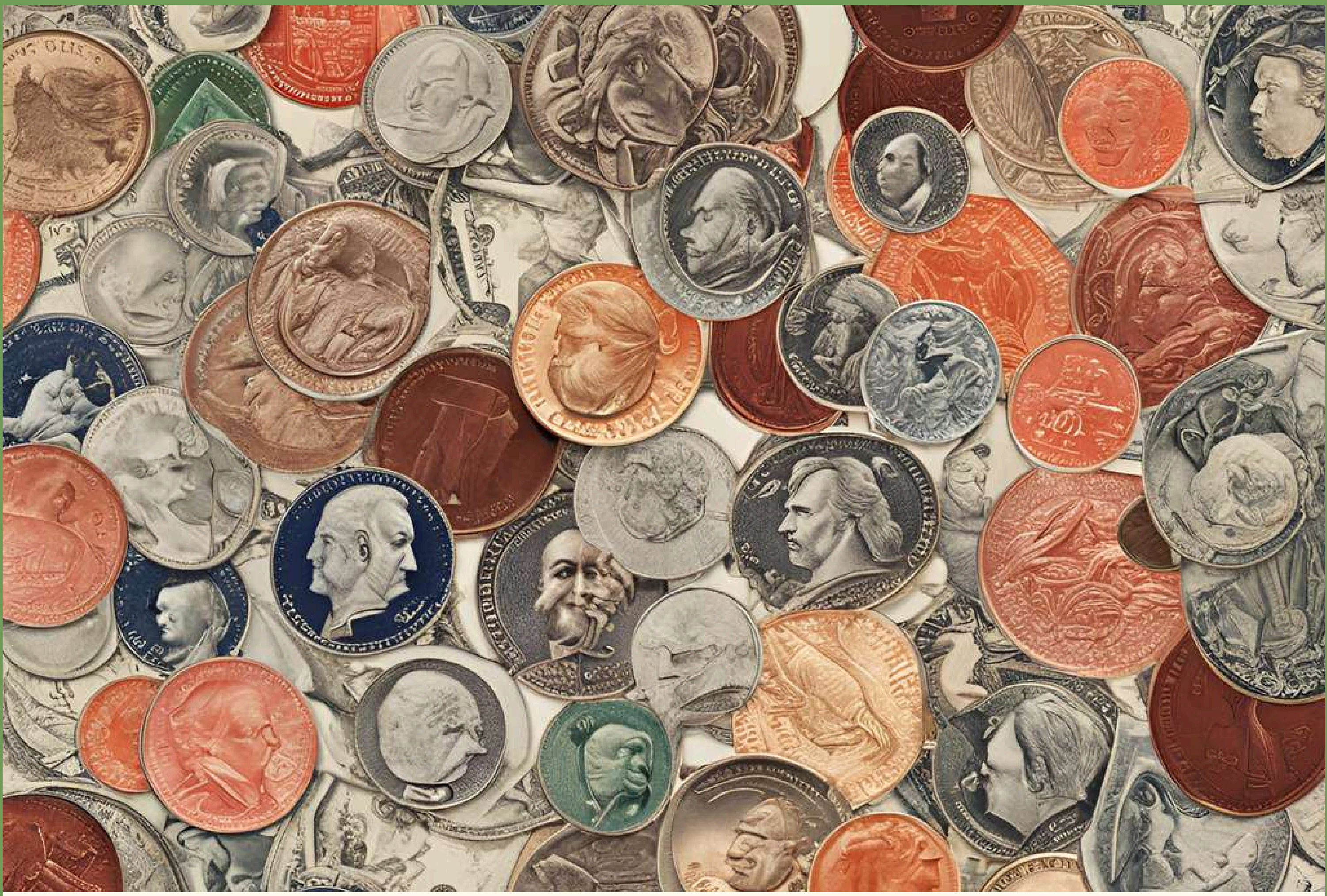

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SIMS Economics thinktank

Churning Ideas to Power the Mind

SYMBIOSIS Golden Jubilee

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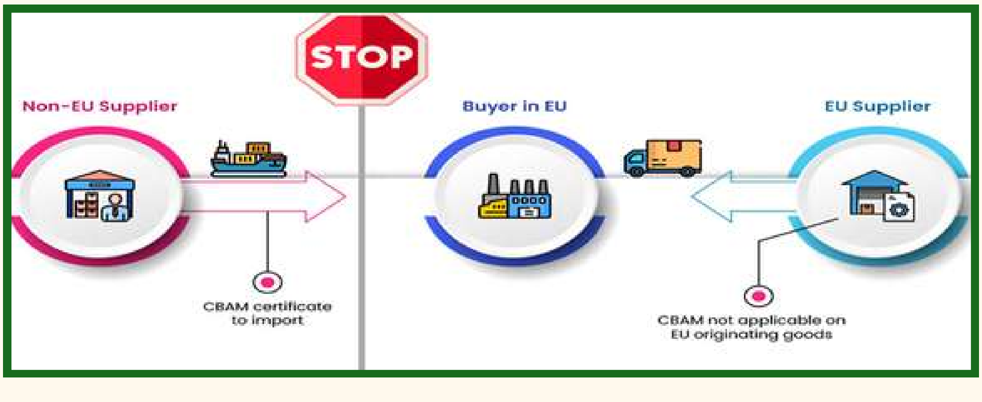
EU'S CARBON BORDER TAX PLANS TRIGGER ALARM IN INDIA

SNEAK PEEK OF WHAT'S INSIDE:

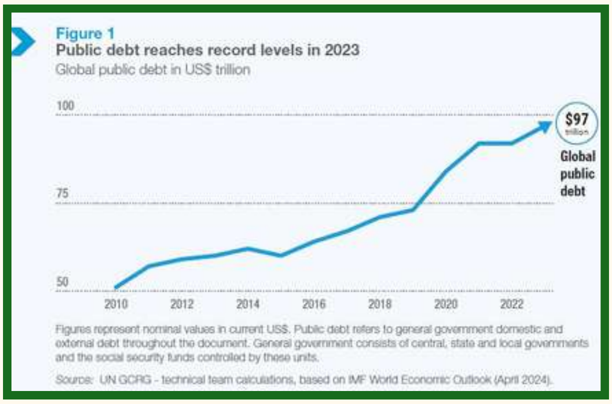
The EU's planned carbon border tax has triggered alarm in India as the country's fast-growing heavy industries race to respond to a measure they fear could wipe out one of their biggest markets.

The Implications Of EU's Carbon Border Tax

Due to the escalating impact of global warming, there's a growing global push towards sustainable manufacturing practices. In response, the EU plans to impose Carbon border taxes on imports. India's steel, aluminium, and other industrial metal sectors have expanded rapidly, becoming competitive suppliers globally, including in Europe. However, these industries heavily rely on coal, hindering efforts to green the economy amidst rapid growth. The EU's Carbon Border Adjustment Mechanism (CBAM), effective from 2026, aims to tax carbon-intensive imports like steel, iron, and fertilizers. This could result in significant tariffs on Indian products, threatening their competitiveness against European and cheaper Chinese alternatives. Indian authorities and companies are thus racing to adopt greener practices to mitigate potential disadvantages and maintain competitiveness, acknowledging the importance of sustainability irrespective of carbon border taxes.



GLOBAL DEBT CRISIS



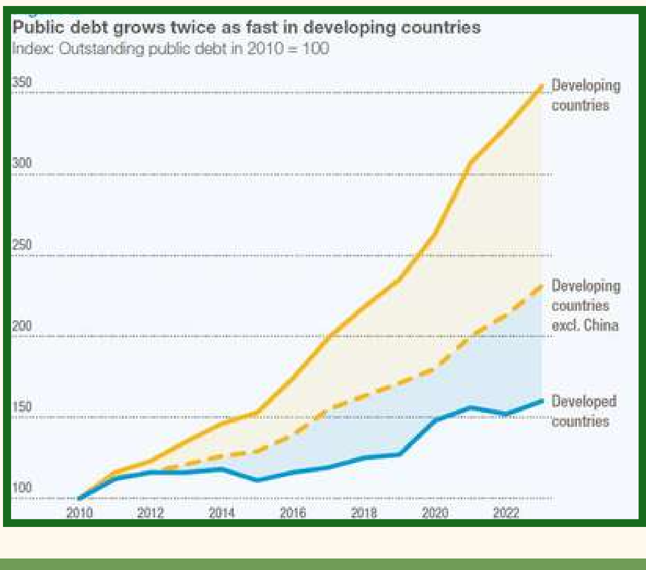
The UNCTAD report, "A World of Debt 2024: A Growing Burden to Global Prosperity," reveals a severe global debt crisis, with around 3.3 billion people living in countries where debt interest payments surpass expenditures on education or health.

Major Problems:

1. **Rapid Increase in Public Debt:** Global debt has reached USD 315 trillion in 2024, triple the global GDP, driven by crises like Covid-19, rising food and energy prices, climate change, and a sluggish global economy.
2. **Regional Disparity in Debt Growth:** Public debt in developing countries is rising at twice the rate of developed countries, reaching USD 29 trillion in 2023. Africa is particularly affected, with 27 countries experiencing high debt-to-GDP ratios.
3. **GDP Spent on Debt vs. Climate Initiatives:** About 50% of developing countries now allocate at least 8% of government revenues to debt servicing, double the figure from ten years ago. They spend 2.4% of their GDP on debt interest, exceeding the 2.1% spent on climate initiatives, constraining their ability to meet Paris Climate Accord commitments.

Measures to Solve the Debt Crisis:

1. **Scaling up Sustainable Financing:** Transform Multilateral Development Banks to enhance long-term financing for Sustainable Development Goals (SDGs) and attract private investment in sustainable projects like clean energy.
2. **G20 Common Framework for Debt Treatment:** This initiative, endorsed by the G20 in 2020, provides structural support to Low-Income Countries (LICs) facing unsustainable debt burdens.
3. **Contingency Financing:** The International Monetary Fund (IMF) proposes measures like increased access to Special Drawing Rights (SDRs) to bolster developing economies.



BUDGET EXPECTATION: AGRICULTURAL SECTOR

EXPECTATION

1.Digital adoption

- Agri-tech in India is a profitable market of US$24 billion. Government should aim to increase digital adoption through suitable interventions focusing on educating stakeholders, improving tech affordability and accessibility and increase in the investments for Research and Development.
- Data collection and analysis systems should be established to provide farmers with accurate information on market trends and weather patterns for best practices

2. Strengthening the food processing value chain

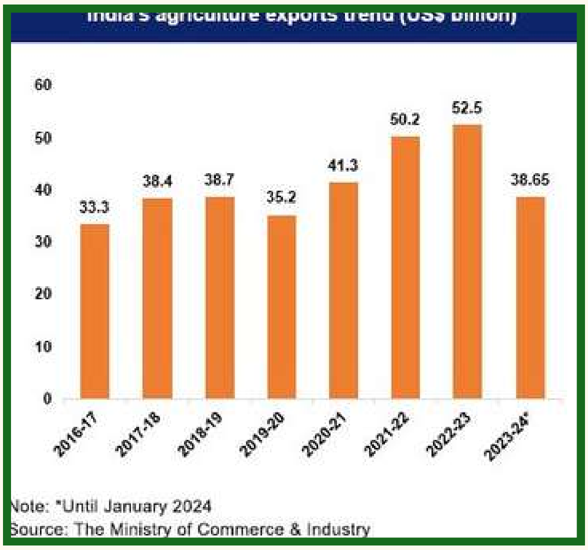
- The Indian food processing market is estimated to reach US$ 535 billion by 2025 at a CAGR of approx. 15.2 % per year. The government should take measures to boost the sector through its schemes and policies, such as the Pradhan Mantri Kisan Sampada Yojana (PMKSY) and Pradhan Mantri Formalization of Micro Food Processing Enterprises Scheme (PMFME).
- High quality of raw material at economical price to food processing industry is another major challenge need to be addressed.

3. Improving post-harvest infrastructure

- India, post-harvest losses stand at approx. (30-40)% for fruits and vegetables
- Increasing and improving storage and grading facilities and transportation networks is expected to reduce post-harvest losses and timely transport the services.
- Higher the value of the produce will help in storage and will in turn benefit the producers by profit maximization.

4. Boosting the export ecosystem

- India's agricultural exports reached US$53 billion in FY2023. Rice (US$11 billion), sugar (US$5.8 billion) were the top three contributors.
- This happened because of the excellent trade policy intervention and effective execution of trade policies. Increase in agricultural export leads to higher earnings of the farmer. Government should take steps to create a deeper network for exports through rails, airways and roads to boost overall effectivity and maximize the profit.



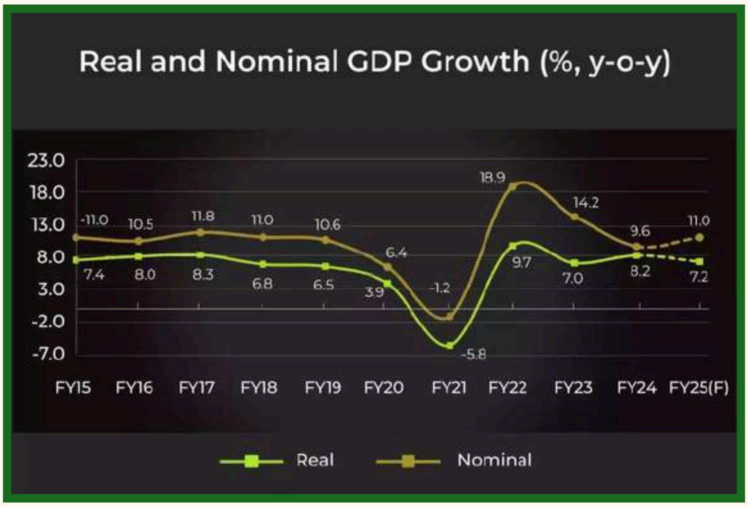
INDIA: PIVOT FOR A MULTI-POLAR WORLD

TRANSITION

As world transitions from a unipolar or bipolar order to multipolar global order, India finds itself at a crucial pivoting juncture. With its strategic location, vast population, and growing economic might, India is set to influence global dynamics significantly. The country's foreign policy, which enjoys strategic autonomy, helps it to engage with multiple power centers, including the US, China, Russia, and the European Union, without being overly dependent on any single entity.

STRATEGIC POSITIONING IN GLOBAL GEOPOLITICS

One of the significant aspects of India's strategic positioning is its active participation in the Quadrilateral Security Dialogue (QUAD), alongside the United States, Japan, and Australia. The QUAD aims to ensure a free and open Indo-Pacific, countering China's assertive policies in the region. Simultaneously, India remains an active participant in BRICS, advocating for the interests of developing countries and pushing for reforms in global governance institutions like the United Nations and the International Monetary Fund. This dual engagement with both Western and non-Western powers showcases India's balanced approach to international relations.



Source: Ministry of Statistics & Program Implementation

ECONOMIC GROWTH AND TRADE EXPANSION

India's economy, one of the fastest-growing in the world, is a significant factor in its rising global influence. The government's push for economic reforms, digital transformation, and infrastructure development are key drivers of this growth. Initiatives like Digital India and the push for fintech innovations are transforming the economic landscape, positioning India as a global hub for technology and startups. Moreover, India's proactive approach to trade agreements aims to boost exports and attract foreign investments. These steps will enhance bilateral trade and economic cooperation, further integrating India into the global economy.

DIPLOMATIC EFFORTS AND SOFT POWER

India's diplomatic strategy combines traditional values with modern aspirations, leveraging its cultural heritage and democratic values to build and maintain strategic partnerships worldwide. Initiatives like the International Day of Yoga, Vaccine Maitri, inclusion of African Union in G20, hosting of Global South Summit will not only enhance India's diplomatic reach but also foster goodwill and cooperation with other nations.

CHALLENGES & OPPORTUNITIES

While India's ascent on the global stage is promising, it faces several challenges that need to be addressed to realize its full potential. Geopolitical tensions, particularly ongoing border disputes with China and regional security issues, require continuous diplomatic and strategic attention. Additionally, addressing socio-economic disparities and ensuring inclusive growth remains a critical task for Indian leadership. However, India's challenges are accompanied by significant opportunities. The country's commitment to renewable energy and sustainable development positions it as a leader in global climate action. Be it Paris Agreement, creation of International Solar Alliance or launch of Global Bio-fuel Alliance, India is ready to lead and navigate the countries for a sustainable future.

CONCLUSION

India is well-positioned to navigate the complexities of a multipolar world and emerge as a key influencer on the global stage. Its strategic decisions, economic policies, and diplomatic engagements will shape not only its future but also the global landscape. The country's ability to address its challenges and seize opportunities will determine its trajectory in the years to come. As India continues to rise, its impact on global affairs will be immense, shaping the multipolar world of the future.

DECLINE OF INDIA'S FOREX RESERVE

India's foreign exchange reserves have experienced a significant decline in recent months, posing concerns for the country's economic stability. As of July 2024, the reserves stand at $510 billion, down from a peak of $642.45 billion in September 2021. The depletion can be attributed to various factors, including increased import costs, rising global oil prices, and foreign capital outflows.

Reasons for the Decline:

- Global Economic Uncertainty: The ongoing geopolitical tensions and economic uncertainties have led to a stronger US dollar. As the dollar strengthens, the value of other currencies, including the Indian Rupee, depreciates. This depreciation requires the RBI to utilize more of its forex reserves to stabilize the Rupee.
- Rising Imports: With the global economy recovering from the pandemic, India's import bill has increased, particularly for crude oil and other essential commodities. The higher import bill has necessitated the use of more forex reserves to pay for these imports.
- Capital Outflows: In search of higher returns, foreign investors have pulled out capital from emerging markets like India, leading to a reduction in forex reserves. The increased interest rates in the US have made investments there more attractive compared to Indian markets.

Impact on the Economy:

- Inflation: The decline in forex reserves can lead to higher inflation as import costs rise.
- Rupee Depreciation: A continuous fall in reserves puts pressure on the Indian Rupee, leading to further depreciation.
- Interest Rates: To stabilize the currency and control inflation, the Reserve Bank of India (RBI) may need to hike interest rates, potentially slowing down economic growth.

Government and RBI Measures:

- Encouraging Exports: Policies to boost exports can help bring in more foreign currency, thus increasing forex reserves. Incentives and subsidies for export-oriented industries are part of this strategy.

- Attracting FDI: By creating a more favorable environment for foreign direct investment (FDI), the government aims to attract more long-term capital inflows.

- Monetary Policy Adjustments: The RBI is also considering adjusting its monetary policy to make Indian assets more attractive to foreign investors. This includes interest rate adjustments and other monetary tools.

KNOW YOUR ECONOMIST

CLAUDIA DALE GOLDIN

BIOGRAPHY

Claudia Dale Goldin is an American economic historian and labor economist born to Leon Goldin (1918—2011) and Lucille Rosansky Goldin (1919—2020). Claudia Goldin in Bronx, New York City on May 14, 1946. Goldin attended Cornell University, where she received a bachelor's degree in economics in 1967, and the University of Chicago, where she earned master's and doctoral degrees in economics in 1969 and 1972

WORK

Claudia Dale Goldin joined the economics department at Harvard University in 1990 after working for University of Wisconsin, Princeton University, University of Pennsylvania.
She is a member of sections 53 (Social and Political Sciences) and 54 (Economic Sciences) of the National Academy of Sciences.
In 2015, with funding from the Alfred P. Sloan Foundation, Goldin and Tatyana Avilova initiated the Undergraduate Women in Economics (UWE) Challenge in hopes of shrinking the gender gap among undergraduate majors in economics.
Goldin was the director of the Development of the American Economy (DAE) Program at the National Bureau of Economic Research (NBER) for 28 years.

AWARDS AND RECOGNITION

She was awarded the 2023 Nobel Memorial Prize in Economic Sciences for her research on women’s labor market outcomes, which provided a comprehensive account of women's earnings and labor market participation over centuries (NBER).
Goldin was the president of the American Economic Association in 2013 and the president of the Economic History Association in 1999/2000.
Her contributions to the field of economics have been further recognized through honorary doctorates from institutions like the University of Nebraska, Lund University, and Dartmouth College.

ECONO MEME


CARTEL
FIRM
OVERPRODUCTION


MICROECONOMICS
WHAT IS THIS? ECONOMICS FOR ANTS?


GDP Deflator
CPI
Corporate needs you to find the differences between this picture and this picture.
Average Student
They're the same picture.

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