

# US REMOVES INDIA FROM CURRENCY MONITORING LIST

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KOLKATA: The US government has removed India from its monitoring list for [currency manipulation](#), clearing doubts over India's foreign exchange policies including undervaluation of currencies to gain export advantages.

While experts welcome the US decision, they doubted whether this move would set the tone for further trade negotiations between the two countries including the US trade preference programme with India. "India did not qualify for inclusion in the currency manipulator list on at least two of three criteria," said Axis Bank chief economist Saugata Bhattacharya.

"However, it is certainly a welcome step that the US has now removed India from that list. This will hopefully set the tone for discussion on resolution of some of the trade related differences with the US, particularly in the Generalized System of Preferences (GSP) issue.

A group of 25 influential US lawmakers had earlier warned the Trump administration that terminating the GSP programme, which paves the way for free entry of Indian goods into the US, could hit their exports to India. However, CARE Ratings chief economist Madan Sabnavis believed this would not lead to getting back the preferential treatment.

## NOTABLE DIP IN RBI'S FOREX BUYS

"Also when we were part of list it did not lead to fall in exports," he said.

India was first included in the currency watch list in 2017 after the [Reserve Bank of India](#) had added \$52 billion — which was 1.8% of the country's GDP then — in the [foreign exchange reserves](#) in the first half of the year with regular intervention in the forex market.

The US Treasury Department's currency report to Congress said that there was a notable decline in 2018 in the scale and frequency of foreign exchange purchases by India. "India has been removed from the Monitoring List in this Report, having met only one out of three criteria — a significant bilateral surplus with the United States — for two consecutive Reports. After purchasing foreign exchange on net in 2017, the central bank steadily sold reserves for most of 2018, with net sales of foreign exchange reaching 1.7% of GDP over the year," the report stated.

The pain threshold for the current account surplus was lowered to 2% from 3% of GDP. On one-sided currency interventions, the limit for net forex purchases has been left untouched at 2% of GDP but the observation period has been tightened to 6-12 months from 8-12 months previously. The third criteria, a country's bilateral trade surplus with the US, was unchanged at \$20 billion.

India's bilateral trade surplus with the US stood at \$21 billion in 2018. India's overall merchandise exports growth fell sharply to 0.64% in April 2019.

The Trump administration has also removed Switzerland from the monitoring list but expanded it to nine nations from six earlier. China, Japan, Germany and South Korea stayed on the

monitoring list for possible unfair foreign exchange maneuvering to gain export advantages. New names on the list are Italy and Ireland from EU, and three Southeast Asian countries — Singapore, Malaysia and Vietnam.

The US Treasury Department prepares the list for its major trading partners. The Department's Currency Report published on May 28 has again decided not to label China or any other country as a currency manipulator even as two out of the three measures for currency manipulation were tightened. It said no country meets the criteria to be labelled as one seeking to gain unfair trade advantages over the US by manipulating its currency.

The rupee closed at 69.83 against the dollar on Wednesday, about 5 paise stronger from the previous close. The rupee has remained almost flat in the year to date.

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