Patentmatics Monthly Bulletin October 2018.

Area of Focus: Import, import and how far?

1. October 2 is observed as Gandhi Jayanthi every year with customary reverence to the memory of the Father of the Nation, Mahatma Gandhi. This year happens to be also his 150^{th} birth anniversary. In essence 2018 an occasion of perhaps far greater significance, to look back his pioneering roles not only as the Father of the Nation but also for his championing political independence and the *swadeshi* as the mighty weapons against foreign domination in all spheres, political and economic.

Where do we stand in these two respects after the passage of seven decades after political independence in 1947?

2. Undoubtedly we have achieved self-sufficiency in food sector, thanks to the timely adoption of the Green Revolution; so also the White and Blue Revolutions, we being yet far away from ensuring Food Security as well to all sections of our population. In most of our

other sectors barring nuclear and space our achievements are yet to have any meaningful advancement towards swadeshi and self-reliance imprints even. We highlight two major areas to summarize the present scenario.

3. Indian Express has recently summarized recently the latest data on the huge imports and resultant burgeoning trade deficits. The same piece is quoted below:

(a) Simply put: Rise of imports, beyond crude

It is not just rising prices and imports of crude that have put pressure on the rupee. From coal & coke to electronics and minerals, a look at how Indian imports have risen sharply from one fiscal to the next.

Written by Sandeep Singh , Sunny Verma | New Delhi | Updated: September 10, 2018 4:59:31 am Indian Express

Over the last two years, there has been a sharp rise in coal and coke imports, from .6 billion in FY16 to .7 billion in FY17 and then to .9 billion in FY18.

The rupee continued its slide against the dollar last week, falling below 72 at one stage before closing at 71.73 Friday. While a surge in crude oil prices has been largely blamed for the projected rise in the current account deficit (CAD) and the pressure on the rupee, a closer look at items imported by India shows that apart from a jump in crude imports (in value terms), several other items are playing a role, alongside a slower growth rate of exports.

Changing import basket

In line with the rise in global crude prices from around $50 per barrel in April 2017 to around $70 towards the end of March 2018, the value of petroleum and crude imports jumped almost 25% from $86.9 billion in FY17 to $108.6 billion in FY18, thereby leading to a jump in the CAD from 0.6% of the GDP to 1.9%. As the prices of crude continue to rise, some estimates suggest that the CAD may rise to levels of around 2.8%-3% of the GDP in FY19.

The import basket, however, shows crude may not be the only one disturbing the equilibrium. In 2017-18, the value of imports of coal and coke jumped 45.3% to $22.9 billion from $15.7 billion in 2016-17. Even the value of imports of metaliferous ore and minerals rose nearly 47% to $9 billion, from $6.1 billion. Another major component has been pearls, precious and semi-precious stones, whose imports climbed 44% from $23.8 billion to $34.2 billion.

READ | Adding to strain of falling rupee: sharp spike in imports of coal, ores

So, while crude imports jumped $21.7 billion, the imports of coal and coke, metal and mineral, non-ferrous metal and iron and steel rose $15.9 billion, or nearly 73% of the jump in petroleum and crude imports.

IMPORTS SURGE FASTER THAN EXPORTS

	2016-17	2017-18	CHANGE
Metaliferous ore & other minerals	6,194	9,093	46.79%
Coal, coke and briquettes etc	15,760	22,901	45.31%
Pearls, precious/semi-prec. stones	23,809	34,279	43.98%
Non-ferrous metals	9,869	12,812	29.82%
Iron and steel	11,683	14,618	25.12%
Petroleum, crude and products	86,964	108,659	24.95%
Organic & inorganic chemicals	16,598	20,631	24.30%
Electronic Goods	42,879	52,891	23.35%
Gold	27,518	33,657	22.31%
Artificial resins, plastic materials	11,964	14,488	21.10%
Machinery, elec. & non-elec.	27,497	32,909	19.68%
Vegetable oil	10,893	11,637	6.84%
Transport equipment	22,688	22,733	0.20%
Total imports	384,357	465,578	21.13%
Total exports	275,852	303,376	9.98%

Import/export values in $ million *Source: DGCI&S Kolkata*

Electronic imports, which are the second biggest component of India's import basket and account for 11.4% of the total, jumped 23.4% to $52.9 billion in FY18, from $42.8 billion in FY17. It is important to note that the rise in value of electronic imports is irrespective of the rise in crude oil prices. It is driven purely by demand; among the top import items, electronic goods are the only import component that has seen a year-on-year growth (in value terms) over the last three years. Some market experts feel that electronic imports are a major area of concern as far as the CAD is concerned.

Even gold imports, which had declined from $34.4 billion in FY15 to $27.5 billion in FY17, jumped to $32.9 billion in FY18.

Subdued exports

While India's imports rose 21% in FY18 over those in the previous year, its exports grew by only 9.98%, thereby widening the trade deficit. The total imports in FY18 amounted to $465.6 billion, and the exports to $303.4 billion.

Experts note that the trade deficit has been widening over the years because of a skewed rate of growth — while imports have been rising steadily, export growth has slowed down drastically. Slack in exports could be the silent, unseen reason resulting in the rupee depreciation at the first hint of deterioration in the macroeconomic situation. According to a report prepared by India Ratings & Research, between 2014 and 2018, the average annual export growth was just 0.6%. In contrast, between 2004 and 2008, the growth rate had been 25.4%.

Why coal import growing

Over the last two years, there has been a sharp rise in coal and coke imports, from $13.6 billion in FY16 to $15.7 billion in FY17 and then to $22.9 billion in FY18. This rise is in line with the decline in growth rates of coal production in India. The growth in raw coal production of Coal India Ltd (CIL) has slid over the last three years, from over 9% in FY16 to 2.9% in FY17, and then to 2.4% in FY18.

Coal imports are likely to be much higher this fiscal, given the spate of tenders issued by utilities in just the first four months. For the first time in four years, state-owned NTPC Ltd floated tenders last month seeking to import 2.5 million tonnes coal. The two tenders for coal shipments — equivalent to about 4.5% of the total coal imported by the country's power stations last year — came at a time when utilities are facing a shortage at some plants as production at Coal India Ltd (CIL) has failed to keep pace with surging demand on account of higher electricity generation. Bottlenecks in transporting coal from pitheads to power stations have exacerbated the situation.

The shortages, though, are not limited to just power stations. Demand for coking coal, used in steel-making, has seen a sharp surge,

reflecting both a surge in domestic steel production as well as a shortage of Indian supplies of this higher-grade coal variant.

After a dip in FY17, overall coal imports increased nearly 10% in FY18 and are projected to surge this fiscal. Within the different coal segments, coking coal imports have seen a sharper 14% and fresh data for the first two months of this fiscal indicates that these imports could be headed to a new high this year.

Industry players say that while coal imports by operators of large power plants connected to the grid have actually seen a dip, the surge in demand is happening on account of utilities operating captive electricity generation stations that are attached to manufacturing units such as cement plants and aluminium smelters.

Government officials say that since the entire demand is not met indigenously, with a limited supply of high-quality coking coal (low-ash-coal) in the country, there is no option but to import coking coal. The rating agency Crisil estimates that power sector imports could cross 75 million tonnes by FY23, driven by demand from coal-based power plants, even as non-power sector imports are expected to decline to 70 million tonnes due to improvement in domestic supply after linkage auctions and development of key captive blocks allocated to the non-regulated sector.

(b) India, a NATO ally

US elevates India's defense trade status to NATO-level allies, Delhi welcomes move

The Trump administration announced on Monday granting India the status of Strategic Trade Authorization-1 (STA-1) country, the only South Asian nation to be given the designation along with the US' NATO allies like South Korea, Australia and Japan.

By: PTI | New Delhi | Updated: July 31, 2018 2:33:56 pm, Indian Express

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Indian PM Narendra Modi (left) and US President Donald Trump. Till recently India was designated as STA-2 countries, along with seven others. (File)

India on Tuesday welcomed the US' decision to ease export controls for high technology product sales to it, saying the move will further boost collaboration between the two countries in defence and certain other areas. The Trump administration announced on Monday granting India the status of Strategic Trade Authorization-1 (STA-1) country, the only South Asian nation to be given the designation along with the US' NATO allies like South Korea, Australia and Japan.

Spokesperson in the Ministry of External Affairs Raveesh Kumar called Washington's decision a logical culmination to India's designation as a major defence partner of the US and a "reaffirmation" of its "impeccable record" as a responsible member of the concerned multilateral export control regimes. The STA-1 status will help India in getting critical technology from the US in the defence and certain other key areas.

"We welcome the announcement made by US Secretary of Commerce Wilbur Ross in the Indo-Pacific Business Forum on July 30 about the US government's decision to move India into Tier-1 of the Department of Commerce's Strategic Trade Authorisation license exception," Kumar said.

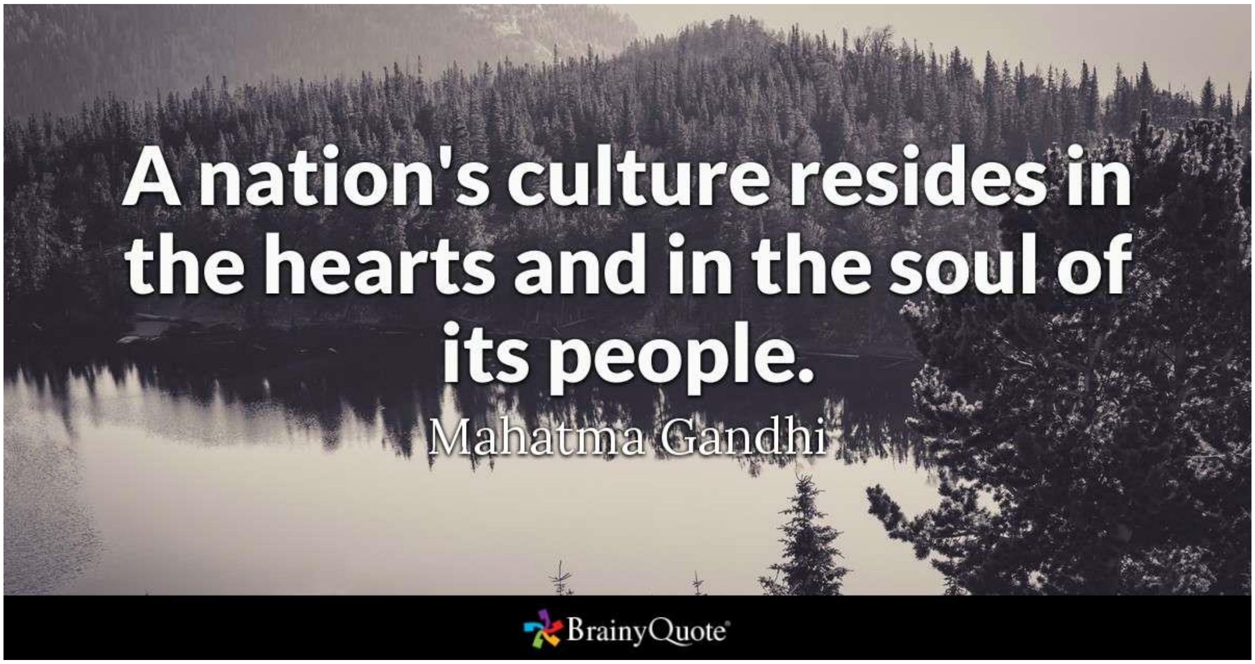
He said the step will further facilitate India-US trade and technology collaboration in defence and high technology areas adding,"We look forward to the US side operationalising the decision at an early date." In June 2016, the US

had designated India as "Major Defence Partner" intending to elevate defence trade and technology sharing with India to a level commensurate with that of its closest allies and partners.

Announcing the decision to grant India STA-1 status, Ross on Monday said it was "a very important change" in India's status in the export control regime. The designation authorizes the export, re-export and transfer (in-country) of specified items on the Commerce Control List (CCL) to destinations posing a low risk of unauthorized or impermissible uses.

Currently there are 36 countries on the STA-1 list. Till recently India was designated as STA-2 countries, along with seven others. The STA-1 status, Ross said, provides India with greater supply chain conditions for defence and other high-tech products. The decision by the US comes over a month before the talks between India's foreign and defence ministers with their US counterparts here under the framework of the '2+2' dialogue.

3. It is well known and documented that none of these developments had happened overnight but only in succession over the post-independent era. The processes had started with the "Structural Readjustments" policies initiated during 1982-84, the adoption of indiscriminate modernization through import in the subsequent eighties, the total opening up policies of the early nineties followed by becoming a member of the WTO/TRIPS/AoA, entering the Hyde Act dictated Indo-US Nuclear Treaty of 2005 even without the formal item-specific approval of the Houses of Parliament and lastly extending its provisions one after another therefrom to their logical levels, a Long March indeed from perhaps the aims and objectives of the post-independent India. Let this Bulletin end with a quotation of Mahatma Gandhi himself.


A nation's culture resides in the hearts and in the soul of its people.
Mahatma Gandhi
BrainyQuote

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