



# **POLICY PULSE**

**A MONTHLY NEWSLETTER**

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**MAY 2023**  
**VOL. 35**

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# ECONOMY

## GLOBAL ECONOMY

As per IMF, the economic outlook is uncertain again amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID. The baseline forecast is for growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7 percent in 2022 to 1.3 percent in 2023. In a plausible alternative scenario with further financial sector stress, global growth declines to about 2.5 percent in 2023 with advanced economy growth falling below 1 percent. Global headline inflation in the baseline is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases.

(Real GDP, annual percent change)	PROJECTIONS		
	2022	2023	2024
<b>World Output</b>	<b>3.4</b>	<b>2.8</b>	<b>3.0</b>
<b>Advanced Economies</b>	<b>2.7</b>	<b>1.3</b>	<b>1.4</b>
United States	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
Germany	1.8	-0.1	1.1
France	2.6	0.7	1.3
Italy	3.7	0.7	0.8
Spain	5.5	1.5	2.0
Japan	1.1	1.3	1.0
United Kingdom	4.0	-0.3	1.0
Canada	3.4	1.5	1.5
Other Advanced Economies	2.6	1.8	2.2
<b>Emerging Market and Developing Economies</b>	<b>4.0</b>	<b>3.9</b>	<b>4.2</b>
<b>Emerging and Developing Asia</b>	<b>4.4</b>	<b>5.3</b>	<b>5.1</b>
China	3.0	5.2	4.5
India	6.8	5.9	6.3
<b>Emerging and Developing Europe</b>	<b>0.8</b>	<b>1.2</b>	<b>2.5</b>
Russia	-2.1	0.7	1.3
<b>Latin America and the Caribbean</b>	<b>4.0</b>	<b>1.6</b>	<b>2.2</b>
Brazil	2.9	0.9	1.5
Mexico	3.1	1.8	1.6
<b>Middle East and Central Asia</b>	<b>5.3</b>	<b>2.9</b>	<b>3.5</b>
Saudi Arabia	8.7	3.1	3.1
<b>Sub-Saharan Africa</b>	<b>3.9</b>	<b>3.6</b>	<b>4.2</b>
Nigeria	3.3	3.2	3.0
South Africa	2.0	0.1	1.8
<b>Memorandum</b>			
<b>Emerging Market and Middle-Income Economies</b>	<b>3.9</b>	<b>3.9</b>	<b>4.0</b>
<b>Low-Income Developing Countries</b>	<b>5.0</b>	<b>4.7</b>	<b>5.4</b>

Source: IMF

- **Global Prospects and Policies**

Tentative signs in early 2023 that the world economy could achieve a soft landing—with inflation coming down and growth steady—have receded amid stubbornly high inflation and recent financial sector turmoil. Although inflation has declined as central banks have raised interest rates and food and energy prices have come down, underlying price pressures are proving sticky, with labor markets tight in a number of economies. Side effects from the fast rise in policy rates are becoming apparent, as banking sector vulnerabilities have come into focus and fears of contagion have risen across the broader financial sector, including nonbank financial institutions. Risks to the outlook are heavily skewed to the downside, with the chances of a hard landing having risen sharply.

- **The Natural Rate of Interest: Drivers and Implications for Policy**

The natural rate of interest—the real interest rate that neither stimulates nor contracts the economy—is important for both monetary and fiscal policy; it is a reference level to gauge the stance of monetary policy and a key determinant of the sustainability of public debt. Overall, the projection suggests that once the current inflationary episode has passed, interest rates are likely to revert toward pre-pandemic levels in advanced economies. How close interest rates get to those levels will depend on whether alternative scenarios involving persistently higher government debt and deficit or financial fragmentation materialize.

- **Coming Down to Earth: How to Tackle Soaring Public Debt**

Public debt as a ratio to GDP soared across the world during COVID-19 and is expected to remain elevated, posing a growing challenge for policymakers, particularly as real interest rates are rising across the world. Based on econometric analyses and complemented with a review of historical experiences, the projection reaches three main conclusions. First, adequately timed and appropriately designed fiscal consolidations have a high probability of durably reducing debt ratios. Second, when a country is in debt distress, a comprehensive approach that combines significant debt restructuring—renegotiation of terms of servicing of existing debt—fiscal consolidation, and policies to support economic growth can have a significant and long-lasting impact on reducing debt ratios. Coordination among creditors is essential. Finally, economic growth and inflation have historically contributed to reducing debt ratios.

- **Geo-economic Fragmentation and Foreign Direct Investment**

Supply-chain disruptions and rising geopolitical tensions have brought the risks and potential benefits and costs of geo-economic fragmentation to the core of the policy debate. FDI flows are increasingly concentrated among geopolitically aligned countries, particularly in strategic sectors. Several emerging market and developing economies are highly vulnerable to FDI relocation, given their reliance on FDI from geopolitically distant countries. In the long term, FDI fragmentation arising from the emergence of geopolitical blocs can generate large output losses, especially for emerging market and developing economies. Multilateral efforts to preserve global integration are the best way to reduce the large and widespread economic costs of FDI fragmentation.

# ECONOMY

## INDIAN ECONOMY

The International Monetary Fund raised its forecast for Asia-Pacific, saying the region's growth will be primarily driven by China's recovery and "resilient" growth in India. This comes as the rest of the world braces for slower growth from tightened monetary policy and Russia's invasion of Ukraine. The organization predicts Asia-Pacific's gross domestic product to expand 4.6% this year, which is 0.3 percentage points higher than its forecast in October 2022.

As per IMF, this is the lowest GDP growth forecast for India among other estimates by global financial institutions. The World Bank earlier this month lowered India's GDP growth forecast to 6.3% for FY24 from 6.6% citing lower consumption growth and challenging external conditions. Asian Development Bank (ADB) too revised its GDP growth estimate to 6.4% for FY24. The IMF expects India's GDP to grow at 6.3% in FY25, down 50 basis points from its earlier forecast of 6.8%.

The agency, in its latest bi-annual World Economic Outlook, pegs the country's GDP growth at 6.8% in FY23. This comes days after the Reserve Bank of India's monetary policy committee (MPC) marginally hiked its GDP forecast for the financial year 2023-24 to 6.5% from 6.4% earlier. In a press conference after the MPC meeting, RBI governor Shaktikanta Das said India's economic activity remains resilient and the higher rabi production has brightened the prospects for agriculture sector and rural demand.

# ECONOMY

## INDIAN ECONOMY

### Performance of Key Indicators

The combined Index of Eight Core Industries (ICI) increased by 3.6 per cent (provisional) in March 2023 as compared to the Index of March 2022. The production of Coal, Fertilizers, Steel, Natural Gas and Refinery Products increased in March 2023 over the corresponding month of last year.

**Coal production** (weight: 10.33 per cent) increased by 12.2 per cent in March, 2023 over March, 2022. Its cumulative index increased by 14.8 per cent during 2022-23 over corresponding period of the previous year.

**Crude Oil production** (weight: 8.98 per cent) declined by 2.8 per cent in March, 2023 over March, 2022. Its cumulative index declined by 1.7 per cent during 2022-23 over the corresponding period of previous year.

**Natural Gas production** (weight: 6.88 per cent) increased by 2.8 per cent in March, 2023 over March, 2022. Its cumulative index increased by 1.6 per cent during 2022-23 over the corresponding period of previous year.

**Petroleum Refinery production** (weight: 28.04 per cent) increased by 1.5 per cent in March, 2023 over March, 2022. Its cumulative index increased by 4.8 per cent during 2022-23 over the corresponding period of previous year.

**Fertilizer's production** (weight: 2.63 per cent) increased by 9.7 per cent in March, 2023 over March, 2022. Its cumulative index increased by 11.3 per cent during 2022-23 over the corresponding period of previous year.

**Steel production** (weight: 17.92 per cent) increased by 8.8 per cent in March, 2023 over March, 2022. Its cumulative index increased by 8.6 per cent during 2022-23 over the corresponding period of previous year.

**Cement production** (weight: 5.37 per cent) declined by 0.8 per cent in March, 2023 over March, 2022. Its cumulative index increased by 8.6 per cent during 2022-23 over the corresponding period of previous year.

**Electricity generation** (weight: 19.85 per cent) declined by 1.8 per cent in March, 2023 over March, 2022. Its cumulative index increased by 8.9 per cent during 2022-23 over the corresponding period of previous year.

As per data released by Ministry of Statistics, India's industrial output, as measured by the index of Industrial production or IIP, in February rose 5.6% year on year. Manufacturing sector's output increased 5.3% in February 2023. Mining output rose 4.6% and power generation surged 8.2% during the month under review. For the 11-month period from April 2022 to February 2023, manufacturing rose 4.9% year on year, mining 5.7% and electricity surged 10%. Factory output measured in terms of the Index of Industrial Production (IIP) grew 1.2 per cent in February 2023.

As per Ministry of Finance, the gross Goods and Service Tax (GST) revenue collected in the month of April, 2023 was highest ever at Rs 1,87,035 crore of which CGST is Rs 38,440 crore, SGST is Rs 47,412 crore, IGST is Rs 89,158 crore (including Rs 34,972 crore collected on import of goods) and cess is Rs 12,025 crore (including Rs 901 crore collected on import of goods).

# WTO UPDATES

## New initiative launched to help developing economies utilize trade for climate action



On April 20th, the World Trade Organization, World Bank Group, and World Economic Forum jointly launched "Action on Climate and Trade" (ACT). The initiative's goal is to assist developing economies, including least-developed countries, in utilizing trade to meet their climate change mitigation and adaptation objectives. The pilot phase of the project will concentrate on working with developing economies to create climate-related analyses specific to their trade circumstances.

ACT will offer customized insights to these economies, enabling them to plan for the effects of climate change on trade, take advantage of opportunities for climate action and trade growth, and define collaboration areas with trade partners. Each economy's analysis will be tailored to its unique situation and will examine how trade policy can support the fulfilment of National Adaptation Plans and Nationally Determined Contributions under the Paris Agreement on climate change. Furthermore, ACT will assist policymakers and stakeholders in developing economies in participating in appropriate international processes, such as the WTO's Committee on Trade and Environment and the WTO's Trade and Environmental Sustainability Structured Discussions.

## WTO asks India to comply with Information Technology Agreement (ITA)



India's efforts to promote domestic IT manufacturing and reduce reliance on imports have been met with opposition from the EU and other countries, who claim that such measures are protectionist and violate global trade regulations. The EU challenged India's introduction of import duties ranging from 7.5% to 20% for various IT products in 2019, including mobile phones, components, and integrated circuits, stating that they surpassed the maximum rate. Japan and Taiwan also joined the case against India. World Trade Organization's dispute panel that looked into the concerned matter has called on India to take corrective measures for complying with Information Technology Agreement (ITA).

It is important to note that India is a signatory to the Information Technology Agreement (ITA) which requires it to eliminate tariffs on a range of tech products. India argued that it was not bound to eliminate tariffs on items such as smartphones when it signed the Information Technology Agreement in 1997, as such products did not exist at the time. As per experts, the recent ruling will likely not have any immediate impact on the industry.

# WTO UPDATES

Since the final order is likely to take a long time. However, it may lead foreign direct investors to become cautious about making further investments, potentially resulting in a slowdown of FDIs in the information and communication technology sector.

# FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

## INDIA

### India-UK conclude 9th round of discussion



India and the UK have concluded the ninth round of negotiations for a Free Trade Agreement. This round began on April 24th and concluded on April 28th. The last round of discussion was held in March. The main topics discussed during the previous round were the Rules of Origin (RoO) and Environment chapters. In total, there are 26 chapters that need to be covered in the final agreement. The Free Trade Agreement between India and the UK has the potential to increase exports for both countries.

India could see a boost in exports of pharmaceuticals, textiles, food and beverages, tobacco, leather and footwear, as well as agricultural items like rice, while also opening up opportunities for digital services. On the other hand, the UK is seeking access to India's market for its chemicals, motor vehicles, electrical equipment, medical devices, and spirits. As per recent media reports, India is looking to secure easier visa rules for skilled professionals employed by Indian companies investing in Britain. During the previous rounds, the issue of immigration has caused a significant delay with the UK

maintaining that its unlikely to be more flexible on the issue. While the FTA will not include commitments on immigration. Nevertheless, discussions regarding temporary business travel within the FTA to allow professionals to deliver services in each other's markets are ongoing.

Some other issues also need to be resolved for the early conclusion of FTA. For instance, the UK is planning to introduce a carbon border tax measure akin to the CBAM of the EU which is expected to be rolled out this year. In such a scenario, India's metal exports will likely face market access issues even if India and the UK agree on significant tariff concessions. As per Indian negotiators, any commitment with respect to labour & environmental rules is unlikely to be covered within the scope of the FTA.

In addition, India's insistence on data localization has been identified as a major stumbling block to the FTA in a recent report by the UK House of Commons. The UK has been pushing for free data flow between the two countries. With the negotiations ongoing, it remains to be seen how these issues will be addressed and what the final agreement will entail. Regardless of various issues, the commitment of both countries to delivering an ambitious and mutually beneficial FTA remains strong. It will be interesting to see if the remaining issues, such as visa rules, carbon tax, and tariff reductions, can be resolved timely.

# FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

## INDIA

### India and Canada conclude 7th round of negotiations



India and Canada have concluded the seventh round of talks towards a free trade agreement. The meeting between the two countries took place during the first week of April. The talks focused on the Early Harvest Trade Agreement and covered areas such as goods, services, and investment. Both countries have reportedly agreed to continue the discussions and move towards the finalization of an interim agreement. However, there are still some outstanding issues that need to be resolved before an agreement can be reached.

Key decisions are expected to be made during the upcoming meeting between Canadian Minister of International Trade, Export Promotion, Small Business and Economic Development Marg Ng and Indian Commerce and Industry Minister Goyal on the margins of the G20 Trade Ministers vertical in August. The finalisation of the agreement is also expected during the same month. The success of the negotiations will depend on the political will of both countries to address any outstanding issues and reach a mutually beneficial agreement.

An FTA between India and Canada has the potential to further enhance their economic ties by facilitating greater market access and trade in goods and services. India and Canada have been steadily growing their trade relationship, with India being Canada's 10th-largest merchandise trade partner in 2022. The two-way foreign direct investment between the two countries has also been significant, with Canadian direct investment in India standing at CA\$ 2.9 billion in 2021 and Canadian portfolio and institutional investment into India reaching CA\$ 70 billion.

### India and UK sign MOU to strengthen the partnership on science and innovation



*Source: PIB*

An MoU was signed between India and the United Kingdom to collaborate on science and innovation. The Memorandum of Understanding signed between the two countries aims to deepen collaboration on science and innovation. The UK-India partnership will include joint research programs, such as £5 million funding for research into

# FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

## INDIA/ OTHERS

Farmed Animal Diseases and Health, and a £3.3 million technology and skills partnership program. This will allow UK and Indian researchers to collaborate and develop skills, technologies, and knowledge in fields such as AI, machine learning, and bio-imaging. The partnership is part of the UK's International Science Partnerships Fund, which aims to support collaborative research between the UK and other countries.

The agreement is also expected to remove barriers to major collaborations between the two countries. The enhanced collaboration between the two countries on scientific research, will drive economic growth, create skilled jobs, and improve lives. The agreement includes the establishment of a new UK-India Net Zero Innovation Virtual Centre that will focus on industrial decarbonisation. In addition, a UK-India scientific deep-sea voyage will also be launched under the agreement. The partnership will be critical in tackling global challenges such as climate change and pandemic preparedness and will leverage technologies such as AI, and machine learning.

## OTHERS

### **Mercosur and the European Union to finalise FTA soon**



FTA between Mercosur and the European Union is likely to be finalised within the first half of this year. In 2019, the 27-member EU concluded FTA talks with Mercosur, which is made up of Uruguay, Argentina, Brazil, Paraguay, and Argentina. However, ratification of the agreement has been delayed. The recent positive development comes following Brazil's willingness to make strong commitments on environmental issues. Brazil's President Luiz Inacio Lula da Silva has pledged to revamp his country's climate policy in response to concerns from France and other countries regarding deforestation in the Amazon. While Germany has urged a quick conclusion to negotiations on the EU-Mercosur trade deal, France has stated that it is waiting to see concrete steps taken by Brazil to address climate change and deforestation before moving forward.

The Mercosur-EU agreement will mean the integration of a market of around 800 million people, about a fourth of the world's gross domestic product and more than US\$100 billion in bilateral trade of goods and services.

# FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

## OTHERs

The deal would cut customs duties and ease access for agricultural exporters to the EU market, and for European manufacturers to Mercosur countries.

### **US and Japan sign critical trade deal concerning EV battery minerals**



The US and Japan have signed a deal aimed at strengthening their battery supply chains and granting Japanese automakers wider access to the \$7,500 US EV tax credit. The agreement prohibits both countries from enacting bilateral export restrictions on minerals critical for EV batteries, such as lithium, nickel, cobalt, graphite and manganese. The deal also seeks to reduce dependence on China for such materials by requiring collaboration to combat "non-market policies and practices" of other countries in the sector, and on conducting investment reviews of foreign investments in their critical minerals supply chains. This is part of the Biden administration's efforts to open up access for trusted allies to the EV tax credits in the Inflation Reduction Act. The US is currently negotiating a similar agreement with the EU.

### India Space Policy



India accounts for only 2% of the global space economy, and Indian Space Research Organisation (ISRO) aims to reach 8% with investment support from the private sector. The estimated value of the worldwide space economy is US\$ 440 billion. As of 2020, India accounts for US\$ 9.6 billion. As of May 2021, India had 368 space tech businesses, ranking fifth globally. The importance of the space industry can be seen in its role in enabling services and applications in various sectors, including media and entertainment, weather forecasting, disaster management, agriculture, geological and oceanographic studies, navigation, broadband services, and remote sensing.

The Cabinet Committee on Security approved the Indian Space Policy 2023. The primary objective of the policy is to formalise private sector involvement in the space industry, with ISRO focusing on research and development of advanced space technologies. By the Indian Space Policy-2023, non-governmental entities (NGEs) are also allowed to provide domestic and international space-based communication services using their satellite systems in geostationary orbit (GSO) and non-geostationary satellite orbit (NGSO).

Indian National Space Promotion and Authorisation Centre (IN-SPACE) is a single-window, independent, nodal agency that is an autonomous agency in the Department of Space (DOS). To boost space developments, IN-SPACE will collaborate with the private sector, academic, domestic and global industries. Also, promote industry clusters/zones/ manufacturing hubs/ incubation Centres/ accelerators / technical centres etc., for the space sector. The centre will also establish frameworks for creating space industry standards based on global benchmarks and formulate guidelines to meet safety and security requirements for space objects.

As per the expert, the policy clearly defines the role of IN-SPACE, as a single-window agency for authorising Space activities by government entities and NGEs. With this policy clarity, IN-SPACE and the Department of Telecommunications will work speedily to ensure necessary clearances for private players in India.

### National Health Medical Policy 2023



The National Medical Devices Policy, as approved by the Central Government, aim to increase the present US\$11 billion

# POLICY/ REGULATORY UPDATES

## INDIA

market for medical devices to US\$50 billion within the next five years by promoting domestic production, fostering an ecosystem for manufacturing and innovation, and lowering the reliance on imported machinery. The policy will boost India's market share from 1.5% to 12% over the next 25 years.

Union Minister of Health and Family Welfare, Dr Mansukh Mandaviya, said that the policy would help bring together efforts for systematic development and expansion of the medical device sector. Further, the demand for medical devices in India has increased, especially after the coronavirus pandemic. So, to promote this industry, the government-sanctioned four medical parks last year. Currently, India imports 75% of its medical devices.

Presently, as per Invest India, there are nearly 750-800 domestic medical device manufacturers, accounting for 65 per cent of the players in the Indian market. Whereas the start-up ecosystem in the sector contributes to over 250 companies engaged in innovation, addressing crucial health challenges.

According to the IBEF report, the diagnostic imaging market is estimated to expand at a CAGR of 13.5% between 2020 to 2025. The report also states that in 2021, India exported medical devices worth US\$ 2.53 billion, which will touch US\$ 10 billion by 2025. According to the report, Foreign Direct Investment (FDI) in the medical and surgical appliances sector stood at US\$ 2.71 billion between April 2000 and June 2022.

The government has adopted the six strategies for facilitation and guiding medical devices sectors such as

streamlining regulation, enabling infrastructure, facilitating R&D and innovation, inviting investments, facilitating skilled workforce and promoting the industry for exports.

The government has suggested a "Single Window Clearance System" to facilitate fast licensing of medical equipment. This system will include all relevant stakeholder departments, including AERB, MeitY, DAHD, and others. Additionally, the regulatory framework of the policy intends to develop an effective pricing regulation for medical devices. It will strengthen the role of Indian Standards like the Bureau of Indian Standards (BIS).

The policy has also considered the R&D and innovation sector, where the government wants to build plug-and-play infrastructures, innovation hubs, and centres of excellence around the nation. The policy also stimulates investor interest in the industry by supporting public and private partnerships (PPPs) and private investments from venture capitalists (VCs).

According to various experts and industry members, this policy is much-needed and long-awaited. This will help the industry members to help boost local manufacturing, help importers and put-up factories in the country. The policy will expand Make in India rapidly and accelerate growth. The National Medical Device Policy 2023 envisages supplying a skilled workforce across the medical devices value chain by leveraging the Ministry of Skill Development and Entrepreneurship to strengthen and power the medical devices sector with a sustained workforce.

# POLICY/ REGULATORY UPDATES

## INDIA

### Telangana measure towards urban heat impact

The Municipal Administration and the Urban Development Department (MAUD) laid out India's first Cool Roof Policy 2023–2028 as experts warned about impending extreme heat waves across the country. Telangana is the third most urbanized state in the country as per the GoI released national document 'India Cooling Action Plan (ICAP)'. To make Telangana a heat-resistant state, this policy encourages the adoption of cooler ceilings across the state by mandating the installation of cool roofing materials like solar reflecting paints, tiles or sheets.

After five years, preliminary calculations show that the state could save around 600 million units (GWh) of power each year if 300 sq. km. of its roof area had cool roofs. The state has provided the annual targets of Cool Roofs for Hyderabad Urban Agglomeration and Telangana under the Telangana State Cool Roof Policy as mentioned in below table -

In Phase One, the state has mandatory for all government buildings as well as non-residential establishments, including office spaces, retail complexes, hospitals, shops, hotels, and industrial educational & healthcare institutions, to be necessarily adopting a cool roofing policy. Additionally, cool roofs are mandatory for residential buildings with a plot area of 600 sq yards or more. It is optional for those with a plot area of 600 sq yards or less.

Further, according to the MAUD minister KT Rama Rao, the initiative would cost Rs 300 per sq. meters and would save money on energy in less than two years. The minister also instructed the officials to start an awareness campaign about the benefits of cool roofing through the website, social media and media outreach. He also added that the state has been making every effort to preserve energy and lower carbon emissions, whether it was through major reforestation initiatives, financial incentives for energy-efficient devices and systems, or the adoption of electric vehicles.

Year	Hyderabad Cool Roof Area (sq. kms) Targets for Respective Years	Rest of Telangana Cool Roof Area (sq. kms) Targets for Respective Years	Annual Total Target for Telangana (sq. kms)
2023-24	05	2.5	7.5
2024-25	20	10	30
2025-26	40	20	60
2026-27	60	30	90
2027-28	75	37.5	112.5
Total Aggregated Area by 2028-29	200	100	300

### Kerala 'Responsible Investment Responsible Industry' Policy



**Source: Mathrubhumi**

The Kerala government approved the renewed industrial policy focusing on Environment Social Governance (ESG) investments. According to Kerala Industries Minister P Rajeev, "The state is focusing on Environmental Social Governance (ESG) investments, one of the major characteristics of Kerala's new industrial policy. To create an industrial framework for Kerala, the government have already established a team including Oxford experts and industry leaders."

As part of the new policy, various academic, cooperative and private industrial parks focusing on 22 key production sectors would be set up. The key production sectors include AI, Ayurveda, Biotechnology, EVs, Food & Tech, Medical Equipment, Renewable Energy, Tourism & Hospitality, etc.

In addition, this policy specialises in achieving the State's vision to build an Industry 4.0-ready industrial ecosystem by 2028 for generating responsible investments and fostering innovation across sectors. According to the policy,

MSMEs are eligible for reimbursement of 50% of the costs associated with acquiring the "Made in Kerala" certification under the Quality Certification Incentive. Additionally, reimbursement for 50% of the expenses up to a maximum of Rs. 25 lakh per unit per year for mandatory markings such as CE, FDA, ISO, BIS, etc.

Other incentives are provided to all the sectors, such as Investment subsidy not exceeding Rs.10 crore for non-MSME enterprises; a refund of 100% of the state GST share of fixed capital for five years; To employ 1000 apprentices in industrial enterprises for six months at a wage of up to Rs 5000 per annum for the manufacturing sector; To encourage MSMEs to raise funds through share marketing in addition to traditional methods of raising funds and to reimburse 50% of the amount spent on the same; 100% electricity duty waiver for MSMEs for five years; stamp duty and registration charges for women entrepreneurs and Scheduled Caste/ Scheduled Tribe entrepreneurs for purchasing or leasing land for construction industries in any part of the state, etc.

### Britain set to adopt new legal powers to take on Big Tech



A new rule was introduced in Britain to limit the ability of major tech firms to impede competition in the digital markets, including Google, Facebook, and Amazon. According to the government, the legislation will also strengthen consumer protection by simplifying cancelling online subscriptions and dealing with fake reviews.

The Competition and Market Authority (CMA), the country's antitrust watchdog, established a specialised Digital Markets Unit two years ago with the knowledge required to regulate new markets like social media. By the proposed law, the CMA can modify regulations for tech companies that meet its criteria to stop them from unjustly favouring larger enterprises over smaller ones and customers.

Last year, the European Union introduced its own rule, despite significant opposition from Google, Apple, and others, to address the dominance of big companies.

### European Parliament Adopts New Due Diligence Requirements to Tackle Deforestation and Forest Degradation

The final text of the new EU Deforestation Regulations adopted by the European Parliament aims to prevent companies from placing commodities linked with deforestation onto the EU market or exporting them from the EU.



A wide range of commodities, including cattle, cocoa, coffee, palm oil, rubber, soya and wood, ensure that they have not been obtained as a result of deforestation. Product has grown on land which is deforested after 31st December 2020. This regulation once comes into force, and companies will be obligated to apply within 18 months.

Under these regulations, EU companies are divided into two groups operators and traders. Operators and traders have to conduct due diligence to ensure that the relevant commodities and products they are supplying are "deforestation-free" and have been made in accordance with local laws. In every supply chain, an operator within the meaning of this regulation is established in the Union.

# POLICY/ REGULATORY UPDATES

## WORLD

The operators will evaluate risk assessment and address it before importing or exporting.

The risk assessment includes relevant countries, information reliability and supply chain complexity, human rights violation, consultation and cooperation with indigenous people, etc. Moreover, the commission will designate countries as low or high-risk for the purpose of risk assessment, and others will be categorized as standards risk. Further, operators and traders must upload a due diligence statement to a centralised online information system before supplying the relevant items. Operators and Traders that are SMEs are not required to undertake this diligence and risk assessment process. Instead, they are only required to keep the records of their suppliers and customers and the reference numbers of the due diligence statements associated with their products.

These regulations will have an impact on businesses seeking to establish their products in the EU market or already exporting. The key sectors affected include retail, food/beverage, apparel, life sciences, biofuels, furniture, etc. Businesses have to comply with the regulations and start deliberating the due diligence processes such as information gathering, risk assessment, and risk mitigation measures. Businesses will also need to put in place adequate systems to ensure that signed due diligence statements for all shipments must be prepared. Companies must examine their business sustainability and labour policies.

# OPINION COLUMN

## Smart Manufacturing Akriti Kumari

### Industry 4.0 for the Food & Beverage Industry



Smart technologies are on the rise in a variety of industries as digital applications become ever more connective and automation promises market-wide change.

Industry 4.0 allows businesses to optimize the four levels of their operations (things, equipment, manufacturing operations management, business systems) by giving greater oversight of the whole process. One such industry that can actually leverage the potential of Industry 4.0 is the Food & Beverage (F&B) industry.

The need for automation is shaped by several factors, including competitive pressures. Consumer behavior is evolving, so different products are being sought after to meet dietary and cultural demands. To increase output, productivity, and efficiency in their operations, food and beverage operators are increasingly turning to smart manufacturing and starting a journey of digital transformation. Applying factory automation in the F&B industry is helping

in optimizing their workforce, enhancing product quality and traceability, delivering flexibility and customization, and carrying production with innovation and sustainability.

#### **Enhanced product quality and traceability**

Products and goods can be tracked throughout the supply chain journey using automation and modern analytics tools, which enable manufacturers to tap in anywhere along the chain and see the information they need. As the supply chain performs better overall and manufacturers have complete visibility into all important processes, automation can help reduce stress and compliance costs.

#### **Operational Efficiency**

The importance of increasing operational efficiency across all production lines and increasing customer proximity cannot be overstated. Automation offers an in-depth understanding of market trends that can be applied during the process of developing new products. Automation enables manufacturers to gather intelligent data insights from the production line, which can be used to improve maintenance response times and prevent energy waste.

#### **Increased worker safety**

Automated systems can even handle the most hazardous tasks on production lines, freeing up workers from monotonous, repetitive motion jobs. To increase efficiency, it also frees up the employees to concentrate on more business-critical tasks. Production areas like packing and cutting can be automated to increase output while lowering worker injury risks. Automation makes it easier to adapt to

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new industry changes and saves time by requiring only the updating of existing hardware and software to meet compliance standards.

However, automation has advantages that go beyond just raising productivity and raising quality. Automation can help manufacturers stay competitive by reducing their reliance on human labor in the face of a global labor shortage and rising labor costs.

In the future, companies will continue to develop technologies in a bid to answer the main problems facing the F&B industry. In particular, sustainability could be a focus, as food and drinks companies come under increasing pressure to reduce their environmental impact. As blockchain, big data and AI technologies continue to improve, drinks companies will continue to find solutions to its largest problems while enhancing their market appeal to consumers.

(The writer is an Senior Research Analyst at VeKommunicate)

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## *Geopolitics Behind the Clutter*

*Anjali Mahto*

### **Green Technologies: A Critical Opportunity for Developing Countries**



The world is at a critical juncture in terms of the transition towards a green economy. The enabler of the green economy - green technologies holds immense potential for creating a more sustainable future, but it requires significant policy attention and targeted investments to be harnessed. Unfortunately, many developing countries are at risk of missing out on this opportunity due to a lack of capacity-building and investment. This could have far-reaching negative consequences, including slower economic growth and increased vulnerability to the impacts of climate change. It is therefore crucial that these countries prioritize the development of green technologies and the building of their capacities to fully participate in the global transition towards sustainability.

Green technologies are growing, and they offer significant economic opportunities. According to the United Nations Conference on Trade and Development

(UNCTAD)'s Technology and Innovation Report 2023, the disparity in the exports of green technologies between developed and developing countries is a cause for concern. While the former has witnessed a staggering increase in exports, the latter's progress has been slow, resulting in a sharp decline in its global market share. As the world pivots towards a more sustainable future, developing nations cannot afford to be left behind. They must seize this opportunity to develop their economies and avoid the negative consequences of missed technological waves. The frontier technologies such as drones, solar power, etc could create a market of over \$9.5 trillion by 2030, about three times the current size of the Indian economy.

However, developed economies are currently seizing most of the opportunities, leaving developing economies further behind. The report also shows that developing countries are the least prepared to use frontier technologies. UNCTAD's analysis highlights the need for developing countries to act fast and invest in building capacities to reap the benefits of this technological revolution. However, proactive industrial, innovation, and energy policies targeting green technologies can enable these countries to perform better than expected, as evidenced by India, the Philippines, and Vietnam. Early adoption can pave the way for more diversified, productive, and competitive economies, providing long-lasting advantages.

To benefit from the green tech revolution, strong government efforts are required. Developing countries must align environmental, science, technology, innovation, and industrial policies.

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They should prioritize investment in greener and more complex sectors, provide incentives to shift consumer demand towards greener goods and boost investment in research and development. They should also urgently boost technical skills and scale up investments in ICT infrastructure. However, developing countries cannot take advantage of green technologies on their own. Much of the success of their domestic policies will depend on global cooperation through international trade, which would require reforms to existing trade rules to ensure consistency with the Paris Agreement to tackle climate change. International support to transfer green technologies to developing countries is also critical.

In conclusion, green technologies offer a critical opportunity for developing countries to grow their economies sustainably. However, seizing this opportunity will require strong government efforts and global cooperation. The international community must take decisive action to ensure that economic inequalities do not risk growing as developed countries reap most of the benefits of green technologies.

(The writer is an Account Executive at VeKommunicate)

## Environment Equity

Saloni Goyal

### Cool Roofing System

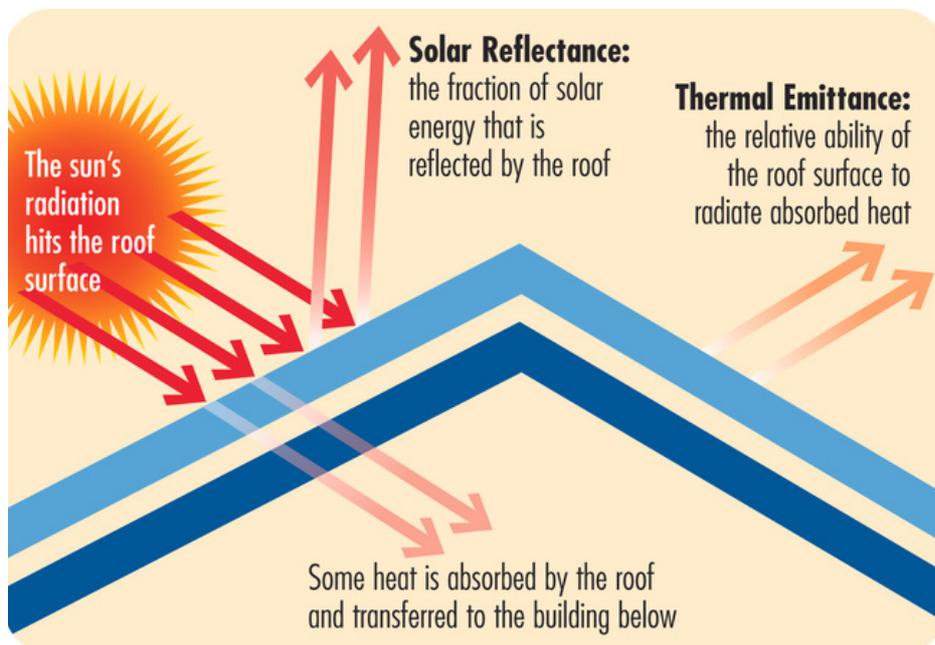
As India's urbanisation accelerates and climate change worsens, cities face enormous challenges in adapting to a warmer planet. A cool roof strongly reflects sunlight (solar energy) and cools itself by efficiently emitting any heat absorbed. The roof stays cooler and reduces the heat conducted into the building.

A cool roof effectively reflects the majority of incident sunlight. It releases some of the radiation absorbed back into the atmosphere instead of directing it to the building below. The building maintains a cooler and more stable temperature because the roof stays colder due to reduced surface temperatures. The roof's outer layer or exterior surface, which serves as the primary reflective surface, is referred to as the "cool roof." These roofs reflect more sunlight than a standard roof surface would. The term "cool roof" refers to a broad range of roof types, colours, textures, paints, coatings, and slope applications.

However, a cool roof does not need to be white. Many "cool colour" products use darker-coloured pigments that are highly reflective in the solar spectrum's near-infrared (non-visible) portion.

### Benefits of Cool-Roofing

- Increase occupant comfort by keeping the building cooler during hot summer months.
- Cut costs by reducing the need for air-conditioning and extending the life of cooling equipment. Individual results vary based on various factors related to the climate and installation.
- Decrease roof temperature, which may extend roof service life.
- Address concerns about air pollution and global warming by reducing CO<sub>2</sub> and other emissions linked to power produced from fossil fuels and used for air conditioning.
- By reflecting heat into the atmosphere, reduce the urban heat island effect. When a city is hotter than the nearby



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rural areas, it is called an urban heat island. This is because cities tend to have darker, heat-absorbing surfaces, such as highways and rooftops, and fewer plants and trees to provide shade.

- Qualifying for money-saving rebates from utilities or government programs.

## Initiatives by India

The National Cooling Action Plan 2019, established by the Ministry of Environment, Forest and Climate Change (MoEFCC), Government of India, outlined strategies and actions to encourage sustainable and intelligent cooling practices nationwide while mitigating adverse effects. It will provide a 20-year outlook on how cooling demand in India evolves and grows. The India Cooling Action seeks to

- Reduce cooling demand across sectors by 20% to 25% by 2037-38,
- Reduce cooling energy requirements by 25% to 40% by 2037-38,
- Recognise “cooling and related areas” as a thrust area of research under the National Science and Technology programme,
- Train and certify 100,000 servicing sector technicians by 2022-23, collaborating with the Skill India Mission.

Further, Telangana State recently formulated a cool roofing policy to promote the adoption of cool roofs, especially mandatory for government and commercial buildings. In 2017, Ahmedabad City initiated a pilot project to protect local communities from rising temperatures with private-sector collaboration.

Cool roofs are an affordable and smart solution that helps manage cooling demand and mitigate the impact of the urban heat island effect. The government may work with local and international experts to develop cool roof programs for the country.

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