POLICY PULSE

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IN THIS ISSUE

GLOBAL ECONOMY

NAVIGATING GLOBAL ECONOMY: REFLECTIONS ON 2023 AND OUTLOOK FOR 2024

Global Economy Stands at a Crossroads

As the curtains draw on 2023, the global economy stands at a crossroads, characterized by resilience yet tempered with several development challenges that hint at a possible shift in conventional approaches to tread a pathway through these. The year witnessed a blend of surprising resilience and underlying pressures, setting the stage for an intriguing journey into 2024.

Global Economic Landscape Fared Better than Anticipated

The global economy exhibited remarkable resilience; surpassing expectations set earlier in the year. Despite geopolitical instability taking centre stage as a top threat to growth, the global economic landscape fared better than anticipated. In US, a significant portion of this resilience stemmed from the robustness of the US consumer spending and the steady recovery of service sectors post-pandemic.

Key Highlights of 2023:

- **Positive Momentum in GDP Growth:** The positive momentum saw an upward revision in the GDP growth forecast for 2023, reaching 2.6%. However, this resilience is expected to wane in 2024, with estimates projecting a dip to 2.1%. The impact of tightened monetary policies and the saturation of US consumer spending may contribute to this decline.

- **Core inflation to Align with Monetary Tightening:** Inflation, a persistent concern, showcased signs of abating across major components. Yet, core inflation, particularly in the US, remains persistent. The anticipated decline in headline and core inflation is expected to align with monetary tightening, especially in the eurozone.

- **Struggling Manufacturing Sector in Europe Slows Trade Growth:** Global trade growth slowed to 0.8% in 2023, falling short of earlier expectations due to factors like China's policy changes and a struggling manufacturing sector in Europe. A forecasted recovery to 2.5% in 2024 hinges on the easing of these constraints and a recalibration of the trade-to-GDP growth ratio.

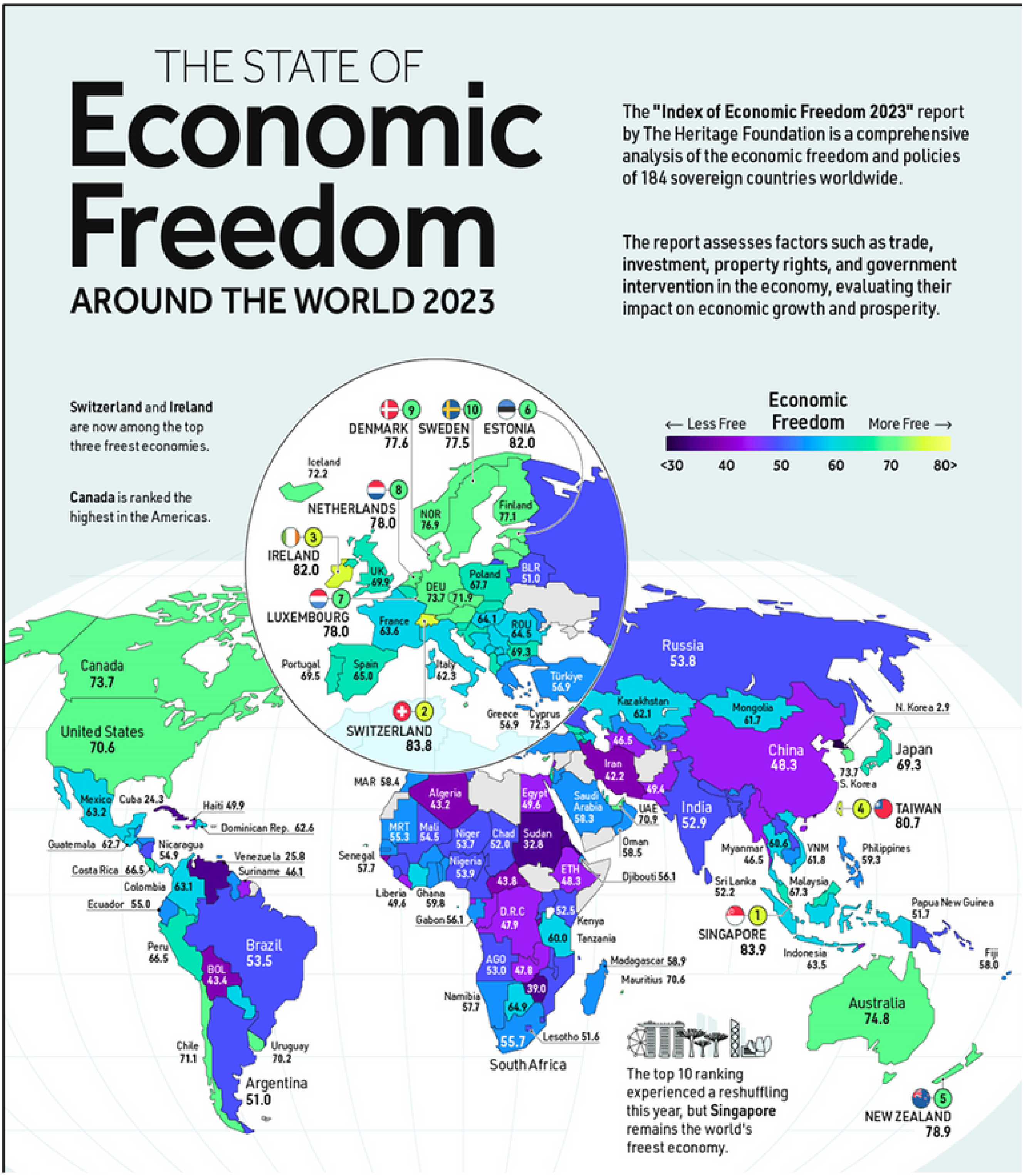
- **Restrained Growth in Advanced and Emerging Markets**: Advanced markets experienced restrained growth at 1.6% in 2023, impacted by past monetary policy hikes. This slowdown is expected to persist in 2024, albeit slightly improved due to falling inflation and mild monetary easing. Emerging markets face a similar trend, with growth estimates at 4.2% in 2023, decreasing to 3.6% in 2024 due to global financing constraints.

ECONOMY

GLOBAL ECONOMY

Singapore remains the world's freest economy

A report '2023 Index of Economic Freedom' by The Heritage Foundation reveals Singapore as the freest economy of the world, even though there is significant reshuffling of the top ten countries. Singapore is followed by Switzerland, Ireland and Taiwan. The index is based on analysis of several indicators relating to economic freedom of policies of 184 countries.



Source: Visual Captialist

GLOBAL ECONOMY

Anticipating the Road Ahead

As we gaze into the horizon of 2024, projections paint a nuanced picture, presenting a trajectory marked by both optimism and caution.

Outlook and Scenarios

- Chances of Subdued Growth Looms Large: The forecasted 2024 growth at 2.1% indicates a slowdown. However, a calculated approach toward monetary easing in 2025 is poised to reinvigorate growth to 2.6%. Nevertheless, the anticipatory fear of subdued growth by historical standards looms large.
- 2.Inflation to Align with Monetary Tightening: The anticipation of declining inflation, especially in core components, aligns with monetary policies. However, unexpected persistency or a new energy price surge might trigger further tightening, impacting both consumer spending and global growth adversely.
- 3.Geopolitical Uncertainties may Affect Growth in Trade: The resurgence of trade growth in 2024 hinges on the resolution of rising protectionism and geopolitical uncertainties that constrain global trade dynamics.

As the global economy braces for the year ahead, a prudent approach is imperative. Addressing the challenges of subdued growth, persistent inflation, and geopolitical uncertainties demands concerted efforts.

Priorities for Global Economy

- Need for Balancing Inflation Containment and Fostering Growth: Central banks' strategic calibration of monetary policies, balancing inflation containment and fostering growth, will play a pivotal role in steering the economic course.
- Trade and Geopolitical Stability: Efforts to alleviate rising protectionism and geopolitical tensions are crucial for revitalizing global trade and stabilizing the economic landscape.
- Structural Reforms: A focus on structural reforms tailored to regional dynamics can bolster resilience and counteract the impact of global economic fluctuations.

The conclusion of 2023 offers a tapestry woven with the threads of resilience and challenges for the global economy. While resilience has been a hallmark, challenges in growth, inflation, trade dynamics, and geopolitical uncertainties persist. The road ahead demands a delicate balance of policy measures and strategic initiatives to navigate the complexities and steer the global economy towards sustainable growth and stability in 2024 and beyond.

ASIAN ECONOMY

ASIA CONTINUES TO LEAD THE WORLD

Growth Expected to Surge by 4.9% at 2023

The Asian Development Bank (ADB) has painted an upgraded economic landscape for developing economies across Asia and the Pacific, riding on the waves of robust domestic demand particularly in the People's Republic of China (PRC) and India.

The most recent Asian Development Outlook (ADO) December 2023, reveals an upward revision in the regional economy's growth forecast. Expected to surge by 4.9% at 2023's end, the projection surpasses the earlier estimate of 4.7% in September. Looking ahead to the coming year, the outlook holds steady at 4.8%.

China's economic prospects have seen a significant boost, with growth anticipated at 5.2% in 2023, up from the prior forecast of 4.9%. This surge follows a buoyant third quarter, driven by amplified household consumption and public investment. Meanwhile, India showcases its momentum with an upgraded growth estimate of 6.7% from the previous 6.3%, propelled by a robust expansion in industry during July-September. However, Southeast Asia faces a dip in its growth forecast to 4.3% from 4.6% due to underperformance in the manufacturing sector.

	GDP Growth					Inflation				
	2022	2023		2024		2022	2023		2024	
		September	December	September	December		September	December	September	December
Developing Asia	**4.3**	**4.7**	**4.9**	**4.8**	**4.8**	**4.4**	**3.6**	**3.5**	**3.5**	**3.6**
Developing Asia excluding the PRC	**5.5**	**4.5**	**4.5**	**5.0**	**5.0**	**6.7**	**6.3**	**6.4**	**4.9**	**5.0**
Caucasus and Central Asia	**5.1**	**4.6**	**4.8**	**4.7**	**4.6**	**12.9**	**10.6**	**10.9**	**8.0**	**8.4**
Kazakhstan	3.2	4.1	4.5	4.3	4.3	15.0	12.7	14.0	7.6	8.7
East Asia	**2.8**	**4.4**	**4.7**	**4.2**	**4.2**	**2.3**	**1.0**	**0.9**	**2.1**	**2.1**
Hong Kong, China	-3.5	4.3	3.6	3.3	3.3	1.9	2.5	2.1	2.1	2.1
People's Republic of China	3.0	4.9	5.2	4.5	4.5	2.0	0.7	0.5	2.0	2.0
Republic of Korea	2.6	1.3	1.3	2.2	2.2	5.1	3.3	3.6	2.2	2.5
Taipei,China	2.4	1.2	1.2	2.7	2.7	2.9	2.0	2.4	2.0	2.0
South Asia	**6.7**	**5.4**	**5.7**	**6.0**	**6.0**	**8.2**	**8.6**	**8.6**	**6.6**	**6.7**
India	7.2	6.3	6.7	6.7	6.7	6.7	5.5	5.5	4.2	4.2
Southeast Asia	**5.6**	**4.6**	**4.3**	**4.8**	**4.7**	**5.1**	**4.2**	**4.2**	**3.3**	**3.5**
Indonesia	5.3	5.0	5.0	5.0	5.0	4.2	3.6	3.6	3.0	3.0
Malaysia	8.7	4.5	4.2	4.9	4.6	3.4	3.0	2.8	2.7	2.7
Philippines	7.6	5.7	5.7	6.2	6.2	5.8	6.2	6.2	4.0	4.0
Singapore	3.6	1.0	1.0	2.5	2.5	6.1	5.0	4.9	3.0	3.0
Thailand	2.6	3.5	2.5	3.7	3.3	6.1	2.5	1.5	2.3	2.3
Viet Nam	8.0	5.8	5.2	6.0	6.0	3.2	3.8	3.8	4.0	4.0
The Pacific	**6.1**	**3.5**	**3.5**	**2.9**	**2.9**	**5.2**	**4.9**	**4.9**	**4.5**	**4.5**

GDP = gross domestic product, PRC = People's Republic of China.

Note: Developing Asia refers to the 46 developing members of the Asian Development Bank. Caucasus and Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan. East Asia comprises Hong Kong, China; Mongolia; the People's Republic of China; the Republic of Korea; Taipei,China. South Asia comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka. Southeast Asia comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, Viet Nam. The Pacific comprises the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.

Sources: Asian Development Bank. 2023. *Asian Development Outlook September 2023*; Asian Development Bank estimates.

ECONOMY
ASIAN ECONOMY

Resilience in Asia

ADB's Chief Economist, Albert Park, acknowledges the resilience of developing Asia amid a complex global environment. Despite the challenges, such as high global interest rates and potential climate events like El Niño, Park emphasizes the need for governments in the region to stay vigilant, ensuring economic resilience and sustainable growth.

The outlook on inflation reflects a slight adjustment, with a decrease to 3.5% for this year compared to the previous projection of 3.6%. Looking ahead to the coming year, a marginal uptick to 3.6% is anticipated, slightly exceeding the prior forecast of 3.5%.

While Southeast Asia experiences a downward revision in its growth outlook due to weakened demand for manufacturing exports, other regions like the Caucasus, Central Asia, and Pacific economies witness marginal adjustments or maintain their projections.

However, the economic landscape is not devoid of risks. Persistently high interest rates in advanced economies like the United States pose a threat, potentially leading to financial instability in susceptible economies within the region, particularly those burdened with high debt. Furthermore, potential disruptions in supply chains, caused by weather anomalies like the El Niño pattern or geopolitical tensions like the Russian invasion of Ukraine, could reignite inflation concerns, especially in essential sectors such as food and energy.

As the ADB highlights these economic nuances and revised forecasts, it underscores the imperative for proactive measures by governments and financial authorities in the region to navigate potential risks, ensuring stability and fostering sustainable growth in the face of a challenging global landscape.

ECONOMY
INDIAN ECONOMY

INDIA’S ROLLER COASTER 2023: A YEAR OF CONTRASTS AND CHALLENGES

The dawn of 2023 unfurled a landscape of economic uncertainty across India, marked by the looming spectre of high inflation and the foreboding possibility of a global recession. The year started on a nervous note, with the aftershocks of high inflation dominating the narrative carried forward from 2022. However, as the year progressed, challenges and achievements defined the nation's economic narrative, shaping a story of resilience.

At the onset, high inflation stood as a challenge, as the most significant carry forward from 2022. As 2023 commenced, the trajectory of inflation began a gradual descent. While this offered a glimmer of hope, concerns persisted regarding its permeation into the broader economy, potentially implicating Indian consumers with sustained higher prices even if food and fuel costs abated. Concurrently, attention has shifted towards sustaining India's GDP growth momentum, with a growing realization that elevated interest rates might dampen economic activity further, exacerbating the country's already dire unemployment situation.

Simultaneously, the global mood was sombre, with widespread consensus nearing the end of 2022 predicting a likely recession engulfing much of the developed world. While India was not facing recessionary conditions, it grappled with its own set of challenges. The state of India’s GDP growth at the start of 2023 was examined, revealing the stagnation in private consumption expenditures, the primary driver of India’s GDP growth. Investment expenditures showed modest improvement, predominantly to replace aging investments, while government spending remained stagnant.

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The unemployment remained worrisome, as data from the Centre for Monitoring Indian Economy (CMIE) indicated a decrease in the total number of employed individuals compared to the beginning of 2016. Other economic parameters also signalled subdued sentiment with a prevailing negative consumer sentiment that persisted since 2015.

INDIAN ECONOMY

explained.

How fast does India need to grow?

Country	GDP Growth Rate pre-Covid (FY 18 to FY20)	GDP Growth rate post pandemic (FY 21 to FY23)	Post Pandemic Rank	GDP per capita (in US $)	Years required for India to catch up if the GDP per capita of all these countries stops growing while that of India grows at 15% annually	Year of catch up
China	6.5	4.6	1	**13,720**	12	2035
India	5.7	3.5	2	**2,600**	0	2023
Australia	2.4	2.3	3	64,960	23	**2046**
Indonesia	5.1	2.3	4	5,020	5	2028
Malaysia	5	2.1	5	13,380	12	2035
Korea	2.8	2	6	33,390	19	**2042**
United States	2.5	1.7	7	**80,030**	25	**2048**
Brazil	1.4	1.5	8	9,670	10	2033
Philippines	6.5	1.3	9	**3,910**	3	2026
Canada	-5.1	1.1	10	52,720	22	**2045**
Italy	1	0.6	11	36,380	19	**2042**
France	2.1	0.5	12	44,410	21	**2044**
Russia	2.3	0.3	13	14,400	13	2036
Germany	1.6	0.2	14	**51,380**	22	**2045**
South Africa	1	0.2	15	6,490	7	2030
United Kingdom	1.8	0.2	16	**46,370**	21	**2044**
Mexico	1.4	-0.1	17	12,670	12	2035
Japan	0.7	-0.4	18	**35,390**	19	**2042**
Source: SBI, IMF, and The Indian Express Research						

Source: The Indian Express, June, 2

However, the Indian economy is ending 2023 on an unexpected high, achieving a trifecta of macroeconomic successes. Inflation moving downwards, comfortably within the RBI's designated range. Contrary to forecasts, GDP growth surpassed expectations, prompting upward revisions across forecasts. Official unemployment data, from the Periodic Labour Force Survey (PLFS), demonstrated a reduction in unemployment rates alongside an increased participation of women in the workforce.

Viewed in a global context, 2023 seems to mark India's ascension toward becoming a developed country, positioning itself as the world's fastest-growing economy amid subdued global growth. However, a closer inspection revealed nuanced concerns. Despite GDP growth accolades, private consumption stagnation persisted, with income growth subdued, impacting both the average populace and the affluent.

Unemployment data, while seemingly positive, obscured underlying distressing trends of a predominantly male-dominated workforce and a rise in self-employment indicating economic fragilities. India's commendable efforts in curbing inflation showcased a downward trend but failed to meet the RBI's 4% target for over four years, raising questions about the effectiveness of policies.

While 2023 witnessed economic triumphs in stabilizing key indicators, the nuanced narrative highlighted underlying complexities. India's economic trajectory, poised between triumphs and challenges, signified a journey fraught with complexities and contradictions. As the year draws to a close, India's economic saga stands as a testament to resilience amidst adversity, signalling the need for concentrated efforts to address disparities and recalibrate policies for inclusive growth, steering India towards sustainable economic prosperity in the years ahead.

WORLD TRADE ORGANISATION

Africa growing participation in supply chain in intermediate goods

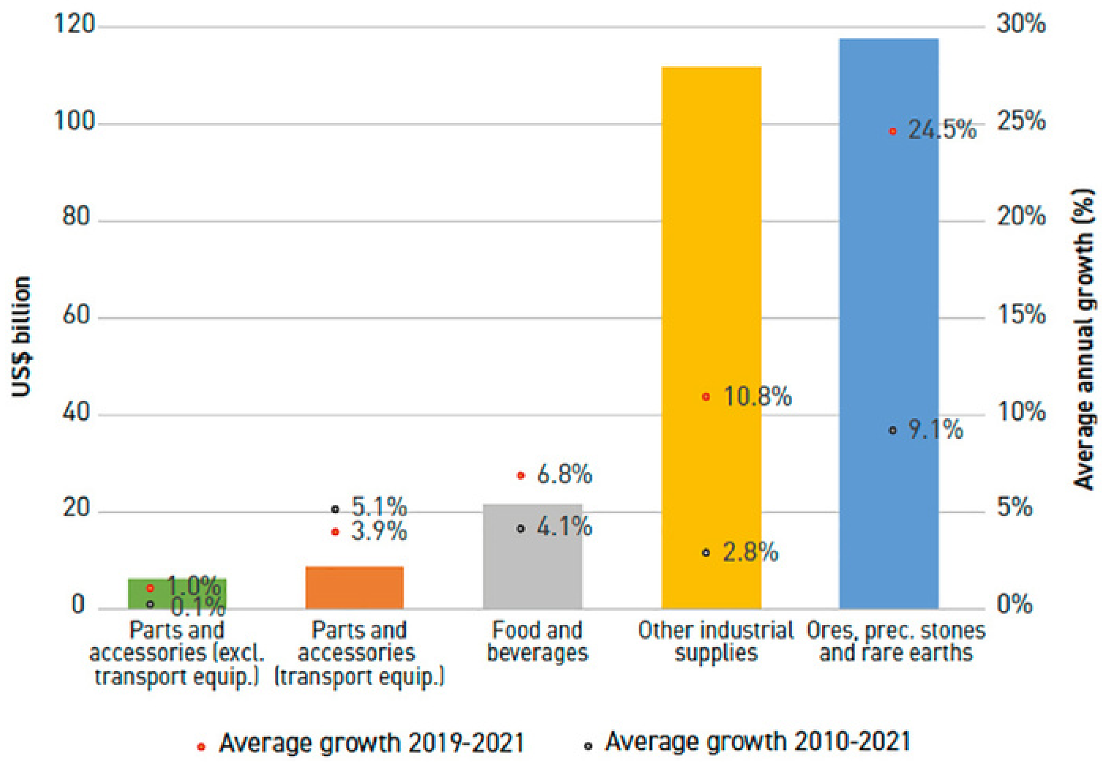
The World Trade Organization (WTO) published an information note on Africa's trade in intermediate goods (IGs), which provides a glimpse of the region's rising engagement in supply chains. IGs refer to inputs (excluding fuels) used to produce a final product and are an indicator of the activity in supply chains.

According to the information note, Africa's IG exports reached US$ 265 billion in 2021, increasing at a rate of 15% yearly on average between 2019 and 2021. In contrast, the region's imports of intermediate goods were valued US$ 284 billion as of 2021, with an average yearly growth of 5%. These growth rates exceed the average gains for IG imports and exports for the years 2010–2021, which are 2% and 5%, respectively.

IG Export

Africa is a major supplier of primary commodities in global production chains. In 2021, 86 per cent of its exports of industrial inputs came from the two main IG categories "Ores, precious stones and rare earths" (44 per cent) and "Other industrial supplies" (42 per cent).

Africa's IG export value in 2021, by category
(2021 values in US$ billion and average annual growth in per cent)

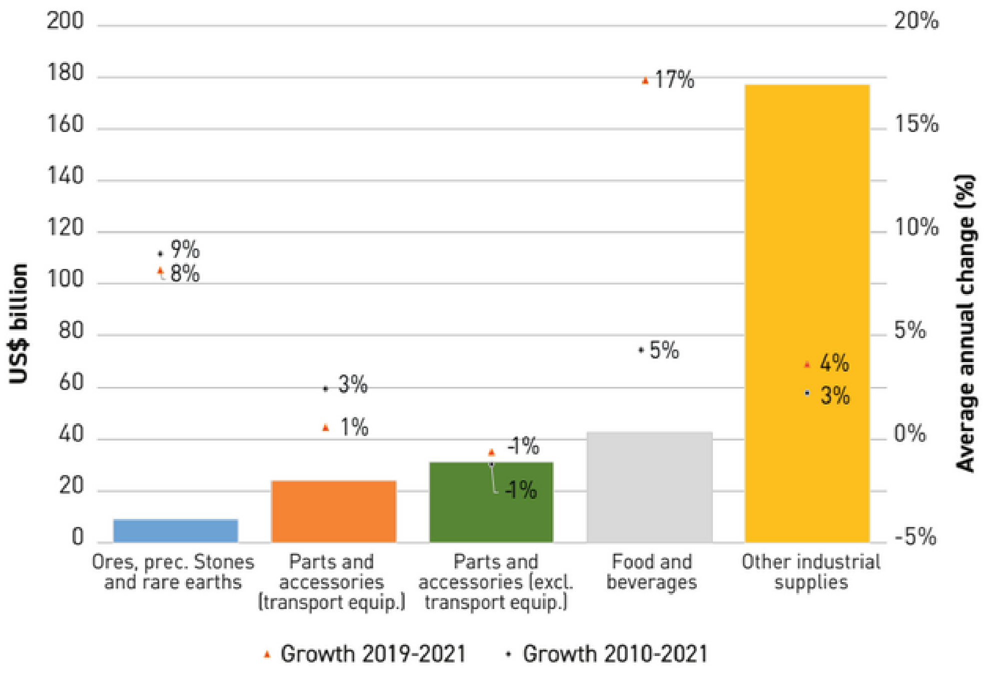


IG Import

In 2021, Africa's IG imports for other industrial supplies accounted for 62%, followed by food and drinks (15%). Food and beverages IG rose by 17% on average between 2019 and 2021, substantially faster than the 5% growth rate from 2010 to 2021. This was primarily due to food supply chain disruptions and price rises during the COVID-19 epidemic.

Africa's IG import value in 2021, by category

(2021 values in US$ billion and average annual growth in per cent)



Intra-African and predominant Exports and Imports

Intra-African IG exports as a share of total IG exports was estimated at 13 per cent in 2021. The corresponding share of IG imports was 11 per cent. In contrast, African countries predominantly trade with industrial partners in Asia and Europe. In 2021, the two regions together accounted for 61 and 68 per cent of Africa's IG exports and imports, respectively.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

WORLD

GCC and South Korea inked an Free Trade Agreement

The Gulf Cooperation Council (GCC) signed a free trade agreement with South Korea, which intensifies efforts to boost investment ties with major economic partners in Asia. The talks began in 2007, were put on hold for almost 13 years before revival in 2022.

According to data from London-based think tank Asia House, trade between the Gulf and South Korea jumped to US$78 billion from US$50 billion between 2021 and 2022.

As per the official statement, 'the FTA will cover trade in goods, service, government procurement, as well as cooperation among SMEs, customs procedures, intellectual property, and others.' In addition, South Korea, will remove tariffs on almost 90% of all items including liquefied natural gas and other petroleum products. On the other hand, GCC states will remove tariffs on 76.4% of traded products & 4% of traded goods.

Telangana state power sector facing serious financial constraints

The power sector stands as a linchpin for economic progress, influencing vital domains like service, industry, and agriculture. Essential services like healthcare, transport, and communication hinge on reliable power supply, directly impacting the populace's quality of life. Hence, the sector's operational and financial stability is pivotal for state welfare.

Post-formation, Telangana State Power Generation Corporation Limited (TSGENCO) boasted an installed capacity of 4365.26 MW, complemented by projects initiated earlier, aiding in a reliable power supply. The A.P. Reorganisation Act 2014 secured over 1,800 MW additionally for the state. However, subsequent power initiatives faced challenges: a delayed 1,080 MW project and the 4,000 MW Yadadri Thermal Power Station incurred high transport costs due to its distant location from coal mines.

Particular	At the time of State formation (on 02.06.2014)	Current status (as on 01.12.2023)
Contract Capacity (MW)	7,778	19,475
Solar Capacity (MW)	74	6,123
Maximum demand (MW)	5,661	15,497*
Maximum consumption in a day (MU)	128	298
Per capita consumption (kWh)	1,356	2,126**
Total consumers served (Nos) in crores	1.11	1.82
Subsidy (FY 23-24)	Rs.3,600 Crs	11,500 Crs

Financially, discoms bear a burden, amassing Rs. 62,461 Cr in losses and a debt of Rs. 81,516 Cr, using substantial amounts as working capital. Pending dues of Rs. 28,673 Cr for generation and transmission compound this strain.

Government defaults in paying its departments' power bills, totaling Rs. 28,842 Cr, exacerbating discoms' challenges. These financial constraints force discoms into an unsustainable borrowing cycle, creating a debt trap.

Despite this tumultuous financial landscape, the government remains committed to ensuring quality, dependable power by addressing sector challenges responsibly and transparently.

Haryana Communication and Connectivity Infrastructure policy

Haryana's Governor has introduced the Revised Communication & Connectivity Infrastructure Policy-2023, effective from 27.11.2023, necessitated by evolving technological landscapes and amendments to Indian telegraph rules. The updated policy aims to streamline permissions for communication infrastructure, emphasizing equitable connectivity across the state, even in remote areas, to bolster inclusive economic growth.

POLICY/ REGULATORY UPDATES

INDIA

Addressing amendments in the Indian Telegraph Rules, the policy facilitates advanced telecom technologies like Fibre to the Home (FTTH) and Open Access Network (OAN). It encourages shared infrastructure use through ducts, reducing Right of Way (RoW) disruptions caused by multiple providers. The policy promises a dedicated duct policy promoting extensive use by Telecommunications and Internet Service Providers.

Eligibility for infrastructure installation extends to licensed telecom and internet service providers, encompassing various structures like telecommunication towers, antennas, Very Small Aperture Terminals (V-SATs), optical fiber cables, and moveable communication towers. Temporary infrastructure for events or emergencies also falls within the policy's purview.

Exclusions cover domestic television and dish antennas. The policy's focus on streamlined processes, advanced technologies, and inclusive connectivity reflects Haryana's commitment to fostering robust communication infrastructure state-wide.

WORLD

New UK levy to level carbon pricing

The UK announces a novel carbon border adjustment mechanism (CBAM) set to equalize carbon pricing for imports, aligning the prices of goods from overseas with those produced in the UK. Aimed at averting carbon leakage, the levy targets iron, steel, aluminium, ceramics, cement, and other highly traded, carbon-intensive products, ensuring fair competition while reducing emissions globally.

This step fortifies the UK's dedication to decarbonization and net-zero commitments, addressing concerns of emissions displaced to countries with lower carbon prices. The CBAM calculates charges based on the carbon emissions during production, narrowing the gap between the carbon prices faced by UK and overseas producers.

The move garners positive reactions from industry stakeholders. The Carbon Capture & Storage Association lauds the commitment, foreseeing benefits for UK manufacturers in adopting low-carbon technologies. Likewise, the British Chambers of Commerce welcomes the decision, anticipating investor certainty and growth in low-carbon sectors.

Another stakeholder, Hydrogen UK supports the CBAM, recognizing it as an essential tool to accelerate decarbonization efforts, while Peak Cluster Project expresses appreciation, highlighting its significance in achieving sustainable industrial decarbonization.

Companies like Make UK have alco come forward to support the initiative. It emphasizes the need for swift implementation and flexibility in application to ensure competitiveness and avoid discrepancies. Overall, stakeholders affirm this initiative as crucial for aligning environmental goals with business growth and investment.

Malaysia Carbon Credit Bill

The Sarawak Legislative Assembly recently approved the Environment (Reduction of Greenhouse Gases Emission) Bill, a significant step toward a sustainable future. With a clear objective to achieve net zero carbon emissions by 2050, the bill mandates annual carbon emission reports from registered businesses in specified sectors, setting accountable thresholds and imposing a carbon levy for non-compliance, to be determined by the state Cabinet.

Notably, the legislation emphasizes a stringent project verification system to ensure credibility in carbon credit generation. Sarawak aims to leverage this initiative, potentially generating revenue through trading or selling carbon credits.

To bolster these efforts, plans include establishing an advisory panel focusing on various aspects like climate change, carbon capture, carbon credits, energy transition strategies, and achieving the net zero target. This comprehensive approach signifies Sarawak's commitment to combatting climate change and fostering a sustainable environment.

Getting Inside Economics

Aditya Sinha

Managing Microeconomic Trends: Strategies for Firms

Microeconomic trends encapsulate the behaviours of individual economic entities—firms, consumers, and industries—and understanding and adapting to these trends are crucial for a company's success. While firms cannot control external forces entirely, they can employ strategies to navigate and even influence microeconomic trends to their advantage.

Understanding Market Dynamics

To control microeconomic trends effectively, firms must first comprehend the dynamics of the markets they operate within. This involves analyzing demand and supply patterns, market structures, consumer behaviour, and competitors' strategies. By understanding these aspects, companies can tailor their approaches to seize opportunities and mitigate risks.

Innovation and Adaptation

Innovation stands as a powerful tool for firms to influence microeconomic trends. Companies that innovate and adapt to changing market needs often gain a competitive edge. Whether it's through new product development, process improvements, or technological advancements, innovation allows firms to shape market trends, capture market share, and stay ahead of competitors.

Market Positioning and Branding

Effective market positioning and branding strategies enable firms to influence consumer behaviour. Creating a strong brand identity, emphasizing unique value propositions, and effective marketing campaigns can shape consumer preferences and influence their purchasing decisions. By aligning with consumer preferences and needs, firms can control trends within their target markets.

Price and Non-Price Strategies

Firms can employ various pricing strategies to control microeconomic trends. Pricing decisions not only affect revenue but also influence consumer behaviour. Strategies such as penetration pricing, price skimming, or value-based pricing can impact market demand and position a company within its market segment.

Moreover, non-price strategies, such as product differentiation, quality enhancements, customer service, and after-sales support, allow firms to control microeconomic trends by offering added value that goes beyond price considerations.

Supply Chain Management and Efficiency

Efficient supply chain management plays a critical role in controlling microeconomic trends. Optimizing supply chains, reducing production costs, managing inventory effectively, and establishing strategic partnerships with suppliers contribute to cost savings and enable firms to offer competitive prices while maintaining quality.

Government Relations and Regulations

Engaging with policymakers and understanding regulatory environments is vital for firms aiming to control microeconomic trends. Advocating for favourable regulations, complying with existing laws, and leveraging government initiatives or incentives can influence market dynamics and create a conducive business environment.

Strategic Partnerships and Alliances

Forming strategic partnerships and alliances with other firms or industry players can also influence microeconomic trends. Collaborations can lead to joint research and development efforts, shared resources, expanded market reach, and increased bargaining power, all of which can impact market dynamics and trends.

Microeconomic Economic Trends

While firms cannot entirely control external microeconomic trends, they possess the ability to influence and adapt to them. By employing strategic approaches—such as innovation, market positioning, pricing strategies, supply chain optimization, and collaborations—companies can navigate the ever-evolving microeconomic landscape more effectively.

Understanding consumer behaviours, market structures, and industry dynamics is foundational. Leveraging this understanding, firms can craft strategies that not only respond to but also shape microeconomic trends, enabling them to remain competitive, agile, and successful within their markets.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Smart Manufacturing

Akriti Kumari

IT/OT Security

Information Technology/Operational Technology (IT/OT) security refers to the integration of IT) and OT security measures to protect critical infrastructure and industrial systems. IT typically involves the use of computers, networks, and information systems to manage data and support business processes, while OT focuses on the control and monitoring of physical devices and processes, such as industrial control systems (ICS) and SCADA (Supervisory Control and Data Acquisition) systems.

Here are some key aspects of IT/OT security:

- **Convergence of IT and OT:** Traditionally, IT and OT have been separate domains, each with its own set of security considerations. With the increasing connectivity and integration of these systems, there is a need for a converged approach to security.
- **Cybersecurity Challenges:** IT systems are often designed with cybersecurity in mind, utilizing firewalls, antivirus software, and other security measures. OT systems, on the other hand, may have legacy equipment and protocols that were not initially designed with cybersecurity in mind. This creates challenges in securing OT environments.

Risk Management: Understanding and managing the risks associated with both IT and OT is crucial. Identifying potential vulnerabilities, assessing the impact of a security breach, and implementing measures to mitigate risks are essential steps in a comprehensive security strategy.

Access Control: Implementing strong access controls is critical to prevent unauthorized access to both IT and OT systems. This includes user authentication, authorization, and monitoring of user activities.

Network Segmentation: Segmenting networks is a common practice in IT security, and it is equally important in OT environments. By isolating critical components and systems, the impact of a security incident can be limited, and unauthorized access can be prevented.

Security Patching and Updates: Regularly updating and patching software and firmware is a fundamental security practice. This is applicable to both IT and OT systems, but it may require careful planning and testing in OT environments to avoid disruptions to critical processes.

Incident Response and Recovery: Having a well-defined incident response plan is essential. This plan should cover both IT and OT incidents and outline the steps to detect, respond to, and recover from security breaches.

- Training and Awareness: Training employees and personnel about security best practices are crucial. This includes educating staff on recognizing phishing attempts, understanding the importance of security policies, and being vigilant about potential security threats.
- Regulatory Compliance: Many industries have specific regulations and standards related to the security of both IT and OT systems. Ensuring compliance with these regulations is essential to avoid legal and financial consequences.
- Continuous Monitoring: Implementing continuous monitoring solutions allows organizations to detect and respond to security threats in real-time. This includes monitoring network traffic, system logs, and anomalies that may indicate a security incident.

In summary, IT/OT security is a holistic approach to safeguarding the interconnected IT and OT systems that are prevalent in critical infrastructure and industrial environments. It requires a combination of technology, policies, and practices to effectively manage and mitigate cybersecurity risks.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Environment Equity

Saloni Goyal

COP 28 an action towards Climate Change

COP28 refers to the 28th session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). It was held in Dubai, United Arab Emirates.

COP28, which took place from December 12 to December 23, 2023, marked an important milestone in global efforts to address climate change. The conference concluded with the adoption of the "Doha Climate Gateway" decisions, which included commitments to deep emissions cuts and scaled-up finance to ratchet up climate action before the end of the decade.

The agreement reached at COP 28 was seen as the "beginning of the end" of the fossil fuel era and emphasized the need for global solidarity and action1. It also included commitments to areas such as adaptation, resilience, loss and damage, finance, and the mitigation work program. Additionally, COP28 established a global dialogue on climate action and set new goals on climate finance.

COP 28 is an opportunity to identify global solutions for limiting global temperature rise to 1.5 degrees, inform countries' preparations for revised and more ambitious Nationally Determined Contributions (national climate plans) due by 2025, accelerate the green transition that is already happening and ultimately achieve the delivery of the Paris Agreement goals.

Major outcomes

- **Fossil – fuel Transition**: this was the first COP to officially acknowledge that fossil fuels cause climate change. But it lacked ambition and commitment
- **Tripling Renewable energy**: COP28 is urging countries to contribute to tripling global renewable energy capacity and doubling energy efficiency improvements by 2030. The signatories, such as the US, Canada, the UAE, also committed to triple their nuclear capacity by 2050.
- **Loss and Damage:** COP28 operationalized the Loss and Damage Fund, securing approximately US$ 800 million in commitments. The important aspect of delivering climate finance has been pushed to COP29.
- **Methane Emissions cuts:** A cohort of approximately 50 oil and gas-producing countries and companies pledged to achieve near-zero methane emissions by 2030.

India's played Important Role

At COP 28, India asserted its commitment to climate action and positioned itself as a proactive contributor to the collective effort. The key takeaways for India are:

- **Proposal to Host COP33 in India:** PM Modi has formally proposed to host the 33rd Conference of the Parties of the UNFCCC (COP 33) in India in the year 2028.
- **Green Credit Initiative:** Prime Minister Narendra Modi unveiled the Green Credits Initiative, a pioneering market-based mechanism designed to incentivize individuals, communities, and organizations to undertake voluntary environmental actions that extend beyond obligatory measures. This initiative encourages activities like tree planting, water conservation, sustainable agriculture, and waste management, rewarding participants with green credits.
- **India-led Global River Cities Alliance**: India launches Global River Cities Alliance (GRCA), which signifies a momentous step in global efforts towards river conservation and sustainable water management. Comprising nations like Egypt, Netherlands, Denmark, Ghana, Australia, Bhutan, Cambodia, Japan, and cities like The Hague, Adelaide, and Szolnok, the GRCA represents a collective commitment to enhancing river sustainability.
- **Support for the Global Stocktake Outcome**: according to the official statement, India acknowledged their crucial role in steering the negotiations and emphasized the importance of reaching decisions that strengthen the Global Stocktake (GST) and reaffirm trust in the multilateral climate process.

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