



30: WIN20CSP: PILLAR#3: BoP, INTL TRADE UPDATES

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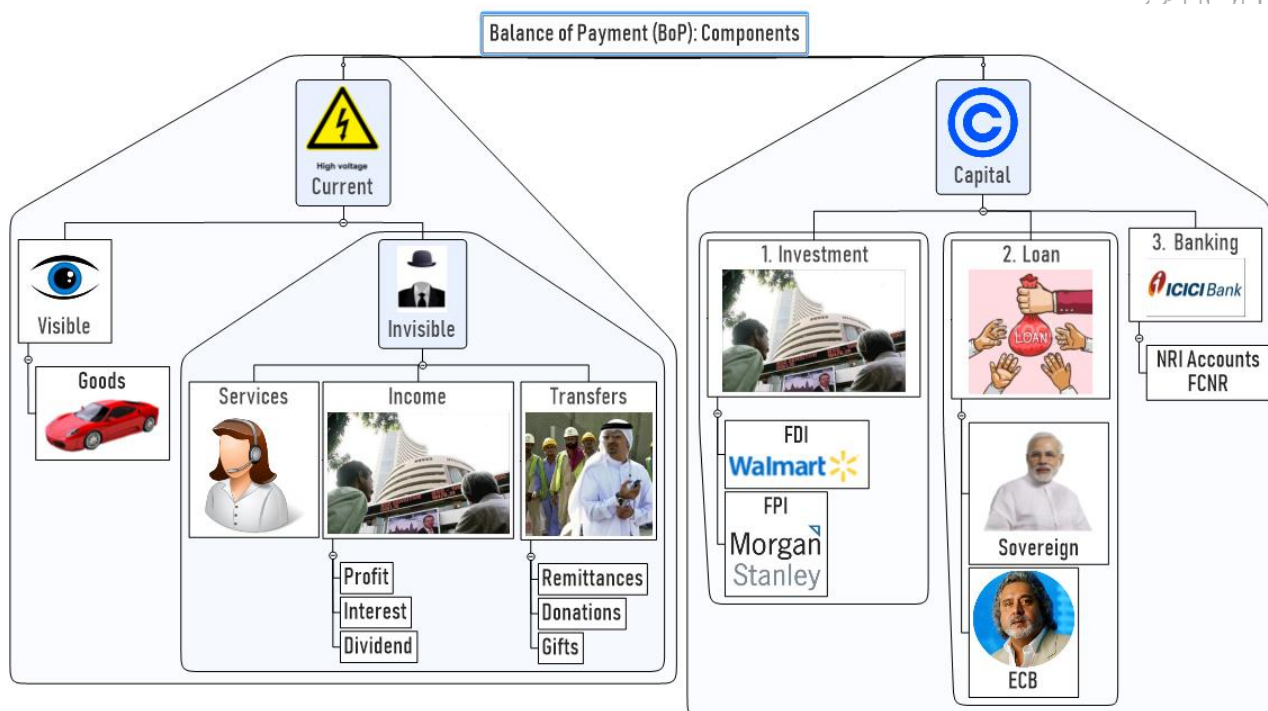


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30.2 🐼 BoP-CLASSIFICATION: RBI's (ACTUAL) METHOD

📄🏆💎 Current Account चालू खाता	📦👤 Capital & Financial Account पूंजी और वित्त खाता
Goods and services (वस्तुएं और सेवाएं)	1. Foreign Direct Investment (FDI): प्रत्यक्ष विदेशी निवेश) 2. Portfolio Investment (FPI) 3. Loans / ECB (बाह्य ऋण) 4. Non-resident's investment in Bank, Insurance, Pension schemes. 5. RBI's Foreign Exchange Reserve
Primary Income: wages, dividend, interest (प्राथमिक आय: वेतन लाभांश ब्याज)	
Secondary income (गौण/सहायक): remittance, gift, donation	

However, for the purpose of learning, we'll continue with the traditional classification given in the textbooks (and in below image)



30.2.1 📅 Budget-2020: Medieval Dictionary terms for trade/commerce

📅 Budget-2020 mentioned how India was awesome in global trade even during Ancient-Medieval time. We find mention of following terms in the Indus script

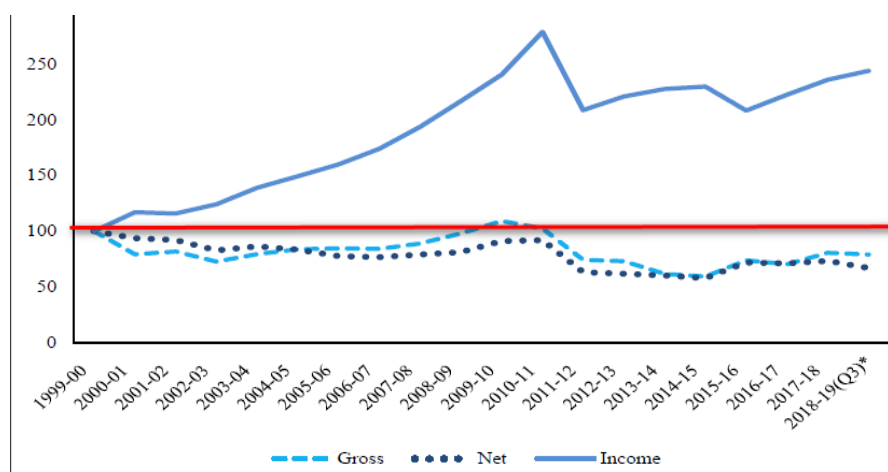
Takara Kolimi	tin smithery
Sreni	guild
Sethi	wholesale merchant
Poddar	Assayer of metal into treasury.

30.3 📅 🏪 TERMS OF TRADE (आयात-निर्यात स्थिति)

30.3.1 Net Terms of Trade (NTT) or Commodity terms of trade

$$NTT = \frac{\text{Value of export} \text{ 🏪}}{\text{Value of import} \text{ 🏪}} * 100 = \text{for India it's} < 100.$$

Meaning (\$ or value) wise we are importing more and exporting less.





30.3.2 Gross (Barter) Terms of Trade (GTT, सिर्फ प्रिनिम के लिए, अतः हिंदी अनावश्यक)

$$GTT = \frac{\text{quantity (or volume) of import} \uparrow \downarrow}{\text{quantity (or volume) of export} \uparrow \downarrow} * 100 = \text{for India it's} < 100.$$

So, in **physical quantity** (kg, litres) we are exporting more than importing. This is possible because exported Indian rice's quantity (kg) could be large even though its value (\$) will not be very large.

30.3.3 Income terms of trade (ITT)

$$ITT = \left(\frac{\text{Value of export} \uparrow \downarrow}{\text{Value of import} \uparrow \downarrow} \right) * (\text{Quantum index of exports QIE})$$

$$= (\text{Net terms of trade}) * (\text{QIE})$$

👉 Formula not important. What is quantum index of export = not important.

For India and other developing countries, ITT is much relevant indicator for analysing their foreign trade compared to previous 2 indicators. Why? not important.

30.3.4 📊📊 ES20 DATA: Top Import and Exports

⇒ Trade deficit as a % of GDP has **continuously** ⬆️ in the last 3 years (2016-19).

⇒ For 2018-19, our top-import and exports were as following:

Goods: Top Imports (in ⬇️ share)	Top Exports (in ⬇️ share)
<ol style="list-style-type: none"> 1. Petroleum: Crude (22%) 2. Gold (6%) 3. Pearl, Precious, Semi-Precious Stones 4. Petroleum Products 5. Coal, Coke and Briquettes etc. <p>Other notable: Telecom Instruments, Electronics Components, Organic Chemicals, Iron And Steel, Industrial Machinery</p>	<ol style="list-style-type: none"> 1. Petroleum Products (14%) 2. Pearl, Precious & Semi-Precious Stones 3. Drug Formulations, Biologicals 4. Gold and other Precious Metal Jewellery 5. Iron And Steel <p>Other notable: Organic Chemicals, Cotton, Motor Vehicle/Cars, Electric Machinery</p>
Services: Top Imports (in ⬇️ share)	Top Exports (in ⬇️ share)
<ol style="list-style-type: none"> 1. Business service 2. Travel (=Indian going on foreign trip) 3. Transport (=of cargo/goods) 4. Software service 	<ol style="list-style-type: none"> 1. Software service 2. Business service 3. Travel 4. Transport

For 2018-19, our top trading partners were as following:

Top Import sources (⬇️ share)	Top Exports destinations (⬇️)
<ol style="list-style-type: none"> 1. China (14%) 2. USA 3. United Arab Emirates 4. Saudi Arab 5. Iraq <p>Other notable: Switzerland, Hong Kong, S. Korea, Singapore, Indonesia</p>	<ol style="list-style-type: none"> 1. USA (16%) 2. United Arab Emirates 3. China 4. Hong Kong 5. Singapore <p>Other notable: UK, Bangladesh, Germany, Netherland, Nepal</p>

- We've large **Trade Deficit**: व्यापार घाटा with China (cheap electronics, toys etc.) Switzerland (Gold, Luxury items), Middle Eastern nations (Oil).



- We've **Trade Surplus**: व्यापार अधिशेष with USA (Chemicals, textile, services etc.), UAE (Tea, Spices, textile etc.).
- India's **top five trading partners** are USA, China, UAE, Saudi Arabia and Hong Kong (with whom we've largest amount of import & export relations)

30.3.5 📊 (IYB20 Ch7): Largest importer and exporter in world

2018: In The World →	Largest Importer	Largest Exporter
Goods (Merchandise)	#1: USA.....#10: India	#1: China.... #19: India
Services	#1: USA.....#10: India	#1: USA.....#8: India

🔍 MCQ (Pre19-SetA Q37). Among the following, which one of the following is the largest exporter of rice in the world in the last five years?

- (a) China (b) India (c) Myanmar (d) Vietnam

🔍 MCQ (Pre19-SetA Q84). Among the agricultural commodities imported by India, which one of the following accounts for the highest imports in terms of value in the last five years?

- (a) Spices (b) Fresh fruits (c) Pulses (d) Vegetable oils

30.3.6 📧 Remittance: Global migration report 2020 (अंतरराष्ट्रीय प्रवास)

- ⇒ The International Organization for Migration (IOM, HQ: Geneva, Switzerland) is a related organization of UN. As per its latest Global migration report 2020....
- ⇒ Top amount of remittance received to 1) India 2) China 3) Mexico.
- ⇒ Top number of international migrants are from 1) India 2) Mexico 3) China
- ⇒ Top destination country of migrants is USA.

30.3.7 📧 Remittance: Sidetopic → Pravasi Bharatiya Diwas (PBD)

1915	9th January: Gandhi-ji returned from S.Africa to Bombay (India).
2003	NDA-I (PM Vajpayee) decides to celebrate Pravasi Bharatiya divas (PBD) annually every 9th January. First summit @New Delhi.
2015	⇒ NDA-II (PM Modi) converts PBD into "biennial" event i.e. grand festival every second year (भव्य उत्सव/रंगारंग कार्यक्रम हर दूसरे साल) ⇒ every other year, only a small event in India, and regional PBD event in a foreign country
2017	@Bengaluru, Karnataka. (because its second year from 2015)
2018	Regional Pravasi Bharatiya Divas at Singapore
2019	⇒ @Varanasi, Uttar Pradesh (because its second year from 2017) ⇒ THEME: "Role of Indian Diaspora in building a New India." ⇒ 15th Pravasi Bharatiya Divas Convention was organized from 21 to 23 January 2019 instead of 9th January, so that NRIs could visit Prayagraj for Kumbh Mela and witness the Republic Day Parade at New Delhi on 26th January 2019.
2020	@New Delhi. But just a small scale video conference type of event. भव्य रंगारंग कार्यक्रम नहीं किया, क्योंकि वो तो हर दूसरे साल करते हैं।
2021	<add update when announced>

Self Study? Laxmikanth's Indian Polity ch.6 on citizenship → difference OCI vs PIO



30.4 📁 BALANCE OF PAYMENT → CURRENT ACCOUNT → IMPORT OF OIL

In full-course (Before 2019-Pre), we saw NELP & HELP, how OPEC cartel was controlling prices. उसके बाद नया क्या चल रहा है?

- ⇒ 2019-Sept: **Houthi** = Shia rebel group of Yemen with Iran's backing. They attacked **Abquaiq-Khuraib** oil field of **Saudi Arabia's Aramco company** using drone. Oil production suspended, global oil prices ⬆ further.
- ⇒ 2020-March: oil prices ⬇ fell to \$20 per barrel, because
 - OPEC and Russia couldn't agree for production cuts.
 - Corona air travel ban = fuel consumption ⬇ = Demand ⬇ = prices ⬇
- ⇒ Afterwards again started to recover. But entire trend analysis will come in 📊📊 ES21. So, better wait till then.



Figure 1: Oil Barrel Prices in USD

Side Topics?

- 1) **Sweet** crude oil = Low Sulphur content. **Sour** crude = High Sulphur content.
- 2) **BRENT** Index is an index to measures crude oil price, mainly in North West Europe.

30.5 📁💰 BoP: CURRENT → FALL OF CRUDE OIL PRICES IN NEGATIVE FIGURE

- ⇒ USA's crude oil prices are monitored through West Texas Intermediate (WTI) contracts.
- ⇒ *Long story cut short*: Oil demand ⬇ due to Corona lockdown on vehicle/aviation traffic. But, American oil drilling companies can't stop production because it's more expensive to 'restart' the production after shutting it.
- ⇒ And merchants/intermediaries can't hold stock because their storage capacity is limited.
- ⇒ 2020-April: sellers are (temporarily) paying \$\$ to buyer to take the stock of oil barrels. Hence negative minus \$40 per barrel price. (अमरीकी विक्रेताओं के पास तेल रखने की जगह उपलब्ध नहीं, इसलिए ग्राहक को सामने से पैसा देकर माल उठवा रहे हैं।)
- ⇒ India may not benefit, since we mostly import from the middle-east and not the USA.
- ⇒ Further, our Government will ⬆ taxes on petrol diesel, so even if crude oil gets cheap for oil refineries, the resultant petrol-diesel may remain costly for Indian families.



30.5.1 📁💰 BoP: Current → Petrol & Diesel Prices in India

- ⇒ 1970s to 2002: Administered Price Mechanism (APM: प्रशासित/नियंत्रित मूल्य तंत्र): Wherein the government fixed the prices of petroleum fuels and paid subsidy to the oil marketing companies (OMC: तेल विपणन कंपनियां) for their losses.
- ⇒ 2002-2014: Government gradually began decontrolling the fuel prices, to reduce its own subsidy burden.
- ⇒ Present system Dynamic Fuel pricing system (ईंधन की गतिशील रूप से बदलने वाली मूल्य प्रणाली): wherein OMCs decide the prices of petrol and diesel on DAILY basis, based on the movement in international prices. Associated keyword/formula/methodology is "Trade parity price (TPP)". What it means, how it works? = Poor cost benefit chasing that.
- ⇒ 😊 **Benefit of dynamic pricing?** In theory, If the oil prices lowered in the international market, petrol diesel should become cheaper in India. विश्व बाजार में दाम गिरने पर इंजन के दाम भारत में भी कम होने चाहिए. But, 😞 **Reality?** → → →

2020-May	Base price	Union's Excise Duty per litre	State VAT per litre (varies from State to State)	final: price + taxes
petrol	₹22	₹33	₹16	71
diesel	₹21	₹32	₹16	69

- ⇒ 😞😞 Corona crisis = ⬇️ transport → ⬇️ demand of crude oil → prices have fallen or remained moderate. (विश्व बाजार में कच्चे तेल की कीमतें या तो कम हुई हैं या मध्यम स्तर पर रही हैं)
- ⇒ But, Corona crisis → direct tax and GST collection ⬇️. Government required more ₹ to run the schemes. So, continuously ⬆️ excise & VAT. (उत्पाद शुल्क और वैट की दरों में बढ़ोतरी)
- ⇒ Consequently, by 2020-Jul: Petrol and diesel costing around ₹80/litre in Delhi

30.6 📁🏆 BALANCE OF PAYMENT → CURRENT ACCOUNT → IMPORT OF GOLD

In full-course handout (Before 2019-Pre), we had learnt about the gold monetisation scheme, gold Bond scheme. Then ...

30.6.1 📁😞: Gold price in Corona

As such, Govt's economic surveys don't talk much about daily ups/downs of gold price movement. UPSC also never asked anything like that. So, we need not PHD.

- ⇒ Indian banks ⬇️ fixed deposit interest rates. People shifting towards gold investment for a better "positive real" interest rate. (Recall Pillar#1)
- ⇒ Mutual funds not giving good returns post-ILFS crisis and Franklin Templeton MF crisis (Recall Pillar1) → some investors prefer gold
- ⇒ Geopolitical tensions (भू-राजनीतिक तनाव) like Iran-US, China-US, India-China have negative impact on sharemarket → some investors prefer gold
- ⇒ 2020 Corona-Crisis: Shares and bonds have become risky due to heavy losses faced by companies. Investors prefer a 'safe assets' = ⬆️ demand of gold → ⬆️ prices.
- ⇒ Corona → workers @gold mines / refineries ⬇️ → gold production ⬇️ → price ⬆️

👉+ other 500 angles on Dollar currency exchange rate, Bond yields etc=poor cost-benefit.



30.7 📍BoP → CURRENT → EXPORT → GEOGRAPHICAL INDICATION (GI)



⇒ भौगोलिक संकेतक GI are covered under

- WTO's Trade Related Intellectual Property Rights Agreement (TRIPS: *more Pill#3B*) and
- India's Geographical Indication of Goods Act, 1999.

⇒ Once a product gets GI tag, it's valid for 10 years (and can be renewed further.)

⇒ GI name cannot be used for products that are manufactured outside of the designated region, else party can be punished under the law

New Indian GI tag during *From April 2018 till Now June 2020*

📍GI Product	Type	Origin?
Araku Valley Arabica Coffee	Agricultural	Andhra & Odisha
Idu Mishmi Textiles	Handicraft	Arunachal
Boka Chaul, Kaji Nemu	Agricultural	Assam
Shahi Litchi	Agricultural	Bihar
Silao Khaja	Food stuff	Bihar
Jeeraphool	Agri cultural	Chhattisgarh
Khola Chilli	Agricultural	Goa
Rajkot Patola, Pethapur Printing Blocks	Handicraft	Gujarat
Himachali Kala Zeera	Agri cultural	Himachal
Himachali Chulli Oil	Manufactured	Himachal
Coffee from Coorg Chikmagalur Bababudangiris, Sirsi Supari; Gulbarga Tur Dai	Agricultural	Karnataka
Kolhapuri Chappal	Handicraft	Karnataka & MH
Wayanaad Coffee, Marayoor Jaggery-Sharkara, Tirur Betel Leaf (Tirur Vettala)	Agricultural	Kerala
Kashmir Saffron	Agricultural	J&K
Sohrai - Khovar Painting	Handicraft	Jharkhand
Jhabua Kadaknath Black Chicken Meat	Food Stuff	Madhya Pradesh
Alphonso, Sangli Turmeric	Agricultural	Maharashtra
Chak-Hao	Agri	Manipur
Pawndum, Ngotekherh, Hmaram, Tawlhlohpuan, Mizo Puanchei	Handicraft	Mizoram
Kandhamal Haldi(turmeric); Odisha Rasagola	Agri;food	Odisha
Erode Manjal / Turmeric, Kodaikanal Malai Poondur	Agricultural	Tamil Nadu
Thirubuvanam Silk Sarees, Kandangi Saree, Thanjavur Pith Works, Arumbavur Wood Carvings	Handicraft	Tamil Nadu
Palani Panchamirtham, Srivilliputtur Palkova, Kovilpatti Kadalai Mittai	Food Stuff	Tamil Nadu
Dindigul Locks	Manufactured	Tamil Nadu
Telia Rumal	Handicraft	Telangana
Chunar Balua Patthar, Gorakhpur Terracotta	Natural	Uttar Pradesh

Self Study? For UPSC interview, your state's GIs from ipindia.nic.in/registered-gls.htm



MCQ. ‘Kandhamal Haldi’, which received GI tag recently, is a variety of turmeric indigenous to _____. (CAPF-2019)
 (a) North Bengal (b) Southern Odisha (c) Sangli, Maharashtra (d) Alleppey, Kerala

30.8 **BoP → CURRENT: EXPORTS → FOREIGN TRADE POLICY (2015-2020)**

- ⇒ 2019-Oct: Government planning to launch new foreign trade policy (विदेश व्यापार नीति) as existing policy will expire on 31/3/2020. Although 2020-March: the Hindu columnists believe due to the new policy may be postponed due to Coronavirus slowdown.
- ⇒ 2018: **Commerce** Ministry launched a separate policy for **Agriculture Exports** (Ref#4A: स्वचालित मार्ग से सरकार की अनुमति से).

30.8.1 **Tax Credit for Exporters: MEIS/SEIS**

Boss? Commerce Ministry **WAS** running two tax-incentive schemes to boost exports

- ⇒ Services Exports from India Scheme (SEIS: भारत से सेवाएं निर्यात योजना).
- ⇒ Merchandise Exports from India Scheme (MEIS: भारत से व्यापारिक माल निर्यात योजना)

These schemes provide tax credit to exporters, which they can use for paying Union's Customs Duty. AFTER RODTEP is notified fully, the MEIS scheme will be STOPPED.

30.8.2 **Tax Credit for Exporters: RoDTEP?**

2020-March: govt announced Remission of Duties and Taxes on Exported Products (RoDTEP: निर्यात उत्पादों पर शुल्क और कर की छूट). **Boss?** Commerce Ministry

	MEIS	RoDTEP
GOODS Exporter gets Input tax credit for	Customs Duty	Following taxes he paid in previous stage: 1. Customs Duty 2. Transport fuel pe Excise and VAT 3. Agriculture raw material pe State Mandi tax (it's not a 'tax' but rather a FEES charged by APMC Mandi.) 4. Electricity pe electricity duty
WTO-compliant?	No, so WTO ordered to stop it	Yes (or atleast Modi claims so.) RoDTEP will replace MEIS scheme.

30.8.3 **Port Logistics: Authorised Economic Operator (AEO)**

- ⇒ अधिकृत आर्थिक संचालक: An importer/exporter/cargo company can apply to the Central Board of Indirect Taxes and Customs (CBIC) to get this 'status'.
- ⇒ Subject to conditions like 1) minimum 3 years experience 2) never filed bankruptcy 3) never caught in fraud / smuggling etc.
- ⇒ **Benefits?** Faster clearance times, fewer physical examinations on cargo etc.
- ⇒ At International level, World Customs Organization (WCO, HQ: Brussels, Belgium)'s "SAFE Framework" guides this program.

30.8.4 **ES20: "Assemble in India"**

ES20 Vol1ch5 Talks about doing "assemble in India for network products" to encourage our exports. **Ref:** Pillar-4B: updates



30.9 📁🔑: 📦👤 BoP → CAPITAL ACCOUNT → INVESTMENT → FDI / FPI



⇒ FDI is the (more than 10% equity / share) investment made by a foreign entity into an Indian company, with the objective to get involved in the management / production of that Indian company. भारतीय कंपनी के संचालन/ उत्पादन में शामिल होने के उद्देश्य से 10% या उससे ज्यादा शेयर खरीदना (e.g. 2018: Walmart-USA bought 77% stakes in Flipkart @\$16 billion.)

Full-course handout contains list of all sectors where FDI allowed/prohibited. Here are the new updates in 2019-20

sector → Foreign Investment limits स्वचालित मार्ग से सरकार की अनुमति से	Automatic route upto?	👤👤 With Govt approval?
2019-Full budget: Insurance Intermediaries: (मध्यस्थ) - Agents/brokers. - Banks selling insurance (Bancassurance) - Surveyor/Loss Assessor (सर्वेक्षक). - Third Party Administrators (e.g. Hospital where treatment is given for health insurance)	100%	N/A (क्योंकि 100% हो तो गया! उसे ऊपर कितना जाएगा?)
2020-May/June: Defense (रक्षा क्षेत्र)	74%	Above 74%

30.9.1 🇮🇳 India's new rules for E-Commerce (2020-Jul)



Who? Consumer Affairs ministry. उपभोक्ता मामलों का मंत्रालय

How? using the powers under Consumer Protection Act 2019. उपभोक्ता संरक्षण अधिनियम
These rules applicable to all types of electronic retailers (e-tailers) registered in India or abroad - whenever they're offering goods and services to Indian consumers.

- ✓ E-tailers must mention the 'expiry date', 'country of origin' of goods, its policies on return, refund, exchange, warranty and guarantee, delivery, shipment, cancellation policy. (ई विक्रेता ने समाप्ति तिथि, उत्पादन का मूल देश इत्यादि की जानकारी देनी होगी)
- ✓ E-tailer must display sellers' geographic address, customer care number, rating etc.
- ✓ 📁 Plus many other technical norms. Poor cost:benefit in chasing all them. In MCQs, just apply logical reasoning that new rules are more consumer friendly, and imposes more responsibilities on e-tailer/seller. Accordingly do logical reasoning, if any technical norm asked. For example, "*E-tailer must not post fake reviews by creating fake accounts*". = Yes this statement is correct.
- ✓ **Penalties?** Consumer Protection Act, 2019.



30.9.2 📦📦💰 BoP: Capital → Chinese FDI need Govt approval

Before	From 2020-April
If any FDI proposal coming from Pakistan and Bangladesh, it required approval from Government of India.	⇒ If any FDI proposal from any country that shares border with India → Indian Govt approval required ⇒ Means, Pakistan, Afghanistan, China, Nepal, Bhutan, Bangladesh and Myanmar

- ✓ Govt decided this because: Corona-led slowdown = Indian companies suffering from losses. China may mis-use this opportunity to takeover such Indian companies @very low share price → will harm our strategic & economic interests. (चीन, हमारी भारतीय कंपनियों का अधिग्रहण कर लेगा तो हमारे रणनीतिक और आर्थिक हितों को नुकसान हो सकता है)
- ✓ Criticism? China says this is violation of WTO norms related to foreign investment. Although Australia and Germany also announced similar restrictions with similar reasons (More on WTO in 📄 Pillar#3B)

30.9.3 🏛️ Related Topic: Cabinet Committees

Cabinet Committee on	Boss*	Notes
1) Appointments नियुक्ति विषयक केबिनेट समिति	👤 PM	finalizes the name for top level appointments like Cabinet Secretary, Indian ambassadors for each nation etc.
2) Accommodation आवास	HM	Giving house allocation to politicians, top officials
3) Economic Affairs आर्थिक मामले	👤 PM	FDI approval, Agri-MSP approval (Pillar#4A), Bank merger, disinvestment etc grand things
4) Parliamentary Affairs संसदीय कार्य	Defense Minister	Defense Minister Rajnath Singh made boss for his acumen in parliamentary matters
5) Political Affairs, 6) Security 5) राजनीतिक मामले, 6) सुरक्षा	👤 PM	Self-explanatory. If PM is in a cabinet Committee, he automatically becomes its chairman
7) Investment and Growth 8) Employment and Skill Development	👤 PM	These two are new committee formed after 2019's General Election. 7) निवेश और विकास 8) रोजगार और कौशल विकास

30.9.4 🏛️🏛️🏛️ International Financial Services Centre (IFSC)



GIFT
GUJARAT INTERNATIONAL
FINANCE TEC-CITY





इधर दुकान खोल के भारत और पूरी दुनिया में बैंक/NBFC का धंधा करो – कोई टेक्स नहीं मांगेंगे!

📦 **Full-Budget-2019:** Companies operating in operating IFSC were given additional benefits / tax holidays in the direct taxes (with the hopes that it'll attract more companies here).

30.9.5 🏛️🏛️🏛️ IFSC Authority Act, 2019

- ✓ IFSC (such as GIFT city) are setup under the SEZ Act.



- ✓ IFSC get relief / exemption in the Indian tax laws. Further, RBI, SEBI, IRDAI and other regulators' norms also apply in relaxed manner. E.g. Bank branches in GIFT-city-IFSC are exempted from RBI's CRR-SLR-PSL etc. norms.
- ✓ 2019's Act aim to setup a statutory International Financial Services Centres Authority (अंतर्राष्ट्रीय वित्तीय सेवा केंद्र प्राधिकरण), with
 - One Chairperson
 - One member each nominated from RBI, SEBI, IRDAI, PFRDA
 - + few other members from Finance ministry etc
 - Tenure? 3 years. Re-appointment? Yes, possible.
- ✓ The IFSC Authority will regulate all financial services, products, institutions in International Financial Services Centres of India.
- ⇒ **2020-April:** Government announced its headquarter will be at **Gandhinagar, Gujarat.** (Since Gandhinagar is the only place with an IFSC at present, i.e. GIFT City)
- ⇒ 😬 **Controversy?** Maharashtra political outfits demanding HQ should be in Mumbai.

30.9.6 📁🔑 BoP → Capital Account → Misc. Concept: NIIP

- ✓ Net International Investment Position (NIIP) = value of overseas assets owned by a nation minus the value of domestic assets owned by foreigners.
- ⇒ 😊 **Positive** NIIP value = creditor nation (लेनदार राष्ट्र)
- ⇒ 😞 **Negative** value = debtor nation (कर्जदार देश). USA highest, India at 8th place (in 2018)
- ⇒ **(Full) Budget-2019:** Indian Development Assistance Scheme (IDEAS) provides concessional loans to developing countries. We'll revamp this scheme. भारतीय विकास सहायता योजना → विकासशील देशों को भारत रियायती ब्याज दरों पर कर्जा देता है

30.9.7 📁🔑 BoP → Capital Account → Composition of India's external debt

- ⇒ External borrowing by Pvt. Sector > Government
- ⇒ Further, majority of India's external debt is denominated in USD currency > Indian Rupee > IMF's SDR > (Yen, Euro, Pound Sterling, etc)

📁🔑 MCQ. Find correct statement(s): (Pre19-SetA Q63)

1. Most of India's external debt is owed by government entities.
2. All of India's external debt is denominated in US dollars.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

30.9.8 📁🔑 RBI's Forex Reserve: विदेशी मुद्रा रिजर्व

The Forex Reserve component(s) in decreasing [▼] order of size =

- 1) Foreign Currency Assets (includes foreign currencies & G-Sec/bonds of foreign Govts)
- 2) Gold
- 3) Reserve Tranche Position (RTP) in the IMF. (What is RTP = NOT IMP)
- 4) Special Drawing Rights (SDRs)

Total Forex reserves of India = ~480 million USD (2020-April).

😬😬 What is the scene after Corona? Ans. 🙌 Wait for 📁🔑 ES2021.

30.9.9 (📁🔑 > 📁🔑) ⚠️ Disequilibrium in BoP: Factors responsible

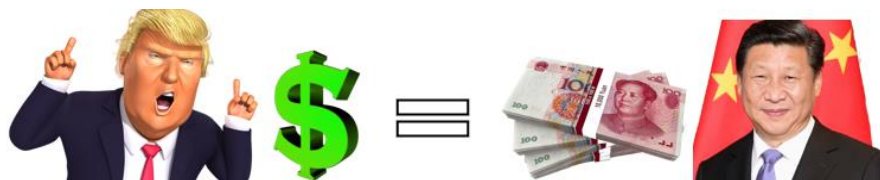
#JUST2BSAFE if some theory MCQ.



When Credit (Receipt, income money) = Debit (Payment, outgoing money) then BoP will be ZERO. If, not then BoP is in disequilibrium. This can happen because of:

- ⇒ **Development** disequilibrium (विकास का असंतुलन): poor nations have to import more grains, medicines etc. = adverse BoP.
- ⇒ **Secular** or Long-term Disequilibrium (दीर्घ अवधि तक रहने वाला): newborn nation is usually poor & backward so imports >> Export. E.g. Nehru's India until it matured in the 90s.
- ⇒ **Consumerism** and Demonstration Effect: Rich Indians try to copy westernized lifestyles. So, \uparrow import of Switzerland wristwatches+Sports Cars = adverse BoP.
(उपभोक्तावाद, दिखावा करने की चाह → ज्यादा आयात के चलते भुगतान संतुलन खराब होता है)
- ⇒ **Structural** Disequilibrium =if transport, electricity infrastructure is poor or Technological Backwardness = exports can't improve. (संरचनात्मक और तकनीकी)
- ⇒ **Cyclical** Disequilibrium (चक्रीय असंतुलन): When two countries may be passing through different phases of business cycle (Boom, slowdown...तेजी और मंदी का चक्र) , so there will be mismatch in imports, exports, FDI etc.

31 💰 CURRENCY EXCHANGE RATE: मुद्रा विनिमय दर



In the full course, we had studied exchange rate regimes- fixed|floating| managed float, currency manipulation, convertibility etc. उसके बाद, आजकल नया क्या चल रहा है?

31.2.1 💰 Currency Exchange Rate → Attracting Dollars: VRR and FAR

To prevent weakening of ₹, we've to attract more \$ (and other foreign currencies) in India. So, RBI taken following notable measures:

Voluntary Retention Route (VRR: : स्वैच्छिक अवधारण मार्ग)	<ul style="list-style-type: none"> ⇒ Launched in 2019: If an FPI buys Indian Union/State Governments' G-Sec and Indian Corporates' Bonds through this route → FPI will be given more freedom in certain technical regulations of RBI & SEBI. ⇒ But, with condition= FPI must remain invested in India for minimum 3 years. (HotMoney वाला गेम खेल के भाग नहीं सकते) ⇒ RBI decides quantitative limits to how much money can FPI invest through this route.
Fully Accessible Route (FAR: सम्पूर्णतः सुगम्य मार्ग)	<ul style="list-style-type: none"> ⇒ 📁 Budget-2020 had announced allowing non-resident investors to invest in G-Sec, without any restrictions. ⇒ 2020-March: RBI announced this window, non-resident individual investors (who're not FPI) can buy G-Sec. ⇒ No limits on amount of investment.

Benefit? Investors will convert \$ & other foreign currency into ₹ currency to buy G-Sec= more \$\$ coming towards India = helps keeping BoP and currency exchange rate stable during crisis.



Side note: RBI frequently \uparrow / \downarrow in FPI investment quota/limits in G-sec, depending on how RBI wants to shape bond yield, flow of dollars & available quota of G-sec for local investors to play its repo & OMO games. But that ball by ball chase is NOT IMP.

31.2.2 🌐🌐 📰 Currency Exchange Rate in Corona-Crisis

1. **2020-Feb:** CoronaVirus Force Majeure = SENSEX \downarrow so FPIs Selling shares from Indian companies = they got ₹ → converting them into \$ → running back to USA to invest in (AAA rated) US treasury bonds which is safest investment. So there is a great shortage of dollars in the Indian market. If RBI does not supply dollars → further weakening of rupee (\$1=₹75 → ₹80). Therefore...
2. **2020-March:** RBI starts Dollars Swap with Indian banks. i.e. A bank shall buy US Dollars from the Reserve Bank and simultaneously agree to sell the same amount of US Dollars at the end of the swap period (6 months). It is done through auctioning, so, RBI to earn some % of profit. How it works NOT IMP.
3. 📰 **Corona:** Dollar updown movements, RBI signing more swap agreements, Indian Government borrowing more \$\$ from ADB, BRICS Bank etc. overall trend/picture = better to wait for 📅📅 ES21

AB CD ? MCQ. (Pre19-SetA) Q65. In the context of India, which of the following factors is/are contributor/contributors to reducing the risk of a currency crisis?

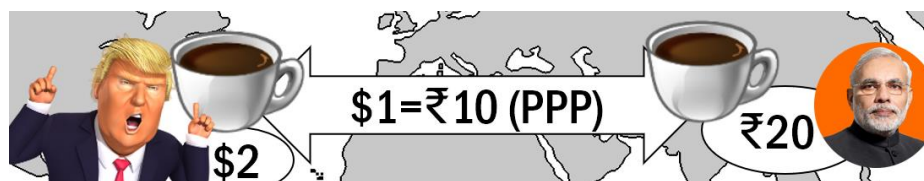
1. The foreign currency earnings of India's IT sector.
2. Increasing the government expenditure.
3. Remittances from Indians abroad.

Answer Codes: (a) 1 only (b) 1 and 3 only (c) 2 only (d) 1,2 and 3 only

AB CD ? MCQ. (Pre19-SetA) Q86. Which one of the following is not the most likely measure the Government/RBI takes to stop the slide of Indian rupee?

- (a) Curbing imports of non-essential goods and promoting exports
- (b) Encouraging Indian borrowers to issue rupee denominated Masala bonds
- (c) Easing conditions relating to external commercial borrowing
- (d) Following an expansionary monetary policy

31.2.3 📰 Exchange Rate → Misc. → Purchasing Power Parity (PPP)



- ⇒ क्रय/ खरीद शक्ति समता: Hypothetical concept that tries to compare two currencies' exchange rate through their purchasing power in respective countries.
- ⇒ So, If 1 cup of coffee in India = ₹ 20 whereas 1 cup of coffee costs \$2 in USA then Dollar to Rupee exchange rate (PPP) should be \$1 = ₹ 10. (According to OECD, exact figure is \$1=₹ 17@PPP).
- ⇒ This (hypothetical) exchange rate can happen in real life, if both the countries have Floating Exchange Rate without any intervention of the respective Central banks; and if the bilateral trade is free of protectionism (= without tariff or non-tariff barriers).



- ⇒ Gross Domestic Product (GDP: सकल घरेलू उत्पाद) is the total market value of all goods and services produced in a country within a year.
- ⇒ When we convert these GDP values from local currencies into PPP \$ exchange rates, the largest economies of the world (GDP, PPP wise) are 1) USA 2) China 3) India 4) Japan 5) Germany.

MCQ. Find correct statement(s) (Pre19-SetA Q82)

1. Purchasing Power Parity (PPP) exchange rates are calculated by the prices of the same basket of goods and services in different countries.
2. In terms of PPP dollars, India is the sixth largest economy in the world.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

32 **PILLAR #3B: INTERNATIONAL ORG**

32.2 **BRETTON WOODS → IMF, WASHINGTON, 1945, DEC**



- ⇒ International Monetary Fund (IMF: अंतर्राष्ट्रीय मुद्रा कोष) helps in global currency exchange stability, helps against balance of payment crisis.
- ⇒ IMF important decisions need to be passed with **85% majority**. USA has 16.52% voting power so it can effectively block/veto it.
- ⇒ **2020-May**: IMF wanted to issue \$500 billion FRESH Special Drawing Rights (SDR: विशेष आहरण अधिकार) to help member countries combat the corona crisis. But USA blocked it. India also supported the USA. India has 2.6% voting rights.
- ⇒ IMF Managing Director?
 - **2019**: Christine Lagarde (France) resigned to become Managing Director (MD) of European Central Bank (ECB, HQ Frankfurt, Germany). Then,
 - **Kristalina Georgieva** (Bulgarian economist, previously CEO of the World Bank) becomes the second woman IMF MD after Christine Lagarde. Her five-year term starts on October 1, 2019.
 - **IMF' Chief Economist (CE)?** Gita Gopinath, an Indian-American economist, she became the first woman to be the Chief Economist of IMF (2019-Jan). Previously Raghuram Rajan has also served in this position.

32.2.1 **IMF gives loan to Pakistan (2019)**

2019-July: IMF approved \$6 billion loan to Pakistan. It'll be released in tranches (=instalments/किश्तों में) over the next three-years depending on the conditional reforms taken by Pakistan's Government, which includes:

- ⇒ Pakistan will have to comply with Financial Action Task Force (FATF) norms against anti-money laundering and terror financing → so, if Pak gets added in FATF-blacklist, then Pak's IMF loan release may get stopped. (धन शोधन, आतंकी वित्तपोषण)



- ⇒ Fiscal Deficit and Primary deficit must be controlled to x% of GDP → indirectly, Pak will be forced to cut down on its Defence Expenditure (& ISI funding to terrorists).
- ⇒ Pak Govt will have to ↓ subsidy on gas & electricity → hardship for Pakistani people/
- ⇒ Loss making PSUs like Pakistan Steel Mills, Pakistan International Airlines and Pakistan Railways etc. have to A) become profit making OR B) be Privatized OR C) be Shutdown. (घाटे में चल रहे सार्वजनिक क्षेत्र के निगमों में सुधार) And so on...

32.3 (NON-BRETTON WOODS) → MULTILATERAL DEVELOPMENT BANKS

Multilateral Development Banks	BRICS Bank New Development Bank (NDB) नई विकास बैंक	AIIB: Asian Infrastructure Investment Bank एशियाई अवसंरचना निवेश बैंक
Started in	6th BRICS Summit in Fortaleza (2014) members signed treaty	2015-16
Members	Brazil, Russia, India, China South Africa	China, India, UK, Switzerland, >100 nations as of 2020.
Voting power	Each member is given equal 20% voting power. As per the original agreement: All member countries of the United Nations can become members of the bank, but BRICS nations' voting power can never be less than 55%.	⇒ Based on share capital provided. ⇒ Asian countries control about 75% voting. ⇒ China largest ~27%, India second largest shareholding~7%. ⇒ India is the largest borrower.
HQ	Shanghai, China	Beijing, China
Corona loan2India	\$1 billion. (2020-Apr)	\$750 million (2020-June)

MCQ. (Pre19-SetA Q71). Find correct statement(s) about AIIB:

1. AIIB has more than 80 member nations.
2. India is the largest shareholder in AIIB.
3. AIIB does not have any members from outside Asia.

Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 only

32.4 THEORIES OF INTERNATIONAL TRADE

After looking at the new trend of microeconomics MCQs in UPSC's recent IES/CDS exams. Let's prepare a few concepts #JUST2BSAFE

32.4.1 Mercantilist Theory: व्यापारी सिद्धांत

- From the 16th to 18th century, economists believed in mercantilism i.e. The amount of wealth in the world is static.
- A nation's wealth and power were best served by increasing exports and receiving payments in gold, silver and precious metals.
- Therefore, any import was seen as loss of nation's wealth in gold payment.
- So, colonial powers tried to flood their colonies with readymade goods but always prevented entry of goods in their home country.

32.4.2 Adam Smith's Theory of Absolute Cost Advantage (1776)

Output per one laborer →	India	China
Wheat	30kg	10kg



Output per one laborer →	India	China
Rice	10kg	15kg

- ⇒ India has an absolute cost advantage over China in wheat production. (संपूर्ण लागत लाभ)
- ⇒ So, India should focus on producing more wheat, and import rice from China. India should not try to be a 'rice production specialist'.
- ⇒ Adam Smith's theory assumes 1) there are no production costs except labourers 2) no transport cost 3) there is free trade (no taxes on import exports)

32.4.3 David Ricardo's Theory of Comparative/Relative Cost Advantage (1817)

तुलनात्मक लाभ सिद्धांत

How many workers required to produce →	1-meter textile	1 bottle of wine
France	10 workers	12 workers
England	9 workers	8 workers

- ⇒ Here, we can see England requires less workers than France to produce wine and textiles. So, as per Adam Smith's absolute cost advantage, England should not import anything from France!
- ⇒ But, if plotted on graphs, it'll appear that for England per unit labour cost to produce 1 meter textile is (relatively) cheaper than 1 bottle of wine.
- ⇒ इंग्लैंड के लिए कपड़ा बनाना, शराब बनाने से तुलनात्मक रूपसे सस्ता है।
- ⇒ So, England should shift domestic English wine workers towards textiles. England should export textile to France and import wine from France. England should not try to become a 'Wine production specialist'.

32.4.4 Heckscher and Ohlin's Factor - Proportions Theory (1919)

- ⇒ **Capital-abundant country** will export the capital-intensive goods. E.g. USA's Boeing company exporting Jet planes. क्योंकि विमान बनाने में मजदूर कम और पूंजी ज्यादा चाहिए. अमेरिका के पास मजदूर कम और पूंजी विपुल मात्रा में है
- ⇒ **Labour-Abundant Country** will export labour-intensive goods. E.g. India exporting cotton (and imports jet planes from USA). क्योंकि कपास के उत्पादन में पूंजी कम और मजदूर ज्यादा चाहिए, भारत के पास मजदूर विपुल मात्रा में है.


33 WORLD TRADE ORGANIZATION: विश्व व्यापार संगठन



अमरीकी कंपनीओ को स्पर्धा से बचाने के लिए मैं वीदेशी आयात पे बाधाएं खड़ी करूंगा!



33.2.1 Kazakhstan Summit #cancelled (2020-June)

- ✓ Ministerial Conference (मंत्री सम्मेलन) Usually meets once every two years, deliberates on trade agreements.
- ✓  2020-June: WTO ministerial conference was to held at Kazakhstan's Astana (new name of this city: Nur-Sultan) But, cancelled by Corona.



33.2.2 🌐🛒🚫: Tariff Barriers against international trade: Dumping

- ⇒ If China exports goods to India at a price below their normal price in domestic Chinese market or at a price below their cost of production- then it is termed as “Dumping”
- ⇒ Commerce Ministry → **DG foreign trade (DGFT)** launched ‘**ARTIS**’ portal (Application for Remedies in Trade for Indian industry and other Stakeholders). Applicants can file complaints against dumping.
- ⇒ 📦 **Budget-2020: Purified Terephthalic Acid (PTA)** is used in manufacturing (synthetic) textile fibres and yarns. Cheap PTA = boost to Indian textile sector, so we’ll no longer charge Anti-dumping duty on it.

33.3 🌐🛒✂️🗣️ **WTO DISPUTES : INDIA’S EXPORT INCENTIVE SCHEMES**

- ⇒ 2018: USA complained to the WTO’s Dispute Settlement Body (DSB: विवाद निपटान निकाय) that India is running various export incentive schemes such as:
 - Merchandise Export from India Scheme (MEIS: भारत से व्यापारिक निर्यात के लिए योजना),
 - Export Oriented Units (EOU: निर्यातोन्मुख इकाइयाँ),
 - Electronics Hardware Technology Parks (EHTP),
 - Special Economic Zone (SEZ: विशेष आर्थिक क्षेत्र)
 - Export Promotion Capital Goods (EPCG: निर्यात संवर्धन के लिए पूंजीगत माल).
- ⇒ Under above schemes India gives tax reliefs / subsidies to its exporters. So, it is creating tariffs and non-tariff barriers against American companies, & thus India is violating the WTO Agreement on Subsidies and Countervailing Measures (SCM: सब्सिडी और प्रतिकार उपायों पर समझौता).
- ⇒ India’s position is “We’ll phase out these schemes after 8 years from 2017 (=2025). Since we are a developing country, we should be given such relaxed deadline under SCM agreement.”
- ⇒ **2019-Oct:** WTO’s Dispute Settlement Body (DSB) ordered in favour of USA and ordered India to stop such schemes within the next 90-180 days.
- ⇒ **2019-Nov:** India goes to WTO Appellate Body (अपीलीय निकाय) to undo DSB’s order.
- ⇒ WTO Appellate Body members are appointed by the WTO members by consensus, (i.e. no member-nation should formally object to candidate’s name). USA is presently opposing appointment of new members in Appellate Body. So, body is under-staffed/ dysfunctional.
- ⇒ **2020-Mar:** Indian Commerce Minister says, “we will not implement WTO’s dispute panel orders, because the appellate body is not functioning so our appeal is pending.”

📌🔗 **MCQ. Which of the following are the main functions of WTO? (UPSC-IES-2020)**

1. To organize meetings of member countries to arrive at trade agreements covering international trade.
2. To ensure that member countries conduct trade practices as per agreements agreed upon and signed by the member countries.
3. To provide a platform to negotiate and settle disputes related to international trade between and among member countries.

codes: (a) 1 and 2 only (b) 1 and 3 only (c) 2 and 3 only (d) 1, 2 and 3



33.4 🛒📄📁 FREE TRADE AGREEMENTS → TPP11, RCEP

33.4.1 🛒📄📁 TPP-11 or CPTPP



- ⇒ While USA-led TPP could not materialize, but some of the nations in Pacific region separately worked out a '**Comprehensive and Progressive Agreement for Trans-Pacific Partnership**' (CPTPP or commonly called TPP-11) in 2018-Dec.
- ⇒ Presently, it has 11 signatories: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

33.4.2 🛒📄📁 Trade agreements → USMCA & AFCFTA

NAFTA 1994	⇒ North American Free Trade Agreement; उत्तरी अमेरिका निशुल्क व्यापार समझौता (1994) involves Canada, USA and Mexico.
USMCA 2018	⇒ However, Trump felt NAFTA harms the American interests → 2018: He made a deal with Mexico and Canada to replace NAFTA with a new agreement called United States-Mexico-Canada-Agreement (USMCA).
AFCFTA	⇒ 2019: African Union (AU) members have signed the African Continental Free Trade Agreement (AfCFTA). It's world's largest FTA covering 54 nations.

33.5 🛒📄📁 REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)



33.5.1 📄📁 Introduction to RCEP:

- ⇒ RCEP (व्यापक आर्थिक भागीदारी का क्षेत्रीय समझौता) is a proposed free-trade agreement (मुक्त व्यापार समझौता) between the **10 ASEAN countries** and their six **Free-Trade Agreements** partners viz. Australia, China, India, Japan, New Zealand and S. Korea.
- ⇒ Collectively, these countries command 25% of global GDP, 30% of global trade.
- ⇒ RCEP requires them to reduce the tariff and non-tariff barriers against each other, encourage investments, economic and technical cooperation, protect Intellectual Property Rights (IPR: बौद्धिक संपदा अधिकार) etc.
- ⇒ This will boost trade, economic growth and employment in each of these countries,

33.5.2 🐼📄📁 RCEP: Why didn't India join in 2019-Nov?

India already has over **\$100 billion trade deficit** (व्यापार घाटा) with RCEP countries. Out of this, **China alone accounts for \$54 billion trade deficit**. So India had following apprehensions about this agreement.

- 1) 🐼📄 **China**: RCEP will result in increased flow of (Cheap) Chinese manufactured & electronic goods → Indian **MSME, automobile, steel** industries harmed → So, India wanted separate levels of customs duty against Chinese imports.



- 2) 🐄 Dairy: India is among the largest producers of milk but our specialty is mostly in the liquid products whereas New Zealand is renowned for its solid products (milk powder, butter, cheese etc.) These solid dairy products have a longer shelf-life & easier to transport over long-distance. So if trade-barriers removed, India will be flooded with cheap dairy products → Indian farmers & dairy entrepreneurs will suffer.
- 3) 🌿 Agriculture: Southern India's plantation farmers afraid of cheaper tea, coffee, rubber, cardamom and pepper from Malaysia, Indonesia & other RCEP nations.
- 4) 🌡️ So, India wanted an Automatic Trigger Safeguard **Mechanism (ATSM: स्वचालित ट्रिगर का सुरक्षा तंत्र)** to protect itself from surge in imports. (e.g. raise customs duty by "X%" on imported products from "y" country if "z" situation occurs).
- 5) 🚫 **Ratchet Obligation (रैचेट दायित्व):** It means a nation can not go back/undo its commitments under the RCEP agreement. India wants certain exemptions here.
- 6) 📅 **Base Year for tax cuts (करो में कटौती के लिए आधार वर्ष):** India wants base year for tax-cuts fixed at 2019 instead of 2014. Because since 2014, India has raised customs duties on over 3,500 products.
- 7) 📁 **Data localisation (डेटा स्थानीयकरण):** India wants all RCEP countries to have the rights to protect data & prohibit cross-border data flow (सीमापार डेटा प्रवाह पर रोक) in the national interest. For this reason, India even refused to sign G20 Osaka declaration on cross-border data flow.

2019-Nov: RCEP summit at Bangkok, Thailand. Here, Indian demands were not agreeable to the majority of other members. So, India announced not to join the RCEP Agreement.

India also had 500 जात के other objections but the maximum utility of RCEP topic is 250 words in the mains exam. For that, we have gathered sufficient points. Further PHD useless.

33.5.3 🗨️ RCEP: Counterview: India made a mistake by not joining

- 1) **Competition brings excellence.** Unless the Indian industrialists are subjected to the competition from Asian giants, they will not invest further in the R&D, product upgradation, customer service & customer satisfaction. श्रेष्ठता के लिए स्पर्धा जरूरी
- 2) If India doesn't join RCEP, our products will not be able to compete in those nations because of the **higher taxes on Indian exports** viz a viz other RCEP exports.
- 3) Indian manufacturers could import intermediate goods from RCEP countries at cheaper price → process them further → **re-export towards Middle East, Africa and European**. Thus, RCEP could have provided the perfect opportunity for India to become integrated with the **global value chain** (वैश्विक मूल्यवर्धन श्रृंखला).
- 4) World Bank's "A Glass Half Full: The Promise of Regional Trade in South Asia" report (2019) estimates India's potential trade in goods with South Asia at more than 60 billion, but at present the actual trade is less than \$20 billion- due to tariff barriers and connectivity issues. Hence, **RCEP is necessary for boosting India's exports.**
- 5) RCEP was still 'less strict' in comparison of India's ongoing FTA negotiations with the USA or EU. It was a **low-hanging fruit**, we should have signed it.
- 6) India will have to eventually shed-off its '**big but poor**' mentality ('बड़े लेकिन गरीब' मानसिकता). International agreements always require some bargaining / give and take.




33.5.4 ✍️ RCEP: Conclusion?

- ⇒ While it is true that India could have gained in certain export-sectors by signing RCEP Agreement, but its present format did not fully address India's issues and concerns regarding the protection of the domestic industry. हालांकि भारत को कुछ निर्यात क्षेत्रों में फायदा हो सकता था, लेकिन वर्तमान प्रारूप ने घरेलू उद्योग की सुरक्षा के संबंध में भारत के मुद्दों और चिंताओं को पूरी तरह से संबोधित नहीं किया
- ⇒ So we've opted not to sign it. The remaining member-nations have planned to sign the RCEP agreement in 2020 and they are trying to convince India to get onboard.
- ⇒ India has not permanently shut the doors for negotiation. In future we may sign it, if our concerns are addressed. स्थायी रूप से दरवाजे बंद नहीं किए हैं। यदि हमारी चिंताओं पर ध्यान दिया जाए तो भविष्य में हम इस पर हस्ताक्षर कर सकते हैं।

33.5.5 📅 Budget-2020: FTA 'rules of origin' (उत्पत्ति के नियम)

- 1998: India - Sri Lanka FTA. So ink manufactured in Sri Lanka = 0% Indian customs duty when imported in India.
- But sometimes Chinese company manufacture ink bottles in China, transports to its Sri Lankan company → Sri Lanka's (phoney/namesake) company pastes a label "this bottle manufactured in Sri-Lanka" → sell them in India @0% customs duty?
- So, FTA agreements contain 'rules of origin'. Which requires that minimum x% manufacturing/processing/value addition must be done in originating country (Sri Lanka in our example) before it's eligible for 0% customs duty.
- Originating country (Sri Lanka) cannot dump goods from some third country (China) in the Indian market by just putting a label on it. (ताकि, उद्गम/ निर्यात करता देश किसी तीसरे देश की वस्तुओं पर अपना लेबल चिपका के भारत में कर-मुक्ति के साथ न बेच सके.)

 ? How many member states are there in CARICOM, a grouping of Caribbean nations? (UPSC-Geologist-2020) a. 10 b. 12 c. 15 d. 18

<While the answer is 15 but poor cost:benefit chasing such KBC GK. Better to skip>

33.5.6 📊 🇮🇳 India's trade agreements

Homework: Refer Economic Survey 2019-20 Vol2 ch.3: Annexure-II= table is given, focus on participants, & whether trade agreement 'concluded' or at 'negotiation stage'.

33.6 🌐 🛒 🏢 BURNING ISSUES IN INTERNATIONAL TRADE



33.6.1 🌐 🛒 🏢 Protectionism, Trade war: संरक्षणवाद, व्यापार युद्ध

- Protectionism means the use of tariff and non tariff barriers to protect the local industry against foreign competition.
- Trade war happens when two / more nations attack each other's exports through tariff and non tariff barriers.



33.6.2 🌐📦🛡️: 🏥🛡️ Protectionism → Medicine and Defence

- 💊 **Hydroxychloroquine**: anti-malarial drug, could be used in the COVID-19 treatment. Earlier India had imposed a ban on its export to ensure supply for the Indian patients. But 2020-june: India lifted the ban for 1) export earning 2) 1) soft-diplomacy: winning support of its friendly nations. (नरम कूटनीति)
- 🇮🇳 **2020-Aug**: Defense ministry has put 101 defense items in negative import list (आयात प्रतिबंध सूची) i.e. they will be purchased from local manufacturers. They'll not be imported e.g. Multi barrel rocket launchers, assault rifles, radars. Benefit? Local industry will get contracts worth ₹4 Lcr. → Make in India, Atma-Nirbhar, 🇮🇳 CAD.

33.6.3 🌐📦🛡️: 📦🛡️ Protectionism → Indian Govt procurement (सरकारी खरीद)

- ⇒ **Atma-Nirbhar**: PM asked the nation to be "local ke liye vocal" (to promote local goods) with an aim to make India self-sufficient in every way.
- ⇒ So, in Government procurement tenders up to ₹200 crore. → Foreign (global) companies will not be allowed to apply. (सरकारी खरीद के 200 करोड़ तक के टेंडर में विदेशी कंपनियों को अर्जी डालने पर प्रतिबंध, ताकि स्थानिक सूक्ष्म, लघु और मध्यम उद्यम को बिक्री का अवसर मिले)
- ⇒ This will help Indian Micro, Small & Medium Enterprises (MSME) and large Indian companies to revive business through 📦 purchase from the Government.
- ⇒ **Sidenote**: In an excessive and unplanned enthusiasm, Home Minister Amit Shah ordered Central Armed Police Force (CAPF) canteens not to sell any "imported" items. But, many Indian companies were also kept on the banned list because of miscommunication or haste in preparing the list. So, the order has been withdrawn.

33.6.4 🌐📦🇺🇸 USA's Generalized System of Preferences (GSP) list

यूएसए की प्राथमिकताओं की सामान्यीकृत प्रणाली सूची

- If a developing country's name is in this list, its exports will be subjected to zero/lower import duties in USA (for selected products only).
- 2019: Trump removed India from GSP list, citing India has imposed heavy import duties on Harley Davidson bikes and other American exports.
- As such most of the Indian exported goods to USA are not in the GSP list in the first place, so this blacklisting will not harm India much, albeit, Indian textile companies are worried that GSP-removal will make Indian garments more expensive in USA.

Related term: Global System of Trade Preferences among Developing Countries (**GSTP**: विकासशील देशों के बीच व्यापार व्यवस्था की वैश्विक प्रणाली) is a trade agreement among developing countries and LDC signed under the aegis of United Nations Conference on Trade and Development (UNCTAD: व्यापार और विकास पर संयुक्त राष्ट्र सम्मेलन) in 1988. It aims to reduce the trade barrier among themselves. India is a member.

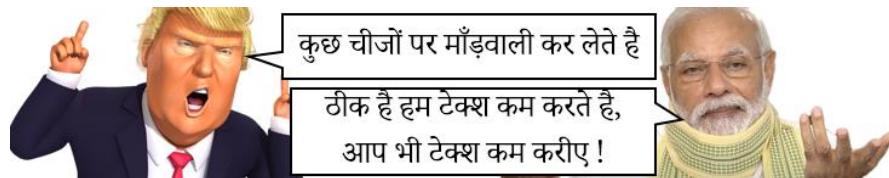
33.6.5 🌐🇺🇸 USA Reciprocal Trade Bill/Act (पारस्परिक व्यापार विधेयक / अधिनियम)

- ⇒ 2019: United States Reciprocal Trade Bill was introduced in the American parliament (=US congress)
- ⇒ IF the partner nation has imposed a high level of tariff/non-tariff barriers on American products, then
 - US President can unilaterally 📦 the taxes on imported products of that trading country. आयात होने वाली चीजों पर राष्ट्रपति कराधान बढ़ा सकते हैं



- US President can even 'undo' his commitment from the free trade agreements with that country. पुराने वचनों से मुकर सकते हैं
- ⇒ If the Intellectual Property Rights (IPR: बौद्धिक संपदा अधिकार) of American products are not respected/enforced in a country → US President can taxes on imported products from that country. ~~+500 other things but poor cost benefit in chasing it.~~

33.6.6 India-USA limited trade deal (सीमित व्यापार सौदा)



- ⇒ 2020-Jul: India USA are negotiating for a 'limited trade deal' i.e. only for selected commodities taxes may be . Basically, they're looking for following
- ⇒ India should taxes on American farm & dairy products, pharmaceuticals, electronics etc
- ⇒ USA should taxes on Indian steel & Aluminium etc, and USA should restore India's name in the Generalized System of Preferences (GSP).

33.7 GROUPINGS: INDIAN SUBCONTINENT → SAARC

- South Asian Association for Regional Cooperation दक्षिण एशियाई क्षेत्रीय सहयोग संघ
- 2020-March: SAARC leaders organized video conference to fight Corona.
- India proposed creation of a COVID-19 emergency (आपातकालीन निधि) fund & contributed \$10 million in it.

33.8 GROUPINGS LED BY G20 → G20 (GROUP OF 20)

- International forum for the governments and central bank governors from 19 countries and the 1 European Union namely, Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, UK, USA, EU
- Annual summits: 2018@Buenos Aires-Argentina, 2019@Osaka-Japan, 2020-Nov@Saudi Arabia's Riyadh, 2021@Italy's Rome, 2022@Delhi.

33.9 G20: OSAKA DECLARATION



2019-June: G20 summit @Osaka, Japan. Its declaration announced following points:

- We endorse the G20 Fukuoka Policy Priorities on Aging society's Financial Inclusion. (बुजुर्गों का वित्तीय समावेशन)
- We affirm our support to G20/OECD Base Erosion and Profit Shifting (BEPS: कर बचाने के लिए मुनाफे का स्थानांतरण) Agreement;



- Financial Action Task Force (FATF, HQ: Paris, France) regulations against money laundering, terrorist financing. No safe haven be given to any economic offenders. (धन शोधन और आतंकी वित्तपोषण)
- We will work together to foster global economic growth using technological innovation, esp. Digitalization. (तकनीकी नवाचार, करके वैश्विक आर्थिक विकास को बढ़ावा देना।)
- Cross-border flow of data, information, ideas and knowledge generates higher productivity, greater innovation, and improved sustainable development. So, we'll encourage free flow of data to harness the opportunities of the digital economy.
- There should not be any restriction on companies from storing personal information, in foreign servers. Japanese PM Shinzo Abe called this initiative '**Data Free Flow with Trust**' (DFFT: विश्वास के साथ डाटा का सीमापार मुक्त प्रवाह).
- ++ lot of lip service on corruption, Labour and Employment, Women's Empowerment
- Tourism, Agriculture, Global Health & Environmental Issues

Next summits: Saudi Arabia in 2020, in Italy in 2021 and in India in 2022 (it is also India's 75th anniversary of independence).

33.9.1 📄 🗺️ 🌐 🗳️ ✍️ Osaka declaration: why India refused to sign

India, South Africa and Indonesia remained absent when G20 members formally signed Osaka declaration BECAUSE:

1. India believes that all of the countries must individually manage data. Otherwise MNCs will use data for their **commercial benefits**, **harming privacy** of citizens and sovereign interests of the States. (e.g. Huawei mobiles' send their data to China, they may be hacked by Government-sponsored hackers to spy on India.) व्यापारिक फायदे के लिए जनता के डाटा की चोरी, धांधली, निजता का हनन होगा.
2. Such free flow of data may be **misused for influencing public opinion** through targeted advertisements and articles on social media. (e.g. The alleged Russian hand in Trump's election.) जनमत को प्रभावित करने के लिए दुरुपयोग
3. Data is a new form of wealth. So, this entire matter **should be discussed within WTO** and not outside of it. विश्व व्यापार संगठन के मंच पर इसकी चर्चा करो

✍️ Conclusion:

- ⇒ While India understands and appreciates the role of ICT in economic development and good governance. सूचना प्रौद्योगिकी का आर्थिक विकास और सुशासन में महत्व भारत समझता है
- ⇒ The issue of data flow requires a wider global cooperation without undermining an individual's privacy or a State's sovereign interests. व्यक्तिगत निजता, राष्ट्रों के संप्रभु हित
- ⇒ Considering these facets, **India has refused to sign the Osaka declaration** on cross border data flow (उक्त पहलुओं को देखते हुए सीमापार डाटा प्रवाह संधि पर हस्ताक्षर नहीं किया).

33.10 🌐 🤝 🗳️ GROUPINGS LED BY GORA → G7 AND D10



5g सामान के लिए नई गैंग बनाते है ना!



इंडिया को G7 में शामिल करते है!

33.10.1 🌐 🤝 G7 - Group of Seven (1975)

- ⇒ seven major developed countries: Canada, France, Germany, Italy, Japan, USA, UK.





- ⇒ 1997: Russia was added so it became G8 but then Russia annexed Crimea region of Ukraine to Russia was Expelled from this group so again it became G7 in 2014.
- ⇒ 2019: Summit @Biarritz, France. India was also invited to attend.
- ⇒ 2020: Summit was to be held @USA. But postponed due to Corona.
 - Trump proposed Australia, India, South Korea, Russia etc should also be invited at G7. Although the UK hates the idea of inviting Russia back. But, ball-by-ball notIMP.
 - Newspaper Columnists have gone crazier than usual, suggesting expansion of membership to G10 / G11 by adding above countries as new members.

33.10.2 D10: 5G club proposed by UK (2020)

- ⇒ UK proposed "D10" club of democratic partners including
 - G7 countries – UK, US, Italy, Germany, France, Japan and Canada
 - + 3 more plus Australia, South Korea and India
- ⇒ **Objective:** create supply chain for 5G equipment and technologies. To avoid relying on China/ Huawei- for data security and data privacy. (5G उपकरण और प्रौद्योगिकियों के लिए आपूर्ति श्रृंखला= चीनी कंपनियों द्वारा डाटा चोरी का खतरा कम हो)

33.10.3 BREXIT = BRITAIN EXIT



- **2016:** Britain held a referendum (जनमतसंग्रह) & asked its citizens "whether the Britain should EXIT or remain in the European Union?" 52% voted yes, 48% voted no.
- **2020-Jan-31st:** United Kingdom has officially left the European Union. However in reality, till 31st December 2020, UK is under "Transition Period / Implementation Period (कार्यान्वयन अवधि)" During this transition time, most of the things will remain the same as before e.g. visa-travel/driving license etc.
- But, gradually 'divorce' will be implemented in phasewise manner. (धीरे-धीरे चरणबद्ध/क्रमिक रूप से रिश्ता खत्म किया जाएगा)
-   **2020-May:** EU announced 750 billion euro (=826 billion\$) economic stimulus package. Basically, the EU will borrow money from the market → give it to Member states in the form of loans and grants for reviving their economy. ~~How?NOTIMP.~~

33.11 GROUPINGS / ISSUES: MIDDLE EAST

In full course, we had studied GCC and OIC. और क्या चल रहा है आजकल?

33.12 VANDE BHARAT MISSION 2020- INDIANS KI WATAN-WAAPSI

- ⇒ **Boss?** Ministry of Civil Aviation is coordinating with Ministry of External Affairs and state Govts (नागरिक उड्डयन विदेश मंत्रालय)
- ⇒ for bringing Indians back Indians who're stuck overseas during Corona.
- ⇒ It's considered to be India's largest repatriation (प्रत्यावर्तन/ वतन वापसी) operation since the 1990's Gulf/Kuwait war. [But UPSC doesn't usually engage in superlatives-KBC-GK:



biggest/largest/longest...so not really important whether it was bigger than Gulf rescue.#थोड़ा-पढ़ो-आगे-बढ़ो]

- ⇒ Separately, to provide skill/employment for these returned-Indians, Government also launched SWADES (Skilled Workers Arrival Database for Employment Support) but all skill schemes under Pillar6: HRD.



Figure 2: Akshay may need 'Airlift', but 'Bhai' doesn't need Vande Bharat Mission. since he's capable of 1) becoming Captain of a ship 2) Rescuing kidnapped Indian nurses 3) surviving oil-mine blast- all in Middle East

33.12.1 🌐🗳️👤:Kuwait Expat Bill (विदेशी मजदूरों की संख्या 📉 का विधेयक)

- ⇒ Kuwait parliament working on an expatriates/ expat law' to 📉 the number of foreigners in the country.
- ⇒ India is worried because 1) this will reduce work-visa quotas for Indians. 2) Kuwait contributes \$4-5 billion dollar remittance to India, which may 📉 If less number of Indians are allowed to work in Kuwait. (प्रेषित धन/परिजनों को भेजी गई रकम)
- ⇒ But, experts believe this draft law will not be passed/implemented because 1) Local population is not large to supply all laborers 2) locals are unwilling to do certain types of labour. (उनको छोटे काम करना पसंद नहीं)

33.13 🌐🛒🚫 EXPORT CONTROL / NON-PROLIFERATION REGIMES

In full course, We had studied about NSG, Australia Group, MTCR, Wassenaar Arrangement. और क्या चल रहा है आजकल?

33.13.1 🚫👤🌐USA Exit from Arms Treaties (शस्त्र संधि)

1. **1987:**Intermediate-Range Nuclear Forces (INF) treaty between USA-Russia during to prohibit development of missiles with ranges between 500 and 5,500 km. 2019: USA withdraws from it.
2. **1991:** New Strategic Arms Reduction Treaty (New START) treaty between U.S. and Russia for reducing nuclear weapons. 2021: Treaty will expire.
3. **1992:** Open Skies Treaty (OST) signed between NATO and Warsaw Pact countries to monitor/spy each other's territory through unarmed aeroplanes. 2020-May: USA wants to withdraw from it.
4. **Self-study:** CTBT, NPT: NCERT Class12 Political Science ch4: India's external relations
other topics of IR annual summits, treaties etc. for prelims self-study from PDF/Mags.

33.13.2 📝📌 Mock Questions for Mains GSM2 & GSM3

Syllabus Topic: Important International institutions, agencies, for a (structure, mandate); Bilateral, Regional, Global groupings & Agreements (involving and/or affecting India)

1. Why has India refused to sign the Osaka declaration-2019 on cross-border data flow?
(भारत ने सीमा पार डेटा प्रवाह पर ओसाका घोषणा-2019 पर हस्ताक्षर करने से इनकार क्यों कर दिया है?)



2. "Concerns for the domestic industry has prevented India from joining RCEP agreement." Comment. "घरेलू उद्योगों की चिंता ने भारत को आरसीईपी समझौते में शामिल होने से रोक दिया है।" टिप्पणी करें.
3. Is India's decision to stay out of the RCEP agreement appropriate? Examine critically. क्या आरसीईपी समझौते से बाहर रहने का भारत का निर्णय उचित है? गंभीर रूप से समीक्षा कीजिए.

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