Europe India Chamber of Commerce

Newsletter

Issue: 151 Volume: 15 May 2021

PM Modi''s visit to Portugal for India-EU summit called off, virtual summit on 8 May

Prime Minister Narendra Modi will not travel to Portugal for the India-EU summit next month in view of the COVID-19 situation and the meeting will be held virtually.

The Ministry of External Affairs (MEA) said it has been decided, in consultation with EU and Portuguese leadership, to hold the summit in a virtual format on May 8.

''In view of the COVID-19 situation, it has been decided, in consultation with the EU and Portuguese leadership, to hold the India-EU leaders'' meeting in a virtual format on May 8,'' MEA spokesperson Arindam Bagchi said.

''The India-EU Leaders'' meeting in the EU+27 format, the first time that such a meeting is being held, reflects the shared ambition of both sides to further deepen the strategic partnership,'' he said.

Bagchi was responding to media queries on the issue.

The prime minister was expected to visit France as part of the trip to attend the India-EU summit.

(Press and Media)

India, EU to resume formal FTA talks in May

After a gap of about eight years, India and the EU will resume formal negotiations for a trade and investment agreement on May 8, with both sides aiming to expedite a deal to aid economic growth in the post-pandemic era.

In a virtual meeting with Portugal's foreign minister Augusto Santos Silva on Tuesday, finance minister Nirmala Sitharaman said "that resumption of formal negotiations on both Trade and Investment agreements at the Leaders' Meeting of India and EU on 8th May, 2021 in Porto, Portugal would be a notable success for the Portuguese Presidency of the Council of the European Union", the finance ministry tweeted. Prime Minister Narendra Modi is scheduled to attend the leaders' summit.

The EU, including the UK, was India's largest export destination (as a bloc) in FY20, with a 17% share in the country's overall outbound shipments.

The dialogues come at a time when India's planned free trade agreement (FTA) with the EU has lost some of its sheen, thanks to Brexit. The UK accounted for 16% of India's $53.7-billion exports to the EU in FY20. Hence, trade deals with both the EU and the UK are crucial. In fact, India and the UK are also exploring the feasibility of a trade agreement.

After 16 rounds of talks between 2007 and 2013, negotiations for an India-EU FTA were stuck due to differences, as the bloc insisted that India cut import duties on automobiles and wine (which would benefit mainly Germany and France), among others. The UK is unlikely to be too rigid over these issues, analysts have said.

In February, commerce and industry minister Piyush Goyal had pitched for a quick “early-harvest deal” with the EU, in a meeting with EU trade commissioner Valdis Dombrovskis. This, he had suggested, could be followed by a time-bound and balanced FTA.

The renewed thrust on trade talks after the Covid-19 disruptions reinforces India’s commitment towards greater integration with the global value chain, just as it maintains that its Atmanirbhar initiative is not inward-looking. Having pulled out of the China-dominated RCEP deal, India has been seeking to expedite trade talks with large markets.

India and the EU have already agreed to a review of the progress of discussions on the proposed bilateral trade and investment agreement on a monthly basis by senior officials. It will be followed by a quarterly review by both Goyal and Dombrovskis.

(Financial Express, 15/4/2021)

Negotiations on India-EU trade deal to resume next month: FM

Synopsis

The negotiations between India and the European Union on a free trade agreement have been stalled since May 2013, when both sides failed to bridge substantial gaps on crucial issues, including data security status for the IT sector. The negotiations with the 27-nation grouping were launched in June 2007.

Finance Minister Nirmala Sitharaman on Tuesday said resumption of formal negotiations on India-EU trade deal during the leadership summit next month would help further strengthen ties with the European Union.

The negotiations between India and the European Union on a free trade agreement have been stalled since May 2013, when both sides failed to bridge substantial gaps on crucial issues, including data security status for the IT sector. The negotiations with the 27-nation grouping were launched in June 2007.

During the bilateral meeting with Portugal Foreign Affairs Minister Augusto Santos Silva, Sitharaman said that resumption of formal negotiations on both Trade and Investment agreements at the leaders' meeting of India and EU on May 8 in Porto, Portugal would be a notable success for the Portuguese Presidency of the Council of EU.

"FM @nsitharaman also underscored on the need to build on historic bilateral ties based on stronger economic and financial links befitting a 21st century partnership built on mutual trust and equal commitment," the finance ministry said in a tweet.

During the meeting, the finance minister highlighted the significance of the high-level visits between both countries during recent years which resulted in addition of several agreements and outcomes, thereby transforming the historical relationship into a modern 21st century partnership.

"FM @nsitharaman lauded the excellent bilateral relations between India & Portugal with shared history, culture and people-to-people ties. The two democracies focused on boosting economic growth, investment, industry and innovation is also a testament to these shared values," another tweet said.

(Economic Times, 14/4/2021)

India looks forward to advance talks for investment facilitation pact with EU: Piyush Goyal

Synopsis

India is keen to advance talks with the European Union (EU) towards an agreement on investment facilitation and protection for mutually beneficial outcome, Commerce and Industry Minister Piyush Goyal said on Tuesday.

India is keen to advance talks with the European Union (EU) towards an agreement on investment facilitation and protection for mutually beneficial outcome, Commerce and Industry Minister Piyush Goyal said on Tuesday. The minister also emphasised on the need for proportional and simultaneous discussions on both trade and investment so that the two sides have a balanced outcome.

Further, Goyal called for an early harvest agreement and addressing non-tariff barriers between the two sides. He said this while addressing the ambassadors of the EU member states today. "India looks forward to advance the negotiations towards an agreement between India and EU on investment facilitation and protection for mutually beneficial outcome," he said. He also informed that India has sent more than 65 million COVID-19 vaccines to over 80 countries around the world.

Goyal also said that India has proposed TRIPS (trade-related aspects of intellectual property rights) waiver at WTO (World Trade Organisation) for a limited period so that humanity at large could have access to the COVID-19 related products, and sought the support of the EU on the issue. EU countries collectively are the largest trading partner for India, as well as one of the largest investors

(Economic Times, 14/4/2021)

Indian footprint expands in UK despite Covid crisis, finds new 'India Meets Britain Tracker'

Synopsis

The 2021 tracker, collated annually by Grant Thornton and the Confederation of Indian Industry (CII) to weigh up the contribution of Indian businesses to the UK economy, found that the number of Indian companies operating in the country grew from 842 in the 2020 tracker to 850 and these firms employed 116,046 people, an increase from 110,793 on the previous year.

The number of Indian companies operating in the UK and their job creation levels have registered growth despite the challenges of Brexit and COVID-19 pandemic over the past year, the 'India Meets Britain Tracker' concludes in a report released here on Thursday.

The 2021 tracker, collated annually by Grant Thornton and the Confederation of Indian Industry (CII) to weigh up the contribution of Indian businesses to the UK economy, found that the number of Indian companies operating in the country grew from 842 in the 2020 tracker to 850 and these firms employed 116,046 people, an increase from 110,793 on the previous year.

The total turnover of these companies added up to GBP 50.8 billion, up from GBP 41.2 billion and 47 per cent have at least one woman on their board, compared with 20 per cent in last year's analysis.

"I welcome these findings, which show that the UK continues to be a highly attractive destination for Indian investors, who are both bringing jobs to the UK and increasing female representation at the highest level in our boardrooms," said Lord Gerry Grimstone, UK Minister for Investment, during a virtual launch of the report.

"Deeper trading ties with India will ensure more fast-growing companies like Birlasoft and Diligenta will have the opportunity to bring jobs and growth to the UK, as we build back better, and stronger, from COVID-19," he said.

During the course of 2020, despite continued uncertainty over the final outcome of the UK's exit from the European Union (EU), the research finds that Indian investors continued to invest in the UK and were involved in 10 acquisitions - the highest of any single EU country - throughout the year, including four in the technology and telecoms industry and two in manufacturing.

"Trade and investment flows between India and the United Kingdom have remained on a positive trajectory despite the pandemic," said Gaitri Issar Kumar, the Indian High Commissioner to the UK.

"Our governments are committed to removal of trade barriers and encouraging collaborations in innovation and technology development particularly in sectors where our nations have complementary capabilities," she said.

The report also provides a tracker of the fastest growing Indian-owned companies in the UK, measured by those with a turnover of more than GBP 5 million, year-on-year revenue growth of at least 10 per cent and a minimum two-year track record in the UK.

This year, 49 companies met the qualifying criteria for appearing in the tracker, achieving an average revenue growth rate of 40 per cent.

The corporation tax payments were down somewhat from GBP 462 million previously to GBP 459.2 million during the course of 2020, a reflection of the economic upheaval unleashed by the pandemic.

"Despite the challenges of the past year and, as Britain aims to increase trading and investment links around the world post Brexit, the long-standing ties between Britain and India only look set to deepen," said Anuj Chande, Head of South Asia Business Group, Grant Thornton UK LLP.

"Our research finds that the number of Indian companies operating in the UK has increased and that many continue to grow at a rapid rate, with some recording triple digit growth," he said.

For the eighth year in a row since the report was launched, technology and telecom companies dominated the tracker, accounting for 20 of the 49 companies included.

Birlasoft Solutions tops the list as the fastest-growing company this year, recording 158 per cent revenue growth.

Meanwhile, Diligenta, owned by Tata Sons, was the largest company listed, with revenue of GBP 388 million and an impressive growth rate of 62 per cent.

While technology and telecoms continue to dominate, the proportion of pharmaceuticals and chemicals companies featuring in the tracker increased significantly this year, up to 27 per cent of the total from 15 per cent in 2020.

Chandrajit Banerjee, Director General, Confederation of Indian Industry (CII), said: "The statistics are a reflection of the strong contribution that Indian industry has continued to make in the UK, in keeping jobs and supporting the local economy.

"As discussions around the India and UK Enhanced Trade Partnership agreement continue, and as nations continue to battle the pandemic, CII and its members have worked towards facilitating an economic recovery path which has been invaluable and it is therefore highly encouraging to see the role our Indian industry has played here in the UK."

The Tracker also finds that London remains the preferred location for fastest-growing companies, with over half (53 per cent) of the fastest-growing Indian companies in this year's report located in London, confirming the UK capital as their continued preferred location though there is also growing interest across other regions.

(Economic Times, 23/4/2021)

IMF projects India’s growth rate to jump to impressive 12.5 per cent in 2021

Notably in 2020, India's economy contracted by a record eight per cent, the International Monetary Fund (IMF) said as it projected an impressive 12.5 per cent growth rate for the country in 2021.

The IMF on Tuesday projected an impressive 12.5 per cent growth rate for India in 2021, stronger than that of China, the only major economy to have a positive growth rate last year during the COVID-19 pandemic.

The Washington-based global financial institution, in its annual World Economic Outlook ahead of the annual Spring meeting with the World Bank, said the Indian economy is expected to grow by 6.9 per cent in 2022.

Notably in 2020, India’s economy contracted by a record eight per cent, the International Monetary Fund (IMF) said as it projected an impressive 12.5 per cent growth rate for the country in 2021.

China, on the other hand, which was the only major economy to have a positive growth rate of 2.3 per cent in 2020, is expected to grow by 8.6 per cent in 2021 and 5.6 per cent in 2022.

Chief Economist at IMF Gita Gopinath said: “We are now projecting a stronger recovery in 2021 and 2022 for the global economy compared to our previous forecast, with growth projected to be 6 per cent in 2021 and 4.4 per cent in 2022.”

In 2020, the global economy contracted by 3.3 per cent.

“Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis,” she said in her foreword to the report.

According to the report, after an estimated contraction of 3.3 per cent in 2020, the global economy is projected to grow at 6 per cent in 2021, moderating to 4.4 per cent in 2022.

The contraction for 2020 is 1.1 percentage points smaller than projected in the October 2020 World Economic Outlook (WEO), reflecting the higher-than-expected growth outturns in the second half of the year for most regions after lockdowns were eased and as economies adapted to new ways of working.

The projections for 2021 and 2022 are 0.8 percentage point and 0.2 percentage point stronger than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year, the report said.

Global growth is expected to moderate to 3.3 per cent over the medium term, reflecting projected damage to supply potential and forces that predate the pandemic, including aging-related slower labour force growth in advanced economies and some emerging market economies.

In a blog post, Gopinath said the pandemic is yet to be defeated and virus cases are accelerating in many countries.

Recoveries are also diverging dangerously across and within countries, as economies with slower vaccine rollout, more limited policy support, and more reliant on tourism do less well, she said.

Gopinath said policymakers will need to continue supporting their economies while dealing with more limited policy space and higher debt levels than prior to the pandemic.

This requires better targeted measures to leave space for prolonged support if needed. With multi-speed recoveries, a tailored approach is necessary, with policies well-calibrated to the stage of the pandemic, the strength of the economic recovery, and the structural characteristics of individual countries, she said.

“Right now, the emphasis should be on escaping the health crisis by prioritising health care spending, on vaccinations, treatments, and health care infrastructure. Fiscal support should be well targeted to affected households and firms.

“Monetary policy should remain accommodative (where inflation is well behaved), while pro-actively addressing financial stability risks using macroprudential tools,” she said.

Once the health crisis is over, policy efforts can focus more on building resilient, inclusive, and greener economies, both to bolster the recovery and to raise potential output, Gopinath said.

“The priorities should include green infrastructure investment to help mitigate climate change, digital infrastructure investment to boost productive capacity and strengthening social assistance to arrest rising inequality,” she added.

The global economy shrank by 4.3 per cent last year, over two-and-a-half times more than during the global financial crisis of 2009.

According to Johns Hopkins University's coronavirus tracker, the COVID-19 has so far infected 131,707,267 people and killed 2,859,868 people across the world since it first broke out in central China's Wuhan city in 2019.

(Indian Express, 7/4/2021)

EU pips US to emerge top export destination for Indian engineering goods

European Union with $13.52 billion of engineering exports from India has pipped the North American market with $13.19 billion of exports to emerge as India's top export destination during fiscal to March 2021, said Engineering Export Promotion Council (EEPC) India.

Though the overall exports to both these regions saw a marginal decline during the last fiscal, the European Union accounted for 19% and the North American region 18% of India's total engineering exports. The ASEAN region with a 15.4% share emerged as the third-largest destination with $11.22 billion out of the total $73.11 billion of India's engineering exports during the last fiscal.

In terms of the countries, China continued the second-largest export destination for India by reporting a growth of over 127% at $4.83 billion during the last fiscal, up from $2.12 billion a year ago. In March alone, the exports to China recorded a whopping growth of 337.4% at $553 million.

The overall exports of engineering goods from India saw a marginal fall of 2.95% at $73.11 billion during the last fiscal, down from $75.34 billion, mirroring the global trend.

Rising global demand and increased economic activities have resulted in exports of 32 out of 33 engineering goods except for motor vehicles and cars saw positive growth, said EEPC India in a statement on Sunday evening. The categories that saw positive growth include iron and steel, non-ferrous metal products, industrial machinery and office equipment, among others, signalling good times for exporters reeling under loss for the past one year due to pandemic, it said.

Exports to 21 out of 25 top markets including the US, China, Singapore and Germany saw shipments from India rising during the last fiscal, show the data compiled by EEPC India.

"While the recovery in the last few months of the fiscal offers a ray of hope for the sector, the rising number of Covid cases poses a downward risk," said EEPC India chairman Mahesh Desai. Pointing out that many states have imposed restrictions to contain the virus spread, he said, "This could affect exports and the worst impacted would be MSMEs."

The share of engineering exports to the top 25 nations accounted for 75.8% of India's total engineering exports during the last fiscal, said Desai, adding that "This significant-high share is indicative of the dependence of India's engineering export on the traditional markets."

(Economic Times, 27/4/2021)

View: U.S.-China cold war will have more than two sides

The cold war is back — or at least its rhetoric. U.S. President Joe Biden wants to forge an "alliance of democracies" against the world's "autocracies." The New York Times isn't alone in thinking that "the world is increasingly dividing into distinct if not purely ideological camps, with both China and the

United States hoping to lure supporters." This would be a profoundly disturbing development if true. The real danger ahead, however, is not so much a new cold war as binary modes of thinking that see stark divisions and antagonisms where none exist.

Politicians and journalists might find it useful to define the world through oppositions; doing so might even appear to help a polarized society such as the U.S. unite against a perceived enemy. But, as in the U.S.-Soviet rivalry, such either-or thinking can cause a fatal disconnection with reality.

The old cold war, it might be remembered, accelerated with the help of a widespread hysteria in the late 1940s over "losing" China to communism. Of course, China was never America's to lose. Nevertheless, fear of a "domino effect" hardened the U.S. resolve, eventually costing hundreds of thousands of lives, that Vietnam should not be similarly lost.

Many books have been written about how Washington's best and brightest were deceived by this powerfully self-perpetuating fixation. Around what President Dwight Eisenhower called the "military-industrial complex" grew a supporting intellectual-industrial complex that specialized in dividing the world into irreconcilable "blocs."

Those positing stark oppositions between the free and the unfree world consistently failed to see that China and Vietnam were part of a larger and irreversible Asian and African drive toward decolonization, self-determination and nation-building. In this process, rendered extremely fraught by the volatility of domestic and international politics, no developing nation could afford permanent friends or enemies.

This was confirmed repeatedly by events. A military confrontation with his Soviet friends and betrayal by his chosen successor made Mao Zedong play host to President Richard Nixon in Beijing. A few years later, China was invading its former communist ally Vietnam with American approbation. More recently, Vietnam has moved toward becoming a U.S. partner.

Many of the calamitous hot wars of the cold war could have been avoided had the then-leading superpower recognized the pragmatic self-interest of smaller nations — the imperatives of self-strengthening that made Ho Chi Minh reach out to U.S. diplomats early in his career as a nation-builder. Instead, cold warriors such as U.S. Secretary of State John Foster Dulles and CIA director Allen Dulles made the world a more dangerous place with their stubborn bloc-thinking.

In one notorious and fateful act, the U.S. canceled promised aid to Egypt's Aswan Dam at the last minute, humiliating Egyptian leader Gamal Abdel Nasser (a persecutor of communists, incidentally) and forcing him to turn to the Soviet Union for help.

The Dulles brothers also convinced themselves that India, self-avowedly neutral, was in the Soviet camp. "Dull, Duller, Dulles," as Indian Prime Minister Jawaharlal Nehru dubbed the brothers, could not see that India, like all developing nations, was focused on pursuing its own vital interests.

This often meant playing off one superpower against another. India managed to secure Soviet military assistance and U.S. development aid at the same time as it tirelessly advocated, as a leader of the Non-Aligned Movement, decolonization in Asia and Africa.

Pakistan achieved the more remarkable feat of joining U.S.-led security treaties against communism while developing fraternal relations with communist China.

There is no question that today, forced to choose between allying oneself to a democracy or an autocracy, most countries would again choose both. They can hardly act otherwise.

Countries such as Indonesia and Vietnam surely welcome the U.S. presence in Asia as a counterweight to China. But their economies are too dependent on the latter to make an effective break with Beijing.

In fact, a fresh bonanza awaits many commodity-rich countries if the U.S. embarks on a massive infrastructure-building program. Peru and Australia will no doubt seek to sell copper to both China and the U.S.

What could violently disrupt this interplay of material interests is bloc-thinking and strategizing. Indeed, the urgent question today is not whether there will be a new cold war. It is whether modes of thought developed during the previous one, and disastrously unfit for the purpose even back then, will again dominate political and intellectual life.

Certainly, the world has changed beyond recognition since the time when think-tanks parroted theories about the “domino effect.” Communist-ruled China today purports to be an exponent of free trade, while an increasingly tariff-friendly U.S. seeks to match China’s industrial policies.

The crude division between democracy and autocracy won’t help us grasp such a topsy-turvy world. Though comfortingly simple, such cold war ideologies can never truly replace our messy reality.

(Economic Times, 4/4/2021)
