Europe India Chamber of Commerce

Newsletter

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The European Council appoints new Commission
The European Council today appointed by written procedure the new Commission for the period from 1 December 2019 to 31 October 2024.

The new President of the Commission will be Ursula von der Leyen (Germany) and the High Representative of the Union for Foreign Affairs and Security Policy will be Josep Borrell (Spain), who will also be one of the Vice-Presidents of the Commission (Article 18(4) TEU).

The other members of the Commission will be:

Thierry BRETON (France), Helena DALLI (Malta), Valdis DOMBROVSKIS (Latvia), Elisa FERREIRA, (Portugal), Mariya GABRIEL (Bulgaria), Paolo GENTILONI (Italy), Johannes HAHN (Austria), Phil HOGAN (Ireland), Ylva JOHANSSON (Sweden), Věra JOUROVÁ (Czech Republic), Stella KYRIAKIDES (Cyprus), Janez LENARČIČ (Slovenia), Didier REYNDERS (Belgium), Margaritis SCHINAS (Greece), Nicolas SCHMIT (Luxembourg), Maroš ŠEFČOVIČ (Slovakia), Kadri SIMSON (Estonia), Virginijus SINKEVIČIUS (Lithuania), Dubravka ŠUICA (Croatia), Frans TIMMERMANS (Netherlands), Jutta URPILAINEN (Finland), Adina VĂLEAN (Romania), Olivér VÁRHELYI (Hungary), Margrethe VESTAGER (Denmark), Janusz WOJCIECHOWSKI (Poland)

This follows the consent of the European Parliament to the new Commission as a body on 27 November 2019.

The Treaty on the European Union (TEU) provides that: "The President, the High Representative of the Union for Foreign Affairs and Security Policy and the other members of the Commission shall be subject as a body to a vote of consent by the European Parliament. On the basis of this consent the Commission shall be appointed by the European Council, acting by a qualified majority." (Article 17(7) TEU).

(Council of the European Union, 28/11/2019)

New norms to ease restrictions on FDI by joint ventures of Indian companies
To increase the flow of foreign funds, govt may ease restrictions on FDI by JVs or WOS of an Indian company.

In a bid to ease the flow of foreign funds into legitimate business activities, the government may soon ease restrictions on foreign direct investment (FDI) by joint ventures (JVs) or wholly-owned subsidiaries (WOS) of an Indian company without categorising such investments as "suspect" involving 'round tripping' of funds.

The existing legal framework under FEMA does not permit FDI by an overseas JV or WOS of an Indian party without the prior approval of RBI. Similarly, there are restrictions on Indian entities to undertake overseas direct investment (ODI) in a foreign entity which already has existing FDI investment structures in India.

Official sources said that the changes would soon be be made in existing overseas direct investment (ODI) Regulations to ease the restrictions and put such investments (FDI and ODI) under the automatic route (without prior approval of RBI).

The changes have become important in the backdrop on slowing of the Indian economy and resultant lack of investment by the corporate sector. The stringent view adopted by the RBI under the objective of preventing 'round tripping' of funds has impacted abilities of certain Indian companies which have made ODI outside India to attract FDI in India even for their group entities, even for legitimate and bona fide business purposes.

A High Level Advisory Group (HLAG)-chaired by economist Surjit Bhalla, on how to increase India's exports, in its report has also suggested sweeping change in FDI regulations with a way to attract funds that go into building businesses in the country.

Sources said that the Department for Promotion of Industry and Internal Trade (DPIIT) is also studying the report for finalising changes in the Press Note pertaining to FDI by JV of WOS of Indian party. Official sources said that though the changes would give free access to FDI by an Indian entity through its own JV or WOS, it would need to be established that such flow of funds is only for bonafide business interests and such funds are invested as FDI in India through proper banking channels.

Accordingly, it is likely that investment by a foreign entity (in which ODI is being made) whose total value of existing FDI does not exceed 25 per cent of its consolidated net worth not be considered as 'round tripping' or in violation of ODI regulations.

Net worth of overseas entity in this case should be at least $10 million. Moreover, any additional FDI may be allowed provided such funds are not directly or indirectly from India. The HLAC in its report has also recommended exemption to overseas listed companies i.e. companies which are listed overseas in Financial Action Task Force (FATF) jurisdictions (with market capitalisation of certain specified thresholds), should also be allowed to invest in India, irrespective of its shareholding being held by persons resident in India.

ODIs include investments done outside India by an Indian by the way of subscription to the memorandum of a foreign entity or purchase of existing shares of a foreign entity either by market purchase or private placement or through stock exchanges, signifying a long-term interest in the foreign entity.

(Economic Times, 18/11/2019)

Cabinet approves strategic disinvestment of BPCL, 4 other PSUs

The government will sell its 53.29% stake in BPCL after taking out Numaligarh refinery from its portfolio. The government kicked off a blockbuster disinvestment plan, lining up the sale of five public sector units (PSUs), including majority stakes in bluechip oil company Bharat Petroleum Corp Ltd (BPCL) and Shipping Corporation of India. Also on sale will be a 31% stake in Container Corporation of India (Concor) along with management control.

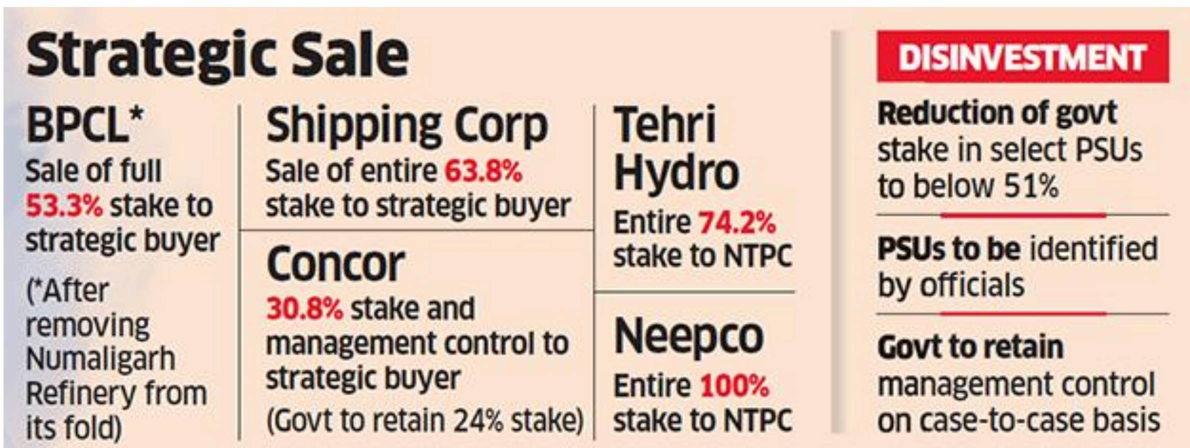
Based on current market prices, the sale of stakes in these three firms will fetch the Modi government about Rs 78,400 crore, taking it close to the disinvestment target for the fiscal year.

The cabinet committee on economic affairs (CCEA), which met under the chairmanship of Prime Minister Narendra Modi, also cleared the sale of its entire stake in Tehri Hydro Development Corp of India and North Eastern Electric Power Corporation (Neepco) to NTPC.

The CCEA also gave in-principle clearance to the reduction of the government's stake in select public sector units to 51%, "while retaining management control on case-to-case basis, taking into account the government shareholding, and the shareholding of government-controlled institution," according to a release.

"Post such reduction, government's control will remain intact and, while retaining the management control, on a case-to-case basis decision will be taken," finance minister Nirmala Sitharaman told reporters after the cabinet meeting.

These companies will be shortlisted by officials and detailed approvals to be sought later.



The government proposes to raise Rs 1.05 lakh crore from disinvestment in the current financial year. It had exceeded asset-sale targets of Rs 1 lakh crore in FY18 and Rs 80,000 crore in FY19. In the current fiscal year, by the end of September, the government had only raised Rs 12,359 crore through disinvestment.

At current market value, the government can raise about Rs 63,000 crore from selling its entire 53.3% stake in BPCL, Rs 2,000 crore by offloading 63.7% in Shipping Corporation of India and Rs 13,400 crore from selling 30.8% of Concor.

The actual realisation from BPCL could be much higher on account of the control premium the government will seek from any strategic investor. Big international oil companies including Saudi Aramco are said to be keen on investing in BPCL, given the refiner's strong presence in fuel retailing among other things.

The BPCL strategic sale will not include the 61.7% stake the company holds in Numaligarh Refinery Ltd. This will be offered to a public sector entity in the oil and gas sector.

Shares of the three companies had risen on the BSE today. Shipping Corporation went up 9.3% to Rs 68.35, BPCL advanced 4.9% to Rs 544.65 and Concor was up 1.79% to Rs 578.

Sitharaman indicated that the strategic sales could happen soon.

The government will retain a 24% stake in Concor given that it is “integrally linked” with Indian Railways. “We don’t really have a very competitive market as yet in this area so therefore it is important government retains stake but this is less than 26%. Therefore there is no veto thing,” said Tuhin Pandey, secretary, Department of Investment and Public Asset Management (DIPAM). “We intend to make it clear that management control will be unencumbered as far as (a) strategic buyer is concerned.”

The Taxation Amendment Bill, which was also approved by the cabinet, will replace the September 20 ordinance that had cut corporate tax rate cut to 22%, without any incentives and holidays, and instituted a new 15% rate for greenfield manufacturing. The bill also proposes certain changes to the Income Tax Act, beyond the ordinance, to provide greater clarity on the lower tax regime.

These include explicit provisions to clarify that the 15% corporate tax rate will not be available for entities carrying out software development as that doesn’t count as manufacturing. Also, accumulated minimum alternate tax credit cannot be claimed by those opting for lower tax regime of 22% without incentives.

(Economic Times, 21/11/2019)

Industrial policy: Govt eyes $1 trn value addition in manufacturing by 2025

The policy envisions to create globally competitive business enterprises which can generate gainful employment and sustainable livelihoods.

The draft industrial policy which targets to raise value addition in the manufacturing sector to USD 1 trillion by 2025, an official said.

The policy envisions to create globally competitive business enterprises which can generate gainful employment and sustainable livelihoods.

It entails creating industry that is equipped with innovation, technology; financially viable and environment friendly; and whose benefits are shared by all sections of the society, the official added.

The initial draft policy is being circulated to seek views of different ministries and departments.

The policy would work in tandem with the Skill India Mission to improve employability of future workforce, and with the foreign trade policy to enhance India's share in global merchandise exports.

It would also enable harmonious implementation of macro fiscal and monetary policies and ensure that incentive regime for industry is competitive.

Further, it will work to revive investments into industry and manufacturing with a balanced focus on both quantity and quality of investments.

The draft has also proposed a detailed implementation mechanism of the policy under which it has suggested setting up of a national industrial competitiveness council and a steering committee.

The new industrial policy was prepared and sent to the cabinet by the department last year but some new suggestions were made and now it is being reworked by the DPIIT.

This will be the third industrial policy after the ones released in 1956 and 1991. It will replace the industrial policy of 1991 which was prepared in the backdrop of the balance of payments crisis.

(Business Standard, 17/11/2019)

India world's most open, investment friendly economy: PM Modi at BRICS Business Forum

Addressing the closing ceremony of the BRICS Business Forum, prime minister Modi said the grouping of five countries had led to economic development despite the global economic slowdown.

India is the world's most "open and investment friendly" economy, Prime Minister Narendra Modi said here on Thursday as he wooed the BRICS business leaders, urging them to invest in the country and take advantage of its "limitless" possibilities and "countless" opportunities.

Addressing the closing ceremony of the BRICS Business Forum, prime minister Modi said the grouping of five countries had led to economic development despite the global economic slowdown.

"India is the most open and investment friendly economy in the world due to political stability, predictable policy and business friendly reforms. By 2024, we want to make India a five trillion dollar economy. The infrastructure alone requires USD 1.5 trillion investment," he said.

Noting that India has "limitless" possibilities and "countless" opportunities, the prime minister urged the BRICS business leaders to take advantage of them.

"I invite the business of BRICS countries to build and grow their presence in India," he said.

"BRICS countries account for 50 per cent of the world's economic growth. Despite the recession in the world, BRICS countries accelerated economic growth, drove millions out of poverty and achieved new breakthroughs in technology and innovation. Now ten years after the founding of BRICS, this forum is a good platform to consider the direction of our efforts in the future," Modi said.

The prime minister said simplifying intra-BRICS business will increase mutual trade and investment.

"Tax and customs procedures between us five countries are getting easier. The business environment is getting easier with the collaboration between intellectual property rights, and banks. I request the BRICS Business Forum to study the necessary business initiatives to take full advantage of the opportunities thus generated," he said.

"I would also like to request that priority areas in business be identified among us for the next ten years and based on them blue print of Intra-BRICS collaboration should be made," Modi said.

The prime minister said the market size, diversity and complementarities of the members of the BRICS countries were very beneficial to each other and urged the forum to map such complementarities in the five countries.

“If one BRICS country has technology, the other is related to raw materials or markets. Such possibilities are especially in electric vehicles, digital technology, fertilizer, agricultural products, food processing. I would urge the forum to map such complementarities in five countries. I would also like to suggest that at least five such areas should be identified by the next BRICS Summit in which joint ventures can be formed between us on the basis of complementarities,” he said.

“Important initiatives like innovation BRICS Network, and BRICS Institution for Future Network will be considered during tomorrow’s summit. I request the private sector to join these efforts focused on human resources. Connecting young entrepreneurs with these initiatives will also give more strength to business and innovation,” Modi said.

The prime minister said there was a possibility of making travel, business and employment between the BRICS (Brazil, Russia, India, China and South Africa) countries more easy.

He thanked President of Brazil Jair Bolsonaro for his government’s decision to give Indians visa-free entry in his country.

“I thank the President of Brazil for deciding the visa free entry to Indians. We five countries should also consider mutual social security agreement,” Modi said.

Prime minister Modi is in Brazil for the 11th BRICS Summit which will focus on building mechanisms for counter-terrorism cooperation and strengthen India’s ties with the world’s five major economies.

(Financial Times, 14/11/2019)

India, US in talks to finalise mini trade agreement

India and the United States are in talks to resolve long-drawn trade disputes and both New Delhi and Washington hope to find an early solution, an Indian foreign ministry spokesman said on Thursday.
A high-level team of officials from the US Trade Representative’s (USTR) office is in India to discuss outstanding trade issues to try and conclude the on-going talks aimed at a mini trade deal.

“Discussions have been going on between the two sides,” Raveesh Kumar, a spokesman for India’s foreign ministry, said in a news conference.”We remain optimistic that a solution will be found very soon,” Kumar said.

The two countries have been locked in trade disputes for months, over what Indian officials said, disproportionate demands made by Washington compared to what it was willing to offer.

The US has been vocal in its disappointment over the high trade deficit it has with India, despite steps being taken by New Delhi and the two countries have been slapping higher tariffs on each other’s products.

A resolution of bilateral trade issues has been hanging fire over some sticking issues related to market access for certain items for the US and restrictions on pricing for medical equipment.

The US wants India to lower import duties on items such as mobile phones, high-end motorbikes like Harley Davidsons, apples, almonds and dairy items and also lower pricing restrictions for medical equipment manufacturers.

New Delhi wants Washington to restore Generalised System of Preferences (GSP) benefits for India's exporters that was withdrawn earlier this year and roll-back unilateral import duties imposed on aluminium and steel last year.

It is also hopeful of getting increased market access for certain agricultural goods, including fruits and vegetables.

The US is one of India's largest trading partners and bilateral trade is projected to grow to $238 billion by 2025 from about $90 billion at present, according to the US-India Strategic Partnership Forum estimates.

India is optimistic that a solution will be found soon to the complex issues being discussed as part of the mini-trade package with the US, says the ministry of external affairs.

(Domain-b, 26/11/2019)

Europe beckons Indian industry

The 29 member countries of Europe comprising Europe-29, especially the Eastern European nations, offer great scope for Indian industry to invest in, speakers at an India-Europe conclave said on Wednesday.

India and the countries of the Europe 29 region are beacons of growth in a slowing world and the Europe-29 can be the gateway for Indian products to Central, Eastern and Northern Europe, minister of commerce and industry and railways Piyush Goyal said while addressing the India-Europe 29 Business Forum.

Speaking at the India-Europe 29 Business Forum has been organized by the Ministry of External Affairs and the Confederation of Indian Industry (CII) in New Delhi, Mariyana Nikolova, deputy prime minister for economic and demographic policy, Bulgaria invited Indian industry to invest in Bulgaria.

She said Bulgaria has a predictable and stable policy framework as well as one of the lowest tax rates in Europe at 10 per cent for corporates. She informed that the areas where India and Bulgaria can work together include pharmaceuticals, chemicals, machinery and agri and food processing, among others. She also highlighted Bulgaria's strengths in both hardware and software where Indian companies could be an ideal partner.

Vojtecj Ferencz, state secretary and first deputy minister of economy, Slovak Republic highlighted that companies like TCS and Jaguar Land Rover had invested in the country, and there was a need to step up Indian investment. Some of the sectors which may be considered are automobiles and auto components, electronics and electrical equipment.

Commerce and industry minister Piyush Goyal said India and Europe have very strong historical and cultural connect and can capitalise on this to develop strong economic partnership. Both India and

Europe have complementary strengths especially in areas such as smart cities, renewable energy, start-ups IT and ITeS stated Goyal. In addition to this, he suggested that promotion of bilateral tourism may be considered as a major area of cooperation.

The minister was of the view that the E29 region could act as a gateway for Indian products to the wider European market.

Secretary, ministry of external affairs, T S Tirumurti, in his address said that the economies of the two regions were complementary. He invited the E29 economies to boost cooperation with India. The India-Europe 29 Business Forum will act as a bridge and help close the geographical and knowledge gap between the two regions, he said.

Senior officials of ministries of commerce and industry, external affairs, CII and captains of industry were present on this occasion.

(Domain-b, 21/11/2019)

India decides to opt out of RCEP, says key concerns not addressed
India won't join the Regional Comprehensive Economic Partnership (RCEP) because concerns about getting swamped by imports under the agreement — putting its domestic industry and agriculture at risk — haven't been assuaged. The RCEP, which includes China and the Association of Southeast Asian Nations (Asean), aims to cover about a third of the world economy and half its population.

"The present form of the RCEP Agreement does not fully reflect the basic spirit and the agreed guiding principles of RCEP," Prime Minister Narendra Modi said in his address at the RCEP summit in Bangkok, according to a tweet by official broadcaster Prasar Bharati. "It also does not address satisfactorily India's outstanding issues and concerns. In such a situation, it is not possible for India to join RCEP Agreement."

Commerce and industry minister Piyush Goyal said the decision not to join RCEP will boost 'Make in India' as he lauded Prime Minister Narendra Modi for his "bold and courageous decision to not join RCEP, since it was against our economic interests and national priorities".

India runs a large trade deficit with RCEP countries and was looking for specific protection for its industry and farmers from a surge in imports, especially from China. The decision comes amid rising opposition at home with leading political parties stepping up attacks on the RCEP.

Door on Negotiations not Shut, Says Former Niti VC Panagariya

A joint statement by the RCEP countries said that the 15 remaining nations will begin formal work towards inking the pact in 2020 while still making efforts to resolve India's objections. The 15 countries are the 10 Asean nations, China, Japan, South Korea, Australia and New Zealand. "India's final decision will depend on satisfactory resolution of these issues," said a statement issued in Bangkok late on Monday.

Professor of economics at Columbia University and former Niti Aayog vice chairman Arvind Panagariya said India hasn't shut the door on the RCEP.

"I have always maintained that India should bargain hard in RCEP negotiations though with the intention to eventually join it," he told ET. "India's current stance is consistent with this prescription. There is room on the Indian side to give up on some of its current demands, but there is also room for India to win concessions on other demands. Statements by other 15 RCEP countries on India's position have been conciliatory and neither side has closed the door on further negotiations. So we must stay tuned!"

A Ministry of External Affairs (MEA) official said the move was the right step.

"India conveyed its decision not to join the RCEP agreement," MEA (east) secretary Vijay Thakur Singh told a press conference in Bangkok after the RCEP summit. "In the given circumstances, we believe not joining the agreement is the right decision."

A trade expert who did not want to be identified welcomed the decision.

"The move has given enough elbow room to India to be able to bilaterally resolve its issues with other countries," he said. "The onus is now on other members. If they are unable to resolve our concerns, we will be out of it."

CONCERNS, OPPOSITION

Domestic industry and dairy farmers had strong reservations about the trade pact. India's trade deficit with the RCEP nations is $105 billion, of which China alone accounts for $54 billion. The main worry is over Chinese manufactured goods and dairy products from New Zealand flooding Indian markets, hurting domestic interests. The trade agreement was also seen as being detrimental to the government's Make in India initiative.

India was looking for specific rules of origin to ensure the trade pact wasn't abused by non-partner countries and an auto-trigger mechanism to protect it from a surge in imports.

Ecommerce and trade remedies were among other key areas of concern that failed to find satisfactory redressal. New Delhi had proposed different levels of tariff concessions for China to safeguard its domestic industry from cheap imports.

On the other hand, India didn't get any credible assurance on market access and non-tariff barriers, official sources said. India was also worried about keeping 2014 as the base year for tariff reductions.

India had been consistent about raising these issues right from the start of RCEP negotiations, they said. Many of India's earlier trade agreements had been lopsided and hurt domestic industry, they said.

"Poor negotiations under previous governments of free trade agreements (FTAs) caused harm to Indian industry and led to a distorted trade balance," said one of them, adding that India was already reviewing its trade pacts with South Korea and Asean.

The sources said the previous United Progressive Alliance had also agreed to explore an India-China FTA in 2007 and join RCEP negotiations with China in 2011-12, blaming it for the lopsided deals. The impact of these decisions had resulted in India's trade deficit with RCEP nations increasing from $7 billion in 2004 to $78 billion in 2014, they said, adding that the domestic industry was still reeling under the impact of these decisions.

India made a strong case at RCEP for an outcome favourable to all countries and all sectors.

"When I measure the RCEP Agreement with respect to the interests of all Indians, I do not get a positive answer," Modi said. "Therefore, neither the talisman of Gandhiji nor my own conscience permit me to join RCEP."

He also said that in the last seven years of RCEP negotiations, many things, including the global economic and trade scenarios had changed, and that could not be overlooked.

The prime minister told the leaders at the summit that India had been proactively, constructively and meaningfully engaged in the RCEP negotiations since inception and had worked for the "cherished objective of striking balance, in the spirit of give and take."

The Confederation of Indian Industry (CII) said it will continue to support and work with the government of India in its endeavor to integrate with the global economy through mutually beneficial trade agreements.

"CII appreciates government of India's stance on addressing all outstanding issues before joining RCEP," CII president Vikram Kirloskar said in a release. "CII welcomes the RCEP leaders' joint statement acknowledging India's very legitimate concerns and we urge all countries to work with India to resolve them. We sincerely hope that these issues will be resolved soon to the mutual satisfaction of all RCEP countries."

(Economic Times, 5/11/2019)

India opts out of RCEP, PM Modi says concerns not addressed

India opted out of the Regional Comprehensive Economic Partnership (RCEP) on Monday, with PM Narendra Modi putting his foot down and saying the country's concerns were not addressed.

“Our farmers, traders, professionals and industries have stakes in such decisions. Equally important are workers and consumers, who make India a huge market and the third biggest economy in terms of purchasing power parity. When I measure the RCEP agreement with respect to the interests of all Indians, I do not get a positive answer. Therefore, neither the talisman of Gandhiji nor my own conscience permit me to join RCEP,” Modi said at the RCEP Summit in Thailand, seven years after negotiations started for formation of what could have been the world’s largest trading bloc.

India’s “no” means the bloc will not become a reality. The outcome annoyed China — its ire evident in accusations in state-controlled media about India making lastminute demands — and other members of the proposed bloc who have been eyeing the Indian market.

This is the second time since 2014 that the government has taken a tough stand on global trade issues. Soon after taking charge, the Modi administration had threatened to walk out of the WTO’s Bali package, which could have impacted the country’s food procurement programme. This time, the main concern was the threat of imports from China flooding the market.

Indian negotiators said the terms on offer did not address its worry despite it being flagged repeatedly. Besides, there were elements in the trade package which could have impacted the government’s economic policy. For instance, RCEP would have forced the government to reduce import duties on several goods, including mobile phones, to 2014 levels, impacting ‘Make in India’. The Indian government also stood to lose around Rs 50,000-60,000 crore if it had agreed to the reduced duties.

“Today, when we look around, we see during seven years of RCEP negotiations, many things, including the global economic and trade scenarios, have changed. We cannot overlook these changes. The present form of the RCEP agreement does not fully reflect the basic spirit and the agreed guiding principles of RCEP,” Modi said.

There were also fears that the weak rules could have allowed Chinese goods to be routed via Vietnam or Thailand, while there was little to ensure that Beijing didn’t erect non-tariff barriers to block the entry of Indian medicines or rice. In their joint statement, the regional leaders acknowledged India’s concerns but kept the door open.

“All RCEP participating countries will work together to resolve these outstanding issues in a mutually satisfactory way. India’s final decision will depend on satisfactory resolution of these issues,” the statement said. RCEP has always been an area of concern for Indian industry and farmers, and policymakers were reluctant to join negotiations during UPA-2. But as part of the Manmohan Singh government’s ‘Look East’ policy, India decided to join the talks, hoping it would take years for the deal to be thrashed out. In the process, it ended up annoying several countries, such as South Korea and Thailand, which wanted the agreement finalised without India as the Modi government too seemed to be pursuing a similar policy.

(Times of India, 5/11/2019)

Led by India, South Asia moving towards becoming center of global growth: IMF
Previewing some key aspects of the IMF research, Gulde-Wolf noted that based on demographic trends, more than 150 million people in the region are expected to enter the labour market by 2030.

Led by India, South Asia is moving towards becoming center of global growth and could contribute about one-third of the world's growth by 2040, according to a latest research by the International Monetary Fund. Notably, under the IMF's geographical division of the world, South Asia does not include Afghanistan and Pakistan. For IMF, South Asia includes India, Bangladesh, Nepal, Sri Lanka, Bhutan, and Maldives.

Under a substantial liberalisation scenario, supported by stepped-up efforts to improve infrastructure and successfully harness South Asia's young and large workforce, the region could contribute about one-third of global growth by 2040, argues the IMF paper 'Is South Asia Ready for take Off? A sustainable and inclusive growth agenda,' to be released in New Delhi on Monday.

"Looking at it both from the growth trajectory that we see and the development elsewhere in Asia, we see South Asia as moving towards being much more of center of global growth," Anne-Marie Gulde-Wolf, Deputy Director, Asia and Pacific Department, IMF told PTI ahead of the release of the report.

Previewing some key aspects of the IMF research, Gulde-Wolf noted that based on demographic trends, more than 150 million people in the region are expected to enter the labour market by 2030. "We have a region with a massive potential for demographic dividend. (This is), a region that has been seen over the recent past significant growth spurt," she said.

This young and large workforce can be South Asia's strength, if supported by a successful high-quality and job-rich growth strategy, leveraging all sectors of the economy in a balanced way. The IMF paper says.

Although policy recommendations remain country-specific, for many South Asian economies these should include: further progress in revenue mobilisation and fiscal consolidation; greater trade and foreign direct investment (FDI) liberalisation; and investment in people, the paper notes.

What can India do to harness the potential demographic dividend and to avoid pitfalls of rapid growth that we have seen in other areas, she asked. The IMF is looking at sustainable growth, avoiding massive ecological problems that could be associated with this kind of imbalanced prose.

That's why IMF sees India needing a multipronged approach that leverages the advantages that the country already has, she said.

"The country has already an excellent tertiary education system, built a on high value-added services. So, in no way, should any strategy devalue that aspect," she said. But it needs to be complemented with areas like manufacturing sector, wherein India is below what would one expect from a country with that level of development, she said adding that the issue is how to involve private sector to increase the manufacturing base.

India, she noted, needs to create a better environment for private sector growth which looks at a product market, labour markets, land is a particular issue and obviously some of the impetus has to come from foreign direct investment, the top IMF official said. "It has to be supported by creating a basis of labour force that is able to use the opportunities that would be created here. While maintaining the quality of the tertiary education, more needs to be done to broaden the quality of primary and secondary education," she said.

Together with this, there is need to reduce red tape obstacles and maybe more generally the footprint of the state, including in the financial sector, Gulde-Wolf said.

Bangladesh, which has had a very impressive development history in the recent past, mainly based on the garment industry, needs to diversify its economy, she said.

Noting that Bangladesh has a very low revenues to GDP ratio, low debt, but also very low investment in infrastructure, she said it is critical for this country to increase the infrastructure that would be needed for expansion of the private sector.

Among other countries Nepal, Maldives and Bhutan each one has their own issues, but the common issue that really binds them together is the need to unleash more private sector groups.

Sri Lanka, she noted, is in many senses, slightly different because it's benefiting less from the, demographic dividend because it's already reached its maximum. The island nation does not have the same growth history as the other South Asian nations.

Responding to a question, Gulde-Wolf said subject to the implementation of the IMF recommended reforms, India's income level on PPP basis would be reaching about 45 per cent of the US income level and it would one-third of the global growth.

Observing that it is always difficult to make a long-term forecast, she said it is important to show what the potential is and what the payoff over time off reforms can be.

India has significant potential, but there is need of significant reform, she said, adding that these reforms need to be implemented to set the trajectory. "If you lose time by delaying this reform, it will take more time to catch up to where you are. And the time window is not very big," the IMF official said.

"Reforms need to be implemented. We still see that the slow down at this stage is mainly cyclical, but the most recent numbers that have come in are lower than we have expected," Gulde-Wolf said.

(PTI, 3/11/2019)

Germany's Merkel renews push for FTA with India, pledges green funds

German Chancellor Angela Merkel said on Saturday there was a need for a fresh attempt to restart talks on finalizing a free trade agreement (FTA) between India and the European Union. German Chancellor Angela Merkel visits Continental Automotive Components India Pvt Ltd plant at Manesar, in the northern state of Haryana, India, November 2, 2019. REUTERS/Andreas Rinke

Merkel who is in India along with several cabinet colleagues and a business delegation, began talks with Indian Prime Minister Narendra Modi on trade, investment, regional security and climate change.

A free trade pact with India has been a long-pending demand from Germany which is India's largest trading partner in Europe. The pact has been in discussion for years.

"We need a new attempt for an EU-Indian FTA. We were already close once," Merkel said in New Delhi, adding that she held an intensive discussion about the FTA with Modi.

“With the new EU-commission there will be a new attempt,” she said.

With more than 1,700 German companies operating in India, a free trade pact could help minimise the uncertainty experienced by German investors after an investment protection agreement between the two countries ended in 2016.

While addressing an audience at the Indo-German Chambers of Commerce, Merkel said she had an open discussion with Modi about problems faced by German companies and difficulties reported by small and medium enterprises to find way around the “bureaucracy labyrinth”.

In recent months German firms have raised a few other concerns, including slowdown in India’s auto sector, lack of stable policymaking and ad-hoc decisions which they say have affected buyer sentiment and created uncertainty among carmakers.

Merkel said Germany will spend one billion euros ($1.12 billion) in the next five years on green urban mobility projects conceived under the new German-Indian partnership. German funds will be used to finance several environment-friendly projects such as the introduction of electric buses to replace diesel ones used for public transport in urban centres.

Fresh funds pledged by Germany come at a time when pollution made the air so toxic in India’s capital New Delhi that officials were forced to declare a public health emergency. Photos of Merkel’s official visit show the visible effects of smog at the presidential palace - though both Modi and Merkel ignored the declared public health emergency and did not wear masks.

(Reuters, 2/11/2019)

Merkel, Modi to deepen efforts to restart India-EU FTA talks
To cooperate in in e-mobility, fuel cell technology, smart cities, inland water ways, coastal management, cleaning of rivers, environmental protection.

German Chancellor Angela Merkel and Prime Minister Narendra Modi have stressed on the importance of a balanced free trade agreement (FTA) between India and the European Union, and agreed to deepen efforts to restart negotiations on the Bilateral Trade and Investment Agreement (BTIA), while working together to restore the full-functioning of the World Trade Organisation (WTO).

"Both sides reiterated their strong support for a rules-based international trading system, with the WTO at its centre. Against this backdrop, all efforts should be made to restore the full functioning of the WTO dispute settlement system, and reform the WTO without undermining its fundamental principles such as Special and Differential Treatment, consensus-based decision making and development objectives,” according to a joint statement issued by the two countries following the bilateral meeting between the two leaders on Friday.

A win for India

Germany is one of India's largest trading partners in the EU. India and the EU have been working on a free trade pact, formally called the BTIA, for over a decade now, but the talks have been falling apart from time to time due to differences over market access issues and opening up of the services sector.

On the side-lines of the German Chancellor's visit, the two countries signed 22 MoUs and agreements in wide-ranging areas such as green urban mobility, artificial intelligence, education and smarts cities network.

The joint statement is significant for India, especially as certain members, including the US, are trying to strip India and other developing countries of the 'Special & Differential Treatment' status at the WTO. This allows poorer countries to have lower commitments for opening up markets compared to developed countries.

Deepening economic ties

Merkel, who is on a three-day visit to the country from October 31-November 2, attended a business forum and meeting to discuss ways to further foster partnerships. She also called on President Ram Nath Kovind.

"India and Germany will develop new possibilities of cooperation in e-mobility, fuel cell technology, smart cities, inland water ways, coastal management, cleaning of rivers and environmental protection," Modi said after the meeting. "I am very happy that far-reaching and strategic cooperation exist between India and Germany in every field, especially in new and advanced technology," he said.

India also invited Germany to take advantage of opportunities in the field of defence production, especially in defence corridors in Uttar Pradesh and Tamil Nadu. Both countries decided to intensify efforts for an early conclusion of an investment protection agreement between the EU, the EU Member States and India.

"India welcomed Germany's decision to reinstate its policy to grant investment guarantees for eligible direct investments by German companies in India as a means to deepen bilateral economic ties," the joint statement said.

The leaders agreed to promote a climate-friendly development of the Indian and German power markets in order to achieve the ambitious targets of the Indian government to provide 175 GW power from renewable energy until 2022 and 450 GW in later years and of the German government to provide 80 per cent of total power generation from renewable energy by 2050.

On Saturday, Merkel will meet business delegations from both countries and visit the Continental Automotive Components India at IMT Manesar, Gurgaon. She will also visit the metro station at Dwarka.

This is Merkel's fourth visit to India.

(Hindu Business Line, 1/11/2019)

Australia demands compensation over Brexit trade disruption
Country's claim that meat exports are suffering wins support from 14 countries

Australia and a host of non-EU countries are demanding compensation from the UK and the EU for Brexit-related disruption to trade. During negotiations at the World Trade Organization in Geneva, Australia said its beef and lamb exports had already been adversely affected by Brexit confusion.

The country's claim that Australian farmers suffered losses and could continued to do so won immediate support from 14 countries including the US, India, New Zealand, China and Canada. Australia's complaint, which was fleshed out in a formal proposal for compensation, related to the complex ramifications of Brexit on the inter-hemisphere meat trade.

The EU limits the volume of agricultural imports from the rest of the world that can come into the trading bloc without full tariffs being applied. A certain amount can come from outside the EU, subject to a finite number of "tariff rate quotas" (TRQs) which allow for lower or reduced duties, rendering exports economically viable for non-EU producers.

Britain's departure from the EU would take with it a portion of the "tariff rate quotas" available to Australian companies, but the two sides cannot agree on how meat should be carved. Australia said that it could suffer a reduction in its $366m (£284m) of annual meat exports to the UK and EU as a result and claimed its industry had suffered disruption due to Britain's exit from the EU being delayed three times.

"Compensatory concessions should be provided to affected WTO members for loss of market access," an Australian official told a meeting of the WTO Council, according to the Australian Financial Review. "Australia cannot accept the assertion by both the EU and the UK that no compensation is required."

"It is clear the proposed modification to TRQs will lead to significant economic loss, by not only removing flexibility in where product is sent year to year, but also by rendering some TRQ allocations too small to be commercially viable," the statement said. "The onus is now on both members [the UK and EU] to move beyond their position of 'no compensation'."

The US called the EU and British proposals "unjustifiable" and New Zealand said it undermined the general principle that no change to existing WTO arrangements should leave WTO members worse off. Brazil also commented, saying that trade arrangements proposed for Northern Ireland could breach WTO rules.

A spokesman for the UK's Department for International Trade said: "We have set out our goods schedule at the WTO to maintain the existing balance of rights and obligations between the UK and our trading partners.

"The UK has entered into negotiations with affected countries under the GATT (General Agreement on Tariffs and Trade) Article XXVIII process to maintain the current balance of rights and obligations."

Australia is in the midst of negotiating a free-trade agreement with the EU and has signed a "mutual recognition agreement" with the UK after a globe-hopping trade mission by Liam Fox, the former trade secretary.

(The Guardian, 15/11/2019)
