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POLICY PULSE

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ECONOMIC SNAPSHOT

GLOBAL ECONOMY

Two years into the pandemic, COVID-19 continues to take surprising turns, disrupting the global economy through multiple channels. After getting injured by the pandemic, supply chain bottlenecks and jumps in prices, the global economy is composed to be sent on another unpredictable course due to the clash on the European border. The global economic outlook looks gloomy due to the war between Ukraine and Russia, followed by financial solid sanctions that rocked Russia's economy and threatened to fuel worldwide inflation.

In addition to the US, UK, and European sanctions, more stringent sanctions may be announced in future. These measures are bound to have global political and economic consequences. As Russia takes steps to retaliate and the war could damage gas pipelines, an acute energy shortage is possible, leading to a global economic slowdown. The price of oil, natural gas and other staples spiked. At the same time, the growing weight on supply chains rose as the US, Eurozone, and their allies tightened the screws on Russia's financial transactions and froze assets that are held abroad.

IHS Markit says that global economic growth will slow in 2022. After a 3.4% contraction in 2020, world real GDP rebounded an estimated 5.6% in 2021, reaching a new high in the first quarter. Global growth is projected to slow to 4.2% in 2022, owing to weaker performances in Western Europe, North America, mainland China, and Japan. Global real GDP growth will settle t,o 3.4% in 2023 and 3.1% in 2024 as fiscal and monetary policies tighten and pent-up consumer demand is satisfied.

Worldwide inflation will likely remain near 5.0% in early 2022 before gradually easing in response to industrial and agricultural commodity prices declines. Global semiconductor and electrical steel shortages will continue well into 2022, forcing automakers to limit production. Labor shortages are also contributing to the rise in inflation. In the US, labor force participation remains below pre-pandemic levels and job vacancy rates have risen to record highs. Across Europe, COVID-19 has disrupted migrant labor flows. China's zero-COVID policy and demographic shifts are restricting labor supply.

Global GDP Growth (% change in real GDP)

	% change on previous quarter				% change on a year ago			
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 21	Q2 21	Q3 21	Q4 21
UK	-1.2	5.6	1	1	-5	24.6	7	6.5
Eurozone	-0.2	2.2	2.3	0.3	-1.1	14.4	3.9	4.6
USA	1.5	1.6	0.6	1.7	0.5	12.2	4.9	5.6
Japan	-0.5	0.6	-0.7	1.3	-1.8	7.3	1.2	0.7
Germany	-1.7	2.2	1.7	-0.3	-2.8	10.4	2.9	1.8
France	0.2	1.3	3.1	0.7	1.7	19	3.5	5.4
G7	0.5	1.8	0.9	1.2	-0.5	13	4.2	4.5
OECD	0.8	1.7	1.1	1.2	-0.2	13.3	4.7	4.9

Source: OECD

Regional Outlook

USA

Real GDP growth is projected to slow from 5.7% in 2021 to 4.1% in 2022 and 2.5% in 2023. On the positive side, healthy household balance sheets, supportive financial conditions, and employment gains will support continued growth in consumer spending. There are early indications that the wave of Omicron infections is subsiding in the areas that were hit earliest.

Europe

After a mid-2021 growth spurt, Eurozone growth has slowed in late 2021 and early 2022 in response to record-high energy costs, ongoing supply chain disruptions, and a widespread increase in COVID-19 cases. As these factors ease, growth may strengthen in the second quarter. The service-oriented economies in southern Europe may benefit from a rebound in tourism and travel-related activities in the third quarter.

China

Real GDP growth slowed to 4.0% in the fourth quarter of 2021 due to contractions in real estate and construction activity. Meanwhile, the zero-COVID policy, de-carbonization drive, and regulatory crackdowns have weighed on most sectors.

INDIAN ECONOMY

Recently, Moody's has raised India's growth forecast to 9.5% for 2022 and to 8.4% for the coming fiscal. It states that since the GST collection, retail activity and Purchasing Managers' Index (PMI) suggest 'solid momentum', Indian economic recovery has been stronger than expected. However, it cautioned that high oil prices and supply distortions may drag the growth.

Reserve Bank of India (RBI) projected India's economic growth for the financial year 2023 (FY23) at 7.8%. RBI in its press release stated that there was some loss of economic momentum due to third pandemic wave and the demand for contact intensive sector is muted. Private consumption, the mainstay of domestic demand, continues to trail its pre-pandemic level. The persistent increase in international commodity prices, a surge in the volatility of global financial markets and global supply bottlenecks can exacerbate risks to the outlook. Going forward, the Government’s thrust on capital expenditure and exports are expected to enhance productive capacity and strengthen aggregate demand. RBI has left the benchmark interest rate or repo rate unchanged at 4% for the tenth consecutive time and decided to continue with an accommodative stance.

Performance of Key Indicators

As per the latest data released by the Government of India, the combined Index of Eight Core Industries stood at 144.4 in January 2022, which increased by 3.7% (provisional) as compared to the Index of January 2021. The production of Coal, Natural Gas, Refinery Products, Steel, Cement and Electricity industries increased in January 2022 over the corresponding period of last year.

Index of Industrial Production (IIP) to grow at around 1% in January 2022 from the initial growth estimate of 0.4% for December 2021.

GST collections in February grew 18% to over Rs 1.33 trillion in February even as the Omicron wave dented the month-on-month collection momentum. This is for the fifth time in the current fiscal that the GST collection has crossed Rs 1.3 trillion mark. Also, this is the first time, cess collection has crossed the Rs 10,000 crore mark, signifying recovery in certain key sectors. Maharashtra has the highest GST collection followed by Karnataka, Gujarat, UP, Haryana, Delhi.

REGULATIONS WATCH

Notifications at the WTO

Article XX of the General Agreement on Tariffs and Trade (GATT) allows governments to enact trade measures to protect human, animal, or plant life or health, provided that the provisions do not discriminate and are not used as disguised protectionism. In addition, two specific World Trade Organization (WTO) agreements deal with food safety, animal and plant health and safety, and product standards in general.

The Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) Agreements aim to ensure that these requirements do not create unnecessary obstacles to international trade. Under the WTO, members are required to notify other Members before adopting new measures if these are likely to affect international trade and provide an opportunity for comments.

The WTO Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS Agreement) lays out the basic rules on food safety and on animal and plant health standards. It allows countries to set their own standards, but it stipulates that regulations must be based on science and should be applied only to the extent necessary to protect human, animal, or plant life or health.

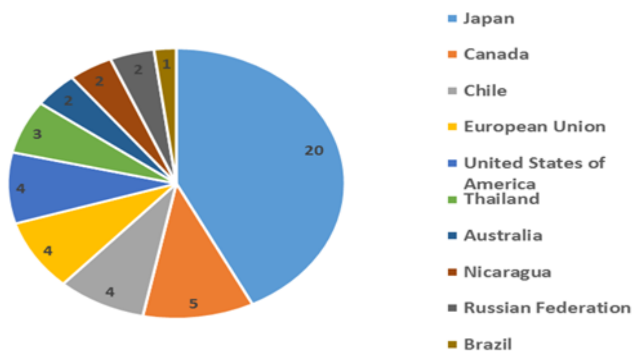
The TBT Agreement seeks to ensure that technical regulations, standards, and testing and certification procedures do not create unnecessary obstacles. The agreement does recognize countries' rights to adopt the standards they consider appropriate—for example, to protect human, animal, or plant life or health; to safeguard the environment or to meet other consumer interests. In any case, whatever regulations countries use should not discriminate. Under the agreement, the procedures used to decide whether a product conforms with relevant standards have to be fair and equitable, and any methods that would give domestically produced goods an unfair advantage are discouraged.

SPS Notifications

The total numbers of SPS Notifications issued by the various WTO-Member Countries from 1st February 2022 to 13th February 2022 are 73 of which 53 are relevant to India. Out of 53 notifications, 36 notifications were the addendums of draft regulations notified earlier in the WTO.

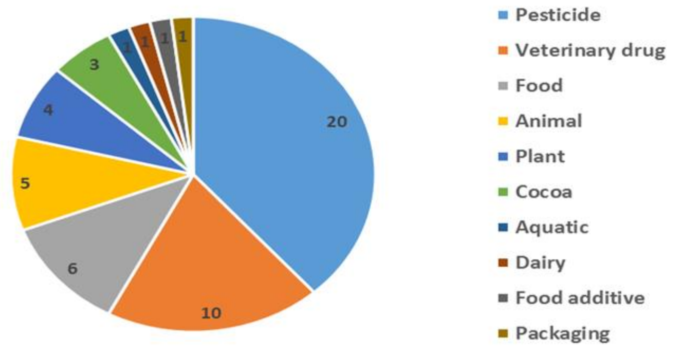
- **Country-wise Information (Top 10)**

Out of the total 53 notifications, Japan issued 20 notifications, followed by Canada, Chile, the European Union, the United States of America, Thailand, Australia, Nicaragua, the Russian Federation and Brazil.



- **Product-wise Information (Top 10)**

Out of the total 53 Notifications, 20 related to pesticide, 10 related to veterinary drug, 6 related to food, 5 related to animal products, 4 related to plant, 3 related to cocoa, 1 related to aquatic, 1 related to dairy, 1 related to a food additive, 1 related to packaging and 1 notification were related to other products.

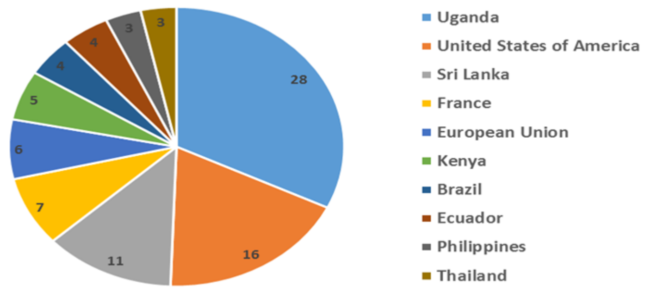


TBT Notifications

The total numbers of TBT Notifications issued by the various WTO-Member Countries from 1st February 2022 to 13th February 2022 were 99. Out of 99 notifications, 32 notifications were the addendums of draft regulations notified earlier in the WTO.

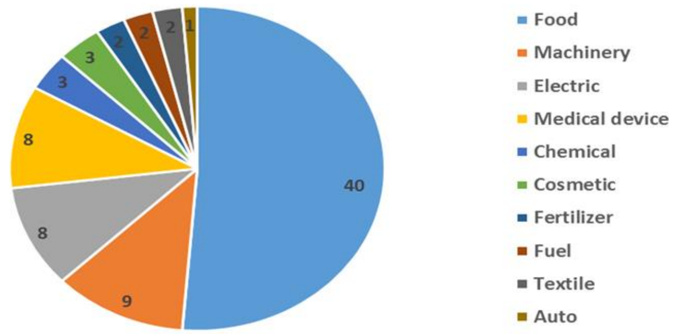
❖ Country-wise Information (Top 10)

Out of the total 99 notifications, Uganda issued 28 notifications, followed by the United States of America, Sri Lanka, France, the European Union, Kenya, Brazil, Ecuador, Philippines and Thailand.



❖ Product-wise Information (Top 10)

Out of the total 99 Notifications, 40 related to food, 9 related to machinery, 8 related to electric, 8 related to medical device, 3 related to chemical, 3 related to cosmetic, 2 related to fertilizer, 2 related to fuel, 2 related to textile, 1 related to auto and 21 notifications were related to other products.



FREE TRADE AGREEMENTS/ BILATERAL DISCUSSIONS

INDIA

India-UAE CEPA

India signed the Comprehensive Economic Partnership Agreement (CEPA) with UAE. The FTA is set to reduce tariffs for 80% of goods and give zero duty access to 90% of India's exports to the UAE. This is expected to boost annual bilateral trade to US$100 billion within 5 years.

The India-UAE CEPA covers commitments in trade in goods, services, sanitary and phytosanitary measures, technical barriers to trade, dispute settlement, telecom, customs procedures and pharmaceuticals. It also included digital trade, Government procurement and IPR.

A separate annexure on pharmaceuticals has been incorporated to facilitate access to Indian pharmaceutical products. To protect sensitive sectors, India has placed 10% tariff lines in the negative list that would not be subject to tariff cuts. The items include dairy, fruits, vegetables, cereals, tea, coffee, sugar, food preparation, tobacco, petroleum waxes, auto and auto components, medical devices, etc. Both the countries will bring down their imports on all items of export & import. The agreement will also create jobs.

Indian exporters are likely to gain in labour-intensive sectors such as gems and jewellery, agricultural and wood products, engineering products, pharmaceuticals & medical devices and automobiles, etc.

India-Australia FTA

In February, India and Australia announced that they are set to conclude an interim trade agreement and a Comprehensive Economic Cooperation Agreement (CECA) 12-18 months thereafter. Both parties are going to sign the interim agreement in the second week of March 2022. This interim or early harvest agreement will liberalize tariffs on certain goods. The other areas of interest include goods, services, rules of origin, sanitary and phytosanitary measures and customs procedures. It is expected that this interim agreement will:

- Bring opportunities across sectors including mining, pharmaceuticals, health, education, renewables, railways, gems and jewellery, tourism, defence and textiles. And also to market access for wines and agricultural products
- Easier visa access for both students and professionals visiting Australia
- Boost tourism
- Deeper corporation in critical minerals and rare earth elements

India-UK FTA

After the first round of discussion in January 2022, both India and UK are ready for the second round of FTA discussion in March 2022. The second round of discussion has been scheduled between 8th March and 18th March 2022. Department of Commerce has scheduled sector-wise stakeholder consultation to derive the offer and request list of products for this FTA. However, as of now, the lists have not been finalized as yet.

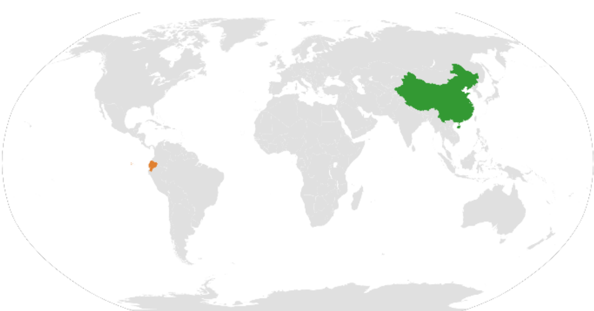
India-Japan

India & Japan renewed the bilateral swap arrangements (BSA) to the extent of $75 billion. The BSA is a two-way arrangement where both authorities can swap their local currencies in exchange for the US Dollar. The interest rate charged in this case is fixed at the time of signing the agreement and hence it reduces the risk caused due to fluctuations in the exchange rate. The actual Bilateral Swap Arrangement (BSA) was signed between the Bank of Japan and the Reserve Bank of India in 2018. The BSA aims to strengthen and complement other financial safety nets, will further deepen financial cooperation between the two countries and contribute to regional and global financial stability. Under this agreement, Japan and India can borrow money from each other in either their currency i.e. Indian Rupee or Japanese Yen or US Dollar. This can be further explained as mentioned below:

- When India wants to borrow money from Japan it can borrow in US Dollars or Japanese Yen up to the limit of $75 billion.
- When Japan wants to borrow money from India it can borrow in US Dollars or Indian Rupees up to the limit of $75 billion.
- The countries will pay interest on the amount actually borrowed at an interest rate fixed at the time of borrowing the money.

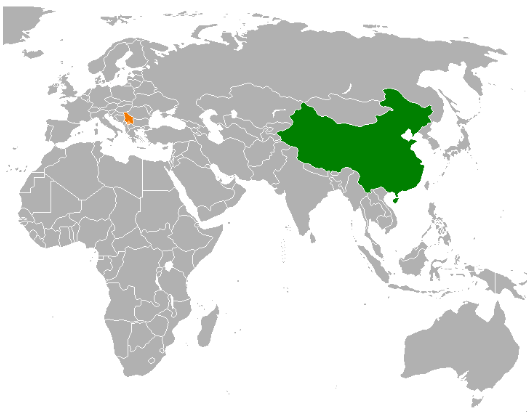
OTHERS

China – Ecuador



Two nations have agreed to launch negotiations on reaching a free trade agreement, tapping into each other's trade potential, optimising value chains, promoting trade and investment liberalization, in addition to facilitating and promoting sustained and diversified development of bilateral trade, while continuing to deepen cooperation in a variety of fields including digital economy and green development. China has been Ecuador's second-largest trade partner for two consecutive years. Bilateral economic and trade cooperation has been booming in recent years, with bilateral trade in 2021 reaching US$10.95 billion, up 44.5% over the previous year. The trade agreement is also set to boost investment and cooperation in the digital economy and green development.

China – Serbia



During the visit of Serbian President Aleksandar Vučić, both the countries discussed strategic matters, mutual support, the protection of territorial integrity in international institutions and organisations. Serbia and China would sign an FTA by the end of 2022. It will significantly increase trade between Serbia and China and additionally attract foreign investors to Serbia.

In the economic and trade area, China and Serbia have established a joint economic and trade committee mechanism between the two countries, as well as a bilateral Investment Protection Agreement, an Avoidance of Double Taxation Agreement, an Economic and Technical Cooperation Agreement in the Field of

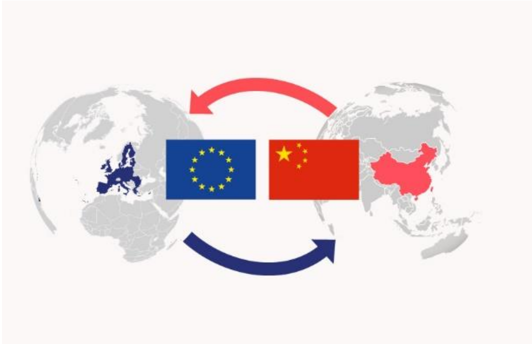
Infrastructure, a Cultural Cooperation Agreement, and a Scientific and Technological Cooperation Agreement.

China is one of Serbia's largest trading partners and its largest economic partner in Asia. Bilateral trade has accelerated rapidly in recent years despite economic slowdowns caused by the pandemic. According to statistics from China's MOFCOM, bilateral trade between Serbia and China reached US$ 3.2 billion in 2021, at a growth rate 54.3% from the previous year. Of this, China's exports to Serbia reached US$ 2.24 billion, up 37.9% from the previous year, while imports from Serbia reached US$ 995 million, up 99.7% from 2020.

China - New Zealand

Both the countries have completed domestic ratification processes of the upgraded protocol of FTA and it will enter into force from 7 April 2022. The FTA will open markets for wood & paper products; optimize trade rules such as rules of origin; remove technical barriers to trade & customs facilitation. This deal will help boost trade and economic cooperation for both countries and also build confidence despite ongoing geopolitical tensions. On the basis of the RCEP deal, China will further open up services sectors including aviation, education, finance and retirees' insurance to New Zealand.

China – EU



Joint Committee on Geographical Indications (GI) exchanged views on implementing GIs and strengthening bilateral practical cooperation. Both countries are rich in GI resources. The countries stand ready to work together - share experience in the legal system and management practices regarding GIs, and strengthen practical cooperation in promoting GI-bearing products, so as to expand bilateral trade in agricultural products, benefit enterprises and consumers on both sides and boost the rural economy.

US-Japan

The United States announced actions to ease tariffs on Japanese-origin steel products in exchange for Japan's commitments in several key trade areas. As per the agreement, beginning 1st April 2022, the US will implement a Tariff Rate Quota (TRQ) that will permit Japan to export, duty-free, up to 1.25 million metric tons of steel each year, so long as the eligible steel is "melted and poured" in Japan. For any Japanese steel that exceeds that quota, the US will apply a 25% ad valorem tariff.

In exchange, Japan is committed to "establish more market-oriented conditions for steel" by implementing "appropriate domestic measures" (e.g., antidumping, countervailing duty and safeguard measures) and to confer with the U.S. on methods to reduce carbon emissions tied to the steel and aluminum sectors.

6th European Union – African Union Summit

The heads of Government of the member states of the African Union (AU) and the European Union (EU) met for the sixth European Union - African Union summit in Brussels on 17 and 18 February 2022.

Engagement areas of this summit include Green Hydrogen; transport networks, the connectivity within the continent is crucial for the Free Trade Area to function; digital connections, the satellite idea has been mentioned; but also sustainable agriculture; healthcare; and, most importantly, education. The summit is set to emphasize strong partnership against climate change and looking forward to COP 27. The EU reaffirms its commitment to provide at least 450 million vaccine doses to Africa, in coordination with the Africa Vaccine Acquisition Task Team (AVATT) platform, by mid-2022. And together build manufacturing capacity across Africa. EU has announced an Africa-Europe Investment Package of at least EUR 150 billion to support common ambition for 2030 and AU Agenda 2063, composed of an Investment, a Health and an Education Package.

This Global Gateway Investment Package aims to boost public and private investment building on existing initiatives and partnerships. The Package will boost large-scale sustainable investments, supported by Team Europe Initiatives, with due consideration to the priorities and needs of the African countries, including:

- ❖ Investment in energy, transport and digital infrastructure aligned with the PIDA PAP II;
- ❖ Energy transition that is fair, just and equitable, taking into account specific and diverse orientations of the African countries with regards to access to electricity;
- ❖ Green transition including supporting the implementation of the Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) of African Countries under the Paris Agreement to enhance mitigation and adaptation;
- ❖ Digital transformation that supports trusted connectivity through investments in infrastructures and affordable and enhanced access to the digital and data economy while boosting digital entrepreneurship and skills;
- ❖ Sustainable growth and decent job creation, including by investing in the establishment of youth-owned businesses in Africa;
- ❖ Transport facilitation and efficiency of connected transport networks;
- ❖ Human development, notably through scaling up mobility and employability of students, young graduates and skilled workers. It will support industrialisation and the development of sustainable and resilient value and supply chains.

Chile – UAE

Chile at Dubai Expo 2020 has signed an agreement with UAE for negotiations for a Comprehensive Economic Partnership Agreement (CEPA). According to the statement from Mr. Yanez (Vice Minister of Trade, Chile), ‘the agreement will boost channels and push for the advancement of initiatives. Both sides will be well-positioned to be leaders in the energy sectors as producers.'

Further Mr. Yanez explained, "They are set to be positioned to be one of the top three global exporters of green hydrogen by 2040. They are already starting to see a pipeline of projects in the solar, wind and renewable energy sectors. Southern Patagonia and the Atacama Desert in Chile are very promising prospects in solar energy. They think that the UAE could be an important player there as we know that they want to become a global player in this industry. The UAE is also thinking of economic diversification and trying to move away from oil and gas. That is something that CEPA will empower".

The CEPA will include sanitary and phytosanitary measures, rules of origin, digital economy, SMEs, and intellectual property protection, among other relevant issues.

KEY POLICY DISCUSSION AREAS

Upcoming Foreign Trade Policy

A new foreign trade policy (FTP) is likely to be announced by the Government in April. The new policy assumes significance as it is about to come when India has renewed its focus on trade liberalisation and is adapting to the realities of the post-pandemic world. The 2020 WTO Trade Policy Review of India noted that India makes extensive use of trade policy instruments such as tariffs, export restrictions, export taxes, anti-dumping duties, and import licensing. The Directorate General of Foreign Trade (DGFT) is working on the new FTP, under the mounting multilateral pressure to rationalise export promotion schemes to make them compatible with WTO norms.

The upcoming FTP can play an important role in making India a competitive exporter, by mobilising international investment to boost manufacturing exports and fostering greater synergy in trade and investment. In practice, India has significantly liberalised its foreign investment policies and allowed FDI up to 100%, across sectors such as defence, broadcasting carriage services, agricultural activities, telecommunication services, insurance and intermediaries, business-to-business electronic commerce, and airport and non-scheduled air transport services. However, this concept of liberalisation is not backed by policy initiatives. India has adopted trade-restrictive policy regime since 2014. Between 2014 and 2019, import tariffs increased from 13.3% to 17.6% on an average, from 9.7% to 13.6% on industrial goods, and from 36.3% to 43.02% in agriculture.

The new FTP must provide policy guidance and a direction for future trade agreements. Industry Associations and Export Promotion Councils are now demanding a change in the Indian Trade Classification from eight to 10 digits, since most countries already follow the 10-digit tariff nomenclature.

The upcoming FTP may address the challenges of emerging India through required policy interventions for green industries, start-ups, women entrepreneurs, and services sector exports.

The industry is expecting some of the following expectations from the new FTP:

- ❖ Help in securing better foreign market access for Indian goods and services
- ❖ Extending the coverage of beneficiaries under RoDTEP to all exporters
- ❖ Creating infrastructure for digitisation of export processes
- ❖ Promoting E-commerce exports
- ❖ Incentives for capital goods to boost manufacturing exports
- ❖ Reducing the tax threshold
- ❖ Creating better alignment between DGFT, the Customs and the GST Council
- ❖ Creating more Harmonized System of Nomenclature (HSN) Codes for properly categorizing goods

Data Protection Law

India is in the process of formulating a data protection law that is expected to provide adequate data protection for both personal and non-personal data of citizens. In December 2021, the Joint Parliamentary Committee (JPC) submitted its long-awaited report to the Indian Parliament after two years of deliberations on the Personal Data Protection Bill, 2019. This is the culmination of a series of extensions provided to the JPC and have paved the way for a strong data protection law in the world's largest democracy.

Under the upcoming data protection law, data fiduciaries and processors are required to implement security safeguards that use de-identification, encryption, steps to protect personal data integrity and to prevent misuse, unauthorized access, modification, disclosure or destruction of personal data. It should be evaluated and clarified whether the implementation of the IS 17428 can be demonstrated as compliance with these security obligations. The Bureau of Indian Standards (BIS), in 2021, issued new standards for data privacy assurance i.e., the IS 17428. The standard seeks to provide a privacy assurance framework for organizations to establish, implement, maintain and continually improve their data privacy management system.

The data protection law will provide actionable rights to citizens against breaches of their privacy. It will also enable them to correct their data, confirm if it has been processed, and restrict its continued disclosure. There will be broadly three implications of data protection law: social, economic and security.

First, the policy will empower people to enjoy privacy, especially those who cannot give their valid consent due to illiteracy, language barrier or consent fatigue.

Second, data is the new oil as it can enable strategic business alignment, informed policy-making & governance, digitalise processes, facilitate trade, minimise waste and scale profitability, etc. Therefore, the Government wants to protect data and stay ahead of the curve with the help of data services.

Third, it will help prevent national security breaches and provide a faster mechanism for investigation and prosecution than through the recourse of Mutual Legal Assistance Treaties (MLATs) in case of any offences being committed.

New SEZ legislation

Finance Minister Nirmala Sitharaman, in her Budget speech, announced that the Government is planning to replace the current legislation of Special Economic Zones (SEZ) with a new one. The new legislation will enable states to become partners in 'Development of Enterprise and Service Hubs' (DESH). Reforms are expected in the customs administration of SEZs to facilitate ease of doing business and increase the export competitiveness of India. This will cover all large existing and new industrial enclaves to optimally utilise the available infrastructure and enhance the competitiveness of exports Government of India will also undertake reforms in customs administration of SEZs. It shall be fully IT-driven and function on the Customs National Portal with a focus on higher facilitation with only risk-based checks. This will ease doing business by SEZ units.

SEZs have played a vital role in the growth of the IT services sector and have enabled the country's economic growth. Analysts believe reviewing the laws to make them more flexible and business-friendly is a positive as it needs to be reimagined with the current situation. It is expected that this reform shall be implemented by 30 September 2022.

New GST Council Meeting in March 2022

The Ministry of Finance (MoF) is discussing with states to schedule the 47th GST Council meeting in March 2022. MoF has asked the states to give a few dates to hold the council meeting as most states are busy in their budget sessions or state elections. During the last GST Council meeting held on 31st December 2021, the Finance Minister Ms Nirmala Sitharaman asked the Group of Ministers (GoM) to submit their report on GST rate rationalization. Further, in the last meeting the Council unanimously decided to defer the hike in GST on textiles from 5% to 12%; however, decided to discuss this again in the next meeting. The Council also asked the Group of Ministers (GoM) on rate rationalization headed by Mr. Bommai (Chief Minister of Karnataka) to assess the textile issue and submit a report. The GoM will also review the rate rationalization for other products and submit its report for circulation with all state governments.

Recently, Finance Minister during interaction with industry bodies said that the Council will discuss the inclusion of aviation turbine fuel (ATF) under GST regime in the next meeting of the council, while saying that rising global fuel prices is a "concern". When the GST was introduced in 2017, certain commodities like crude oil, natural gas, petrol, diesel and ATF – were kept out of its purview given the revenue dependence of the central and state governments on this sector.

POLICY – REGULATORY BRIEF

INDIA

Agriculture Export Policy: Maharashtra

In December 2018, the Government of India released its Agriculture Export Policy, directing state governments to draft their policies. As a result, the state administration formed a committee in May 2019 to draft the policy. In February 2022, the Maharashtra Government announced the state's Agriculture Export Policy (AEP), which would promote the export of 21 agricultural commodities.

Some of the activities envisaged under the AEP include, infrastructure creation, export of organic products, export of products registered under Geographical Indication, developing sea protocol and trial consignments, hiring international consultants for post-harvest management, declaration of pest-free area for certain products and implementation of an effective traceability system.

The 21 commodity-specific clusters identified by the Maharashtra Government for export promotion include banana, pomegranate, Alphonso Mango, Kesar Mango, orange, grapes, sweet lime, onion, cashew, floriculture, raisin, vegetables, non-Basmati rice, pulses and cereals, oilseeds, jaggery, spices (red chilli and turmeric), dairy products, fisheries and animal products.

Union MSME RuPay Credit Card

The Union Bank of India (UBI) has announced the 'Union MSME RuPay Credit Card' in collaboration with the National Payments Corporation of India (NPCI) to help Micro, Small and Medium Enterprises (MSMEs) meet their business-related operational expenses (MSMEs).

This card offers a 50-day interest-free credit period. The specialised card for MSMEs is available to qualified borrowers of the Union Bank of India. Customers can also use the card to pay for business-related expenditures over time, the public sector bank stated in a statement. Additionally, they will also benefit from accidental insurance coverage of up to Rs. 10 lakhs, domestic airport lounge access of 2 per quarter, and other rewards using this card.

Green Hydrogen Policy

On Independence Day year 2021, PM Narendra Modi announced the National Hydrogen Mission. The mission's goal is to assist the Government in achieving its target of creating 5 million tonnes of "green hydrogen" by 2030 and developing renewable energy capacity. In the last week of February 2022, the Government of India notified the first phase of its Green Hydrogen Policy as a step forward towards National Hydrogen Mission. The mission aims to make India a green hydrogen hub and help to meet its climate targets. It targets the production of five million metric tonnes per annum (MMTPA) of green hydrogen by 2030 and the related development of renewable energy capacity. The policy offers a range of incentives to lure investors to bet on the development of green hydrogen and green ammonia:

- ❖ The country's green hydrogen and ammonia policy aims to promote renewable energy. According to the policy, green hydrogen/ammonia manufacturers may buy renewable energy from the power exchange or build renewable energy capacity directly or through any other developer, anywhere.

- In addition, the regulation allows anyone to obtain electricity within 15 days of submitting an application. The manufacturer can bank his renewable energy with distribution providers for 30 days and return it when needed. "The policy encourages the generation of renewable energy (RE), as RE will be the primary ingredient in the production of green hydrogen.

- Distribution licensees can procure and supply renewable energy to green hydrogen / green ammonia manufacturers in their states at reduced prices, which will only include procurement costs, wheeling charges, and a small margin set by the state commission.

- The Manufacturers will be granted priority access to the grid to minimise any delays in the process. And also will be exempt from interstate transmission taxes for 25 years if their facilities are completed before June 30, 2025.

- The Renewable Purchase Obligation (RPO) benefit will be offered as an incentive to the manufacturers and distribution licensees who use renewable energy. The Government has established a single portal where all activities can be completed. Connectivity to the Inter-State Transmission System (ISTS) for RE capacity put up to manufacture green hydrogen/ammonia shall be given on a priority basis, both at the generation and manufacturing ends.

- The manufacturers will be permitted to construct bunkers near ports to store green ammonia for export/use by ships. The local port authorities will give land for storage for this purpose for a price.

Draft India Accessibility and Use Policy

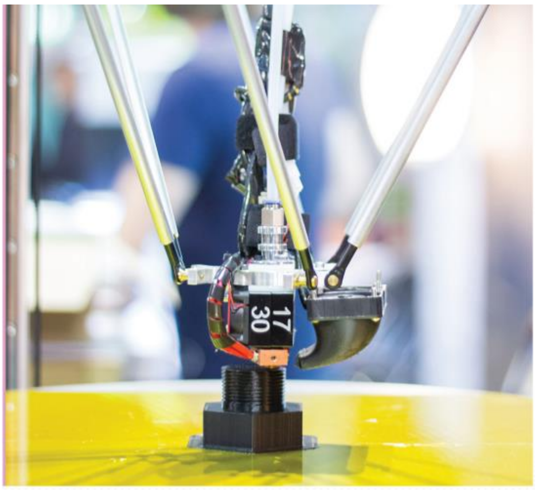
The Ministry of Electronics and Information Technology (MeitY) has issued a draft document for public consultations and proposed an India Data Office (IDO) with the idea of streamlining and consolidating data access, and sharing of public data repositories across Government and other stakeholders. The policy document provides an update to the existing Government policies — the National Data Sharing and Accessibility Policy (NDSAP) and the Open Government Data Platform (OGD) India.

The policy has made only made mandatory for Government bodies to share data. Private companies can contribute on a voluntary basis. India's goal of creating a $5 trillion digital economy depends on the country's capacity to use data to improve service delivery. In light of this, the India Data Accessibility and Use Policy strive to improve non-personal data access, quality, and use in line with the decade's current and emerging technology demands.

National Strategy for Additive Manufacturing

Additive Manufacturing (AM) (or 3D printing), produces objects layer by layer has the potential to transform next-generation manufacturing through expanding design freedom, reducing time to market, bringing production closer to demand and improving industrial sustainability.

With the release of the Strategy by Ministry of Electronics & Information Technology, Innovation and R&D ecosystem will be encouraged in PPP mode to transform existing research knowledgebase to develop Additive Manufacturing grade materials, 3D printer machines and printed indigenous products for the vast domestic and international market in various sectors including electronics, photonics, medical device, agro and food processing etc.



The industry growing fast as valued above US$17 billion in 2017 and is expected to be at US$ 35.6 billion by 2023.

The national strategy would be based on the tenets of 'Make in India' and 'Atmanirbhar Bharat Abhiyan,' which promote self-sufficiency through the technological transformation of the production paradigm, and would be implemented through a dedicated National Centre with participation from all stakeholders. This centre will operate as a knowledge and resource aggregator in order to speed up technological acceptance and advancement. The sector-specific Centers will also be established to integrate indigenous AM technology, giving Indian manufacturers a competitive advantage over their worldwide counterparts.

By 2025, the Strategy aims to gain 5% of the global AM market share and add roughly $1 billion to the GDP. This will build an ecosystem that will support the formation of roughly 100 new start-ups, 10 new AM industries, and 1 lakh new skilled workers, as well as the development of 500 AM products and 50 Indian AM technology in the areas of material, machine, process, and software. In addition, in order to promote this expansion, awareness of AM goods will be raised.

India – Australia Energy Dialogue

Energy Transition was a major area of discussion in the dialogue and both the Energy Ministers spoke in detail about the ongoing Energy Transition activities in their respective countries with a focus on renewables, energy efficiency, storage, EVs, critical minerals, mining etc. The need for Climate Finance was also highlighted by India for meeting the Energy Transition goals of developing countries.

To focus on advancing technology and clean energy transition. In this context, the agreed forward action plan includes areas like energy efficiency technologies; grid management; R&D collaboration on flue gas desulphurization, biomass or hydrogen co-firing, water cycle optimization, renewables integration, batteries and electric mobility.

Apart from the power sector, there are many desirable areas of cooperation agreed under the other JWGs like reducing costs of Green Hydrogen; cooperation in the sphere of coal-based energy security and resource deployment; investment opportunities in the minerals sector; exploring the potential for an LNG Partnership.

WORLD

Japan shifted to a Skill-based personnel system

Major electronics manufacturers (Hitachi Ltd, Fujitsu Ltd, & NEC Corp.) have adopted the Skill-Based Personnel Systems for employees in managerial positions, are aiming to expand the use of the system to cover rank and file workers. The system makes it easier for a company to secure personnel with specialized skills as well as highly motivated workers in and outside the company.

Under a skill-based system, the knowledge, experience, abilities and qualifications needed for each post are set out in job descriptions, and posts are given to people who meet the requirements, regardless of their age or seniority at a firm. The system is becoming increasingly important for encouraging the wider use of remote work and other flexible work styles, which have spread amid the COVID-19 pandemic.

Chile – Ban on Single-Use Plastics

Chile has begun to phase out of Single –Use plastics such as plastics cups, straws, takeout containers, forks, spoons and knives at restaurants & other dining establishments as a new law regulating enters into force. According to Deputy Environment Minister Marcelo Fernadez, 'These regulations will allow the country to reduce over 23,000 tons of plastic every year, single-use plastics and this will tremendously benefit the environment.

Chile's regulations will step up over the coming years. By August of 2023, the country will mandate returnable bottles in stores and warehouses. By the following summer, restaurants and food counters will have to use recyclable or reusable take-out containers and cutlery.

The ready-to-drink category will need to be compliant with recycled plastic content minimums. Disposable containers will have an increasing component of recycled plastics, which must be certified. By 2025, that amount must be 15%. It moves to 70% by 2060. Businesses that sell single-use plastic bottles must also offer alternatives such as reusable products.

Innovative Vertical Farming—UAE

The UAE will build the world's biggest vertical farm near the Expo 2020 site to bolster the country's food production. By this, the country is moving towards self-sufficiency in food by introducing technology and innovation. The UAE would soon be announcing a Food Tech challenge, a global initiative to attract solutions to enable technology-based solutions to grow food in very arid and marginal environments.

OPINION COLUMN

Agri - Economy
Shreesh Kaushik

Soil Erosion: Challenge in Agri Production

Soil erosion is a gradual process that occurs when the impact of water or air evaporates and releases soil particles, causing the soil to degrade. Due to erosion and water flow, soil erosion and low water levels have become significant problems worldwide. The problem may be so severe that the field may not be cultivated and must be abandoned.

Soil erosion is a major problem for productive agricultural land and concerns water quality. Soil management must be an integral part of any soil management system to improve water and soil quality. Abundant topsoil can be carried by air or water to streams and other waterways.

Sediment is a natural phenomenon separated by weather processes and erosion, and later transported by the action of air, water, or ice or gravity acting on the particles. Soil production and soil erosion are closely related. Therefore, the most effective way to reduce soil production is to stabilize the soil source by controlling erosion.

Numerous studies have been conducted to determine the underlying causes of the natural risk of soil erosion. Natural causes of soil erosion include earthquakes, tsunamis, droughts, volcanoes, volcanic eruptions, landslides, floods, wildfires etc. Whereas, Man-made causes of soil erosion include deforestation, improper farming practices, improper disposal of industrial wastewater, pastures, overhead mines, urban sprawl etc. India is experiencing erosion caused by other key factors such as land scarcity, economic pressure on the fields., a decrease in land acquisition per person etc.

Soil erosion in our country is a serious threat to both the irrigated and rain-fed areas. To conserve soil and prevent soil erosion, preventive measures should be taken immediately such as:

<u>Contour tillage</u>

Here, fields are planted near the slopes and not the mountain. This type of planting works very well as it leads to the formation of hills and ditches where it flows and reduces the speed of the water. This type of farming is also beneficial as it increases the water content of the soil, and the plants, in this way, absorb more water.

<u>Consolidation of Contour</u>

This is where the plants and trees start in the area where dynamic farming is cut down. The leaves are ground and left on the ground to dry. After the decay of leaves and other parts of various plants, the dried material is compacted and arranged in rows of contours. The concrete line is covered with nails, stones, small branches etc. Once created, farmers place the remaining rot in the soil between the lumps and the planted plants.

(The writer is an Account Manager at VeKommunicate)

Environment Equity

Saloni Goyal

Plastic Waste Management Rules

Introduction

In 21st Century, Plastic is practically everything, from our money to electronic appliances, and it is utilized in all sectors, including packaging, construction, transportation, industrial machinery, and health, etc. Plastic waste management is becoming a challenging task for countries across the globe. Plastic disposal and safe management haven't been commensurate with increased usage. This has resulted in the creation of landfills on land and garbage patches in oceans. Globally, 6.3 billion metric tonnes of plastic waste is produced, out of which only 9% was recycled, 12% incinerated and 79% dumped into landfills, oceans or waterbodies.

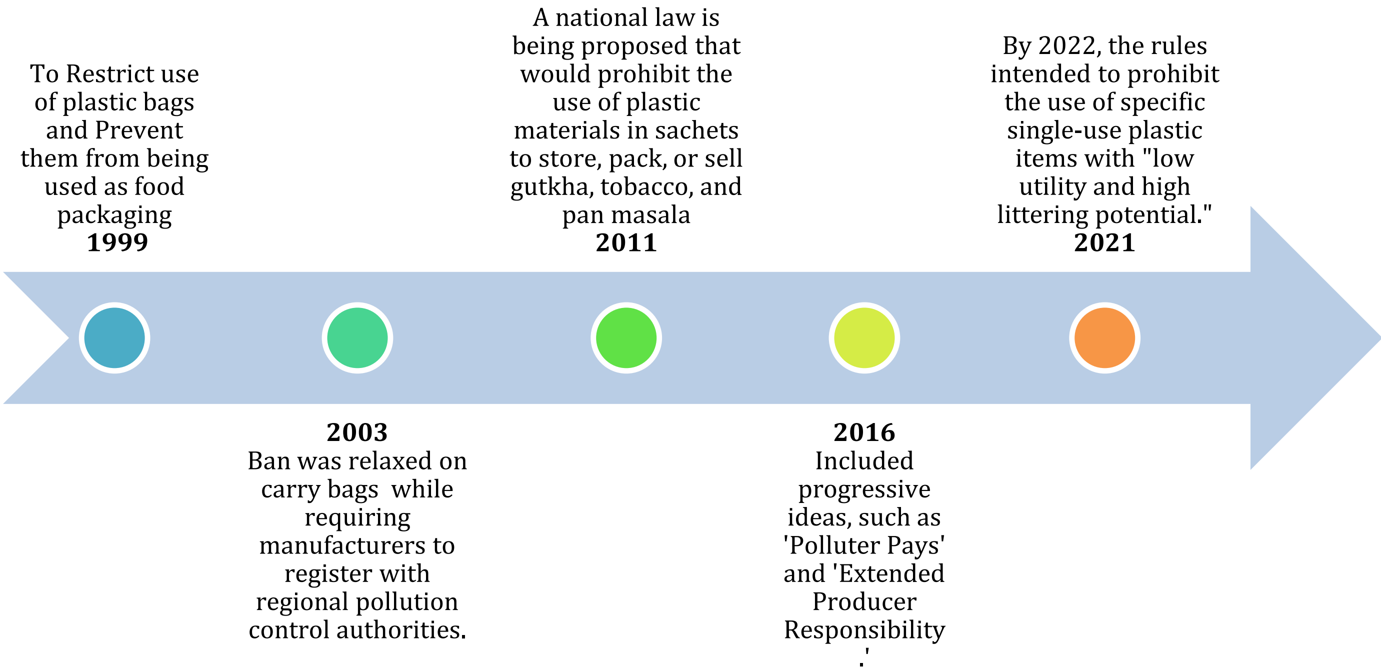
India has been actively taking steps to effectively manage plastic waste as seen by frequent amendments to the Plastic waste management rules. The Ministry of Environment has issued new rules called the Plastic Waste Management (Amendment) Rules, 2022.

Plastic use in India

India is one of the world's largest producers, importers and consumers of plastic material, a sizable part of which is utilized for packaging. One of the effects of excessive plastic consumption is the development of plastic garbage, particularly through single-use products. According to the Central Pollution Control Board (CPCB) Report (2019-20) states that Indian cities generate 3.4 million metric tonnes of plastic waste annually. This was due to the fact that around 70% of plastic packaging products are transformed to waste in a short period of time. Plastic trash creation is anticipated to increase to 31.4 million tonnes by 2031 and 55 million tonnes by 2041, highlighting the urgent need to address the concerns raised by our country's expanding plastic waste.

Plastic Waste Management

It refers to managing the plastic waste generated and processing it to make it reusable. The characteristic activities of waste management include: (a) Collection, transport, treatment and disposal of waste, (b) Control, monitoring and regulation of the production,



Timeline of the Regulations in India from time to time

collection, transport, treatment and disposal of waste, and (c) Prevention of waste products through in-process modifications, reuse and recycling.

Plastic Waste Management Rules 2022

Extended Producer Responsibility: The responsibility of a particular for the environmentally sound management of the product until the end of its life.

The new rules classify plastics packaging into four categories which will be covered under Extended Producer Responsibility:

A. Category I - Rigid plastic packaging;

B. Category II - Flexible plastic packaging of a single layer or multilayer (more than one layer with different types of plastic), plastic sheets, carry bags, plastic sachet or pouches;

C. Category III - Multi-layered plastic packaging (at least one layer of plastic and at least one layer of material other than plastic);

D. Category Four - Plastic sheets used for packaging as well as carry bags made of compostable plastics.

Environmental compensation

It shall be levied based upon the polluter pays principle, with respect to non-fulfilment of EPR targets by producers, importers and brand owners. However, payment of compensation will not absolve the liability and unfulfilled EPR obligations for a particular year will be carried forward to the next year for a period of three years.

EPR Certificate

The guidelines allow for the sale and purchase of surplus extended producer responsibility certificates. This will set up a market mechanism for plastic waste management.

Significance of the new rules

❖ It will promote the development of new plastic alternatives and provide a roadmap for companies to transition to sustainable plastic packaging.

❖ The guidelines provide a framework to strengthen the circular economy of plastic packaging waste.

❖ These are important steps for reducing pollution caused due to littered plastic waste in the country.

❖ It would help the Government meet its targets in a more effective way e.g., the latest deadline for eliminating single-use plastic waste is July 2022.

Way Forward

❖ To sensitize the masses and work towards behavioural change for waste segregation and management.

❖ To encourage to adopt 4 R's – Reduce, Reuse, Recycle and Recover.

❖ Government should incentivize producers to switch towards sustainable products rather than putting high fines on them.

❖ Government ministries at the national and local levels must collaborate in the development, implementation and oversight of policies, which includes participation from industrial firms, non-governmental organisations and volunteer organisations.

(The writer is an Account Executive at VeKommunicate)

Finance Column
Omar Pervez

India, RCEP and FTAs – Concerns and way forward

The Regional Comprehensive Economic Partnership (RCEP), signed in November 2020, is the largest trade bloc in history, where its 15 member countries account for about 30% of the world's population (2.2 billion people) and 30% of global GDP ($29.7 trillion). It includes Asia-Pacific nations of Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, South Korea, Laos PDR, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam[1].

As of 1st February 2022, RCEP is applicable in 11 countries of Brunei Darussalam, Cambodia, Lao PDR, Singapore, Thailand, Viet Nam, Australia, China, Japan, New Zealand and South Korea. Malaysia ratified the RCEP agreement upon depositing its instrument of ratification with the Secretary-General of ASEAN on 17 January 2022 but the agreement has yet to take effect. The remaining countries among the signatories where RCAP is not in effect include Indonesia, Myanmar and the Philippines. Hong Kong recently submitted its application to join RCEP on 21st February 2022.

India took part in the initial negotiation, but later on, November 4, 2019, decided to exit discussions.

India cited concern over regulatory and non-tariff barriers in agriculture, dairy, MSME and services sectors, and the absence of adequate provisions in **'rules of origin'** in the final version of the RCEP agreement. The main fear was that cheap Chinese goods would flood the Indian markets, directly and through other countries, worsening the already negative balance of trade between the two countries. India, being an initial participant, is exempt from the requirement of 18 months waiting period from the date it comes into force, and can join immediately should it decide to do so.

India's participation would depend on RCEP addressing the following concerns[2]:

- Tariff Differential leading to circumvention of Rules of Origin: Countries can take advantage of tariff differential given to another country in tariff lines not offered to it. For example, once India becomes an RCEP member, China may use lower tariffs that India allowed to Vietnam or Malaysia, thereby using this provision for dumping its products in India.

- Base rate of customs duty as of 1/1/2014 will be applicable under RCEP: India has requested changing the base year for the rate of customs duty to 2019. This has enormous implications for sunrise industries. India fears that this will be adversely affected its competitiveness since India will have to reverse its tariff rates to the 2014 level once it joins RCEP.

- Auto Trigger Safeguard Mechanism (ATSM) along tariff lines, with review clause after every three years: India is concerned about the adverse imbalance in trade experienced with its major trading partners. Thus, it wants a mechanism that reviews and protects its domestic industries.

MFN obligations and Carve out of sensitive sectors from Ratchet obligations in Investment Chapter:

RCEP members cannot give concessions to specific members/other countries in the

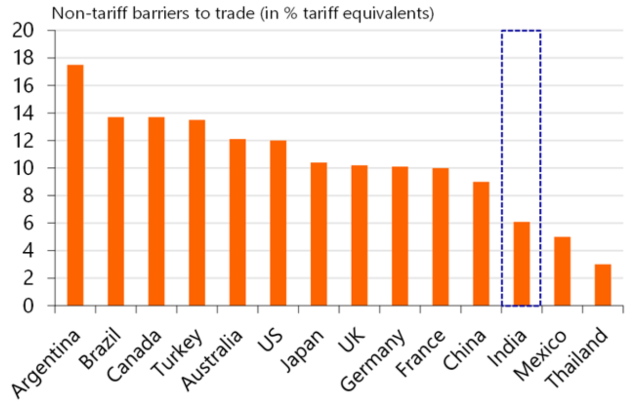
[1] https://en.wikipedia.org/wiki/Regional_Comprehensive_Economic_Partnership

[2] https://www.businesstoday.in/latest/economy-politics/story/rcep-5-reasons-why-india-stayed-away-from-world-largest-trade-deal-278787-2020-11-16

exclusion of its own members in general. Thus if any concession or benefit is given to a third country for investments due to strategic reasons, the same would automatically be applicable to all RCEP countries. India feared that benefits given to France, the USA, Sri Lanka or Nepal, have to be offered to Chinese investments too. In addition, India is loath to give up its powers of giving MFN status to friendly nations with whom it enjoys strategic ties.

A large number of sectors including dairy, agriculture, steel, plastics, copper, aluminium, machine tools, paper, automobiles, chemicals and others had expressed serious apprehensions on RCEP fearing dominance of cheap foreign goods. By not having to comply with the rules imposed by RCEP, India has bought time to strengthen its domestic industries towards making them globally competitive[3].

Non-tariff barriers (NTBs) to trade, range from quantitative restrictions to administrative controls and play a significantly more important role than tariff barriers. There is no provision for addressing or lowering NTBs with RCEP.



India has the highest tariffs compared to the RCEP members – which it would have to decrease significantly, which would then enable other RCEP members to gain access to its 1.3 billion consumers.

Apart from Philippines and New Zealand, most of the larger RCEP economies are net exporting nations, with a low trade deficit with each other. Notable exceptions include Australia « China, China « South Korea, Vietnam « South Korea. Additionally, most RCEP members are exporting beyond RCEP borders.

↓ Trade balance of county with trading partner, % GDP

→ Trading partner	Australia	China	Indonesia	Japan	Laos	Malaysia	New Zealand	Philippines	Singapore	South Korea	Thailand	Vietnam	India	EU	US
Australia		-0.4	-0.3	-0.5	-0.1	0.8	0.8	-0.2	2.0	-0.5	1.3	0.1	-0.3	0.2	0.1
China	2.2		-1.5	-0.1	0.9	0.1	-0.4	-1.6	13.1	4.8	-2.0	-8.3	-2.1	-1.0	-1.7
Indonesia	0.0	0.1		-0.1	-0.2	-0.3	0.0	-1.4	3.9	-0.1	0.4	-0.3	-0.4	0.0	-0.1
Japan	1.3	-0.3	0.3		-0.2	0.7	-0.2	0.3	-0.9	-1.4	-2.3	0.0	-0.3	0.0	-0.3
Laos	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Malaysia	-0.3	-0.2	-0.2	-0.1	-0.1		-0.3	-0.7	0.6	0.0	-0.4	-0.8	-0.2	-0.1	-0.1
New Zealand	0.1	0.0	0.0	0.0	0.0	0.1		-0.1	0.3	0.0	0.2	0.0	0.0	0.0	0.0
Philippines	0.1	0.1	0.5	0.0	0.0	0.6	0.2		0.4	0.4	0.8	0.6	0.0	0.0	0.0
Singapore	-0.1	-0.1	-0.5	0.3	-0.2	2.9	-0.3	-0.6		0.3	0.3	-0.7	0.0	0.1	0.0
South Korea	0.4	-0.7	-0.1	0.4	-0.4	-0.6	-0.1	-1.5	-0.2		-0.8	-9.1	-0.4	0.0	-0.1
Thailand	-0.6	0.0	-0.3	0.1	-4.7	0.4	-0.6	-1.2	2.0	0.1		-2.1	-0.1	0.0	-0.1
Vietnam	-0.1	0.2	0.0	-0.1	1.5	0.5	0.0	-0.5	2.6	1.6	1.3		0.1	-0.2	-0.2
India	0.4	0.4	0.9	0.1	0.4	1.0	0.0	-0.3	1.3	0.6	0.6	0.3		0.0	-0.1
EU	-1.9	0.9	0.3	-0.2	0.5	0.8	-1.8	0.2	-2.0	-0.4	0.4	8.9	0.0		-0.8
US	-1.1	2.3	0.9	1.2	-0.1	1.7	-0.1	0.5	-2.8	1.2	2.6	12.0	0.8	1.0	
Total	0.3	3.5	0.0	0.1	-2.7	7.9	-1.3	-10.0	13.0	4.8	2.2	1.1	-5.6	2.1	-4.1

Source: RaboResearch based on Trademap, IMF, Macrobond. China's trade includes trade via Hong Kong

[3] https://economictimes.indiatimes.com/news/economy/foreign-trade/why-did-india-opt-out-of-rcep-one-of-the-worlds-largest-free-trade-agreements/what-it-means-for-india/slideshow/79246159.cms

Country	Exports (in Rs Crores)				Imports (in Rs Crores)				Balance of Payments (in Rs Crores)			
	2018-19	2019-20	2020-21	(Apr-Dec)	2018-19	2019-20	2020-21	2021-22 (Apr-Dec)	2018-19	2019-20	2020-21	2021-22 (Apr-Dec)
U S A	3,66,480	3,76,166	3,81,845	4,14,503	2,48,554	2,53,363	2,13,725	2,32,831	1,17,927	1,22,802	1,68,120	1,81,672
CHINA P RP	1,17,289	1,17,673	1,57,202	1,27,076	4,92,079	4,61,525	4,82,496	5,02,438	-3,74,790	-3,43,851	-3,25,294	-3,75,362
U ARAB EMTS	2,10,211	2,04,238	1,23,334	1,48,958	2,08,551	2,14,447	1,96,351	2,43,190	1,660	-10,209	-73,017	-94,232
SAUDI ARAB	38,854	44,267	43,359	49,265	1,99,395	1,90,245	1,19,759	1,68,388	-1,60,541	-1,45,978	-76,400	-1,19,123
HONG KONG	91,117	77,752	75,201	62,593	1,25,972	1,19,999	1,12,218	1,02,263	-34,855	-42,247	-37,017	-39,670
IRAQ	12,507	13,287	11,105	12,087	1,56,601	1,68,354	1,05,655	1,61,548	-1,44,094	-1,55,068	-94,550	-1,49,461
SINGAPORE	80,942	63,027	64,382	61,109	1,13,919	1,04,394	98,220	98,592	-32,977	-41,367	-33,837	-37,483
GERMANY	62,201	58,723	60,113	52,175	1,06,131	96,928	1,01,105	78,584	-43,930	-38,206	-40,992	-26,410
KOREA RP	32,878	34,338	34,694	42,146	1,17,255	1,10,883	94,476	95,062	-84,377	-76,546	-59,782	-52,916
INDONESIA	36,871	29,299	37,157	44,840	1,11,149	1,06,727	92,325	95,223	-74,277	-77,428	-55,169	-50,382
SWITZERLAND	8,292	8,505	9,341	7,526	1,26,172	1,19,239	1,33,868	1,45,930	-1,17,880	-1,10,734	-1,24,527	-1,38,404
JAPAN	34,010	32,003	32,818	34,582	89,278	88,034	80,819	80,617	-55,268	-56,031	-48,001	-46,035

Source: Ministry of Commerce and Industry - Department of Commerce

The question that begs to answer **– Is India ready to become the buyer of last resort – a major net importer, sucking up the goods from other RCEP members?**

The flip side is that India would ***lose its influence on institutional policies of regional trade***, and not be a part of the global and regional supply chain as an influential member.

India has to focus on FTAs

The major agreements already in place include:

- Agreement on SAARC Preferential Trading Agreement (SAPTA)
- Agreement On South Asian Free Trade Area (SAFTA) (members include South Asian Countries include Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka
- Asia-Pacific Trade Agreement (members include Bangladesh, China, Lao, South-Korea and Sri Lanka)
- Comprehensive Economic Partnership Agreements (CEPAs) with ASEAN - one each for trade in goods, trade in investments and trade in services
- Comprehensive Economic Partnership Agreements (CEPAs) with Japan
- Comprehensive Economic Partnership Agreements (CEPAs) with South Korea

There are various other broad level agreements that lay the framework for detailed discussions to proceed.

Every country focuses on improving its exports while trying to reduce imports or its dependence on other countries, and India is no different. India continues to run a trade deficit with almost all of its top trading partners except the USA where there is a surplus.

The USA and China are the top two trading partners of India, with China ranking top in 2020-21. Interestingly, China's main trading partner is now ASEAN and not the USA or the European Union. The Government of India announced its intent to review India's three major Comprehensive Economic Partnership Agreements (CEPAs) with ASEAN, South Korea and Japan[4].

India signed the India-UAE CEPA on 18th February 2022, effective 1st May 2022 within a record 88 days of negotiations. The first round of discussion for the India-UK FTA concluded in Jan 2022 and is planned to resume in March 2022. India and Australia are close to finalizing an interim trade agreement in March 2022 and a Comprehensive Economic Cooperation

[4] https://www.eastasiaforum.org/2022/02/21/indias-renewed-embrace-of-free-trade-agreements/

Agreement (CECA) 12-18 months thereafter. Talks with New Zealand are yet to resume.

India-Singapore CECA has had two reviews; the India-Bhutan Agreement on Trade Commerce and Transit renewed in 2016; the India-Nepal Treaty of Trade extended in 2016. India-Korea CEPA, which began in 2016, has had eight rounds of negotiations. India has taken up the review of the India-Japan CEPA and India-ASEAN FTA with its trading partners[5].

How successful will all these negotiations be, only time will tell?

More important is to oversee the transformation of the manufacturing sector into a globally competitive force, and to quicken the pace of reforms in the agriculture and dairy sector. MSMEs have to spearhead the innovative growth if India is to open its doors to competition and benefit from broader alliances.

(The writer is Advisor at VeKommunicate)

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[5] https://indianexpress.com/article/explained/india-out-of-rcep-china-economy-trade-angle-7053877/

India's push for deeper GVC integration

Supply Chains are crucial for strengthening the geopolitical power of nations. India envisions deeper integration of the Indian economy in Global Supply Chains. The Government plans to liberalize trade and investment for creating competitiveness in manufacturing exports. Indian Manufacturing Sector can grow significantly by achieving global competitiveness in three areas: production, pricing, and quality. For instance, the Indian electronics sector has set a vision of growth in manufacturing to $300 billion worth of goods by 2025 from the current output of nearly $67 billion[6]. The Government has projected that our domestic demand by the year 2025 will grow to almost $150 to $180 billion.

The rest of $120-$140 billion worth of demand will come from foreign markets. To gain a share in it, India needs to gain access to foreign markets by utilizing the FTAs and building supply chain efficiencies to compete in pricing. Our cost of logistics which is currently at a level of 13-14% of gross domestic product (GDP) and is 4-5% higher than that of developed nations, renders our exports uncompetitive[7]. Therefore, we need the acceleration of projects like Gati Shakti. Also, the promotion of the e-commerce sector can play a pivotal role in manufacturing exports.

E-commerce platforms provide us with two significant leverages: pre-established supply chain efficiency and access to foreign customers at minimum upfront costs. India's foreign trade policy can create a framework to support e-commerce exports by incentivising the sector to develop its logistic capabilities and providing facilitative guidelines for cross-border transactions and delivery.

Secondly, India needs to align itself with the regulations present in important foreign markets to safeguard market access against non-tariff barriers. For example, General Data Protection Regulation (GDPR) in European Union (EU) does not allow the flow of personal data to a non-EU country if it finds that country to have an inadequate mechanism for protecting EU data[8]. This will require non-EU countries to enter into a safeguard mechanism like the Standard Contractual Clause (SCC) for cross-border data transfer. Further, the EU determines the countries that can be trusted for adequate protection of EU data and therefore, those countries do not need to enter into safeguarding mechanism agreements separately. Thus, there should be a provision in our upcoming data protection law to protect both inward and outward data for ease of digital trade.

We also need to factor in ESG compliances in our pursuit of global supply chain integration of Indian manufacturers. Environmental, Social and Governance or ESG is becoming an important aspect of businesses with its growing ability to attribute Premiumization on goods and services. But higher standards of labour and environmental protection standards in developed countries create green protectionism. India should negotiate labour

[6] https://static.pib.gov.in/WriteReadData/specificdocs/documents/2022/jan/doc20221247801.pdf

[7] https://www.financialexpress.com/economy/govt-aims-to-cut-logistics-costs-by-5-ppts-goyal/2365250/

[8] https://gdpr-info.eu/

and environment obligations of advanced markets in FTAs to reduce such non-tariff barriers to foreign market access. Further, the negotiations shall enable FTAs to become facilitators of achieving ESG based objectives in developing nations.

The key reason for the disparity in ESG standards of developing and the developed nation is their different socio-economic realities which should be acknowledged. Trade-based incentives should be provided for developing countries to pursue ESG goals. For example, FTAs with the developed nation can provide access to superior technology that enables India to raise its labour standard and environmental protection, such as labour friendly technologies like machine learning, AI, etc. and environment-friendly green technology.

While India shall agree to ESG based obligations in FTA to gain access to superior technology and to drive good governance based premiumisation of exports, certain flexibilities in FTAs should be ensured which allow India to pursue ESG goals in its best endeavour or good faith. With significant structural and policy reforms and pursuing strategic FTAs, India can become a major hub for manufacturing exports.

(The writer is an Account Executive at VeKommunicate)

Plant-Based Protein

Babita Rawat

The global plant-based protein market size was valued at USD 10.3 billion in 2020, which is expected to reach USD 15.6 billion by 2026, recording a CAGR of 7.2% during the forecast period[9]. This is attributed to the growing usage of pea protein in the food industry and innovation in the technologies used for the extraction of plant-based protein. North America region accounted for the largest market share in the global market.

The North American market accounted for the largest share due to the presence of some of the leading manufacturers such as Cargill (US), ADM (US), DuPont (US), and Puris (US). The North American region has been a key driver for the growth of the market owing to the investments in product manufacturers as well as processing units. The region is a key producer of different sources, including soy, wheat, and pea, with the combined output from the region dominating the global export market. The growing trend of veganism in the region also continues to propel plant-based protein products into the mainstream. The rising incidences of obesity, cardiovascular diseases, and diabetes among the American population have also prompted consumers to adopt vegan diets.

Plant-based protein in India

The Indian plant-based protein market reached a volume of about 11,250 tons in 2020. The market is further expected to grow at a CAGR of 12.4% to reach a volume of around 15,800 tons by 2023[10].

The increased demand due to the rising awareness about the benefits of plant-based proteins and the rising focus on the drawbacks of animal proteins have been propelling the growth of the plant-based protein market in India. It may be attributed to the social and digital influencers and animal activists circulating to eat more plant-based proteins. There is a sudden high demand because people are realizing that plants are more beneficial not only to the body but also for the environment and help reduce one's carbon footprint. People are more conscious about what they eat and put into their bodies and if it is equally good for the environment, the better it is.

Role of Government in development of the sector

The Government allows 100% foreign direct investment (FDI) in the food processing sector, to encourage the development of manufacturing and cold chain facilities.

Special emphasis on the creation of cold chain infrastructure at farm level; Grant-in-aid of the maximum of USD 100 million for plant & machinery, with different thresholds for storage infrastructure, value addition/processing infrastructure and irradiation facilities.

A nationally celebrated Protein Day to encourage Indian citizens at large to learn and know more about different types of available sources of plant protein.

The Indian Government, in a first, released a poster endorsing the benefits of a plant-based diet. The Ministry of Health and Family Welfare (MoHFW), along with FSSAI, is promoting the inclusion of protein-rich, plant-based food to consumer diets, to build a strong body and good immunity.

(The writer from APJ-SLG)

[9] https://www.marketsandmarkets.com/Market-Reports/plant-based-protein-market-14715651.html?gclid=CjwKCAiAsNKQBhAPEiwAB-I5zR9P-1H5R70-tf6aMAFNPqweImf7NAqXni5zPZqy7PF6gl3tN6wQKRoCysgQAvD_BwE

[10] https://www.expertmarketresearch.com/reports/india-plant-based-protein-market

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