



ECONOMIC POLICY



SOCIAL POLICY



REGIONAL INTEGRATION



GOVERNANCE

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NEWSLETTER FOCUS:

- ACCELERATION TO DIGITALIZATION AND DE-GLOBALIZATION DUE TO ADVENT OF COVID-19
- DELHI POLLUTION AND THE LACK OF POLITICAL WILL
- REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RECP)

MAJOR EVENT:

- RECENT ECONOMIC AFFAIRS IN INDIA
- ENVIRONMENTAL CONDITION OF INDIA'S CAPITAL, DELHI

ACCELERATION TO DIGITALIZATION **AND DE-GLOBALIZATION DUE TO** **ADVENT OF COVID-19**

The world begins the new journey of entering into a new era of Digitalization amid a global pandemic. Covid-19 solely transformed the working of the large multi-national corporations, government agencies, small and medium businesses, and start-ups. Enterprises have no choice but to opt for digitization. An era that embarks de-globalization and adopts digital globalization. Covid-19 led to a rise in the containment zones worldwide. Also, countries opting for separatism that is less engagement with other countries due to barriers on the free movement of goods and services; there has been a shift from tangible assets to intangible assets in the global economy. Intangible assets are the software that transmits data and information. Artificial Intelligence is playing an unprecedented role.

In the education sector, E-Learning platforms have gained momentum. The Ed-tech Platforms recorded a massive rise in student registrations. Emerging Ed-tech market leader Byju's observed three times rise in access to its app. Also, schools and colleges went online and discarded the offline mode of teaching. As each coin has two sides, so does digitization. According to the National Sample Survey on Education, only 24% of households have access to the internet, and 11% own computers. In totality, 78% of the population has mobile phones, but the range is less in rural areas as compared to urban areas, where the maximum Indian population resides. Apart from this, electricity is a major concern.

Turning towards the functioning of the corporate sector, the set-up has been entirely virtual. While technology has been redefining corporates for a while now, but Covid-19 imposed pressure on the firm to train its workforce according to the emerging and upcoming changes. The firms need to train their employees with a new skill set and optimize time and resources to ensure efficiency. Employees are provided with adequate infrastructure to work from home. The various video-conferencing online platforms are put to use such as zoom, Microsoft teams, Google meets and Skype, etc. to collaborate with their co-workers.

E-commerce has geared up during tough times. Consumers/Customers are reluctant to shop in person and prefer online mode. Due to a shift in the shopping patterns; to avoid the crowd in the marketplace, the online shopping platforms have seen a drastic rise in their revenues. For instance, Amazon's revenue hiked by 40%, and it hired around 17500 employees during the past few months, where most of the companies practiced layoffs.

Adding further to the digitalization, it has been spreading its hands in the entertainment industry as well. People being homebound are no longer utilizing external entertainment sources but relying more on online streaming platforms. Platforms such as Netflix, Prime Video, and Disney Hotstar, and many more have witnessed a rise in the number of subscribers, hence making more profits. Even the film industry signed a contract with these online platforms to showcase their new releases, as cinema halls are not feasible.

Hence, Covid-19 threw untackling challenges over the global economy. In the time of distress, digitalization and deglobalization took over the situation. Have we not practiced digitalization; the economy might have come to a standstill.

DELHI POLLUTION AND THE LACK OF POLITICAL WILL



With the winter season soon setting in, the country has once again delved into the serious and yet often overlooked issue of air pollution in our capital city Delhi. Delhi, India's capital city continues to have the unsavory distinction of being the most polluted megacity in the world. The issue was so alarming that the Delhi chief minister himself compared the city to a "gas chamber". The Central government has recently brought in a new ordinance bringing into effect the new legislation to curb air pollution in Delhi NCR. However, this proposal for a legislation raises various question like, are there no existing laws to govern air pollution? If they are, are they ineffective? If they are, what could be the reason for their inefficacy? If they are not, then why is there a need to bring in a new legislation at first place?

This is not the first time there has been a discussion about this plethora of laws and their minimal positive effect. Various environmentalist, Air Quality researchers have put forward their opinions about the increasing pollution in the capital city. Polash Mukherjee, Air Quality Researcher, said that the lack of laws is not a problem in India such as the Graded Response Action Plan (GRAP), state-level action plans, the Comprehensive Action Plan (CAP) and the long-term National Clean Air Programme (NCAP). Instead he said that there are ample laws, what we as a country lack is the political will. Even Sunil Dahiya, Analyst, Centre for Research on Energy and Clean Air, said biggest struggle is political will to implement the existing laws. According to him coming up with new legislation alone is not going to help clean the air, it has to be actual action on pollution sources while implementing the rules and regulations, which

will help us clean the air. For example, there are ample laws to curb stubble burning but still, this year Punjab has recorded three times the number of stubble fires than last year.

The above-mentioned new legislation provides for a powerful 20-member commission that would investigate air quality management, better research, co-ordination, and resolution of problems etc. The law provides that any non-compliance with the provision of the law will result in a punishment with a jail term of five years or with a fine up to 1 crore or with both. The provisions of these legislations are capable of controlling the public and curbing air pollution due to the gravity of the punishment.

However, again the question arises, will the executive implement this law to its utmost best in order to deter air pollution in the region. Some believe that such a body/commission can be crucial in helping to curb air pollution. But the only important aspect is the strong execution. Even these commission with accomplished members will only work if there is an effective coordination between the states and agencies that manage air quality in the region. Thus, this crisis and the resultant formation of the commission calls for some much-needed institutional changes. The policy makers should learn from what worked in the past and what not and then move forward with the implementation of the legislation or any other policy.

Thus, the focus should not be on introducing one new law after the other, instead the extant laws must be implemented with better management. It is not the new legislations that we need but the implementation of the older ones on the ground now. In short, the pollution mess of the capital has nothing to do with the lack of legislation. It is largely an issue of abandonment of responsibility by respective constituent units: the Centre, Delhi government and municipal bodies.

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RECP)

The largest free trade agreement breaking geographical and trade boundaries is to be signed among 15 member countries – India not being one of them. The agreement was solidified only a few days after Donald Trump had accepted defeat in the 2020 presidential elections. Where Biden had made public statements to take steps in order to end the US-China trade war, the group took immediate steps to finally conclude the matter.

The agreement is between the Asia-Pacific nations of Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam; accounting for 30% of world GDP (\$25 trillion) and population. The negotiations started in 2013 have finally come to a successful end for the member countries. This will be Japan's first signing of a free trade framework which includes China and South Korea.

India, however, had declared in November 2019 during the negotiations, that it will not be a party to the contract due to concerns regarding opening up of its markets that may cause its trade deficit with China to only grow further.

INDIA'S OBJECTIVES

- ❖ **Base Year Challenge:** The RCEP will result in all members reducing their tariffs with the base year being 2013 as the negotiations had begun that year. However, India wants the base year to be 2019.
- ❖ **Auto-trigger:** India proposed that in case there is a sudden surge in imports due to the trade pact, which will harm domestic producers, there shall be an auto-trigger system which will allow it to decide which products it doesn't want to offer the same concessions to.
- ❖ **Rules of Origin:** In addition to auto-trigger mechanism, to prohibit dumping through entrepot, India suggested there shall be strict restrictions prohibiting the country of origin to selling the restricted product to another country who will then sell to India.

- ❖ Ratchet obligations: India wants exemptions on ratchet obligations. A ratchet mechanism means that if a country signs a trade agreement with another where it liberalises tariffs, quotas, etc. on import and/or export of products, it cannot go back on them and bring in measures that are more restrictive. India wanted the option to be able to increase tariffs in case of extreme losses.
- ❖ Data localization: India wanted free movement of services as well and not just goods i.e. Indian professionals can go to these countries and easily get work visas. Also, the demand for proper storage of data and strict laws in place for it. India wanted the data of Indians to be stored locally and not by any other member country.

Multiple sectors have shown abundant resistance to the agreement. The RCEP proposes that 92% of India's goods would be tariff-free over the next 15 years.

India's decision also has to do with its past experiences like the ASEAN deal in 2010 which infuriated the domestic industry and was reported that imports from ASEAN had increased by a third while the exports had stagnated.



ISSUES INDIA MAY FACE DUE TO EXIT FROM THE RCEP

- ❖ After withdrawal, India must enter into individual trade agreements with countries. Few countries that we already have trade deals with like Japan, ASEAN, South Korea etc. might change their own policies due to being members of the RCEP.

RCEP countries we do not have agreements in place with like China, New Zealand, Australia (with whom negotiations have been in place since 2011) etc. will give more prominence to the trade bloc and hence it might be difficult to realign FTAs with them.

- ❖ Are regional agreements becoming the new normal? We see many FTAs all over the world. North American Free Trade Agreement for North America, Southern Common Market for South America, European Union, Eurasian Economic Union, Gulf Cooperation Council etc., and now the biggest of them all RCEP in the Asia Pacific region. India is part of a few but rather less prominent FTAs like SAARC, SAFTA and BIMSTEC.

- ❖ ACT EAST Policy which is a diplomatic initiative to promote economic, strategic, and cultural relations with the vast Asia-Pacific region at different levels is now at crossroads with RCEP, this step might affect the Act East policy in the future.

- ❖ QUAD - The Quadrilateral Security Dialogue (QSD, also known as the Quad) is an informal strategic forum between the United States, Japan, Australia, and India. The diplomatic and military arrangement was widely viewed as a response to increased Chinese economic and military power. But the membership of two out of four QUAD members i.e. Japan and Australia will probably affect the per se anti-Chinese sentiments of Quad.

There are various advantages and disadvantages to the exit from RCEP. We should consider whether RCEP is like the forced liberalisation under LPG Policy of 1991 that proved to be advantageous only in the future and not at the time of its adoption or if it will truly adversely affect our growth and development. India shall lose its current substantial bargaining power if we were to join the RCEP in the future with similar demands of today.

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The Centre of Policy Research and Governance (CPRG), India strongly believes that in the 21st century an India deprived of gainful opportunities, necessary for the flourishing of a young and emergent India, will prove to be an impediment in the development of human capital and preservation of global security. CPRG thus works towards providing gainful opportunities in an effort to promote the involvement of young people in policy making and politics.



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