LETTER

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News Highlights

NATIONAL

BS Manthan: Reforms momentum will continue, says FM Nirmala Sitharaman

From tariffs and Centre-state relations to how she unwinds, Finance Minister Nirmala Sitharaman covered vast ground on the inaugural day of the BS summit; Telecom & IT Minister Ashwini Vaishnaw spoke about India's competitive advantage in the global semiconductor space. And, there was much more...

The government will continue the push on its reforms agenda in its "third term" since political continuity, along with a predictable and stable economic environment and taxation structure, is important to achieve the laid-down developmental goals, said Union Finance Minister Nirmala Sitharaman while delivering the keynote address at the inaugural edition of the annual Business Standard summit, Business Manthan, in New Delhi on Wednesday.

The first day of the summit, celebrating Business Standard's 50th year, saw a galaxy of stars from the world of economy, politics, business and sports.

In a fireside chat that followed Sitharaman's keynote address, she explained the nuances of the higher tariff policy in some sectors. "Atmanirbhar Bharat is not a regressive step, but a considered, calibrated one,'' she said. While pointing out

that the imposition of tariffs is not a permanent stance of the government and that calibrations are being made to the policy, she said, "it is not a permanent shut the door".

Inaugurating the two-day summit, the finance minister spoke on a range of issues: On how revenue collection supported by prudent expenditure management has helped to contain the fiscal deficit; how from a twin balance sheet problem in 2014, India now had a twin balance sheet advantage; why in matters of economy, Centre-state differences should not arise on grounds of politics; and how digital transformation was drawing the world's attention and admiration. She also spoke about how she unwinds: "Listening to a lot of music and reading a lot of books."

As a pathway to becoming a developed country by 2047, she listed four "I"s: Infrastructure, investment, innovation, and inclusiveness.

Before her address, Sitharaman unveiled the logo of 50 years of Business Standard.

The summit, which was packed with multilayered conversations, included those with Union Railways, Communications, Electronics and IT Minister Ashwini Vaishnaw, who said India was poised to become a “products nation”.

“Under Prime Minister Narendra Modi’s Viksit Bharat vision,” Vaishnaw said, “we will see an ecosystem that makes for India and the world.” India, he said, would become a products nation, and many of those products would come from deep-tech sectors. Looking into the future ahead of the general elections, and predicting the first 100 days of Modi government 3.0, he said, “We have a very good legacy of the last 10 years and the road map for the next 25 years.” In the years to come, he said, the government would bring change with continuity.

On whether India’s focus needed to be on manufacturing or services, Vaishnaw said the answer was not “or” but “and” with both manufacturing and services getting attention.

While reimagining India with the eye on 2047, Pennsylvania State University economist Rohit Lamba, too, made the point that figuring out the right mix for India in services and manufacturing would be key. “There is a China fetish that has crept in that jobs are going to come only from the factory floor. We need to move away from this idea,” he said, emphasising the need to shake up the thinking away from the cookie-cutter model.

He also made a strong case for ensuring sound education for children, linking it to the fortunes of the country. “We need to get basic primary and secondary education and the health of our children right -- this is the primary constraint,” Lamba said. He said there was evidence that if a child's health and education have not been developed at an early age, then, among other issues, “we are going to lose out on human capital”.

Speaking virtually from London, Financial Times’ chief economics commentator Martin Wolf argued in favour of prosperous capitalist democracies.

Quoting Aristotle, he said that the best partnership is one that operates through the middle-class. “A stable democracy is one with a stable, contented, independent middle-class,” Wolf said.

He also presented data from Washington, DC-based non-profit Freedom House to indicate that a decline in freedom had been observed in every region of the world, including in the United States and India, the world’s two largest economies.

The state of the markets in a country going into elections, meanwhile, had the attention of GQuant Investech Founder Shankar Sharma, a seasoned investor and financial expert. “The markets don't care who runs the country,” he said, adding that they have a way of finding their rhythm. Whoever wins, he said, “India's organic growth story is unstoppable in the decades to come”.

He, however, did point to an “ageing bull”. “Data shows that no bull market lasts over five years,” he said. “And an ageing bull market starts to draw blood.”

He advised on exercising caution when it came to the equity markets, suggesting that it would be wise to cap such investment at 30 per cent and put money into gold and fixed deposits. Within the markets, he said, largecaps are ageing, midcaps are neither here nor there, and while smallcaps are the story of the future, they are fraught with risks.

The challenges, opportunities, risks and complexities of artificial intelligence in a country as complex as India figured in another scintillating discussion. “If 2023 was the year of AI, 2024 will be the year of AI at scale,” said Irina Ghose, MD, Microsoft India.

Another conversation, around sports and its potential to drive India’s developed-country agenda, had Anju Bobby George, winner of World Athletics Championship medal in long jump, saying that “By 2036 (when India is pitching to host the Olympics), we’ll be at the top.”

Earlier in the day, during the inaugural session of the summit, T N Ninan, former editor and publisher of Business Standard, and Akila Urankar, director on its board, revisited the journey of the newspaper over five decades since its inception and the vision that continues to drive it.

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BS Manthan: High tariffs not for ever, says FM Nirmala Sitharaman

Union Finance Minister Nirmala Sitharaman on Wednesday said high tariffs for some sectors were not a permanent stance of the government and policy calibrations were being made.

Speaking at the Business Standard Manthan, Sitharaman said Aatmanirbhar Bharat was not a regressive step.

“Artificial protection creating inefficiencies cannot be supported and we are conscious of that. And so there are calibrations being done in this policy … We do want to give some protection for some time. It is not permanent — ‘shut the door off’. We are not saying we will grow but we will take 50 years to grow,” Sitharaman said.

On higher tariffs and the removal of exemptions, she said the decision on Aatmanirbhar Bharat was regarding areas

where the country could not afford to have cheap imports. “If our production is not cost-competitive, we will have to face the music,” she said.

The finance minister reiterated the government would adhere to its privatisation policy to ensure that the public sector was present only in core, strategic areas.

“We are not delaying (things), doing nothing. The valuation of these companies is being closely monitored and improved before we take them to the market,” Sitharaman added.

On reforming the new pension scheme, the minister urged the states not to take a knee-jerk call on these matters since it would have serious implications for their as well as the Centre’s finances. She said the committee looking at these reforms had met almost all stakeholders and was expected to come up with recommendations.

Sitharaman stated in economic matters the differences between the Centre and the states should not be political. States should not spend time bickering and instead place their arguments before the Finance Commission, she said.

The minister said reforms were not only in the central government’s domain but also in that of the states as well as panchayats and urban bodies.

“The responsibility to have a better system functioning, a better system of governance, and better ease of doing businesses should also be with the states and the third layer of elected democracy — panchayat bodies,” Sitharaman said.

Sitharaman said the reforms undertaken between 2014 and 2019 and during the pandemic underlined the commitment of the government in carrying out reforms.

“We will carry out this momentum in the third term, come what may,” she said.

She said sustaining the momentum on reforms was an important factor that gave the government the confidence to reach the goal of becoming a developed country by 2047.

“This dream is not just a castle in the air. It is grounded, and it has reasons to be trusted because of the concrete paths laid towards it.”

Sitharaman listed the four Is — infrastructure, investment, innovation, and inclusiveness — as the pathway for achieving the goal of a developed India by 2047.

“The ripple effect which can be caused by each one of these four (Is) can give us the mass to have the strength to realise this dream. We are able to crowd in private capital. We are also able to see gross fixed capital formation is also showing tangible improvement," the finance minister said.

Sitharaman said India had seen recovery from Covid, to the envy of many countries, because of the reforms between 2014 and 2019 and during and despite Covid. "India is the fastest-growing economy with all cylinders firing."

She said it was important to have a government with a substantial mandate from the people, a government with the dedication and commitment to come up with major reforms and major decisions without losing time in having a coalition work. "That is what we've shown in the past 10 years and, I think, will be showing you in the next term as well."

Sitharaman said India had turned the twin balance sheet disadvantage into an advantage. She said 8 per cent gross domestic product growth over three quarters and a good sustainable momentum for growth was a good plank for India to stand on.

She also said revenue collection, supported by very prudent expenditure management, had resulted in better fiscal management and the government's commitment to a fiscal glide path.

She added a digital transformation was on top of the agenda of the government.

It has impacted not just the fintech or payment revolution but the way education and health services are being rendered and the way in which governments today see the virtue of using digital methods, according to her.

"A digital revolution has put India much ahead of many countries."

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FTAs help engineering exports; shipments to Russia double

Engineering goods exports this year have benefitted from the free trade agreements with UAE and Australia and change in direction of trade flows brought about by the geo-political realignments.

While engineering exports to the UAE rose 16% year-on-year to $ 5.22 billion in the current fiscal till February, shipments to Australia increased 5% to $ 1.30 billion during this period.

While Russia has become a major trading partner in the last two years largely due to imports of petroleum crude, engineering exports to the country have doubled during April-February this year to $ 1.2 billion as compared to the same period last year.

The US, however, still remains the biggest market for the sector but the shipments to that market declined 7% to $ 15.9 billion.

Among other key markets, India's engineering goods exports to China witnessed a marginal decline in FY24 till February at $ 2.38 billion as against $ 2.40 billion in the corresponding period of the previous financial year.

Overall, engineering exports entered the positive growth zone by February stood at $ 98.03 billion as against $ 96.84 billion during April-February of last year, securing 1.23% growth.

"The FTA with UAE and the negotiations with GCC have been quite effective as West Asia and North Africa's share in India's engineering export basket increased to 15% from 12% last year. This performance has been possible despite the difficult global trade situation," Chairman of Engineering Export Promotion Council Arun Kumar Garodia said.

"We are optimistic that FTAs with the UK, Oman, and the EU would be signed sooner than later. This will significantly help the engineering sector grow its share in the global market," he added.

The share of engineering exports in India's total merchandise exports increased to 24.01% in February 2024 from 23.75% in January 2024. On a cumulative basis, the share was 24.82% during April-February.

In February 2024, as many as 28 out of 34 engineering panels witnessed positive year-on-year growth, while 6 remaining engineering panels experienced a decline. Exports of zinc and products, nickel and products, motor vehicles and cars, railway transport and parts, ships and boats, and office equipment dropped.

On a cumulative basis, as many as 20 out of 34 engineering panels recorded positive growth and the remaining 14 engineering panels including iron and steel, some non-ferrous sectors including aluminium, zinc and nickel, industrial machinery and automobiles recorded negative growth during April-February 2023-24.

Region-wise, positive year-on-year growth in February 2024 was observed in almost all the regions barring Association of SouthEast Asian Nations (ASEAN) countries and South Asia.

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Start-up Street: Royalty payments – a new way to finance or fleece start-ups?

Read more at : Start-up Street: Royalty payments – a new way to finance or fleece start-ups? (moneycontrol.com)

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Central bank keen to further build up record high FX reserves, say sources.

India's central bank will keep building its forex reserves as it seeks to build larger buffers, and strong inflows into the country's equity and debt markets give it an opportunity to do so, two sources familiar with the bank's thinking said.

The Reserve Bank of India's absorption of dollar inflows will indirectly prevent a sharp appreciation of the rupee despite high growth in the economy and a positive balance of payments, analysts said.

The Reserve Bank of India's (RBI) FX reserves rose to a record high of $642.49 billion as of March 15.

"Reserves are just about adequate as per most of RBI's internally-monitored metrics while they are slightly below adequate on a couple of them. Exercise of building reserves will continue," a senior source aware of the RBI's thinking said.

RBI did not immediately respond to a request for comment.

RBI chief Shaktikanta Das said in January that the bank had embarked on strengthening and building higher reserves which was essential to insulate emerging market economies from spillovers of global currency fluctuations.

The pace of reserve building has picked up in recent months with large dollar inflows being witnessed into equity and debt markets. With Indian debt getting included in the JPMorgan and Bloomberg emerging market debt indexes later this year, flows are expected to continue.

"Given the external situation, India's forex reserves seem to be adequate to meet the needs of the economy and any external shock," said B. Prasanna, head of treasury at ICICI Bank.

Adequacy of foreign exchange reserves is typically judged by the import cover, or the number of months of goods imports the reserves can finance, and also whether they are enough to cover the country's short-term debt obligations.

"Even if the definition is expanded to include imports of both goods and services, India's import cover is at 9 months which is far higher than the rule of thumb," Prasanna said.

With reserves seen as adequate on many metrics, there is no need for the RBI to aggressively build reserves but the central bank will continue to "opportunistically increase the reserves on good buying opportunities," a second source familiar with the RBI's thinking said.

Reserve building is likely to limit sharp gains in the rupee, analysts and traders said.

Barclays Investment Bank's baseline projections show India's FX reserves rising to above $700 billion by the end of 2025.

While foreign investors net bought a total of $28.7 billion worth of Indian equities and bonds over 2023, the rupee remained in a tight band between 83.42 and 80.88 against the U.S. dollar with its volatility hitting decadal lows on the back to persistent RBI interventions.

In the same time period, the RBI was a net buyer of dollars having added $18.1 billion to its pile.

"As the size of Indian economy increases to $5 trillion by FY27 and subsequently to $7 trillion by the end of this decade, FX reserves would have to keep pace with the size of the economy and markets," ICICI's Prasanna said.

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Central bank to limit sharp swings in rupee after slip to record low, traders say

Central bank will continue to curb sharp swings in the rupee, traders said, after it fell to a record low on Friday, spurring speculation the Reserve Bank of India (RBI) may be loosening its grip on the currency.

Persistent intervention by the RBI in the foreign exchange market over the past several months had dampened exchange rate volatility.

Friday's sharp decline caught traders by surprise as the rupee fell to an all-time low of 83.43 against the dollar in the closing minutes of domestic trading.

While the RBI had intervened earlier in the session, its absence towards the end pushed the rupee to record lows, a senior foreign exchange trader at a state-run bank said.

Traders quoted in the story declined to be named because they are not authorised to speak to the media.

Despite Friday's decline, "don't think the RBI will allow runaway depreciation on the rupee", Mandar Pitale, head of treasury at SBM Bank India, said.

On Monday, the rupee rose nearly 0.2%, aided by central bank intervention, to settle at 83.28. SBM Bank's Pitale expects it to hover between 83.15 and 83.35 this week.

The RBI's intervention seems to have "cooled the pair", a foreign exchange trader at a private bank said, predicting a tight range over the next few sessions.

Friday's unexpected fall, which was the worst since September 2023, surprised the market which saw a rangebound rupee and slight gains in a year's time, as reflected in a March Reuters poll.

Weakness in the offshore Chinese yuan and dollar outflows hit the rupee last week, and a lumpy outflow in the last two-three minutes pushed it past previous lows on Friday, a trader at a foreign bank said.

The decline was worse in the offshore non-deliverable forwards (NDF) market, where the one-month NDF hit 83.79, implying a spot rate of around 83.73 to the dollar.

"The move post onshore close on Friday was offshore reducing their long INR bets," a senior foreign exchange trader at a foreign bank said.

The RBI's intervention, seen on Monday, is likely to guide the market going ahead, the trader said.

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RBI showing serious commitment to improve governance, transparency in finance companies, banks

S&P Global Ratings on Tuesday said India's financial system regulator, the RBI, is showing serious commitment to improving governance and transparency in the sector.

The recent measures by the RBI will curtail lenders' over-exuberance, enhance compliance culture, and safeguard customers, but the drawback will be higher capital costs for institutions.

RBI's measures include restraining IIFL Finance Ltd and JM Financial Products Ltd from disbursing gold loans and loans against shares, respectively, and asking Paytm Payments Bank Ltd (PPBL) to stop onboarding of new customers.

In December 2020, the RBI suspended HDFC Bank from sourcing new credit card customers after repeated technological outages, S&P said.

These actions are a departure from the historically nominal financial penalties imposed for breaches, it added.

"India's regulator has underscored its commitment to strengthening the financial sector," said S&P Global credit analyst Geeta Chugh. "But the increased regulatory risk could impede growth and raise the cost of capital for financial institutions."

According to S&P, the RBI has diminishing tolerance for non-compliance, customer complaints, data privacy, governance, know-your-customer (KYC), and anti-money laundering issues.

India's financial system regulator, the Reserve Bank of India (RBI), is showing a serious commitment to improving governance and transparency at finance companies and banks, it said.

"Governance and transparency are key weaknesses for the Indian financial sector and weigh on our analysis. The RBI's new measures are creating a more robust and transparent financial system," Chugh said.

The RBI has decided to publicly disclose the key issues that lead to suspensions or other strict actions against concerned entities. The central bank has also become more vocal in calling out conduct that it deems detrimental to the interests of customers and investors.

It has cited perfunctory credit underwriting, overvaluation of collateral, and governance issues in select financial sector companies, S&P said.

"We believe that increased transparency will create additional pressure on the entire financial sector to enhance compliance and governance practices," Chugh said.

S&P said some retail loans, such as personal loans, loans against property, and gold loans, may be diverted to invest in stock markets. It is difficult to ascertain the end-use of money in these products, but market participants believe that the RBI and market regulator Securities And Exchange Board of India want to protect small investors by scrutinising these activities more cautiously.

"We expect the regulatory actions to drive banks and finance companies to better focus on policies and processes, ultimately enhancing the operational resilience of the system.

"However, this shift is likely to lead to increased compliance costs for the sector. This may curb the ability of smaller companies to compete in the market," S&P said.

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Hong Kong's Epic Group plans to set up first garment factory in India, acquires land in Bhubaneswar

Hong Kong-based apparel industry major Epic Group is planning to set up its first garment factory in India as it has acquired 40 acres of land in Bhubaneswar for the manufacturing unit.

The group has appointed diversified professional services and investment management company Colliers India to set up the manufacturing facility, valued at around ₹220 crore, at the IDCO Industrial Estate in Bhubaneswar, Odisha. The first phase is expected to be completed by May, 2025.

"Colliers in India has won a ₹220 crore Design & Build Turnkey assignment from EPIC Designers which is to set up its first manufacturing unit in the country," said a media statement, issued on Wednesday.

This garment factory will be the first of its kind and a "gamechanger" for the apparel industry in India, it claimed, adding the company intends to employ over 6,000 people to run the facility.

"As a leader in sustainable fashion, expanding our operations to India was a natural next step given the country's talented workforce and expertise in textile production. With Colliers as our partners, I am confident we will develop a world-class facility that sets a new standard for socially and environmentally responsible apparel manufacturing. Odisha's pro-business environment and strategic location also make it the ideal destination for this significant investment," said Ranjan Mahtani, Executive Chairman of Epic Group.

"The facility, managed by EPIC Group's subsidiary, Trimetro Garments India, is benchmarked against global standards and the cutting-edge facilities the company boasts across the world...The first phase spanning 338,000 sq. ft. is expected to be completed by

May, 2025 and the future expansion scope spans 381,236 sq. ft," said Indranil Basu, Managing Director, Project Management, Colliers India.

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New Eco-Friendly 100 Acre Textile Park Mooted For Ahmedabad

A state-of-the-art textile industry park aimed at addressing pollution challenges is set to come up near Ahmedabad.

Developed by Rupam Eco Green Textile Park, the Rs 500 crore facility will span 100 acres in Mahijadi village and incorporate cutting-edge environmental infrastructure.

A key highlight is a 6 MLD (million liters per day) Zero Liquid Discharge (ZLD) system - an advanced wastewater treatment process that recycles water and eliminates liquid waste discharge. This will enable 96 per cent water recovery and reuse, saving a massive 17 crore liters of water per month - equivalent to the needs of 30,000 people.

"The ZLD system ensures we tackle pollution issues head-on. Wastewater reuse and low groundwater extraction align this project with sustainability goals of achieving zero-waste and net-zero outcomes," said Nandan Shah, chairman of Rupam Eco Green Textile Park.

Shah added that basic infrastructure will be completed within a year, after which the park plans to set up an additional 6 MLD ZLD facility to further bolster its green credentials.

Lauding the project, Prashant Patel, President of FISME (Federation of Indian Micro and Small & Medium Enterprises) told KNN, "This is an exemplary industry-led initiative that deserves widespread acclaim. Being the second such industrial park near Ahmedabad incorporating sustainable design, it reduces the burden on the government while providing MSMEs with well-planned, utilities-equipped land to focus on their core operations."

"Such innovative industrial parks chart a welcome path towards an environmentally conscious future," added Patel, a prominent Gujarat-based entrepreneur who heads R.K. Synthetics Ltd (Ahmedabad) and Prashant Industries (Surat).

The state had previously facilitated the Vibrant Industrial Park near Khambhat to provide a similar sustainable hub for chemical and pharmaceutical industries.

The new textile park is expected to attract around 50 textile processing units, generating numerous employment opportunities. This comes as a major boost for Ahmedabad's textile industry which has seen some units shut for two years due to stringent pollution norms.

Ahmedabad is a leading cotton textile hub with over 800 units having an installed fabric processing capacity exceeding 3,500 million meters annually. The eco-friendly park promises to offer a sustainable solution while continuing to drive growth in this vital industrial sector.

Home

The giant has arrived: India's rise as a global power creates a tightrope of domestic and international aspects

India's recent economic success, solid momentum, and promising prospects are making the country ever more influential both regionally and internationally. But the experience of other countries suggests that such rapid influence and robust progress can be tricky to manage. An action that makes sense domestically may conflict with what other countries expect from a systemically important economy. Meanwhile, actions that make sense internationally could complicate domestic economic progress.

Poised for continued growth China plays an important role in India's recent growth story. Its high middle-income levels imply that it was destined eventually to shed labour-intensive manufacturing and assembly jobs. But that process has been accelerated by the rapid diversification of global supply chains. Most likely, there will be demand-side inducements for India to expand its tradable sector, with manufacturing for export providing employment opportunities for the lower-income rural sectors.

Apple, for example, is expanding iPhone assembly in India, in collaboration with partners like the Taiwanese manufacturer Foxconn. India already accounts for 7% of iPhone production, and much of that is for export. That said, net foreign-direct-investment (FDI) flows into India declined sharply in the current fiscal year, and it remains to be seen whether there will be a wave of export-driven investment in manufacturing sectors.India also already has a thriving digital and financial sector. With a large and growing domestic economy, it has a natural advantage in large-scale digital innovation, owing to the fact that such technologies tend to have relatively high fixed costs, but low variable costs.

As with manufacturing, recent developments in China bear on this issue. Owing to changes in China's economic and governance model and its deteriorating relations with some advanced economies (most notably the US), external capital has been leaving, leading to an influx of capital into India. If not managed carefully, these inflows could complicate economic policymaking by impacting the currency and competitiveness.

Cautionary tales

With India expected to remain the world's fastest-growing major economy, policymakers face the increasingly complex challenge of balancing external and internal interests, while still maintaining the country's growth and development trajectory. Multinational corporations have also faced this dilemma when considering whether and how to change where they operate. Such changes can create many operational and reputational challenges. Whether the lesson comes from China or Big Tech, India should heed it.

Recent history shows that the necessary internal course corrections, as well as the ability to shape international perceptions, can come late or be insufficient. As a result, a country's (or a company's) secular transformation can end up being more complicated than it needs to be. India's multinationals are increasingly looking abroad for growth opportunities. The increased influx of foreign companies and other foreign investment flows will heighten the focus on domestic labour conditions, as will the larger volume of incoming FDI. India also is attracting more foreign portfolio capital, partly due to more investors growing worried about geopolitical tensions and the prospect of China becoming un-investable. India's impressive recent technological successes will also add to its global systemic importance.

Its thriving digital economy has allowed it to offer a superior open architecture for digital finance, making it a prime example of a massive country where money can move quickly and cheaply. Moreover, India's multilingual technical capabilities are especially suitable for greater exports to many other countries undergoing similar technology-driven development.

No time to waste

Given India's growing systemic importance across so many dimensions, current and future generations alike would benefit from early steps to minimise the risks and maximise the opportunities presented by a larger global footprint.On the domestic front, India is on the cusp of an even greater inflow of FDI and portfolio investors. Such capital has many benefits, of course, including job creation, technology transfer, and greater access to cheaper funding. But as other countries' experience shows, large inflows require rapid adaptation of policies and policymakers' mindsets, as well as measures to overcome internal resistance from domestic incumbents.

Otherwise, the benefits will be more than offset by the serious threat of macroeconomic instability, severe resource misallocation, excessive risk taking, and corruption.Looking outward, India needs to foster much deeper cooperative interactions with key bilateral trading partners, regional institutions, and international platforms. Its status as a founder of the New Development Bank—established by the BRICS grouping in 2014—does not preclude the need for closer ties with the Asian Development Bank, the World Trade Organization, the International Monetary Fund, and other global institutions. Given its success and outlook, India can no longer claim to be an economically small developing country with few global spillovers. Its growing systemic importance will bring a larger set of risks and opportunities. India today is near where China and Big Tech were before they inadvertently triggered reactions that have complicated their growth strategies and undermined their reputations.

India must lose no time in managing its growing footprint, so that its domestic priorities align with international realities. When China was at a similar stage of economic development 16 years ago, it ran a current account surplus of 10% of GDP. With Chinese policymakers focused on the stock-market bubble in 2007, they ignored growing external concerns about mercantilism and "unfair" competition until it was too late. The lesson is that a purely reactive approach, with its inevitable delayed response, is much less effective than a balanced approach combining proactive and reactive elements. The current Indian government, under Prime Minister Narendra Modi, appears to understand this, and has been generally praised for how it has navigated today's highly complex and tense global environment.

But there is more work to be done. India should seek to play a larger role in the world's multilateral institutions, where it could be a strong voice for constructive reform. But like it or not, China and India are both destined to be giants in the global economy. Working gradually toward a more constructive relationship that is consistent with its other geopolitical priorities (including vis-à-vis the US) should be an objective for India. It is also a key element in both countries' ability to manage their expanding global footprints.

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GLOBAL

Researchers In Australia Discover Nano Solution To Remove Toxic Dyes

Researchers at Australia's Flinders University have discovered a way to degrade and potentially remove toxic organic chemicals, including azo dyes, from wastewater using a chemical photocatalysis process powered by ultraviolet (UV) light.
The process involves creating metallic 'clusters' of just nine gold (Au) atoms chemically 'anchored' to titanium dioxide that in turn drives the reaction by converting the energy of absorbed UV light, said *Gunther Andersson, professor of physical chemistry and nanotechnology at the Flinders Institute for NanoScale Science and Technology*, in an university release.

The gold nanocluster cocatalysts enhance the photocatalytic work of the titanium dioxide and reduce the time required to complete the reaction by a factor of six, the research team reported.

"These types of heterogeneous semiconductor-mediated photocatalysis systems provide a significant advantage over other advanced chemical processes," said Andersson.

"It can facilitate the mineralisation of a large range of organic pollutants, like azo dyes, into water and carbon dioxide molecules with a high degradation efficiency," he added.

Nearly half of the dyes used in the textile and dye industry are azo dyes. Methyl orange is widely used as a water-soluble azo dye.

With this in mind, the Flinders University researchers have also demonstrated the usefulness of this gold cluster cocatalyst and modified semiconductors for synthesis of the novel photocatalysis systems for degradation of methyl orange.

This study, just published in the journal 'Applied Surface Science', tested the photocatalysis in a vortex fluidic device developed at the university.

The study was supported by the Australian government and Wine Australia as well as Microscopy Australia and the Australian National Fabrication Facility and Flinders Microscopy and Microanalysis and Microscopy Australia at Adelaide Microscopy.

EU rules favor garments from countries that source their own textiles, PHL exporters say

Export markets like the European Union favor garments from countries that source their own textiles internally, to comply with Rules of Origin (ROO) regulations, exporters said.

As such, the government needs to help establish a commercial-scale textile factory to help supply wearables exporters, especially those shipping to the EU, according to Robert Young, trustee for the textile, yarn, and fabric sectors of the Philippine Exporters Confederation, Inc. (Philexport).

He said such a factory would be vital if the industry is to achieve its revenue target for the year of $1 billion.

“Just one will be enough; we have to quickly start something so that these foreign investors will follow suit,” he said. “Garments, once they’re there, can be a lifesaver to any economy, just like in Bangladesh, Vietnam, India, Laos, and Cambodia.”

Mr. Young, who is also the president of the Foreign Buyers Association of the Philippines, said that Philippine garments exported to the EU are subjected to a 12% or higher duty due to the strict ROO requirements.

“They (EU) prefer that the fabric we use is sourced from the Philippines. So this is one way of saying the Philippines has to produce its own fabric,” he said.

“Which, as everybody knows, is not possible because we do not have the textile industry in the Philippines right now to be used for these products for exports, and therefore, we have to import,” he added.

He said Philippine garments that enter the EU market are duty-free, as provided by the Generalized Scheme of Preferences Plus (GSP+). However, because of the ROO regime, Philippine garments that use imported fabric do not qualify for zero duty.

“Building a pilot factory to produce our own fabric or textile is thus imperative, especially as the revival of negotiations for the country’s bilateral free trade agreement (FTA) with the EU is expected to also prescribe the same ROO on textile usage for exported garments,” he added.

Last week, the EU and the Philippines announced the resumption of negotiations for an FTA after being halted in 2017 due to concerns raised by the EU over the policies of the former Philippine government. The FTA is expected to increase bilateral trade by 6 billion euros.

The Philippines participates in the EU's GSP+, a special incentive arrangement for low- and lower-middle-income countries. It charges zero duty on 6,274 Philippine-made products.

Mr. Young said that due to the ROO, the industry only expects to hit 80% of its $1 billion revenue target for the year.

"We underperform now. How will we perform if we are not allowed to use imported materials? There is another way to use the imported material, but we have to buy from an FTA country that has a bilateral agreement with the Philippines. We have to look for these kinds of countries," he said.

The EU currently accounts for 10% of the country's export receipts of garments, textiles, and apparel, while the US remains the main export destination. Other top export destinations are Australia, Canada, and Japan.

"The industry group has been requesting the government submit a derogation letter to the EU to allow the country to use imported fabric and qualify for zero duty while the pilot factory is not yet built," Mr. Young said. — **Justine Irish DP Tabile**

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