Export Relief - A Need

Why in news?

Official trade data for April, 2020 was the grimmest in over two decades.

What does the data reveal?

- Merchandise exports had collapsed by over 60% and imports contracted only slightly less.
- Only two of India's 30 biggest export products clocked positive growth - iron ore and pharmaceuticals.
- In an employment-intensive sector such as textiles, garment exports, which fell 16% between January and March, fell 91% in April.
- Due to the sharp dip in global oil prices, higher volumes of petroleum exports didn't help much in value terms.
- The trade collapse was not surprising as the spate of national lockdowns around the world have,
    1. Dented demand and investment, and
    2. Severely disrupted global supply chains and shipping routes.
- India's exports, however, were already in a free fall.

Did the government provide any relief to exporters?

- The government's economic stimulus package in totality offered several reform commitments.
- It offered improvements in the ease of doing business along with some forbearance and sops for micro, small and medium enterprises (many of which are also export-oriented units).
- However, there was no explicit relief offered for exporters.

What were the RBI's relief measures?

- On May 22, the Reserve Bank of India (RBI) did unveil a few measures.
- A special liquidity facility of Rs. 15,000 crore was provided for the Exim Bank of India.
- For importers, a six-month extension was given to complete outward remittances.
- For exporters, the maximum permissible credit period from banks was extended from 12 months to 15 months, for disbursements made up to July

31, 2020.
- This three-month credit extension for exporters was not a new measure and had already been announced by the RBI on March 23, 2020.
- Its repackaging two months later as a fresh move suggests policy makers are running short of ideas to prop up the export sector.

How will the trade data be for May 2020?

- The trade outcome for May is unlikely to be any better.
- The World Trade Organization expects trade flows to slip by between 13% and 32% over 2020.
- The forecast gets even murkier when one adds to this,
    1. The new barriers on trade in medical and food supplies imposed by over 90 countries, and
    2. An increasing tendency to look inward for essential supplies.

What needs to be done?

- India is again pitching to become an alternative investment destination for big global businesses.
- This is in the hope that the COVID-19 pandemic would prompt the global businesses to hedge their China-dependent supply chains.
- However, investment moves are a longer-term play.
- Meanwhile, bigger stimulus packages, announced by other countries, kick in to revive demand and give a minor fillip to international trade.
- Indian exporters should not be caught on the back foot of these bigger stimulus packages.

Source: The Hindu

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