Averting BoP crisis

Why in news?

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India now faces very severe global headwinds that can create a major strain on the balance of payments (BOP), since its exports have been stagnant for several years.

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What are the contributing factors?

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- The anti-**globalisation and anti-immigration drives** in the United States and parts of Europe may result in reduced market access for exports of goods and services.
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- This coupled with a likely rise in US interest rates may negatively impact the flow of remittances and foreign institutional investments.
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- Continuation of rising oil prices as a result of tensions in West Asia may increase our import bill.
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- Nationalist policies in advanced countries may limit the flow of foreign direct investment and dampen our “Make in India” initiative.
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- Our information technology giants are already affected by the impending **H-1B visa reforms.**
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- Trade barriers related to the emerging issues in data privacy and data restrictions are now the areas of maximum concern for the future growth of off-shore professional and technical services models (such as business process outsourcing or knowledge process outsourcing).
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What can be other impacts?

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- The benign neglect of exports in the government and elsewhere is a cause of great concern.
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- Our foreign exchange reserves were boosted largely by the rapid growth of global trade and the sharp decline in oil prices in the last decade.
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- These can be sharply eroded by the emerging global headwinds that are mentioned above.
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What India should do?

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- India needs to urgently implement the next-generation trade reforms to boost exports and promote sustained growth and jobs.
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- Given the complexity of the current global trade landscape, trade reforms must be designed and implemented in a timely manner by a competent wing of the government.
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- India urgently needs better management of its international economic relationship.
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- Given the cross-cutting nature of the 21st century trade agenda, leadership should not rest with any line ministry.
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- What is needed is an **“apex entity” like the United States Trade Representative in the US**, which has a clear mandate from the PM to consult with stakeholders and manage the process of developing strategy.
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- This entity cannot be solely responsible for implementation, as that will by necessity involve many players inside and outside government.
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- Instead, its role in the implementation phase is to act as a coordinator and convener, and to have the mandate to monitor and assess implementation by the relevant agencies within the government.
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Source: Business Standard

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