

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

TABLE OF CONTENTS

- [1. Exports cross \\$400 bn \(TH 24/3/22\)](#)
- [2. SC appointed panel \(FE 22/3/22\)](#)
- [3. Panel recommends FTA review regime for mid-way corrections \(FE 23/3/22\)](#)
- [4. India scurries to issue green bonds ahead of Europe \(BS 19/3/22\)](#)
- [5. Bihar land reforms \(IE 21/3/22\)](#)
- [6. US frowns on India's rice exports \(BL 21/3/22\)](#)
- [7. RBI Innovation Hub \(RBIH\) \(BL 25/3/22\)](#)
- [8. Maharashtra to launch own crop insurance \(BL 19/3/22\)](#)
- [9. Tax buoyancy set to touch all time high this fiscal \(BL 21/3/22\)](#)

1. Exports cross \$400 bn (TH 24/3/22)

- India's annual exports have crossed \$400 bn for the first time ever in a fiscal and govt is hoping it would be reaching \$410 bn by the end of the fiscal
- Exports had reached \$331.02 bn in the pre-pandemic year 2018-19
- The rise in exports will bolster India's position in the ongoing negotiations for free trade agreement (FTA) with several trade partners
- Agriculture sector too has recorded its highest ever exports during 2021-22
 - Rice, marine products, wheat, sugar, spices etc

2. SC appointed panel (FE 22/3/22)

- The Supreme Court appointed committee has given the following recommendations
 - End the open ended procurement of agricultural commodities by capping the procurement of rice and wheat purchases at MSP
 - Create price stabilisation fund for other key crops instead of MSP support
 - This would be addressing extreme price fluctuations in commodities such as pulses, oil seeds etc
 - Mandi fees imposed by the APMCs must be withdrawn to reduce the cost of purchases by traders and enable farmers to fetch higher turns
 - Procurement of crops at MSP will be prerogative of the states
 - Govt should either abolish or dilute the essential commodities act which will facilitate free market and avoid stiff stock holding limits
 - Price triggers for imposing stock holding limits should be 200% and 75% for perishables and non-perishables respectively so that the market is not disturbed without a valid reason

- Currently the limits are prescribed as ad hoc based on the market situations

3. Panel recommends FTA review regime for mid-way corrections (FE 23/3/22)

- A parliamentary panel has recommended that govt should include a review mechanism in such pacts which will help in course correction in case of trade asymmetries
- It has also recommended expeditious conclusion of the FTAs so as to reap their benefits
- Govt should be focused on China plus one strategy wherein many of the manufacturers are locating the right manufacturing outside china. Hence India should enter into those FTAs wherein the countries seek to invest in India
- The committee has also recommended that imposition of MAT and introduction of sunset clause for income tax relief would impact the competitive advantage of SEZ units. Hence the govt should continue to provide these benefits
- The SEZs can also be provided with the benefits of RoDTEP scheme
- It has raised concerns over declining exports incentives and also over some of the sectors which have been kept out of the above scheme and has recommended that these be included (pharmaceuticals, organic and inorganic chemicals, iron and steel)
- The Foreign Trade Policy be firmed up within stipulated time frame

4. India scurries to issue green bonds ahead of Europe (BS 19/3/22)

- European Union has announced that it would be issuing the green bonds and reduce their dependence on Russian gas (accounts for 40% of the requirement of the continent)
 - If this issue is done then there are concerns that it would raise the cost of finance for India
- The union govt has plans to issue sovereign green bonds worth ₹ 24000 Cr in the first half of the next fiscal
- Issuance of these bonds would position India as a leader among emerging economies especially amongst BRICS, as no one has issued such green bonds yet
- India has installed about \$158.17 GW of non-fossil fuel based power as of December 2021 and has taken measures to allow foreign investment in renewable energy sector (100% FDI under automatic route is allowed to set up renewable energy capacity including manufacturing of all equipment)
- Globally \$194 bn worth of green bonds have been issued
 - France has the highest share – \$51 bn
 - Germany – \$27 bn
 - UK – \$21.6 bn
- The issuance is also expected to give a push for Indian bonds inclusion in global bond indices

5. Bihar land reforms (IE 21/3/22)

- Bihar has become the first state in India to introduce concept of dynamic map for villages which will be updated every time land ownership changes hands
- This is expected to reduce the legal disputes
 - Since February 2021, there have been almost 37000 cases of land disputes

- Bihar assembly has passed Bihar land Mutation Amendment Bill 2021 and this has made mutation of maps mandatory
 - This means all the mutations will mean mutations of the survey map
 - Mutation means it will make three changes
 - Change in text
 - Change in land parcel
 - Modification to survey map
 - Earlier only textual records were mutated
- Now the dynamic map can be assessed by everyone to check whether the land belongs to person X or Y
- For this purpose the surveys are being conducted in its final stage in 20 districts (as available Khesra maps – which have been digitised – were drawn 100 years ago and didn't reflect the ground realities)

6. US frowns on India's rice exports (BL 21/3/22)

- The US has accused India of overshooting the subsidy limits without notifying its Public Stock Holding (PSH) programmes. This has come amidst the rising rice exports from India which clocked 21.4 mt in 2021
 - In 2020 and 2021 the rice exports have increased by 40% (YoY) and it is close to almost half of the total rice exports
- US has sought to open consultation with India on the matter. Canada, Japan, EU, UK etc have supported US proposal
- India in 2020 informed WTO that it had crossed the 10% subsidy limit in rice and would be using the 'peace clause' which will stop others from taking legal action against India
- US and other members have alleged that India has failed to meet the obligations under Bali interim decision and hence it should provide a separate notification on members' PSH programmes
- This would be a problem for India
 - It will have to give details of all MSP operations and numbers related to procurement, storage and disbursement for all items covered under programmes
 - It will be difficult for the govt to collect all of this data and can lead to more scrutiny and criticism
- If a special consultation on India's PSH programmes is called and India is unable to convince other members that it has been meeting all the obligations/conditions mentioned in Bali Peace clause then it may lose the immunity against legal sanction provided to it under the clause

7. RBI Innovation Hub (RBIH) (BL 25/3/22)

- Reserve Bank Innovation Hub (RBIH) will be facilitating an environment that will facilitate an environment that accelerates innovation across financial sector
- Features
 - It will be wholly owned subsidiary of RBI

- Has been set up as section 8 company under companies act 2013
- Initial capital contribution is ₹ 100 Cr
- Functions
 - Will build an ecosystem for development of prototypes, patents, and proofs concept and promote cross thinking spanning regulatory domains and national boundaries
 - Initially it will identify and mentor startups having maximum potential
 - Is expected to collaborate with various govt ministries / departments / academia to identify problem statements in different domains and explore potential solutions

8. Maharashtra to launch own crop insurance (BL 19/3/22)

- Maharashtra govt is all set to launch its own crop insurance scheme as it feels that the insurance companies are the ones which are reaping the benefits of the scheme (PMFBY) at the cost of farmers
- The centre has clarified that the reason for the delay in payment of insurance is because of the delay by states in paying the premiums
 - Admissible claims have been paid by the insurance companies within two months of completion of crop cutting experiments
 - However this is subject to state's timely play net of premium
- State of Gujarat has already started its own insurance scheme and state of Maharashtra wants to do the same

9. Tax buoyancy set to touch all time high this fiscal (BL 21/3/22)

- Tax buoyancy is set to reach an all-time high of 3 this fiscal
- Tax buoyancy – as per IMF – measure of responsiveness in tax revenues to growth in nominal GDP and to discretionary changes in tax policies
 - It is the ratio of percentage change in tax revenue to percentage in GDP over the previous year
- The tax buoyancy of this year will be critical in controlling the fiscal deficit of this fiscal
- Importance of tax buoyancy
 - Crucial for tax policy formulation
 - Illustrates the role the tax policy plays in ensuring fiscal sustainability in long run and in stabilising the economy over the business cycle in short run
 - The govt using tax buoyancy can find the strong and weak spots in revenue systems
 - Knowing which structural factors affect buoyancy will help to anticipate how all considerations above would change as the economy develops