SDRs to support global economic recovery

While India has a good external position currently in terms of foreign exchange reserves and current account deficit, India's debt-to-GDP ratio at about 90 per cent is significantly on the higher side. While additional borrowing can help the government in terms of infrastructure spending at a time when private investments are not coming forward, the COVID-19 induced crisis has led to high revenue expenditure for the government in order to keep the economy afloat, and thereby increased its outstanding debt in light of lower tax revenues. Therefore, a higher proportion of government finances will be used only in servicing this debt.

The derailment of the global economy owing to the ongoing COVID-19 pandemic has led to developed countries providing huge stimulus packages to their people to overcome loss of livelihood opportunities and meet their basic food and healthcare requirements. However, developing countries haven't been able to address these issues fully due to cash-crunch, accentuating their indebtedness.

Given this extraordinary situation, G-7 leaders have agreed to a new "sizeable" issuance of IMF Special Drawing Rights (SDRs). The UN Secretary-General, Mr. António Guterres has called for urgent assistance for developing countries so they have the financial liquidity they need to respond to the pandemic as well as invest in recovery, or risk a "lost decade" in development terms.

SDR is an international reserve asset created by the IMF comprising the dollar, euro, yen, sterling, and yuan, which is allocated to its members in proportion of their quota. A fresh SDR issue by IMF will help the least developed and developing countries facing foreign exchange crisis.

India had opposed the move last year since it feared that poor countries will utilize the liquidity to pay off bilateral debt to China, shielding it from exposure to an expected wave of debt restructuring, and countries like Pakistan may leverage the funding recourse to continue with their asymmetric warfare. However, poor countries may receive only a small share of total fresh SDR allocations while developed countries may get the bulk of it as SDRs are issued to IMF members in proportion to their shareholding in the organization.

While issuance of SDRs can avert a global economic downturn, as it did following the global financial crisis of 2008, reallocation of SDRs by developed countries in favour of the needy ones may lead to a sustained global recovery. At a time when COVID-led uncertainties are draining the Indian government to meet its financial outgoes, an SDR allocation by IMF may help save the rocky economic boat.

Notifications

CBIC

Tariff concessions to imports of specified goods from Japan under India-Japan CEPA

https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-tarr2021/cs20-2021.pdf

Extending exemption from IGST and compensation cess to EOUs

https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-tarr2021/cs19-2021.pdf

Bill of Entry (Forms) Amendment Regulations, 2021

https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt35-2021.pdf

Bill of Entry (Electronic Integrated Declaration and Paperless Processing) Amendment Regulations, 2021

https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt34-2021.pdf

Common Customs Electronic Portal

https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt33-2021.pdf