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NEWS CLIPPINGS

	NATIONAL NEWS
1	Gati-Shakti to improve infra efficiency, reduce logistics costs: PM Modi
2	India gauging impact of Ukraine conflict on its foreign trade: Finance Minister Nirmala Sitharaman
3	GST mop-up rises 18% at Rs 1.33 lakh crore in February
4	Comprehensive Economic Partnership Agreement: What the UAE trade deal holds
5	Growth Potential: Enable MSMEs to scale up
6	We are in talks with HR heads of companies on wage code: Labour Minister Bhupender Yadav
7	Tiruppur Exporters' Association seek infusion of fresh liquidity support to struggling MSMEs
8	India, South Africa, Namibia oppose talks at WTO on e-comm, MSMEs

INTERNATIONAL NEWS

Chinese textile industry recorded double-digit growth in 2021

The textile industry of China witnessed a strong expansion in 2021 as its revenue and profits recorded a double-digit growth, according to the Ministry of Industry and Information Technology (MIIT). Textile firms with annual operating revenue of 20 million yuan ($3.16 million) and above recorded profits of 267.7 billion yuan in 2021, up 25.4 per cent year on year (YoY).

The total operating revenue of the firms increased by 12.3 per cent YoY to reach 5.17 trillion yuan in 2021, as per official data.

Additionally, China's garment exports grew 8.4 per cent YoY to reach a record high of $315.5 billion in 2021.

Source: fibre2fashion.com – Mar 01, 2022

HOME

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US real GDP rises at annual rate of 7% in Q4 2021: BEA

US real gross domestic product (GDP) increased at an annual rate of 7 per cent in the fourth quarter (Q4) of 2021, according to the second estimate released by the Bureau of Economic Analysis (BEA). In the third quarter, real GDP increased by 2.3 per cent. In the advance estimate issued in January, the increase in real GDP was 6.9 per cent.

The increase in real GDP primarily reflected increases in private inventory investment, exports and non-residential fixed investment that were partly offset by decreases in both federal and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased.

The increase in Q4 2021 GDP reflected the continued economic impact of the COVID-19 pandemic. In the quarter, COVID-19 cases resulted in continued restrictions and disruptions in the operations of establishments in some parts of the United States.

Government assistance payments in the form of forgivable loans to businesses, grants to state and local governments, and social benefits to households all decreased as provisions of several federal programmes expired or tapered off.

The increase in private inventory investment was led by retail and wholesale trade industries. Within retail, inventory investment by motor vehicle dealers was the leading contributor. The increase in exports reflected increases in both goods and services, BEA said in a release.

The increase in exports of goods was widespread, and the leading contributors were consumer goods, foods, feeds and beverages, as well as industrial supplies and materials. The increase in exports of services was led by travel.

The decrease in federal government spending primarily reflected a decrease in defense spending on intermediate goods and services. The decrease in state and local government spending reflected a decrease in gross investment (led by new educational structures).

The increase in imports primarily reflected an increase in goods (led by non-food and non-automotive consumer goods, as well as capital goods).

Real GDP accelerated in the fourth quarter of last year, increasing by 7 per cent after increasing by 2.3 per cent in the third. The acceleration in real GDP primarily reflected upturns in exports and residential investment, and accelerations in private inventory investment and consumer spending, that were partly offset by a downturn in state and local government spending. Imports accelerated.

Source: fibre2fashion.com– Mar 02, 2022

HOME

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Russia-Ukraine crisis: Exporters mull payment options as Moscow comes under sanctions

India's exports to Russia have come under a shadow following economic and banking sanctions imposed by the US, the UK and the EU on the country for invading Ukraine.

The Commerce and Industry Ministry is examining suggestions made by exporters, including the possibility of third country payments and allowing deals in rouble, but unavailability of insurance cover and rising freight rates are adding to the list of woes, according to sources.

"Commerce Ministry officials met exporters on Monday to take stock of the sanctions and their fall-out and also discuss various options to get around the problem of payments," a source tracking the matter told BusinessLine. Russia, which is India's 25th largest trading partner, imports considerable volumes of tea, pharmaceuticals, mobile phones and other electronics, machinery, iron and steel and apparels from India. India's total exports to Russia were valued at $2.6 billion in 2020-21, while imports were at $5.4 billion.

Financial transactions

Since most Russian banks have been blocked by the EU and the US from the SWIFT international payment system, it would be difficult for Russian companies to make financial transactions, pointed out Anupam Shah, an exporter of engineering products.

"Some Russian importers, who have entities in other countries such as Turkey, Hong Kong or UAE, have suggested that India should allow third country payments. But this could lead to payment delays and other issues might crop us such as need for advance declaration at time of shipment. Commerce Ministry officials will meet officials in the Finance Ministry, the RBI and banks to discuss if some relaxations could be given," the source said.

The other option of allowing deals to be carried out in rouble instead of the US dollar, could enable smooth payments, but would be a complicated exercise as rouble is not a freely convertible currency and determining the exchange rate could be an issue. "Especially with the value of the rouble falling steeply one has to see how frequently the exchange rate would need to be revised," the source added.

While items like food, pharmaceutical and energy are excluded from the sanctions, the situation is challenging for these sectors. The withdrawal of ECGC cover on exports to Russia is unfair and risk cover should be restored immediately, said Sujit Patra from the Indian Tea Association.
"Shipment cost has gone up multiple times. The Centre should consider assistance to exporters to defray some cost. Banks need to provide more pre and post shipment working capital with higher interest subvention," Patra added.

Source: theoutreach.in– Mar 02, 2022

HOME

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Bangladeshi products to get duty-free access to Australia even after graduation from LDC

Australia has officially assured Bangladesh of continuing duty and quota free treatment for Bangladeshi exports even after graduation from LDC in 2026.

The commitment came at a meeting of the first Joint Working Group on trade and investment held recently in Canberra, according to the Bangladesh High Commission in Canberra.

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Formed under the Trade and Investment Framework Arrangement (TIFA) between Australia and Bangladesh, the JWG meeting had productive discussions on general trade issues, trade in goods and services, trade facilitation, promotion of investment, energy and defence collaboration, among others.

Australia agreed to initiate a study on prospects of greater trade and investment flow for adding dynamism in economic ties.

The JWG agreed to involve relevant private sectors and encouraged institutional linkages between apex trade bodies of the two countries to further strengthen bilateral trade.

The two countries agreed to enhance industry connections between Australian exporters of raw materials like cotton, wool, hides and importers, manufacturers in Bangladesh.

They decided to explore options to engage with global value chains as well as third country markets and "buy back" finished goods made from Australian inputs.

Australia expressed keenness to explore investment opportunities in infrastructure, energy, mining and ICT sectors in Bangladesh.

Australia also agreed to support Bangladesh in capacity-building and human resource development through cooperation on technical and vocation education and in updating the Country Education Profile for enabling greater number of Bangladeshi students to pursue higher studies in Australia.

Australia expressed willingness to provide training on the Australian Fumigation Accreditation Scheme to help Bangladeshi producers and exporters meet regulatory standards of the Australian market.

The Australian Trade Minister Dan Tehan, in a video message for the JWG meeting, said that Australia and Bangladesh are moving to a new level of partnership -- based on shared interests, values, people-to-people links and increasingly marked by the dynamism of the commercial ties.

The next JWG meeting would take place in Bangladesh early next year.

Source: thedailystar.net– Mar 02, 2022

HOME

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UK and New Zealand sign free trade deal

Britain and New Zealand have signed a free trade deal, which the UK government said would boost bilateral trade by 60% by eliminating tariffs, cutting red tape and enabling freer movement of professional workers.

Most business leaders welcomed the deal, which was agreed in principle in October and follows on the heels of a similar agreement with Australia, but the National Farmers' Union (NFU) said it would lead to unfair competition in their sector.

The trade minister, Anne-Marie Trevelyan, forecast that the deal would add £800m to the British economy over the next decade.

"Our trade with New Zealand will soar, benefiting businesses and consumers throughout the UK and helping level up the whole country," she said.

Tariffs of up to 10% on clothing and footwear, 5% on buses and up to 5% on ships, bulldozers and excavators will be eliminated, she said.

William Bain, head of trade policy at the British Chambers of Commerce, joined the head of the Federation of Small Businesses, Mike Cherry, and the Lord Mayor of London, Vincent Keaveny, in describing the deal as an opportunity for UK businesses to provide services on an equal footing with businesses based in New Zealand.

"The agreement will also boost trade in environmental goods and services – essential for the transition to net zero," Bain added.

However, the NFU's president, Minette Batters, said the elimination of tariffs on agricultural products would expose "sensitive sectors like beef and lamb, dairy and horticulture" to unfair competition.

"Once again, there appears to be extremely little in this New Zealand trade deal to benefit British farmers. UK farm businesses face significantly higher costs of production than farmers in New Zealand, and margins are likely to tighten further in the face of rising input costs, higher energy bills and labour shortages," she said.

“The government is now asking British farmers to go toe-to-toe with some of the most export-oriented farmers in the world, without the serious, long-term and properly funded investment in UK agriculture that can enable us to do so; the sort of strategic investment in farming and exports that the New Zealand government has made in recent decades.”

Critics of the government’s decision to leave the EU single market and customs union said Trevelyan was involved in a damage limitation exercise that would fail to overcome the loss of tariff-free access to the world’s largest free trade zone.

David Henig, a trade expert and director of the European Centre For International Political Economy, said the New Zealand deal was accompanied by an “exaggerated economic forecast” of the benefits to both countries and was “in reality likely to be economically marginal”.

Trade between the two countries was worth £2.3bn in 2020. When the in-principle agreement was announced last year, New Zealand said it would provide a boost of almost £500m to its GDP.

The deal is the latest step in Britain’s post-Brexit pivot away from Europe and towards countries in the Indo-Pacific region, where it sees export opportunities for professional services and luxury British goods.

Trevelyan said the deal would eliminate all tariffs on UK exports to New Zealand and make it easier for British professionals and their families to work there.

Coming on the heels of a deal with Australia, Britain said it was another step toward accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – an 11-country trade pact central to British ambitions in the region.

“Like all our new trade deals, it is part of a plan to build a network of trade alliances with the most dynamic parts of the world economy, so we set the UK on a path to future prosperity,” Trevelyan said.

Source: Fibre2Fashion.com– Mar 01, 2022

HOME

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Uzbek cotton is free from systemic child labour and forced labour

An estimated two million children have been taken out of child labour and half a million adults out of forced labour since the reform process of the Uzbekistan's cotton sector began seven years ago.

According to the forthcoming 2021 ILO Third-Party Monitoring Report of the Cotton Harvest in Uzbekistan based on eleven thousand interviews with cotton pickers, 99 per cent of those involved in the 2021 cotton harvest worked voluntarily. All provinces and districts had very few or no forced labour cases.

About one per cent were subject to direct or perceived forms of coercion. The data shows that 0.47 per cent of respondents reported direct or perceived threats by Mahalla representatives (local officials at the community level) related to social benefits, and 0.12 per cent of respondents reported direct or perceived threats by employers related to loss of employment or wages.

The findings are the latest from the ILO Third-Party Monitoring project, which has been monitoring the cotton harvest in Uzbekistan since 2015 under an agreement with the World Bank.

A majority of cotton pickers who took part in interviews said that working conditions had improved since 2020. Only five per cent said that the conditions were worse than the previous year. This relates to transportation, food, access to water, hygienic and other facilities.

According to the report, one in eight people of working age in Uzbekistan participated in the cotton harvest – the world's largest recruitment effort. Sixty-two per cent of pickers were women, and the vast majority were from rural areas.

"Our collaboration has yielded good results – because after 7 years, this year's report shows that Uzbek cotton is free from child labour and forced labour," said ILO Director-General Guy Ryder. "There is now an opportunity for Uzbekistan to realize its goal of moving up the value chain and to create millions of decent full-time jobs in textile and garment manufacturing."

Uzbekistan is the sixth largest cotton producer in the world. Under the leadership of President Shavkat Mirziyoyev, the country has embarked on reforms that include the modernization of the country's former agricultural economic model and the eradication of child labour and forced labour in the annual cotton harvest that was previously prevalent.

"We undertook these reforms to benefit our people and our economy. The starting point was to abolish the state order system for cotton production but we didn't stop there," said Tanzila Narbaeva, the Chair of the Uzbek Senate and Head of the National Commission to Combat Forced Labour and Human Trafficking.

"We worked tirelessly to change thinking and behaviour through awareness raising campaigns on labour rights. We criminalized child labour and forced labour. We enhanced our labour inspection and we engaged in dialogue with civil society to identify common ground and solutions."

Jonas Astrup, Chief Technical Advisor of the ILO TPM Project in Uzbekistan said that monitors observed new developments which indicate the democratization of the labour market in Uzbekistan.

"For the first time, the minimum wage was consulted with not only the government but also the trade unions and employers of Uzbekistan. We also observed an emerging trend of collective bargaining at the grass-root level. Cotton pickers would engage in informal wage negotiations with farmers and textile clusters. Many pickers were paid well above the minimum wage as a result."

Shukrat Ganiev, an independent human rights activist who has been monitoring the cotton harvest with ILO for several years said, "We need to shift our focus to decent job creation. People in Uzbekistan need jobs with decent wages and good working conditions. To get there we need international brands and retailers to engage in responsible sourcing from Uzbekistan."

The ILO Third-Party Monitoring project is implemented with support from the European Union, the US State Department, the Government of Switzerland, and Germany. It will conclude in May this year and by request of the government, and workers' and employers' organizations in Uzbekistan a feasibility study for a Better Work programme will be undertaken. The Better Work Programme is a joint initiative of the ILO and The World Bank Group.

Source: ilo.org – Mar 01, 2022

HOME

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Transparent Cotton Sourcing: Best Practices for Supply Chain Management with the U.S. Cotton Trust Protocol

In the past year, there has been heightened scrutiny throughout the fashion supply chain, specifically within the textile industry. As a result of these changes, brands and retailers increasingly need to track the source of their products and provide transparency to consumers. As companies work to meet sustainability commitments and goals, it becomes ever clearer that adding visibility throughout the supply chain has become mission critical.

In the recent webinar, "Transparent Cotton Sourcing: Best Practices for Supply Chain Management," Sourcing Journal's Jasmin Malik Chua spoke with Dr. Gary Adams, president of the U.S. Cotton Trust Protocol; Amit Gautam, founder and CEO of TextileGenesis™; and Nicole Bivens Collinson, president of international trade & government relations at Sandler, Travis & Rosenberg, about these challenges and what the textile and apparel industry can do to mitigate risk regarding cotton fiber sourcing. They also discussed how the Trust Protocol helps brands meet their sustainability targets.

Launched in 2020, the Trust Protocol is designed to set a new standard in more sustainably grown cotton, ensuring that it contributes to the protection and preservation of the planet, using the most sustainable and responsible techniques.

Within its first year, the Trust Protocol announced a collaboration with TextileGenesis™ to create the Protocol Consumption Management Solution (PCMS), which made the program the world's first sustainable cotton fiber to offer its members article-level supply chain transparency. The PCMS harnesses blockchain technology to record and verify the movement of U.S. cotton fiber along the entire supply chain.

"The Trust Protocol started out with an initial focus on environmental metrics and collecting the data from the growers—both on their farm-level management, as well as field-level analysis," said Adams. "But then we saw the increasing need for brands and retailers to be able to provide additional transparency within their supply chain, and that led us to developing the Protocol Consumption Management Solution."

Explaining the role of his company, Gautam said, “TextileGenesis™ is essentially a supply chain platform enabled by blockchain technology to create full fiber to retail traceability.” He continued, “The fiber coin that we have created becomes a digital token called a Protocol Cotton Consumption Unit. One kilogram of sustainable fiber becomes one Protocol Cotton Consumption Unit, and as fiber is transformed to yarn to fabric to garment, Protocol Cotton Consumption Units are passed along, considering the article level inventory at each stage in the supply chain.”

Never has this mattered more than now, as these companies face increased scrutiny from consumers, as well as new regulations regarding cotton fiber sourcing. With so many developments happening, Bivens Collinson offered some insight on what companies should be most concerned about. “From soil to shelf, companies need to have visibility in their supply chain all the way back so that they can say, ‘I know where that was made. I know how it was made. I know the conditions under which it was made,’” she said.

Bivens Collinson continued, “You need to have some kind of method of tracking for every single entry for every single garment or product that is made. There needs to be a paper trail or electronic documentation trail that demonstrates to authorities that the cotton used in your product was grown ethically, and that its point of origin does not include banned geographical areas. You need to show the enforcement agency that you have exercised due diligence and you have exercised reasonable care. Those are two critical elements to avoid potential penalties.”

So how does the U.S. Cotton Trust Protocol provide brands and retailers with more assurance of their cotton’s provenance?

“I would start by saying that in the United States, we have a distinct advantage that with every bale of cotton produced, it is assigned a unique Permanent Bale Identification number and is graded by the USDA,” Adams said. “So, in essence, every bale has been counted. When growers upload bales into the Trust Protocol platform, the PBI is uploaded as well, and they are crosschecked against the USDA database.”

The Trust Protocol offers article-specific, double verification of every transaction by ensuring availability of Protocol-eligible materials and by verifying invoices and shipping documents. The PCMS creates a transparency map that provides the authenticated origin of the U.S. cotton, along with the names and locations of the Trust Protocol mill and manufacturer members that were involved in all parts of the production process, into the finished products that are shipped to the brand and retailer.

Demand for supply chain transparency has never been greater, and in its first year, the Trust Protocol uploaded approximately 950,000 bales into the system and welcomed over 560 members of the supply chain—from global mills and manufacturers to brands and retailers, including Gap Inc., PVH, Levi's, Target and Tesco.

Source: sourcingjournal.com – Mar 01, 2022

HOME

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Sri Lanka's apparel exports reach $488 mn in Jan; set 5-year record

Sri Lanka's apparel exports in January 2022 achieved the highest level for that month in the last five years as export earnings rose to $487.6 million, overtaking the $452 million recorded in January 2019, prior to the pandemic, by 8 per cent. Growth over January 2021 export earnings was 23 per cent.

This performance demonstrates the industry's underlying strength as it bounced back from the sustained shocks from the impact of the pandemic over the last two years, Joint Apparel Association Forum (JAAF), the apex body of the Sri Lankan apparel industry, said in a media release.

"Amidst significant turbulence, this strong performance is testimony to the resilience of Sri Lanka's apparel industry and augurs well for the industry's progress towards realising its goals for 2025," said Yohan Lawrence, secretary general, JAAF.

The industry's 2030 vision is to transform Sri Lanka to a global apparel hub by that year; an intermediate goal is to increase annual export earnings from apparel to $8 billion by 2025.

"Through close cooperation between all key stakeholders, the apparel industry can further increase its already-strong contribution to the national economy, as a major generator of vital foreign exchange and high-quality employment," Lawrence added.

The industry's January 2022 performance also reflects the success of rigorously applied safety measures adopted by the sector, in close cooperation with health authorities, to minimise the spread of the pandemic among employees to zero. Additionally, apace with the national vaccination drive, 65 per cent of employees in Sri Lanka's apparel sector have now received both doses and the booster, while 95 per cent of employees have received at least both doses. Apparel exporters also proactively adopted additional safety measures, even before the Omicron variant came to Sri Lanka, JAAF said.

"Ensuring the health and safety of the employees of the sector, through continued rigorous adherence to safety and health protocols remains our top priority," said Saif Jafferjee, MD, Lanka Garments (Pvt) Ltd. "This approach has sustained the industry's resilience and reduced the negative impact of COVID-19, while also ensuring business continuity, thus protecting thousands of livelihoods and income sources."

Recent performance also reflects the success of measures like digital product development technology adoption that helped mitigate supply chain disruptions. Larger firms also supported smaller ones, by collaborating with them on meeting the export order rush.

"January's impressive performance was also made possible by strong demand from buyers and the healthy pipeline of orders for upcoming months, which are grounds for optimism," Jafferjee added. "The international outlook remains challenging, however, considering growing tensions in Europe."

Source: fibre2fashion.com– Mar 02, 2022

HOME

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NATIONAL NEWS

Gati-Shakti to improve infra efficiency, reduce logistics costs: PM Modi

Prime Minister Narendra Modi on Monday said that PM GatiShakti, the government's digital portal aimed at breaking departmental silos, has a huge role in improving infrastructure efficiency and reducing the cost of logistics

"Infrastructure Planning, Implementation and Monitoring will get a new direction from PM Gati-Shakti. This will also bring down the time and cost overrun of the projects," the prime minister said in a post-budget webinar, Even today, logistics cost is considered to be 13-14% of India's Gross Domestic Product, which is higher than other countries, Modi said.

The government's Unified Logistic Interface Platform (ULIP) is integrating 24 government departments and six ministries to create a single-window logistic platform, leading to reduced costs, he added.

In October, Commerce Minister Piyush Goyal had said that Gati-Shakti and other government initiatives can help bring down the cost of logistics to 8% of the country's GDP.

Modi also called on state governments to make the Gati-Shakti platform the base for their projects and economic zones. Among states, Gujarat is reportedly already on board.

Business Standard had previously reported that GatiShakti, or national master plan portal, is currently in a testing phase and a full-fledged launch is likely by March.

The prime minister said that the portal will significantly help Indian exports, and make Indian MSMEs competitive in the global market.

Under the Gati-Shakti plan, a logistics division in every department has been envisaged, along with the formation of an empowered group of secretaries for logistics efficiency.

Calling on the industry to use the portal, Modi said that more than 400 data layers are available on the platform now, with information on existing and proposed infrastructure, along with data on forest land and available industrial estate, which will help private players get various clearances at the Detailed Project Report (DPR) stage.

"This will also be helpful in reducing your compliance burden," he said.
In her budget speech, Finance Minister Nirmala Sitharaman had said that GatiShakti will be one of the four priorities of the government in 2022-23. Centre has allocated Rs. 7.5 trillion for capital expenditure in the next financial year, as against Rs. 5.54 trillion in 2021-22.

As part of the government's plan to boost infrastructure, the allocation of ministry of road transport and highways has been increased by 68% to Rs. 1.99 trillion, while that of the railways ministry has been increased by 27.5% to Rs. 1.40 trillion.

Launched in October, GatiShakti aims to bring the data and processes of state governments and key infrastructure ministries under a single platform.

Source: financialexpress.com – Feb 28, 2022

HOME

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India gauging impact of Ukraine conflict on its foreign trade: Finance Minister Nirmala Sitharaman

The government is worried about the impact on its exports due to the Russia-Ukraine crisis, finance minister Nirmala Sitharaman said on Monday, and asked for feedback from the industry and trade on any difficulties on the payments front. Noting that the areas of concern include pharmaceutical exports and imports of fertilisers from the region, she said the government was seized of the matter and discussions were on among various for a complete assessment of the situation.

Interacting with industry stakeholders at an event in Chennai, she said: "As regards what is going (to be the immediate impact on) our imports from and on our exports to Ukraine, we are rightly concerned. I am more worried about what is going to happen to our exporters who are doing very well, particularly to the farming-sector (exporters)." Sitharaman, however, assured industry representatives that the government was fairly seized of the matter in its granular form, as it is going to have an impact on the essentials like edible oil coming from Ukraine. "On the larger issue of the situation prevailing in Ukraine and about India's position in the UN Security Council… I went through the press releases and press commentaries which the external affairs ministry is making," she said.

According to the finance minister, consultations will be held with the railway and transport ministries to find a solution to the cement transportation issues. Responding to the points made by N Srinivasan, vice-chairman & MD, India Cements, the FM said, "We will ensure that we will organise a meeting with the surface transport ministry and rail ministry."
Srinivasan, who is also president of the South Indian Cement Manufacturers' Association, told the FM that most of the limestone is in the south. "Unless this cement moves north, we will always have a problem of shortage in the north. The cement industry will be blamed for cartelising, but what can we do, as cement cannot be stored? Projects are being held up. Therefore, we have a real problem. The government will have to find a solution," he said.

India is the second largest producer of cement in the world, producing about 450 million tonne (mt), compared to China that produces about 2.5 billion tonne.

After that comes America with about 60 mt. Srinivasan said logistics is a big problem in view of the huge volume of cement that is required in the north. Speaking on the Budget proposals, Sitharaman said the government is taking various measures to revive the economy from the adverse impact of the Covid-19 pandemic. The government wanted to provide stability for revival from the pandemic, and is putting more money into infrastructure building.

On the Tea Board and the regulation issue, Sitharaman said, “I was getting deeply involved in getting the tea industry far more easily regulated. I think there is a clear roadmap wanting to strengthen the industry. I will have a detailed discussion with the commerce ministry.”

Source: financialexpress.com– Mar 01, 2022

HOME

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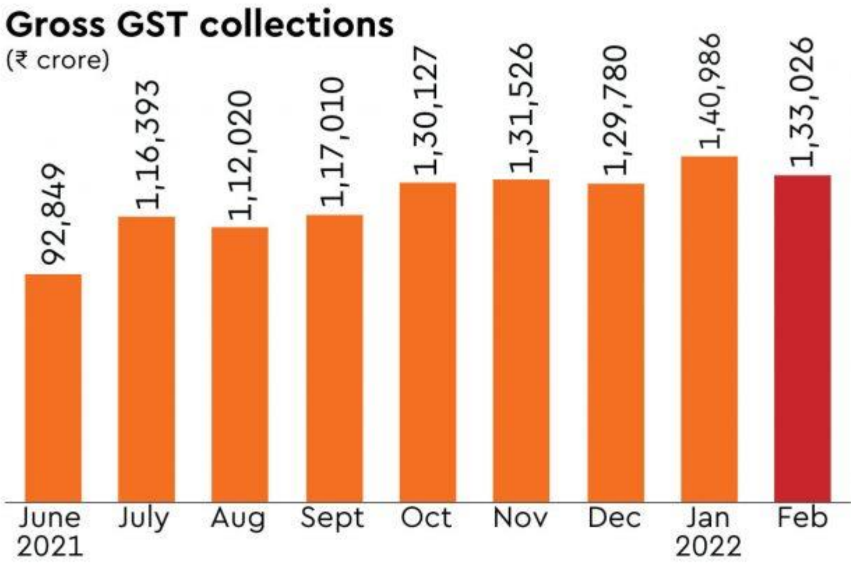
GST mop-up rises 18% at Rs 1.33 lakh crore in February

Gross goods and services tax (GST) collections rose 18% on year to Rs 1.33 lakh crore for February (January transactions). For the fifth month in a row, the collections crossed the Rs 1.3 lakh-crore mark. The trend so far indicate that the Central GST (CGST) collections could exceed the FY22 revised estimate (RE) by at least Rs 20,000 crore.

Revenues for the month of February 2022 were 18% higher than the GST revenues in the same month last financial year, and 26% over FY20.

Daily e-way bill generation for goods transportation stood at a record 24.47 crore in the first 27 days of February, the highest since the system was rolled out in September 2018, reflecting an uptick in commerce. So GST collections might maintain the momentum, largely unaffected by the anaemic pace of economic growth. Apart from steps taken by the tax authorities to improve compliance and check evasion, a shift of business from the small-scale units to the large corporate sector also boosted GST receipts.



E-way bills generation is a proxy of GST revenues. Despite having 28 days, the total e-ways bills in February will be around January level of 6.88 crore. Going by the recent monthly trends, the GST collections could be around Rs 1.3 lakh crore for March as well (February sales).

CGST collections stood at about Rs 5.29 lakh crore in April-February, only Rs 41,000 short of the FY22 RE. Given that monthly accruals to CGST are around Rs 60,000 crore, the CGST collections could exceed FY22RE by Rs 20,000 crore.

Gross GST revenue collected in February 2022 is Rs 1,33,026 crore of which CGST is Rs 24,435 crore, SGST Rs 30,779 crore, IGST Rs 67,471 crore (including Rs 33,837 crore collected on goods import) and cess Rs 10,340 crore (including Rs 638 crore collected on goods import).

The government has settled Rs 26,347 crore to CGST and Rs 21,909 crore to SGST from IGST. The total revenue of Centre and the states in February 2022 after regular settlement is Rs 50,782 crore for CGST and Rs 52,688 crore for the SGST.

During February, revenues from import of goods was 38% higher and the revenues from domestic transaction (including import of services) are 12% higher than the revenues from these sources during the same month last year.

This high growth during February 2022 should also be seen in the context of partial lockdowns, weekend and night curfews and various restrictions that were put in place by various states due to the omicron wave, which peaked around January 20," the finance ministry said. Since implementation of GST, for the first time, GST cess collection crossed Rs 10,000 crore mark, which signifies recovery of certain key sectors, especially, automobile sales, it said.

"While on an overall basis, the collections are 18% higher than the same period last year, there is significant divergence amongst states with increases in the range of 2% to 23% amongst the large states," said MS Mani, partner, Deloitte India. According to Vivek Jalan, partner, Tax Connect Advisory: "The robust GST Collection is a result of restrictions on availment of input tax credit by the GST departments across the country."

From January 1, 2022, Section 16(2)(aa) has come into effect whereby in case the supplier makes a mistake in filing its GST return, the buyer is not able to take the ITC.

Source: financialexpress.com– Mar 02, 2022

HOME

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Comprehensive Economic Partnership Agreement: What the UAE trade deal holds

India's recently-concluded Comprehensive Economic Partnership Agreement (CEPA) with UAE is a landmark for it has several firsts to its credit. It is the first time since walking away from the Regional Comprehensive Economic Partnership (RCEP) in 2019 that India has warmed up to an economic cooperation agreement (ECA). The UAE CEPA is the first ECA that India has endorsed in over a decade, after the CEPA with Japan in 2011, and is also the first with any Gulf country. And finally, it could be the first of at least seven more ECAs that the government intends to wrap up soon. This includes the proposed early harvest deal with Australia to be concluded over the next few weeks.

Thus, there seems to be an urgency in the government to hasten the pace of negotiations on the ECAs currently on the table, and to reverse the perception that India is a slow-mover in such negotiations. At the same time, by including issues related to the digital economy and government procurement in the UAE CEPA, which it had stoutly refused to include in any of the past agreements, the government is likely signalling that it is willing to be more "flexible" in the negotiations. Whether this "flexibility" would extend to issues like labour and environmental standards that are high on the wish-list of the EU and the UK, two prospective CEPA partners, needs to be seen.

The UAE CEPA is important for at least two reasons. The first is that UAE is a gateway not only to the MENA region, but also to other parts of Africa as well. The Centre, too, has recognised the advantages that UAE could offer as a "global logistical centre with technically advanced transport and storage facilities" for distribution of pharma products, a key export item for India. UAE has its sight set on becoming a pharma-distribution hub by 2030, and this, the government believes, would help India find more market access.

The second advantage is the possibility of India reversing its declining trade relations with a country that was its largest trading partner until 2012, with total trade at $74.8 billion. UAE was also India's largest export destination; the value of exports having peaked in 2011 at $38.3 billion. Thereafter, exports have been steadily declined. In 2021, India's exports to UAE were $25.4 billion—lower (in nominal terms) than the exports in 2010 ($29.3 billion).

Surprisingly, the surge in exports that was seen in 2021, largely due to the pent-up demand in the wake of the Covid-pandemic, did not have any impact on India's exports to UAE. Thus, the CEPA provides an opportunity for carefully assessing the factors that are impeding India's market access to its once-largest export market.

The government is quite upbeat about India's market access prospects in UAE after CEPA gets implemented on May 1. This is because UAE is offering overall duty elimination on over 97% of its tariff lines, corresponding to 90% of India's exports in value terms. The expectations are that trade between the two countries would increase to $100 billion in the next five years, up from $68.4 billion in 2021.

The sectors that are likely to benefit from UAE's tariff cuts are gems and jewellery, textiles, leather, footwear, sports goods, plastics, furniture, agricultural and wood products, engineering products, pharmaceuticals, medical devices, and automobiles. Currently, almost two-thirds of India's exports to the UAE comprise of petroleum products, gems and jewellery, apparels, iron and steel, and their products, and telecom equipment. Each has a share in exports of more than 5%. It is therefore interesting to note that the government is expecting a sizeable change in India's export basket following CEPA.

How realistic are these expectations? It may be argued that the realisation of the government's expectations would be a function of two factors, one the preference margins that Indian products would enjoy in the CEPA regime, and two, how effectively regulatory barriers are dealt with. As regards the preference margin, or the difference between the existing tariffs (the most favoured nation or MFN tariffs) and the preferential tariffs that UAE has offered to India, it may be pointed that this would not be very large. According to the data provided by the WTO on the MFN tariffs maintained by the UAE, 87.2% of its tariff lines attract tariffs of 5% while 11.2% of the tariff lines are tariff-free.

The remaining tariff lines either attract 100% tariffs—mainly tobacco products—or are designated as "special goods" (prohibited goods). This implies that for most products, the preference margins would be no more than 5%. Moreover, UAE has already eliminated tariffs on most pharma products on an MFN basis. This, in other words, means that tariff elimination by the UAE is not likely to be a major factor for triggering the increase in India's exports that the government expects; the key factor could be the regulatory barriers.

One positive measure in this regard is the annex on pharma included in the CEPA. The annex is intended to facilitate increased market access for Indian products, through automatic registration and marketing authorisation in 90 days for products approved by the regulators in the US, the UK, the EU, and Japan. Similar efforts are needed in the other key areas in order to provide momentum to India's exports.

Finally, a free trade agreement with a country that is also a re-exporter can have one major problem, namely, circumvention of exports from third countries. This problem can only be overcome by an effective Rules of Origin. The CEPA includes a "contract enforcing Country of Origin". However, this measure must be consistently monitored to assess its effectiveness.

Source: financialexpress.com – Mar 01, 2022

HOME

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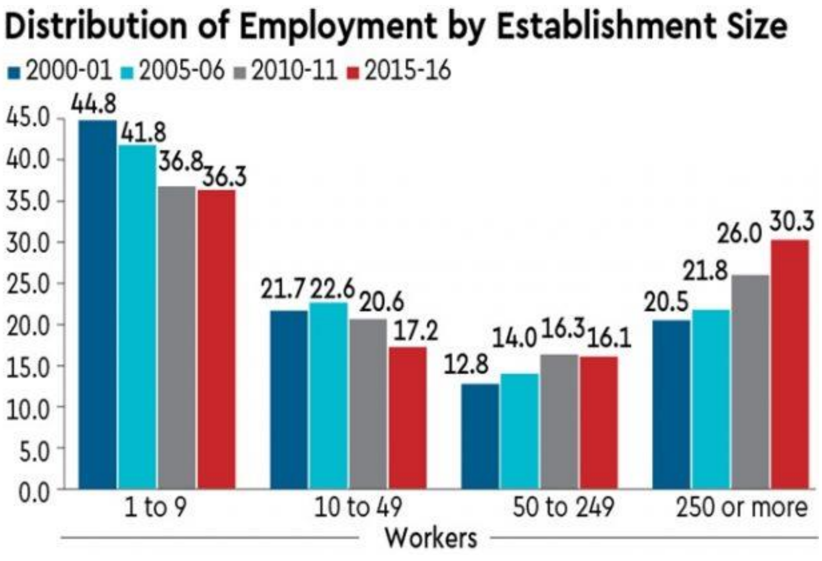
Growth Potential: Enable MSMEs to scale up

Traditionally, India has supported and encouraged Micro, Small and Medium enterprises (MSMEs) as it is these enterprises that use labour-intensive methods of production thereby generating the much-needed employment opportunities outside the agriculture sector. Over the years, different policy initiatives have attempted to encourage MSMEs by providing them with subsidised credit, technical assistance, excise tax exemptions and preference in government procurement (Expert Committee on MSMEs, RBI, 2019). The Small Scale Reservation Policy (1967), which attempted to shield small scale units from competition by reserving the production of a number of products for them stands out in this context. In recent times, too, the MSME sector has continued to remain a thrust area for policymakers as it is argued that the sector is the “backbone of the Indian industry’.

However, there is little systematic data to understand how this sector has contributed to employment generation over time. In particular, the question of whether it is in fact MSMEs or large arms that have been significant contributors to employment over time, across states, across industries and across rural and urban areas deserves attention.

Combining establishment-level data for the registered/formal sector from the Annual Survey of Industries and informal/unincorporated manufacturing sector from the NSSO’s Enterprise Survey of Unincorporated Enterprises for the period between 2000-01 and 2015-16, we seek to answer this question in a recent study (bit.ly/3MagZMg).



We find that the distribution of manufacturing employment across firms of different sizes in India is marked by a bi-modal distribution wherein a large share of employment is concentrated in micro-enterprises followed by large enterprises (see graphic). While the existence of a "U" shaped (or bi-modal) distribution of manufacturing employment by enterprise size referred to as the "missing middle" is widely recognised in the literature, this study finds that over time, there has been an improvement in the employment distribution with the share of medium and large enterprises in total employment rising while that of small and micro-enterprises has been falling. The share of micro-enterprises (defined as those hiring one to ten workers) in total employment has declined by 8.5 percentage points, while that of large enterprises (i.e. those with 250 or more workers) has increased from 20.5% in 2000-01 to 30.3% in 2015-16. The share of small enterprises (i.e. those with 10 to 49 workers) in total employment has fallen from 21.6% to 17.2% over the 15-year period, while that of medium sized enterprises (i.e. those with 50 to 249 workers) has risen from 12.7% to 16%.

The rising employment share in large enterprises (of almost 10 percentage points over 15 years) is a positive development as these enterprises offer more productive and better paying jobs compared to smaller enterprises. Importantly, the improvement in the distribution of employment is seen not just at the aggregate level but also at a more disaggregated state and industry level.

The increasing share of large establishments in total employment merits attention. It could be a consequence of (i) entry of new large factories and/or, (ii) increase in size of factories that were already in the large category and/or (iii) expansion of small and medium factories that have graduated into large size group. Identifying the drivers of the changes in the employment distribution is important from a policy perspective.
We cannot examine the extent to which each of the above-mentioned factors explain the changes in the employment distribution as the survey design of the establishment surveys does not allow us to track the life cycle dynamics of MSMEs. However, examining stylised facts across firms of different sizes and age cohorts, it appears that the shift in distribution of employment towards relatively larger enterprises is driven, amongst other factors, by the fact that there are some dynamic MSMEs which are expanding and moving up the size distribution.

An important implication of the above observation is that for policies designed to support MSMEs to be effective in employment generation, they should seek to identify transformative enterprises, which have the potential to grow fast and provide them the necessary support to expand and graduate quickly up the size distribution. Policy support for MSMEs should not incentivise them to remain small. In particular, they should avoid indefinitely subsidising subsistence entrepreneurs, i.e., those who are compelled to resort to self-employment or own account employment as a survival mechanism to eke out a subsistence living. Significantly, OAMEs (i.e. those which operate without hired labour) have persistently accounted for 85% of total enterprises in the enterprise landscape, suggesting that such subsistence enterprises are not transitioning to large size categories and are unlikely to become engines of productive job creation.

While policy support should encourage and enable the more dynamic small enterprises to move up the size distribution, the ex-ante identification of such dynamic transformative enterprises from the factory level data available in India is indeed difficult. Nevertheless, it is an important exercise and warrants creative research as it is these potentially transformative enterprises (also referred to as constrained gazelles in the literature) that can build larger businesses and emerge as engines of job growth in the economy if given the right conditions and support.

Source: financialexpress.com – Mar 01, 2022

HOME

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We are in talks with HR heads of companies on wage code: Labour Minister Bhupender Yadav

The labour ministry is holding discussions with HR heads across sectors to address concerns over the Wage Code. Issues will be addressed through Rules without altering the current structure of Codes, labour and employment minister Bhupender Yadav told ET's Yogima Seth Sharma and Deepshikha Sikarwar in an interview. Edited excerpts:

There is a lot of speculation on the timing of implementation of the Labour Codes. When are these likely to be rolled out?

The Labour Codes will be implemented as soon as possible. Around 26 states have notified Rules on Codes on Wages and all states are working on notifying Rules on all the four Codes. We have partly implemented the Social Security Code but we want to see all four together in a comprehensive manner. The government will do everything through consensus and in a transparent manner.

There are differences between employers and employees on Wage Code. What is the way out?

There are no differences as such. Certain things can be sorted out through the Rules. These are things of discussion and we are building up a consensus. On a monthly basis, we hold discussions with trade union leaders and heads of the human resource department of companies.

Will we go ahead with the present structure of the Codes or is there a possibility of tweaks?

Codes have already been passed in the Parliament. Various states are drafting Rules on these Codes and we are building up consensus as we go forward.

What is the government's assessment of the recovery in the labour market?
The government has relied on the Periodic Labour Force Survey, which shows there has been an increase in employment in rural areas. In the organised sector, we have the payroll data of the Employees Provident Fund Organisation and the Employees State Insurance Corporation (ESIC), which shows there has been an increase in formal sector employment. We also have the Labour Bureau's Quarterly Employment Survey and its second

report shows there are an additional 0.2 million jobs created and the number of registered units have gone up. We believe in data sanctity and have produced transparent data, which has no rebuttal. Altogethe, these data sets show a positive picture of employment generation in the country.

What is your assessment of the unorganised sector workers?

There is a need to match the job opportunities with skill sets available in the country. We are working on this through the National Career Service portal and the e-Shram portal going forward. In the unorganised sector, which is 90-94% of the country's total workforce or an estimated 380 million, we have collected data for nearly 260 million unorganised workers through the e-Shram portal and have recognised 400 occupations. Our Labour Codes are futuristic. India is one of the few countries in the world that has recognised gig and platform workers in our Codes and they have been registered on the e-Shram portal. Most importantly, we are also addressing their concern for social security and medical benefits and once the Social Security Code comes in, we will expand the scope of benefits of the Employees State Insurance Corporation.

What is holding back the labour ministry from implementing the social security scheme for gig workers?

All this is being discussed. We want to do it in a holistic manner and by taking every stakeholder on board. We want to implement all the Codes though consensus and discussions are on with all stakeholders.

What is the status of the migrant workers survey and the survey on domestic workers being done by the Labour Bureau?

We have met all unions members and representatives of domestic workers. Domestic workers are across multiple occupations but those primarily involved in household chores are a big chunk. It has immense scope and we need to be concerned about their social security. We are waiting for the findings of the survey on the work conditions and social security of the domestic workers.

The parliamentary standing committee, had in the past, raised questions on functioning of ESIC hospitals run by state governments. What is the ministry's stand?

This is an area of ESIC. Currently, payment to doctors in ESIC hospitals is done by state governments and there is a difference in wages too. There is a need to revise wages of our doctors in some of the super speciality hospitals of ESIC. We have taken a conscious decision at the ESIC board meeting that the wages will be paid directly to the doctors by ESIC while they will continue to work under the state governments.

Has the labour ministry done any assessment on the impact of the pandemic on the services sector?

We have seen some dip in employment generation in hotels and hospitality but in the IT sector and hospitals, there has been a boom. The key point is we need to digitally equip the workers. We have tied up with Microsoft under Digi Saksham project, under which we will skill, reskill and upskill our workers.

Will professionals get covered under the EPFO?

Currently, it is not under consideration. EPFO has a ceiling and the responsibility of a welfare government is to help the worker at the last mile though its schemes. Besides, those who are capable and can afford, have other options of social security as well.

What are the measures being considered to increase female labour force participation?

Female participation, female economic independence and female social security is the focus area of this government. The new Wage Code stresses on gender equality and the government is concerned about the issue. We will decide when there is a need for it.

Is the ministry deliberating on guidelines for work from home, considering that it has become a new form of work during and is here to stay?

While we have come out with guidelines for the IT sector, deliberations are on for other sectors on work from home. We will take a view once the various survey reports are out.

What is the ground report of state elections? You are responsible for Manipur... BJP will form a majority government in Manipur. We will win more than 40 out of 60 seats. People are with BJP and all sections of the society are supporting us. There is a difference between what you think and the ground reality.

What does it look like in other states, including UP?

BJP will form a government in all states. In politics, anything can happen. We are contesting elections to form the government. We will form the government in Uttar Pradesh.

Source: economictimes.indiatimes.com– Mar 03, 2022

HOME

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Tiruppur Exporters' Association seek infusion of fresh liquidity support to struggling MSMEs

The Tiruppur Exporters' Association, whose members are into knitwear manufacturing, has requested the Union Finance Minister Nirmala Sitharaman to immediately provide fresh infusion of liquidity to the struggling micro, small and medium enterprises (MSMEs). This will help the units in the 'Dollar Town' — as Tiruppur in western Tamil Nadu is known for — get back to normal functioning, says a representation made by the association's president Raja M Shanmugham to the minister in Chennai on Sunday.

Tirupur knitwear exports clocked ₹26,030 crores from April-January in the current fiscal and is expected to cross ₹32,000 crore by the end of the fiscal year. The association represents around 1,150 exporting units employing over six lakhs workers with 65 per cent of them women. Out of six lakh workers, two lakh are from other states like Orissa, Bihar, Jharkhand and Bengal, and from the North East.

Due to factors like impact of Covid pandemic and increasing prices of cotton yarn, MSMEs are struggling to repay the loan. The non-performing asset norms have to be relaxed to six months from three months to help the units sustain and rebuild their business, the association said.

"We request the Finance Minister to announce a new scheme like Emergency Credit Line Guarantee Scheme (ECLGS) and MSMEs be permitted to avail additional credit facility of 10 per cent to 20 per cent of the existing limit. This is the need of the hour to bail them out of the crisis. The MSMEs in progressive and performing industries, employment-oriented like the garment sector, would be considered under this scheme," the association said.

In the last 15 months, there has been an unprecedented increase in the cost of raw material. This coupled with hike in accessory prices and job working charges have impacted the MSMEs mainly in the liquidity front. The units have been operating from 'Hand to Mouth.' The continuous steep hike of the inputs has drained out their liquidity, even after getting credit support through ECLGS.

For example, the exporting units which were purchasing cotton yarn at ₹300 per kg 15 months back can now purchase only half a kg of cotton yarn for the same amount. As a result, the MSMEs are now undergoing a severe liquidity crisis.

The cause of concern is that as per the commitment made to the foreign buyers well in advance, the MSMEs must compulsory execute the orders, despite incurring losses or getting a wafer thin margin. Nearly 95 per cent of the units in the garment exports sector are MSMEs, the association said.

In the Union Budget, a condition has been imposed which requires the knitwear exporting units to visit a Customs Preventive Unit located in Coimbatore for import of items on each occasion. This causes practical difficulties and is also time consuming apart from undue delay and additional expenses. This problem has emerged at a time when the government is advocating for ease of doing business.

The association urged the minister to remove the condition and restore the old system of submitting the running bond to the Customs and they deduct the duty foregone amount from the Bond, which will be also system oriented and there would not be any hassle to the exporting units.

Source: thehindubusinessline.com– Mar 01, 2022

HOME

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India, South Africa, Namibia oppose talks at WTO on e-comm, MSMEs

India, South Africa and Nami-bia have jointly voiced con-cerns on the plurilateral talkson e-commerce, investment facilitation, services domestic regulation and MSMEs, gathering pace at the WTO, despite many developing country members staying out of it. In a recent paper submitted to the General Council of the WTO, the countries argued that new rules cannot be introduced without fulfilling the multilateral body's mandate of reaching an agreement by consensus.

Joint statement initiative

The submission is especially relevant as the proponents of the plurilateral talks, called the joint statement initiative, or JSI, are trying to look for an outcome at the 12th WTO Ministerial Conference (MC 12), which may take place in June.

"...we are not questioning the right of members to meet and discuss any issue. What we are saying is that when such discussions turn into negotiations and their out comes are to be brought into the WTO rule book, the fundamental rules of the WTO must be followed. All members need to follow the foundational rules of the rules-based multilateral system, as enshrined in the Marrakesh Agreement," said India's representative in the closing address on the submission.

India has refused to be part of the JSI discussions as it believes that members need to first focus on mandated areas for negotiations, including a permanent solution for food procurement subsidies.

"If new areas of discussions are brought into the WTO's agenda plurilaterally, there will be no interest to sort out pending issues that have a direct bearing on livelihoods of the poor. The agenda will be full of issues that favour the powerful," a Delhi-based source told BusinessLine.

India, South Africa and Namibia also challenged members, including de-veloped nations that support the JSI, asking them to legally disprove their argument that new rules cannot be negotiated and formalised at the forum without consensus building.

"This collective commitment to a common set of rules forms the bedrock of this institution. The crucial nature of this commitment has been reiterated through the years, including by the Appellate Body…," the paper affirmed.

Source: eepcindia.org – Feb 28, 2022

HOME

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