POLICY PULSE

A MONTHLY NEWSLETTER

SEPTEMBER 2024
VOL. 6 ISSUE 8

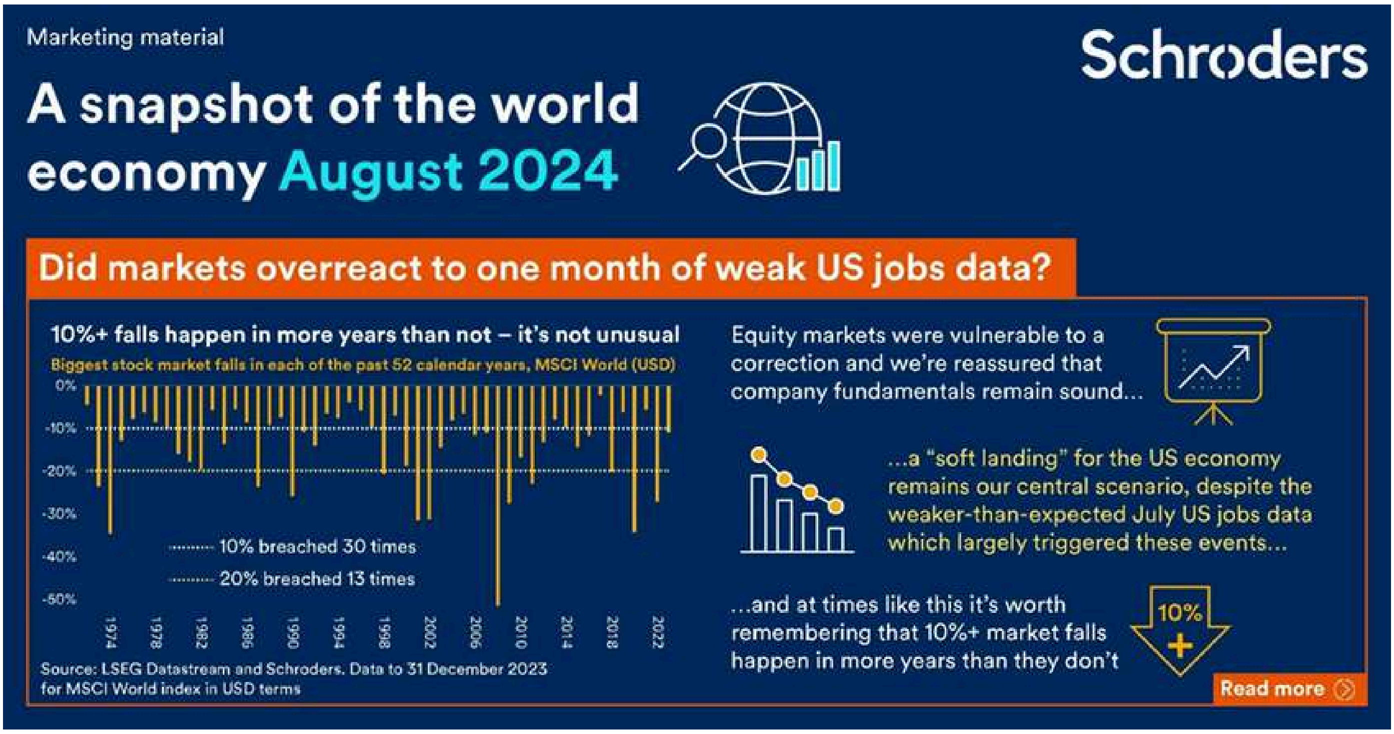
IN THIS ISSUE

ECONOMY

GLOBAL ECONOMY

Challenging times continue for global markets

The month of August 2024 was marked by significant volatility in global markets, driven by a combination of geopolitical tensions, monetary policy shifts, and economic fragmentation. The turbulence at the start of the month, although now somewhat abated, reflected the challenges posed by thin markets, high equity valuations, and a strong reaction to weaker-than-expected U.S. economic data. The risk of a hard landing for the U.S. economy, coupled with uncertainties surrounding policy rate cuts and the implications of the upcoming November elections, has kept markets on edge. Furthermore, Japan's recent shift in monetary policy and the unwinding of carry trades have added another layer of complexity, contributing to ongoing market instability.



U.S. Economic Outlook and Policy Shifts

A growing thought in August was the anticipation of an upcoming rate cut by the U.S. Federal Reserve (may take place in September). U.S. inflation has been on a downward trend, and the Fed has increasingly focused on labour market conditions, which have shown signs of softening. Despite fears of a hard landing, recent economic data does not suggest an imminent recession. The U.S. Purchasing Managers Index (PMI) for July indicated continued growth, with some softening in manufacturing activity. This, combined with stronger-than-expected GDP figures for the second quarter, led to an upward revision of the 2024 growth forecast from 2.4% to 2.6%.

Global Economic Performance

The global economic outlook in August presented a mixed picture. The global manufacturing PMI slipped below the expansion-contraction threshold of 50 for the first time this year, signalling a slowdown in the manufacturing sector.

ECONOMY

GLOBAL ECONOMY

Weak new orders and soft investment signals point to continued challenges in the near term. However, the services sector showed resilience, with PMIs indicating continued growth in most economies. Despite a slight decline in the global composite output index in July, global growth momentum remains solid, if unspectacular.

Optimism on the inflation front

Disinflation continued to be a dominant theme in August, though near-term risks persist. Crude oil prices rebounded from early August lows, and business surveys indicated some lengthening of suppliers' delivery times. While disinflation in core goods appears to be stabilizing, services inflation has begun to decline more rapidly. This trend offers some optimism, though the broader inflation outlook remains complex, influenced by ongoing shifts in global supply chains and market dynamics.

Impact of Economic Fragmentation on FDI

Moody's Analytics highlighted the impact of economic fragmentation, geopolitical tensions, and industrial policies on global investment flows. In 2023, foreign direct investment (FDI) into emerging markets like India and China declined, driven by shrinking global investment flows, supply chain disruptions, and surging inflation. The report also emphasized the long-term influence of climate change on FDI patterns and the challenges posed by economic fragmentation in maintaining smooth investment flows. Despite these headwinds, developed economies saw an uptick in FDI, particularly in European conduit economies, contrasting with the declining trends in emerging markets.

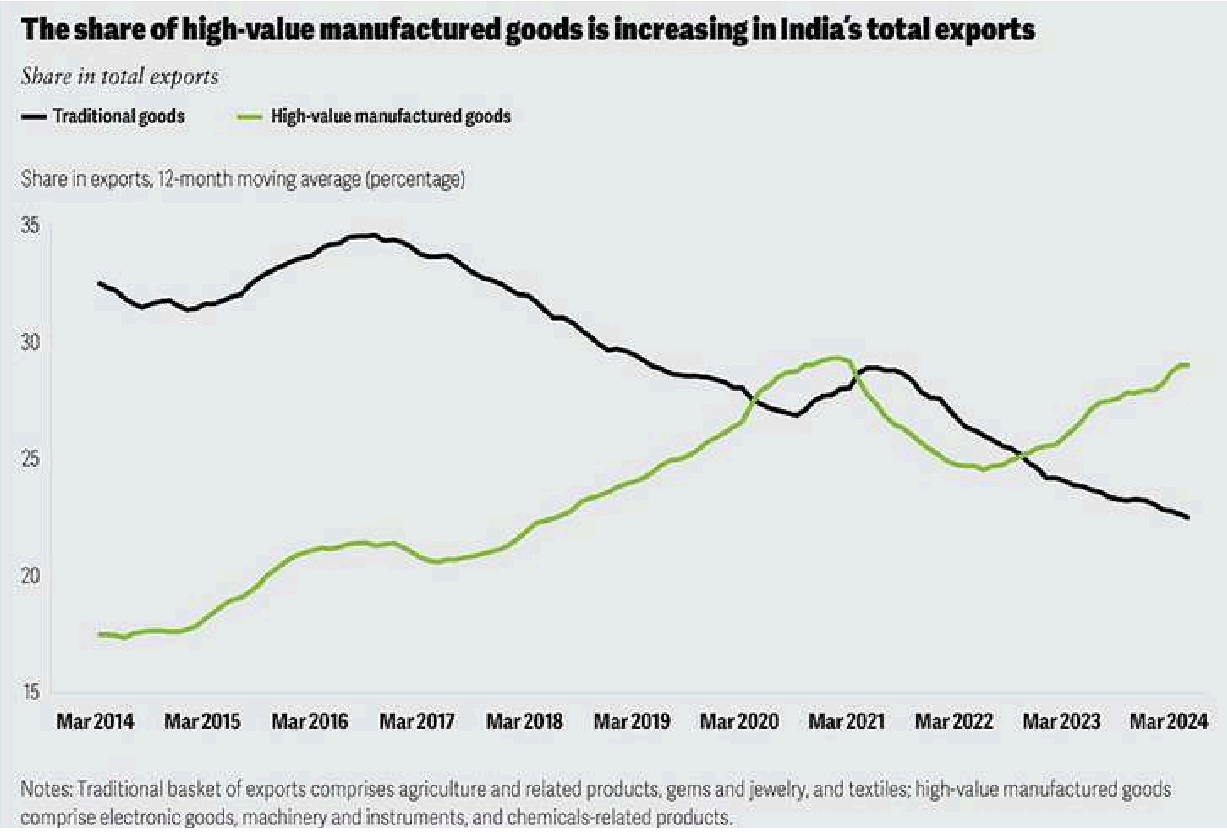
The month of August underscored the complexity of the current global economic landscape, with markets facing ongoing volatility due to a confluence of factors (including monetary policy shifts, geopolitical tensions, and evolving investment patterns). As the year progresses, these dynamics will continue to shape the global economy, requiring careful navigation by policymakers and investors alike. The outlook remains uncertain, with the potential for both risks and opportunities as the global economy adjusts to these evolving challenges.

ECONOMY

INDIAN ECONOMY

Indian Economy: Resilience Amid Global Uncertainties

In August 2024, India's economy continued to demonstrate its resilience despite global geopolitical uncertainties and domestic challenges. Moody's Ratings, a prominent global rating agency, significantly raised its real GDP growth projections for India, reflecting confidence in the country's economic trajectory. The revised forecast for the financial year 2024 now stands at 7.2%, up from an earlier estimate of 6.8%. For 2025, Moody's has also adjusted its growth outlook to 6.6%, compared to the previous 6.4%.



Source: Deloitte

Strong Economic Growth and Resilient Sectors

The upward revision in India's growth projections is largely attributed to strong, broad-based growth across various sectors, driven by resilient private consumption and improved business conditions. The Indian economy grew by 7.8% year-over-year in the first quarter of 2024, a remarkable performance despite the challenges posed by tight monetary policy and ongoing efforts toward fiscal consolidation. This robust growth underscores the strength of India's economic fundamentals.

Key indicators of economic health, such as the Purchasing Managers' Index (PMI) for both the industrial and services sectors, have remained strong. The PMI has stayed above 60 since the beginning of the year, signalling sustained expansion and confidence within the business community. This continued growth is further supported by a thriving services sector, which remains a vital component of India's economic engine.

ECONOMY

INDIAN ECONOMY

Capital Expenditure and Infrastructure Development

Another significant factor contributing to India's economic resilience is the anticipated strengthening of the capital expenditure (capex) cycle. Rising capacity utilization and continued government infrastructure spending are expected to bolster this cycle further. The Indian government's focus on infrastructure development has been a critical driver of economic growth, providing a strong foundation for future expansion.

Moody's report highlights the positive impact of these investments, noting that the ongoing capex cycle will likely continue to support broad-based economic growth. The government's commitment to infrastructure development not only enhances the country's long-term growth prospects but also creates a multiplier effect across various sectors of the economy.

Economic Challenges and Moderating Indicators

Despite the optimistic outlook, the Indian economy faces some challenges, as highlighted by the National Council of Applied Economic Research (NCAER) in its Monthly Economic Review for August 2024. While the economy has remained resilient, there are signs of moderation in certain high-frequency indicators. The PMI for manufacturing and services declined slightly in July 2024, although it maintained its expansionary momentum. This marginal decline indicates that while growth continues, it may be entering a more moderate phase.

Additionally, the growth in the Index of Industrial Production (IIP) and the IIP for core industries also moderated in June 2024. This deceleration suggests that the industrial sector, while still expanding, is experiencing slower growth compared to earlier in the year. Moreover, the merchandise trade deficit widened in July 2024, while the services trade surplus increased sequentially, reflecting shifts in India's trade dynamics.

Inflation trends have also shown signs of easing, with both the Consumer Price Index (CPI)-based headline inflation and wholesale price inflation declining in July 2024. However, concerns about fiscal deficit remain, particularly as annual government spending has increased significantly.

Credit Growth and Foreign Portfolio Investments

In the financial sector, the total outstanding credit of scheduled commercial banks increased by 17.4% year-on-year in June 2024, down from 19.8% in May. This moderation in credit growth, particularly in personal loans and the services sector, indicates a cautious approach by consumers and businesses amid the current economic environment.

Foreign portfolio investments (FPI) also showed signs of weakening. As of August 21, 2024, net FPI amounted to negative $0.4 billion, marking a sequential decline from the end of July. This decline reflects global investor sentiment, which has been impacted by geopolitical uncertainties and market volatility.

INDIAN ECONOMY

In summary, August 2024 highlighted both the strengths and challenges of the Indian economy. While Moody's upgraded growth projections underscore the resilience and robust performance of key sectors, the moderation in certain economic indicators and fiscal concerns suggest that cautious optimism is warranted. As India navigates these complexities, the government's continued focus on infrastructure development and capital expenditure will be crucial in sustaining long-term growth and stability.

WORLD TRADE ORGANISATIONS

China Challenges EU Electric Vehicle Subsidy Duties at WTO

In August, China lodged a complaint with the World Trade Organization (WTO) against the European Union (EU) regarding the EU's imposition of provisional countervailing duties on electric vehicles (EVs) imported from China. This dispute stems from an anti-subsidy investigation launched by the EU in October 2023, which led to the imposition of tariffs as high as 37.6% on Chinese battery electric vehicles (BEVs) in July 2024.

China argues that these measures are inconsistent with WTO rules, particularly under the General Agreement on Tariffs and Trade (GATT) 1994 and the Agreement on Subsidies and Countervailing Measures (SCM). The Chinese government claims that the EU's actions lack a solid legal and factual basis and are motivated by protectionism, potentially harming the global shift towards green energy and the development of the BEV industry.

The complaint signals rising tensions in the trade relationship between China and the EU, particularly in the rapidly growing EV sector, where both sides are keen to maintain their competitive edge.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

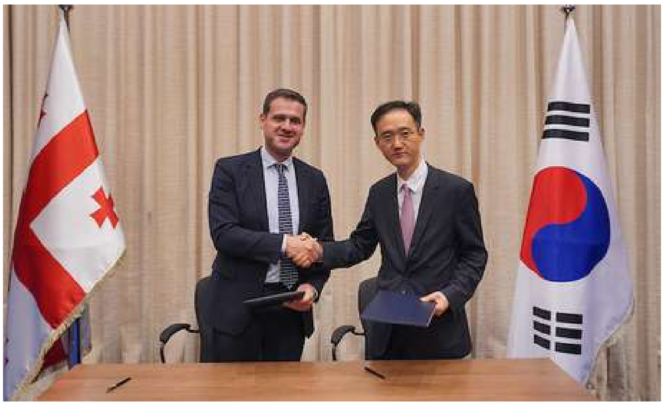
India's FTA negotiation with various partners

India is actively renegotiating its Free Trade Agreements (FTAs) with South Korea, Malaysia and ASEAN countries to better align with the needs of domestic industries. The government is focusing on balancing international trade commitments with protecting and promoting local businesses. This approach involves careful negotiations to ensure that FTAs support India's economic growth while safeguarding key sectors like manufacturing and agriculture.

In addition, India also started negotiations for an FTA with the UK, which was stalled. The Government is pushing for strict 'Rules of Origin', particularly for the Automobile sector. The government aims to ensure that these rules do not negatively impact India's automobile industry.

Georgia, South Korea finalise economic partnership agreement

Georgian and South Korean officials concluded the final round of negotiations for an economic partnership agreement in Tbilisi, focusing on key areas such as trade in goods and services, intellectual property rights, and customs. According to Georgia's Ministry of Economy, the agreement's final draft will soon be signed and undergo domestic procedures to come into effect. Georgian Deputy Economy Minister Genadi Arveladze highlighted that the agreement establishes a free trade regime and encompasses a broad spectrum of economic partnerships between the two nations.



Arveladze noted that South Korea, with its population of over 50 million and high purchasing power, is a significant consumer market, making the establishment of a free trade regime a priority for Georgia. Despite South Korea's high tariffs exceeding 800 percent to protect its domestic market, Georgia has made substantial progress in tariff liberalization. The benefits of this agreement will extend not only to Georgian exports but also to products with

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

potential in the current market. Additionally, the agreement aims to strengthen cooperation in sectors such as investment, transport, energy, and tourism.

EU's first Sustainable Investment Facilitation Agreement enters into force with Angola

The EU-Angola Sustainable Investment Facilitation Agreement (SIFA), the first of its kind for the EU, has entered into force. It aims to boost foreign investments in Angola, supporting the country's sustainable development objectives. The agreement will foster a transparent, efficient, and predictable business climate for foreign and local investors, focusing on sectors like green energy, agri-food value chains, digital innovation, and logistics.

This agreement also contributes to Angola's efforts to diversify its economy away from fossil fuels. As part of the broader Africa-EU Global Gateway Investment Package, the EU will channel €150 billion in investments across Africa, with Angola as a key partner.

A joint Committee on Investment Facilitation, comprising representatives from both the EU and Angola, will oversee the agreement's implementation and strengthen investment ties.

Angola is the EU's fifth-largest investment destination in Africa, with €21.7 billion in EU foreign direct investment in 2022. The SIFA complements the EU's 2021 Trade Policy Review, which aims to promote sustainable investment initiatives in Africa.

INDIA

Union Cabinet Approves High-Performance Biomanufacturing and Biotechnology Policy

The BioE3 initiative is a strategic policy designed to advance high-performance biomanufacturing in India, focusing on bio-based products across sectors. Complementing this is the Vigyan Dhara Scheme, a consolidated program under the Department of Science & Technology (DST), merging three umbrella schemes to optimize fund use and enhance R&D coordination. Vigyan Dhara emphasizes increasing the number of full-time researchers, particularly women, in Science, Technology, and Innovation (STI).

With a focus on regenerative bio-economy models, the policy aligns with global sustainability goals, such as achieving 'Net-Zero.' Gender parity is a key aspect, fostering a more inclusive scientific community. The scheme's alignment with the "Viksit Bharat 2047" vision underlines India's long-term development goals. It also supports basic and applied research in critical areas like sustainable energy and water, encouraging academia-government-industry collaboration to fast-track growth in biomanufacturing and biotechnology.

The policy aims to create jobs and boost India's skilled workforce, especially in tier-II and tier-III cities, by setting up biomanufacturing hubs that leverage local biomass, promoting regional economic growth and equitable development. It also prioritizes ethical biosafety and global regulatory alignment, ensuring responsible and competitive biotechnological progress.

Covering a wide range of biotechnological advancements, the BioE3 policy focuses on developing bio-based chemicals, enzymes, functional foods, smart proteins, and precision biotherapeutics to reduce environmental impact and improve health outcomes. It promotes climate-resilient agriculture and includes carbon capture and utilization technologies, further aligning with global climate action. The policy also explores new frontiers in marine and space biomanufacturing, positioning India as a leader in cutting-edge biotechnology.

Andhra Pradesh positioning itself as a textile manufacturing hub

The Andhra Pradesh government is set to launch a new textile policy aimed at revitalizing the state's textile, apparel, and garment industries. This policy will build upon the previous Textile Policy (2018-2023), with enhancements to attract significant investments and create a more conducive environment for industrial growth.

The key focuses include the development of necessary infrastructure and the provision of timely incentives, which are crucial for drawing in both existing and new investors. Andhra Pradesh, a major player in the textile sector, ranks second in silk production and is also known for its cotton and jute output. The state hosts nine textile and apparel parks, offering various investment opportunities in sub-sectors such as agro, geo, and mobile textiles. The government is committed to supporting companies looking to establish operations in the state, positioning Andhra Pradesh as an ideal hub for textile manufacturing.

The new policy also aims to address the challenges faced during the implementation of the previous policy, which led some industrialists to leave or cease operations. By addressing these issues, the government hopes to restore investor confidence and lay the groundwork for sustained growth in the textile sector.

WORLD

Europe AI Act is now a law

On August 1, 2024, the European Artificial Intelligence Act (AI Act) came into force, marking a significant step in regulating AI development in the EU. Initially proposed in April 2021 and agreed upon by the European Parliament and Council in December 2023, the AI Act aims to address risks to health, safety, and citizens' fundamental rights while providing clear guidelines for AI developers and deployers.

The Act introduces a uniform framework across the EU, taking a risk-based approach to AI regulation. It categorizes AI systems into four levels of risk:

1. Minimal risk: Systems like spam filters and AI video games face no mandatory requirements but can adopt voluntary codes of conduct.
2. Specific transparency risk: AI systems such as chatbots must inform users they are interacting with a machine, and AI-generated content must be labelled.
3. High risk: AI used in medical software or recruitment must adhere to strict regulations, including risk mitigation, quality data, and human oversight.
4. Unacceptable risk: Systems enabling "social scoring" by governments or companies are banned due to threats to fundamental rights.

The EU aims to lead in safe AI by creating a regulatory framework rooted in human rights and values. The Act is expected to drive innovation in sectors like healthcare, transport, and manufacturing while supporting governments in delivering sustainable services.

POLICY/ REGULATORY UPDATES
WORLD

A consultation for a Code of Practice on General-Purpose AI (GPAI) models has also been launched, with the final Code expected by April 2025. This will enhance transparency, risk management, and compliance with copyright rules for GPAI providers.

Nigeria plans to drive socio-economic growth through AI

The National Artificial Intelligence Strategy (NAIS) of Nigeria, developed by the Federal Ministry of Communications, Innovation, and Digital Economy (FMCIDE), outlines a comprehensive plan for leveraging AI to drive socio-economic growth, improve public services, and position the country as a leader in responsible AI innovation. The strategy highlights the transformative potential of AI to address Nigeria's challenges while fostering sustainable development and technological empowerment.

Key objectives of NAIS include boosting economic productivity, creating new AI-driven industries, improving social inclusion, and advancing technological leadership. The strategy emphasizes ethical and responsible AI development, ensuring transparency, accountability, and inclusivity in AI systems.

It is geared toward addressing Nigeria's unique challenges, such as limited broadband access, infrastructure gaps, and a need for more skilled AI professionals.

The strategy recognizes the SWOT (strengths, weaknesses, opportunities, and threats) analysis of Nigeria's AI landscape. It acknowledges its youthful talent pool, government support, and growing tech sector as strengths while highlighting infrastructure limitations, brain drain, and ethical concerns as challenges. Opportunities for growth include leveraging AI to solve local problems, while potential threats include economic instability and social unrest. In addition, the strategy also places significant emphasis on collaboration, urging partnerships with international research institutions and companies to fuel domestic AI growth.

Getting Inside Economics

Aditya Sinha

Navigating Economic Uncertainty and Access to Capital Amidst High Interest Rates and Inflation

In recent years, the global economy has faced a multitude of challenges, but few have been as profound as the current environment of economic uncertainty. Interest rates have surged to 30-year highs, inflation remains elevated compared to pre-pandemic levels, and the question of whether we are in a recession or on the brink of one looms large. In addition, accessing capital and credit has become increasingly difficult since the onset of COVID-19. This article explores these issues, their implications for the economy, and potential pathways forward.

Economic Uncertainty: A Multifaceted Challenge

The economic uncertainty we face today is the result of a complex interplay of factors. Interest rates have reached levels not seen in a long time as central banks worldwide, including the Federal Reserve in the U.S., have tightened monetary policy to combat persistent inflation. This aggressive stance aims to cool down the overheated economy by making borrowing more expensive and saving more attractive. However, while this approach helps address inflation, it also brings its own set of challenges.

Inflation, which has been a significant concern since the pandemic began, remains above the pre-pandemic baseline. Supply chain disruptions, energy price fluctuations, and wage pressures have all contributed to sustained price increases across various sectors. Although inflation has moderated from its peak, it continues to affect consumer purchasing power and erode real income. For businesses, high inflation translates into increased costs, which can squeeze profit margins and potentially lead to higher prices for consumers.

The broader economic landscape is clouded by uncertainty regarding the recessionary outlook. Economic indicators present a mixed picture: some suggest robust consumer spending and strong labour markets, while others point to slowing economic growth and declining business investment. The ambiguity about whether the economy is currently in a recession or simply slowing down highlights the challenges faced by policymakers and businesses alike in planning for the future.

Access to Capital: A Constrained Environment

Since the onset of the COVID-19 pandemic, accessing capital and credit has become increasingly challenging. The pandemic disrupted global financial markets, leading to a tightening of credit conditions and a reduction in available capital. This shift has had a profound impact on businesses, particularly small and medium-sized enterprises, which are often more reliant on external financing to sustain operations and growth.

Several factors contribute to the constrained access to capital. First, financial institutions, wary of increased risk, have become more stringent in their lending criteria. The heightened scrutiny and stricter requirements have made it more difficult for businesses to secure loans, especially those with limited credit histories or those in sectors severely affected by the pandemic.

Second, the surge in interest rates has further compounded the issue. Higher borrowing costs discourage investment and can strain the financial health of businesses that are already grappling with increased operational costs due to inflation. For startups and growing businesses, the higher cost of capital can impede expansion plans and innovation efforts.

Moreover, the uncertainty surrounding the economic outlook has led to a cautious approach among investors. Venture capital and private equity firms, in particular, are adopting a wait-and-see stance, prioritizing investments with clearer paths to profitability and lower risk profiles. This cautious approach further limits the flow of capital to less established or riskier ventures.

Navigating the Path Forward

In this challenging environment, both policymakers and businesses must navigate a complex landscape. Policymakers need to balance the dual objectives of controlling inflation and supporting economic growth. This may involve a nuanced approach to monetary policy, where central banks consider both the immediate impacts of interest rate hikes and the longer-term implications (on economic stability).

For businesses, particularly SMEs, exploring alternative sources of financing and improving financial resilience are crucial. This might include seeking out venture capital, exploring government-backed loans and grants, or leveraging digital financing platforms. Additionally, businesses should focus on strengthening their financial management practices to better withstand economic fluctuations.

In conclusion, the current economic uncertainty, marked by high interest rates, persistent inflation, and constrained access to capital, presents significant challenges. While the path forward may be fraught with difficulty, proactive measures and strategic planning can help navigate this tumultuous period. By adapting to the evolving economic landscape and exploring diverse financing options, businesses and policymakers can work towards fostering stability and growth in these uncertain times.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Environment Equity

Saloni Goyal

Air Pollution: A Silent Threat to the Economy

Air pollution is not just a public health concern; it also has far-reaching impacts on the economy. As professionals, it's important for us to understand the various ways in which air pollution can affect economic stability and growth.

One of the most significant impacts of air pollution on the economy is its effect on healthcare costs. Poor air quality leads to a higher prevalence of respiratory and cardiovascular diseases, resulting in increased healthcare expenditures. According to the World Health Organization, air pollution costs the global economy billions of dollars every year in healthcare expenses. This financial burden directly affects businesses and individuals, ultimately impacting overall economic productivity.

Furthermore, air pollution can impede economic development by deterring foreign investment and tourism. Countries and regions known for poor air quality may struggle to attract business investments and tourists. This can stifle economic growth and lead to a loss of potential revenue streams. In addition, businesses operating in areas with severe air pollution may face challenges in retaining a skilled workforce, as individuals may opt to relocate to areas with cleaner air, leading to talent drain and reduced productivity.

The agriculture sector is another area where air pollution has a significant economic impact. Polluted air can diminish crop yields and quality, reducing agricultural output. This not only affects farmers and agribusinesses but also disrupts food supply chains and increases food prices. In regions heavily dependent on agriculture, these effects can elevate the cost of living and destabilize local economies.

The impact of air pollution on agricultural productivity is another economic concern. Poor air quality can impair crop yields and quality, leading to reduced agricultural output. This not only affects farmers and agricultural businesses but also has a ripple effect on food supply and prices. In regions heavily reliant on agriculture, air pollution can disrupt supply chains, increase food prices, and ultimately affect the overall cost of living for the population.

Air pollution also poses a threat to infrastructure and transportation networks, contributing to additional economic burdens. Corrosive pollutants can accelerate the deterioration of buildings, bridges, and roads, leading to higher maintenance and repair costs. Moreover, poor air quality can disrupt transportation systems, leading to delays and increased fuel consumption.

Recognizing these economic challenges, governments and businesses are increasingly focusing on addressing air pollution through policy and innovation. Investments in clean energy technologies and sustainable infrastructure not only improve air quality but also drive economic growth by creating jobs and fostering innovation. Transitioning to cleaner energy sources can also lower healthcare costs, enhance agricultural productivity, and attract investment, ultimately benefiting the economy.

As professionals, it is essential to advocate for policies and practices that reduce air pollution and protect the economy. Supporting initiatives that cut emissions, promote sustainable urban planning, and incentivize clean technologies can lead to a healthier population and a more resilient economy.

In conclusion, air pollution presents multifaceted economic challenges that require proactive and collaborative solutions. By understanding the financial implications of poor air quality and advocating for sustainable practices, professionals can play a pivotal role in mitigating the impact of air pollution on the economy and fostering long-term economic resilience.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Science Space

Pragya Prakash

The Global Impact of Data Exclusivity in Pharmaceutical Industry

The debate surrounding data exclusivity—a form of protection for clinical trial data—has gained significant attention in recent years. This mechanism, advocated primarily by pharmaceutical companies from high-income countries, offers exclusive rights to use clinical trial data for a period, preventing competitors from relying on this data to market generic versions of drugs. While proponents argue that data exclusivity is essential for encouraging innovation and investment in drug development, this article explores its broader implications, particularly for developing countries, where the social and economic costs often outweigh the benefits.

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) established a framework for the protection of test data, yet it left room for interpretation regarding the necessity of data exclusivity. High-income countries, particularly the United States and European Union, have aggressively promoted data exclusivity through preferential trade agreements. These agreements often pressure developing countries to adopt data exclusivity measures, extending the period during which generic competitors are barred from entering the market.

The rationale behind this push is twofold: it aims to protect the significant investments made by pharmaceutical companies in conducting clinical trials and to ensure that these companies can recoup their costs by enjoying a monopoly for a longer period. However, this monopolistic extension has critical repercussions on drug prices and access, particularly in countries with limited healthcare budgets.

From a political economy perspective, data exclusivity represents a significant shift in the global pharmaceutical market. The protection of clinical trial data has far-reaching effects on the accessibility of medicines, the cost of healthcare, and the overall innovation landscape.

Data exclusivity delays the entry of generic drugs into the market, leading to prolonged periods of high drug prices. For developing countries, where healthcare budgets are already stretched thin, this can result in reduced access to essential medicines. The monopolistic control over drug markets afforded by data exclusivity leads to higher healthcare costs, both for governments and individuals. Empirical studies have shown that the introduction of data exclusivity can increase drug prices significantly, which in turn reduces the affordability and availability of medicines.

Proponents of data exclusivity argue that it incentivizes innovation by allowing companies to protect their investments in drug development. However, the reality is more complex. While data exclusivity may encourage investment in the development of new drugs, it often does so at the expense of accessibility.

Moreover, the innovation stimulated by data exclusivity tends to be incremental rather than radical, focusing on modifications of existing drugs rather than the development of entirely new treatments. This is particularly problematic for developing countries, where the healthcare needs are often unique and require innovative solutions tailored to specific epidemiological profiles.

The adoption of data exclusivity in developing countries comes with significant economic and social costs. The extension of monopoly periods leads to higher drug prices, which can have a cascading effect on public health. For instance, increased spending on patented drugs can divert resources away from other critical areas of healthcare. Additionally, the delay in the introduction of generic drugs exacerbates health disparities, as essential medicines remain out of reach for the most vulnerable populations.

The international push for data exclusivity, while benefiting pharmaceutical companies in high-income countries, poses significant challenges for developing nations. The extension of monopolies on essential medicines through data exclusivity exacerbates healthcare inequities by driving up drug prices and limiting access to life-saving treatments. Furthermore, the promised benefits of increased innovation do not materialize in a manner that justifies the social and economic costs borne by these countries.

As developing nations navigate trade negotiations, they must carefully weigh the implications of adopting data exclusivity provisions. While there may be some room for compromise, such as implementing safeguards that expedite access to innovative drugs, the overarching goal should be to protect public health and ensure that healthcare remains accessible and affordable for all. In this context, data exclusivity represents a double-edged sword —one that must be handled with extreme caution to avoid cutting off access to essential medicines for those who need them most.

International forums must continue to scrutinize the impact of data exclusivity on global health, particularly in developing countries. Policymakers should prioritize health equity over corporate profits and resist the imposition of TRIPS-plus standards that undermine access to affordable medicines. By fostering an environment that encourages true innovation without compromising accessibility, the global community can better align intellectual property rights with the right to health.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Geopolitics

Isha Singh

Bangladesh Crisis: Potential Trade Benefit Areas for India

The political transition in Bangladesh, marked by the formation of an interim government and the potential for new policy introductions, presents a mixed bag of opportunities and challenges for India. Given the likelihood of disruptions in supply chains and shifts in demand due to the unfolding crisis, India has a chance to capitalize on trade openings in various sectors. India's imports from Bangladesh largely consist of textiles, apparels, leather goods, and aircraft components. As the crisis deepens, India may find room to expand its role in key sectors such as cotton, pharmaceuticals, textiles, industrial products, and consumer goods.

In the cotton sector, India, which exported USD 6.49 billion worth of cotton in 2023, including to Bangladesh, could see significant opportunities. If Bangladesh's domestic cotton production faces disruptions, India may step in to meet the demand. However, Bangladesh might reduce cotton imports to preserve foreign exchange reserves or implement protectionist policies to protect its local industries, presenting a challenge for Indian exporters.

The pharmaceutical industry is another sector where India, with its export base of USD 21.3 billion in 2023, might find opportunities. Should Bangladesh's local pharmaceutical production be hampered, India could fill the gap in the market. Although, the economic downturn could lead to reduced industrial activity, potentially dampening demand for pharmaceuticals, especially if Bangladesh's import capacity weakens.

Textiles and apparel offer a significant opportunity, as Bangladesh is a major exporter in this sector, with USD 48.86 billion in exports in 2023; India could step in to meet global demand for textiles and apparel. But, there also lies the possibility of Bangladesh prioritizing its own textile industry for economic recovery, which might reduce India's export potential in this area.

Additionally, India, which exported USD 26.57 billion in 2023, might find opportunities in the industrial and mechanical products sector by supplying machinery and equipment to aid Bangladesh's industrial recovery efforts. Often, during crises, capital-intensive industries face investment constraints, which could limit Bangladesh's ability to purchase machinery. Finally, in the consumer goods sector, particularly in furniture, bedding, and related items, India could see increased demand if local production in Bangladesh declines.

OPINION COLUMN

In conclusion, while the current political and economic uncertainties in Bangladesh offer India opportunities to increase exports in sectors like cotton, pharmaceuticals, and industrial goods, the potential benefits will depend on how Bangladesh manages the crisis. Protectionist measures, reduced purchasing power, and economic constraints could temper the trade gains India might expect. India's success in overcoming these challenges and adapting to Bangladesh's shifting economic conditions will be crucial to in fully capitalising on the trade opportunities presented during this time.

(The writer is an Research Analyst at VeKommunicate)

Global Business Partners in Policy Advisory & Communication, Research & Economic Data Analysis, with-in depth knowledge of Legal, Trade, and Regulatory Affairs, specializing in various industry sectors

VeKommunicate
B-92, South City-I,
Sector-30, Gurugam,
Haryana – 122001

For Further Information, Please Contact:

Saloni Goyal
Senior Research Analyst
Mobile: +91 85880 36912

Aditya Sinha
Senior Research Analyst
Mobile: +91 76071 32842

Email: info@vekommunicate.com
Website: www.vekommunicate.com