budget 2022 proposals to push exports, manufacturing: Exporters

Steps announced in the Budget such as extension of the ECLGS scheme, a new law for special economic zones and setting up of 100 cargo terminals will help in boosting economic growth and exports from the country, according to exporters and industry.

Vikramjit Sahney, Chair BRICS Agri Business Council, said that the announcement to promote oilseed production would help boost the domestic industry as India is currently importing 60 per cent of its oilseed requirements.

The special fund proposed through NABARD to finance agri startups and rural enterprises for farm produce value chain would also promote industrial growth in the country, Sahney said.

"The fertilizer subsidy allocation is 32 per cent incremental than the last year's allocation. However, it is less than the revised estimate of 2022 and hoped that the government will cover the same in supplementary grants depending upon the international prices of fertilizer inputs," he said.

Federation of Indian Export Organisations (FIEO) President A Sakthivel said that the extension of the Emergency Credit Line Guarantee Scheme (ECLGS) for 2022-23 with an additional outlay of Rs 50,000 crore and allocation of an additional credit provision of Rs 2 lakh crore under the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE ) to meet the requirement of MSMEs would provide huge support to the industry.

"The ECLGS Scheme has benefited the MSME during the peak Covid time and its extension will further infuse life in the businesses, when recovery is on the card," said Dr Sakthivel. The CGTMSE will help provide collateral-free lending and infusion of liquidity," Sakthivel said.

He added that the replacement of the SEZ Act with a new legislation will make special economic zones an engine of economic growth and employment creation besides exports.

The Trade Promotion Council of India (TPCI) said that the focus of Union Budget 2022-23 on reforming the rural economy, digitalisation and modernisation is progressive and forward looking.

"Reforming the SEZs has been long pending and we are happy that the government has engaged state participation to make it inclusive and cluster-based for reviving the units," it said in a statement.

The increasing thrust on PM Gati Shakti and production linked incentive scheme, the economy will keep continuing its journey on a sustained growth path, the council said.

Leading exporter of Mumbai and founder chairman of Technocraft Industries India Sharad Kumar Saraf said that the budget is growth oriented as there are no new taxes or surcharges imposed.

"A lot of stress is laid on employment generation and infrastructure development. Support is also given to MSMEs by providing additional loan facilities. The budget will certainly boost the economy by spurring growth," Saraf said.

Global trade information provider Connect2India Founder and CEO Pawan Gupta said that the proposal to simplify the customs rate and tariff structure for sectors like chemicals, textiles and metals would provide more insights and clarity on the landed cost of these products and would allow companies to make informed decision regarding global trade for the affected products.

"The textile and handloom industry exports would get a further boost by providing exemptions on items such as embellishment, trimming, fasteners, buttons, zipper and lining material," he said.

Source: business-standard.com– Feb 02, 2022

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## Micro Entrepreneurs in Rural Areas

Under Startup India Initiative, entities including Micro enterprises are recognized by Department for Promotion of Industry and Internal Trade (DPIIT) as Startups as per eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February, 2019.

All initiatives under the Startup India are inclusive and are implemented across States, cities, towns and rural areas. The recognised startups can avail benefits under the Startup India Initiative is given below:

1. Startup India Seed Fund Scheme (SISFS): Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise. The capital required at this stage often presents a make or break situation for startups with good business ideas. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. Rs. 945 crore has been sanctioned under the SISFS Scheme for period of 4 years starting from 2021-22. It will support an estimated 3,600 entrepreneurs through 300 incubators in the next 4 years.
2. Fund of Funds for Startups (FFS) Scheme: The Government has established FFS with corpus of Rs. 10,000 crore, to meet the funding needs of startups. DPIIT is the monitoring agency and Small Industries Development Bank of India (SIDBI) is the operating agency for FFS. The total corpus of Rs. 10,000 crore is envisaged to be provided over the 14th and 15th Finance Commission cycles based on progress of the scheme and availability of funds. It has not only made capital available for startups at early stage, seed stage and growth stage but also played a catalytic role in terms of facilitating raising of domestic capital, reducing dependence on foreign capital and encouraging home grown and new venture capital funds.
3. Ease of Procurement: To enable ease of procurement, Central Ministries/ Departments are directed to relax conditions of prior turnover and prior experience in public procurement for all Startups subject to meeting quality and technical specifications. Further, Government e-Marketplace (GeM) Startup Runway; a dedicated corner for startups to sell products & services directly to the Government.
4. Self-Certification under Labour and Environmental laws: Startups are allowed to self-certify their compliance under 6 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.

5. Income Tax Exemption for 3 years: Startups incorporated on or after 1st April 2016 can apply for income tax exemption. The recognised startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 10 years since incorporation.
6. Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act: A DPIIT recognized startup is eligible for exemption from the provisions of section 56(2)(viib) of the Income Tax Act.
7. Faster Exit for Startups: Ministry of Corporate A-ffairs has notified Startups as 'fast track firms' enabling them to wind up operations within 90 days vis-a-vis 180 days for other companies.
8. Support for Intellectual Property Protection: Startups are eligible for fast-tracked patent application examination and disposal. The Government launched Start-ups Intellectual Property Protection (SIPP) which facilitates the startups to file applications for patents, designs and trademarks through registered facilitators in appropriate IP offices by paying only the statutory fees. Facilitators under this Scheme are responsible for providing general advisory on diff-erent IPRs, and information on protecting and promoting IPRs in other countries. The Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable. Startups are provided with an 80% rebate in filing of patents and 50% rebate in filling of trademark vis-a-vis other companies.
9. Startup India Hub: The Government launched a Startup India Online Hub on 19th June 2017 which is one of its kind online platform for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The Online Hub hosts Startups, Investors, Funds, Mentors, Academic Institutions, Incubators, Accelerators, Corporates, Government Bodies and more.
10. International Access to Indian Startups: One of the key objectives under the Startup India initiative is to help connect Indian startup ecosystem to global startup ecosystems through various engagement models. This has been done though international Government to Government partnerships, participation in international forums and hosting of global events. Startup India has launched bridges with over 13 countries (Brazil, Sweden, Russia, Portugal, UK, Finland, Netherlands, Singapore, Israel, Japan and South Korea, Canada, Croatia) that provides a soft-landing platform for startups from the partner nations and aid in promoting cross collaboration.
11. National Startup Awards: National Startup Awards is an initiative to recognize and reward outstanding startups and ecosystem enablers that

are building innovative products or solutions and scalable enterprises, with high potential of employment generation or wealth creation, demonstrating measurable social impact.

Prime Minister's Employment Generation Programme (PMEGP), a credit-linked subsidy programme aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth, is operational. The Scheme was launched during FY 2008-09.

Under the Scheme, general category beneficiaries can avail of margin money subsidy of 25 % of the project cost in rural areas and 15% in urban areas. For beneficiaries belonging to special categories such as scheduled caste/scheduled tribe/OBC /minorities/women, ex-serviceman, physically handicapped, North-east region, Hill and Border areas etc. the margin money subsidy is 35% in rural areas and 25% in urban areas.

Further, the Fund of Funds for Startups Scheme and the Startup India Seed Fund Scheme are operational to provide capital at various stages of business cycle of a startup.

Under the Fund of Funds for Startups Scheme (FFS), a corpus of Rs. 10,000 crore has been sanctioned, spread over 14th and 15th Finance Commission cycles. The Scheme is operated and managed by Small Industries Development Bank of India (SIDBI). The Scheme does not directly provide financial assistance to startups, instead supports SEBI- registered Alternative Investment Funds (AIFs), who in turn invest money in growing Indian startups through equity and equity-linked instruments.

Under the Startup India Seed Fund Scheme (SISFS), Rs. 945 crore has been sanctioned for period of 4 years starting from 2021-22. The funds are released to Startups through approved Incubators.

This information was given by the Minister of State in the Ministry of Commerce and Industry, Shri Som Parkash, in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 02, 2022

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# Centre proposes merger of Jute Corp with Cotton Corporation of India

The Centre proposes to merge the Jute Corporation of India Ltd (JCI) with the Cotton Corporation of India Ltd (CCI) to create a bigger public sector entity to carry out procurement operations of all textile fibres.

To this extent, a request for proposal (RFP) has been floated to appoint a consultant for merger of both the PSUs under the Ministry of Textiles.

“There is a proposal by the Government of India to merge the JCI with the CCI, both being public sector undertakings. A new entity with a wider scope of business covering developments of all types of textile fibres is to be constituted,” the RFP document said. Confirming the development, sources said the proposal was in the very early stages.

Set up in 1971, JCI has been a price support agency for procurement of raw jute/mesta from growers at the minimum support price (MSP) declared by the government.

JCI’s presence in the market has been providing stability to raw jute prices, protecting the interests of about four million families, engaged in jute farming.

According to latest financials disclosed on the JCI website, the PSU had clocked a turnover of ₹169.25 crore and profit after tax of ₹15.39 crore during 2019-20. It had procured about 1 lakh bales of jute during 2019-20 and was projected to purchase 0.79 lakh bales during 2020-21.

Similarly, the CCI established in 1970 under the Textiles Ministry, has been undertaking price support operations, whenever the market price of cotton falls below the MSP, providing a safety net to the growers. An estimated 58 lakh farmers are engaged in cotton cultivation in the country, which accounts for about a fourth of the global output.

Besides MSP operations, CCI, which has some 750 employees, also undertakes commercial purchase operations to fulfil the raw material requirement of the domestic textile industry.

In the last two cotton seasons (2019-20 & 2020-21), CCI procured around one-third of the cotton produced in the country, that is about 200 lakh bales and disbursed more than ₹55,000 crores directly in the bank account of around 40 lakh cotton farmers. In November, the Centre had approved MSP funding of ₹17,408 crore to CCI for cotton seasons 2014-15 to 2020-21 for dipport toe farmers.

As per the Textiles Ministry annual report for 2020-21, CCI had clocked a turnover of ₹6452.23 crore and a PAT of ₹38.07 crore during 2019-20. In the previous year 2018-19, CCI had posted a turnover of ₹2832.45 crore and profits of ₹50.99 crore. CCI had procured 84.51 lakh bales of cotton during 2019-20 as against 11.03 lakh bales in the previous year.

Source: thehindubusinessline.com– Feb 02, 2022

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