POLICY PULSE

A MONTHLY NEWSLETTER

JANUARY 2023
VOL. 31

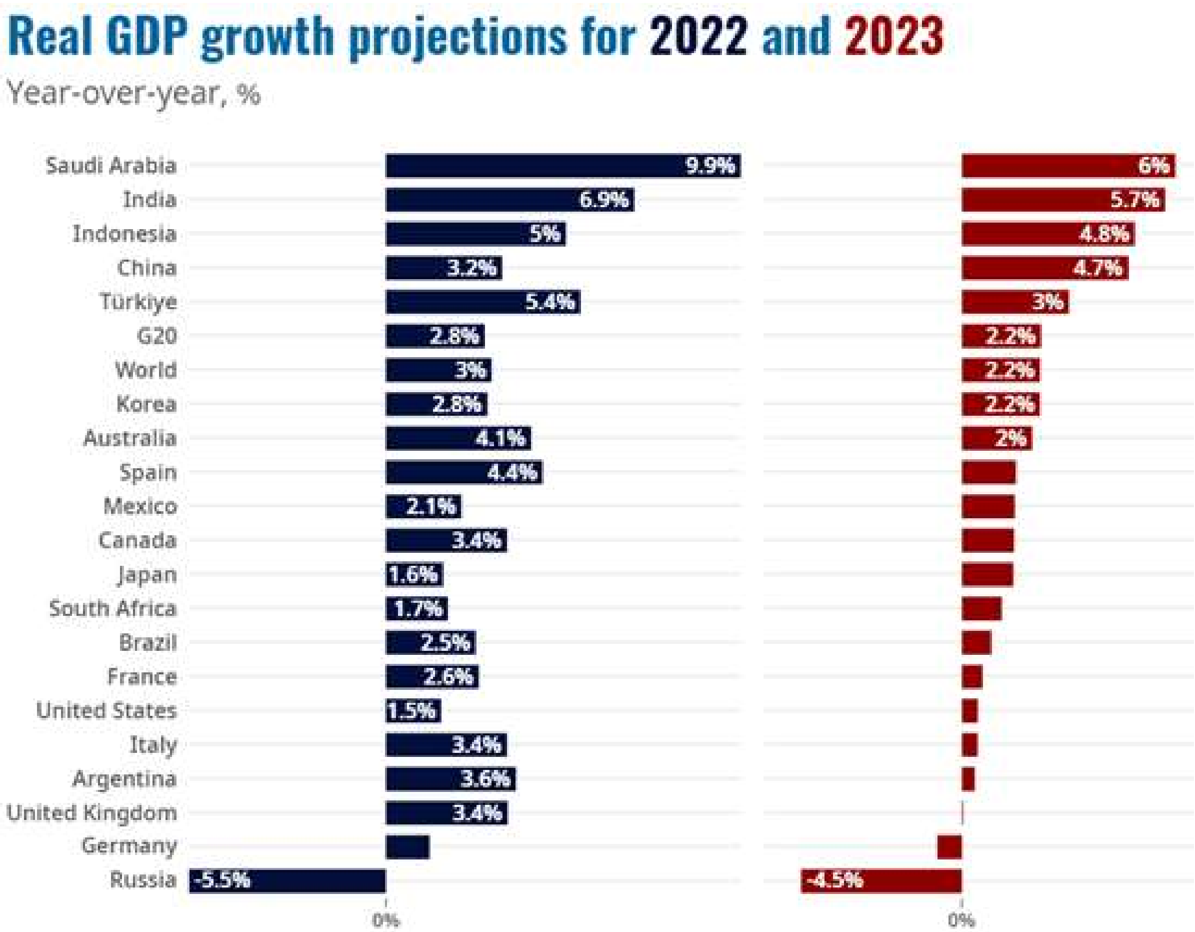
IN THIS ISSUE

ECONOMY
GLOBAL ECONOMY 2022

The world economy is paying a high price for Russia's war against Ukraine. With the impacts of the COVID-19 pandemic still lingering, the war is dragging down growth and putting additional upward pressure on prices, above all for food and energy. Global GDP stagnated in the second quarter of 2022 and output declined in the G20 economies. High inflation is persisting for longer than expected. In many economies, inflation in the first half of 2022 was at its highest since the 1980s. With recent indicators taking a turn for the worse, the global economic outlook has darkened.

The four main takeaways are:

- The world economy is slowing more than anticipated
- Inflation has become more widespread
- Inflation will ease but remain at high levels
- Demand reduction and supply diversification are needed to avoid energy shortages

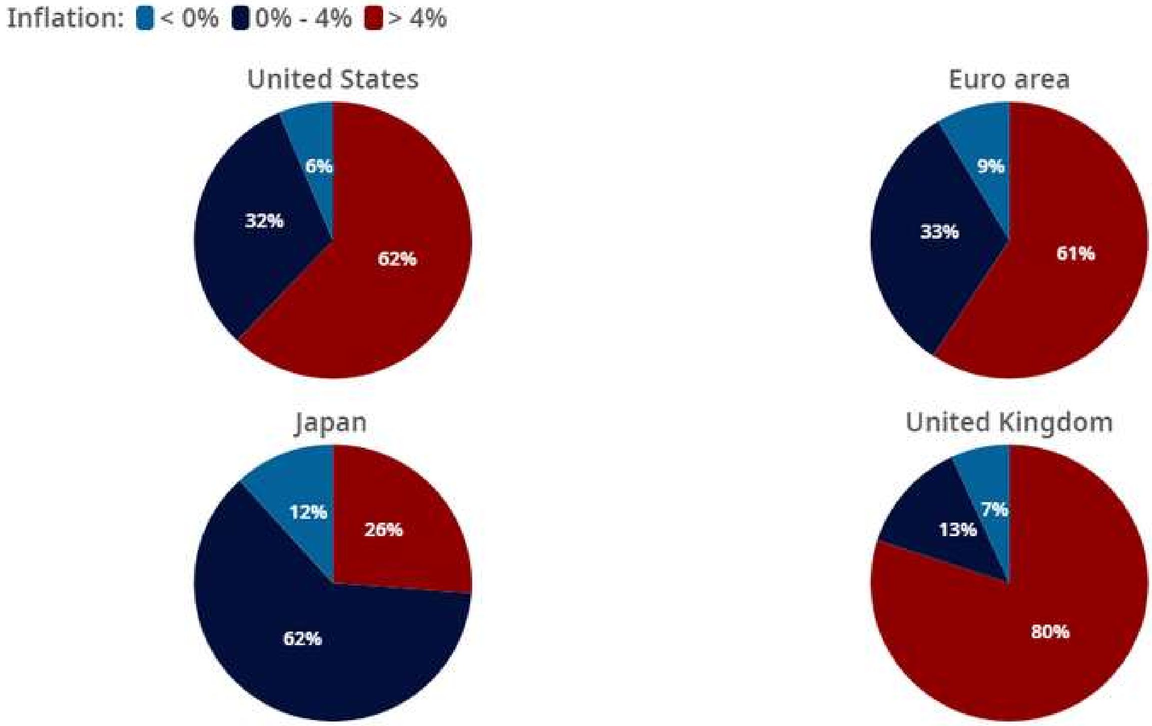


ECONOMY

GLOBAL ECONOMY 2022

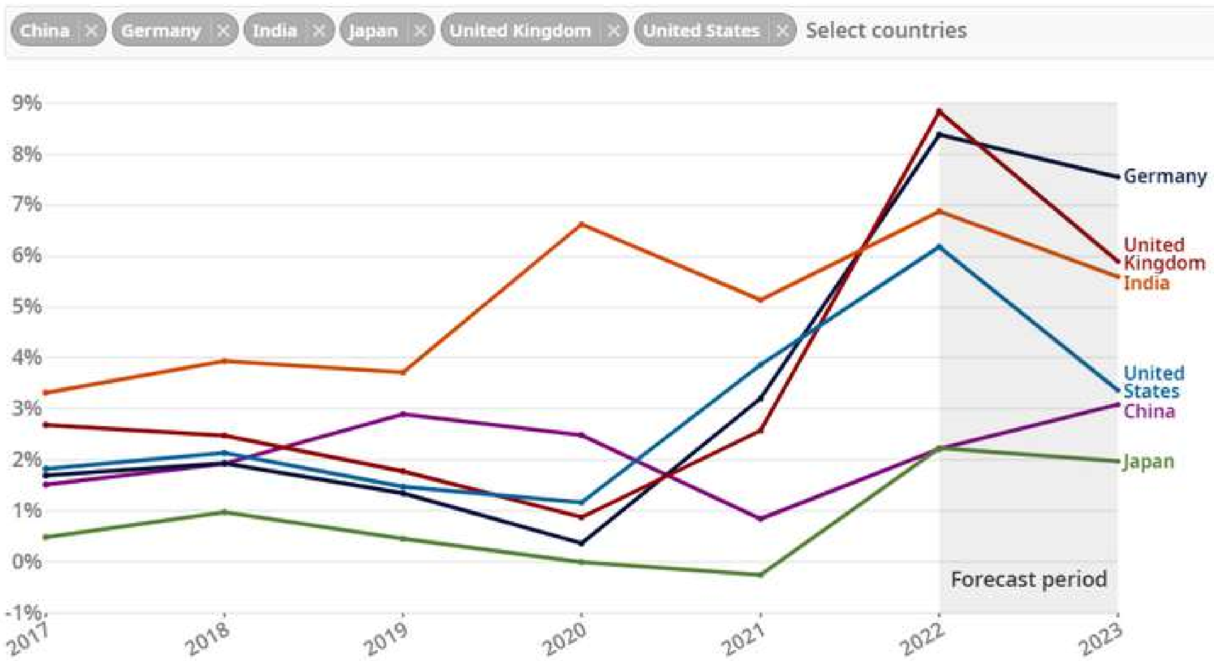
Inflation levels of consumer goods and services

% of consumer basket items



Inflation is hitting the world economy

Year-over-year, %



ECONOMY
GLOBAL ECONOMY 2023

Global slowdown reappears, alarming for developing countries

UNCTAD, in its recent projections indicates that world economic growth will slow to 2.5% in 2022 and drop to 2.2% in 2023. The global slowdown would leave real GDP still below its pre-pandemic trend, costing the world more than US$17 trillion – close to 20% of the world's income. Despite this, leading central banks are raising interest rates sharply, threatening to cut off growth altogether and making life much harder for heavily indebted firms, households and governments.

The global slowdown will affect all economies. But developing countries are exposed most to the cascade of debt, health and climate crises. Middle-income countries in Latin America and low-income countries in Africa could suffer some of the sharpest slowdowns this year. The average growth rate for developing economies is projected to drop below 3% – a pace that is insufficient for sustainable development and will further squeeze public and private finances and damage employment prospects.

A widespread debt crisis in developing countries is a real risk

With 60% of low-income countries and 30% of emerging market economies in or near debt distress, the possibility of a global debt crisis is high. Countries that were showing signs of debt distress before the pandemic – including Sri Lanka, Suriname and Zambia – are being hit especially hard by the global slowdown. And climate shocks are heightening the risk of economic instability in indebted developing countries.

The situation in developing countries is worse than recognized by the Group of 20 major economies (G20) and other international financial fora. Developing countries have already spent an estimated $379 billion of reserves to defend their currencies this year, almost double the amount of new Special Drawing Rights recently allocated to them by the International Monetary Fund (IMF).

GLOBAL ECONOMY 2023

Interest rate hikes are hitting the poorest hardest

Interest rate hikes by advanced economies are hitting the most vulnerable hardest. Some 90 developing countries have seen their currencies weaken against the dollar this year – over a third of them by more than 10%. The prices of necessities like food and energy have soared in the wake of the war in Ukraine. And a stronger dollar makes the situation worse, raising the price of imports in developing countries. The consequences are devastating for the poor across the globe, especially in a time of stagnant wages for most workers. This year's interest rate hikes in the United States, for example, could cut $360 billion of future income for developing countries (excluding China).

Need to calm commodity markets and address price speculation

Prices of commodities – particularly food and energy – climbed for much of the last two years, posing significant challenges for households everywhere. Added upward pressure on fertilizer prices means the damage could be lasting since it's the top input cost for many small farmers around the world. Although the war in Ukraine has contributed to this situation, commodity markets have been in a turbulent state for a decade.

The Black Sea Grain Initiative led by the United Nations has had a significant impact in lowering global food prices. However, insufficient attention has been paid to the role of speculators and betting frenzies in futures contracts, commodity swaps and exchange traded funds. Also, large multinational corporations with considerable market power appear to have taken undue advantage of the current context to raise markups to boost profits on the backs of some of the world's poorest people.

ECONOMY

GLOBAL TRADE 2022

As per Global Trade Update issued by UNCTAD in December 2022, global trade should hit a record US$32 trillion for 2022, but a slowdown that began in the second half of the year is expected to worsen in 2023 as geopolitical tensions and tight financial conditions persist. Despite the war in Ukraine and the lingering impact of the pandemic, trade in both goods and services have seen strong growth this year. Trade in goods grew 10% from last year to an estimated US$25 trillion, due in part to higher energy prices. Services were up 15% to a record US$7 trillion.

But the UNCTAB report warns *"Economic growth forecasts for 2023 are being revised downwards due to high energy prices, rising interest rates, sustained inflation in many economies, and negative global economic spillovers from the war in Ukraine. The ongoing tightening of financial conditions is expected to further heighten pressure on highly indebted governments, amplifying vulnerabilities and negatively affecting investments and international trade flows."*

Trade volumes signal resilient demand

The report says that, despite the slowdown in trade value, overall trade volumes continued to grow throughout 2022 – a signal of resilient global demand. Part of the decline in the value of international trade during the second half of 2022 is due to a decrease in the prices of primary products.

The report also highlights the positive factors of new trade agreements – such as the Regional Comprehensive Economic Partnership and the African Continental Free Trade Area – and improved logistics.

Ports and shipping companies have now adjusted to the challenges brought by the COVID-19 pandemic. However, freight and cargo rates are still higher than the pre-pandemic averages.

ECONOMY
GLOBAL TRADE 2022

Supply chain shifts and green transition will affect trade

Two other factors that could affect trade patterns in 2023 are the evolution of global supply chains and the transition towards a greener world economy.

Uncertainties remain high for supply chain operations. The report says, mitigation strategies – including diversification of suppliers, reshoring, near-shoring and friend-shoring – will likely affect global trade patterns in the coming year.

Meanwhile, the efforts towards building a greener global economy are expected to spur demand for environmentally sustainable products," the report says, "while reducing the demand for goods with high carbon content and for fossil fuels.

East Asian trade shows resilience

In the third quarter of 2022, the value of global trade in goods was well above the levels of same period in 2021 for both developing and developed countries.

However, on a quarter-by-quarter basis, trade declined in all geographic regions – except for East Asia, which showed considerable resilience.
"When East Asian economies are excluded the more significant decline in developing countries' trade is remarkable," the report says.

Negative factors

- <u>Lower economic growth:</u> Economic growth forecasts for 2023 are being revised downwards due to high energy prices, rising interest rates, sustained inflation in many economies, and negative global economic spillovers from the war in Ukraine.
- <u>High prices of traded goods:</u> Persistently high energy prices and the continued rise in the prices of intermediate inputs and consumers goods are expected to dampen demand for imports and to lead to a decline in the volume of international trade.

- Concerns of debt sustainability: The record levels of global debt and the increase in interest rates pose significant concerns for debt sustainability. The ongoing tightening of financial conditions is expected to further heighten pressure on highly indebted governments, amplifying vulnerabilities and negatively affecting investments and international trade flows.

Positive factors

- Improvements in the logistics of global trade: Ports and shipping companies have now adjusted to the challenges brought by the Covid-19 pandemic. New ships are entering service, and port congestion is being resolved. Freight and cargo rates are still higher than the pre-pandemic averages, but their trend is downwards.
- Trade agreements coming into fruition: Recently signed agreements such as the Regional Comprehensive Economic Partnership and the African Continental Free Trade Area, as well as a number of smaller trade agreements, should come to fruition and provide some momentum for international trade.

Other factors

- Reshaping of global supply chains: Risks and uncertainties remain high for global supply chain operations. Risk mitigation strategies, such as the diversification of suppliers, reshoring, near-shoring and friend-shoring, will likely affect international trade patterns in the coming year.
- Transition towards a greener global economy: The efforts towards a greener global economy are expected to spur demand for environmentally sustainable products, while reducing the demand for goods with high carbon content and for fossil fuels energy. This shift will reflect into international trade patterns.

INDIAN ECONOMY 2022

India Better Positioned to Navigate Global Headwinds Than Other Major Emerging Economies

As per the World Bank in its latest India Development Update, India's economy has demonstrated resilience despite a challenging external environment. The report titled "Navigating the Storm", finds that while the deteriorating external environment will weigh on India's growth prospects, the economy is relatively well positioned to weather global spillovers compared to most other emerging markets.

Impact of a tightening global monetary policy cycle, slowing global growth and elevated commodity prices will mean that the Indian economy will experience lower growth in 2022-23 financial year compared to 2021-22. Despite these challenges, the update expects India to register a strong GDP growth and remain one of the fasted growing major economies in the world, due to robust domestic demand.

The World Bank has revised its 2022-23 GDP forecast upward to 6.9 percent from 6.5 percent (in October 2022), considering a strong outturn in India in the second quarter (July-September) of the 2022-23 financial year.

The report forecasts that the India economy will grow at slightly lower rate of 6.6 percent in the 2023-24 fiscal year. A challenging external environment will affect India's economic outlook through different channels. The report states that rapid monetary policy tightening in advanced economies has already resulted in large portfolio outflows and depreciation of the Indian Rupee while high global commodity prices have led to a widening of the current account deficit.

However, it argues that India's economy is relatively insulated from global spillovers compared to other emerging markets. This is partly because India has a large domestic market and is relatively less exposed to international trade flows. The report finds that while a 1 percentage point decline in growth in the US is associated with a 0.4 percentage point decline in India's growth, the effect is around 1.5 times larger for other emerging economies. Analysis for growth spillovers from the EU and China also yields similar results.

INDIAN ECONOMY 2022

India's external position has also improved considerably over the past decade. The current-account deficit is adequately financed by improving foreign direct investment inflows and a solid cushion of foreign exchange reserves (India has one of the largest holdings of international reserves in the world).

Policy reforms and prudent regulatory measures have also played a key role in developing resilience in the economy. Increased reliance on market borrowings has improved the transparency and credibility of fiscal policy and the government has diversified the investor base for government securities. The introduction of a formal inflation targeting framework during the past decade was an important step in lending credibility to monetary policy decisions. While there are still some challenges in the financial sector, the adoption of several regulatory and policy measures—including the introduction of a new Insolvency and Bankruptcy Code and the creation of the new National Reconstruction Company Limited—facilitated an improvement in financial sector metrics over the past five years; these policy interventions are also expected to help alleviate pressures related to non-performing loans.

The report notes that both levers of macroeconomic policy – fiscal and monetary – have played a role in managing the challenges that have emerged over the past year. The report notes that the RBI withdrew accommodative monetary policy settings in a measured approach as it balanced the need to rein in inflation while continuing to support economic growth.Fiscal policy supported the central bank's rate actions by cutting excise duty and other taxes on fuel to moderate the impact of higher global oil prices on inflation. However, the report also cautions that there is a trade-off between trying to limit the adverse impact of global spillovers on India's growth and available policy space.

ECONOMY

INDIAN ECONOMY 2022

Performance of Key Indicators

The combined Index of Eight Core Industries increased by 5.4 per cent (provisional) in November 2022 as compared to the Index of November 2021. The production of Cement, Coal, Electricity, Steel and Fertilizers increased in November 2022 over the corresponding month of last year.

Coal production (weight: 10.33 per cent) increased by 12.3 per cent in November, 2022 over November, 2021. Its cumulative index increased by 17.2 per cent during April to November 2022 over corresponding period of the previous year.

Crude Oil production (weight: 8.98 per cent) declined by 1.1 per cent in November, 2022 over November, 2021. Its cumulative index declined by 1.4 per cent during April to November, 2022 over the corresponding period of previous year.

Natural Gas production (weight: 6.88 per cent) declined by 0.7 per cent in November, 2022 over November, 2021. Its cumulative index increased by 0.7 per cent during April to November, 2022 over the corresponding period of previous year.

Petroleum Refinery production (weight: 28.04 per cent) declined by 9.3 per cent in November, 2022 over November, 2021. Its cumulative index increased by 5.7 per cent during April to November, 2022 over the corresponding period of previous year.

Fertilizers production (weight: 2.63 per cent) increased by 6.4 per cent in November, 2022 over November, 2021. Its cumulative index increased by 10.0 per cent during April to November, 2022 over the corresponding period of previous year.

Steel production (weight: 17.92 per cent) increased by 10.8 per cent in November, 2022 over November, 2021. Its cumulative index increased by 7.1 per cent during April to November, 2022 over the corresponding period of previous year.

As per data released by Ministry of Statistics, India's industrial production contracted by 4% on an annual basis. The Index of Industrial Production (IIP) had grown 4.2% in October 2021 and by 3.1% in September 2022.

As per Ministry of Finance, India’s Goods and Services Tax (GST) revenues rose to nearly ₹1.5 lakh crore in December 2022, 15% higher than a year ago and 2.5% over November’s collections that had marked a three-month low. This is the tenth month in a row that GST collections have crossed the ₹1.4 lakh crore mark, with revenues from import of goods rising 8% and revenues from domestic transactions (including import of services) up 18% from the revenues yielded by these sources during December 2021.

PARLIAMENT WINTER SESSION 2022

The Winter Session of the Parliament began on 7th December 2022 and concluded on 23rd December 2022, a week ahead of schedule. This has been one of the shortest session of the 17th Lok Sabha. During the session, both houses passed nine bills.

The Multi-State cooperatives bill 2022, and the Jan Vishwas (Amendment of Provisions) Bill 2022 have been referred to Joint Parliamentary Committees (JPCs).

The Multi-State Co-operative Societies (Amendment) Bill, 2022 to strengthen governance, enhance transparency, increase accountability and reform the electoral process, etc., in the Multi-State Cooperative Societies by supplementing existing legislation and incorporating the provisions of the Ninety-seventh Constitutional amendment & to improve monitoring mechanism and ensuring ease of doing business for Multi-State cooperative societies.

The Jan Vishwas (Amendment of Provisions) Bill, 2022 to amend certain enactments for decriminalising and rationalising minor offences to further enhance trust-based governance for ease of living and doing business.

Important Bills Passed by Both the Houses of Parliament

1) The Energy Conservation (Amendment) Bill, 2022

The Bill amends Energy Conversation Act 2001, giving more Authority to the Central Government to designate a carbon credit trading system. The Bill seeks to (a) mandate the use of non-fossil sources, including Green Hydrogen, Green Ammonia, Biomass and Ethanol for energy and feedstock; (b) establish Carbon Markets; (c) bring large residential buildings within the fold of Energy Conservation regime; (d) enhance the scope of Energy Conservation Building Code; (e) amend penalty provisions; (f) increase members in the Governing Council of Bureau of Energy Efficiency; (g) empower the State Electricity Regulatory Commissions to make regulations for smooth discharge of its functions.

Important Bills Passed by Both the Houses of Parliament

2)The New Delhi Arbitration Centre (Amendment) Bill, 2022

This bill would now be known as India International Arbitration Centre. The Bill broadens the provisions to cover the use of additional forms of alternative dispute resolution. Regulations by the Central Government will specify arbitration procedures and other forms of alternative dispute resolution through regulations. The government has five years from the Act's date to iron out the implementation issues.

WTO UPDATES

Global trade growth likely to slow in coming months

Global merchandise trade posted a 4.7% year-on-year increase in the second quarter after growing 4.8% in the first quarter. However, cooling business sentiment and weaker global import demand is likely to negatively impact the global trade volume in upcoming quarters. Global trade is expected to witness slow growth in late 2022 and into 2023, according to the World Trade Organization (WTO) Goods Trade Barometer whose estimates are heavily based on real-time information.

Earlier on Oct 5, WTO predicted that the merchandise trade will see a mere volume growth of 3.5% in 2022 and 1.0% in 2023 due to several related shocks including the war in Ukraine, high energy prices, and monetary tightening in major economies.

Meanwhile, world services trade volume recorded its pre-pandemic peak in the second quarter of 2022 and was expected to remain strong in the third quarter, as a result of increase in spending on travel, information and communication technology (ICT) services, and financial services. However, according to the Barometer, year-on-year growth in real commercial services began moderating in the third quarter and may slow further in the fourth quarter — as well as into the new year — due to declining growth prospects in major service industry economies.

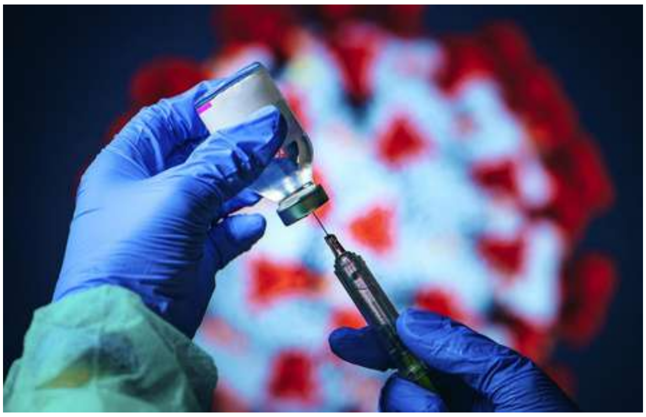
WTO to launch dialogue on Decarbonization Standards for Steel

Steel sector globally, accounts for approximately 8% of annual CO2 emissions. A recently published information notes by WTO Secretariat on the subject of decarbonization standards in steel sector reports more than 20 different standards and initiatives that exists to support steel decarbonization efforts or that are under development.

However, the note points out that such diverse standards may create uncertainty for producers, increase transaction costs, and trade frictions risk. According to WTO, achieving global net-zero targets will require consistent and comparable greenhouse gas emissions measurement. However, the existence of divergent carbon standards and certifications across countries and sectors risks fragmentation, undermines environmental credibility and creates barriers to trade and investment. Alignment of standards for decarbonization of steel sector is important for accelerating the global scale-up of low-carbon steelmaking technologies and avoiding trade frictions.

To facilitate a multi-stakeholder dialogue on importance of coherent and transparent standards, WTO plans to launch an event on 9 March 2023, titled "Decarbonization Standards for Trade: Promoting coherence and transparency in the steel sector." The event is also likely to focus on developing countries' perspectives and challenges related to decarbonization of steel.

WTO extends deadline to decide inclusion of diagnostics and therapeutics in TRIPS



At the 12th WTO Ministerial Conference (MC12), WTO members agreed to allow temporary waiver of intellectual property patents on Covid-19 vaccines for five years to facilitate their manufacturing by members domestically. However, the agreement has been a watered-down version of the original proposal made by India and South Africa in 2020, which demanded a broader intellectual property waiver on vaccines, treatments and tests. A commitment was, however, made to decide on the possibility of extension of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement to COVID-19 diagnostics and therapeutics by 17th December 2022.

WTO UPDATES

But as members failed to reach a consensus on the issue of extension timely, the General Council has agreed to the recommendation put forward by the TRIPS Council to extend the deadline. The General Council is expected to revert to the matter of the duration of the deadline at its next meeting tentatively scheduled for 2-3 March 2023.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

INDIA

EU presents text to facilitate cross-border financial transactions with India

The third round of EU-India FTA negotiations took place in New Delhi between 28 November and 2 December 2022. The two sides have discussed 22 chapters, including Trade in Goods, Rules of Origin, Digital Trade, Technical Barriers to Trade (TBT), Services and Investment, etc. In a bid to facilitate cross-border financial transactions with India, EU presented a draft text on capital movements, payments and transfers and temporary safeguard measures for the first time. More discussions will take place on this chapter, in the upcoming rounds of discussion. Meanwhile, both sides could not make any substantial progress in talks on Technical Barriers to Trade (TBT), due to the prevailing differences in the Supplier Declaration of Conformity (SDoC) systems of the two sides. Supplier Declaration of Conformity (SDoC) is a mechanism for the supplier to showcase that its product, process or service conforms to a standard or technical regulation to the specified requirements of the importing country. However, India presented a separate text on pharmaceuticals during the discussion on TBTs; similarly, the EU presented its text on motor vehicles. The two sides agreed to allow self-certification to declare the country of origin. However, modalities for the same are yet to be decided. As confirmed by both sides, WTO+ provisions are likely to be included in certain areas of the trade agreement. The two sides also held separate discussions on Investment Protection Agreement and Geographical Indications (GIs) Agreement. The fourth round of EU-India FTA negotiations will be held in Brussels from 13 to 17 March 2023. Sweden, who recently assumed the EU Presidency, stated that it is keen to push for the finalization of the pact early by next year.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

INDIA

Next round of India-UK FTA Negotiations likely in Feb 2023

On 16 December 2022, India and United Kingdom concluded the sixth round of negotiations for an FTA. During this round, technical discussions were held across 11 policy areas over 28 separate sessions. While discussions on various critical issues like tariffs, services, IPR, environment, labour, etc. took place, during this round but reportedly no substantial progress was made. India is pushing UK to open its services market for Indian professionals.

Likewise, UK wants India to offer preferences for import of UK goods such as alcoholic beverages and auto. The next round of discussion is scheduled to be held next year, likely in the first week of February in London after India's Union Budget announcement. However, both parties are expected to exchange key offerings on IPR, services, environment, labour, etc. before the next round to make early progress.

India-Canada expected to strike a deal soon

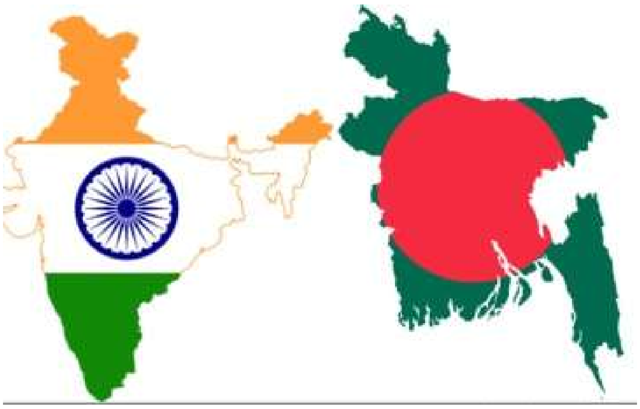
India and Canada concluded the fifth round of negotiations on November 18. Experts believe that the two countries are significantly close to concluding an Early Progress Trade Agreement (EPTA) by the second half of 2023. At the 5th India-Canada Ministerial Dialogue on Trade & Investment, which took place on March 11, the two sides had agreed to explore the possibility of signing an Early Progress Trade Agreement (EPTA) before signing a full-fledged FTA or a Comprehensive Economic Partnership Agreement (CEPA).

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

INDIA

It was decided by two sides that EPTA shall include high level commitments in goods, services, rules of origin, sanitary and phytosanitary measures, technical barriers to trade, and dispute settlement, and may also cover any other areas mutually agreed upon. Usually, early progress trade agreements which acts as a predecessor to a full-fledged FTA are easier to negotiate as they mainly cover areas of convergence between two partners. A full-fledged FTA or CEPA between India and Canada is likely to be clinched by 2023. Through CEPA, India mainly aims to gain access to high-quality raw materials and technology from Canada which will give push to its manufacturing base. It also wants Canadian market to open for Indian goods such as pharmaceutical products, agriculture goods, readymade garments, Indian organic products and services such as IT which will lead to substantial job creation. Similarly, Canada is looking to increase its access to Indian market for diversifying its trade in goods such as agriculture, natural resources, and manufacturing and other sectors.

India-Bangladesh likely to launch FTA negotiations



India and Bangladesh have concluded a joint feasibility study on possibility of launching a Comprehensive Economic Partnership Agreement (CEPA). The two sides are now looking to soon start negotiations for an FTA. At a recent meeting between Commerce and Industry Minister Piyush Goyal and his Bangladeshi counterpart Tipu Munshi, the two ministers discussed various issues of mutual interest, including removal of non-tariff barriers and port restrictions, re-opening of border haats, harmonisation and mutual recognition of Standards and procedures on both sides, settlement of trade in Indian rupees, strengthening connectivity and trade infrastructure, among others, to realise the full potential of India-Bangladesh economic ties.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

OTHERS

Bangladesh is India's biggest trade partner in South Asia. While India is the second biggest export partner for Bangladesh accounting for 12 per cent of the total.

OTHERS

ASEAN-Australia-New Zealand Free Trade Area Upgraded

ASEAN, Australia, and New Zealand recently concluded negotiations to upgrade their free trade agreement, on November 13, 2022, at the 40th and 41st ASEAN Summit in Phnom Penh, Cambodia. In 2020, AANZFTA lead to the reduction of tariffs on over 90 percent of goods traded between the countries. In ASEAN's more developed markets, the agreement has reduced tariffs on up to 96 percent of goods. The agreement also eliminated non-tariff barriers, such as export subsidies and quotas on imports and exports.

The upgraded agreement will cover three new chapters which are rules on government procurement, trade and sustainable development as well as micro, small, and medium-sized enterprises (MSMEs). New provisions on education services will included while provisions on areas such e-commerce, competition and consumer protection, customs procedures and trade facilitation, trade in goods, rules of origin, trade in services, and investment will be augmented. The members of the agreement expects that an upgraded agreement will deliver beneficial outcomes such as an increase in post-pandemic growth, facilitation of trade further, making supply chains more resilient, and encouraging sustainable development objectives. The upgraded Australia-New Zealand Free Trade Area (AANZFTA) is likely to be signed by Spring next year.

UK-Ukraine conclude Digital Trade Agreement

In a bid to deepen bilateral economic ties, a digital trade agreement was recently concluded between United Kingdom and Ukraine.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

OTHERS

The agreement covers a range of innovative commitments on both sides to support the development of a bilateral modern digital economy. It is expected that the deal will lead to easier trade in goods and services across almost all sectors through the adoption of a digital trading systems which provides opportunity for trade facilitations. UK has stated that the agreement will deliver growth and jobs in sectors such as finance, professional business services sectors, retail, health, education, engineering, agriculture, manufacturing, creative industries, etc.

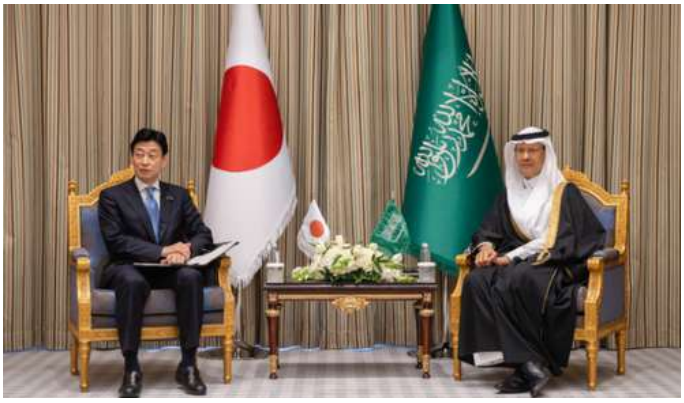
Through this agreement, the businesses and consumers of both sides are likely to benefit from the following provisions:

- **Open and inclusive digital markets:** duty-free trade in digital content, co-operation on competition policy, support for small businesses, standards and conformity assessment, a more inclusive digital economy that works for everyone and open internet access.
- **Data flows:** guaranteed cross-border data flows, international data centres, personal data protection, open government information and data innovation.
- **Consumer and business safeguards:** online consumer protection, consumer protection against unsolicited messages, cyber security cooperation and sharing, protection for cryptographic information and protection for source code.
- **Digital trading systems:** modern electronic contracts, digital authentication, digital invoicing, paperless trading, digitized customs procedures and modern logistics.
- **Financial services:** guaranteed flows of financial data and new financial services.
- **Tech partnerships:** artificial intelligence and responsible use of emerging technologies, collaboration on digital identities and stakeholder engagement.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

OTHERS

Japan-Saudi Arabia sign clean energy cooperation agreement



Saudi Arabia and Japan recently signed a memorandum of cooperation (MoC) in the fields of the circular carbon economy, carbon recycling, clean hydrogen and fuel ammonia. The both countries, however, stressed the importance of ensuring safe supplies from all energy sources to global markets. They proposed supporting the stability of global oil markets through encouraging dialogue and cooperation between producers and consumers. Notably, Saudi Arabia is "the largest dependable source" of crude oil supplier to Japan.

POLICY/ REGULATORY UPDATES

INDIA

Odisha Export Policy 2022

Odisha's progressive policy framework is prepared to propel the state into the top five exporting states, with an export target of Rs 3.5 lakh crore by 2026-27. Currently, Odisha is the 7th largest exporting State of India with 10,228.44 USD million (2021-22).

A major sector of Odisha's export basket is the mineral & metal sector. The sector is dominated by Aluminum, Iron & Steel, Petroleum products and Iron Ore, which contributed to nearly 89% of the total export of Odisha. Besides, the State has export potential in Marine Products, Residual Chemicals and Allied Products. Identified focus sectors have a strong presence in conventional markets like the USA, UK, China, Taiwan, South Korea, European Union and UAE.

Further, other sectors State's export promotion initiatives will focus on Handloom, Handicraft, Agriculture, Tourism, Horticulture, IT&ITeS.

The Export Promotion Policy 2022 promotes the design and implementation of sector and product-specific export promotion strategies in collaboration with leading export promotion councils and other trade-related organisations to aid product and market diversification.

The policy advocates diversification of the state's export basket by facilitating the value addition of products to maximize the export value further. It acknowledges the need for a product and market-relevant quality and standards ecosystem (testing facilities and certification).

To ensure that 'Made in Odisha' products meet globally-accepted quality standards. The state is strengthening the current network of quality control and certification labs. The policy provides an enabling framework to achieve this vision. The policy promotes improved accessibility to common facility centers, processing centers and raw materials to enhance the productivity of manufacturing and export-oriented units in Odisha.

POLICY/ REGULATORY UPDATES

INDIA

The state Government is on the path to transforming six testing labs into Centers of Excellence, providing state-of-the-art testing and certification facilities for exporters of various product groups such as fertilizers, marine seafood products, PVC pipes, textile materials and building materials, said an official.

The policy suggests fiscal incentives for a first-time exporter to cover costs incurred towards registration/membership up to Rs 40,000. It has also introduced fiscal incentives to cover the cost incurred towards quality certification (up to Rs 10 lakh) and technology acquisition (up to Rs 5 lakh).

The policy advocates a 'whole-of-government' approach to improve the export competitiveness of the state. The state government has established a robust institutional mechanism for efficient policy implementation comprising the State Level Export Promotion Committee (SLEPC), District Level Export Promotion Committee (DLEPC) and Sector-specific task force.

Odisha targets 10 GW of renewable energy by 2030

The Odisha government has released its renewable energy policy, which added special provisions for supporting the green hydrogen and ammonia sectors. It also plans to develop special green hydrogen/ ammonia hubs to meet the demands of the state's petrochemical, fertilizer, and steel sectors as well as facilitate their export. The policy remains in force until 31st March 2030 or until the state Government announces a new policy.

The policy outlined the state's plans to promote renewable energy consumption, especially through captive and open-access modes. It has offered several exemptions to attract industries and businesses across the country.

INDIA

The state Government would grant captive and open access to consumers of renewable energy and energy storage projects with an electricity duty concession of Rs. 0.50 kWh. In addition, a 50% exemption would be applicable on the cross-subsidy surcharge. It will be available for 15 years from the commissioning of the projects. With this, an exemption of Rs 0.20 kWh on state transmission utility (STU) charges will be available for 15 years. If the project is commissioned before 31st March 2026, the STU exemption will be extended for five more years, totalling 20 years.

According to the policy, the state can produce 5,000 MW of solar energy using floating solar, based on the pre-feasibility assessment. The Government intends to lease water bodies under its control to private companies or central or state public sector organisations for floating solar. The government also intends to connect its state energy company, GRIDCO (Grid Corporation of Odisha), to the floating solar developers at a mutually agreed-upon price.

While experts welcome the move and the proposed investments, they cite the ground challenges that are barriers to the growth of renewable energy, especially floating solar, in the state. Experts added, "There is a dearth of open land for solar projects as around 30 percent of the land here is forest land, also admitted by the government. Because we have around 30-40 water reservoirs, especially in southern Odisha, we are planning to go ahead with floating solar. However, for such projects, due to more maintenance cost of floating solar than land-mounted ones, there could be an issue with Grid Corporation of Odisha (GRIDCO) later if it buys the power at a higher rate from such floating solar projects." GRIDCO is a state-government enterprise that carries out the business of bulk transmission of electricity.

Haryana AatmaNirbhar Textile Policy 2022-25

On July 5, 2022, Haryana Deputy Chief Minister Dushyant Chautala said that the state government will soon implement the 'Haryana Self-Reliant Textile Policy, 2022-25' in the state.

This will give a boost to the textile industry in the state, as well as give a boost to MSMEs. Recently, the Haryana Cabinet approved a new AatmaNirbhar Textile Policy 2022-25

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aims to attract investment worth Rs 4,000 crore and generate 20,0000 new jobs in the state.

This new textile policy will supersede the previous Haryana Textile Policy 2019 and aims to promote value-added textile activities with suitable policy interventions to harness the potential of the entire textile value chain in the state. The estimated budget for the policy is Rs 1,500 crore, with capping for capital incentive cases.

The 'Haryana AatmaNirbhar Textile Policy 2022-25' aims to foster an ecosystem of self-sufficiency and nnovation by providing a strong incentive framework for backward integration, increased production of man-made fibres, promoting circular economy, attracting investments in weaving, knitting, processing, ready-made garments, apparel manufacturing, technical textiles, integrated units, textile parks, textile clusters.

It will have a special emphasis on value addition, employment generation and productivity enhancement, the statement said, adding that the policy was in line with the "5F" vision of the prime minister - 'Farm to Fiber to Factory to Fashion to Foreign'.

The policy aims to attract investment in the textile sector to the tune of Rs 4,000 crore, generate 20,000 new jobs in the textile sector across the value chain, achieve higher and sustainable growth in the entire textile value chain with emphasis on innovation, backward integration and adoption of clean and green technologies, it said.

"It also provides an impetus for diversification of Haryana's textile industry to the 'B', 'C' and 'D' category blocks and on the promotion of the sunrise sector within textile i.e., technical textiles, circular economy, open end spinning etc. and support setting up textile parks in the state," the statement said.

It also targets to support the industry, adopt world-class state-of-the-art technology in conformity with the environment and social standards, encourage the industry to innovate, develop new designs, diversify and enhance value addition and facilitate and promote sunrise sectors like technical textiles in the critical areas such as defence, automobiles, construction, etc.

WORLD

Banning harmful chemicals: new rules on Persistent Organic Pollutants (POPs) in waste

The new Persistent Organic Pollutants (POPs) Regulation will go into effect on December 29 which provide a binding legal requirement to safeguard human health and the environment from some of the most harmful substances in waste. POPs are often no longer employed in the production of new items, although some industrial and consumer products that have been disposed of are still finding POPs after the end of their service lives.

The new Regulation establishes limits for some of these substances in the garbage for the first time and strengthens existing limits for others. Existing limits for five compounds have been tightened, and new limits have been approved for four new substances found in waterproof textiles, firefighting foams, treated wood, and other products. Reducing the presence of these compounds in the waste will keep them out of the economy.

The new guidelines represent the EU's commitment to dealing with POPs in waste and to leading the way internationally toward a toxic-free environment. Most of the Regulation's provisions will take effect six months after it enters into force on 29th December.

The Regulation also helps meet the objectives of the Circular Economy Action Plan, the Zero Pollution Action Plan, and the Chemicals Strategy for Sustainability by increasing the supply of safe, toxic-free secondary raw materials.

OPINION COLUMN

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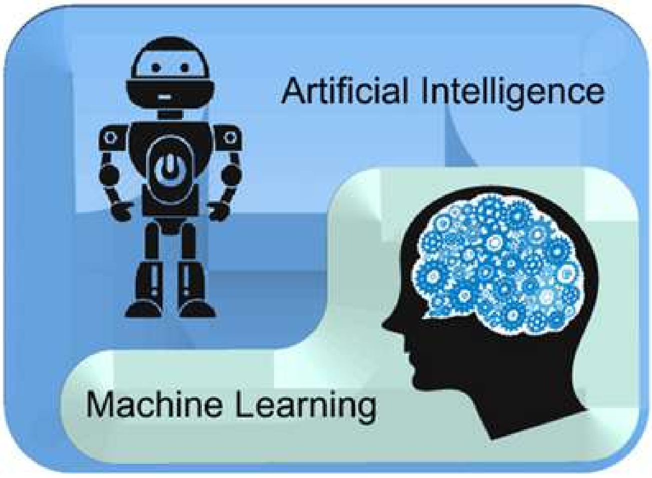
AI & Machine Learning



The pace of technological innovation has increased dramatically over the past few years. Advances in the information technology world have grown exponentially, especially in the world of Artificial Intelligence (AI) and machine learning (ML).

AI brings with it a promise of genuine human-to-machine interaction. When machines become intelligent, they can understand requests, connect data points and draw conclusions. They can reason, observe and plan.

These changes have a growing impact on our lives, affecting everything from entertainment to personal finances, to eLearning. Artificial intelligence is now being actively applied in plant and mechanical engineering as well, with innovators presenting initial projects.

The main challenge faced by the industry in the years ahead will be the issue of integrating AI models into existing systems. AI out of the box is what many users would like to have. However, the reality frequently looks different and impedes AI projects in industry.

Most users are familiar with DevOps, and money is already being made with ML Ops. Service providers integrate and maintain models, checking the accuracy of the models in production activity. The term derives from the continuous development process used in the software industry.

AI is not a futuristic vision, but rather something that is here today and being integrated with and deployed into a variety of sectors. Including fields such as finance, national security, health care, criminal justice, transportation, and smart cities etc.

To summarize, the world is on the cusp of revolutionizing many sectors through artificial intelligence and data analytics. There already are significant deployments in finance, national

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security, health care, criminal justice, transportation, and smart cities that have altered decision making, business models, risk mitigation, and system performance. These developments are generating substantial economic and social benefits.

Yet the manner in which AI systems unfold has major implications for society as a whole. It matters how policy issues are addressed, ethical conflicts are reconciled, legal realities are resolved, and how much transparency is required in AI and data analytic solutions. Human choices about software development affect the way in which decisions are made and the manner in which they are integrated into organizational routines. Exactly how these processes are executed need to be better understood because they will have substantial impact on the general public soon, and for the foreseeable future. AI may well be a revolution in human affairs, and become the single most influential human innovation in history.

(The writer is a Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Geopolitics
Behind the Clutter
Anjali Mahto

Impact of Russia-Ukraine war on Climate Change

Last year, the world showed resiliency despite unprecedented global challenges, including several climate catastrophes, even when recovery from COVID remained shaky, and the occurrence of war in Ukraine further decelerated global economic growth. But as the threat of continued war between Russia and Ukraine remains, the global economic outlook becomes bleak. Not only this, but the world fears the devastating impact of climate change.

More so, a report by the United Nations Development Programme, released last year, pointed to a close correlation between war and climate action. According to the report, the conflict can affect the access and implementation of climate finance which can further aggravate fragility and insecurity in a region.

The report findings, which are based on a metadata analysis of 955 projects implemented in 146 countries, also highlight that, on the contrary, peace dividends may incentivize investments in the green transition.

The impact of climate change due to the Russia-Ukraine war is being experienced globally. One of the major implications of the war on global climate change is a leading shift in countries' priority from a clean energy transition to achieving energy security. This is because the two countries combined contributed significantly to the global energy supplies, which after the war was severely disrupted, leading to a supply crunch.

Following the Russia-Ukraine war, there has been a trend globally where countries have been prioritizing energy security along with their transition to clean fuel. At COP27 Summit last year, Norwegian energy giant Equinor's CEO Anders Opedal urged that the world should continue investing in oil and natural gas to improve energy security while putting money into renewable energy at the same time to accelerate the transition to cleaner fuels.

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Another major challenge arising from the war is food insecurity and inflation, shifting the focus from climate change. Given the importance of the two countries in the global food and commodity markets, the prices and availability of food and commodities on global markets have been highly affected. This could lead to a situation where some governments must redirect their public spending, initially allocated to tackling climate change, to securing food supplies and fighting inflation.

But while the war has impacted some efforts to fight climate change, it has also contributed to responsive climate action. For example, in response to the energy insecurity due to the war, some countries, such as in E.U., have moved to increase their renewable energy production capacities in a bid to achieve energy independence. The inflation in energy prices also has the potential to nudge consumers and businesses to adopt energy-efficient products. But as the secure supplies of metals and minerals required to produce renewable energy equipment and energy-efficient products remains uncertain due to the result of the war, an accelerated clean energy transition may be difficult despite the current motivation. According to the WTO, under present circumstances, it is challenging to predict whether the war's end result will be slow down or acceleration in the transition to a low-carbon economy.

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OPINION COLUMN

Environment Equity
Saloni Goyal

India' G20 presidency and Clean Energy

G20 member countries accounted for about 75% of global energy demand. Therefore, the G20 countries have a big responsibility and strategic role in encouraging the use of clean energy. The G20 is expected to reach a mutual agreement in accelerating the global energy transition.

The G20 can provide a platform for the world to find a further solution to the commitment towards several pledges that have been taken on various forums. One such pledge is on climate change and energy transition made at Conference of Parties 26 (COP26) and reiterated in COP27 at the United Nations.

India position

From 1st December 2022, India assumed the G20 Presidency, it is an opportunity for the country to showcase the steps taken towards pledges. Also, to establish itself in the clean energy space as India is among the countries that will accelerate the extraordinary increase in the deployment of renewables over the next five years.

As a part of the pledge, India presented 'The Panchamrit' of its climate action and emphasize the need for technology transfer and finance by developed countries to developing countries for the implementation of climate action. Further, to operationalize Panchamrit, in August 2022, the Union Cabinet notified the updated Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC). Through Panchamrit, India aspires to reach 500 GW non-fossil energy capacity by 2020; meet 50% of its energy requirements from renewable energy by 2030; reduce total projected carbon emissions by one billion tonnes by 2030; reduce the carbon intensity of the economy by 45% by 2030 over 2005 levels, achieve net zero emissions by 2070.

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Through progressive actions, India is edging closer to its international energy commitments. On the national level, during the Winter parliament session 2022, the Energy Conversation (Amendment) Act was passed, and the bill included using clean energy sources and establishing carbon markets. Furthermore, the Ministry of Power notifies the Green Hydrogen/ Ammonia Policy to provide clean fuel to the country's common people. The policy promotes Renewable Energy (RE) generation as RE will be the basic ingredient in green hydrogen. This, in turn, will help in meeting international commitments to clean energy.

Towards achieving India's commitment by 2030, the states contribute their bits to the national goal. Such as, states are working on their independent targets and formulating policies per the need of the hour. For instance, some states have notified Renewable Energy Policy, Green Hydrogen Policy, and Electric Vehicle Policy and formed a dedicated nodal agency for better implementation.

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