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ASSOCHAM NEWS & VIEWS

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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

	SEP 27- OCT 03, 2020

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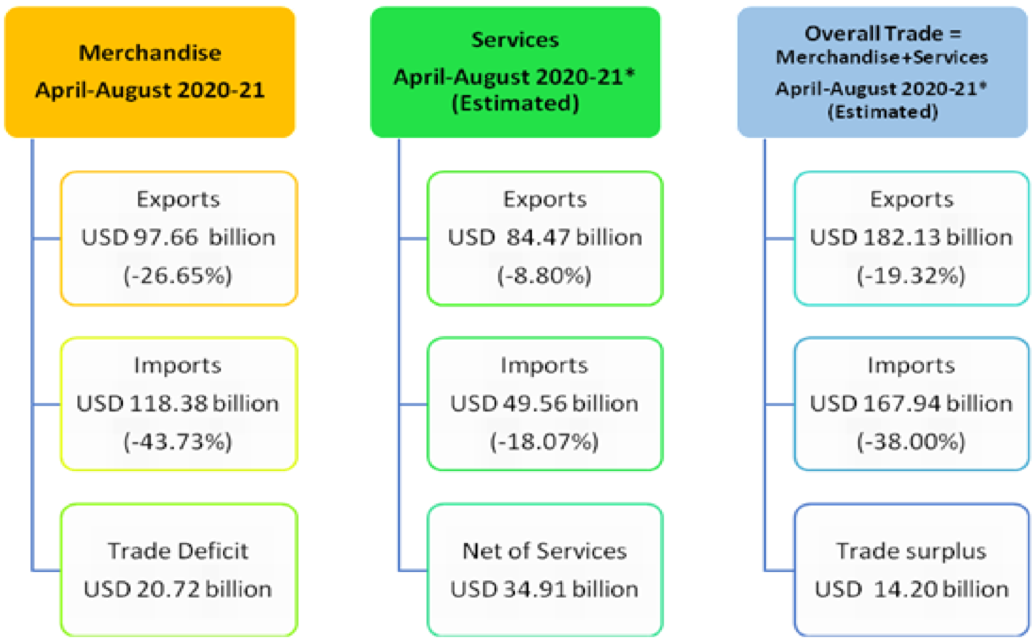
<u>**MINISTRY OF COMMERCE & INDUSTRY**</u>

INDIA'S FOREIGN TRADE: August 2020

India's overall exports (Merchandise and Services combined) in April-August2020-21* are estimated to be USD 182.13billion, exhibiting a negative growth of (-)19.32per cent over the same period last year. Overall imports in April-August 2020-21* are estimated to be USD 167.94billion, exhibiting a negative growth of (-) 38.00per cent over the same period last year.



**Note: i) The latest data for services sector released by RBI is for July 2020. The data for August 2020 is an estimation, which will be revised based on RBI's subsequent release ii) the figures in bracket are growth rates vis-à-vis corresponding period of last year.*

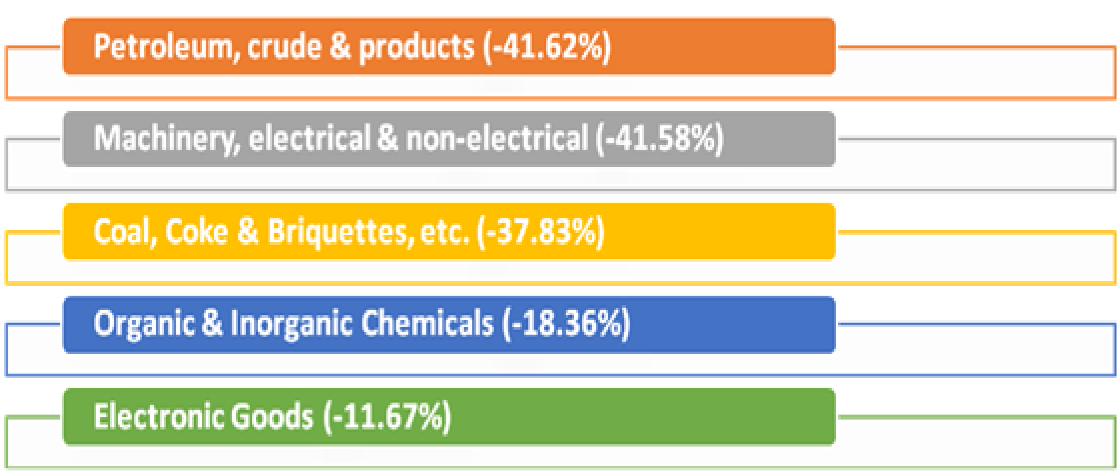
EXPORTS (including re-exports)

- Exports inAugust2020 were USD22.70 billion, as compared to USD25.99billion in August 2019, exhibiting a negative growth of (-)12.66per cent. In Rupee terms, exports were Rs. 1,69,513.81crore in August2020, as compared to Rs. 1,84,921.23crore in August2019, registering a negative growth of (-)8.33per cent.
- Major commodities which have recorded positive growth during August 2020 vis-à-vis August 2019 are Other cereals (316.04%), Rice (59.14%), Iron ore (46.03%), Oil meals (28.89%), Oil seeds (24.96%), Cereal preparations & miscellaneous processed items (24.05%), Drugs & pharmaceuticals (17.27%), Carpet (15.53%), Fruits & vegetables (15.04%), Meat, dairy & poultry products (10.73%), Tobacco (10.59%), Jute mfg. including floor covering (9.18%), Plastic & Linoleum (0.59%) and Coffee (0.09%).

- Major commodities which have recorded negative growth during August 2020 vis-à-vis August 2019 are Cashew (-47.61%), Gems & jewellery (-43.28%), Petroleum products (-39.91%), Man-made yarn/fabs./made-ups etc. (-24.23%), Marine products (-23.04%), Leather & leather products (-16.82%), Tea (-16.74%), Mica, Coal & other ores, minerals including processed minerals (-16.59%), RMG of all textiles (-14%), Electronic goods (-13.84%), Spices (-7.96%), Engineering goods (-7.69%), Handicrafts excl. hand made carpet (-5.24%), Organic & inorganic chemicals (-4.71%), Ceramic products & glassware (-4.61%) and Cotton yarn/fabs./made-ups, handloom products etc. (-0.42%).
- Cumulative value of exports for the period April-August 2020-21 was USD97.66billion (Rs.7,35,835.87crore) as against USD133.14billion (Rs.9,28,243.85crore) during the period April-August 2019-20, registering a negative growth of (-)26.65per cent in Dollar terms (negative growth of (-)20.73per cent in Rupee terms).
- Non-petroleum and Non-Gems and Jewellery exports in August 2020 were USD18.95billion, as compared to USD19.57billion in August2019, registering a negative growth of (-) 3.17per cent. Non-petroleum and Non-Gems and Jewellery exports in April-August 2020-21 were USD83.24billion, as compared to USD99.65billion for the corresponding period in 2019-20, which is a decrease of (-)16.47 per cent.

IMPORTS

- Imports in August2020 were USD29.47billion (Rs.2,20,083.69crore), which is a decline of(-) 26.04per cent lower in Dollar terms and (-) 22.38per cent in Rupee terms over imports of USD39.85billion (Rs2,83,530.41crore) in August2019. Cumulative value of imports for the period April-August 2020-21 was USD118.38billion (Rs.8,91,978.43crore), as against USD210.39billion (Rs.14,66,659.90crore) during the period April-August 2019-20, registering a negative growth of (-)43.73per cent in Dollar terms and a negative growth of (-)39.18per cent in Rupee terms.
- Major commodity groups of import showing negative growth in August2020 over the corresponding month of last year are:



CRUDE OIL AND NON-OIL IMPORTS:

- Oil imports inAugust2020 were USD6.42billion (Rs. 47,948.84crore), which was 41.62percentlower in Dollar terms (38.73percent lower in Rupee terms), compared to USD11.00billion (Rs. 78,255.69crore) in August2019. Oil imports inApril-August 2020-21 were USD26.03billion (Rs. 1,96,183.35crore) which was 53.61per cent lower in Dollar terms (49.86percent lower in Rupee terms) compared to USD56.11billion (Rs. 3,91,293.04crore), over the same period last year.
- In this connection it is mentioned that the global Brent price ($/bbl) has decreased by 25.30% in August2020 vis-à-vis August2019 as per data available from World Bank.
- Non-oil imports inAugust2020 were estimated at USD23.05billion (Rs. 1,72,134.85crore) which was 20.10per cent lower in Dollar terms (16.14percent lower in Rupee terms), compared to USD28.85billion (Rs. 2,05,274.71crore) in August2019. Non-oil imports inApril-August 2020-21 were USD92.35billion (Rs. 6,95,795.08crore) which was 40.14per cent lower in Dollar terms (35.30percent lower in Rupee terms), compared to USD154.28billion (Rs. 10,75,366.86crore) in April-August2019-20.
- Non-Oil and Non-Gold imports wereUSD19.35billion in August2020, recording a negative growth of (-)29.61per cent, as compared to Non-Oil and Non-Gold importsof USD 27.49billion in August2019. Non-Oil and Non-Gold imports wereUSD86.17billion in April-August 2020-21, recording a negative growth of (-)38.34 per cent, as compared to Non-Oil and Non-Gold importsUSD 139.75billion in April-August 2019-20.

MINISTRY OF COMMERCE & INDUSTRY

Shri Piyush Goyal participates in the G-20 meeting of the Trade and Investment Ministers

Union Commerce and Industry & Railways Minister Shri Piyush Goyal took part in the virtual meeting of the G-20 Trade and Investment Ministers. Making interventions during the meeting, he called upon G-20 to play a leadership role in crafting a pathway to recover from COVID19, he said that one of the key lessons for all countries is the need to strike the right balance between their external and internal economic policies, with a view to ensuring balanced and sustainable development. He said that India stands ready to engage constructively with all G-20 Members to push an agenda that is inclusive and development oriented.

Shri Goyal announced that India is not in a position to accept the concept of Data Free Flow with Trust (DFFT). He said that India is of the view that the concept of DFFT is neither well understood nor is comprehensive enough in the legislation of many countries. “Moreover, in view of the huge digital divide among countries, there is a need for policy space for developing countries who still have to finalize laws around digital trade and data. Data is a potent tool for development and equitable access of data is a critical aspect for us. India, like many other developing countries, is still in the phase of preparing a framework for its data protection and e-commerce laws. Moreover, the existing regulations on which DFFT is sought to be premised, such as uninhibited cross border flow of data, are grossly inadequate to address our concerns on data access. This could further aggravate the digital divide. ”, he added. He said that India along with some other G-20 Members, did not participate in the Osaka track last year due to our reservations.

Describing G20 as a significant grouping representing the majority of the world’s population, its GDP and trade, Shri Goyal said that we must pursue an agenda that is universally beneficial and also takes into account the interests of Members outside the G-20. He stressed on the need to be sensitive to diverse economic realities.

Shri Goyal said that it is important to recognise the important role of small retailers in sustaining food chains and essential supplies to help sustain lives and economic activity through the Covid-19 pandemic and in future.

Shri Goyal said that under the visionary leadership of Prime Minister Shri Narendra Modi, India has used the current crisis as an opportunity to usher in bold and transformational reforms in the areas of agriculture, mining, defence, space technology, logistics, financial & other sectors. He said "We are actively welcoming investment in infrastructure creation and our industrial and services businesses. The world is also recognizing the huge opportunities in India."

Shri Goyal said that India's economic expansion is now premised on the policy of being '*Aatmanirbhar'* or self reliant. "We seek to make India economically stronger with enhanced capacities that would help us as a trusted partner and contribute better to the world. During this COVID period India has taken major strides in this direction. We have ramped up our daily production of PPE to over half million from virtually nil earlier. We are self-sufficient in testing kits, masks, ventilators, etc. We also ensured equitable and transparent supplies of critical medicines. These measures reinforced our credibility as a reliable, trustworthy and empathetic partner working for the common good", the minister said.

On the issue of multilateral trading system, Shri Goyal said that India believes that it must be fair, transparent and balanced. He said that reforms must preserve core values and fundamental principles like non-discrimination, inclusiveness, recognition of including Special and Differential treatment, and consensus based decision making. He said that India is supportive of the Riyadh Initiative which seeks to provide support to this reform process. "However, we must recognise that WTO is a member led organization, and the G-20 must not seem to be intrusive and driving the agenda for the multilateral trading system. Rather, our priority should be to correct the asymmetry and imbalance in the existing trading system", Shri Goyal added.

Describing services as a critical driver of economic activity, Shri Goyal said that for most countries, it contributes to more than half of their GDPs and has been adversely impacted due to the ongoing pandemic. Since the sector is employment intensive and provides livelihood to the many, he said that it is important to prioritise services in the future agenda of the G-20.

MINISTRY OF COMMERCE & INDUSTRY

India, Denmark sign MoU on Intellectual Property cooperation

Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry signed a Memorandum of Understanding (MoU), in the field of Intellectual Property Cooperation with the Danish Patent and Trademark Office, Ministry of Industry, Business and Financial Affairs, Kingdom of Denmark. Dr. Guruprasad Mohapatra, Secretary, DPIIT and Mr. Freddy Svane, Ambassador of Denmark conducted a formal signing ceremony for the same.

The Union Cabinet in its meeting dated 15.09.2020 gave the approval for signing the MoU with Denmark in the field of IP Cooperation. The MoU aims at increasing IP co-operation between the two countries by way of:

a) Exchange of best practices, experiences and knowledge on IP awareness among public, authorities, businesses and research and educational institution of both countries.

b) Collaboration in training programmes, exchange of experts, technical exchanges and outreach activities.

c) Exchange of information and best practices on processes for disposal of applications for patents, trademarks, industrial designs and Geographical Indications, as also the protection, enforcement and use of IP rights.

d) Cooperation in the development of automation and implementation of modernization projects, new documentation and information systems in IP and procedures for management of IP.

e) Cooperation to understand how Traditional Knowledge is protected; including the use of traditional knowledge related databases and awareness raising of existing IP systems.

The two sides will draw up Biennial Work Plan to implement the MoU which will include the detailed planning for carrying out of the co-operation activities, including the scope of action.

This MoU will go a long way in fostering the cooperation between India and Denmark, and provide opportunities to both countries to learn from the experience of each other, especially in terms of best practices followed in the other country. It will be a landmark step forward in India's journey towards becoming a major player in global innovation and further the objectives of National IPR Policy, 2016.

MINISTRY OF FINANCE

Quarterly Report on Public Debt Management - April to June 2020

Since April-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 April - June 2020 (Q1 FY21).

During Q1 of FY21, the Central Government issued dated securities aggregating to Rs 3,46,000 crore as against Rs 2,21,000 crore in Q1 of FY20. The weighted average yield of primary issuances showed a sharp moderation to 5.85 per cent in Q1 FY21 from 6.70 per cent in Q4 of FY20. The weighted average maturity of new issuances of dated securities was lower at 14.61 years in Q1 of FY21 as compared to 16.87 years in Q4 of FY20. During April-June 2020, the Central Government raised Rs 80,000 crore through the issuance of Cash Management Bills. The Reserve Bank conducted one special OMO involving simultaneous purchase and sale of government securities for Rs 10,000 crore each during the quarter ended June 2020. The net average liquidity absorption by RBI under Liquidity Adjustment Facility (LAF) including Marginal Standing Facility and Special Liquidity Facility was Rs 4,51,045 crore during the quarter.

Total liabilities (including liabilities under the ‘Public Account’) of the Government, increased to Rs 101,35,600 crore at end-June 2020 from Rs 94,62,265 crore at end-March 2020. Public debt accounted for 91.1 per cent of total outstanding liabilities at end-June 2020. Nearly 28.6 per cent of the outstanding dated securities had a residual maturity of less than 5 years. The ownership pattern indicates a share of 39.0 per cent for commercial banks and 26.2 per cent for insurance companies at end-June 2020.

The yields on G-Secs showed a downward movement during the quarter ended June 2020. This reflected the impact of several developments namely a sharp decline in crude oil prices during April 2020, reduction in the repo rate by 40 bps to 4.0 per cent by the Monetary Policy Committee on May 22, 2020 and surplus liquidity conditions in the market. Central Government dated securities continued to account for a major share of total trading volumes in the secondary market with a share of 74.0 per cent in total outright trading volumes in value terms during Q1 of FY21.

To access the report, click on the following link:-

Quarterly Report on Public Debt Management – April to June 2020

MINISTRY OF FINANCE

Implementation of the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 with effect from 21st September 2020

The Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR, 2020), notified on 21st August, 2020, shall come into force from 21st September, 2020 upon completion of the 30 day period that was given to importers and other stakeholders to familiarize themselves with new provisions.

CAROTAR, 2020 implements the commitment of Finance Minister in her Budget Speech 2020 to protect the domestic industry from misuse of FTAs. Finance Minister had said "*Undue claims of FTA benefits have posed threat to domestic industry. Such imports require stringent checks. In this context, suitable provisions are being incorporated in the Customs Act, 1962.*"

CAROTAR, 2020 read with CBIC Circular No. 38/2020-Cus, dated 21st August, 2020 supplement the existing operational certification procedures prescribed under different trade agreements (FTA/ PTA/ CECA/ CEPA). An importer is now required to do due diligence before importing the goods to ensure that they meet the prescribed originating criteria. A list of minimum information which the importer is required to possess has also been provided in the rules along with general guidance. Also, an importer would now have to enter certain origin related information in the Bill of Entry, as available in the Certificate of Origin.

The new Rules will support the importer to correctly ascertain the country of origin, properly claim the concessional duty and assist Customs authorities in smooth clearance of legitimate imports under FTAs. Hence, the CBIC has been actively engaging with stakeholders through webinars and other means to guide them on compliance with the new Rules and to clarify any doubts that they may have.

The new Rules would strengthen the hands of the Customs in checking any attempted misuse of the duty concessions under FTAs.

MINISTRY OF FINANCE

Banking facilities in rural areas

To ensure availability of banking outlet (Bank branch/Business Correspondent (BC), within 5 kilometers of all inhabited villages the Government has launched a Geographic Information System (GIS) based app., namely, Jan Dhan Darshak app (JDD app) developed by National Informatics Centre (NIC). This was stated by Shri Anurag Singh Thakur, Union Minister of State for Finance & Corporate Affairs in a written reply to a question in Lok Sabha.

Banks have been provided login credentials to upload the GIS location of their branches, Business Correspondents and ATMs on the app. As per JDD app, there are 1.66 lakh branches, 4.35 lakh BCs and 2.07 lakhs ATMs mapped by the banks. Further, as per data uploaded by the banks on JDD app, out of the 5.53 lakh mapped villages on the app, 5.52 lakh (99.8%) villages are having branch or BC within 5 kilometers distance, the Minister said in a written reply.

Giving more details, Shri Thakur said that as per extant guidelines dated 18.5.2017 on rationalisation of Branch Authorisation Policy, Reserve Bank of India (RBI) has granted general permission to domestic Scheduled Commercial Banks (excluding Regional Rural Banks), to open banking outlets at any place in the country, without seeking prior approval of RBI in each case, subject to at least 25 percent of the total number of banking outlets opened during a financial year being in unbanked rural centres i.e. centres having population less than 10,000 (Tier 5 and Tier 6 centres). Further, 10 Small Finance banks and six Payment Banks have been licensed by RBI for providing banking services across the country including the rural centres.

The Minister said that under Pradhan Mantri Jan-Dhan Yojana (PMJDY), all villages were mapped by banks into 1.59 lakh Sub-Service Areas (SSAs) with one SSA catering to 1,000 to 1,500 households. While 0.33 lakh SSAs have been covered with bank branches, 1.26 lakh SSAs, have been covered by deployment of interoperable Business Correspondents (BCs).

In pursuance of RBI guidelines, rolling out of banking outlets in uncovered areas is a continuous process and looked after by State Level Banker's Committee (SLBC), in consultation with the concerned State Government, member banks and other stakeholders. Banks, inter-alia, consider proposals for opening banking outlets in the light of RBI's instructions, their business plans and their commercial viability. To further assess the viability for opening a banking outlet, banks carry out survey as required.

As informed by SLBC, Haryana and SLBC Bihar, all the Gram Panchayats and Blocks in these States are covered with banking services by bank branches/ Business Correspondents, the Minster stated.

<u>RESERVE BANK OF INDIA</u>

Monthly Data on India's International Trade in Services- July 2020

The Reserve Bank of India releases monthly data on India's international trade in services with a lag of around 45 days.

The value of exports and imports of services during the month of July 2020 are given in the following Table:

Table: International Trade in Services		
		(US$ Million)
Month	**Receipts (Exports)**	**Payments (Imports)**
April - 2020	16,450	9,301
May - 2020	16,766	9,938
June - 2020	16,995	9,960
July - 2020	17,031	10,047
Note: Data are provisional.		

Monthly data on services are provisional and would undergo revision when the Balance of Payments (BoP) data are released on a quarterly basis.

Ajit Prasad
Director

RESERVE BANK OF INDIA

RBI Working Paper No. 09/2020: Measuring Financial Stress in India

The Reserve Bank of India released a Working Paper titled "Measuring Financial Stress in India" under the Reserve Bank of India Working Paper Series[1]. The paper is authored by Manjusha Senapati and Rajesh Kavediya.

This paper focuses on the construction of financial stress indices for the Indian financial system using market-based indicators and three different aggregation methods. The paper finds that these indices provide useful information, which is not captured by the market indicators, on the stress build-up in the financial system. The financial stress indices developed in this paper showed a negative correlation with the Index of Industrial Production (IIP) and can be employed to predict real economic activity. The proposed financial stress indices are also found to be useful in dating past stress episodes in the Indian economy.

Ajit Prasad
Director