Europe India Chamber of Commerce

Newsletter

Issue: 133 Volume: 13 **November 2019**

India moves up 14 spots to 63 on World Bank's ease of doing business

India jumped 14 places to the 63rd position on the ease of doing business ranking released on Thursday, riding high on the government's flagship 'Make in India' scheme and other reforms attracting foreign investment.

The country also figured among the top 10 performers on the list for the third time in a row.

The rankings come at a time when the Reserve (RBI), World Bank, International Monetary Fund (IMF) and various rating agencies have slashed the country's growth forecasts amid a slowdown in the global economy.

India has recorded continuous improvement in its ease of doing business ranking issued by the World Bank on account of steps taken by the government in this regard, the commerce and industry ministry said on Thursday.

India was ranked 142nd among 190 nations when Prime Minister Narendra Modi took office in 2014. Four years of reform pushed up India's rank to 100th in World Bank's 'Doing Business' 2018 report. It was 130th in 2017 when it was ranked lower than Iran and Uganda. Last year, the country jumped 23 places to the 77th position on the back of reforms related to insolvency, taxation and other areas.

In its 'Doing Business' 2020 report, the World Bank commended the reform efforts undertaken by the country "given the size of India's economy".

"This is the third year in a row that India makes to top 10 in Doing Business, which is a success which very few countries have done over the 20 years of the project, Without exception, the other countries that have done this are very small, population-wise, and homogeneous," Simeon Djankov, Director of Development Economics at the World bank told PTI in an interview.

"India is the first country of its type to achieve that. It has jumped this year by 14 position," he said.

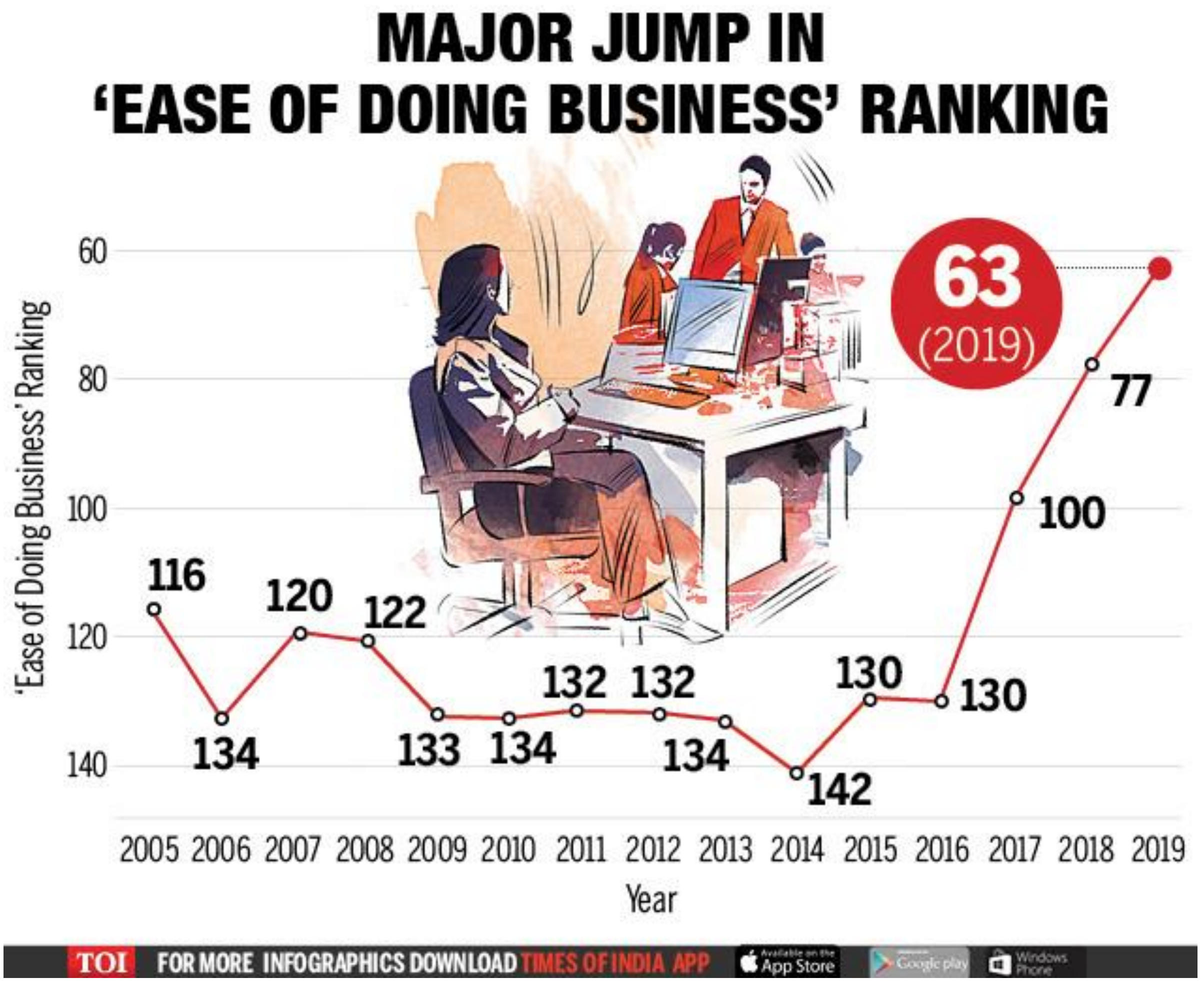
Apart from India, the other countries on this year's 'top 10 performers' list are Saudi Arabia (62), Jordan (75), Togo (97), Bahrain (43), Tajikistan (106), (108), Kuwait (83), China (31) and Nigeria (131).

Prime Minister Modi's 'Make in India' campaign focused on attracting foreign investment, boosting the private sector — manufacturing in particular — and enhancing the country's overall competitiveness, the World Bank said in its report.

The government turned to the Doing Business indicators to show investors India's commitment to reform and to demonstrate tangible progress. In 2015, the government's goal was to join the 50 top economies on the ease of doing business ranking by 2020.

While the competition to move up the ladder would increase and become much tougher, India is on track to be within top 50 of the Ease of Doing business in the next year or two, Djankov told PTI in response to a question.

And to come under 25 or below 50, the Modi government needs to announce and start implementing next set of ambitious reforms now, as these reforms takes a few years to be realized on the ground, he said.



"The administration's reform efforts targeted all of the areas measured by Doing Business, with a focus on paying taxes, trading across borders, and resolving insolvency. The country has made a substantial leap upward, raising its ease of doing business ranking from 130 in Doing Business 2016 to 63 in Doing Business 2020," the report said.

One of the main reasons for improvement in India's ranking this year goes to the successful implementation of the Insolvency And Bankruptcy Code, the World Bank official said.

"Before the implementation of the reform, it was very burdensome for secured creditors to seize companies in default of their loans," the report said.

"Since its implementation, more than 2,000 companies have used the new law. Of these, about 470 have commenced liquidation and more than 120 have approved reorganization plans, with the remaining cases still pending," it added.

In the past, foreclosure was the most common procedure reported by legal practitioners in both Delhi and Mumbai under the case study assumptions measured by the resolving insolvency indicator set, with an approximate duration of 4.3 years, the report said.

"Reorganization has become the most likely procedure for viable companies as measured by Doing Business, increasing the overall recovery rate from 27 to 72 cents on the dollar," the bank said.

In addition to resolving insolvency, significant improvements were registered in starting business, dealing with construction permits and trading across borders, the report said.

"India made starting a business easier by abolishing filing fees for the SPICe (Simplified Proforma for Incorporating a Company Electronically) company incorporation form, electronic memorandum of association, and articles of association," it said.

Delhi streamlined the process, reduced the time and cost of obtaining construction permits, and improved building quality control by strengthening professional certification requirements. Mumbai streamlined the process of obtaining a building permit and made it faster and less expensive to get a construction permit.

India made trading across borders easier by enabling post clearance audits, integrating trade stakeholders in a single electronic platform, upgrading port infrastructures, and enhancing the electronic submission of documents, the report said.

New Zealand, Singapore and Hong Kong topped the list this year.

(PTI, 24/10/2019)

Positive Impact On Investment": IMF Supports India's Corporate Tax Cut

Following a marked slowdown in the last two quarters in India, the economy is expected to grow at 6.1 per cent this fiscal year, picking up to 7.0 per cent in 2020, IMF said.

The International Monetary Fund on Friday supported India's recent decision to reduce corporate income tax, saying it has a positive impact on investment.

It, however, said India should address continued fiscal consolidation and secure long-term stability of the fiscal conditions.

"We believe India still has limited fiscal space so they have to be careful. We support their corporate income tax cut because it has a positive impact on investment," Changyong Rhee, Director, Asia and Pacific Department, IMF, told reporters at a news conference in Washington.

Following a marked slowdown in the last two quarters in India, the economy is expected to grow at 6.1 per cent this fiscal year, picking up to 7.0 per cent in 2020, he said.

"The monetary policy stimulus and the announced corporate income tax cut are expected to help revive investment," said the top IMF official.

Anne-Marie Gulde-Wolf, Deputy Director, Asia and Pacific Department, IMF, said India should address the non-bank financial sector issues.

"While there have been improvements that have been put in motion, including efforts to recapitalise the state banks, the issue of non-bank financial institution remains partly unresolved and regulatory equity is one of the issues that needs to be achieved," she said.

The government is aware of it, she added.

"We also had a FSAP. So there are issues working at that and this is something that is why not yet fully achieved, but is entrained. While there are problems at this stage, increased attention to lending practices of non-bank financial institutions continue to be very important," Gulde-Wolf said.

Responding to a question, she said India overall has a fairly high level of debt and fiscal consolidation needs to be a priority.

"However, implementing fiscal consolidation in the context of a federal system is much more complicated. The level of fiscal structural issues and challenges are different in different states," she said.

So one of the ways in which the IMF is engaged in this question is it has a regional training institute that has started working with the individual states on strengthening fiscal management at the state level, Gulde-Wolf said.

In the context of surveillance engagement with India, she said, the IMF is increasingly placing emphasis on the need to better coordinate the fiscal state level activities and fiscal activities.

"But it is a concern that the authorities are taking serious and are working at," Gulde-Wolf said.

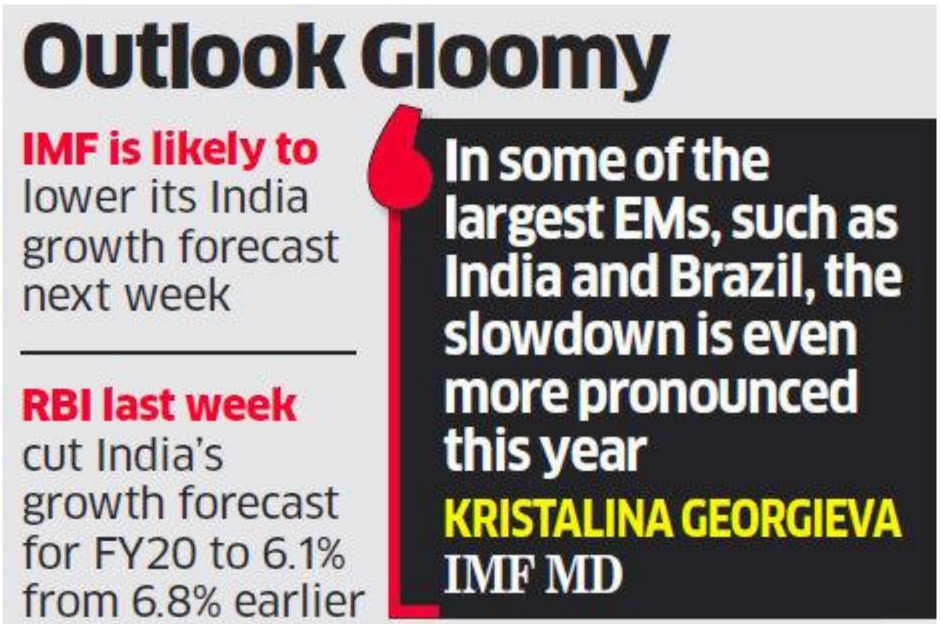
(PTI, 9/10/2019)

Effect of global 'slowdown' is 'more pronounced' in India: IMF chief

The International Monetary Fund (IMF) has flagged a "more pronounced" slowdown in India as it called for a coordinated fiscal response to arrest the "synchronised slowdown in global growth".

In her first speech as managing director of IMF, Kristalina Georgieva said 90% of the world is likely to have slower growth in 2019, signalling out India along with Brazil. "In some of the largest emerging market economies, such as India and Brazil, the slowdown is even more pronounced this year," she said in her inaugural address in Washington DC on Tuesday.

"In China, growth is gradually coming down from the rapid pace it saw for many years." India's economic growth slumped to a six-year low of 5% in the April-June quarter and, according to the Reserve Bank of India (RBI), is likely to be near this trough at 5.3% in the July-September quarter.



The central bank had last week cut the country's growth forecast for FY20 to 6.1% from 6.8% estimated earlier. The IMF, which had forecast 7% growth for India in its July update of the flagship World Economic Outlook, is likely to lower it sharply in its fresh assessment that will be out next week.

"The global economy is now in a synchronized slowdown," Georgieva said in her speech, adding that the deceleration will cause global growth to slide to its lowest since the start of the decade. She blamed the slowdown on a range of issues, but clubbing them under one common theme— fractures. The trade disputes are taking a toll and global trade growth has come to a near standstill.

"In part because of the trade tensions, worldwide manufacturing activity and investment have weakened substantially," the IMF managing director said, warning "fractures are spreading" and serious risk services and consumption could soon be affected. Brexit and geopolitical tensions are other risks.

(Economic Times, 10/10/2019)

India shows remarkable resilience amid global slowdown: World Economic Forum
The WEF, which organises the India Economic Summit in partnership with the Confederation of Indian Industry (CII), engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.

The Geneva-headquartered entity is organising its 33rd India Economic Summit in New Delhi on October 3-4 under the theme — ‘Innovating for India: Strengthening South Asia, Impacting the World’.

India, a young economy with lot of potential, has demonstrated remarkable strength and resilience amid global slowdown, a top official of World Economic Forum (WEF) said on Wednesday. Besides, the country can play a crucial role in the development of South Asia and sustainability of global economic growth, WEF President Borge Brende told PTI here.

The WEF, which organises the India Economic Summit in partnership with the Confederation of Indian Industry (CII), engages the foremost political, business and other leaders of society to shape global, regional and industry agendas. “India is one of the fastest growing large economies in the world. The country is also a young economy with lot of potential and has shown lot of strength and resilience amid an economic slowdown globally,” Brende said.

The rise of advanced technologies has the potential to create economic and social value and it can boost the country’s goal of maintaining its growth momentum while attaining greater social inclusion and regional cooperation, he added. He further said that India is very advanced from many developed economies when it comes to information technology sector, but there is a lot of scope for development in terms of infrastructure.

The Geneva-headquartered entity is organising its 33rd India Economic Summit in New Delhi on October 3-4 under the theme — ‘Innovating for India: Strengthening South Asia, Impacting the World’. More than 800 leaders from 40 countries comprising senior public figures and leading representatives from civil society, arts and culture, science, business and academia will participant in the event.

Artificial intelligence and drones, start-up unicorns, infrastructure, environmental reforms, gender parity, education and South Asia’s economic outlook will be on top of the agenda. The programme will also underline South Asia’s relationship with the Association of Southeast Asian Nations (ASEAN) and highlight how the two regions, defined by their demographic and digital dividends, will shape the world’s collective future.

The summit will be co-chaired by Sheikh Hasina; Shobana Kamineni, executive vice-chairperson of Apollo Hospitals Enterprise; Heng Swee Keat, Deputy Prime Minister and Minister for Finance of Singapore; Shailendra Singh, managing director of Sequoia Capital India; tennis star Sania Mirza, who is also UN Women Goodwill Ambassador for South Asia; and Gillian Tans, chairwoman of Booking.com.

(PTI. 2/10/2019)

India halved its poverty rate since 1990s: World Bank

The country has achieved annual growth exceeding seven per cent over the last 15 years, halved its poverty rate since the 1990s, and enjoyed strong improvements in most human development outcomes, the World Bank said.

India has halved its poverty rate since the 1990s and achieved a seven plus growth rate over the last 15 years, the World Bank said on Tuesday.

India is both critical to the success of global development efforts, including eliminating extreme poverty, and as an influential leader for global goods such as addressing climate change, the bank said ahead of the annual meeting between it and the International Monetary Fund.

The country has achieved annual growth exceeding seven per cent over the last 15 years, halved its poverty rate since the 1990s, and enjoyed strong improvements in most human development outcomes, the World Bank said.

Noting that India's growth is expected to continue and elimination of extreme poverty in the decade is within reach, it said at the same time, the country's development trajectory nonetheless faces considerable challenges.

For this, the World Bank said, India will need to achieve greater resource efficiency as it sustains growth, given its resource endowments and large population.

Land will need to be used more productively in urban areas by the spatial transformation of cities achieving "agglomeration economies" and in rural areas by increased agricultural productivity, it said.

India's water management will need to provide for shifting water allocation to higher-value uses and policies to increase the value of water use within sectors. In addition, 230 million people are not properly connected to the electricity grid while generation will need to be less carbon intensive, the World Bank pointed out.

"More generally, India's rapidly growing economy needs investment in infrastructure, an estimated 8.8 percent of GDP or USD 343 billion a year until 2030," it said.

Second, sustained growth will also need to accelerate inclusion, especially to create more and better jobs. While an estimated 13 million people enter the working age population each year, only three million new jobs are being generated on an annual basis, the financial institution said.

The World Bank said a particular challenge lies in India's declining female labour force participation, which at 27 percent is among the lowest in the world despite overcoming gender gaps in education.

"Finally, India's public sector institutions will need to be modernised to deliver services and regulations that match the aspirations of a middle income country; this will entail improving accountability and effectiveness, improving the ability of the state to interface with the private sector, and strengthening the compact among tiers of government to improve service delivery," the bank said.

(PTI, 16/10/2019)

India joins global alliance on responsible use of smart city technologies
The G20 Global Smart Cities Alliance on Technology Governance will create global norms and policy standards for the use of connected devices in public spaces, a WEF release said.

India has joined the league of 15 of the world's leading city networks and technology governance organisations that will work towards advancing the responsible and ethical use of smart city technologies.

The G20 Global Smart Cities Alliance on Technology Governance will create global norms and policy standards for the use of connected devices in public spaces, a World Economic Forum (WEF) release said.

The Global Smart Cities Alliance's founding set of institutional partners include the presidents and host nations of the Group of 20 (G20) in 2019 and 2020; Japan and the Kingdom of Saudi Arabia; the Smart City Mission of India; Cities for All; Cities Today Institute; Commonwealth Local Government Forum; Commonwealth Sustainable Cities Network among others.

"Smart city technologies offer huge promise, but they can be a Pandora's box. Today's announcement is a critical first step to accelerate global best practices, mitigate risks, and foster greater openness and public trust regarding the collection of data in public spaces," said Jeff Merritt, Head of Internet of Things (IoT), Robotics and Smart Cities at the World Economic Forum (WEF).

Smart city technologies can help decrease traffic congestion, combat crime, improve resilience during natural disasters and reduce greenhouse emissions. Without proper governance, these technologies pose significant risk, notably to privacy and security, the release noted.

Kunal Kumar, Joint Secretary and Director of India's Smart Cities Mission said that the rapid growth and expansion of cities brings "both enormous opportunities and significant challenges".

"India is at the forefront of this urban transformation and is committed to ensuring that our cities develop in a way that is smart and sustainable. The Smart Cities Mission looks forward to working together with city leaders around the world to share best practices and forge new policy standards for the responsible and ethical use of smart technologies in our cities," Kumar added.

Established in June 2019, in conjunction with the G20 Summit in Osaka, Japan, the Alliance comprises 15 of the world's leading city networks and technology governance organisations.

The partners represent more than 2,00,000 cities and local governments, leading companies, start-ups, research institutions, and civil society organisations. The World Economic Forum serves as the secretariat.

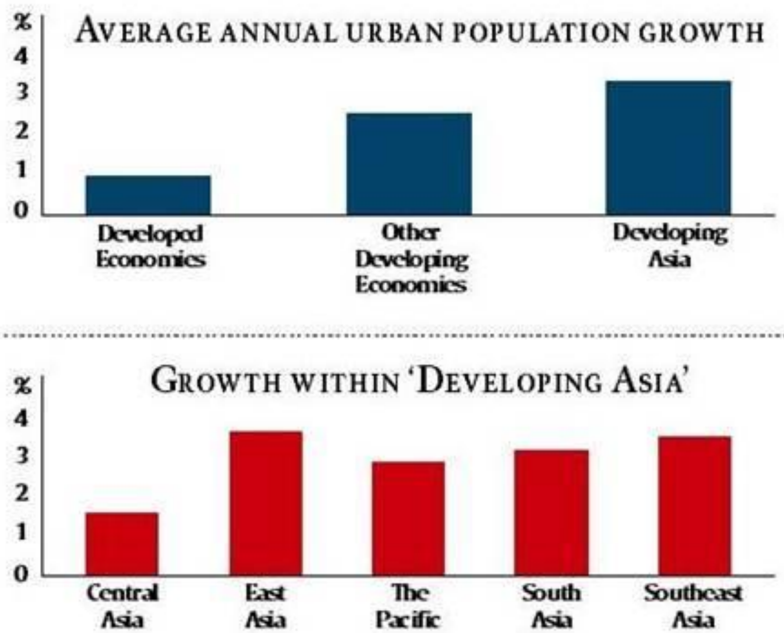
The new global policy standards for privacy, security and sustainability of smart technologies will be rolled out in advance of 2020 G20 Summit in Riyadh, Saudi Arabia. The first policy design workshops with city leaders will be held in November 2019 in conjunction with the Smart City Expo World Congress in Barcelona, Spain.

"As urban populations grow, smart city technologies become more and more essential not only to improve the quality of life of citizens but also to simply keep our cities livable," said Chizuru Suga, Head of the World Economic Forum Centre for the Fourth Industrial Revolution Japan.

(PTI, 12/10/2019)

Explained: Urbanisation in Asia spike five folds in around 50 years; India, China lead
“Developing Asia” refers to a group of 45 countries that are members of the ADB. As such, between 1970 to 2017, the urban population in this group of countries grew from 375 million to 1.84 billion.

The economic outlook update released by the Asian Development Bank last week highlighted that, according to World Urbanization Prospects data, the number of urban inhabitants in developing Asia has increased almost five-fold since 1970. “Developing Asia” refers to a group of 45 countries that are members of the ADB. As such, between 1970 to 2017, the urban population in this group of countries grew from 375 million to 1.84 billion. The region led the global increase in the urban population in this period and accounted for 53% of it.



Two-thirds of the nearly 1.5.billion additional city dwellers in Developing Asia belong to China and India. Developing Asia urbanised faster than the rest of the world not only in terms of absolute growth but also in terms of growth rate. The urban population in this region increased at an average of 3.4 per cent per annum from 1970 to 2017. This was much faster than the 2.6% in the rest of the developing world — mainly Africa and Latin America — and 1.0% in the developed world.

Within the Developing Asia region, East Asia, at 3.7%, had the highest annual growth rate. It was followed by Southeast Asia at 3.6%, and South Asia at 3.3%. The Pacific saw an annual growth rate of 2.9% in the urban population, and Central Asia witnessed a 1.6% annual growth.

India can win big from inevitable $350-550bn exports moving out of China: Credit Suisse
India could potentially be one of the big winners from the US-China trade war, according to a Credit Suisse survey of 100 companies with global sales of $1 trillion that projects $350-550 billion of exports will shift out of China and that this is "inevitable even if slow".

This survey insights land at the same time when US Commerce Secretary Wilbur Ross is saying in New Delhi that India has a "wonderful opportunity right now, to take advantage of trade dissension elsewhere".

$1 billion translates to approximately Rs 7,000 crore.

"We've actually prepared a chart about what are the areas where China is the big exporter to us? How does that compare with what India is exporting to us? And what are possible solutions to how do we change that mixture?" Ross said at the India Today 'India Economic Summit' event in New Delhi on Thursday.

The Credit Suisse report, reviewed by IANS, has said that firms in China plan to move production to Vietnam, India, Taiwan and Mexico.

Ross' comments and the Credit Suisse report both come as China's top trade negotiator prepares to lead an upcoming 13th round of talks aimed at resolving the ongoing trade war with the US.

Chinese Vice Premier Liu will travel to Washington for the negotiations and trade talks would take place after China's National Day holiday which falls on October 7.

The Credit Suisse report lists three main themes that inform the $350-550 billion "shift".

Peak pressure begins only now

Multiple pressures to move manufacturing out of China are likely to peak now because "80 per cent of the finished goods sold to consumers come under tariffs only now". The report connects the dots to similar goods in earlier lists which saw price rise, lower demand and a shift in production.

Companies keen to move out

Companies that have spoken to Credit Suisse have said "they would shift manufacturing out of China even without tariffs". They list a "shrinking Chinese workforce" as one of the main issues: "50 million fewer workers by 2030". Firms plan to move production to Vietnam, India, Taiwan and Mexico, says the report.

Shrinking workforce

"In five years though, with the Chinese manufacturing workforce shrinking by another 9-15 million after a 20 million decline since 2015, we expect $350-550 billion of exports to move out of China. It could be more, if other countries improve absorption capacity: Vietnam is too small (but should gain the most), Bangladesh a pure-play on apparel, and India has seen good import substitution in electronics but is struggling to grow apparel exports. Hon Hai and Pegatron would be negatively affected, L&T, Havells and Feng Tay would benefit. In the near- term, tariffs would raise prices in the US (13 per cent of firms absorbing them), and shift Chinese exports to other countries (possibly at lower prices)."

US President Donald Trump's administration first imposed tariffs on Chinese imports in 2018 in a bid to win concessions from China, which responded with tit-for-tat tariffs. A deal remains elusive as the dispute escalates between the world's two largest economies.

In New Delhi, Ross spoke about the "third kind of barrier" that "bothers" the US, which he said was neither about competitive advantage nor one country actually needing a certain product because of locational constraints. "If you look at our trade deficit it has two components, one's called automotive and the other's called China," he said.

During his comments, Ross made the distinction between "small trade deficits with other countries" and "China" as two separate issues. "We believe that most of the things we're requesting particularly of India would not only help us vis a vis India, we think a lot of them would help India itself," he added.

"So, (I) don't want you to think that we're just focusing on deficit, we're focusing also on total trade. And what the world needs is more total trade. This recent diminution in the forecast, that world trade will be down to 1.2 per cent this year, is a very bad omen for the world because normally, trade, global trade has been growing at a percentage point or so. So if it's really true, that world trade will only grow at around 1 per cent. That does not speak very well for the world GDP. So that's a source of separate concern," Ross said.

(Economic Times,6/10/2019)

Netherlands can help India become the food factory of the world: Dutch Minister
The Netherlands is the second largest exporter of agricultural products in the world (2018: US$ 100 billion) and has vast experience in managing supply chains for fresh vegetables, food and flowers to market destinations all over the world.

Netherlands can contribute to connect the production capacity of India to consumers worldwide, by excellent logistics and cold chain, says Dutch vice minister of Agriculture Marjolijn Sonnema who is India with a trade delegation.

To strengthen the relations in agriculture, horticulture and climate, the delegation of over 37 business delegates under the leadership of minister of Agriculture are engaging with local authorities in Karnataka and business leaders.

“India has the ambition to become the food factory of the world, to double farmers income and to increase the export of agriculture & food products by 2022. The Netherlands is the ideal partner to realize these goals, and simultaneously work together to realize the UN Sustainable Development Goals (SDG’s) by 2030,” says Sonnema.

The Netherlands is the second largest exporter of agricultural products in the world (2018: US$ 100 billion) and has vast experience in managing supply chains for fresh vegetables, food and flowers to market destinations all over the world.

“We are the second largest exporter of agricultural products, but it is certainly not our ambition to feed the population in India. Our strength is that we have the ambition to help Indian farmers to produce food in a more sustainable and efficient way. In fact, Indian agriculture exports to the Netherlands are about six times higher than the other way around,” says Sonnema.

The minister says that many Dutch companies have already strong ties with their partners in the Bangalore region. “We are particularly happy that so many training institutes and knowledge centers are attracted to this mission. Together we can overcome some of the pressing problems facing the sustainability of food production, introducing best practices," she says.

Another important theme during the trade mission will be making agriculture more resilient in the light of climate change. After two consecutive hot and dry summers in Europe, Dutch farmers are looking differently to the effects of climate change. "By adapting different farming practices and by using better seeds, we can overcome some of the challenges that climate poses, like water scarcity. We also know that India is particularly vulnerable when it comes to water," says the minister.

The latest drive of the competitive Dutch agricultural sector is circularity. "If we make agriculture circular with less inputs, we can reduce waste, and make food production climate resilient," the Vice Minister mentions.

The minister is part of the delegation of Netherlands' King Willem-Alexander and Queen Maxima, who are on a state visit to India.

(Economic Times, 18/10/2019)

India-US trade: Contours of a deal almost final, says Union minister Piyush Goyal
On India-US trade ties: "Both I and USTR Robert Lighthizer have understood that we have huge potential... We will hopefully come out with a first set of agreements soon... But we both believe India & US must look at much larger engagement." On RCEP: "Every interest of domestic industry and people of India has to be protected before we execute any FTA. We won't fritter away FTAs like we saw in 2009-10 period of the Congress regime."— PIYUSH GOYAL, Commerce & Industry Minister.

In a clear sign that India and the US are close to finding common ground on their outstanding trade issues that started looking intractable, commerce and industry minister Piyush Goyal on Monday said here that the two sides "have almost resolved the broad contours" of an imminent deal in this regard. He even hinted at a "much larger engagement between the two countries in the days ahead", hinting at the possibility of a larger bilateral trade agreement, following the limited deal on the immediate horizon.

This is perhaps the first time New Delhi is making it unambiguously clear that the differences between the two sides on a host of trade issues have indeed narrowed down. A limited deal was expected to be announced when Prime Minister Narendra Modi met US President Donald Trump on September 24 but that was not to be, as both sides practically stuck to their positions.

Later, on October 4, addressing the India Economic Summit organised by the World Economic Forum here, US commerce secretary Wilbur Ross said there was no reason why a limited trade deal with India couldn't be signed quickly, even as he asked New Delhi to balance the interest of large e-tailers like Amazon and Walmart-backed Flipkart with offline retailers' in its e-commerce policy.

Speaking at the same session, Goyal, however, appeared not much inclined to endorse Ross as he asserted that there was no change in India's FDI policy for e-commerce, as the government was keen on protecting small brick-and-mortar stores.

“I do not see any great difficulty in closing the gap on the first announcement,” Goyal said at a USISPF programme.

He added that by now, both the sides could in fact have announced something, but certain other engagements including the US talks with Japan and China delayed it. “Both I and US Trade Representative Robert Lighthizer have understood that we have huge potential which we still need to tap… We will hopefully come out with a first set of agreements soon… But we both believe that India and the US should look at a much larger engagement in the days ahead, possibly even leading to an announcement for a bilateral agreement which will go beyond near tinkering which we are doing at present,” Goyal added.

Asked about the visit of USTR here, he said as soon as both the sides are in a position to come to a reasonable conclusion, USTR would visit India. The US wants India to scrap/cut “not justified” tariff on ICT products (20%), motorcycles (50%) automobiles (60%) and alcoholic beverages (150%). It is seeking better trade balance with India through greater market access in agriculture and dairy products. Similarly, Washington wants New Delhi to remove price caps on medical devices like stents, a move that will help American companies like Abbott. The US has also expressed concern over what it thinks India’s “frequent changes” to e-commerce FDI rules, and data localisation.

For its part, India is pitching for an exemption from the extra duty imposed by the US on steel and aluminium, resumption of duty-free export benefits for some Indian goods under the so-called Generalised System of Preferences as well as greater market access for its products in sectors ranging from agriculture, automobile and auto components to engineering.

India fears that it could lose as much as $3.2 billion a year if it scraps duties on the seven ICT products, including high-end smart-phones and smart watches, acceding to US demand. Also, China, not the US, will be the biggest beneficiaries of any such move, as the US made up for only 2% (or $415 million) of India’s imports of these seven products worth $20.5 billion in FY18. Instead, India offered to cut tariffs in those ICT products where the US could benefit more. But Washington remained unimpressed.

India’s exports to the US, its largest market, touched $52.4 billion in 2018-19, while imports were to the tune of $35.5 billion. Its trade surplus with the US has been shrinking in the past two years, as it has stated importing oil and gas from the largest economy, something that India has been highlighting. According to the US government data, New Delhi’s trade surplus with Washington eased to $21.3 billion in 2018 from $22.9 billion in 2017. In contrast, China’s trade surplus with the US widened further to a record $419.2 billion last year from $375.6 billion in 2017, despite the tariff war between the top two economies.

On the 16-nation Regional Comprehensive Economic Partnership (RCEP), Goyal said on Monday that the government would protect the interests of domestic industry before entering into the proposed mega free-trade pact, which is in the last phase of negotiations. An RCEP ministerial meeting held in Bangkok last week had failed to reach a consensus on sticky issues, even as a deal is meant to struck soon. No joint statement was issued then as certain key issues remained unresolved, even after two days of intense negotiations on October 11 and 12, casting a shadow over a leaders’ summit on November 4.

"Every interest of domestic industry and the people of India has to be protected before we execute any free-trade agreement," the commerce and industry minister told reporters when asked whether RCEP negotiations would be concluded next month. The member countries have fixed a target to conclude the talks in November and sign the agreement in June 2020.

(Financial Express– with PTI inputs 22/10/2019)
