**Globalisation:**

Larger integration and interdependence of countries due to faster movement of commodities, people and investment across the countries.

Benefits:

* Developed economies needed cheaper raw material, labour and larger market
* Developing economies needed larger funds, better technology and larger markets of developed economies
  + Example MNCs vs automobile parts manufacturers - they themselves reached the settlement
  + Haldiram's learning from Lays
  + Cant crib that they are not sharing; overtime technological diffusion is bound to happen
  + Made in India should be focused upon instead of Made by India
* Improvement in technology, reduced cost of communication and transportation which promoted spread of global business
  + 4th IR: AI and IoT!
  + Learn and move quickly - don’t bask in glory of DD
  + Developed world learnt and are using robotics to solve issues of no labour force
* Financial innovations assured faster movement of funds from one part of the globe to another resulting in increased fund transfers promoting globalisation.

Problems:

* MNCs extracting resources using policies such as:
  + Base Erosion and Profit Shifting / DTAA; India has brought PoEM clause + grandfathering
  + Transfer Pricing - Advanced Pricing Agreements and Mutually Agreed Pricing help
  + Predatory Pricing - CCI helps in tackling this
* Workers in developed countries dissatisfied due to loss of employment
  + They need to retrain even without globalisation!
  + Protection promotes inefficiency
  + Migrants bring in culture and human resource
* Developing countries’ Rural population worried due to fluctuating agricultural prices
  + Lack of extension and Insurance services like PMFBY poorly implemented
  + Poor implementation
* Large fluctuations in financial markets hurting retail investors
  + Informalisation of economy → not registered, can’t protect workers, can’t regulate them

Conclusion: [Question: Globalisation and Inclusive Growth]

* Globalisation has to be bidirectional, otherwise it will hurt
* Institutional Mechanisms should ensure Winners share benefits with the Losers
* Globalisation doesn’t necessarily mean rising inequality. It depends a lot on how it is implemented
  + **Japan, Norway, Germany, SK, Taiwan** => reduction in inequality
  + US, Brazil, India it has increased
* Countries with poor governance and lack of public institutions suffer due to globalisation
  + Public institutions bridge the gap between rich and poor
* Focus should be on both **Internal Growth and External Support**

**Special Economic Zones:**

Created for Promotion of exports.

SEZs are integrated townships with main objective of promoting exports. They have different set of rules as compared to rest of the country.

SEZ Act passed in 2005. Liberalised policies only in SEZs.

Provisions:

* Single window clearance
* 0% Import duty
* 15 years tax holiday
* Assured infrastructure to all firms
* Subcontracting of labour and offshore(foreign) banking
* Routine customs inspections are not allowed; only at time of entry and exit

Performance:

* $12bn exports from SEZ as compared to $480bn in India
* Only 1.78mn jobs out of 474mn in India
* More preference to Urban Agglomerations thereby defeating equitable growth
* Only 60% SEZ had operations started

Reasons for failure:

* FTAs take away special benefits; more over they get disadvantaged domestically!
* Very small size and huge multiplicity
  + Lack of EOS
  + Main focus on Services in smaller areas
* Introduction of **MAT**=> firms started leaving
* Infrastructure around SEZ is poor
* Land use policy within SEZ is inflexible
* Competitive Models: CEZ, NIMZ etc
* Red Tapism

Future Steps:

* Clear policy signalling → stable tax regime
* Innovative steps like giving infrastructure status
* Incentives to setup in backward regions
* Allowing **Sector specific SEZs** with smaller size
* Developing Measurable socio-economic-ecological performance indicators for future evaluation
* Well balanced **Compensation and Rehabilitation Policy** for displaced people

Conclusion:

* New approvals only if older ones are operational
* Co-ordination between other developed Special Zones like CEZ, NIMZ, SEZ etc to increase efficiency

**Foreign Trade Policy 2015-2020:**

Objective:

* Increase exports from **465bn to 900bn**
  + Need 18-20% growth; need to work on mission mode
  + Deglobalisation and weak global market makes it difficult

Features:

* Increase coordination between different govt schemes in order to make them more efficient
  + 6 commodities export schemes merged into MEIS and 2 service exports schemes into SEIS
    - Remove delays, exclusion, overlap and increase accountability
  + Benefits given under Make in India and Digital India extended to other schemes promoting exports
* Reduce bureaucratic obstacles and promote faster decision making
  + 18 ports have been equipped with 24x7 online clearance facility for all consignments reaching them
    - Online => No interaction physically
    - 24x7 => Don’t bother about entry and exit times
    - Saves logistical cost and storage expenditure => GAME CHANGER!
    - **India’s National Trade Facilitation Action Plan (NTFAP)**
      * WCO considered it a best practice that other nations should adopt
  + No requirement for exports to submit hardcopy of their invoices to get tax benefit
    - Trust and Verify Policy
    - Rebate money released quickly and interaction with tax officials reduced
* Classify markets according to their relevance for Indian exports
  + Category A: Traditional Markets like US, EU, Iraq
  + Category B: Emerging Markets like SK, Singapore, Chile
  + Category C: Other Markets - have maximum potential; can buy from us but focus on others like Nigeria
* Promote small scale industries export with policy of Zero Defect and Zero Effect
  + Collateral free loans upto 2cr to SSIs
  + Special Scrips for SSIs with no necessary obligation to export or import

Performance:

* Only reached **480bn** from 465bn by midterm!

Issues:

* Stretching ourselves thin; too many policies and underachieving in all of them

Possible Improvements:

* Diversify exports basket wrt countries and commodities
  + Hedge against slowdown in other countries
  + JUMP EAST!
* Promote manufacturing exports through structural reforms to reduce cost of mfg
  + Removing IDS
* Promoting services exports specially in sectors like Tourism
  + Tourism benefits:
    - High employment and forex potential
    - Influences lower income group
  + Pre-requisites:
    - Good infrastructure;
    - Tourist friendly policies;
    - Train people to behave properly
    - Businesses to promote and govt to manage/administer
* Focus on traditional sectors like Textile
* More careful while signing FTAs
  + Ex. ASEAN FTA - missed out on services ended up with $15mn deficit
  + Merocsur PTA - lost out on textile market in Brazil

Schemes:

Trade Infrastructure for Export Scheme

* Develop export linked infrastructure to promote outbound shipments
* Cost will be equally shared by the Centre and the states in form of grant-in-aid.
* Beneficiaries:
  + All central and state agencies including Commodities Boards, Export Promotion Councils, SEZ authorities and Apex Trade Bodies recognised under EXIM policy of Central Government are eligible for financial support.

Promoting Manufacturing in India:

* Mahatma Gandhi’s idea of a circular economy:
  + Manufacturing-led **“take, make, dispose”** model is unsustainable from both an economic and ecological point of view.
  + Focus is now shifting towards a more circular **“take, make, refurbish, repair, reuse”** model
  + Shift focus on making jobs around the product rather than creating jobs to make more products
  + India may not become the ‘making’ capital of the world — but it can become the ‘remaking’ and ‘reusing’ capital.

Reading into improved EODB rankings:

India jumped from 130 to 100 in one year.

Benefits:

* Being in top 100 would attract the small and medium firms in Europe which take such rankings seriously.
* There was huge improvement in the Bank Index due to various reforms taken in the banking sector.
  + IBC
  + Easier access to credit
  + Simplification in payments of PF or Corporate taxes

Caveats:

* Considers only 2 cities
* Implementation is not considered, only legal provisions are checked
* 100 is yet not too much to boast about
* Ranked bottom in
  + Insolvency resolution
  + Enforcement of regulations
* It is still not sufficient for development. Hence we shouldn't be overly optimistic.

Future steps:

* There need to be factor market reforms mainly
  + Land reforms:
    - It is a state subject and has been a problem due to its rent seeking nature.
    - With the move for digital governance, states should come along to reduce the red-tapism here.
    - It takes about 190 days for a land to be made available for a new firm
    - A National repository / data bank of available land under the centre can be made which will help in firms purchasing and setting up business in a quick way.
  + Labour reforms:
    - They need to be relaxed for both hiring and retrenchments
* Improvement in cross border trades. Trade reforms are missing.

Regulatory Sandboxes:

* An experimental oversight mechanism for innovative products and services that do not fall into an existing regulatory regime or cut across traditional regulators’ domains.
* Such innovations are permitted to operate for a limited period of time at a limited scale to understand their efficacy and implications, so that the best alternatives for regulation can be evolved based on concerns that emerge.

India has many regulators in FinTech space like SEBI, RBI, IRDAI, PFRDA which hinder the coming up of new startups.

A regulatory sandbox balances the twin objectives of nurturing financial innovation and safeguarding consumer interests.