

AIR SPOTLIGHT: PM's message at the World Economic Forum in Davos: India & Global Supply Chains

Context: Prime Minister Modi delivered 'State of the World' special address at the World Economic Forum's Davos Agenda.

Highlights of address:

- India as a **strong democracy**, has given a bouquet of hope to the mankind which comprises of Indian's unwavering faith in democracy, technology that is empowering 21st century and talent and temperament of Indians.
- During Corona time, India saved many lives by exporting essential medicines and vaccines by following its vision of 'One Earth, One Health'.
- India is **world's third largest pharmaceutical producer** and is considered 'pharmacy to the world'.
- India is providing record number of software engineers. **More than 50 lakh software developers are working in India.**
- India has **third largest number of unicorns** today. **More than 10 thousand start-ups have registered during the last six months.**
- India's huge, safe and successful digital payments platform: **in the last month itself more than 4.4 billion transactions took place through Unified Payments Interface.**
- India has **deregulated areas like Drones, Space, Geo-spatial mapping** and has brought reforms in the outdated **telecom regulation** related with the IT and BPO sectors.
- India is committed to become **world's reliable partner in global supply-chains** and is making way for **free trade agreements with many countries.**
- India's capabilities in innovation, technology adaptation and entrepreneurship spirit makes India an ideal global partner. This why, this is the **best time to invest in India**
- When the world was focussing on interventions like quantitative easing during the Corona period, India was strengthening the reforms:
 - **strides in physical and digital infrastructure like optical fibre in 6 lakh villages,**
 - **1.3 trillion dollars investment in connectivity related infrastructure,**
 - **goal of generation of 80 billion dollars through asset monetization and Gatishakti National Master Plan to bring all the stakeholder on the single platform to infuse new dynamism to the seamless connectivity of goods, people and services.**
- India is focussing on easing the processes in its quest for self-reliance, it is also incentivizing investment and production. Most clear manifestation of that is **26 billion dollar worth of Production Linked Incentive schemes in 14 sectors.**
- 'Throw away' culture and consumerism has deepened the climate challenge. It is imperative to rapidly move from today's 'take-make-use-dispose' economy to a circular economy.
- **Mission LIFE:** making LIFE into a mass movement can be a strong foundation for P-3 i.e 'Pro Planet People'. LIFE i.e. 'Lifestyle for Environment', is a vision of resilient and sustainable lifestyle that will come handy in dealing with the climate crisis and other unpredictable challenges of the future.
- Global family is facing fresh challenges in the changing world order and **called for collective and synchronized action from every country and global agency.** Examples: supply chain disruptions, inflation and climate change, cryptocurrency

- It is imperative that **every democratic nation should push for reforms of multilateral bodies so that they can come up to the task dealing with the challenges of the present and the future.**

World Economic Forum:

- It is holding its **annual meeting in Davos.**
- The WEF summit is attended by people from across the political and corporate world, including heads of state, policy makers, top executives, industrialists, media personalities and technocrats.
- **Agenda 2022:** launch of WEF initiatives on the economic opportunity of nature-positive solutions, and the Mission on Cyber Resilience to accelerate net-zero emissions, bridging the vaccine gap, strengthening the resilience of global value chains, besides building economies in fragile markets through human investment.
- It is a **Swiss nonprofit foundation established in 1971, based in Geneva, Switzerland.**
- **Founder and Executive Chairman: Klaus Schwab.**
- Some **major reports published by WEF are:** Energy Transition Index, Global Competitiveness Report, Global IT Report, Global Gender Gap Report, Global Risk Report, Global Travel and Tourism Report.

What is a Global Value Chain?

- According to the World Bank, **“a GVC is the series of stages in the production of a product or service for sale to consumers. Each stage adds value, and at least two stages are in different countries.**
- For example, a bike assembled in France with parts from Germany, Italy, and Malaysia and exported to the Arab Republic of Egypt is a GVC.

Importance:

- GVCs are a **powerful driver of productivity growth, job creation, and increased living standards.**
- It provides **opportunities for developing countries to diversify their exports and intensify their integration into the global economy.**
- Participation in GVCs **provides important opportunities for firms to access international markets, absorb new technology, and rapidly expand their economies of scale.**
- It allows **resources to flow to their most productive use**, not only across countries and sectors, but also within sectors across stages of production.
- With GVC-driven development, **countries generate growth by moving to higher-value-added tasks and by embedding more technology and know-how** in all their agriculture, manufacturing, and services GVCs provide countries the opportunity to leap-frog their development process.
- Global value chains have been a boon to developing countries because they make it easier for those countries to **diversify away from primary products to manufactures and services.**

Indian scenario:

- India's **integration with GVCs is among the lowest in G20 countries.**

- Compared with the ASEAN group of countries, India's **GVC integration is far lower with a decline in both its backward and forward domestic value added embodied in other country exports as a share of gross exports) GVC linkages.**
- For India, **GVC participation peaked at 41.6% in 2008, but has dropped ever since, hitting a low of around 34% in 2015.**
- The stagnation of GVC trade since the global financial crisis, and the unfavourable impact of the ongoing pandemic on GVCs notwithstanding, there are substantial merits of widening and deepening link to GVCs, particularly for a developing country like India.

Reasons:

- India still **lags behind in trade infrastructures** which not only increases cost and time of export operations but also it almost prohibit a country from participating in GVCs.
- Ironically, **70 percent of India's export earnings come from the small basket products.** India has an insignificant presence in large basket products (Electronics, telecom, and high-end engineering products) that have become important in world trade.

Coronavirus: Impact on Global Supply Chains:

- The COVID-19 pandemic has **caused closures of business, the stoppage of factory outputs, and the disruption to global manufacturing industries and their supply networks**
- World Trade Organization has said that the global trade — which was already slowing in 2019 due to the U.S.-China tariff fight — is **projected to plummet by 13% to 32% in 2020.**
- **Governments around the world will turn increasingly protectionist** in the near term as they try to limit the economic damage from the coronavirus pandemic.

Way forward:

- India is the **most viable country in terms of geographical size and diversity and the available labour force to emerge as the epicentre of the restart of production.**
- India is known the world over for its generic drugs and the recent events related to anti-malaria drugs has made it more obvious. **India should work on a plan to supersize its own API ingredient manufacturing to combat Chinese dominance in the market.**
- **WTO and IMF need to swing into action and produce a roadmap for the resurrection of global supply chains** by initially pushing the production and create demand on both ends.
- India **needs better labour laws which are easy and flexible and fiscal incentives for the private sector,** in order to create an enabling environment.
- It is time for India to **put greater trust in organisations like ASEAN and SAARC in order to build a regional action plan** by the convergence of ideas from member nations.
- **Building SEZs** can play a better role in reviving Indian economy.
- India needs **to support the upgrading process by strengthening the business environment, supporting investment in knowledge assets such as R&D and design, and fostering the development of important economic competencies, notably skills and management.**
- India **needs an education system based on skill-development. As well as a competition policy enhancing rivalry, and a tax system and intellectual property laws encouraging investment.**

- In addition to scale, **expressway connectivity to the National Highway network and through it to ports and airports** would add to the competitiveness of the SEZ as an investment destination.

Instead of a piecemeal approach, India needs to **adopt a holistic perspective focused on 'whole of the supply chain'**, by driving strategic changes in its investment-development paradigm, and through greater integration into the GVCs.

https://www.pmindia.gov.in/en/news_updates/pm-delivers-state-of-the-world-special-address-at-the-world-economic-forums-davos-agenda/?comment=disable

<https://www.thehindubusinessline.com/opinion/how-india-can-be-part-of-global-supply-chains/article35369586.ece>

<https://www.indiatoday.in/india/story/india-pm-narendra-modi-world-economic-forum-wef-davos-speech-1901137-2022-01-17>

<https://www.sundayguardianlive.com/business/india-becoming-key-pillar-global-supply-chain>

NEWS IN BRIEF: PRELIMS SPECIAL

74th Army Day

- Indian Army celebrated the 74th Army Day to commemorate its gallant journey that reflects their unfettered dedication to serve the nation.
- Every year, the **15th day of January** is celebrated as Army Day to offer remembrance to General KM Cariappa who took over command from General Bucher, the last British commander-in-chief, in 1949.
- This year (2022) the **theme for Army Day was “In Stride with the Future”**.

<https://newsonair.com/2022/01/15/army-day/>

Advanced Chemistry Cell Battery Storage

- The government has **approved the Production Linked Incentive (PLI) scheme, National Programme on Advanced Chemistry Cell Battery Storage**.
- This programme **aims at achieving the manufacturing capacity of 50 GW (GigaWatt) hour that would enhance India’s manufacturing potential boosting the vision of self-reliance**.
- The government is all set to emphasise more on greater domestic value addition at same time ensure that the levelized cost of battery manufacturing in India is globally competitive.
- This PLI scheme for advanced chemistry cell batteries along with the automotive sector will enable India to leapfrog to environmentally cleaner, advanced and more efficient electric vehicles based systems.

<https://newsonair.com/tag/pli-scheme-for-advanced-chemistry-cell-acc-battery-storage/>

“Purple Revolution” is Jammu & Kashmir’s contribution to “Start-ups India”

- **Around 500 farmers across villages in Doda of Jammu & Kashmir had their incomes quadrupled after shifting from maize to lavender.**
- The first-time cultivators were distributed free lavender saplings and those who have cultivated lavender before were charged Rs 5-6 per sapling.
- According to experts, **Lavender oil sells for Rs 10,000 per litre.**
- About 40 litres of lavender oil is produced in one hectare of land.
- **Lavender water separated from lavender oil is used to make incense sticks.**
- Hydrosol, formed after distillation from the flowers, is used to make soaps and room fresheners.
- In 2016, the central government launched the ‘Aroma Mission’ to boost the cultivation of plants like lavender that have aromatic medicinal properties.
- **The Mission has generated 10 to 12 lakh man-days of rural employment.**
- **More than 500 tonnes of essential oil worth Rs.60 crores was produced.**
- Currently, with the Mission, important medicinal and aromatic plants are being cultivated in 6,000 hectares of land.

<https://newsonair.com/2022/01/17/jks-purple-revolution-contributing-to-start-up-india/>

Open Data Week

- Ministry of Housing and Urban Affairs (MoHUA) announced the initiation of the Open Data Week.
- **The Open Data Week is part of a series of pre-event initiatives being undertaken by MoHUA to promote awareness and use of open data.**
- **Open Data Week includes the celebration of a Data Day by all smart cities on 21st January 2022.**
- The Data Day aims to provide a platform that offers ample opportunities on how to continue creating and promoting the use of data that addresses complex urban issues.

<https://newsonair.gov.in/News?title=Azadi-Ka-Amrit-Mahotsav%3A-Open-Data-Week-conducts-from-17th-to-21st-Jan%2C-aims-to-show-benefits-like-efficiency-and-economic-growth&id=433650>