RV VE Kommunicate

POLICY PULSE

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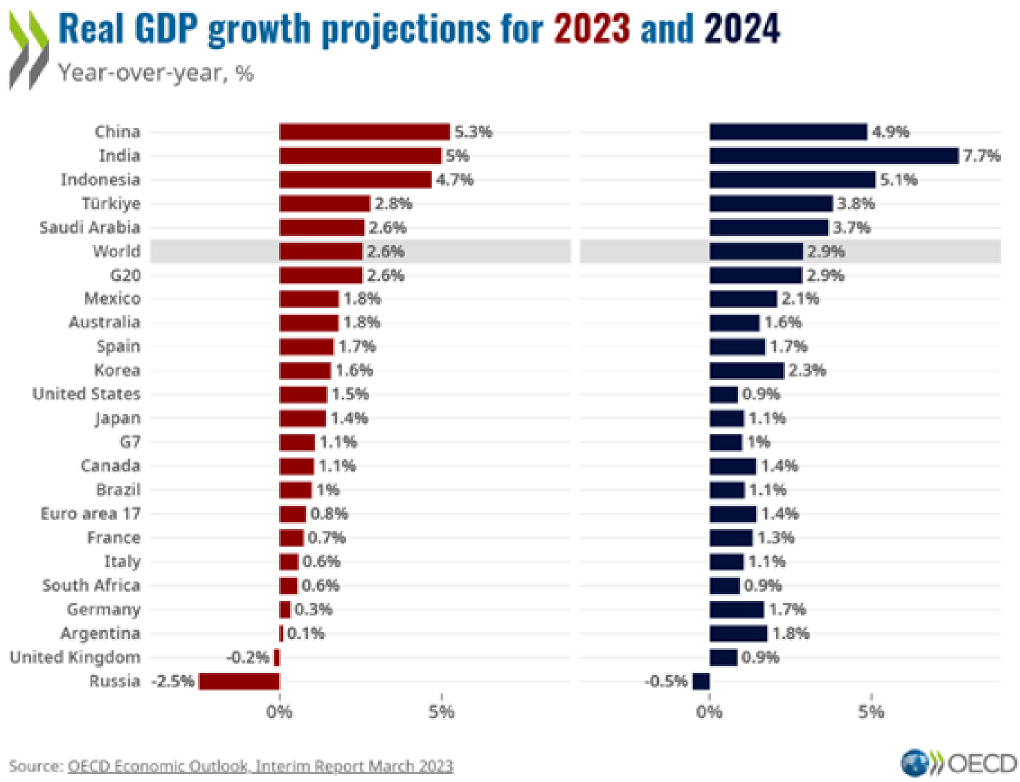
IN THIS ISSUE

ECONOMY

GLOBAL ECONOMY

OECD, in its recent economy projections, said that Russia's war of aggression against Ukraine continues to overshadow the world economy. Despite recent signs of improvement, recovery over the next two years is expected to be moderate. The outlook remains fragile, and downside risks predominate. High uncertainty generated by the war could take a heavy toll on activity. Trade tensions are high and could worsen. Concerns about financial vulnerabilities have risen, including in financial institutions, housing markets and low-income countries. While headline inflation has started declining, it remains elevated and could persist longer.

It said that global growth slowed in 2022 to 3.2%, more than 1 percentage point weaker than expected at the end of 2021, mainly weighed down by Russia's war of aggression in Ukraine and the associated cost-of-living crisis in many countries. Growth is projected to remain at below-trend rates in 2023 and 2024.



According to the World Economic Situation and Prospects 2023, average inflation in developing countries is projected to decline only moderately from 10.8 per cent in 2022 to 8.5 per cent in 2023, well above the 4.2 per cent recorded in the pre-pandemic period 2015-19. Regional inflation is estimated to range from about 3 per cent in East Asia to 14 per cent in Africa and 16 per cent in Western Asia, Latin America, and the Caribbean. However, significant risks and uncertainties are associated with the trajectory of inflation in the near term. Further geopolitical fragmentation, an escalation of the war in Ukraine or new export restrictions, pose major risks to food and energy prices and supply chains.

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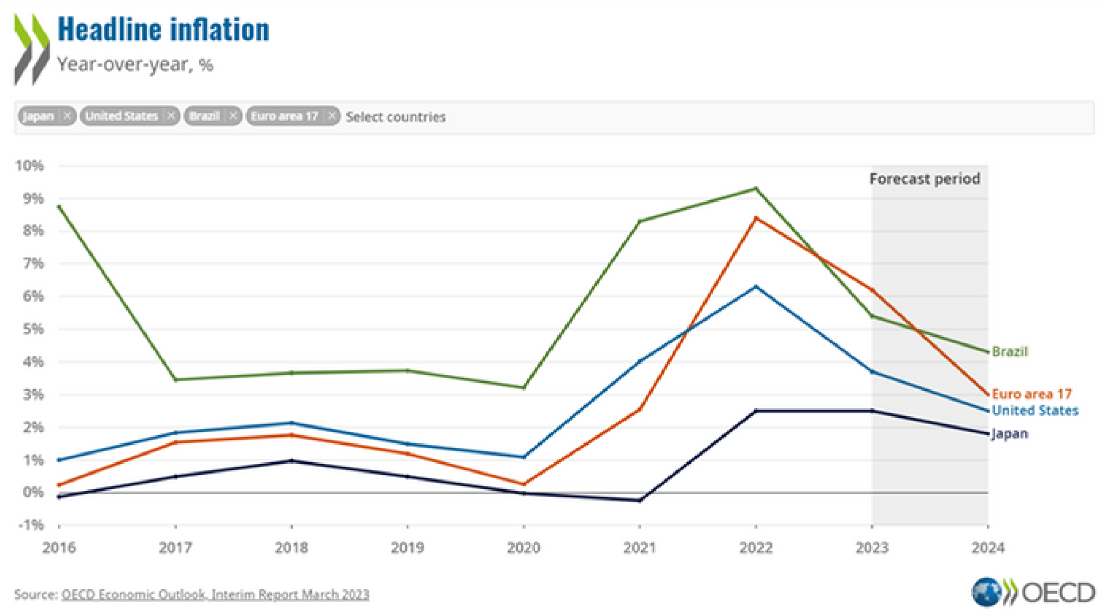
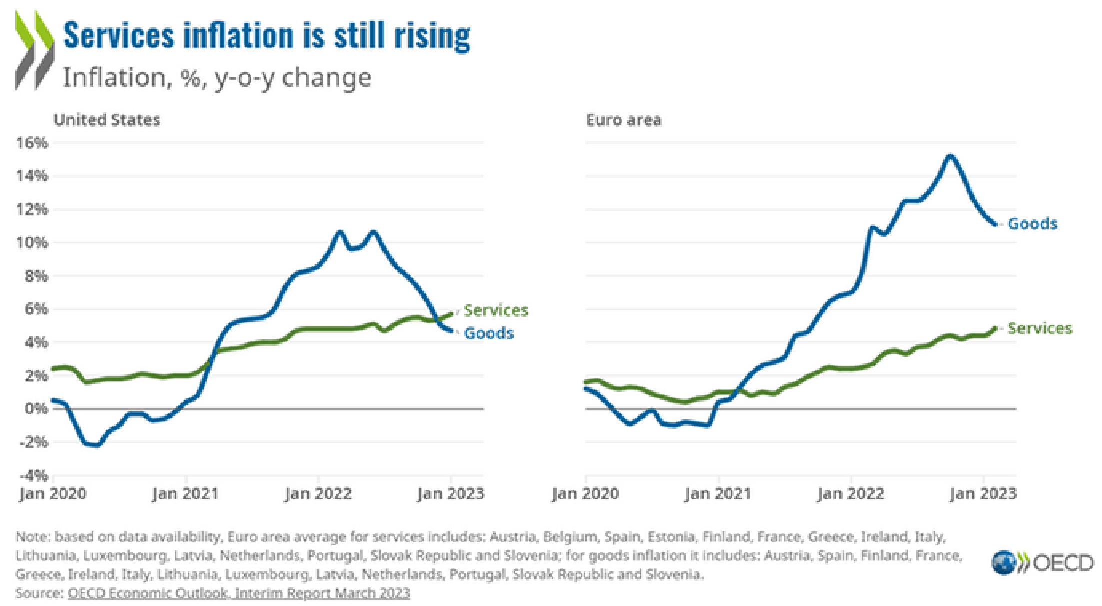
In addition, changes in market expectations in the United States could trigger sudden and large adjustments in global financial conditions, leading to capital outflows and renewed depreciation pressures in developing countries. The disinflation trend could also remain slow if market rigidities limit the pass-through of lower energy and food prices to households and businesses.





As per UN projections, a monetary policy shift in the United States and other developed economies would further reduce pressure on central banks in developing countries to tighten their monetary policy stances. Changing expectations about global monetary prospects, associated with wide swings in investors' risk sentiment, have strongly affected financial conditions in developing countries during the COVID-19 recovery period.

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In the first half of 2022, as the Fed and other developed country central banks accelerated the pace of interest rate hikes, non-resident portfolio capital flows to emerging economies declined sharply. Since then, capital flows to emerging economies have recovered, albeit with significant volatility. In parallel, most developing country currencies have in recent months recouped some of the losses that they suffered against the dollar throughout most of 2022.

On the domestic front, many developing countries are still grappling with elevated inflation despite weak and incomplete recoveries from output losses caused by the pandemic. In 2022, more than three quarters of developing countries with available data recorded a negative output gap, implying that actual output remained below potential. At the same time, average consumer price inflation in developing countries surged to the highest rate since the mid-1990s, reaching multi-decade highs in many economies. While upward price pressures were initially driven by supply chain disruptions from the pandemic and soaring energy and food prices, concerns about de-anchoring inflation expectations have prompted broad-based monetary tightening in developing countries over the past two years. In a sample of 50 developing country central banks, 43 increased interest rates in 2022. In Latin America, several countries had already started to raise interest rates in early 2021, while pursuing even more aggressive tightening in 2022. Asian economies, by contrast, mostly increased interest rates from the second quarter of 2022 onwards.

Asian Economy

- Growth in developing Asia is forecast at 4.8% this year and in 2024, up from 4.2% last year. The People's Republic of China's (PRC) recovery and healthy domestic demand in India will be the region’s main growth supports this year and next.
- Inflation is forecast to moderate this year and next, from 4.4% in 2022 to 4.2% in 2023 and 3.3% in 2024, gradually moving closer to pre-pandemic averages.
- An array of immediate and emerging challenges could still hold back the region’s recovery. Policy makers should stay vigilant in the post-pandemic environment of higher inflation, interest rates, and debt. Governments must continue supporting multilateralism, and lean against the risks of global fracturing.

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The Asian Development Bank (ADB) projects growth in India's gross domestic product (GDP) to moderate to 6.4% in fiscal year (FY) 2023 ending on 31 March 2024 and rise to 6.7% in FY2024, driven by private consumption and private investment on the back of government policies to improve transport infrastructure, logistics, and the business ecosystem.

The World Bank has revised its FY23/24 GDP forecast to 6.3 per cent from 6.6 per cent (December 2022). Growth is expected to be constrained by slower consumption growth and challenging external conditions. Rising borrowing costs and slower income growth will weigh on private consumption growth. Government consumption is projected to grow at a slower pace due to the withdrawal of pandemic-related fiscal support measures. "The Indian economy continues to show strong resilience to external shocks," said Auguste Tano Kouame, World Bank's Country Director in India. "Notwithstanding external pressures, India's service exports have continued to increase, and the current-account deficit is narrowing."

Improving labour market conditions and consumer confidence will drive growth in private consumption. The central government's commitment to significantly increase capital expenditure in FY2023, despite targeting a lower fiscal deficit of 5.9 per cent of GDP, will also spur demand. Helped by recovery in tourism and other contact services, the services sector will grow strongly in FY2023 and FY2024 as the impact of COVID-19 wanes. However, manufacturing growth in FY2023 is expected to be tamped down by weak global demand, but it will likely improve in FY2024. Recent announcements to boost agricultural productivity, such as setting up digital services for crop planning and support for agriculture startups, will be important in sustaining agriculture growth in the medium term.

Inflation will likely moderate to 5 per cent in FY2023, assuming moderation in oil and food prices, and slow further to 4.5 per cent in FY2024 as inflationary pressures subside. In tandem, monetary policy in FY2023 is expected to be tighter as core inflation persists, while becoming more accommodative in FY2024. The current account deficit is projected to decline to 2.2 per cent of GDP in FY2023 and 1.9 per cent in FY2024. Growth in goods exports is forecast to moderate in FY2023 before improving in 2024, as production-linked incentive schemes and efforts to improve the business environment, such as streamlined labour regulations, improve performance in electronics and other areas of manufacturing growth. Services exports growth has been robust and is expected to continue to strengthen India's overall balance of payments position. However, geopolitical tensions and weather-related shocks are key risks to India's economic outlook.

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Indian Economy Projections

Indicator (percent y-o-y, unless otherwise indicated)	FY20/21	FY21/22	FY22/23	FY23/24
Real GDP Growth, at constant market prices	-5.8	9.1	6.9	6.3
Private Consumption	-5.2	11.2	8.3	6.9
Government Consumption	-0.9	6.6	1.2	-1.1
Gross Fixed Capital Formation	-7.3	14.6	10.1	9.3
Exports, Goods and Services	-9.1	29.3	11.5	9.2
Imports, Goods and Services	-13.7	21.8	19.0	11.6
Real GDP Growth, at constant factor prices	-4.2	8.8	6.6	6.3
Agriculture	4.1	3.5	3.2	3.4
Industry	-0.9	11.6	3.6	6.8
Services	-8.2	8.8	9.5	6.7
Inflation (Consumer Price Index)	6.2	5.5	6.6	5.2

Performance of Key Indicators

The combined Index of Eight Core Industries (ICI) increased by 6.0 per cent (provisional) in February 2023 as compared to the Index of February 2022. The production of Fertilizers, Coal, Electricity, Cement, Steel, Refinery Products and Natural Gas increased in February 2023 over the corresponding month of last year.

Coal production (weight: 10.33 per cent) increased by 8.5 per cent in February, 2023 over February, 2022. Its cumulative index increased by 15.2 per cent during April to February 2022-23 over corresponding period of the previous year.

Crude Oil production (weight: 8.98 per cent) declined by 4.9 per cent in February, 2023 over February, 2022. Its cumulative index declined by 1.6 per cent during April to February, 2022-23 over the corresponding period of previous year.

Natural Gas production (weight: 6.88 per cent) increased by 3.2 per cent in February, 2023 over February, 2022. Its cumulative index increased by 1.5 per cent during April to February, 2022-23 over the corresponding period of previous year..

Petroleum Refinery production (weight: 28.04 per cent) increased by 3.3 per cent in February, 2023 over February, 2022. Its cumulative index increased by 5.2 per cent during April to February, 2022-23 over the corresponding period of previous year.

Fertilizers production (weight: 2.63 per cent) increased by 22.2 per cent in February, 2023 over February, 2022. Its cumulative index increased by 11.5 per cent during April to February, 2022-23 over the corresponding period of previous year.

Steel production (weight: 17.92 per cent) increased by 6.9 per cent in February, 2023 over February, 2022. Its cumulative index increased by 7.5 per cent during April to February, 2022-23 over the corresponding period of previous year.

Cement production (weight: 5.37 per cent) increased by 7.3 per cent in February, 2023 over February, 2022. Its cumulative index increased by 9.7 per cent during April to February, 2022-23 over the corresponding period of previous year.

Electricity generation (weight: 19.85 per cent) increased by 7.6 per cent in February, 2023 over February, 2022. Its cumulative index increased by 9.9 per cent during April to February, 2022-23 over the corresponding period of previous year.

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As per data released by Ministry of Statistics, India's industrial production index (IIP) jumps to 5.2 per cent in January 2023, better than the street's expectations. The factory output made a significant rise from 4.3% print in the previous month. While the indicators of IIP, such as the Mining, Manufacturing, and Electricity sectors in January 2023 stood at 135.9, 144.3, and 186.6, respectively. As per Trading Economics, the latest reading in IIP is higher than the market forecasts of 5 per cent. Further, the ministry data showed that, in indices, stand at 149.6 for Primary Goods, 105.3 for Capital Goods, 153.6 for Intermediate Goods, and 171.7 for Infrastructure/ Construction Goods in January 2023. Also, the indices for Consumer durables and Consumer non-durables stand at 109.6 and 164.0, respectively, in January 2023. On a month-on-month basis, electricity and manufacturing output lifted the overall IIP. In January 2023, the mining growth stood at 8.8 per cent versus 9.8% in December 2022, while the manufacturing output stood at 3.7 per cent versus 2.6 per cent and electricity growth came in at 12.7 per cent versus 10.4 per cent.

As per the Ministry of Finance, India's Goods and Services Tax (GST) revenues grew 13 per cent in March, to record the second-highest monthly collections of ₹1.6 lakh crore from the indirect tax, with receipts from goods imports rising 8 per cent and inflows from domestic transactions and services imports rising 14% from a year ago. Gross GST collections for 2022-23 are 22 per cent higher than in 2021-22 at ₹18.1 lakh crore, reflecting an average gross monthly collection of almost ₹1.51 lakh crore. The growth in GST collections in March was the fastest so far in 2023, marking the 12th month in a row that inflows were over ₹1.4 lakh crore and the fourth month in 2022-23 over the ₹1.5 lakh crore mark. March's collections were only eclipsed previously in April 2022, when collections were ₹1,67,540 crore.

WTO UPDATES

Meeting of Agriculture Committee

At the meeting of the Agriculture Committee which took place from 27th to 28th March 2023, the World Food Programme (WFP) warned the WTO members against the massive hunger and nutrition crisis. The crisis emerged amid conflicts, climate change and economic shocks being faced by several countries globally. As per the Food and Agriculture Organization (FAO), 11.7 per cent of the world's population faced severe food insecurity in 2021. In 2022, Least Developed Countries (LDCs) food import bills increased by 10 per cent (USD 4.9 billion), suggesting a worsening situation.

The WTO members acknowledging the severe food crisis, vowed to intensify their efforts to address the issue. In addition, fifteen new issues including those related to market access, domestic support and export competition were discussed by members. These issues included China's new grain programme, export limiting measures by Mexico, Morocco, Tajikistan and Turkey, Japan's structural transition programme for rice, and the US Inflation Reduction Act. Among 23 recurring issues raised at previous committee meetings, members continued to discuss the EU's deforestation regulation, China's policies on cotton, swine and grain subsidies, and India's multiple farm policies, among other things.

Meeting of Trade and Environment Committee

A meeting of the Committee on Trade and Environment (CTE) was held between 14-15 March 2023. The rising use of trade measures for environmental objectives was majorly discussed at the meeting. Several members including EU countries and the UK shared information on their environmental measures which are under domestic deliberation. The UK informed the members about its plan to launch consultations on possible climate action policy measures, including a carbon border adjustment mechanism.

The principle of common but differentiated responsibilities was also discussed as some of these measures are being viewed as trade barriers by developing countries and LDCs. India expressed its concerns about four areas in particular: carbon border measures; environment-based management of minimum residue limits (MRLs) in agriculture; deforestation-related measures; and import restrictions based on the green content of commodities. A paper on the increasing use of environmental measures was also presented by the country to highlight the use of such measures for trade protectionism.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

INDIA

UK requests relaxed Rules of Origin

India and UK started the eighth round of negotiations for a Free Trade Agreement on 20th March 2023. The round was concluded in New Delhi on 24th March. In total, there are 26 chapters that need to be covered in the final agreement. Only a few chapters are remaining to be concluded. During this round, the main areas of discussion were the chapters on Rules of Origin (RoO) and Environment. Some other chapters were also discussed. The UK has been seeking more flexibility in the rules of origin. While India intends to provide flexibilities, they are unlikely to extend them in sensitive areas. For India, automobiles, iron and steel are some of the areas that are sensitive.

Indian negotiators have held consultations with certain ministries' officials and industry bodies to finalise their approach to product-specific rules (PSR) of Origin. UK side has asked India to consider the adoption of either Change in Tariff Heading/Change in Tariff Sub Heading (CTH/CTSH) or Value addition criteria for establishing Product Specific Rules of Origin.

The UK side believes that India's Rules of Origin or RoO proposal is very restrictive. Complex or restrictive Rules of Origin create risks of small traders not utilising the FTA to get preferential tariff treatment for their exports. Meanwhile, Indian negotiators working to finalise the India-Canada FTA are alsconcerned about Canada's RoO proposal which they believe might be restrictive for Indian exports. India is an important market for the UK as it seeks to increase its trade opportunities in one of the fast-growing markets globally. As per UK Trade Secretary Kemi Badenoch, finalising high-quality deals with India and CPTPP is of her five priorities in 2023.

At the recent India Fashion Forum 2023 which took place from 28 February to March 1, a UK delegation arrived with a trade mission. The delegation is the first of its kind and is designed to capitalise on Indian demand for high-class beauty and fashion products, stated the UK government in a press release. UK side wants to increase its market share in India's rising luxury market. A report by luxury-lifestyle magazine Robb Report released in 2021 stated that India's luxury market will likely grow by another 10 per cent over the next five years. The report also mentioned that the market is at a valuation of USD 5 billion. While UK's luxury knitwear brands are seeking greater market access in India, it is uncertain if the UK will agree to provide similar treatment to India's garment exports.

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A 2022 report released by the UK government noted that "In India, the garment industry is one of the main drivers of water stress and water pollution – producing much higher rates than the Minimal National Standard."

"The possible impact on carbon leakage is more uncertain, but estimates suggest that some risks exist in textiles and apparel," added the report as one of the environmental impacts of signing the India-UK FTA. However, the report also mentioned that the removal of tariffs and the provision of greater legal certainty by an FTA would support UK businesses in industries that are keen to export to India such as the automotive, agri-food, machinery, and pharmaceutical industries. India's exports to the UK in FY 2021-22 were worth a value of $10.5 billion while imports were $7 billion. The trade between the two countries increased by $4.3 billion from $13.2 billion registered a year earlier. The UK expects that signing an FTA with India will result in an increase in its exports to £16.7 billion by 2035.

On 10 February 2023, UK and India concluded the seventh round of negotiations. In the said round, technical discussions were held across 11 policy areas over 43 separate sessions. Development on a few trade issues such as the market access for the UK's Alco-bev products and the migration of Indian nationals is critical for an early conclusion of FTA.

India-EU FTA: The two sides conclude 4th round of discussions

India and the European Union (EU) concluded a fourth round of negotiations for a comprehensive free trade agreement in Brussels on March 17, 2023. The fourth round was launched on 13th March 2023. During this round, meaningful discussions were held on Rules of Origin, Customs and Trade Facilitation, Sanitary and Phytosanitary Measures, Trade remedies and TBT and some other chapters. In the area of SPS, progress was made on certification, audit and transparency articles. In the TBT chapter, certain progress was made related to the provisions on standards, transparency, marking and labelling, as well as institutional provisions, and a number of proposals were made.

The sessions on Sustainable Food Systems and Transparency were held the following week after the 4th round in a virtual format.

India's bilateral trade with the EU amounted to USD 116.36 billion in 2021-22. Despite the global disruptions, bilateral

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

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trade achieved an impressive annual growth of 43.5% in 2021-22.

Currently, the EU is India's second-largest trading partner after the US and the second-largest destination for Indian exports.

The trade agreement with the EU would help India in further expand and diversify its exports of goods and services, including securing the value chains. Both sides are aiming for the trade negotiations to be broad-based, balanced, and comprehensive, based on the principles of fairness and reciprocity. European Union has released its draft text proposal for 23 chapters.

While divergences remain, both India and the EU agreed to continue internal discussions in an effort to bridge as many differences as possible during the next round.

The next round of talks will likely be held from 19th to 23rd June. India and the European Union (EU) will also hold the first ministerial meeting of the Trade and Technology Council (TTC) in the next two months to strengthen cooperation in strategic technologies and building resilient supply chains. As per Union commerce minister Piyush Goyal, the free trade agreement with the European Union (EU) will take longer as negotiations with the 27-country bloc will be prolonged.

India and Australia aiming to conclude negotiations by the end of 2023

India and Australia are aiming to conclude a comprehensive economic cooperation agreement (CECA) by the end of 2023. An early harvest deal, also known as economic cooperation and trade agreement (ECTA), has already been completed by the two countries which came into effect last year, December 29.

Under this deal, India was offered preferential market access by Australia on 100% of its tariff lines, including all the labour-intensive sectors of export interest to India, such as Gems and Jewellery, Textiles, leather, footwear, furniture, food, and agricultural products, engineering products, medical devices and Automobiles.

Similarly, India offered preferential access to Australia on over 70% of its tariff lines, including lines of export interest to Australia, which are primarily raw materials and intermediaries such as coal, mineral ores and wines. As per a recent media report, the Indian side is

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

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considering negotiating a mechanism under CEPA for increasing critical minerals supply from Australia.

Critical minerals are used for high-demand goods manufacturing in various sectors, including metallurgy, chemicals, renewable energy, power generation, high-end electronics and defence.

OTHERS

UK becomes the first European country to join CPTPP

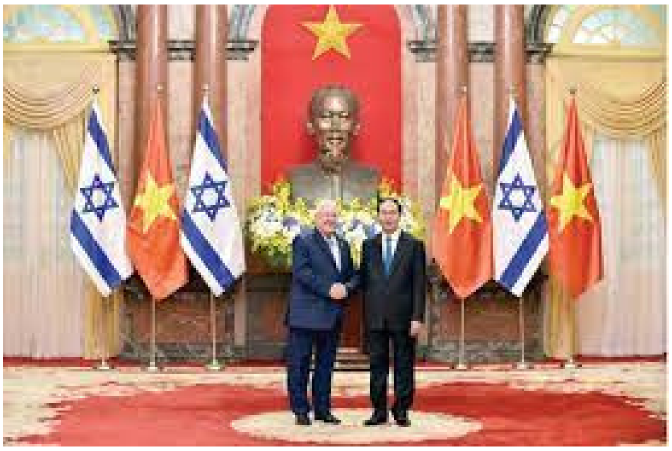
After intense negotiations which began in June 2021, the UK has struck a deal to join a major free trade bloc in Indo-Pacific, CPTPP. CPTPP which stands for Comprehensive and Progressive Agreement for Trans-Pacific Partnership is a vast free trade area comprising 11 countries across the Indo-Pacific. Countries including Japan, Malaysia, Vietnam, Australia, Singapore, Brunei, New Zealand, Canada, Mexico, Peru and Chile are part of this trade bloc. The major UK industries including food, drink and cars are likely to benefit the most from the new deal.

Tariffs of around 80% will be eliminated on UK exports of whisky while 30% tariffs will be reduced on UK exports of cars. In total, more than 99 per cent of UK goods exports to CPTPP countries are covered under zero duty benefits.

CPTPP sets modern rules for digital trade across all sectors of the economy, and UK businesses especially across the services sectors are likely to benefit from the same.

In addition, UK firms will not be required to establish a local office or be residents to supply a service and will be able to operate on a par with local firms. As per the UK government, the deal is estimated to boost the UK economy by £1.8 billion in the long run, with wages also forecast to rise by £800 million compared to 2019 levels. With UK's accession, CPTPP will now become a trade bloc with total GDP of £11 trillion.

Israel-Vietnam conclude FTA negotiations



Israel and Vietnam recently announced concluding negotiations for signing a free trade agreement (FTA). The announcement comes after the 12 rounds of negotiations completed by the two countries over a period of seven years.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

OTHERS

Vietnam's largest exports to Israel include smartphones, footwear and seafood, while its imports from Israel primarily comprise of electronics products and fertilizers. As per Nadav Eshcar, former Ambassador of Israel to Vietnam, "Vietnam is a large-scale exporter of food and agricultural products primarily focused on fish, meat, rice, fruit, and spices, and Israel is a natural partner, providing technologies that will improve both the quality and quantity of Vietnamese goods." The statement highlights the complementary relationship existing between the two countries. As per the Vietnamese government statement, "bilateral trade between Israel and Vietnam rose 18 per cent last year to US $2.2 billion." The two countries are expected to sign the trade agreement officially later this year.

INDIA

Foreign Trade Policy 2023

The Foreign Trade Policy (FTP) 2023 has announced several initiatives to promote exports and facilitate trade. These initiatives aim to reduce transaction costs and enable more exporters to achieve a higher status. The initiatives include the rationalization of export performance thresholds for recognition of exporters as status holders, promoting e-commerce exports, merchanting trade involving the shipment of goods from one foreign country to another foreign country, rupee payment accepted under FTP schemes, and four new towns of export excellence declared.

Unlike five-year policies, FTP 2023 has no end date and would be modified as per need to provide policy continuity and a responsive framework. The last five-year policy came into force on 1st April 2015. However, it was extended several times in the wake of the COVID outbreak and subsequent disruptions in economic activities globally. The last extension was given in September 2022 till 31st March 2023.

The Key Approach to the policy is based on these 4 pillars: (i) Incentive to Remission, (ii) Export promotion through collaboration - Exporters, States, Districts, and Indian Missions, (iii) Ease of doing business, reduction in transaction cost and e-initiatives and (iv) Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET policy.

Under the FTP 2023, rupee payment is accepted under FTP schemes, and FTP benefits are extended for rupee realizations through special Vostro accounts. This initiative will promote using rupee payments in international trade and reduce transaction costs.

The FTP has designated the four new towns, namely Faridabad, Mirzapur, Moradabad, and Varanasi, as Towns of Export Excellence (TEE) in addition to the existing 39 towns. This aims to boost the export of handloom, handicrafts and carpets. Further, the policy will establish an inter-ministerial committee to examine MSME trade-related grievances.

According to the industry, the significant reduction in the application fee for advanced authorisation and Export Promotion Capital Goods (EPCG) scheme for MSMEs is a welcome step as most exporters in the supply chain are small enterprises. Moreover, adding battery electric vehicles (BEVs) and green hydrogen to the list of 'Green Products' will allow MSMEs to avail themselves of reduced export obligations under the EPCG scheme, adding to the sustainability initiatives of the government.

Under the EPCG Scheme, which allows the import of capital goods at zero Customs duty for export production, key changes added are: Prime Minister Mega

POLICY/ REGULATORY UPDATES

INDIA

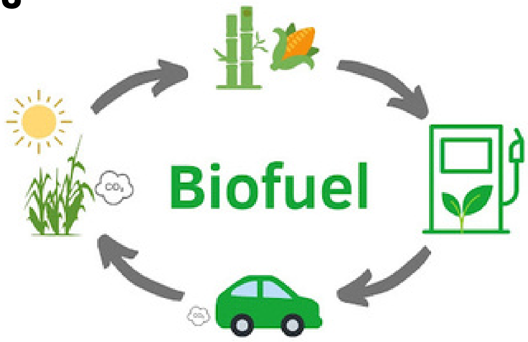
Integrated Textile Region and Apparel Parks (PM MITRA) scheme has been added as an additional scheme eligible to claim benefits under CSP (Common Service Provider) Scheme and Dairy sector to be exempted from maintaining Average Export Obligation – to support the dairy sector to upgrade the technology.

The DGFT also introduced a special one-time Amnesty Scheme to address non-compliance in Export Obligations by Advance Authorisation and EPCG authorisation holders. As per the officials, 'this is the first amnesty scheme since 2011-12, and can help exporters close their unfulfilled obligations and raise exports going forward.'

The authorisation holder may regularise any pending cases of default in the Export Obligation (EO) of the aforementioned authorizations upon payment of all customs duties exempted in proportion to unfulfilled Export Obligation, with a maximum interest cap of 100% of such duties exempted. No interest is due to the percentage of Additional Customs Duty and Special Additional Customs Duty.

As per the experts, the new FTP 2023 will bring a new era of optimism and growth, with ease of doing business and several new initiatives of facilitation. It will greatly boost Indian manufacturing and exports, including through e-commerce, in various sectors.

Tamil Nadu Ethanol Blending Policy 2023



Tamil Nadu released the Ethanol Blending Policy with the vision to promote the state as a green economy and investment hub for alternate cost-effective green fuel. The policy aims to improve farmer income, revive the sugar industry and attract investment worth Rs 5000 crore in molasses/ grain-based Ethanol production capacity.

According to the policy document, by FY 2024-25, the state is expected to increase its petrol requirement to 474 crore litres. And with the transportation sector accounting for almost one-fourth of GHG emissions, there is an urgent need to switch to an alternative, more affordable green fuel that reduces climate change.

The policy released aligns with the central government Ethanol Blended Petrol (EBP) program and seeks to support indigenous production of fuel-grade ethanol. Tamil Nadu has an inherent edge with a total cropped area of 6.63 million hectares and various crops, including sugarcane, paddy, maize, tapioca, and sweet sorghum.

The feedstock for the EBP program's eligible units includes C & B- Heavy Molasses, Sugarcane juice, agriculture residues, biomass, industrial waste, etc.

This policy will not apply to ethanol generated from such eligible units and sold to buyers other than OMCs or used for purposes other than fuel blending under the EBP Programme. The Tamil Nadu Industrial Policy 2021 does not apply to the Eligible Units because those businesses are listed in Annexure I (List of Industries Ineligible for Incentives) and are not considered part of the industrial policy's purview. These businesses include sugar mills, edible oil industries, rice, wheat, flour mills, and businesses that produce alcoholic beverages, fertilizer, and animal feed.

Tamil Nadu Logistic Policy 2023

Tamil Nadu unveiled its Logistics Policy and Integrated Logistics Plan (TNILP) 2023, which aims to advance the state's infrastructure and logistics sector while generating 140,000 to 160,000 direct and indirect job opportunities. The plan includes fiscal incentives for logistics service providers, technology providers, and integrated logistic park developers, such as a one-time reimbursement of 100% of patent filing fees and a one-time cash award of 50% of technology adoption costs. The plan also provides integrated logistics park developers with a 25% initial cost subsidy for establishing green and sustainable initiatives.

An initial investment of INR 625.41 billion has been estimated to encompass 50 interventions across six policy strategic themes.

The Tamil Nadu Logistics Policy 2023 strives to realize its vision by achieving the following strategic objectives - Enabling Integrated and robust logistics infrastructure development; Promoting the availability of cost-effective & high-quality services; Creating enabling environment for logistics activities; Inculcating resilience and sustainability in Logistics Eco-system; Adopting new age technologies in Logistics sector; Enabling skill development in logistics sector.

Capital subsidy: Developers of Integrated Logistics Parks will be eligible for a capital subsidy of 12% or 15% of investment in internal infrastructure (such as internal roads, water distribution infrastructure, street lighting, drainage facilities, landscaping, and green areas) in "B" or "C" category districts, respectively.

The subsidy will be provided in two stages, based on the following milestones. The first 50% of the amount determined as a Capital Subsidy will be provided upon paid-up allotment of 50% park area along with 10% of operational units. The remaining 50% will be provided upon paid-up allocation of 75% park area with 25% operational units. The subsidy amount will be distributed in equal annual instalments over five years.

In addition, Logistics Park developers will be eligible for a housing incentive of 10% on the cost of developing residential facilities within the Logistics Park over ten years from the completion date of the investment in the housing facility.

The incentive will be subject to a ceiling of INR 10 crore.

Green Logistics Park incentive: Developers of Integrated Logistics Parks who undertake green and sustainable initiatives as listed in the Tamil Nadu Industrial Policy, 2021, will be eligible for a 25% subsidy on the cost of capital for setting up such initiatives, subject to a cap of INR 5 crore.

Andhra Pradesh Industrial policy

Andhra Pradesh industries minister Gudivada Amarnath said that the YSRCP government had brought the new industrial, investor-friendly policy and further added that the policy focused on Low-Cost-Low Risk businesses. He also said the need for 96 clearances to set up industries would be given in 21 days, for which the government had brought YSR AP One App.

The new policy directions for operationalizing mission components on accomplishing nine pillars include economic growth, port-led infrastructure, enhanced logistical ecosystem, developing world classes of industrial spaces, and employment generations.

The policy also envisages repositioning the Single Desk Portal, facilitating time-bound clearances for investments and the 'YSR AP ONE' Programme for providing end-to-end service support to investors, for enhanced performance levels. This policy lays down the thrust on high-quality infrastructure, logistical efficiency, investor facilitation, industrial ecosystem, easy access to all factors of production at competitive costs, and peaceful industrial relations. In addition, standard incentive packages are offered for MSMEs and large-scale projects.

The policy targets to create Standard Design Factory modules and Flatted Factory space of about 4 million square feet in the next four years. The target will be accomplished in a mission mode –the 'Plug & Play' state for investments. Under the mission, critical sectors, including IT, Biotechnology, Electronics, apparel, and engineering, will incentivize investments.

The policy gives importance to environmental protection and sustainability. The state government will explore new technologies for effective waste management in industrial areas.It will focus on a cluster-based approach to avoid industrial units in residential and eco-fragile regions.

The policy Industrial Corridors, namely, the Visakhapatnam Chennai Industrial Corridor (VCIC), Chennai Bengaluru Industrial Corridor (CBIC) and the Hyderabad Bengaluru Industrial Corridor (HBIC) in the state as Anchor Projects to leverage the State's global connectivity, in alignment with Growth Poles around seaports.

The policy also introduced a special package of incentives to entice the world's best companies to choose the state.

POLICY/ REGULATORY UPDATES

INDIA

Incentives will be granted under the special package to those who pledge to build the state as a top destination, till August 2023. Industries will be eligible for incentives such as 100% reimbursement of Stamp duty & land conversion charges; 50% of the investment for the R&D labs (only greenfield) limited to Rs 3 Crore and others.

As per the industry members, the new industrial policy will provide generate employment for youth and must be implemented as a norm to benefit all stakeholders. Moreover, the special package, will attract the FDI in the state & give a boost to the MSME sector.

Smart Manufacturing

Akriti Kumari

Smart Manufacturing for a Greener Future

Humans have really started messing with the global climate system during the industrial revolution by burning coal to meet rising energy demand from industrial manufacturing. Most industrial energy efficiency programs target large manufacturers, which represent only about 10 percent of all manufacturers and account for half of total industrial energy demand. But there still aren't many programs out there to help the small and medium manufacturers save energy through efficiency improvements, even though they constitute 90 percent of the manufacturing sector and account for the other half of industrial energy demand.

Smart manufacturing uses advanced technology to increase productivity and reduce energy waste and costs. According to the IPCC, limiting global warming to 1.5°C above pre-industrial levels requires rapid transitions in industrial systems around the world. Industry 4.0 is helping manufacturing cut greenhouse gas emissions from the use of renewable energy.

Like energy efficiency, smart manufacturing makes good economic sense. It saves money, increase productivity, and create advanced manufacturing jobs, keep the Nations at the forefront of an increasingly competitive global economy. From a climate action standpoint, energy efficiency is our best weapon.

As we are already witnessing Industry 4.0 in manufacturing processes. It's transforming the way manufacturing operations are carried out. However, the use of renewable energy is a by-product created by the drive of the digital revolution. The momentum that is shifting Industry 4.0 comes from the acceleration of digital technology.

To reduce a manufacturing process's emissions, a company must know their emissions in the first place. Thus, quantitating a baseline for GHG emissions is vital. Smart manufacturing can make this process simple by automatically collecting utility data such as electricity, natural gas and water usage.

Furthermore, smart manufacturing process will have its digital twin represented in the Internet of Things and so an entire supply chain could be modelled in the digital twin making data collection simple.

Once a baseline has been calculated, smart manufacturing can be used to reduce emissions using methods such as digital twin optimisation and predictive maintenance.

In sustainability impact analysis, we found several correlations between these technologies and their impact on climate action and wider sustainability issues. This ranges from traceability, worker safety, and a shift in professional skills, to the overall reduction in energy consumption, transportation and use of natural resources.

The next step change in digital technologies is opening new opportunities on the market and changing how we do business. If we choose to leverage these new technologies in the right way, we can have an exponential impact on the reduction of emissions. We can also significantly impact the sustainability of our societies and economies, by creating new business models and improving safety, inclusivity and affordability as well as sustainable growth for all involved stakeholders in the value chain.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Geopolitics Behind the Clutter

Anjali Mahto

Impact of Global Recession on Trade

Indian economy is headed towards a new era of development, with the continued focus to position itself as a global supply value chain hub. Lately, the country has adopted the Free Trade Agreements route to secure access to export markets, which is essential for developing economies of scale, greater global value chain (GVC) integration and job creation. India successfully clinched two free trade deals with UAE and Australia last year. The country plans for atleast two more FTAs to be signed, hopefully by this year, as it deepens its engagement with the EU, Canada and UK.

While trade has assumed a critical role in India’s growth trajectory, the country must closely monitor any expected disruption in trade. More so, as the global economy is widely expected to experience slowdown or recession in 2023. This slowdown is expected mainly as recovery from COVID still remains shaky in some parts of the world, climate change catastrophes, cost of living crisis, global inflation have become more prevalent. The recent banking system crisis in U.S and Europe have further aggravated the concerns. Global growth is likely to fall below 3% in 2023, as warned by IMF.

As per a statement by the International Monetary Fund's managing director, a continued slowdown in almost all the world's advanced economies is expected to drag global growth below three per cent this year. World Bank has too warned against possibility of a 'lost decade' of global growth in absence of bold policy-making. One of the major implications of global recession will certainly be an impact on trade and import demand. WTO has predicted that the merchandise trade will see a mere volume growth of 1.7% in 2023 following a 2.7% expansion in 2022. As per WTO Chief Economist Ralph Ossa, “The lingering effects of COVID-19 and the rising geopolitical tensions were the main factors impacting trade and output in 2022 and this is likely to be the case in 2023 as well.”

Last year IMF stated that Indian economy will likely remain insulated even if recession arrives. While India’s economic prospect is expected to be relatively better than other economies, it certainly doesn’t mean that India is completely immune to the impacts of global recession. Finance Minister Nirmala Sitharaman in one of her statements given in February, this year has asked Indian exporters to be far more receptive of the situation. She has suggested that exporters must maintain constant engagement with the government.

Indian exports of goods and services has a significant share in GDP at approx. 20 per cent. "The US and Europe are around 38 per cent of India's exports," as per Citibank India Chief Economist Samiran Chakraborty. As such if recession or global slowdown impacts imports in these two regions, India's export volume will be significantly affected. Given this possibility, Indian exporters needs to be proactive in their approach. The focus on building resilient supply chains through trade diversification efforts and increasing geographical outreach needs to get further push.

(The writer is an Account Executive at VeKommunicate)

OPINION COLUMN

Environment Equity

Saloni Goyal

What is Carbon Tax?

Climate change is a life-threatening danger. Global warming is having a dramatic effect on countries. Considering the high costs of climate change, countries are progressively implementing more ambitious and sophisticated climate mitigation policies, particularly market-based policies such as carbon pricing.

Carbon pricing is more cost-effective than other policy tools and has a positive impact that can help with other development goals as well. Carbon taxation is a prevalent carbon pricing tool. (CPI).

A carbon tax is a fundamental tool for reducing and eliminating the use of fossil fuels, the combustion of which destabilizes and destroys our climate. As per United Nations, Carbon taxes are a policy option aimed at curbing carbon-based emissions responsible for climate change, in line with the commitments assumed by countries under the Paris Agreement.

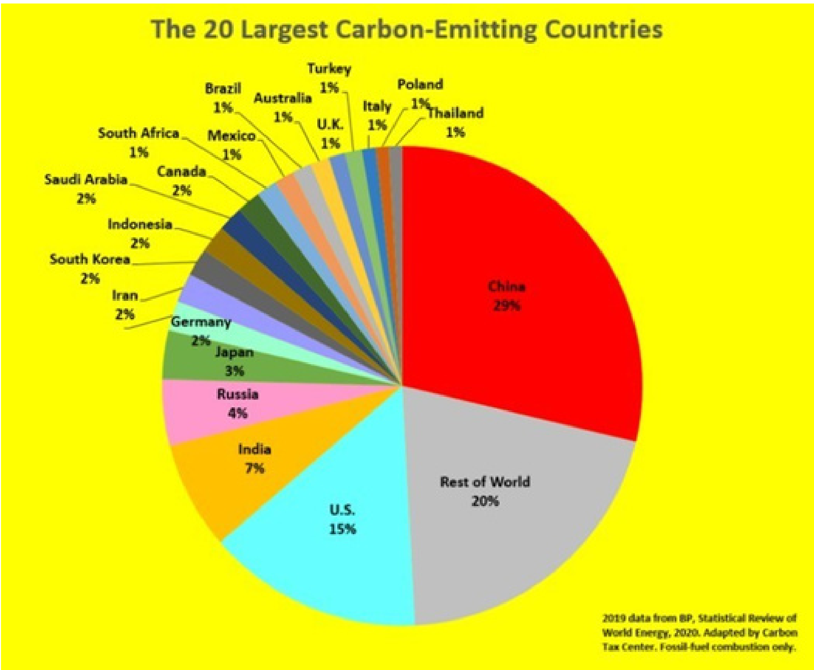
Carbon taxes put a price on the emission of greenhouse gases, thereby motivating companies to invest in cleaner technology or switch to more efficient practices. Moreover, additional revenues could be used to invest in sustainable development.

Global Scenario

Some nations have sizeable taxes, including Argentina, Canada, Chile, China, Colombia, Denmark, the European Union, Japan, Kazakhstan, South Korea, Mexico, New Zealand, Norway, Singapore, South Africa, Sweden, the UK, and Ukraine.

Brazil, Brunei, Indonesia, Pakistan, Russia, Serbia, Thailand, Turkey, and Vietnam are among the nations that are likely to enact a carbon tax.

According to the World Bank, as of June 2022, 68 direct carbon pricing instruments were in use in 46 national jurisdictions worldwide.



Source: WEF

These include 32 emissions trading systems (ETS) and 36 carbon tax regimes. These are systems that reduce the amount of greenhouse gases that can be emitted through the use of tradable permits. Businesses and other organisations have the flexibility to acquire and sell emissions units.

Countries with the highest carbon tax include- (in US$ per metric ton of $CO2$ Equivalent) Sweden (137), Switzerland (101), Liechtenstein (101), Norway (69), Finland (62), and France (52).

India Scenario

Currently, India lacks explicit carbon pricing or cap-and-trade mechanisms; instead, several of its programmes impose an implicit price on carbon. The Perform, Achieve and Trade (PAT) programme sets definite energy reduction goals to lower emissions from energy-intensive industrial sectors. Businesses that surpass the goals are given Energy Saving Certificates (ESCerts) worth one metric tonne of oil apiece. Industries that are unable to fulfil the targets must purchase ESCerts through centralised trading platforms run by the Indian Energy Exchange.

The Coal Cess is a coal tax that was implemented in 2010 with the aim of using the collected revenue to fund clean-energy programmes and research through the National Clean Energy Fund. However, the concept failed to produce significant results because a large portion of the gathered revenue went unutilized. The coal cess was repealed in 2017 and replaced by the Goods and Services (GST) Compensation Cess.

Further, Renewable Purchase Obligations (RPOs) and Renewable Energy Certificates (RECs) aim to support India's expansion towards the renewable energy sector. All power distribution companies are mandated to source a certain percentage of their electricity requirements from renewable energy sources. The State Electricity Regulatory Commission sets and regulates the RPO. Through trading at power exchanges, the RECs are market-based products that assist in achieving RPOs.

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