Economy This Week (19th Feb to 25th Feb 2022)

TABLE OF CONTENTS

1. Behind FTA policy calibration (IE 22/2/22)

- The Free Trade Agreements (FTAs) signed by India in the mid 2000s are under review
- Under these agreements the imports have grown faster than exports
- The trade deficit that India has with these countries has doubled from $5.8 bn in FY11 to $11.8 bn in FY21
- India has already launched the review of trade agreement with South Korea, is working launch a review of FTA with Japan and ASEAN
- The Indian contention is that goods from India face barriers in the above countries whereas under the agreement India has provided duty free access to exports from these
- One of the issues being faced by Indian industry which is unable to leverage the agreements is the lack of competitiveness in the industry
    - Power rates are very high
    - High cost of logistics
    - Lower availability of finance

2. CEPA – UAE to allow duty free entry of 90% of products from India (BL 20/2/22)

- UAE – India
    - is the third largest partner for India (USA and China are top two)
    - Is also the largest exporter of crude oil
    - Bilateral trade was $60 bn in pre-pandemic year 2019-20 and during April – October 2021 it has hit $40 bn
- UAE will extend duty free access to 90% of good exported from India
- This will be widening the market opportunities for a large number of labour intensive sectors – garments, textiles, gems and jewellery etc
- The Comprehensive Economic Partnership Agreement (CEPA) seeks to
    - increase the bilateral trade to $100 bn in five years
    - Create 10 lakh jobs in India

- India on the other hand will be eliminating duties on about 65% of tariff lines and has agreed to tariff rate quota in gold imports which will allow 200 tons of gold to be imported with one percent concession on import duties
- The trade agreement will be further deepened over the next decade with the UAE set to eliminate import duties on 97% of tariff lines in the next five years while India will bring down tariffs to zero on 90% of items over ten years
    - India would be continuing to protect certain industries/sectors by classifying these products as sensitive products and any duty cut on these would be hurting the economy and livelihoods
    - The list includes items such as dairy, fruits and vegetables, cereals, automobiles, auto parts, coke, dyes, soap , food preparation, toys, natural rubber, tyre, footwear, plastic, medical devices and copper

3. Get financial services along with ration (FE 20/2/22)

- Thousands of the Fair Price Shops (FPS) will be providing the financial services (as agents) and will help in achieving financial inclusion and also boost digital connectivity in remote areas
- The FPS license holders will also be earning additional income which will incentivise them for remaining in trade and also widen the reach of the Public Distribution System (PDS)
- As many as 8000 Common Service centres (CSC) are attached to the FPSs
    - Govt has set up a target of setting up another 10000 CSCs in next one year with FPS outlets
    - These FPSs would be last mile service centres for implementation of the NFSA
- CSCs
    - There are over 3 lakh CSCs which are providing a large bouquet of electronic services to people such as registration for Aadhaar and PAN cards, booking train tickets, checking bank balance, assessing eligibility under various schemes etc
    - Under Digital India Mission of MeitY, the plan is cover 6 lakh villages in next couple of years
- Currently there are about 5.34 lakh FPSs distributing about 60 to 70 mn tn of subsidized food grains to more than 80 Cr beneficiaries
    - Scope of generating additional income as a large number of people visit these shops regularly
    - Food ministry is working on proposal to give different colour codes to the FPSs which are also providing services of CSCs – distinguish them as public services delivery points
    - Ministry along with ministry of finance and SBI has approved a plan that would allow the FPS dealers to access bank credit under PMMY. The FPS dealers can invest and build infrastructure for selling essential food and non-food items adding to their incomes
    - The discussions are being conducted to enable registration of FPS dealers to function as public data offices under PM-WANI (PM Wi-Fi Access Network Interface), which would help in extending internet services to people living in rural areas

4. Govt may miss FY23 monetisation goal (BS 23/2/22)

- Centre has set an ambitious target of monetising ₹ 6 lakh Cr under National Monetisation Pipeline (NMP)
- It could fall short of achieving the target for FY22 and also for FY23 partly due to long gestation period in monetising big-ticket railway infrastructure
- Major chunk of railway monetisation will happen from FY24

    - Railways would be contributing second largest under NMP at ₹ 1.52 lakh Cr
- The monetisation target for FY22 is ₹ 88190 Cr and for FY23 is set at ₹ 1.62 lakh Cr
- The railways has plans to monetise around 400 stations and 250 goods sheds
- Apart from this the monetisation of heritage routes, assets and stadiums might take some more time
- The central govt will not be getting all the revenue under monetisation, a large chunk of this will go to public sector units (PSUs) and govt agencies that own the assets
    - The PSUs have been directed to use this money for capital generation and whatever is left out will be transferred back to govt in form of dividends

5. Neo bank – Niyo (LM 25/2/22)

- Neobanking platforms like Niyo will have to partner with a traditional bank to provide the banking services
- They are directly not allowed to lend but are allowed after they have a tie up
- Niyo is currently partnered with Yes Bank, ICICI, SBM, DCB and Equitas SFB
- The company offers travel products and other banking products to consumers along with prepaid products for the blue collar employees

6. Co-location (BL 18/2/22)

- There are dedicated spaces in the exchange building (right next to the exchange servers) where high frequency and algo traders can place their systems or programs
- Because they are extremely close to the stock exchange servers, these traders have an advantage over other traders due to improvement in latency (time taken to execute orders)
- However the co-location is used by the institutional investors and brokers for their proprietary trader and retail investors have very negligible presence here
- The allegation is that one of the members of the OPG securities was provided unfair access that has enabled him to log in first to the secondary server and get the data before others in the co-location facility. This means that it has allowed traces of OPG to be ahead of other members in execution