VeKommunicate

POLICY PULSE

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IN THIS ISSUE

ECONOMY
GLOBAL ECONOMY

The global economic status as of September 2024 presents a mixed yet cautiously optimistic picture, characterised by stabilising growth, declining inflation, and ongoing challenges.

Global Growth Trends

- **Stabilisation of growth rate at 3.2%:** The global economy is projected to stabilise with a growth rate of 3.2% for both 2024 and 2025, consistent with the average observed in the first half of 2024. This reflects robust performance in countries like the United States, Canada, and Spain, while emerging markets like Brazil and India also show strong domestic demand.
- **Divergent Regional Performance:** While the outlook for advanced economies is slightly improving, emerging markets are expected to experience a modest slowdown. For instance, growth in advanced economies is forecasted to rise slightly from 1.6% in 2023 to 1.7% in 2024, whereas emerging markets are projected to decrease from 4.3% to 4.2% during the same period.

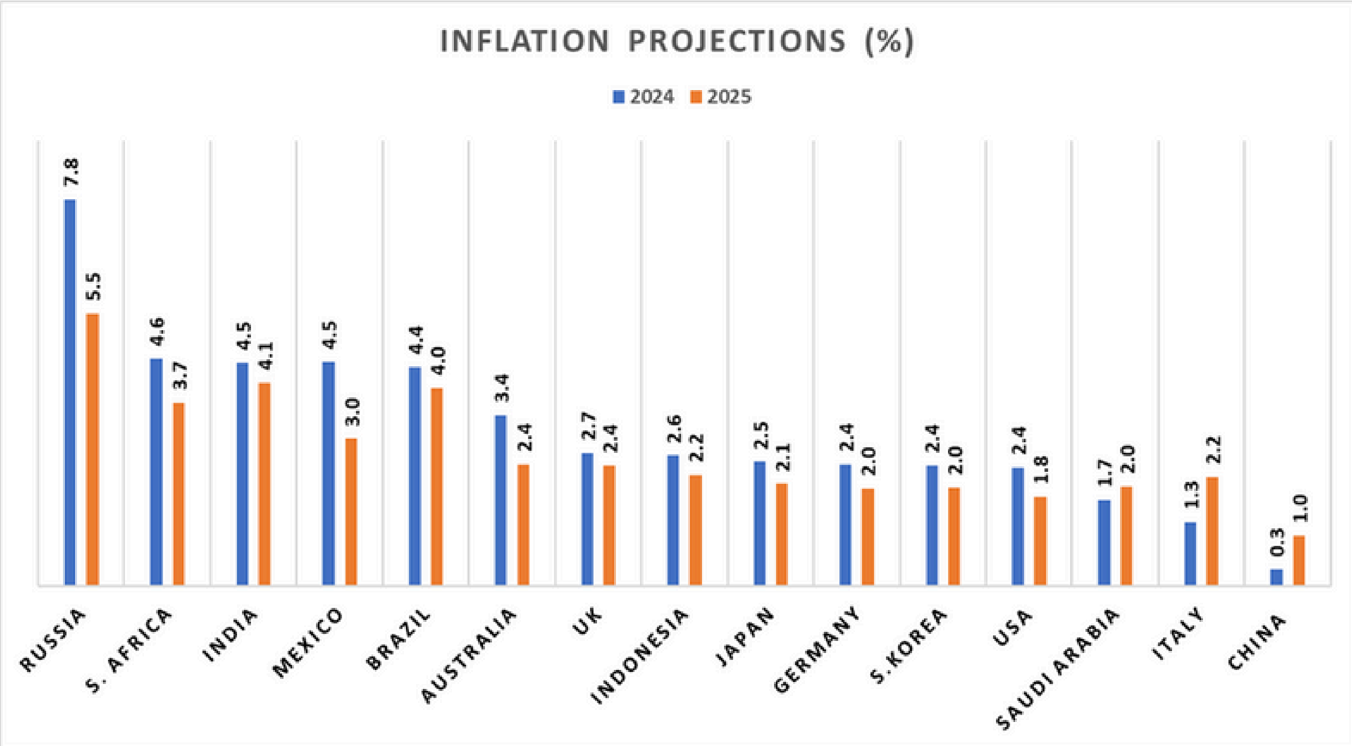
	2023	2024	2025		2023	2024	2025
World	3.1	3.2 ▬	3.2 ▬	G20	3.4	3.2 ▬	3.1 ▬
Australia	2.0	1.1 ▼	1.8 ▼	Argentina	-1.6	-4.0 ▼	3.9 ▲
Canada	1.2	1.1 ▬	1.8 ▬	Brazil	2.9	2.9 ▲	2.6 ▲
Euro area	0.5	0.7 ▬	1.3 ▬	China	5.2	4.9 ▬	4.5 ▬
Germany	-0.1	0.1 ▬	1.0 ▬	India	8.2	6.7 ▬	6.8 ▬
France	1.1	1.1 ▲	1.2 ▬	Indonesia	5.0	5.1 ▬	5.2 ▬
Italy	1.0	0.8 ▬	1.1 ▬	Mexico	3.2	1.4 ▼	1.2 ▼
Spain	2.5	2.8 ▲	2.2 ▬	Russia	3.6	3.7 ▲	1.1 ▬
Japan	1.7	-0.1 ▼	1.4 ▲	Saudi Arabia	-0.7	1.0 ▲	3.7 ▼
Korea	1.4	2.5 ▬	2.2 ▬	South Africa	0.7	1.0 ▬	1.4 ▬
United Kingdom	0.1	1.1 ▲	1.2 ▬	Türkiye	5.1	3.2 ▬	3.1 ▬
United States	2.5	2.6 ▬	1.6 ▬				

Source: OECD

Inflation Dynamics

- **Declining Inflation Rates:** Global inflation has been on a downward trajectory, with headline inflation in G20 countries expected to fall from 6.1% in 2023 to 5.4% in 2024 and further to 3.3% in 2025. This decline is attributed to decreasing food prices and stable energy costs.
- **Core Inflation Challenges:** Despite the overall decline, services price inflation remains persistent, complicating efforts for central banks aiming for price stability. Core inflation in advanced economies is projected to ease from 4.2% in 2023 to 2.7% in 2024.

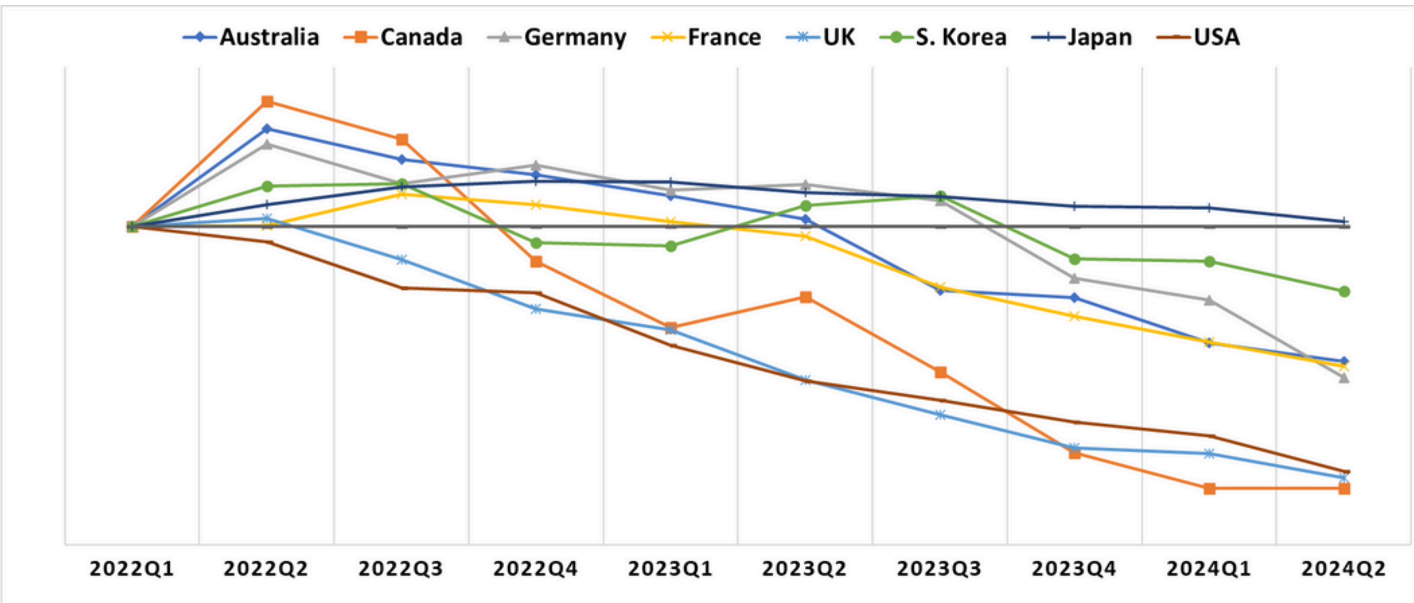
GLOBAL ECONOMY



Source: OECD

Labour Market Conditions

- **Easing Labour Pressures:** Labour market pressures are showing signs of easing, with job vacancies declining from pandemic peak levels. However, unemployment rates have risen in several major economies due to moderating demand and increased labour supply.



Source: OECD

ECONOMY
GLOBAL ECONOMY

Economic Sentiment and Risks

- **Cautious Optimism Among Executives:** A recent McKinsey survey indicates that for the first time since March 2020, executives view the global economy as stable rather than improving. While geopolitical instability remains a significant concern, there is a growing belief that inflation risks are lessening, particularly in North America.
- **Potential Risks Ahead:** Chief economists warn that public debt levels pose significant threats to economic stability globally. The possibility of a new economic shock could trigger a debt crisis, emphasizing the need for careful fiscal management moving forward.

Conclusion

In summary, while the global economy exhibits signs of stabilization with declining inflation and moderate growth expectations, underlying vulnerabilities such as public debt and geopolitical tensions continue to pose risks.

ECONOMY

INDIAN ECONOMY

India Quarter 1 (Q1) Update: GDP Growth Rate

India continues outperforming major economies, with a projected growth of 7% to 7.2% in FY 2024-25.

In the first quarter of the fiscal year 2024-25, India's real GDP is projected to grow by 6.7%, a decrease from the 8.2% growth rate observed in the same quarter of the previous fiscal year. The International Monetary Fund (IMF) revised its forecast for India's GDP growth in FY 2024-25, increasing it by 20 basis points to 7%, up from the previous estimate of 6.8% made in April. Additionally, nominal GDP has seen a growth rate of 9.7% in Q1 of FY 2024-25, compared to 8.5% in the corresponding quarter of FY 2023-24. Real Gross Value Added (GVA) has grown by 6.8% in Q1 of FY 2024-25, down from 8.3% in the previous year, with significant contributions from the Secondary Sector, which grew by 8.4%.

The sector showed notable increases in construction (10.5%), electricity, gas, water supply, and other utility services (10.4%), and manufacturing (7.0%). These developments are occurring against the backdrop of rising consumption prospects, particularly in rural areas, reinforcing India's status as the fastest-growing economy among emerging markets and developing economies.

Foreign Exchange Reserves

Item	30 Aug – 6 Sep	6 Sep- 13 Sep	13 Sep-20 Sep	20 Sep – 27 Sep
1 Total Reserves	5238	223	2838	12,588
1.1 Foreign Currency Assets #	5107	-515	2057	10,468
1.2 Gold	129	899	726	2,184
1.3 SDRs	4	-53	121	8
1.4 Reserve Position in the IMF	9	-108	-66	-71

Source: RBI (Figures in USD Million)

The reserve increased by the September end week mainly due to a gain in foreign currency assets. Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the forex reserves.

Trade for FY April-August 2024-25*

Despite ongoing global challenges, India's overall exports, encompassing both merchandise and services, are projected to exceed last year's record levels. For the period of April to August in FY 2024-25, total exports are estimated to reach US$ 382.86 billion, reflecting a positive growth of 5.34% compared to the same period in FY 2023-24. Overall imports during this period are expected to amount to US$ 375.33 billion, marking a growth of 7.20% over the previous year.

INDIAN ECONOMY

		April-August 2024 (USD Billion)	April-August 2023 (USD Billion)
Merchandise	Exports	178.68	176.67
	Imports	295.32	275.83
Services*	Exports	150.18	135.50
	Imports	80.00	74.28
Overall Trade (Merchandise + Services) *	Exports	328.86	312.17
	Imports	375.33	350.11
	Trade Balance	(-) 46.46	(-) 37.94

Source: : Ministry of Commerce and Industry
** Note: The latest data for the services sector released by RBI is July 2024. The data for August 2024 is an estimation, which will be revised based on RBI's subsequent release.*

The growth in merchandise exports for August 2024 is driven primarily by sectors such as Engineering Goods, Organic and Inorganic Chemicals, Electronic Goods, Ready-Made Garments (RMG) of all Textiles, and Drugs & Pharmaceuticals. Notably, Engineering Goods exports rose by 4.36%, increasing from USD 9.05 billion in August 2023 to USD 9.44 billion in August 2024.

The top five export destinations that experienced significant growth in value from April to August 2024 compared to the same period in 2023 are the Netherlands (36.43%), the USA (5.72%), the UAE (9.24%), Malaysia (40.06%), and the UK (14.59%). On the import side, the top five sources showing increased value during this timeframe are the UAE (52.6%), China (10.96%), Russia (6.39%), Switzerland (16.88%), and Taiwan (40.38%).

Index Indicator- IIP/CPI

In July 2024, the Index of Industrial Production (IIP) recorded a growth rate of 4.8%, slightly higher than the 4.7% growth seen in June 2024. The Quick Estimates of IIP stood at 149.6, compared to 142.7 in July 2023. The sectoral indices for Mining, Manufacturing, and Electricity were 116.0, 148.6, and 220.2, respectively, for the month of July 2024.

Data on Year-on-year as on July, 2024	Values in %
Index of Industrial Production (IIP)[2]	
a. General	(+) 4.8%
b. Mining	(+) 3.7%
c. Manufacturing	(+) 4.6%
d. Electricity	(+) 7.9%

Source: Ministry of Statistics and Programme Implementation (MoSPI)

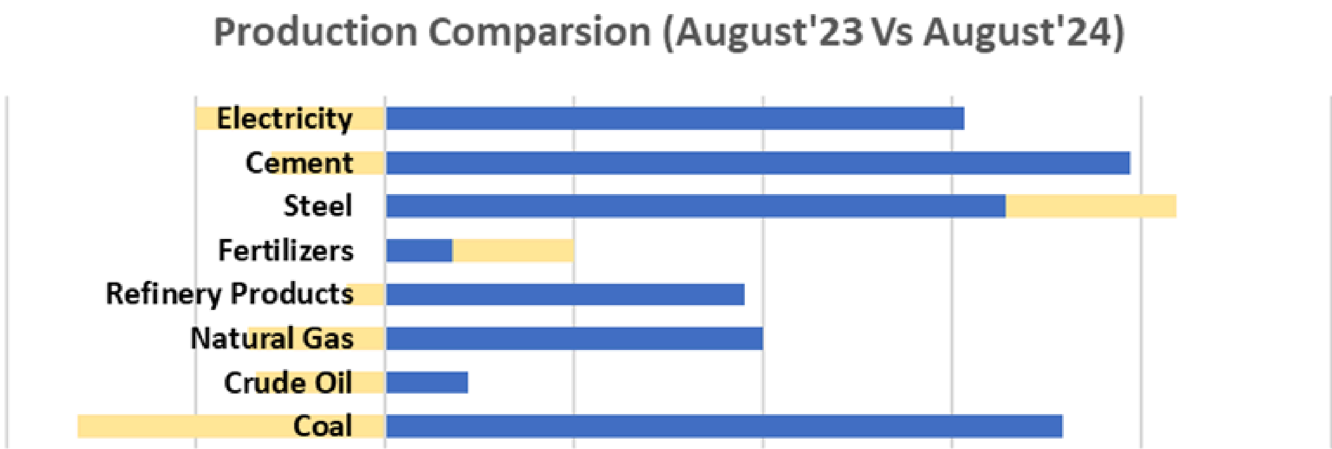
INDIAN ECONOMY

Within the manufacturing sector, the top three contributors were the "Manufacture of basic metals" (6.4%), "Manufacture of coke and refined petroleum products" (6.9%), and "Manufacture of electrical equipment" (28.3%).

As per the use-based classification, the indices for July 2024 stood at 150.1 for Primary Goods, 114.4 for Capital Goods, 164.3 for Intermediate Goods, and 178.7 for Infrastructure/Construction Goods. The indices for Consumer Durables and Consumer Non-Durables were 126.6 and 146.8, respectively. In addition, the growth rates of IIP by use-based classification in July 2024 over July 2023 were as follows: 5.9% in Primary Goods, 12.0% in Capital Goods, 6.8% in Intermediate Goods, 4.9% in Infrastructure/Construction Goods, 8.2% in Consumer Durables, and a decline of 4.4% in Consumer Non-Durables. The top three positive contributors to IIP growth for July 2024, based on use-based classification, were Primary Goods, Intermediate Goods, and Consumer Durables.

Performance Index of Eight Core Industries (ICI)

The cumulative growth Index of Eight Core Industries (ICI) from April – August 2024-25 stands at 4.6%, while the final growth rate for May closes at 6.9%. In the month of August 2024, ICI experienced a decline of 1.8% compared to August 2023, with positive growth recorded in Steel (+4.5%) and Fertilizers (+3.2%). The ICI, which comprises Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products, and Steel, accounts for 40.27% of the Index of Industrial Production (IIP).



	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity
Aug-23	17.9	2.2	10	9.5	1.8	16.4	19.7	15.3
Aug-24*	-8.1	-3.4	-3.6	-1	3.2	4.5	-3	-5

Source: Ministry of Commerce and Industry (Figures in %)

WORLD TRADE UPDATES

European Union initiates consultation on countervailing measures against China's probe on EU dairy products

In August, China initiated a countervailing duty (CVD) investigation on dairy products, including milk and cream with a fat content exceeding 10% and all cheese products imported from the European Union. As per the Ministry of Commerce, China, 20 subsidy programmes under the EU's Common Agriculture Policy by eight member states—Austria, Belgium, Croatia, the Czech Republic, Finland, Ireland, Italy, and Romania—will be under investigation.

The investigation follows a series of retaliatory trade measures between China and the EU. To understand the series, the Chinese CVD was followed by the EU announcement to raise higher tariffs on Chinese electric vehicles, ranging from 17% to 36.3%. In addition, the EU is also investigating potential damage from Chinese subsidies for wind turbines and solar panel manufacturers within the EU member states.

In September, the EU launched a consultation with China on the CVD investigation into imports of certain dairy products. With the ongoing investigation, the Chinese probe may affect the EU's dairy sector.

China is an important destination for the Dairy sector, accounting for USD 572.5 million in 2023.

China appeals consultation with Canada against surtax measures

China requested consultations with Canada with respect to measures on certain products of Chinese origin, including a 100% surtax on all Chinese-made Electric Vehicles, effective on 1 October 2024, and a 25% surtax on imports of steel and aluminium products from China, effective on 15 October 2024. As per the Ministry of Commerce, China, these measures are discriminatory and protectionist in nature, apply only to Chinese products, and the surtaxes imposed on Chinese-made EVs and steel and aluminium products are in excess of Canada's bound rates in its Schedule of Concessions and Commitments annexed to the GATT 1994.

Plastic Pollution Dialogue focuses on capacity building and trade-related measures

During the recent Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade, members focused on two topics: Capacity Building for developing members and the potential creation of domestic inventories of trade-related plastic measures.

Capacity Building

The discussion emphasises enhancing the capabilities of developing countries to tackle plastic pollution through trade-related policies. Participants aimed to align funding opportunities with the needs of developing countries and explored the potential of a global online inventory to increase transparency. These efforts are crucial for the upcoming Ministerial Conference (MC14) and aim to integrate trade into global solutions for plastic pollution.

Trade -related Plastic Measures

Participants examined the potential for developing domestic inventories of trade-related plastic measures (TrPMs). They discussed developing an open platform that could include structured information such as Harmonized System (HS) codes. This platform could enhance transparency and promote international cooperation on trade-related policies that address plastic pollution. As stated, this initiative is to be established by the WTO in collaboration with other institutions—the World Bank, OCED, and UNCTAD—to avoid duplications and maximise resources.

WTO members aim to conclude the SPS Agreement by March 2025

WTO members progressed on the Sixth Review of the Sanitary and Phytosanitary (SPS) Agreement. On September 17, 2024, members discussed the documents to be included in the review report. They aim to conclude the review by March 2025.

This review focuses on modern challenges, regionalization, technology, transparency, and follow-up to the 12th Ministerial Conference (MC12) SPS Declaration work program. The goal is to improve food safety and global animal and plant health standards.

The proposal and recommendations under the Sixth Review –

1. **Modern Challenges:** The committee commits to ongoing discussions on implementing the SPS Agreement to address emerging risks and opportunities while considering the needs of developing and least-developed countries (LDCs).
2. **Collaboration with ISSBs:** It emphasizes cooperation with organizations like Codex, IPPC, and WOAH to monitor international standards, particularly for challenges faced by developing nations.
3. **Regionalization:** Adapting SPS measures to regional conditions, such as recognizing pest-free areas, is crucial for agricultural trade safety.
4. **Technical Assistance:** The committee plans to incorporate developing and LDC members' needs into all workstreams, aligning efforts with the MC13 S&DT Declaration.
5. **Technology Adoption:** The committee aims to promote using digital tools for safer trade and tackle obstacles like legal frameworks and costs, particularly in developing regions.
6. **Transparency:** There is a focus on enhancing SPS notifications and control measures through a working group, improving formats, and access to information.
7. **Maximum Residue Limits (MRLs):** The committee will continue deliberations on MRL proposals to ensure effective management without duplicating efforts.

India moving forward with Bilateral Investment Treaties

India is in talks with Russia to finalise Bilateral Investment Treaties (BITs) and has already finalised BITs with the UAE and Uzbekistan.

India and Russia have resumed negotiations for a BIT to enhance bilateral trade and investment ties. The target is US$ 100 billion in trade by 2030. The treaty aims to provide a secure investment framework and encourage collaboration, particularly in strategic sectors such as energy, defence, agriculture, pharmaceuticals, and technology. The discussions also take into account the impact of international sanctions on Russia and their implications for Indian businesses, with mechanisms being developed to mitigate associated risks. Furthermore, the treaty seeks to diversify economic engagement beyond traditional sectors by exploring technological, sustainable energy, and critical infrastructure opportunities. A significant focus is strengthening collaboration between the MSME sectors of both nations, promoting small and medium enterprises' participation in cross-border trade and investment.

The **India-UAE BIT** came into effect on August 31, 2024, following its signing on February 13, 2024, in Abu Dhabi. The treaty protects investors against expropriation and guarantees transparency, compensation for losses, and transfer freedom. The treaty also includes an Investor-State Dispute Settlement (ISDS) mechanism, allowing investors to seek arbitration if disputes arise. The requirement for investors to exhaust local legal remedies is shortened from five years to three, making it more investor-friendly.

India – Uzbekistan have signed a BIT in Tashkent to bolster economic cooperation and investor confidence between the two countries. This agreement aims to provide comprehensive protection for investments, ensuring they are safeguarded against unfair practices, expropriation, and losses while promoting transparency and compensation measures. The BIT also establishes a framework for resolving disputes through an independent arbitration forum, offering a structured approach to addressing conflicts. Notably, while protecting investors, the treaty maintains a balance by preserving the state's right to regulate, allowing both governments to enforce policies that serve public interests.

FTAS/ BILATERALS

China and ASEAN aiming to upgrade FTA by the end of 2024

Source: Xinhua

China and the Association of Southeast Asian Nations (ASEAN) are collaborating to upgrade their free trade agreement, targeting completion by the end of 2024. This revision aims to boost cooperation in critical areas such as electric vehicles (EVs) and e-commerce.

Cross-border e-commerce between China and ASEAN is expected to surge, reaching US$500 billion by 2025, up from US$155 billion in 2019. Additionally, the agreement will likely facilitate increased trade in EVs and related technologies, with China leveraging its leadership in EV manufacturing and ASEAN's mineral resources critical for battery production. Indonesia and the Philippines, for instance, are vital players due to their rich reserves, with Indonesia holding the world's largest nickel deposits. Strategically, China faces surtax measures globally from the EU and Canada on EVs. With ASEAN's growing population – 65% will be classified as middle class by 2030, Chinese brands benefit significantly from this emerging market, particularly in the EV sector.

UAE proactive market expansion by signing FTAs

Under its Comprehensive Economic Partnership Agreement (CEPA) Programme, UAE actively engages with countries to finalise the FTA to increase Emirati exports, improve competitiveness in foreign markets, regulate competition, reduce trade barriers facing national products, boost its investments abroad, and protect intellectual property rights.

The CEPA programme is expected to boost its exports by 33% and contribute more than Dh153 billion to its GDP by 2031. The UAE, which aims to sign 26 Cepa deals, has already signed trade treaties with India, Turkey, Israel, Cambodia, and Georgia, while talks are underway with Japan, Malaysia, New Zealand, the Philippines, and Ecuador. In month of October 2024, the UAE signed CEPA with Serbia and Jordan.

Source: Abou Naja

The UAE has signed a CEPA with **Serbia**, marking its first agreement with a non-WTO member country. This strategic deal is expected to add around US$351 million to the UAE's GDP by 2032. In 2023, non-oil trade between the two nations reached US$122.9 million, with projections to surpass US$500 million in the next five years. The agreement aims to eliminate or reduce tariffs on 96% of product lines, setting a precedent for non-WTO trade partnerships.

FTAS/ BILATERALS

It focuses on boosting investment flows, enhancing private-sector collaboration, and promoting knowledge exchange in logistics, food security, and renewable energy. Strategically seen as a gateway to Eastern Europe, the CEPA strengthens ties and increases cooperation in agriculture and infrastructure. Increased FDI is expected, leveraging Serbia's manufacturing base and natural resources alongside the UAE's investment strength.

The UAE has signed its first CEPA with an Arab nation - **Jordan,** aiming to double bilateral trade from over US$4.2 billion in 2023 to approximately US$8 billion by 2032. The agreement will reduce or eliminate tariffs and non-tariff barriers, boosting trade and investment flows. With mutual investments currently exceeding US$22.5 billion, the UAE is Jordan's largest foreign investor. It is expected to expand its presence in real estate, tourism, and renewable energy. The CEPA also aims to enhance cooperation in key sectors, including renewable energy, manufacturing (including textiles, pharmaceuticals, and petrochemicals), food security, and agriculture. In addition, it follows a recent US$2.3 billion railway project agreement linking Jordan's Aqaba port to its mining hubs, further strengthening logistical ties.

INDIA - FTA UPDATES

FTAs becoming the mainstay of India's trade policy

In recent periods, FTAs have become the mainstay of India's trade policy, as these are expected to offer both economic gains and geostrategic dividends. Presently, India has 14 functional FTAs [with the last one India-EFTA TEPA signed in March 2024] and is negotiating several others with various countries and blocks, including Oman, the UK, the EU, Canada, and various Indo-Pacific Economic Framework (IPEF) partner countries. Besides, India is renegotiating a few FTAs that were signed a few years back, such as the ASEAN-India Trade in Goods Agreement (AITIGA) and India-Malaysia Comprehensive Economic Cooperation Agreement (CECA). The purpose is to make trade agreements mutually beneficial. The ongoing negotiations and renegotiations focus on market access, compliance with environmental and labour standards, and the reduction of high import duties.

This column seeks to present an update on four ongoing FTA negotiations between India and partner countries: the India-EU FTA, the India-UK FTA, the ASEAN-India FTA, and the India-Malaysia FTA.

Progress Remains Slow with India-EU FTA Negotiations

India and the EU are negotiating an FTA since 2007. This is considered to be one of the most complex FTAs being negotiated by India. The talks were suspended in 2013 due to a gap in ambition. After a gap of several years, the parties relaunched negotiations for the FTA in 2022. So far nine rounds of negotiations have been held between the two sides, with the last round of talks held from September 23, which continued for five days till 27 September 2024.

The ninth round of negotiations focused on sustainability measures by the EU – Carbon Border Adjustment Mechanism (CBAM) and EU deforestation regulation (EUDR).

Focus of Ninth Round of Negotiations

- India and the European Union have completed nine rounds of negotiations for a free trade agreement. The ninth round was held in New Delhi on September (23-27), 2024.
- While in the eighth round, discussions were held on all 21 chapters with the aim of resolving divergences, the focus of the ninth round was on sustainability measures by the EU—Carbon Border Adjustment Mechanism (CBAM) and EU deforestation regulation (EUDR).
- From India's side, it was highlighted that though India is very much in favour of environmental protection and sustainability, and is taking appropriate measures in this direction in the form of Lifestyle for the Environment (LiFE) initiative, but it is against making such measures (CBAM and EUDR) part of commitments under FTA because these can prove to be instruments of protectionism and act as non-tariff barriers (NTBs). Both the issues are yet to be fully resolved.
- It is understood that the CBAM may lead to rise in tariffs (about 35%) on imports, particularly for high-carbon products such as cement, aluminium, fertilisers, iron and steel from India.

- Similarly, EUDR, to be applicable from 30 December, 2024, may also work as an NTB, as it demands certification from importers to prove their products didn't originate from recently deforested land or contributed to forest degradation. Several products may come under its preview, including cattle, wood, cocoa, soy, palm oil, coffee, rubber and their derived products such as leather, chocolate, tyres and furniture.
- Besides the lack of progress on issues such as CBAM, issues related to rules of origin and government procurement also remain open. More specifically, issues related to state-owned enterprises, Make in India, and its application to EU bidders remain unresolved in government procurement.
- Some progress has been achieved in sanitary and phytosanitary measures and streamlining dispute settlement good regulatory practices.
- Furthermore, some progress was made in the areas of market access in goods, pharmaceuticals, and disciplines relating to financial services, and recognition of professional qualifications was positive.

The next round of negotiations is expected to be held in the first quarter of 2025.

Unresolved Issues Hampering Conclusion of India-UK FTA Negotiations

India and the United Kingdom have been negotiating a free trade agreement since January 2022. Altogether, fourteen Rounds of negotiations have been held so far, with the last round held in the first half of 2024. Despite serious efforts made to conclude the India-UK FTA, the FTA remains open because of an inconclusive fourteenth round of negotiations. Formal negotiation was put on hold after the declaration of General Election dates in India and upcoming UK elections.

In the 14th round, as part of negotiations, India made a request to UK for an exemption from the UK's planned carbon tax. In addition, India has also requested for concessions on visas for Indian workers and, a social security agreement.

Despite India indicating that it plans to sign the FTA within 100 days of formation of the new government in June 2024, the finalisation of the agreement appears far away as of now, because of newer demands from both the sides.

Latest asks of India from the UK	Latest asks of UK from India
➢ exemption from the UK's planned carbon tax. ➢ concessions on visas for Indian workers and, a social security agreement.	➢ access in India's government procurement market ➢ signing a bilateral investment treaty before concluding the FTA.

Progress Achieved in 14th Round of Negotiations

- The first and second legs of the fourteenth round of negotiations was completed January and February 2024. Agreement on most of the issues, particularly relating to merchandise trade, have been reached.

- However, issues, particularly related to services, remain that need to be resolved between the two sides. India has requested UK exemption from the UK's planned carbon tax, concessions on visas for Indian workers, and a social security agreement.
- The UK has requested access to India's government procurement as well as signing a bilateral investment treaty before concluding the FTA.

It is expected that early implementation of a FTA could help the bilateral trade between India and the United Kingdom doubling to US$100 billion by 2030.

ASEAN-India Renegotiating the Existing FTA to Make it Mutually Beneficial

India and ASEAN countries are renegotiating the ASEAN-India Trade in Goods Agreement (AITIGA) which was signed in 2009 and came into force in 2010. A Joint Committee and eight Sub-committees have been constituted by the two sides for the purpose. The eight sub-committees are on:

- National Treatment and Market Access,
- Rules of Origin,
- Standards,
- Technical Regulations and Conformity Assessment Procedures,
- Sanitary and Phytosanitary Measures,
- Customs Procedures and Trade Facilitation,
- Trade Remedies and
- Economic and Technical Cooperation.

The constitutions of Subcommittees and the inclusion of newer areas imply that the existing agreement will undergo a complete renegotiation and review.

As part of renegotiation, the 5th AITIGA Joint Committee and related meetings were held in Jakarta, Indonesia, from 29 July to 1 August 2024. In this meeting, all the Subcommittees reported the outcomes of their discussions to the 5th AITIGA JC, which provided them with further guidance to steer their future work.

Furthermore, during the 5th AITIGA Joint Committee, there were also bilateral meetings to develop a common understanding on the issues being discussed in the AITIGA review.

Specific developments which happened during the 5th AITIGA Joint Committee meeting are:

- In four sub-committees, textual negotiations have started and convergence on some areas have been achieved.
- It is expected that by September all eight sub committees will get into textual negotiations and in the next round of Joint Committee meeting, the two sides will be in a position to take forward negotiations and may close some of the chapters.

The next meeting of AITIGA Joint Committee is expected to be held in India in November 2024, and the renegotiation process is to be completed by the end of 2025. As far as current trade between India and ASEAN is concerned, ASEAN accounts for about 11% share in India's global trade.

INDIA - FTA UPDATES

Expeditious review of AITIGA will help create further opportunities for businesses on both sides to enhance the level of India-ASEAN trade, but more particularly, it will help India reduce its trade deficit with ASEAN countries and create a win-win situation for both the sides.

Malaysia-India Negotiating to upgrade FTA to boost trade, tech cooperation

India and Malaysia are now in the process of enhancing their economic relationship by upgrading the CECA, signed in 2011. The Agreement primarily covers trade and investment.

During their bilateral meeting held in August 2024, the two sides discussed strengthening their cooperation in areas such as the digital economy, semiconductor manufacturing, artificial intelligence, infrastructure, food security, and tourism.

It is expected that the focus areas for cooperation and parameters for the upgrade will be decided in the next couple of months, by November 2024.

The upgrade of CECA will boost bilateral trade, estimated at US$16.5 billion in 2023, and cooperation in newer areas. As of now, while Malaysia accounts for over 1.5% of India's global exports, India's share in Malaysia's total global exports is about 3.2%.

(The information compiled from the public domain)

INDIA

MoEFCC step towards aligning global sustainability standards

The Ministry of Environment, Forest, and Climate Change (MoEFCC) has updated its policy to strengthen the Eco Mark certification scheme for 2024, aiming to foster sustainability in Indian industries. The updated guidelines focus on eco-labelling standards to ensure products meet rigorous environmental criteria. The policy aims to influence both consumer behaviour and manufacturing practices by emphasising transparency and clear labelling, helping consumers choose environmentally friendly products.

The policy introduces new parameters for energy efficiency, resource conservation, and waste management, urging industries to integrate green technologies. Manufacturers must demonstrate efforts to reduce non-renewable resource use and improve recycling and waste reduction processes. This approach aims to build a more circular economy, reducing overall environmental impact. The MoEFCC also provides guidelines on packaging, ensuring that materials used are either recyclable or biodegradable.

Furthermore, the update stresses the importance of awareness programs to educate both industries and consumers about the benefits of eco-friendly products. It includes incentives for industries adopting sustainable practices, such as tax benefits and preferential procurement policies for certified products. These measures are designed to make eco-labelling an attractive and feasible option for MSMEs and large enterprises alike, promoting broader adoption.

Incorporating this policy update aligns with India's climate commitments under international agreements, such as the Paris Accord, and supports the nation’s transition to a greener economy. The policy encourages industries to invest in sustainable technology and innovation, thereby reducing their carbon footprint. By aligning domestic policy with global sustainability standards, the MoEFCC aims to enhance India’s green industry competitiveness globally.

Overview of the draft Liquid Waste Management Rules

The Draft Liquid Waste Management Rules, 2024, released by the Ministry of Environment, Forest and Climate Change, represent a significant shift in India's approach to managing liquid waste. Set to come into effect on 1 October 2025, these rules aim to establish comprehensive management protocols for liquid waste, covering aspects like segregation, collection, treatment, and disposal. This regulatory framework emphasizes responsible waste management, particularly in urban and industrial areas, where liquid waste can pose severe environmental risks.

The rules categorize liquid waste into different types, including black water, grey water, and industrial liquid waste, mandating specific treatment and disposal methods for each. It also outlines the responsibilities of waste generators, local authorities, and treatment facilities, ensuring that all stakeholders adhere to best practices for waste management. By defining these roles, the framework seeks to create accountability and streamline processes within the sector.

Importantly, the draft encourages the adoption of innovative technologies for the treatment and recycling of liquid waste. By promoting resource recovery and reuse practices, the rules aim to minimize environmental impact and enhance sustainability in waste management practices. This forward-thinking approach aligns with global trends towards circular economy principles.

The Ministry has invited public feedback on the draft, recognizing the importance of stakeholder engagement in shaping effective policies. This collaborative approach ensures that diverse perspectives are considered, enhancing the practicality and efficacy of the rules. As India grapples with increasing urbanization and industrial growth, the implementation of these rules could play a crucial role in fostering a cleaner and more sustainable environment.

Draft Agriculture Policy encourages farmers towards sustainable agricultural practices

The Punjab Agriculture Policy presents a comprehensive framework to address the state's ongoing agrarian crisis by promoting sustainable farming practices, crop diversification, and efficient water management. The policy underscores the urgent need to transition from the traditional wheat-paddy cycle, which has strained water resources and reduced soil fertility. It proposes a shift towards more diverse and sustainable crops, along with incentives for organic and natural farming methods. These measures aim to protect natural resources, enhance farmers' incomes, and improve soil health.

The policy aims to incentivize farmers through the “Pani Bachao Paisa Kamao” scheme, encouraging them to save electricity and water. It proposes reducing power subsidies by up to 35% through micro-irrigation, solarizing farm pump sets, and promoting canal water use over groundwater. It advocates phasing out traditional water-intensive methods and prioritizing renewable energy.

To support crop diversification, the policy suggests establishing 13 centres of excellence (CoEs) across the State, focusing on horticulture and promoting crops like potatoes, pulses, sugarcane, lemons, pears, peas, and chillies. These CoEs would align crops with their natural agro-climatic zones and organize farmer groups for better resource management and yields. To address price volatility, it recommends a price stabilization fund to protect farmers. However, effective implementation will require state funding and collaboration with central agencies.

Karnataka Unveils Policy to Boost India's Digital Economy through Global Capability Centers

Karnataka's new Global Capability Centers (GCCs) policy aims to position the state as a global business hub by 2029. It targets establishing 500 new GCCs, totaling 1,000, and aims to create 3.5 lakh jobs and contribute US$50 billion to the economy. The policy includes a dedicated support unit within the Department of Electronics, IT-BT for streamlined approvals and regulatory assistance. It promotes the "Beyond Bengaluru" initiative, encouraging GCCs in cities like Mysuru, Mangaluru, Kalaburagi, and Tumakuru with incentives like rental support, infrastructure assistance, and fast-track approvals.

The policy emphasizes innovation and talent development, planning Global Innovation Districts in Bengaluru with top-tier infrastructure, including R&D facilities and sustainable energy solutions. A Center of Excellence for AI will be set up in Bengaluru for research, development, and training through industry-academia collaboration. Financial incentives will support GCC-led training programs and internships, benefiting over one lakh students.

Karnataka also focuses on Engineering Research and Development (e-R&D) and AI, creating an AI innovation fund and collaborating with educational institutions for future-ready curriculums. The state offers financial incentives and infrastructure upgrades for GCCs in smaller cities, including duty exemptions and property tax relief, to decentralize growth. This comprehensive approach aims to make Karnataka a top global destination for GCCs and boost India's digital economy.

WORLD

EU Adopted cybersecurity law for consumer products

The European Council has adopted the 'Cyber Resilience Act' (CRA), establishing a unified regulatory framework to enhance the security of digital products across EU member states. This legislation addresses growing concerns about cybersecurity threats, aiming to protect consumers and businesses from vulnerabilities in digital technologies.

By introducing these measures, the EU seeks to ensure that all products available in its market are secure by design, focusing on pre-market security requirements and continuous obligations throughout the product's lifecycle. The CRA underscores the EU's commitment to safeguarding its digital landscape and maintaining high cyber resilience.

A key aspect of the CRA is the implementation of mandatory cybersecurity requirements for companies that produce or import digital products into the EU. The act mandates that products such as Internet of Things (IoT) devices, software applications, and other connected technologies be equipped with robust security features to minimize vulnerabilities and prevent cyberattacks. By holding manufacturers accountable, the act aims to protect consumers and businesses and strives to harmonize cybersecurity standards across the EU, creating a more secure and integrated digital single market. It requires manufacturers to conduct risk assessments, develop mitigation strategies, and continuously update their products to address emerging threats.

The CRA also introduces strict penalties for non-compliance, signalling the EU's firm stance on cybersecurity. Companies that fail to meet the required standards may face significant fines and restrictions on their ability to market products within the EU. This approach incentivizes manufacturers to prioritize cybersecurity, encouraging them to invest in technologies and practices that enhance resilience. The act is critical to the EU's broader strategy to create a secure and trustworthy digital environment, fostering innovation while protecting critical infrastructure and citizens from cyber threats.

Egypt Launches Integrated Finance Strategy

Egypt launched its Integrated National Financing Strategy (INFS) at the 2024 UN SDG Summit to align its financial policies with sustainable development goals. The strategy embodies the principle of 'the right financing' and aims to intensify financial resources from public and private sectors, FDIs and government budgets. It addresses seven key challenges, such as climate change, economic inequality, and infrastructure development, while enhancing Egypt's financial architecture to support critical sectors like education, health, and renewable energy.

The INFS aligns with Egypt's Vision 2030, emphasizing sustainable investments that balance economic growth and environmental protection. By leveraging innovative financial tools, the strategy seeks to bridge funding gaps and promote projects that advance national and global SDG targets. The launch highlights Egypt's commitment to international cooperation and sustainable development, positioning the country as an active player in global economic and environmental discussions.

OPINION COLUMN

Environment Equity

Saloni Goyal

The Impact of Sustainability Standards on the FMCG Industry

In recent years, the Fast-Moving Consumer Goods (FMCG) industry has experienced a significant shift towards sustainability, driven by consumer demand, regulatory pressure, and the industry's own recognition of the need for environmental responsibility. This shift has been accompanied by the emergence and widespread adoption of sustainability standards and certifications, which have profoundly impacted the FMCG sector.

One of the key concepts driving this change is the circular economy, which promotes the reuse, recycling, and repurposing of resources to minimize waste and environmental impact. Sustainability standards in the FMCG industry are increasingly aligned with the principles of the circular economy, encouraging companies to rethink their production and consumption patterns. This has led to a fundamental transformation in the way FMCG companies approach product design, packaging, and waste management, with a focus on reducing environmental footprint and optimizing resource use.

The global commitment to the United Nations Sustainable Development Goals (SDGs) has also influenced the adoption of sustainability standards and certifications. These goals provide a comprehensive framework for addressing global challenges such as poverty, inequality, and climate change. FMCG companies are aligning with the SDGs, recognizing the importance of contributing to broader societal and environmental objectives. This alignment has facilitated the integration of sustainable practices into the core business strategies of FMCG companies, driving meaningful change across the industry.

Furthermore, sustainability has played a crucial role in advancing climate action within the FMCG sector. With the increasing focus on carbon neutrality and reducing greenhouse gas emissions, sustainability certifications have provided a roadmap for companies to measure, report, and mitigate their environmental impact. This has led to innovation in product formulation, supply chain management, and energy efficiency, as FMCG companies strive to meet ambitious sustainability targets.

The impact of sustainability standards on the FMCG industry is multifaceted. On one hand, these standards have raised the bar for environmental performance, pushing companies to adopt more sustainable practices and technologies. On the other hand, they have created a level playing field, enabling consumers to make informed choices and rewarding companies that demonstrate a genuine commitment to sustainability.

In conclusion, the influence of sustainability standards on the FMCG industry cannot be overstated. From driving the adoption of circular economy principles to aligning with the SDGs and advancing climate action, these standards have catalyzed a transformation in the way FMCG companies operate. As the industry continues to evolve, sustainability standards will remain a foundation of progress, guiding the FMCG sector towards a more sustainable and responsible future.

(The writer is an Senior Research Analyst at VeKommunicate)

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