



Date -17 September 2022

Eastern Economic Forum & India's balancing act.

Source: The Hindu; PIB

News: Eastern Economic Forum (EEF) is a four-day forum hosted by Russia from September 5 to 8 helping entrepreneurs to invest in Russia's Far East (RFE) Vladivostok. Recently, PM Narendra Modi also addressed the plenary session of the Eastern Economic Forum 2022.

During the address at the plenary session of the Eastern Economic Forum 2022 by PM Modi he focuses on the following points:

- India was the first one to open a Consulate in Vladivostok. India always believes in the ancient doctrine of "**Vasudhaiva Kutumbakam**". He stressed the need to take the **path of diplomacy and dialogue** to resolve the Ukraine Conflict.
- Increase in India- Russia cooperation due to India's "**Act Far-East**" policy. Now, the Far-East policy has become a key pillar in the "**Special and Privileged Strategic Partnership**" between India and Russia.
- He emphasized the **role of connectivity** through the International North-South Corridor, the Chennai- Vladivostok Maritime Corridor, and the Northern Sea Route in the India-Russia relationship.
- **Other focus areas in the India-Russia partnership** are Arctic partnership; Energy cooperation; Indian investment in the pharma and diamond industry; Partnership with Russia for the supply of coking coal to the Indian steel industry.

Key features of the Far East Region of Russia:

- The Far East region encompasses one-third of Russia's territory.
- The region is rich in natural and mineral resources such as fish, oil, natural gas, wood, and diamonds.
- The population of Russia's Far East (RFE) is very sparse.

- Riches and resources of Russia's Far East (RFE) contribute to five percent of the Russian GDP.

About Eastern Economic Forum:

- To encourage foreign investments in Russia's Far East (RFE) Vladimir Putin (Russian President) established Eastern Economic Forum in 2015.
- Russia's Far East (RFE) Vladivostok is full of economic potential, suitable business conditions, and investment opportunities and Eastern Economic Forum (EEF) displays these potentials of the Far East.
- In 2021, a total of 380 agreements worth 3.6 trillion roubles were signed at the EEF an increase from 217 in 2017.
- In 2022, almost 2,729 investment projects are being planned in the far east region, and most of these investment projects/ agreements are focused on infrastructure, transportation projects, mineral excavations, construction, industry, and agriculture.

Aims and Objectives of Eastern Economic Forum(EEF):

- **Forum's aim for 2022:** Connecting the Far East with the Asia Pacific region.
- **Increasing Foreign Direct Investments** in Russia's Far East (RFE) by attracting the Asian economies to invest and develop the far east.
- **Ensuring availability of personnel** to procure and supply abundant materials available in the region.
- **Strategic geography of RFE acting as a gateway to Asia:** Through the far east Russian government aims to connect Russia to the Asian trading routes.
- **Eastern Economic Forum will help in the fast modernization** of various cities such as Vladivostok, Khabarovsk, Ulan-Ude, and Chita.
- **Russia is facing economic sanctions** due to the Ukraine invasion, so with the help of China and other Asian powers, it tried to survive the economic crisis and the sanctions.
- Also, through the Eastern Economic Forum(EEF) Russia tries to form an anti-sanctions group in the international order with the help of countries like Myanmar, Armenia, Russia, and China.

Interests of major actors in the Eastern Economic Forum(EEF):

- **China:** Being the biggest investor(China accounts for 90% of the total investments in the far east region) china aims to promote its Belt and Road Initiative(BRI) and Polar Sea Route in the RFE. **Factors facilitating China-Russia Partnership in the far east:**1) Since 2015, Russia has been welcoming Chinese investments, and now Russia became more open toward Chinese investments due to economic pressures caused by the Ukraine invasion.2) Construction of the Trans-Siberian Railway has further helped Russia and China in advancing trade ties.3) Long China- Russia border approximately 4000-kilometer, enabling them to assist each other in infrastructure and tap each other's resources.4) China tries to connect with RFE by developing its Heilongjiang province.5) Development of northeastern China and the

RFE, through collaborations on connecting the cities of Blagoveshchensk and Heihe via a 1,080-meter bridge, supplying natural gas, and a rail bridge connecting the cities of Nizhneleninskoye and Tongjiang.

- **South Korea:** Far East region is witnessing a gradual increase in investments by South Korea. Shipbuilding projects, the manufacturing of electrical equipment, gas-liquefying plants, agricultural production, and fisheries are some of the major South Korean investments in the region. In collaboration with the Far East Development Fund, the Export-Import Bank of Korea announced its intention to inject \$2 billion into the RFE in a span of three years.
- **Japan: 1)** In 2017, Through 21 projects Japanese investments in RFE amounted to \$16 billion.**2)** During Shinzo Abe's tenure, eight areas of economic cooperation were identified by Japan.**3)** For further development of the RFE Japan encouraged private businesses to invest in the far east.**4) Importance of Russia for Japan:** Dependency on Russian oil and gas resources Japan and RFE as the potential market for its agro-technologies. **5)** There is some resistance in Japan – the Russia relationship due to the change in leadership and the Kuril islands dispute.
- **India:** Under Prime Minister Narendra Modi India tried to expand its influence in the RFE through expansion of trade, connectivity, and investments in Russia. In 2019, India offered a \$1 billion line of credit to develop infrastructure in the far east region. Major areas of cooperation between India and Russia are energy, pharmaceuticals, maritime connectivity, healthcare, tourism, the diamond industry, and the Arctic. India is also focusing on establishing a strong inter-state interaction with Russia through Eastern Economic Forum. The major initiative taken in this direction is the launch of an agreement between Gujarat and the Republic of Sakha in the diamond and pharmaceuticals industry.

India's balancing act between Indo-Pacific Economic Framework for Prosperity (IPEF) and Eastern Economic Forum(EEF):

- India tried to balance its involvement in both the EEF and the Indo-Pacific Economic Framework despite the current international conditions. IPEF and EEF are incomparable due to their different geographic coverage and different types of partnerships with the host countries.
- **Importance of IPEF for India:1)** IPEF will help India to strengthen its presence in the Indo-Pacific region. **2)** India can act in the Indo-Pacific region, without being part of regional groupings like the China-led Regional Comprehensive Economic Partnership or Comprehensive and Progressive Agreement for Trans-Pacific Partnership.**3)** IPEF will help India to get disengaged from supply chains dependent on China and will further help it build resilient supply chains through the global supply chain network.**4)** IPEF will help India to reduce its reliance on China for raw materials as the IPEF partners will act as new sources of raw materials and other essential products.

Short Summary:

- PM Modi recently addressed the plenary session of the Eastern Economic Forum 2022. This move is considered as balancing act between Russia and US-led western world. Both Eastern Economic Forum and Indo-Pacific Economic Framework for Prosperity (IPEF) are important for India. Russia's Far East region had gained prominence due to Russia's renewed effort to leap economic sanctions to put its economy back on track. In this effort, Russia is opening up its far east region Vladivostok for investment. India is sensing this opportunity to engage with Russia for expansion of trade, connectivity, and investments.

Articles:

1. The Hindu Explained: The Eastern Economic Forum and India's balancing act (Avishka Ashok)
2. PIB: Address by Prime Minister, Shri Narendra Modi at the plenary session of the Eastern Economic Forum 2022

Sharad

Inflation and its effect on economically weaker sections

Sources: The Hindu; Economic Times

News: Accelerating price gains or high retail inflation remains the single biggest challenge to policymakers.

Definition of Inflation from International Monetary fund: Inflation is the rate of increase in prices over a given period of time.

Recent retail inflation data published by National Statistical Office

- Acceleration in Consumer Price Index (CPI) inflation in August to 7%, from 6.7% in July.
- **The disproportionately higher burden on rural consumers compared to urban consumers:** In urban areas, month-on-month changes in both food prices and overall inflation is 0.50% and 0.46% while in rural areas inflation is at 0.88% and 0.57% respectively.
- Inflation in the prices of cereals surged to 9.57% in August from a 6.9% rate.
- **Sequential price upticks of CPI in eight of the 12 food items contributed to the faster inflation:** Inflation in the food and beverages category with vegetables

having 13.2% year-on-year and 2.5% month-on-month inflation and dairy 6.39% and 0.9%, respectively.

- **The future outlook for inflation is not reassuring** as rice sowing in the Kharif season is less than last year's acreage due to uneven distribution of rainfall.
- The recent imposition of tariffs and curbs on the export of non-Basmati rice by the center made inflation in the 'heavyweight' food category far from reassuring.
- Gradual revival of demand in services categories including housing, health, education, recreation, and personal care led to increasing price gains.

Government's steps to curb inflation:

- An excise tax cut of Rs 8 per litre on petrol and Rs 6 per litre on diesel by the government.
- Reduction in state taxes by Kerala, Rajasthan, and Maharashtra to bring down logistics costs for the industry.
- Import duty reduction of key raw materials of steel and plastic industry.
- Further, the imposition of export duty on some steel products.
- Duty-free imports of 20 lakh tonnes of crude soybean & sunflower oil for the current and next financial year.
- Benefitting around nine crore beneficiaries through the Rs 200 per cylinder subsidy grant.
- Maintaining adequate stock of sugar by putting a limit of 100 lakh tonnes on sugar exports
- To maintain food security and cool prices, a ban on wheat exports slapped.
- Provision of an additional fertilizer subsidy of Rs 1.1 lakh crore to farmers in the current fiscal budget.
- In response to the Centre's steps prices had begun to ease in items such as oils, fats, and pulses. Ministry of Finance also asserts that there is a moderate increase in headline inflation.

Conclusion: Inflation is considered a tax on the poor as it disproportionately affects the economically weaker sections. Since the poor have no hedge against inflation containing the build-up of price pressures is the best anti-poverty program. Some segments of the economy are witnessing the revival but there is concern that price rise may dampen consumption.

Short Summary:

- Currently, every major or minor economy is facing high inflation due to uncertainties prevailing over the world. Although inflation in India is less compared to developed countries like the USA and European nations. But inflation's impact on the Indian economy and population is disproportionate due to the largely poor population and less per capita income. So, Indian policymakers are taking steps to curb the prices witnessing mixed results. Now, the sharp slide in global crude prices also came to the rescue of policymakers.

Articles:

1. The Hindu: Tax on the poor: On Inflation
2. Economic Times: Ten steps the government has taken recently to cool prices

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