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Trade Policy Review Body

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TRADE POLICY REVIEW

REPORT BY

INDIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by India is attached.

Contents

1 INTRODUCTION

1.1. The Seventh Trade Policy Review of India is taking place at a time when the world is witnessing an unprecedented health crisis with the contagious COVID-19 hitting economies across the world in rapid succession. Global growth has been severely affected and substantial risks of more severe outcomes remain. In its June 2020 update, the International Monetary Fund (IMF) has projected that global output would contract by 4.9% in 2020-21.[1]

1.2. After a brief period of moderation, the Indian economy had begun to regain momentum towards the end of 2019 with the Index of Industrial Production (IIP) rebounding from negative growth at the end of 2019 to 5.2% in February 2020, the highest level observed since July 2019. The pandemic and the preventive country-wide lockdown in late March 2020 however affected this revival, and has linked India's economic recovery to the containment of COVID-19, within its own territory as well as globally.

1.3. During the period under review, the Government has focused on carrying out structural reforms and ensuring inclusive growth. These reforms, along with a host of measures taken by the government after the outbreak of COVID-19, should enable the country to bounce back on its targeted growth path.

1.4. The fundamentals of the Indian economy are strong and this has ensured macroeconomic stability. Inflation is within limits and FDI inflows have increased substantially in the recent years with the highest ever FDI inflow of USD 74.39 billion during the financial year 2019-20. Improvement in the trading environment has enabled the country to better its position in the World Bank's Doing Business ranking from 142 in 2015 to 63 in 2019.[2] India's position in the Global Innovation Index has also risen from 81 in 2015 to 52 in 2019[3], while its ranking in World Bank Logistics Performance Index changed from 54 in 2014 to 44 in 2018[4]. These developments clearly suggest an improved confidence of the global business and trade in the Indian economy.

1.5. The Government envisions that India would be a USD 5 trillion economy by 2024-25. The ability to boost investments and an improved performance in trade would substantially contribute towards the success of this endeavour. India's low debt leverage, progress made in financial inclusion and formalization of the economy can result in credit becoming a key contributor to driving the economic growth. Infrastructure development is a cornerstone of the Indian growth strategy, with its strong backward and forward linkages that can fuel the economy and improve the competitiveness of the country. As a part of infrastructure development, India has launched the National Infrastructure Pipeline on 31st December 2019 of ₹ 103 trillion (approx. USD 1.5 trillion). This initiative focuses on housing, access to clean and affordable energy, healthcare, world class educational institutions, railways, logistics and warehousing. Strategic disinvestment in public sector undertakings is aimed at further increase of private sector participation in the economy, creating efficiencies and generating revenue, which will, in turn, enhance the capacity of the Government to invest in developmental projects.

1.6. On the trade front, during the five-year period under review, exports grew at a compound annual growth rate of 4.5%, while imports grew by 5.7%. India's share in global exports and imports registered a marginal increase from 1.6% & 2.4% in 2015 to 1.7% & 2.5%, respectively, in 2019. Total exports, inclusive of services, crossed half a trillion dollar mark for the first time to reach a new high of USD 538.1 billion in 2018-19. This feat was repeated in 2019-20.

1.7. The period under review also saw the multilateral trading system face unprecedented challenges. As a founding member of the WTO, India remained committed to the centrality of the WTO for an integrated global trading system and was an active participant in the efforts to safeguard and strengthen the WTO. In order to build a consensus towards this direction, India took the initiative to host two informal mini-ministerial meetings in New Delhi, in March 2018 and May 2019. In almost all interventions, a need to preserve and enhance the functioning and credibility of the rules-based multilateral trading system, which is transparent and inclusive, with development as the core objective, was highlighted. During this period, India also implemented India – ASEAN Services and

[1] https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020.
[2] https://www.doingbusiness.org/en/data/exploreeconomies/india.
[3] Full report is available at: https://www.globalinnovationindex.org/Home.
[4] Full report is available at: https://lpi.worldbank.org/.

Investment Agreement and expanded the coverage of Asia Pacific Preferential Trade Agreement (APTA).

2 ECONOMIC ENVIRONMENT

2.1 Domestic Economy

2.1.1 Recent growth record

2.1. The nominal GDP of the country has increased from USD 2 trillion in 2014-15 to USD 2.7 trillion in 2018-19. The real GDP is estimated to have grown at the rate of 7% and 6.1% in 2017-18 and 2018-19 respectively. Though the growth rate for the year 2019-20 was initially estimated at 5%, on account of COVID-19, this is likely to be at around 4.2%. On the demand side of GDP, the percentage change in government consumption expenditure and private consumption expenditure is estimated at 11.8% and 5.3% respectively in 2019-20.

2.2. The estimates at the disaggregated level (Table 1) indicate that the Agricultural and allied sectors grew at 4% in 2019-20, as compared to the annual growth of 0.6 % in 2015-16. Compared to the Agriculture sector, the Industry sector showed a more robust performance from 2015-16 to 2018-19.

Table 1 Growth in GVA (Gross Value Added) at constant (2011-12) basic prices (%)

Year	2014-15	2015-16	2016-17	2017-18[a]	2018-19[b]	2019-20[c]
Agriculture, forestry and fishing	**-0.2**	**0.6**	**6.8**	**5.9**	**2.4**	**4.0**
Industry	**7.0**	**9.6**	**7.7**	**6.3**	**4.9**	**0.9**
Mining and quarrying	9.7	10.1	9.8	4.9	-5.8	3.1
Manufacturing	7.9	13.1	7.9	6.6	5.7	0.03
Electricity, gas and water supply	7.2	4.7	10.0	11.2	8.2	4.1
Construction	4.3	3.6	5.9	5.0	6.1	1.3
Services	**9.8**	**9.4**	**8.5**	**6.9**	**7.7**	**5.5**
Gross value added at basic prices	7.2	8.0	8.0	6.6	6.0	3.9
Gross Domestic Product	7.4	8.0	8.3	7.0	6.1	4.2

a 2nd Revised estimated.
b 1st Revised estimated.
c Provisional estimate.

Source: National Statistical Office (NSO), MoSPI.

2.3. Sectoral decomposition of the Gross Value Addition (GVA) indicates the increasing importance of Services sector to the Indian economy. The share of the services sector in the Gross Value Addition (GVA) has increased from 52.3% in 2015-16 to 54.8% in 2019-20. On the other hand, the share of the agricultural sector has increased marginally from 17.7% in 2015-16 to 17.8% in 2019-20. The share of the industry sector declined from 30% in 2015-16 to 27.5% in 2019-20.

Table 2 Percentage share of different sectors in GVA at basic prices (in %)

Year	Agriculture[a]	Industry[b]	Services[c]
2015-16	17.7	30.0	52.3
2016-17	18.0	29.3	52.6
2017-18	18.0	29.2	52.8
2018-19	17.1	28.9	54.0
2019-20[d]	17.8	27.5	54.8

a Agriculture includes agriculture, forestry and fishing, mining and quarrying.
b Industry includes manufacturing, construction, electricity, gas and water supply.
c Services include trade, hotels and restaurants, transport, storage and communication, financing, real estate and business services, community, social and personal services.
d Provisional Estimate.

Source: National Statistical Office, MoSPI.

2.1.2 Savings and investment

2.4. Gross domestic savings as a proportion of GDP rose marginally from 32.1% in 2015-16 to 32.2% in 2018-19. Gross Capital Formation, as a proportion of GDP, was 34.5% in 2015-16 and marginally increased to 35.6% in 2018-19.

2.1.3 Inflation

2.5. India has been experiencing moderation in inflation in the past few years. Retail inflation has decreased from 4.9% in 2015-16 (based on Consumer Price Index-Combined New series) to 3.4% in 2018-19 (Consumer Price Index-Combined). The high inflation was brought under control primarily due to the significant reduction in food inflation. The decline in crude oil prices and the introduction of a monetary policy framework for inflation targeting since August 2016 are some of the important factors that have kept the inflation under check. However, CPI has increased during the recent months and stood at 6.9 % (provisional) for July 2020 and 6.2% for June 2020 mainly due to an increase in food inflation.

2.1.4 Employment and labour market scenario

2.6. As per the latest estimates based on Periodic Labour Force Survey (PLFS) of India, 2018-19, the share of the regular wage/salaried employees has increased by 5 percentage points from 18% in 2011-12 to 23% in 2017-18 as per usual status. In absolute terms, there was a significant jump of around 26.2 million new jobs in this category with 12.1 million in rural areas and 13.9 million in urban areas. Moreover, total formal employment increased from 8% to 9.98% during this period. In absolute terms, the number of workers with formal employment increased from 38 million in 2011-12 to 47 million in 2017-18.

2.2 Trade Performance

2.2.1 Merchandise Exports, Imports and Trade Balance

Total Trade and Trade Deficit

2.7. India's total trade in goods (exports plus imports) as a percentage of GDP has shown an uneven trend. After declining from 37% in 2015-16 to 36% in 2016-17, it showed a steady increase and reached 41% in 2018-19 (Table 3). However, it declined to 37.8% during 2019-20. The slowdown of world output has definitely had an impact on reducing the export to GDP ratio.[5]

Table 3 Merchandise trade: exports, imports, trade balance, and trade openness

Year	Value in USD billion					Ratios based on USD			
	Exports		Imports		Trade Balance	Exports as % of GDP	Imports as % of GDP	Trade Balance as % of GDP	Trade Openness (Trade as % of GDP)
	Exports	% growth	Imports	% growth					
2015-16	262.3	-15.5	381.0	-14.9	-118.7	15.1	21.9	-6.8	37.0
2016-17	275.9	5.2	384.4	0.9	-108.5	15.0	21.0	-5.9	36.0
2017-18	303.5	10	465.6	21.1	-162.1	14.8	22.8	-7.9	37.6
2018-19	330.1	8.7	514.0	10.4	-184	16.4	25.5	-9.1	41.9
2019-20	313.2	-5.11	474.0	-7.80	-160.8	15.0	22.7	-7.7	37.8

Sources: DGCIS, RBI, and National Statistical Office (NSO).

2.8. In 2019-20, the major commodity groups in India’s export basket in terms of percentage shares were Chemical and Related Products (14.4%), Petroleum Crude and Products (13.2%), Gems and Jewellery (11.5%), Textile and Allied Products (10.8%); Machinery and Electrical Appliances (9.1%); Agriculture and Allied Products (8.4%); and Base Metals (7.6%).

[5] https://www.indiabudget.gov.in/economicsurvey/doc/vol2chapter/echap03_vol2.pdf.

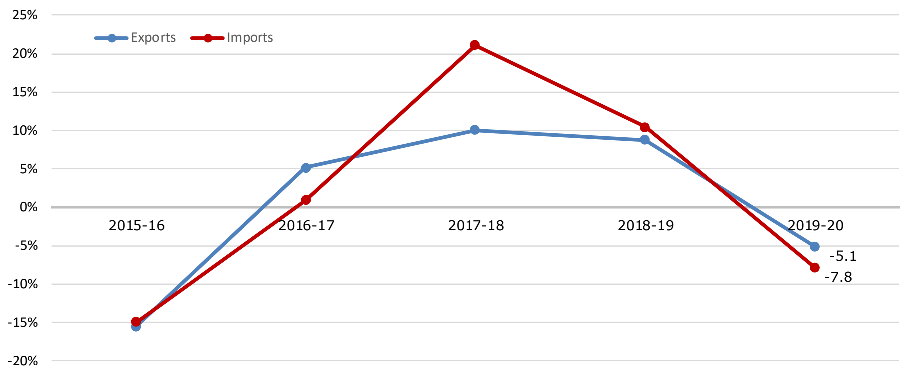
Merchandise Trade

2.9. During the period 2015-16 to 2019-20, India's merchandise exports showed an increasing trend during most of the period, increasing at an average annual rate of 1.7% (Chart 1), with the exception of the decline during 2019-20. In 2018-19, India's exports stood at USD 330 billion mark, aided by positive growth rates in three preceding years. However, it declined by (-) 5.1% to USD 313.2 billion during 2019-20. The decline in exports is attributed to a subdued external demand weakened by slowdown in global investment.[6]

2.10. During the five-year period under review (2015-16 to 2019-20), imports grew at an average annual rate of 1.9% (Chart 1). In 2019-20, imports declined by (-) 7.8% to USD 474 billion as compared to USD 514 billion in 2018-19. The sharp downturn in import was mainly on account of fall in industrial production activities and domestic consumption.

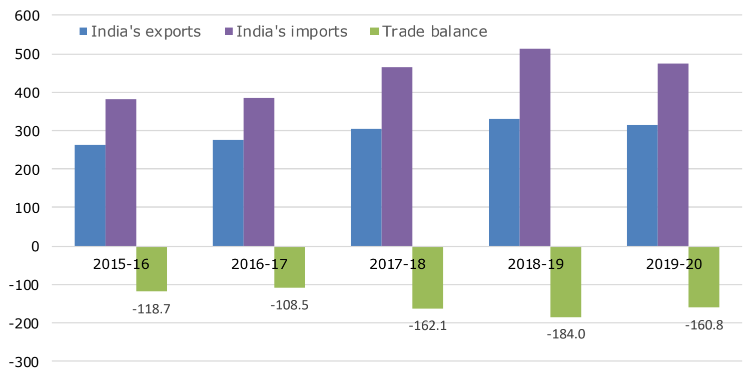
2.11. In 2019-20, the following product groups accounted for almost 75% of India's total imports: Petroleum Crude and Products (27.5%); Gems and Jewellery (11.5%); Electronic items (11.1%); Machinery (9.5%); and Chemical and Related Products (9.3%).

Chart 1 Export and import growth rates



2.12. The merchandise trade deficit, as a percentage of GDP, increased from 6.8% in 2015-16 to 7.7% in 2019-20. During the period from 2015-16 to 2019-20, it increased from USD 118.7 billion in 2015-16 to USD 160.8 billion in 2019-20 (Chart 2). The heavy dependence on imports of essential commodities including crude oil, gas, coal, pulses, edible oils, fertilizers, electronics, footwear, etc. has kept India's trade deficit at a high level.

Chart 2 Merchandise trade: exports, imports and trade balance (USD billion)



Source: DGCIS

[6] https://www.indiabudget.gov.in/economicsurvey/doc/vol2chapter/echap03_vol2.pdf.

2.2.2 Direction of merchandise trade

2.13. There has been significant market diversification in India's trade in recent years – a process that has helped in coping with the sluggish global demand. Region-wise, India's export shares to North America and Europe and Central Asia have increased over the years from 14% and 19% respectively in 2014-15 to 19% and 19.5% respectively in 2019-20. However, the United States of America continues to be the topmost destination for India's exports with a share of 17% followed by the United Arab Emirates (9.2%) and China (5.3%) in 2019-20.

2.14. The share of India's exports to the ASEAN (Association of South East Asian Nations) region decreased slightly from 10.25% in 2014-15 to 10.07% in 2019-20 and exports to the Middle East and North Africa decreased from 21.33% in 2014-15 to 18.05% in 2019-20. However, exports to South Asia increased slightly from 6.6% in 2014-15 to 7% in 2019-20, with high growths to all the SAARC (South Asian Association for Regional Cooperation) countries except Sri Lanka and Pakistan. Exports to China grew at 39.2 %, while exports to Japan declined by16.06%, during the period.

2.15. As regards imports, the shares of Europe and Central Asia and Middle-East and North Africa in India's imports declined from 16.7% and 25.8% respectively in 2014-15 to 15.5% and 24.0% respectively in 2019-20. The share of South Asia has reached 0.8% in 2019-20. The share of North America in India's imports has increased from 6.5% to 9.3% during the same period. China is the major source of India's imports, accounting for 13.7% of India's total imports, followed by United States (6.9%), UAE (5.8%) and Saudi Arabia (5.5%) in 2019-20.

2.16. In 2019-20, the top three trading partners of India were the United States, China, and the UAE, with the top slot shifting away from China during the last two years.

2.2.3 Services trade

2.17. Trends in the composition of services exports since 2014-15 show that the shares of sectors such as transport, software and financial services have witnessed a decline in 2019-20. The share of communication services has remained unchanged. However, the share of travel and business services has increased. Though the share of software services has declined by 2.6 percentage points over the same period to reach 43.7% of total services exports in 2019-20, India’s services exports remain largely concentrated in software services. This sector accounts for more than twice the share of the second-largest component, business services.

2.18. According to the WTO data, India’s share in world’s commercial services exports has risen steadily over the past decade to reach 3.5% in 2018, twice the share in world’s merchandise exports at 1.7%. India now ranks 8th among the world’s largest commercial services exporters. It continues to register strong growth performance relative to the other major services-exporting countries as well as world services export growth. India's services exports outperformed merchandise exports during the period 2015-16 to 2019-20, recording a compound annual growth rate (CAGR) of 8.4%, higher than the CAGR of merchandise export (4.7%) during the same period. In 2019-20, services exports registered a growth of 2.5% over the previous year, on the back of robust performance in some major sectors like software, business, transportation, travel and communication services. Software exports registered a growth of 11.5% in 2019-20 over 2018-19. Imports of services increased by 1.8% to USD 128 billion in 2019-20 from USD 126.1 billion in 2018-19. The major categories of services imports included business services, transportation, travel and software services. Robust services surplus provides a steady flow of current receipts, financing 53.9% of the merchandise trade deficit in 2019-20 (Table 4).

Table 4 Trade in services (USD billion)

Period	Exports	Imports	Net
2013-14	151.8	78.7	73.1
2014-15	158.1	81.6	76.5
2015-16	154.3	84.6	69.7
2016-17	164.2	95.9	68.3
2017-18	195.1	117.5	77.6
2018-19	208.0	126.1	81.9
2019-20	213.2	128.3	84.9

Source: RBI.

2.19. Recognizing the enormous potential of the services sector, as part of a new initiative, the Government of India is giving focussed attention to 12 'Champion Sectors in Services'; Information Technology and Information Technology enabled Services (IT & ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction and Related Engineering Services, Environmental Services, Financial Services and Education Services. Nodal Ministries/Departments have been identified for finalising and implementing action plans to realize the full potential of these sectors.

2.20. To promote greater trade in services between India and the rest of the world, Global Exhibition on Services (GES) is being organized by the Government every year.[7] The main objective of the Exhibition is to create a global platform for increased trade in services. It is expected to enhance strategic cooperation and develop synergies to strengthen multilateral relationships between all stakeholders, tap the potential for services' exports and to increase FDI flow in the services sector. Other prominent sector specific events (Reverse Buyer Sellers Meets) supported by the Government include 'Advantage Health Care India' to promote medical value travel and 'Higher Education Summit' to promote the 'Study in India' brand.

2.3 Investment Profile

2.3.1 Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)

2.21. During 2019-20, FDI inflows reached an all-time high of USD 74.39 billion (Table 5), registering an increase of 20% over the corresponding period a year ago. Singapore, Mauritius, Netherlands, US, and Japan, have been the major sources of FDI flows to India in 2019-20. The major FDI recipient sectors include services sector, computer software and hardware, communications services, financial services, retail and wholesale trade and financial services.

Table 5 FDI Inflows and Net FPI (USD billion)

Financial Year	Total FDI Inflows	Net FPI
2013-14	36.0	5.0
2014-15	45.1	40.9
2015-16	55.6	-4.0
2016-17	60.2	7.0
2017-18	61.0	22.0
2018-19	62.0	-2.2
2019-20	74.4	0.6

Source: RBI.

[7] https://www.gesindia.in/.

2.22. There was a net FPI inflow to the tune of USD 0.6 billion in 2019-20 as against net outflow of USD 2.2 billion a year ago. The modest net FPI inflow in 2019-20 was on account of huge sell-off in March 2020 induced by COVID-19 related concerns.

2.3.2 Outward investment by India

2.23. Net outward FDI by India has shown a mixed trend during the review period returning figures of USD 9.2, 4, 8.9, 6.6, 9.1, 12.6, and 13 billion in the years from 2013-14 to 2019-20. The major destinations of India's outward FDI in 2019-20 included Singapore, the US, the UK, Mauritius and Switzerland. Financial, insurance and business services sector accounted for the largest share in outward FDI by India in 2019-20, followed by manufacturing, wholesale and retail trade, restaurants and hotels, transport, storage and communication services and construction.

2.4 Monetary and Fiscal Policy

2.24. The Government amended the Reserve Bank of India Act, 1934 in May 2016 to provide for a revised monetary policy framework. Under the amended Act, the inflation target is to be set by the Government, in consultation with the Reserve Bank, once every five years. It further provides for a statutory basis for the constitution of an empowered Monetary Policy Committee (MPC). The Government has fixed the inflation target of 4% with a tolerance level of +/- 2 % for the period beginning from 5th August 2016 to 31st March 2021.[8]

2.25. Fiscal deficit of the Government of India as a per cent of GDP averaged 3.62% during 2015-16 to 2019-20 (RE). Central Government debt which was budgeted at 48% of GDP in 2019-20 has been revised upwards to 50.3% of GDP in RE 2019-20. This is mainly on account of allowing a fiscal deficit of 3.8% of GDP in RE 2019-20. As a percentage of GDP, Central Government debt is expected to marginally decline to 50.1% in 2020-21 and at a higher pace in projection years to reach 45.5% in 2022-21. The borrowings are expected to reduce in the medium term with increased revenue collections.[9]

3 REFORMS: ECONOMIC POLICY AND OTHER INITIATIVES

3.1 Economic Reforms and Better Delivery of Services

3.1.1 Goods and Services Tax (GST)

3.1. The introduction of the Goods and Services Tax (GST), which came into effect on 1st July 2017, was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST aims to mitigate the ill effects of cascading or double taxation and paves the way for a common national market. The GST replaces taxes such as the Central Excise Duty, Service Tax, State Value-added Tax, Octroi, Luxury Tax, Purchase Tax, etc. The introduction of GST is aimed at full neutralization of input taxes across the value chain of production and distribution. This is expected to make Indian products competitive in the domestic and international markets. The Government has made concerted efforts to improve the tax compliance and tax revenue collection through extensive automation of business processes, application of e-way bill mechanism, targeted action on compliance verification, enforcement based on risk assessment and proposed introduction of electronic invoice system.

3.1.2 Insolvency and Bankruptcy Code

3.2. The Insolvency and Bankruptcy Code[10], which was enacted in 2016, provides a mechanism for the insolvency resolution of debtors in a time bound manner. This seeks to enable maximisation of the value of their assets, with a view to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders. The Code separates commercial aspects of insolvency and bankruptcy proceedings from judicial aspects. It empowers and facilitates the stakeholders and Adjudicating Authority to decide matters within their respective domain expeditiously.

[8] https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19439.
[9] https://www.indiabudget.gov.in/doc/frbm2.pdf.
[10] https://www.ibbi.gov.in/legal-framework/act.

3.1.3 Merger of public sector banks

3.3. In principle, it is expected that mergers generate synergies in rationalisation of workforce, streamlining of operations with significant improvements in efficiency, better risk management practices and rationalisation and more efficient allocation of capital. Specific to the banking system, it is also expected to lead to diffusion of best practices across the board. It is likely to aid a more organised expansion of banking operations, thereby furthering the Government's objective of financial inclusion. Keeping in view the above potential benefits of consolidation, two public sector banks namely Vijaya Bank and Dena Bank were amalgamated with the Bank of Baroda from 1st April 2019. In continuance of the process, 10 public sector banks were subsequently amalgamated into four entities (Oriental Bank of Commerce and United Bank of India were merged with the Punjab National Bank; Syndicate Bank with the Canara Bank; Andhra Bank and Corporation Bank with the Union Bank of India; and Allahabad Bank with the Indian Bank) from 1st April 2020. This is expected to create the next generation banks with strong national and global presence.[11]

3.1.4 Government e-marketplace

3.4. Government e-Marketplace (GeM-SPV) was set up as the National Public Procurement Portal on 17th May 2017.[12] Incorporated as a 100% Government owned Company for providing procurement of goods and services by Central and State Government organisations, GeM provides an open inclusive platform for the vendors (OEM, resellers, service providers) to register and list their products/services without any entry barriers. There is no registration fee or listing fee in GeM. It is a contactless, paperless and cashless platform wherein authentication of users is done through API integration. As of August 2020, there are more than 46,230 Government Organizations and over 447,000 vendors registered on the portal. Further, more than 7,889 product categories comprising approximately 2.17 million products and 135 services are available on GeM.

3.1.5 Make in India

3.5. The 'Make in India' initiative was launched in 2014, with the primary goal of making India a global manufacturing hub. This is sought to be achieved through facilitating investment, fostering innovation, enhancing skill development, and building best-in-class manufacturing infrastructure. This initiative has been reviewed afresh and is now focusing on 27 sectors [15 manufacturing sectors and 12 service sectors] under Make in India 2.0. The potential investors are being attracted by dedicated Government agencies as well as the State Governments and Indian Missions abroad. An Investment Clearance Cell has been established as a one-stop digital platform to obtain all requisite central and state clearances/approvals required. This is supported by a GIS-enabled land bank for investors to look at available plots and land use patterns in different areas, on an online platform. An Empowered Group of Secretaries to the Government of India, led by the Cabinet Secretary, has also been constituted to take decisions on cross cutting policy issues for facilitating and speeding up domestic and foreign investment. Simultaneously, Project Development Cells (PDC) for the development of investible projects have also been created in the different administrative ministries for expedited coordination between the Central Government and State Governments. These steps reinforce the Government's commitment towards promoting India as a favourable investment destination across the globe, along with improving ease of doing business for the investors.

3.1.6 Digital India

3.6. Digital India[13] is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. The Digital India programme is centred on three key vision areas: Digital Infrastructure as a Core Utility to Every Citizen; Governance and Services on Demand; and Digital Empowerment of Citizens. Digital India aims to provide the much-needed thrust to the nine pillars of growth areas, namely Broadband Highways; Universal Access to Mobile Connectivity; Public Internet Access Programme; e-Governance: Reforming Government through Technology; e-Kranti: Electronic Delivery of Services; Information

[11] https://pib.gov.in/PressReleasePage.aspx?PRID=1605147#:~:text=2020%20and%20would%20result%20in,effectively%20in%20India%20and%20globally.

[12] https://gem.gov.in/.

[13] https://digitalindia.gov.in/.

for All; Electronics Manufacturing; IT for Jobs; and Early Harvest Programmes. Each of these areas is a comprehensive programme in itself and cuts across multiple Ministries and Departments.

3.1.7 Startup India

3.7. Startup India[14] is a flagship initiative of the Government of India, which intends to build a strong ecosystem conducive for the growth of startup businesses and generating large scale employment opportunities. Under this initiative, the Government aims to empower startups to grow through innovation and design. Several programmes have been undertaken since the launch of the initiative on 16th of January 2016. These programmes have catalysed the startup culture, with many entrepreneurs availing the benefits of starting their own business in India. Under the Startup India initiative, eligible companies can get recognized as Startups by the Government. This enables them to access easier compliance, IPR fast-tracking and obtain certain benefits such as rebate in patent/trademark filing fees, etc. As on 31st July 2020, 34,226 startups have been recognized under the initiative.

3.1.8 Skill Development

3.8. India is one of the youngest nations in the world. To meet the challenge of skilling the young population, the Ministry of Skill Development and Entrepreneurship (earlier Department) was set up in November 2014 to drive the 'Skill India' agenda in a 'Mission Mode'. This seeks to converge existing skill training initiatives and combine scale and quality of skilling efforts, with speed. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE) implemented by National Skill Development Corporation. The National Skill Development Mission was launched on 15th July 2015 on the occasion of World Youth Skills Day to achieve the vision of 'Skilled India'. It seeks to provide the institutional capacity to train a minimum of 300 million skilled people by the year 2022. As on 17th January 2020, 4.03 million candidates have been trained under Short Term Training (STT) courses. Out of these certified candidates, 1.6 million candidates have been provided with placement opportunities.

3.1.9 Direct Benefit Transfer

3.9. Direct Benefit Transfer (DBT) is a governance reform initiative aimed at improving the overall public service delivery in India. The design and delivery mechanism in implementing DBT programs in India has continuously evolved with greater use of JAM i.e., Jan Dhan (a nationwide financial inclusion scheme for opening of low value transaction accounts through Pradhan Mantri Jan Dhan Yojna), Aadhaar (India's National digital identity, used for identification and authentication of beneficiaries) and Mobile. DBT has been able to contribute to "Faceless, Paperless, Cashless" economy and achieve greater transparency, better targeting, timely delivery of benefits, improved accountability and reduced cost of delivery and leakages across public programs.

3.1.10 Mudra Mission

3.10. The Pradhan Mantri Mudra Yojana (PMMY)[15] was launched on 8th April 2015 for providing loans up to ₹ 1 million to the non-corporate, non-farm small/micro-enterprises. These loans are classified as MUDRA loans under PMMY and are given by Commercial Banks, Regional Rural Banks (RRBs), Small Finance Banks (SFBs), MFIs (Micro-Finance Institutions) and Non-Bank Finance Companies (NBFCs). The borrowers can approach any of these lending institutions mentioned above or can apply online through a dedicated portal. The Micro Units Development and Refinance Agency Ltd. (MUDRA) has been set up by Government for providing refinance support to financial institutions which are in the business of lending to micro/small business entities engaged in manufacturing, trading and service activities. Under the aegis of PMMY, MUDRA has created three products, namely 'Shishu' (covering Loans up to ₹ 50,000), 'Kishore' (covering Loans from ₹50,000 to ₹ 500,000) and 'Tarun' (covering Loans from ₹ 500,000 to ₹ 1 million) to signify the stage of growth/development and funding needs of the beneficiary micro unit/entrepreneur and also provide a reference point for the next phase of graduation/growth. The total number of PMMY loans sanctioned from 2015-16 till 2020-21 (up to 7th August 2020) are 250 million with the amount sanctioned being ₹ 12.7 trillion.

[14] https://www.startupindia.gov.in/.
[15] https://www.mudra.org.in/#:~:text=MUDRA%20Mission,economic%20success%20and%20financial%20security.%22.

3.2 Labour Policy Reforms

3.11. A number of initiatives have been taken for strengthening the safety, security, health, social security for every worker and bringing ease of compliance for running an establishment to catalyse creation of employment opportunities. These initiatives include governance reforms through use of e-governance measures and legislative reforms by simplifying, amalgamating and rationalizing the existing 29 labour laws into 4 labour codes i.e. the Code on Wages; the Occupational, Safety and Health and Working Conditions Code; the Industrial Relations Code; and the Code on Social Security. These codes ensure minimum wages along with timely payment of wages to all the employees and workers as well as random risk-based jurisdiction-free inspection through a centralised computer system for greater accountability and transparency.

3.12. To encourage female participation in the economy, various programmes/legislative reforms are also in place. A number of protective provisions have been incorporated in various labour laws for creating a congenial work environment for women workers, such as child care centres, time-off for feeding children, enhancement in paid maternity leave from 12 weeks to 26 weeks, provisions for mandatory crèche facility in the establishments having 50 or more employees, permitting women workers in the night shifts with adequate safety measures, etc.

3.13. A unified Web Portal 'Shram Suvidha Portal' has been launched to bring transparency and accountability in enforcement of labour laws and ease the complexity of compliance, uploading of inspection reports within 48 hours and timely redressal of grievances.[16]

4 EASE OF DOING BUSINESS AND TRADE FACILITATION

4.1. Trade is a vital aspect of India's development strategy and an enabler of country's economic competitiveness. The Government has accordingly taken several measures to ease the trading environment by facilitating various infrastructural and functional simplifications for businesses. With these objectives in mind, India has also ratified the WTO Trade Facilitation Agreement (TFA) on 22nd April 2016. The trade facilitative measures initiated by the Government have been instrumental in a drastic reduction of the time and costs of border and documentary compliances for exports and imports in the last few years. This is reflected in the country's ranking of 68 on the Trading Across Borders indicator in the World Bank's Doing Business Report 2019, a vast improvement from 126 in 2015. Some of the facilitative measures undertaken for ease of businesses include:

- Introduction of Goods and Service Tax, which has removed a plethora of taxes at the Central and at the State level.
- Reduction of the corporate tax rate from 30% to 22% for mid-sized enterprises with a turnover of up to ₹ 4 billion.
- Implementation of 'India Customs Single Window' to allow traders the facility to lodge their clearance documents online at a single point. This is supported by the e-SANCHIT portal which enables the online uploading of supporting documents by the trade.
- Introduction of the post clearance audit of consignments identified by the Risk Management System (RMS). This has reduced the number of consignments that need to be inspected on arrival.
- Increased facilitation by Indian Customs through the digitized Authorized Economic Operator (AEO) program.
- Direct Port Delivery and Direct Port Entry facilitating faster clearances at the ports.

[16] https://shramsuvidha.gov.in/home.

- Creation of e-CoO platform, which has enabled electronic issuance of the certificate of origin for preferential exports. This shall also facilitate the online exchange of such certificates with the FTA partner countries.[17]

- 24x7 self-Generation of e-IEC (Importer Exporter Code) has been enabled for facilitating exporters and easing service delivery.

- New initiatives like TURANT Customs aiming to make customs clearance faster, faceless, and direct contact-free.

- Suo Motu clearance to low risk consignments, along with the installation of drive-through scanners at the major ports, beginning with the Jawaharlal Nehru Port, Nhava Sheva, Navi Mumbai (the biggest port in India), which has led to a significant reduction in processing time.

- Creation of a new Logistics division for coordinating with all stakeholders in bringing efficiency in the logistics ecosystem.

- Introduction of the Insolvency & Bankruptcy Code, 2016 providing for time bound procedure for disposal of corporate insolvency, thereby limiting the possibility of delays in the process.[18]

- Providing electricity connection within 7 days if no Right of Way (RoW) is required and within 15 days where RoW is applicable.

- Easing the starting of a business by fast-tracking incorporation of a company with a single application for reservation of name, incorporation of a new company and/or application for allotment of DIN, and abolishing filing fees for such companies.

- Reduction in time and cost of obtaining construction permits by streamlining the associated processes.

4.2. As a part of India's commitment under the TFA (under Article 23.2 of the TFA), a National Committee on Trade Facilitation (NCTF) has been set up under the Chairmanship of the Cabinet Secretary. This Committee periodically reviews the implementation of the TFA and facilitates domestic co-ordination towards it. Formulation of the National Trade Facilitation Action Plan (NTFAP) 2017-2020 was an early measure by the NCTF. The NTFAP has been envisioned as a live document containing 96 specific measures assigned to stakeholders with indicative timelines for implementation. The commitments underlined therein are the commitments under the TFA as well as TFA+ commitments related to infrastructure and technology adoption. The collective aim of these measures is to enable a reduction in the overall release time associated with the clearance of goods with regards to:

- Imports – less than 48 hours for Sea / ICD / ICP and less than 24 hours for Air
- Exports – less than 24 hours for Sea / ICD / ICP and less than 12 hours for Air

4.3. To operationalize the NTFAP, a three-tiered institutional mechanism has been formulated to monitor progress and guide appropriate course correction when needed. The apex body of this institutional mechanism, i.e. the NCTF, is chaired by the Cabinet Secretary to the Government of India and has representatives of all involved stakeholders. The apex committee is supplemented in its functions by a Steering Committee which contains a core group of public and private stakeholders, and is chaired jointly by the Commerce Secretary and Revenue Secretary. These committees are, in turn, supported by Working Groups with experts from relevant institutions entrusted with a specific trade facilitation measure or project.

4.4. For the period 2020 to 2023, a new NTFAP is under preparation with a vision to take additional reforms to bolster trade facilitation efforts and transform the cross-border clearance eco-system through efficient, transparent, risk based, coordinated, digital, seamless and technology-driven

[17] https://coo.dgft.gov.in/#:~:text=This%20common%20digital%20platform%20is,to%20work%20through%20this%20portal.
[18] https://www.ibbi.gov.in/legal-framework/act.

procedures. These would be supported by state-of-the-art seaports, airports, land border crossings, rail, road and other logistics infrastructure.

4.5. India has been making proactive strides in TFA implementation under the overall guidance of the NCTF. While India's TFA commitments breakup stands at 72.3% for category 'A' and 27.7% for category 'B', many of the category 'B' commitments, which are otherwise due by 2022, have already been fulfilled *viz.* Establishment of a Single Window (Article 10.4), Risk Management for clearance of goods (Article 7.4), usage of Post Clearance Audit in risk management (Article 7.5.4), etc. This reflects India's commitment towards facilitation of trade with an emphasis on transparency and openness.

5 TRADE AND INVESTMENT POLICIES

5.1. International trade is an important part of India's economy. The Foreign Trade Policy (FTP) of India, the basic framework of policy and strategy for promoting trade, has conventionally been formulated for five years at a time, and reviewed periodically. The FTP for 2015-20, announced in April 2015, provided a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country. A mid-term review of FTP was undertaken after the introduction of Goods and Services Tax on 1st July 2017, and a revised FTP was announced on 5th December 2017.[19]

5.2. While framing the FTP, one of the objectives is to align it with India's rights and obligations under various WTO Agreements as well as the domestic policy requirements. This is evident from the FTP statement which clearly stipulates that in the trade negotiations including the Doha Round issues, India will continue to work towards removing any asymmetries in the multilateral trade rules which place a developing country at a disadvantage.[20] India's foreign trade policy reflects its unwavering commitment to trade liberalization and deeper integration with the global economy.

5.3. The FTP is aimed to provide a stable and sustainable policy environment for foreign trade in merchandise and services, consistent with WTO rules. The FTP is also aligned with the broader priorities of the Government of India such as the implementation of 'Goods and Services Tax', 'Digital India', 'Skill India', 'Startup India' and Trade Facilitation initiatives. Various provisions of FTP are aimed at trade facilitation by cutting down the transaction cost and time, thereby rendering Indian exports more competitive.

5.4. The FTP is regularly updated with the changing trade paradigm. Recent thrust being on simplification of policy and procedures, reducing manual intervention, e-communication of authorizations, e-verification, and immediate resolution of policy, procedure and systems related issues. This renewed intent has increased the credibility of service delivery.

5.5. The outbreak of COVID-19 has created turmoil in global trading environment, leading to uncertainties, and the Governments' attention world over is focused on dealing with the pandemic. Because of these circumstances, the FTP 2015-20, has been extended by one year.

5.1 FDI Policy

5.6. It has been the continuous endeavour of the Government of India to put in place an enabling and investor friendly FDI Policy, and over the past 5 years Government has undertaken a number of reforms in foreign investment.

5.7. The measures taken by the Government are aimed at opening new sectors for foreign direct investment, increasing the sectoral limit of existing sectors and simplifying other conditions of the FDI policy. To this extent, Government has done away with the erstwhile regulatory board, in order to simplify the approval process of foreign investment and to provide ease of doing business for the investors. Under the new regime, the process for granting FDI approvals has been simplified and the work relating to the processing of applications is now handled by the Ministries/ Departments

[19] https://content.dgft.gov.in/Website/NotificationNo41MidTermReviewofFTPEnglish.pdf.
[20] https://content.dgft.gov.in/Website/ftpst17-051217%20(3).pdf.

concerned. This has been a major breakthrough in easing regulatory conditions and multiple processing by different ministries.

5.8. Reforms have been carried out across sectors such as Defence, Insurance, Pension, Other Financial Services, Asset reconstruction Companies, Broadcasting, Pharmaceuticals, Single Brand Retail Trading, Construction and Development, Civil Aviation, Power Exchanges, e-commerce activities, Coal Mining, Contract Manufacturing, Digital Media etc. FDI up to 100% is now permitted under the automatic route in most sectors/activities.

5.2 Intellectual Property Rights (IPRs)

5.9. National IPR Policy for India was adopted by the Government of India on 12th May 2016, as a vision document that lays the future roadmap of IPRs in India.[21] The Policy lays down objectives such as awareness, generation of IPRs, legal and administrative framework, enforcement, commercialization of IPRs etc. Effective enforcement of the IPRs has been the focus area for the Government. Indian customs has been regularly intercepting and seizing imported goods infringing intellectual property rights, with the total value of seized imported goods for violation of IPRs being ₹ 3.8 billion during the period 1st April 2017-31st March 2020. Government of India has also developed an IPR enforcement toolkit for both Police as well as Customs Officials. This Enforcement toolkit provides: (i) information on legal provisions relevant to IPR crime, (ii) a checklist for registering a complaint, (iii) a checklist for search and seizure, and (iv) proposed guidelines for search and seizure in the case of IP crimes.

6 INDIA AND THE WTO: STRENTHGETHING MULTILATERAL SYSTEM

6.1. India attaches great value to the WTO and the indispensable role of the institution in the rules-based multilateral trading system. As a staunch supporter of the rules-based multilateral trading system, India is deeply concerned at developments that appear to undermine the WTO. India, thus, intends to do its best to address the challenges confronting the WTO, and also seeks to ensure that global trade rules foster economic development in developing countries.

6.1 Appellate Body

6.2. At the core of a functioning multilateral trading system is an effective dispute resolution mechanism. The dispute settlement system has led to meaningful reductions in unfair trade practices and has helped to strengthen the rules-based international trading system.

6.3. As a firm supporter of the rules-based multilateral trading system, India believes that an independent, effective and binding two-stage dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. India constructively engaged on the Appellate Body issues, and co-sponsored two proposals to resolve the Appellate Body impasse. India strongly underlines the importance of restoring the Appellate Body expeditiously and in a manner that preserves the essential features of a two-tier dispute settlement system, negative consensus and independence of the dispute settlement mechanism.

6.2 WTO Reform

6.4. The resolution of the impasse in the Appellate Body must precede other reforms, as there is little incentive in negotiating new rules in the absence of an independent and effective guarantor of those rules. The agenda for WTO reform must be development centric, preserving the core values of the multilateral trading system, strengthening the provisions of special and differential treatment in existing and future agreements. It must also preserve the multilateral character of WTO, including consensus-based decision making. In order to be widely acceptable, discussions on WTO reform should be premised on the principles of inclusivity and equity.

6.5. A good starting point for the reform agenda would be removing existing imbalances in the Agreement on Agriculture and ensuring a level playing field, particularly for developing economies. As a long-standing proponent of WTO reform, India has sought the elimination of unequal and trade-distorting entitlements in the Agreement on Agriculture for almost 20 years. Another positive step

[21] https://dipp.gov.in/sites/default/files/National_IPR_Policy_English.pdf.

would be to build upon the work of the last several years and to implement existing mandates such as a simple and effective permanent solution for public stock holding for food security purposes. This would help in enhancing the trust of developing countries in the WTO's negotiating arm.

6.3 Special and Differential Treatment

6.6. Special and differential treatment for all developing countries, including LDCs, is a core principle of the WTO and preserving it should be an overriding priority of WTO Members. This provision was incorporated in recognition of the wide gap between standards of living in less-developed countries. While some developing Members may have made progress, the gaps in the levels of development still persist and have even widened in some areas. Further, new divides, especially in the digital and technological spheres, have become more pronounced. Therefore, the continued availability of special and differential treatment for these countries is imperative for them to address their development aspirations.

6.7. The premise that developing country Members, who consider themselves in a position to do so, may voluntarily decide to forgo the S&DT in current and future negotiations appears to be a more acceptable solution.

6.4 Fisheries Subsidies

6.8. There is an urgent need for strong disciplines to regulate certain harmful fisheries subsidies to ensure the sustainable use of marine resources for securing inter-generational equity. At the same time, we need to be cognizant of the existence of a large population of subsistence artisanal and small-scale fishermen in developing countries, including LDCs, who rely on fishing for their basic livelihood. They have no other livelihood options, and we are all responsible to care for this vulnerable population of marginalized fishermen. This is precisely why both SDG 14.6 and the MC11 decision on fisheries, clearly mandate that there should be appropriate and effective special and differential treatment for developing countries including LDCs. Moreover, the present state of affair of the marine fisheries is on account of the big subsidizers' and not countries like India. Moreover, adequate policy space is required to ensure a decent standard of living for our subsistence, artisanal and small-scale fishermen. Any discipline without considering these concerns would lead to complete imbalance between the elements of the discipline and the livelihood needs of those fishermen. India has been actively and constructively engaged in the negotiation of fisheries subsidies.

6.5 Services

6.9. India has been playing a constructive role in services negotiations in the WTO. India has made efforts to reinvigorate the Work Program on Electronic Commerce with the belief that as the digital revolution is still unfolding, it is important to first understand the complex and multi-faceted dimensions of issues related to e-commerce. India has accordingly been a proponent of strengthening the multilateral work under the non-negotiating and exploratory work program on e-commerce. Further, India has also been making efforts to reinvigorate multilateral discussions on disciplines on Domestic Regulations, which are necessary for ensuring ease, transparency and predictability in services' trade, particularly with regard to the movement of professionals.

6.10. India notified its preferential treatment to services and service suppliers of LDCs in September 2015. Under this LDC Services waiver, waiver of visa fee for LDC applicants seeking Indian business and employment visas (India is the only WTO Member which offered to waive visa fees for LDC applicants), technical assistance and capacity building, and Market access i.e. commitments in various sectors and subsectors and access for a number of categories of Mode 4 professionals from LDCs, have been provided to the Least Developed Countries.

7 INDIA'S BILATERAL TRADE ENGAGEMENTS: UNLOCKING MUTUAL BENEFITS

7.1. In order to put the trade on a high growth trajectory, India has engaged actively with the external market and diversified its strategy based on the changing dynamics of commerce and economic growth in the world economy. In future, India seeks to engage with regions and countries that have complementarities with the Indian economy. India views regional trade agreements (RTAs) and preferential trading arrangements (PTAs), as "building blocks" towards achieving the overall objective of trade liberalization/harmonisation of Tariffs and Non-tariff Measures. India's initial foray into RTAs was through the Bangkok Agreement (1975), the Global System of Trade Preferences (GSTP, 1988), and the SAARC PTA (SAPTA, 1993). India's important trade engagements are briefly discussed in this section.

7.1 South Asia Region

7.2. The seven-member countries of SAARC (India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan, and the Maldives) signed the Agreement on South Asian Free Trade Area (SAFTA) in the year 2004 which was joined by Afghanistan as the eighth member in 2007. The signing of the SAARC Agreement on Trade in Services (SATIS, 2010) has deepened the engagement. In addition, India has bilateral trade agreements providing preferential market access to Bhutan and Nepal, a preferential trade agreement (PTA) with Afghanistan (2003), and a free trade agreement with Sri Lanka (1998), which is being expanded into a Comprehensive Agreement covering trade in services and investment.

7.2 South East and East Asia

7.3. The India ASEAN Trade in Goods Agreement became operational from January 2010 onwards (with different dates for ASEAN countries). The Services and Investment Agreement entered into force on 1 July 2015. Besides this, India’s deepening economic and commercial engagement with South East Asia is evident from the following agreements: a bilateral agreement with Thailand (2004), a Comprehensive Economic Cooperation Agreement (CECA) with Singapore (2005), a Comprehensive Economic Cooperation Agreement (CECA) with Malaysia (2011). The India-Republic of Korea Comprehensive Economic Partnership Agreement (CEPA) came into force in January 2010, while that with Japan came into force in August 2011.

7.3 Australia and New Zealand

7.4. Negotiations with New Zealand and Australia for a comprehensive agreement, were launched in 2010 and 2011, respectively. The scope of the negotiations cover trade in goods, services, investments, apart from other areas of economic cooperation. Ten rounds of negotiation under India - New Zealand CECA has been held so far, while nine rounds of negotiations have been held for India – Australia CECA.

7.4 Americas

7.5. Limited scope preferential trade agreements were signed with MERCOSUR and Chile in 2004 and 2006, respectively. India is in the process of expanding these agreements by widening the product coverage and deepening preferences. India and Canada launched negotiations in 2010 for a Comprehensive Economic Partnership Agreement (CEPA), covering trade in goods, services, investments and economic cooperation and so far, ten rounds of negotiation have been held. Five rounds of negotiations under India Peru FTA have also taken place so far.

7.5 Europe

7.6. India began negotiating a Bilateral Trade and Investment Agreement (BTIA) with the European Union in 2007. Sixteen rounds of negotiations were held until 2013. Resumption of negotiations is being explored. The India- EFTA TEPA (Trade and Economic Partnership Agreement) between India and the four-member EFTA was launched in 2008, with seventeen rounds of negotiations till date. India is also engaged with the UK for a Trade Partnership as it assumes charge of its international trade policy.

7.6 CIS

7.7. India has been engaging with the EAEU countries for a bilateral trade arrangement, with the first round of technical consultations held in January 2018 in New Delhi.

7.7 Middle East and Africa

7.8. India is negotiating a preferential agreement with the Southern African Customs Union (SACU). Negotiations are also underway for FTAs with the Gulf Cooperation Council (GCC), Israel and Mauritius. India is also in discussion with Iran for a limited trade agreement.

7.8 Other Agreements and Negotiations

7.9. India is one of the members of the Global System of Trade Preferences (GSTP) which is an agreement among 43 developing countries and intended to promote South- South trade. India participated in the third round of negotiations (known as the Sao Paulo Round) which was concluded in 2010. However, as of January 2015, only 3 countries namely Cuba, India and Malaysia have submitted their schedules of concessions. It would be ratified only if a fourth participating country submits its schedule.

7.10. The Asia Pacific Trade Agreement (APTA, 2005), operational among six countries, namely, Bangladesh, China, India, Lao PDR, the Republic of Korea, and Sri Lanka, has been the result of re-negotiations on the text of the Bangkok Agreement (1975). India, as a member of a regional group consisting of Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand (BIMSTEC, 1997), is also negotiating an FTA in goods, services and investment amongst the members.

8 CHALLENGES

8.1 Manufacturing Challenge

8.1. Manufacturing sector currently contributes about 17% of the Gross Value Addition, accounting for less than 2% of the global manufacturing output. Growth of the manufacturing sector had declined from 6.6% in 2017-2018 to 5.7% in 2018-19 and further dipped to 0.03% in 2019-20. Production of the eight core industries grew by 4.4% in 2018-19, as compared to 4.3% in 2017-18. During 2019-20, the growth rate, however, dipped to 0.4%, mainly due to reduced lending by NBFCs owing to liquidity crunch, and tapering of domestic demand for key sectors such as automotive, pharmaceuticals, machinery & equipment, etc.[22]

8.2. It is essential to boost industrial growth in general and manufacturing growth in particular, so that the large number of workers joining the workforce get productive employment. Industrial growth would also accelerate growth in the services sector, improving the capacity of the economy to absorb the additional workforce and grow at a buoyant pace. This is a *sine-qua-non* if India's GDP is to reach the USD 5 trillion mark by 2025.

8.2 Infrastructure Development

8.3. Infrastructure is critical for growth. To realize the vision of a USD 5 trillion economy by 2024-25, India needs to spend USD 1.4 trillion between 2019-20 and 2024-25. In view of this, the National Infrastructure Pipeline (NIP)[23] has been launched for 2020-2025. The NIP has projected an investment of approximately USD 1.4 trillion and will work on Centre-State-Private Participation model. The boost to the infrastructure will improve the competitiveness of the country by addressing supply side bottlenecks. Enhanced investment in infrastructure will also increase demand in the economy and improve the quality of life of the people of the country.

8.4. A Smart Cities Mission has been launched by the Government to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of 'Smart' Solutions.[24] The focus is on sustainable and inclusive development by creating a replicable model which will act like a light house to other aspiring cities. 100 cities have been selected for the Mission and a total of 5,151 projects worth ₹ 2.05 trillion have been proposed as part of their Smart City Proposals. The implementation of the Mission at the City level is being done by a Special Purpose Vehicle (SPV) created for the purpose. This SPV will plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate the Smart

[22] https://www.indiabudget.gov.in/economicsurvey/doc/vol2chapter/echap08_vol2.pdf.
[23] https://indiainvestmentgrid.gov.in/national-infrastructure-pipeline.
[24] http://smartcities.gov.in/content/.

City development projects. The Smart Cities are expected to complete their projects within 5 years from the date of their selection.

8.5. The Bharatmala Pariyojana has been launched in October 2017 for development of an aggregate length of about 34,800 km (including 10,000 km residual NHDP stretches) of economic corridors, inter-corridor and feeder roads, border and international connectivity roads, coastal and port connectivity roads, and expressways.[25]

8.6. On the Railways front, for capacity enhancement and decongestion of high-density network, dedicated Freight Corridors of 3300 km (Western & Eastern Dedicated Freight Corridors) are under advance stage of completion. For increasing the ease of doing business and attracting new traffic, Business Development Units (BDUs) have been constituted, and a universal Freight and Parcel Helpline has been started. In addition, Railways is also giving priority to freight traffic which has resulted in doubling the speed of freight trains and reducing the delivery time of goods. As a result of all these initiatives, Indian Railways achieved a significant milestone of pulling freight traffic ahead of the last year's level by 15.35% in September 2020 as compared to September 2019, in spite of COVID-19 associated challenges.

8.7. In the area of High-Speed Passenger Transport, a project of 508 km length Mumbai-Ahmedabad High Speed Rail is already under execution. Indian Railways has recently taken a novel initiative towards introduction of private train operators in running of passenger trains on premium routes. Under this initiative, 150 trains are planned to be run by private operators who will also be permitted to bring their own rolling stock for enabling better on-board services and amenities to the passengers.

8.3 The COVID-19 Challenge

8.8. The COVID-19 pandemic is a concern for all, especially for the resource deficient developing countries, as such a widespread pandemic would have far reaching impact on economic activity and trade in these countries. Supply-chain contagion is expected to amplify the direct supply shocks as manufacturing sectors in less-affected nations find it harder and/or more expensive to acquire the necessary imported industrial inputs from the hard-hit nations, and subsequently from each other. Demand disturbances due to macroeconomic drops in aggregate demand (i.e. recessions) and wait-and-see purchase delays by consumers and investment delays by firms, are also expected.

8.9. Taking into consideration the fact that COVID-19 is a highly infectious disease and any mass movement of people could have spread the disease at a rapid pace amongst people in all parts of the country, India imposed a strict lockdown from 25th March 2020. Though the subsequent period was of economic standstill, India successfully blunted the aggressive spread of COVID. Restrictions on various activities have been eased since May 2020 as Government of India made a courageous choice of supporting livelihoods that in turn made the containment of the pandemic more challenging. As restrictions were further eased, the country entered the unlock phase in June 2020.

8.10. India's merchandise exports in June 2020 were USD 21.9 billion, as compared to USD 25.0 billion in June 2019, exhibiting a negative growth of (-) 12.5%. The decline in exports has been mainly due to the global slowdown, which got aggravated due to the current COVID-19 crisis. The latter resulted in large scale disruptions in supply chains and demand, resulting in cancellation of orders. Except for essential commodities like food and medicines, most of the other commodities registered negative growth in June 2020. The commodity/groups registering positive growth in June 2020, included Iron Ore (63.1%), Oil seeds (50.5%), Rice (32.7%), Spices (22.9%), Organic and Inorganic Chemicals (19.1%), Fruits and Vegetables (11.0%), Drugs & Pharmaceuticals (9.9%), etc. In contrast to the steep decline in certain sectors, India's IT/ITeS industry demonstrated remarkable resilience in responding to the pandemic, ensuring business continuity for all global clients. Despite the COVID-19 induced lockdown, this sector adapted well with 95% of its employees working from home, thereby fulfilling its global commitments. The IT/ITeS industry's efforts were complemented by an enabling ecosystem of robust infrastructure and regulatory changes, which aided the industry's adaptation to this crisis. As a result, the computer services exports of India in April - June quarter

[25] https://morth.nic.in/bharatmala-phase-i.

of 2020 fell marginally by 0.8% over the corresponding period in 2019. Performance of the IT/ITeS sector reinforced India's position as a valued and trusted partner across the globe.

8.11. With the easing of lockdown since June 2020, the country's merchandise exports have also started showing signs of recovery. In the month of July 2020, exports of the value USD 23.64 billion were achieved, which is almost 90% of the value in the corresponding period last year.

8.4 Government's response to COVID-19

8.12. As the economy comes out of the lockdown, the policy focus by the Government has shifted to stimulating various sectors of the economy, while preserving macro-economic stability. The Government began these measures through a well laid out strategy wherein it imposed lockdown to allow states to ramp-up their health and testing infrastructure while implementing "Pradhan Mantri Garib Kalyan Yojana" and emergency package for health workers.

8.13. The next step was to convert the pandemic situation into an opportunity by furthering domestic manufacturing to help us cope better with the prevailing situation as well as to abide by our strong commitment towards mutual cooperation with the world. India thus took major strides in enhancing production capacities of essential drugs and other materials to support the healthcare systems around the world. The PPE production capacity was thus revamped to half million kits every day from virtually nil earlier and India unconditionally facilitated assistance requests of many countries for exports of critical drugs and medicines. As a result, India supplied around 45 tons and 400 million tablets of hydroxychloroquine to around 114 countries globally. Similarly, paracetamol supplies of around 96 million tablets, 0.4 million of suspension IP, 0.8 million bottles and 270 MT, in various other forms were made to 24 countries, along with supplies of other essential materials to about 57 countries. These measures reinforced our credibility as a reliable, trustworthy and empathetic partner working for the common good.

8.14. Simultaneously, in a big push to restart the economy that was under standstill in April 2020, the Government announced a ₹ 20 trillion package on 12th May 2020, which combined the Government's recent announcements on supporting key sectors as well as measures rolled out by the Reserve Bank of India.

8.15. Food security and agriculture-related initiatives

- An important measure taken by the government to counter the economic impact of the Covid-19 pandemic is the Pradhan Mantri Garib Kalyan Yojana. Under this programme, approximately two-thirds of the Indian population was provided 5 kg of wheat/rice and 1 kg of pulses per family.

- Initially started for a period of three months, the programme was subsequently extended till November 2020.

- This highlights the important role played by public stockholding programmes in mitigating the adverse impact on food security for the vulnerable population, especially, amidst the COVID-19 pandemic.

8.16. Trade Facilitation and Customs-related initiatives[26]

- In order to handle disruptions in supply of raw materials/inputs to industrial units, a facility of 24X7 customs clearance was provided at all designated sea ports and airports across the country till the end of June 2020 (except for designated sea ports/air ports already under 24X7 operation, which would continue to function so even after June 2020).

- The Basic Customs Duty and Health Cess on Artificial respiration or other therapeutic respiration apparatus (Ventilators); Face masks and surgical Masks; Personal protection

[26] https://www.cbic.gov.in/htdocs-cbec/customs/covid-19/covid-19-measures-new.

equipment (PPE); COVID-19 testing kits; and inputs for the manufacture of these items were exempted till 30th September 2020.

- Customs authorities facilitated eligible imports under preferences subject to the subsequent production of the certification of origin (CoO).

- All major ports were advised not to levy penalties, demurrage, charges, fee, rental on any port user (traders, Shipping Lines, concessionaires, licensees etc.) for any delay in berthing, loading/unloading operations or evacuation/arrival of cargo caused by reasons attributable to the supply chain disruptions owing to the lockdown measures.

- To make import clearance process more contactless, e-delivery of PDF-based Gatepass and Out of Charge copy of Bill of Entry to custom brokers/importers, has been launched across India from 15th April 2020.

- The time period for realization and repatriation of export proceeds for exports made up to or on 31st July 2020, has been extended to 15 months from the date of export.

- To ease the burden of compliance on the AEOs, the AEO certificates that were expiring between 1st March 2020 and 31st May 2020 have been extended to 30th June 2020.

- A dedicated single window COVID-19 helpdesk for EXIM trade has been created by the Indian Customs to facilitate quick resolution of issue(s) faced by importer/exporter.

8.17. Measures taken by the Reserve Bank of India (RBI)[27]

- Significant reduction in policy rates (the repo rate by 75 basis points to 4.4% and further to 4% in May) and injected a huge amount of liquidity of approximately 3.9% of GDP to enhance credit flow in the economy.

- Special refinance facilities for a total amount of ₹ 750 billion to NABARD, SIDBI, NHB and EXIM Bank to enable them to meet sectoral credit needs.

- An option to grant a moratorium/deferment of six months between 1st March 2020 and 31st August 2020 for all term loans (including agricultural term loans, retail and crop loans).

9 CONCLUSIONS AND LOOKING AHEAD

9.1. Overall, despite the challenges confronting the Indian economy, global business and trade continue to repose confidence in the country, given the structural reforms initiated and handsome returns the economy has brought to fruition in the past. Infrastructure upgradation coupled with numerous social measures and skill upgradation programs are expected to have a positive spill over effect on the targeted growth trajectory of the country.

9.2. In the multilateral arena, India believes that respecting trade rules of the WTO is the only solution to addressing the unfolding crisis and will continue to play a positive role to establish a fair and equitable multilateral trading system. Simultaneously, it will also engage in concluding new trade and economic partnership agreements with the partner countries.

9.3. The Trade Policy in India would continue to endeavour to build synergies with ongoing initiatives, with a strong focus on diversification of exports, and with an aim to properly anchor the elements of foreign trade within a composite approach to economic development.

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[27] https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3894.