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Diversifying The Supply Chain Process

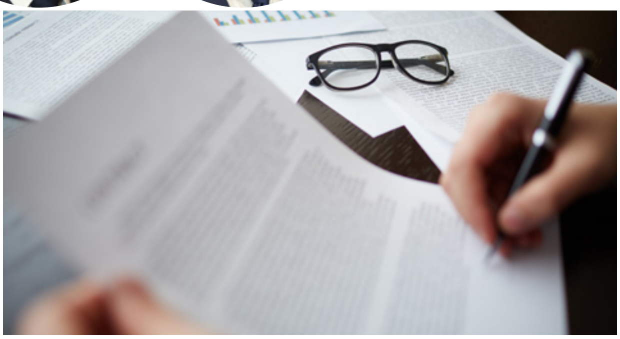
Digital Capabilities Will Strengthen Supply Chain Processes

Building A Resilient, Sustainable Supply Chain Of The Future

SUPPLY CHAIN

Singapore-focused APAC supply chains related to India – Key Customs and Trade Law Considerations

Jean Muller, Strategy Director, and **Sudipta Bhattacharjee**, Partner at **Khaitan & Co**, explain the supply chain ties between Singapore and India.



Singapore has traditionally been and continues to be an important location for global value chains especially in the APAC region. Singapore is often referred to as the 'window to' or 'gateway for' the APAC businesses. In addition to the double taxation avoidance agreements under income tax and specialised commercial dispute resolution centre under the Singapore International Arbitration Centre (SIAC), Singapore has beneficial free trade agreements with several countries such as India and other prolific trade partners. As a result, Singapore has a robust presence of several entities engaged in procurement, supply by invoicing, transit and transhipment as well as in production of intermediate goods having significant value addition in Singapore.

What is the impact of free trade agreements between India and Singapore on supply chain systems?

Singapore is party to two free trade agreements (FTAs) with India - it is a party to India's FTA with the ASEAN, and Singapore and India have also entered into the India-Singapore Comprehensive Economic Cooperation Agreement. That, coupled with changes in India's customs provisions vis a vis rules of origin last year, leads to a scenario where imports are often liable to differential rates subject inter alia to fulfilment of the Rules of Origin Requirements under the respective FTAs.

Hence, significant attention may be needed for India-related supply chains based on exporters in Singapore vis a vis fulfilment of the requisite value addition and origin requirements under the specific FTAs as well as strategically choosing the correct FTA for preferential tariff.

What is the potential impact of trade remedy measures by India?

India is a prolific user of trade remedies and has initiated more than 700 trade remedy investigations with the bulk of the measures against exports from ASEAN including Singapore. In fact, majority of the measures pertain to key exports from Singapore such as chemicals and petrochemicals, machinery, etc. For example, the DGTR is or has investigated imports of hot rolled and cold rolled steel, stainless steel, PVC, Acetone, Phenol, etc, from Singapore. Active participation in such trade remedy investigations is critical to mitigate exposure to imposition of such residual or country-wide rates which are generally higher.

Often, supply chains are modified, through changes in names, structures or involvement of new entities. In such circumstances, the review mechanism under the anti-dumping laws would need to be evaluated to avoid any allegations or investigations from customs or to even continue obtaining the benefit of lower duties.

Further, recently, India has implemented mandatory standards on imports for several sectors such as steel, auto-parts, chemicals, etc. including finished, intermediate as well as raw materials in the form of Quality Control Orders.

APAC supply chains connected with India for supply of goods covered by mandatory compliance requirements will need to factor in the impact of these non-tariff barriers and evaluate the potential impact or disruptions caused from them. Having in place best practices and quality conformity assessments can lead to ensuring compliance and avoid potential disruption in supply.

Also, APAC supply chains connected with India can take advantage of the production linked incentive (PLI) Schemes and can factor in the impact of the PLI Schemes and evaluate the potential advantage offered to counter the disruptions caused from dumped, subsidized or low-priced imports from China.

The above aspects become crucial with burgeoning volumes in Singapore-focused APAC supply chains related to India.

APAC supply chains ought to assess the likely costs/benefits for the foregoing (if any) and implement best practices to ensure obtaining maximum potential benefits for incorporation in global value chains.