ASSOCHAM NEWS & VIEWS

WEEKLY

Highlights

⇒ QUARTERLY REPORT ON PUBLIC DEBT
MANAGEMENT – Q1 FY20 (APRIL TO JUNE 2019)

⇒ NOTIFICATION OF REGISTRATION AND
LICENSING OF INDUSTRIAL UNDERTAKING
(AMENDMENT) RULES, 2019

⇒ RBI RELEASED THE REPORT OF THE INTERNAL
WORKING GROUP TO REVIEW THE LIQUIDITY
MANAGEMENT FRAMEWORK

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA
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16th Session of the Joint Economic Commission between India and Belgium Luxembourg Economic Union

The 16th Session of the Joint Economic Commission (JEC) between India and Belgium Luxembourg Economic Union (BLEU) was convened in New Delhi. The Session was co-chaired by Anup Wadhawan, Commerce Secretary with Ms. Sylvie Lucas, Secretary General of the Ministry of Foreign and European Affairs of Luxembourg.

The session was attended by officials of Department of Commerce and Promotion of Industry & Industrial Trade, Ministry of AYUSH, New & Renewable Energy, External Affairs, Information and Broadcasting and Railways. The delegation from Belgium was led by Ms. Anick Van Calster, Director General for Bilateral Affairs, Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation.

India and BLEU side reiterated the importance of the JEC towards the development of bilateral economic and trade relations through facilitating dialogue and enhancing cooperation on a wide range of issues of mutual interest, such as, transportation and logistics, renewable energy, aerospace and satellites, audio and visual industry, agro and food processing industry, life sciences, ICT, traditional medicine, Ayurveda and yoga, and tourism. The India and BLEU sides resolved that dynamic nature of commercial exchanges seen in the last few years is reflected in the increasing number of companies interested in establishing and gaining access to respective markets, and signing of MoU among the three Countries for cooperation in multiple fields of mutual interest.

JEC Sessions are convened based on an agreement signed in 1990 in New Delhi. This biennial event is organized in capital cities of the three countries alternatively, and is a main vehicle for discussing economic and commercial issues between India and BLEU.

The bilateral trade between India-Belgium and India-Luxembourg in year 2018-19 was USD 17.2 billion and USD 161.98 million, respectively, registering growth of 41% and 150%, as compared to 2017-18. Cumulative FDI inflows to India from Belgium and Luxembourg during April, 2000 to June, 2019 were around USD 1.87 billion and USD 2.84 billion, respectively. While economic exchanges...
between India and BLEU remain satisfactory, they nevertheless still offer ample opportunities for further intensification and diversification in mutually beneficial areas and their complementarities.

Joint Economic Commission between India and Belgium - Luxembourg Economic Union (India-BLEU) was established in 1997 and is the main vehicle for discussing bilateral economic and commercial issues.

The focus of bilateral relations has been on trade and investment. India is Belgium’s second largest export destination and fourth largest trade partner outside the European Union with a significant contribution from the Indian diaspora.

The leading exports from Belgium to India are in the sectors of gem and jewellery (rough diamonds) chemical and chemical products and machinery and mechanical products. The major exports from India to Belgium are in the sectors of gem and jewellery (finished products), base metals and articles and chemicals and chemical products.

There are around 160 Belgian companies in India. Several Indian companies particularly in the IT and software sectors like TCS, Infosys, Tech Mahindra and HCL have established base in Belgium to cater to the Belgian and European markets.
G.S.R (E).- Whereas draft of certain rules further to amend the Registration and Licensing of Industrial Undertakings Rules, 1952, were published, as required by sub-section (1) of section 30 of the Industries (Development and Regulation) Act, 1951 (65 of 1951), vide notification of the Government of India in the Ministry of Commerce and Industry (Department for Promotion of Industry and Internal Trade) number G.S.R. 145(E), dated the 20th February, 2019, in the Gazette of India Extraordinary, Part II, Sub-section (i) inviting objections and suggestions from all persons likely to be affected thereby, before the expiry of a period of thirty days from the date on which the copies of the Official Gazette in which the said notification is published, are made available to the public;

And whereas, the said Gazette notification was made available to the public on 25th February, 2019;

And whereas, no objections or suggestions have been received by the Central Government on the said draft rules;

Now, therefore, in exercise of the powers conferred by section 30 read with sections 10 and 11 sub-section (2) section 12 and sections 13 and 14 of the Industries (Development and Regulation) Act, 1951 (65 of 1951), the Central Government hereby makes the following rules further to amend the Registration and Licensing of Industrial Undertakings Rules, 1952, namely:-

1. (1) Short title and commencement. - These rules may be called the Registration and Licensing of Industrial Undertaking (Amendment) Rules, 2019.

   (2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Registration and Licensing of Industrial Undertakings Rules, 1952 (hereinafter referred to as the principal rules) for the words and brackets “Ministry of Industry (Department of Industrial Development)” or “Ministry of Industrial Development” wherever they occur, the words
“Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade” shall respectively be substituted.

3. In the principal rules, in rule 10, for sub-rule (2), the following sub-rule shall be substituted, namely:-

"(2) The Central Government may, by notification in the Official Gazette, appoint one or more committees, consisting of such number of members as it may think fit, to represent the Ministries or Departments of the Central Government dealing with,-

(a) Department for Promotion of Industry and Internal Trade;

(b) Industries specified in the First Schedule to the Act;

(c) Home Affairs;

(d) Commerce;

(e) Corporate Affairs:

Provided that the Central Government may, if it deems fit, include in such committee any other member to represent any other Ministry or Department.”.

4. In the principal rules, in rule 15, -

   (i) in sub-rule (1) for the figure and words “3 months” the words “five months” shall be substituted;

   (ii) in sub-rule (2) for the words “three months” the words “five months” shall be substituted.
MINISTRY OF COMMERCE & INDUSTRY

Joint Statement of 7th HLTFI meeting held in Abu Dhabi

The seventh meeting of the UAE-India High Level Joint Task Force on Investments (the Task Force) was held on 22nd September 2019 in Abu Dhabi to review and maintain the significant progress made in enhancing bilateral trade and investment between the two countries.

The meeting was co-chaired by Sheikh Hamed bin Zayed Al Nahyan, Managing Director of Abu Dhabi Investment Authority (ADIA) and Chairman of Abu Dhabi Crown Prince’s Court and Piyush Goyal, Minister of Railways and Commerce & Industry. Senior officials from both countries participated in the meeting.

The Task Force was established as a key forum to promote economic ties between the UAE and India. As the two countries implement the Comprehensive Strategic Partnership Agreement signed in January 2017 by Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces and Indian Prime Minister Narendra Modi, the Task Force has acquired new significance in promoting and facilitating investments between the two countries and in addressing mutual concerns.

At the 7th meeting of the Task Force, the two sides expressed satisfaction at the progress made in mutually identified areas aimed at promoting bilateral trade and investments and took note of the successful outcomes of the recent visit of Prime Minister Narendra Modi to UAE.

Both sides also discussed issues relating to the tax treatment of the ADIA wholly owned subsidiaries at the Abu Dhabi Global Market (ADGM). The Indian side has agreed to give an early consideration and mutually beneficial solution to the issue in a way that could facilitate ADIA’s investments in India.

In the context of the Air Services Agreement between India and UAE and the memorandum of understanding, with the Emirates of Abu Dhabi, Dubai, Ras-Al-Khaimah and Sharjah, both sides discussed the implementation of these bilateral agreements. They further agreed that pending issues, interests and concerns expressed by both sides be taken up for mutual benefit of the carriers and civil aviation sectors of the two countries. Both sides expressed their confidence in reaching mutually beneficial outcomes in the consultations that are planned to be held during the second half of October 2019.

The co-chairs noted the efforts to expedite the resolution of outstanding issues experienced by DP World in relating to expansion of its investment portfolio in India and agreed to resolve these issues to mutual satisfaction.

To increase the confidence of the business communities of the two countries, both sides stressed the importance of the bilateral judicial cooperation through the recognition and enforceability of court judgement in civil and commercial cases and arbitration awards in each other’s country.
Areas for future cooperation were also discussed at the meeting, including growth opportunities for Indian banks, asset managers and technology companies at ADGM, and the potential for private banks operating at ADGM to offer high quality private wealth services in India. In this regard, the UAE side further emphasized the strategic role that ADGM has played in fostering collaborations to enable sustainable trade flows and investments between the two economies.

The co-chairs appreciated the functioning of ‘UAE PLUS’ special desk and the ‘Fast Track Mechanism’ established at the 6th HLTFI to facilitate investments and resolve issues relating to UAE Investments into India.

The two sides reviewed and expressed satisfaction on a number of significant achievements and areas of progress made by the Task Force since its creation in 2012, including (i) the signing of a bilateral agreement for the promotion and protection of investments, which is now being renegotiated as a Bilateral Investment Treaty (BIT) (ii) the UAE’s contribution to India’s strategic petroleum reserve, (iii) ADIA’s participation in India’s National Infrastructure Investment Fund as the first foreign institutional investor and (iv) the positive progress being made in addressing the clubbing issue of UAE investment entities for the purpose of the foreign investment limit in Indian listed companies.

Sheikh Hamed bin Zayed Al Nahyan, Chairman of the Abu Dhabi Crown Prince’s Court and Co-chair of the Task Force, expressed his appreciation for the positive role the Indian community has played in the UAE across various areas, which demonstrates the depth of friendship, trust and cooperation that has developed between both countries.

Commenting on the seventh meeting of the Task Force, Sheikh Hamed bin Zayed Al Nahyan, said that the activities of the UAE-India Joint Task Force have and will continue to play an important role in promoting bilateral investment and supporting our countries’ growth ambitions. By providing a platform to strengthen the dialogue between our countries, we have emerged with a deeper understanding of each other’s key goals and objectives, which has led to progress in a number of key areas. Bilateral trade and investment between the UAE and India is growing at an encouraging rate. Through the initiatives we discussed today, and others, we are confident this growth will continue.

Piyush Goyal added that UAE-India High Level Joint Task Force on Investments is an important pillar of our deep economic relations. It is a platform to communicate our mutual requirements and vision for the future, and has helped boost bilateral investments and cooperation. UAE is one of the largest investors in India and one of our most important trading partners, and will also help India in our goal of becoming a USD 5 trillion economy. In this context, he further added that the discussions will go a long way in promoting ease of doing business and investments in both our countries, which will help in economic growth and development of our people.
MINISTRY OF FINANCE


Since Apr-June (Q1) 2010-11, Public Debt Management Cell (PDMC) (earlier Middle Office), Budget Division, Department of Economic Affairs, Ministry of Finance has been bringing out a quarterly report on debt management on a regular basis. The current report pertains to the quarter Apr-Jun 2019 (Q1 FY20).

During Q1 of FY20, the Central Government issued dated securities worth ₹2,21,000 crore as against ₹1,44,000 crore in Q1 of FY19. The weighted average maturity (WAM) of new issuances stood at 15.86 years in Q1 of FY20 (14.18 years in Q4 of FY19). The weighted average yield (WAY) of issuances for the same quarter was 7.21 per cent compared to 7.47 per cent in Q4 of FY19. During April-June 2019, the Central Government did not raise any amount through the issuance of Cash Management Bills. The net average liquidity injection by RBI under Liquidity Adjustment Facility (LAF) including MSF was ₹17,599.3 crore during the quarter.

The total liabilities (including liabilities under the ‘Public Account’) of the Government, increased to ₹88,18,392 crore at end-June 2019 from ₹84,68,086 crore at end-March 2019. Public debt accounted for 89.4 per cent of total outstanding liabilities at end-June 2019. Nearly 28.9 per cent of the outstanding dated securities had a residual maturity of less than 5 years. The holding pattern indicates a share of 40.3 per cent for commercial banks and 24.3 per cent for insurance companies at end-March 2019.

G-Sec yields have softened in Q1 of FY20 with the decrease in weighted average yield of primary issuances to 7.21 per cent from 7.47 per cent in Q4 of FY19 reflecting the impact of several developments namely reduction in policy repo rate twice under the LAF by 25 bps each, OMO purchase auction and a downward movement in the yield on US 10-year treasury bond. The yield on 10-year benchmark G-Sec (7.26% GS 2029) closed at 6.88 per cent on June 29, 2019. Central Government dated securities continued to account for a major share of total trading volumes in the secondary market, with a share of 86.0 per cent in total outright trading volumes in value terms during Q1 of FY20.

Link to the Quarterly Report on Public Debt Management Q1 FY20 (April to June 2019)
MINISTRY OF FINANCE


The Monthly Account of the Union Government of India upto the month of August 2019 has been consolidated and reports published.

The highlights are given below:-

The Government of India has received Rs.6,21,461 crore (29.84% of corresponding BE 19-20 of Total Receipts) upto August 2019 comprising Rs. 4,04,580 crore Tax Revenue (Net to Centre), Rs. 1,98,621 crore of Non Tax Revenue and Rs.18,260 crore of Non Debt Capital Receipts. Non Debt Capital Receipts consists of Recovery of Loans (Rs. 5,902 crore) and Disinvestment Proceeds (Rs. 12,358 crore).

Rs.2,55,605 crore has been transferred to State Governments as Devolution of Share of Taxes by Government of India upto this period which is Rs. 11,697 crore lower than the previous year.

Total Expenditure incurred by Government of India is Rs.11,75,301 crore (42.2% of corresponding BE 19-20), out of which Rs.10,39,125 crore is on Revenue Account and Rs.1,36,176 crore is on Capital Account. Out of the Total Revenue Expenditure, Rs.2,19,026 crore is on account of Interest Payments and Rs.1,89,527 crore is on account of Major Subsidies.
MINISTRY OF FINANCE

Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver

In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Indirect Taxes & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted, namely: -

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/ heading/ sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $Per Metric Tonne)</th>
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<tbody>
<tr>
<td>1</td>
<td>1511 10 00 Crude Palm Oil</td>
<td></td>
<td>551</td>
</tr>
<tr>
<td>2</td>
<td>1511 90 10 RBD Palm Oil</td>
<td></td>
<td>570</td>
</tr>
<tr>
<td>3</td>
<td>1511 90 90 Others – Palm Oil</td>
<td></td>
<td>561</td>
</tr>
<tr>
<td>4</td>
<td>1511 10 00 Crude Palmolein</td>
<td></td>
<td>571</td>
</tr>
<tr>
<td>5</td>
<td>1511 90 20 RBD Palmolein</td>
<td></td>
<td>574</td>
</tr>
<tr>
<td>6</td>
<td>1511 90 90 Others – Palmolein</td>
<td></td>
<td>573</td>
</tr>
<tr>
<td>7</td>
<td>1507 10 00 Crude Soya bean Oil</td>
<td></td>
<td>746</td>
</tr>
<tr>
<td>8</td>
<td>7404 00 22 Brass Scrap (all grades)</td>
<td></td>
<td>3446</td>
</tr>
<tr>
<td>9</td>
<td>1207 91 00 Poppy seeds</td>
<td></td>
<td>3395</td>
</tr>
<tr>
<td>Sl. No.</td>
<td>Chapter/ heading/ sub-heading/tariff item</td>
<td>Description of goods</td>
<td>Tariff value (US $)</td>
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</tr>
<tr>
<td>1.</td>
<td>71 or 98</td>
<td>Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed</td>
<td>479 per 10 grams</td>
</tr>
<tr>
<td>2.</td>
<td>71 or 98</td>
<td>Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed</td>
<td>565 per kilogram</td>
</tr>
</tbody>
</table>
| 3.     | 71                                      | (i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92;  
(ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage.  
Explanation. - For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver. | 565 per kilogram |
| 4.     | 71                                      | (i) Gold bars, other than tola bars, bearing manufacturer’s or refiner’s engraved serial number and weight expressed in metric units;  
(ii) Gold coins having gold content not below 99.5% and gold findings, other than imports of such goods through post, courier or baggage.  
Explanation. - For the purposes of this entry, “gold findings” means a small component such as hook, clasp, clamp, pin, catch, screw back used to hold the whole or a part of a piece of Jewellery in place. | 479 per 10 grams |
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/ heading/ sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $ Per Metric Tonne)</th>
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<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>1</td>
<td>080280</td>
<td>Areca nuts</td>
<td>3915&quot;</td>
</tr>
</tbody>
</table>
RESERVE BANK OF INDIA

RBI released the Report of the Internal Working Group to Review the Liquidity Management Framework

1. As announced in the Statement on Developmental and Regulatory Policies of June 06, 2019, an Internal Working Group was mandated to review the current liquidity management framework with a view to simplifying it and suggest measures to clearly communicate the objectives and the toolkit for liquidity management. The Group has since submitted its report.

2. The Group has articulated guiding principles for an effective liquidity management framework. Some of the major guiding principles are: the liquidity framework should be guided by the objective of maintaining the call money rate close to the policy rate; it should be consistent with the policy rate; and it should not undermine the price discovery in the inter-bank money market.

3. Based on the guiding principles, the Group has made the following key recommendations:
   i. The current liquidity management framework should largely continue in its present form-a corridor system with the call money rate as the target rate.
   ii. The framework should be flexible. While the corridor system would normally require the system liquidity to be in a small deficit, if financial conditions warrant a situation of liquidity surplus, the framework should be adaptable.
   iii. Minimizing the number of operations should be an efficiency goal of the liquidity framework. Consequently, there should be ideally one single overnight variable rate operation in a day, supported by fine-tuning operations, if required.
   iv. The current provision of assured liquidity – up to 1% of NDTL - is no longer necessary since the proposed liquidity framework would entirely meet the system’s liquidity needs.
   v. Build-up of a large deficit or surplus, if expected to persist, should be offset through appropriate durable liquidity operations. In addition to OMOs and forex swaps, the Group recommended longer term repo operations at market related rates.
   vi. The daily dissemination through Money Market Operations (MMO) press release should be improved by including the ‘flow’ impact of liquidity operations. To improve transparency, quantitative assessment of durable liquidity conditions of the banking system may also be published.

4. The report is placed on the RBI website today for comments of stakeholders and members of the public. The liquidity framework shall be finalized taking into account the recommendations of the Group and the public feedback. Comments on the report may be sent by October 31, 2019.