



# TRADE AND INVESTMENT BULLETIN

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# Blue Economy and Blue Finance: A Way to Sustainability

According to the World Bank, **the blue economy is the range of economic sectors and related policies which make the use of oceanic resources sustainable.** Financial investment in the blue economy focuses on assessing the crucial role of innovative approaches for a sustainable ocean economy, i.e., promoting economic growth while also preserving oceanic ecosystems.

## The Indian Context

India's blue economy accounted for roughly 4% of the GDP last year. The Indian government's Vision of New India by 2030 highlights blue economy as one of the 10 core dimensions of growth. Blue economy, is therefore being developed with focused set of interventions including the following:

- Launch of Deep Ocean Mission to develop deep-sea technologies for sustainable use of ocean resources
- Development of a draft policy framework on India's Blue Economy, focusing on the optimal utilization of all sectors of the maritime domain.
- Inauguration of the India-Norway Task Force on Blue Economy for Sustainable Development to develop and follow up joint initiatives between the two countries.
- Strategic initiative of Project Sagarmala for port-led development through extensive use of IT enabled services for modernization of ports.
- Launch of O-SMART scheme aiming at regulated use of oceans, marine resources for sustainable development.
- Integrated Coastal Zone Management focusing on conservation of coastal and marine resources and improving livelihood opportunities for coastal communities.

- Launch of National Fisheries Policy for promoting 'Blue Growth Initiative' focusing on sustainable utilization of fisheries wealth from marine and other aquatic resources.

In the global context, India is emerging as a formidable player in the blue economy ecosystem, with a rich water resource base and marine environment. **The Indian Ocean is the third largest, covering an area of more than 70 million sq kms** and includes Exclusive Economic Zones of different countries.

However, expansion of the blue economy in India faces threats from global warming, climate change, ocean acidification, marine pollution, depletion of fish stocks, degradation of the marine ecosystem, illegal and unregulated fishing, habitat destruction, chemical pollution, and oil spills.

## Blue Finance

Blue Finance has been witnessing increased interest from investors, financial institutions, and issuers globally as it offers tremendous opportunities and addresses pressing challenges by contributing to economic growth, improved livelihood, and the health of marine ecosystems. **The ocean economy is expected to double to USD 3 trillion by 2030 and employ 40 million people worldwide.** Innovative financing solutions are the key to enhancing ocean and coastal preservation and increasing clean water resources, thus Blue Finance has a huge potential to help realize these goals.







Specifically, Blue Bonds and Blue Loans are innovative financing instruments that earmark funds exclusively for ocean-friendly projects and critical clean water resources protection. Investments in blue finance can be made in the following activities, to address ocean protection and economic growth:



Investment in blue finance provides India opportunities to access wealth for inclusive and sustainable growth. As the world looks towards oceans for a number of new emerging sectors and opportunities, the success of these sectors depends on the oceans' health and long-term sustainability of their fragile ecosystems. Hence, it is important to boost blue economy through blue finance instruments and opportunities and deduce a plan of action to create the right balance between economy and environment.



## Recommendations

As trade in ocean-based goods and services increases, the worth of marine ecosystems is also escalating. However, these resources and opportunities are under threat and their protection is underfunded. The distribution of funds was geographically uneven, with relatively little provided to the poorest nations and least developed countries.

Particularly for India, to tap into dedicated Blue Finance opportunities, the following can be done:

1. As has been suggested by the Asian Development Bank, it will be interesting to rate firms and businesses on 'Blueness Index'. The Blueness Index, will determine how blue a firm is and will be calculated using ocean emissions as a percentage of sales. Incentivising the blue index pushes firms to do business in a way that benefits the ocean and also gives financial institutions on ocean related commitments of businesses.
2. To attract private capital and scale up opportunities, projects must be grouped together in investment vehicles whenever possible. A starting point for this process could be **standardizing firm information and readiness** which can be used by financial institutions to collaborate and offer investments.
3. Lack of understanding is a chief obstacle between community/ government and investment in blue finance; thus, governments and other stakeholders need to identify what resources must be protected and what opportunities should be prioritized to **raise awareness of blue finance investment opportunities**.

Below are some recommendations on the actions that can be taken to build a sustainable ocean economy:

### **1. Promoting non-polluting substitutes:**

- Increasing marine pollution specially from plastics and micro-plastics needs to be addressed by a robust Plastic Elimination and National Marine Litter policy involving Central ministries, state and local governments and coastal communities in a time bound manner
- Boosting research, development and adoption of material substitutes that are less polluting to the ocean and are recyclable or compostable. For example, natural fibres, marine algae by-products, and post-harvest agricultural waste.
- Reduced amount and impact of ocean-based sources of marine debris including solid waste, lost cargo, abandoned, lost or discarded fishing gears (ALDFG), and abandoned vessels introduced into the sea

### **2. Promoting and developing the fisheries sector:**

- Preserving and promoting healthy aquatic habitats to meet sustainable development goals thus restoring and recreating them. The Department of Fisheries may take steps to improve biodiversity and maintain ecological balance to bring about a positive change through its environment friendly programmes, policies and adapting international practices in the country.
- Greater efforts need to be taken towards tackling illegal, unreported, and unregulated fishing and illicit trade in marine resources.

### **3. Promoting local communities:**

- Aggregating aqua farmers and fishers into fisher-based institutions to strengthen farmers' interests and provide necessary support for the growth of such institutions
- One-stop shop for fisheries: Owned and run by fisher-based institutions with the right to lease machinery and tools
- Creating a separate fund for infrastructure development and for providing financing options for local fishery projects and local communities under a long-term plan
- Enabling private sector funding to flow into the development of the fisheries sector of the country
- Greater efforts in addressing social sustainability by understanding better and overcoming trade-related hurdles for the sector stakeholders, such as non-tariff barriers and climate change impacts.

### **4. Scaling up access and use of technology:**

- Leveraging the use of advanced technologies like the internet of things (IoT), big data and advanced analytics for better decision making, navigating between conflicting goals (profitability vs. sustainability), and optimisation of fish catching and management. Further, promoting use of digital and remote sensing applications will provide a holistic view of the ecosystem with spatial and temporal information that will help in monitoring data regarding vessel movement, duration of catch, etc. Data collected can be used to create risk-based spatial fishing plans, share information to reduce catch of vulnerable species, support fishery rebuilding efforts, etc.
- Sweet water cultivation techniques like biofloc technology, Recirculatory Aquaculture System (RAS), aquaponics, cage culture and saline water practices like mariculture and seaweed cultivation need large-scale adoption to enhance production and productivity.







### 5. Integrated Supply Chain management:

- To ensure supply of quality products to end consumers, new-age cold chain instruments such as insulated boxes, rotomoulded ice boxes, small cold storage units and freezer vehicles may be adequately promoted.
- Fully integrating supply chain management technologies, including demand planning, asset management, warehouse management, transportation and logistics management, procurement, and order fulfilment, is the need of the hour in the aqua products supply chain.

The blue economy comprises range of economic sectors and related policies that determine whether the use of ocean resources is sustainable. An important challenge while addressing blue growth is understanding and management of many aspects of oceanic sustainability, ranging from sustainable fisheries, ecosystem health to preventing pollution. **The blue economy challenges us to realise that the sustainable management of ocean resources will require cross-border and cross-sectoral collaboration through a variety of partnerships, on a scale that has not been achieved previously.**





# India-UK

## free trade pact, what to expect?

India and the UK launched negotiations for the free-trade agreement (FTA) in January 2022 with the plan to close the agreement by Diwali. While the earlier ambitious deadline of closing the deal by Diwali was missed, the two sides have managed to complete the majority of sections of a free trade agreement through regular engagements at the highest levels of government.

With a new prime minister now taking charge in the UK, both sides have renewed enthusiasm for the completion of the remaining chapters and the early conclusion of a free trade pact between the two nations.



A free trade agreement between India and the UK has the potential to massively boost trade and investment between the two and bring opportunities for businesses, consumers, and workers of both India and the UK.

- In 2021-22, the total trade between India and the UK stood at \$17.5 billion, with services making up around 70 per cent of annual trade between the two countries.
- In 2020, the outward stock of foreign direct investment (FDI) from the UK in India was £14.9 billion, accounting for 0.9% of the total UK outward FDI stock, while the inward stock of foreign direct investment (FDI) in the UK from India was £10.6 billion accounting for 0.6% of the total UK inward FDI stock, showing the enormous potential for growth of ties in bilateral trade.

Free Trade Agreements (FTAs) form a crucial part of India's revamped trading strategy for achieving \$1 trillion exports in goods and services each by 2030. The trade deal would also be an essential step in the enhanced trade partnership, which is part of a broader 2030 Roadmap that covers the full range of the UK-India bilateral relationship.

The growing expansion of ties between India and the UK in sectors such as defence and security, cyber security collaboration, services and India's digital transition present an excellent opportunity for businesses in both nations.

A UK-India agreement would also help Britain enhance its presence in the Indo-Pacific region and complement its agreements with other nations in the area, such as Australia and New Zealand.

While steady progress towards the completion of the deal is being made, there remain external factors, and specific areas of disagreement can act as major hindrances to the conclusion of the free trade agreement.





Political instability in the UK in recent months has contributed to the delay in negotiations for the trade deal. Political stability in the UK would also help fast-track the talks for the pact, which could potentially double bilateral trade by 2030.

As per officials and trade analysts, the unprecedented global slowdown, especially the undergoing economic crisis in the United Kingdom, could also act as a potential spoiler that could slow the process and delay a deal beyond 2022, as countries are more careful in negotiations and hesitant to conclude trade deals when dealing with an economic crisis. The chances of a fruitful trade deal would increase as the UK emerges from the financial crisis.

Further, there are disagreements between India and the UK over certain sections of the FTA. These include differences over data localisation rules, which prevent foreign companies from taking data out of India, India's regulatory policies concerning the insurance sector and its hesitancy to commit to ratifying and implementing all of the ILO norms on labour, and issues over providing easier access to thousands of skilled workers from India.

Issues related to tariffs on financial and legal services; tariffs on Scotch whisky, where the UK has been demanding lower tariffs which currently stand at 150 per cent, along with discussions on Intellectual Property rights and Business visas are still to be concluded.

However, despite the challenges, the two sides remain determined to iron out these differences, and with subsequent governments in the UK now voicing support for the deal and a majority of sections completed, the free trade agreement between the two nations is likely to be concluded sooner than later.





# How to encourage opportunity for innovation, investment, and entrepreneurship in Indian start-up ecosystem?



India is the third-largest start-up ecosystem in the world, and it is anticipated that it will expand by 12–15% annually YoY. In 2018, there were roughly 50,000 start-ups in India, of which 8,900–9,300 focused on technology. There were 1300 new tech start-ups in just 2019, which suggests that 2–3 new tech start-ups are created every day.

As of 2022, there are roughly 107 unicorns with valuations of \$1 billion or more. Over the course of a year, start-ups in the nation were able to add an estimated 40,000 new jobs, bringing the overall number of jobs in the start-up ecosystem to 1.6–1.7 lakh.

Over the past two decades, the Indian start-up ecosystem has evolved rapidly. Although, there were a few firms in the early 2000s, the ecosystem was still in its infancy because there were very few active investors, incubators, and accelerators. The late 2000s saw a few profitable exits, and over the past ten years, the number of start-ups has rapidly expanded, and more support has become accessible in all areas. **Bangalore has emerged as India's main start-up hub, but Mumbai, the National Capital Region (NCR), as well as other smaller locations, are also seeing a lot of starting activity.**

To boost opportunity for innovation, investment and entrepreneurship in the start-up ecosystem following efforts are needed:

## Technological Change and Innovation

Innovative solutions are greatly needed, especially those that help reduce poverty and benefit a large number of people. The size of India and its resource limitations call for low-cost, high-impact solutions. Due to their potential for scaling and exponential expansion, technology companies are capable of achieving this.

The cost of creating digital products has decreased over the past few decades due to technical advancements, which have also made consumer markets more accessible. In the past, businesses had to build physical infrastructure to engage with customers, which suggested significant customer acquisition expenses that proved prohibitive for small businesses competing with well-established giants in the same industry. Market access obstacles have been reduced as India's digital connectivity has improved.

## Hiring Qualified Talent

Due to the inherent risk that the startup may fail, joining one as an employee is often not a desirable career path for job seekers. Instead, the majority favours employment with big businesses because they offer more secure employment. Further, most of the job applicants are not sufficiently skilled due to which start-ups have to invest significant amount of time and cost to train the employees.







## Creating Communities for Sustainable Growth

Without the contribution from all stakeholders, an ecosystem cannot be built. For companies to expand sustainably, all members of the ecosystem—from investors to reseller partners to accelerators—must contribute to and complement one another in some way. These days big MNCs such as Microsoft, Google, Amazon have been very instrumental in driving the growth of the start-ups. These major players have changed the public perception of start-ups' high mortality rate by being more willing to purchase from them even in their early phases.

## Ease in Government Regulations

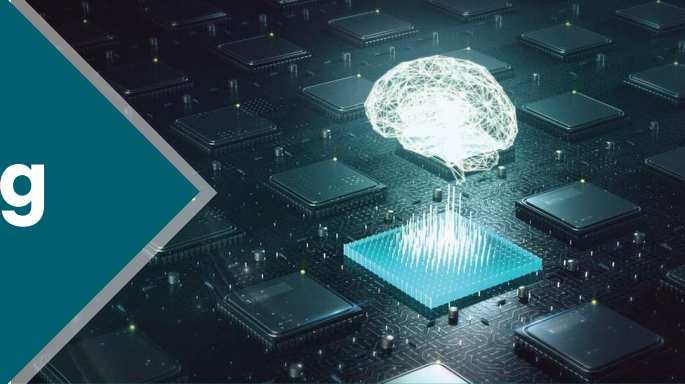
The Government of India is recognising the benefits of collaborating with disruptive innovators across the value chain and utilising their inventions to enhance the provision of public services. Government has taken various initiatives such as Startup India Initiative, Atal Innovation Mission, Atmanirbhar Bharat etc. Presently, more than 26 states in the country have their own start-up policies. Such initiatives by the government have played a crucial role in facilitating the growth of early-stage start-ups. The Indian government has put in place laws to make it easier for entrepreneurs to conduct business. The current regulatory environment, however, is often regarded as

being complex, ineffective, and unpredictable. In fact, India is ranked 137th out of 190 nations in the World Bank's Starting a Business Ranking index, and 77th out of 190 nations in the World Bank's Ease of Doing Business index.

India's start-ups and small enterprises are predicted to continue driving economic and business transformation attributed to a developing entrepreneurial culture and a supportive ecosystem, as well as solidify their place as a key growth driver towards India's goal of becoming a \$5 trillion economy. However, as the world is facing successive waves of this pandemic and war related concerns such as Russia-Ukraine crisis, our entrepreneurs must start thinking of making our start-ups more resilient. Start-ups can have a significant impact on the socialisation and democratisation of access to healthcare globally.

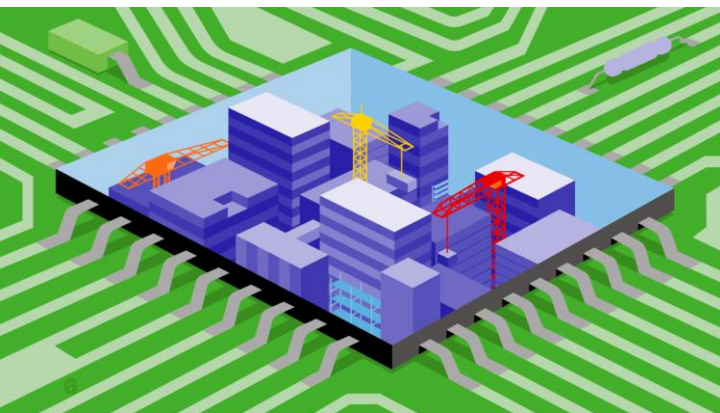


# India's growing chip manufacturing landscape



If there is one thing that is generating as much as interest in the industry as the debate on data privacy and technology, it is the prospects of the semiconductor industry. Semiconductors form the most basic unit of electronic devices that are central to the functioning of everything today.

**As per latest statistics, the demand for semiconductors has grown by almost 200% to reach 600 billion USD in 2021.** Yet the designing and manufacturing of most of these chips is restricted to a few clusters. 80% of the Foundry industry is based out of Taiwan and Korea with Taiwan accounting for a major 60% share.



Taiwan is home to giant chip manufacturers such as TSMC and Foxconn which cater to a major share of the global demand. Most of the chips used in apple products are manufactured by Foxconn while TSMC accounts for 90% of the high end 5nm chips. However, challenges such as monopoly in manufacturing, limited fabrication capacity coupled with covid imposed labour shortages and global logistics restriction have now been plaguing the industry.

The trickle-down effect of the chip shortage led to supply chain disruptions further leading to unprecedented delays in consumer delivery. With the world getting more and more dependent on technology, the demand for semiconductors is only expected to grow further. At this critical juncture, Indian government is stepping in to welcome the industry home.

India boasts of the availability of skilled and affordable manpower, a sizeable proportion of which is also English speaking, a mammoth domestic market for consumption, availability of land and requisite infrastructure, and the government's willingness to walk an extra mile by providing tax incentives.

In order to give the semiconductor industry a push the Government has announced Production Linked Incentive (PLI) scheme for manufacturing and Design Linked Initiative (DLI) scheme for chip designing. The DLI scheme is expected to attract not just chip manufacturers but also generate interest in chip designing in India. Chip designing is a highly sophisticated activity which involves designing of new circuitry and is responsible for improving appliance efficiency. Chip designing also involves patenting through core intellectual property rights (IPR).

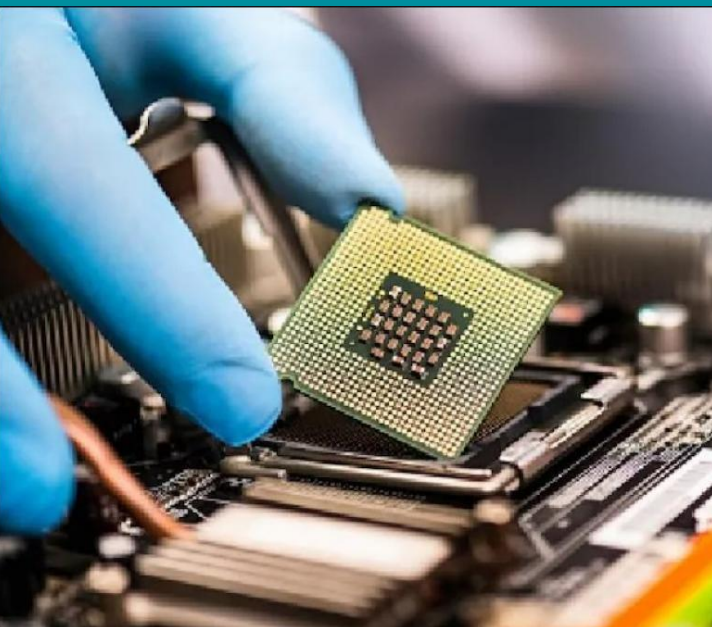






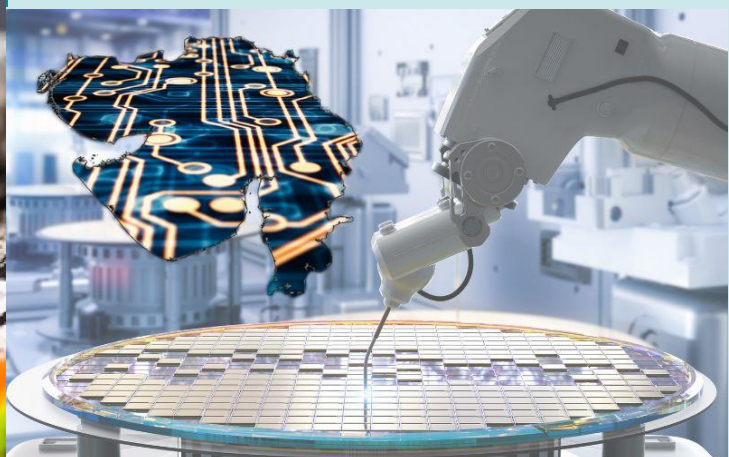
The Indian IT Ministry is forecasting the semiconductor demand in India to grow to 70-80 Billion USD by 2026 which is currently just slightly over 27 Billion USD. In order to give further impetus to attracting investments, government has further modified the 10 billion USD manufacturing scheme under which the Government will now cover 50% of the project cost for production of chips irrespective of the configuration of nodes. It will also provide 50% of the capital expenditure for allied activities such as designing, assembly, testing, marking and packaging.

Most recent developments have led to the successful execution of a deal between Vedanta and Foxconn to setup India's first semiconductor production plant in Gujarat. This also follows similar announcements made by ISMC and Singapore based IGSS ventures in Karnataka and Tamil Nadu respectively.



While a harmonious business environment is being created in the country for market capitalisation, challenges too are aplenty. Chip manufacturing and chip designing is a resource incentive process. The setting up on production and allied services units is cash incentive and requires big scale investments. While the government is offering to fund 50% of the project cost the total project cost has been limited to 10 billion USD only. Apart from finances, the requirement of ultra pure water and power could also prove to be a challenge under certain conditions.

Amidst rising tensions between Russia-Ukraine which are disrupting supply chains, fresh covid restrictions in China which have led to a slowdown in economic activity, and the friction between US and China over Taiwan leading to sanctions on Taiwan by China and boycott of Chinese clients by American manufactures, the time is ripe for India. While setting up of plants will bring mass production of chips to India, the pre-existing talent pool can until then be leveraged to promote R&D and designing in the country.



About Primus Partners

Primus Partners has been set up to partner with clients in 'navigating' India, by experts with decades of experience in doing so for large global firms. Set up on the principle of 'Idea Realization', it brings to bear 'experience in action'. 'Idea Realization'— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc.), and with varied specialization (engineers, lawyers, tax professionals, management, etc.).



PASSION

for providing solutions to help clients achieve their goals

RESPECT

For all and alternate viewpoints

INTEGRITY

of thoughts and actions

MASTERY

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US

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