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Trade winds: High-stakes EU & UK free trade agreements make wish lists longer

Ministries and industry bodies ready list of demands as formal talks to commence soon

As India prepares to launch formal negotiations with the UK and the EU this fiscal for free trade agreements (FTAs), domestic players rush to submit demands for greater market access in hundreds of products, with textiles and garments featuring in the wish list of most stakeholders, sources told FE.

Apex exporters' body FIEO alone has submitted with the government a list of 240 products — ranging from textiles and pharmaceuticals to engineering goods—in which it wants the UK to cut tariffs. Government officials are drawing up a comprehensive list of items for the talks. This includes electrical machinery, capital goods, auto components, organic chemicals, leather, footwear and toys, among others.

The textile ministry is pitching for duty-free access in textiles and apparels, which made up for 19% and 14% of India's exports to the UK and the EU, respectively, last fiscal. Textile secretary UP Singh told FE that the inclusion of these products in the planned FTAs will certainly boost India's exports. However, the government will take a "balanced view" when it starts negotiations, keeping in mind interest of all stakeholders, he added. The EU imposes up to 9.6% duty on Indian textiles and garments, while least developed countries like Bangladesh, and Pakistan get duty-free access.

The Apparel Export Promotion Council and the Confederation of Indian Textile Industry, too, want such products to be part of early negotiations. Similarly, other export organisations seek easier access in dozens of products, relevant to the sectors they represent.

However, some others, mainly in the dairy and farm sector, don't want the government to commit tariff cuts in these products.

Since its pull-out of the Beijing-dominated RCEP trade negotiations in November 2019, India has been seeking to expedite talks with key economies. But it has made it clear that any trade agreement will have to be "fair" and "balanced".

While negotiations with the UK could be wrapped up relatively early, those with the EU will be a long-drawn process, given the complexities associated with the 27-member bloc, commerce ministry officials said.

Nevertheless, New Delhi will try to hammer out an early-harvest agreement with London, based on issues where a consensus can be easily forged. This would be followed up with a more comprehensive FTA.

Similarly, as FE has reported, the resumption of negotiations with the EU after a gap of over eight years could see both the parties focussing on “low-hanging fruit” first, before switching on to contentious matters that had hampered talks earlier.

Government officials are also studying the EU’s negotiations with China for an investment agreement and its FTA with Vietnam for meaningful talks.

After 16 rounds of talks between 2007 and 2013, formal talks for the FTA were stuck over stark differences, as the EU insisted that India scrap or slash import duties on sensitive products such as automobiles, alcoholic beverages and cheese, among others. India’s demand included greater access to the EU market for its skilled professionals, which the bloc was reluctant to accede to.

Since 2013, though, the situation has changed dramatically with Brexit, and the attractiveness of the EU as a large market has somewhat eroded. Nevertheless, it still remains an important trade destination.

India’s exports to the EU, excluding the UK, dropped 8% in the wake of the pandemic to $41.4 billion in FY21, representing 14.2% of the country’s total outbound shipment of goods. Similarly, its exports to the UK declined 7% to $8.2 billion last fiscal.

India’s major exports to the EU in FY21 were textiles and garments ($5.6 billion), organic chemicals ($4.2 billion), iron & steel and related products ($3.9 billion), mineral fuels, etc ($2.9 billion) and pharmaceuticals ($1.9 billion). Its exports to the UK included textiles and garments ($1.6 billion), gems and jewellery ($744 million), electrical machinery ($565 million), pharmaceuticals ($618 million) and auto ($244 million).

Experts, too, have suggested that in their negotiations, both the sides need to work on less controversial issues first. Subsequently, innovative solutions need to be firmed up to break the log jam in more contentious matters.

For instance, Arpita Mukherjee — professor at Icrier who specialises in trade and investment—has proposed a threshold price for alcohol for tariff liberalisation, as was done by Japan for Australian wines under the RCEP.

(Financial Express, 28/9/2021)

FDI key to India’s aspiration to be a USD 5 trillion economy, says Deloitte CEO

"Despite the COVID-19 destruction, inflows hit a record high last year. Business leaders, whom Deloitte surveyed, are preparing to make additional and first-time investments in India," Renjen told PTI.

Foreign Direct Investment (FDI) is critically important for India to become a USD 5 trillion economy, Deloitte CEO Punit Renjen said while noting that over two-fifths of the 1,200 business leaders surveyed in the US, UK, Japan and Singapore are planning additional or first-time investments in India. Referring to the survey, he said India continues to be “one of the most attractive” FDI destinations.

“Despite the COVID-19 destruction, inflows hit a record high last year. Business leaders, whom Deloitte surveyed, are preparing to make additional and first-time investments in India,” Renjen told PTI.

The CEO of the top multinational professional services network said, “FDI, I believe, is the key to India’s aspiration to be a USD 5 trillion economy and I think that is eminently doable. I am certainly a very big proponent of India and what can be accomplished.”

The fourth key takeaway from the survey was the value of the skilled workforce and prospects for economic growth, particularly domestic. These are important attractors for FDI, he said. Also, it is still believed that India is a challenging place to do business. This perception is due to low awareness about government programmes, incentives and reforms, particularly those that have just been announced by the government, he said.

“Of 1,200 business leaders surveyed in the US, UK, Japan and Singapore, 44 per cent are planning additional or first-time investments in India. Among the first-time investors, nearly two-third are planning to do so within the next two years,” Renjen said.

The Deloitte CEO noted that although there is a significant crossover, access to India’s domestic market is very important in addition to the country being an export hub. But the attraction of the domestic market is very important for FDI investment, he said, adding, “Business leaders rated India higher on economic growth and skilled workforce, which are great attractors.”

Observing that government policies are certainly very welcome and are helping in attracting FDI in India, Renjen said some of the recent policy clarification is very good and the stated investment in infrastructure is very positive.

He said 16 per cent of surveyed business leaders in Japan, and nine per cent in Singapore were less aware of the initiatives such as digitization of customers, clearance and production. “There is a lack of awareness of all the really good things that the government is doing.”

Under Renjen’s leadership, Deloitte this month became the first professional services firm to cross USD 50 billion. Even during the COVID-19 times, the company grew by 5.5 per cent. He said Deloitte has informed Prime Minister Narendra Modi that it will hire 75,000 more people in India in the next three years. The company currently has 65,000 people in India, out of a total global workforce of 3,45,000.

During the COVID-19 crisis in India, Deloitte provided massive assistance both in terms of finances and healthcare equipment and also came out with the Sanjeevani Pariyojana — a supervised, virtual home-care initiative to help people quickly access healthcare for mild to moderate symptoms of Covid.

The programme is now being rolled out in various parts of the country. Several other countries, South Africa in particular, are adopting the project.

“We have taken what we have done in Haryana, and we’re now implementing it with the government in South Africa… We will also take it to Southeast Asia,” Renjen said.

“We leveraged home healthcare oximeters, oxygen concentrators and India’s unique capabilities like the Asha workers. This was a very uniquely Indian answer to a problem. We also learned that this is a good way to provide primary healthcare, especially in rural areas,” he said.

The lessons that were learnt in India are definitely “exportable”, the Deloitte CEO said. Responding to a question, Renjen said the first lesson India can learn from the Covid crisis is an investment in primary

healthcare, the second is that vaccination is very important and the third is COVID-19 is a very difficult enemy.

“We cannot let our guard down. We have to be very vigilant and this will take us a lot of effort to address. The last lesson is this is not an Indian problem but a global problem,” he added. Renjen also said that India is “absolutely key” to Deloitte.

Fifteen per cent of Deloitte’s 3,45,000 individuals live and work in India, and this is going to go up to nearly 25 per cent in the next three years, he said adding the intent is to reach tier-two and tier-three cities.

(Financial Express, 21/9/2021)

Ongoing economic recovery will take India above pre-pandemic levels in most sectors: Jayanth Varma

Eminent economist Jayanth R Varma on Thursday said the ongoing economic recovery will quickly take India above the pre-pandemic levels in most sectors of the economy, adding that the improved health of the Indian financial sector is also a positive factor for economic growth. Varma, who is also a member of the Monetary Policy Committee (MPC) of the Reserve Bank, in an interview to PTI said high and persistent inflation is a major constraint on monetary policy.

“I am quite positive about the ongoing economic recovery which will, I think, quickly take us above the pre-pandemic levels in most sectors of the economy except contact-intensive services,” he said. Varma added that beyond that point, the challenge is to reverse the slowdown that began around 2018, and achieve sustained robust growth.

“Sustained growth in my view depends mainly on a revival of capital investment by the business sector and I am hopeful about that as well,” he said, adding that the improved health of the Indian financial sector is also a positive factor for economic growth.

The Indian economy grew by a record 20.1 per cent in the April-June quarter, helped by a very weak base of last year and a sharp rebound in the manufacturing and services sectors in spite of a devastating second wave of COVID-19. India is now on track to achieving the world’s fastest growth this year.

On the prices front, he said that inflation was above 6 per cent in 2020-21, is likely to be above 5.5 per cent in 2021-22, and is projected to be above 5 per cent even in the first quarter of 2022-23.

“Elevated inflation for such a long period creates the risk that households and businesses will start expecting high inflation in future as well. Such an entrenchment of inflation expectations makes the task of monetary policy more difficult,” Varma noted.

According to him, it is usually much easier to nip high inflationary expectations in the bud than it is to change these expectations after they have become entrenched.

“One key factor that dampens inflation expectations is the credibility of the central bank. To maintain this credibility, the Monetary Policy Committee has to respond decisively to inflationary pressures as they begin to take root in the economy,” he opined.

Asked when private investment will pick up in India, Varma said capital investment will pick up when capacity utilization rises to a significantly higher level than what is observed at present.

On the positive side, he noted that capacity utilisation is gradually improving in many industries. “Recovery in domestic demand will be one factor driving an increase in capacity utilisation,” Varma said, adding that another factor will be robust global growth that provides a market for Indian export.

Noting that capital flows are a function of relative growth prospects and relative interest rates, he said if the global economy recovers and Indian economic growth also rebounds, the outflows would be muted. “Similarly, whether rising interest rates in the United States lead to outflows depends on the trajectory of Indian interest rates as well,” he said.

Above all, Varma said large domestic pools of savings and capital can help offset any capital outflows. “Large foreign currency reserves also provide a modest degree of protection,” he said.

On the disconnect between the real economy and the stock market, Varma said the stock market is forward looking and is more interested in future growth prospects than in the current level of growth.

“An expectation of a quick growth rebound after the second wave is clearly one factor driving the boom,” he said. Second, abundant liquidity (both domestic and global) also leads to a rise in the prices of stocks, real estate and other assets, the eminent economist said, adding that this is the phenomenon of asset price inflation that is a matter of concern to all central banks while deciding on monetary policy.

According to Varma, the emergence of new sunrise industries mainly in the technology and related sectors that have not been impacted by the slowdown in the rest of the economy.

“This is visible in the high valuation accorded to several Indian startups this year. Finally, of course, many observers worry that some of the boom is driven by irrational investors,” he said. The Reserve Bank of India (RBI) has lowered the country’s growth projection for the current financial year to 9.5 per cent from 10.5 per cent estimated earlier, while the World Bank has projected India’s economy to grow at 8.3 per cent in 2021.

(Financial Express, 2/9/2021)

India, UK agree investment boost at Economic and Financial Dialogue

Synopsis

Sitharaman and Sunak, who met virtually for the annual summit, signed off a USD 1.2-billion package of public and private investment in green projects and renewable energy to boost India's green growth ambitions.

New steps to tackle climate change and boost investment were announced on Thursday at the 11th India-UK Economic and Financial Dialogue (EFD) between Finance Minister Nirmala Sitharaman and UK Chancellor Rishi Sunak, driving forward the bilateral agenda of an Enhanced Trade Partnership.

Sitharaman and Sunak, who met virtually for the annual summit, signed off a USD 1.2-billion package of public and private investment in green projects and renewable energy to boost India's green growth ambitions.

This includes a USD 1 billion investment from CDC, the UK's development finance institution in green projects in India, joint investments by both governments to support companies working on innovative green tech solutions, and a new USD 200 million private and multilateral investment into the joint Green Growth Equity Fund which invests in Indian renewable energy.

A new Climate Finance Leadership Initiative (CFLI) India partnership has also been agreed to mobilise private capital into sustainable infrastructure in India, including clean energy like wind and solar power and other green technologies.

"The UK and India already have strong ties, and today we've made important new agreements to boost our relationship and deliver for both our countries," said Sunak.

"Supporting India's green growth is a shared priority so I'm pleased that we've announced a USD 1.2bn investment package, and launched the new CFLI India partnership, to boost investment in sustainable projects in India as the UK gears up to host COP26," he said.

"With trade negotiations also coming up, our agreement to be ambitious when considering services will create new opportunities in both markets, supporting jobs and investment in the UK and India," he said.

At the EFD, both ministers agreed to be ambitious when considering services in the upcoming UK-India trade negotiations and strengthen the financial market collaboration efforts already underway to finance growth.

The UK also welcomed India's recent decision to lift the Foreign Direct Investment (FDI) cap in the insurance sector from 49 per cent to 74 per cent which will help British firms to take greater ownership of their operations in India.

According to UK government statistics, UK-India bilateral trade stands at around 18 billion Pounds in 2020 and supports nearly half-a-million jobs in each other's economies.

The countries have set a goal to double trade by 2030, including through negotiating a Free Trade Agreement (FTA) following an Enhanced Trade Partnership (ETP) agreed between Prime Minister Narendra Modi and his UK counterpart Boris Johnson earlier this year.

The joint statement signed at the end of the EFD covers a broad range of areas, including the financial services and opening up new opportunities for UK financial firms and helping more Indian companies access finance in the City of London.

According to official figures, over the last five years, Indian firms have raised GBP 13.41 billion in Masala, dollar and green bonds listed on the London Stock Exchange (LSE), with the LSE dubbed the "largest global centre for Masala Bonds".

The two governments also welcomed the launch of the India-UK Global Innovation Partnership under the Trilateral Development Cooperation Framework, wherein India and UK will co-finance equally a fund over 14 years to support the transfer and scale up of climate-smart inclusive innovations from India to third countries.

Progress of the UK-India strategic partnership on GIFT City (Gujarat International Finance Tec-City), India's first International Financial Services Centre (IFSC), to promote links between GIFT City and the UK financial services ecosystem was also highlighted in the EFD joint statement.

"Both countries welcome that UK banks are the first international banks to set up in GIFT City, underlining the strength of UK-India cooperation. Both sides agree to explore facilitating the dual listing of green, social and sustainable bonds on the London Stock Exchange (LSE) and IFSC exchanges, to enable firms to raise foreign capital," the statement notes.

(Economic Times, 3/9/2021)

India-UK FTA: Not a zero-sum game, but 'give and take'

Synopsis

While the potential to expand trade in goods and services exists for both India and UK, translation of the same into actual trade flows will be determined by the tariffs and non-tariff barriers.

India's hesitancy to engage in FTA's, by and large, has been on account of high trade deficit with trading partners post the implementation of ASEAN, S Korea and Japan FTA/CECA. While the legitimacy of these concerns is questionable, the experience of South East Asian countries clearly points to the positive outcomes of FTAs in developing manufacturing capabilities and aligning with development/growth targets.

In the current context of the proposed FTA with UK, India's negotiating agenda should clearly focus on pushing up India's overall export capability. Considering the emerging challenges of increasing trade costs, higher incidence of non-tariff barriers, integrating technology with supply chains, digitization, sustainable and green technologies, the India-UK FTA provides opportunities for not only expanding India's trade engagement with UK but also with the rest of the world given the trade complementarity between the two nations.

Structurally, there are significant differences in the economic indicators of UK and India as detailed in Table 1. The trade orientation (trade openness) of UK is significantly higher than India. Second, the share of services in GDP is much higher in UK relative to India, while the share of manufacturing and agriculture is relatively higher in India. However, ironically, UK's exports of goods accounted for 54% of total exports to India, while services accounted for 46% of total exports. And third, the wide difference in GDP per capita indicates the prospects for higher growth in GDP for India relative to UK. With growth in income, the demand for high end goods and services is likely to increase faster in India. For India, the high income in UK entails a demand structure for value-added goods and services.

Economic Indicators of India and UK

	India	UK
GDP (PPP)	£7.17 trillion	£2.45 trillion
GDP per capita (PPP)	£5,248	£36,585
Trade (%GDP)	40%	64%
Population	1.37 billion	66.8 million
Services, value added (%GDP)	49.40%	71.30%
Agriculture, value added (%GDP)	16.00%	0.60%
Industry, value added (%GDP)	24.80%	17.40%

Figures as on 2019

Source: *Department of International Trade (2021), "An Information Note For the Consultation Relating To Free Trade Agreement Between UK and India."*

While the potential to expand trade in goods and services exists for both India and UK, translation of the same into actual trade flows will be determined by the tariffs and non-tariff barriers (NTBs). DIT estimates show that the simple average tariff faced by Indian exports to UK is 4.2% while it is 14.6% for UK exports to India. At a disaggregated industry level, the peak tariff applied by both UK and India are significant. For example, in UK, peak tariffs are high at 242% for prepared food, 124% for vegetable products, 103% for animal and vegetable products, 76% for chemicals, 10% for textiles,12% for footwear and 13% for vehicles. As against this, tariff peaks in India are more widespread across all industries ranging from 100 to 150% for food products, 70% for plastics, 100% for automobiles, 60% for miscellaneous manufactures besides tariffs ranging between 20-40% for all the other manufactures (DIT,2021). What this means is that negotiations on tariff reductions would lead to higher exports for UK relative to India. With low tariffs in UK, tariff reduction may not provide impetus to export growth for India.

However, what is of more important from India's perspective is the high incidence of non-tariff barriers in UK, particularly for agricultural products. Quantitative assessment based on SMART simulations indicates only a 2% change in all agricultural exports (export competitive) of India to UK post the FTA. This would imply that India's modest agricultural exports to UK are constrained by NTBs. The implication drawn is that when stringent technical standards (say MRL) are introduced in the importing country, it results in higher compliance costs for Indian firms/exporters, which in turn can make their products uncompetitive. This is evident in the declining and the low share of agricultural exports to UK. Between 2000-01 and 2019-20, the share of agricultural exports in total exports to UK declined from 14.4% to 7.85%. Among agriculture exports, high growth (value) is observed for fish, cereals, coffee/tea, fruits and vegetables &products. For these products, India's major competing countries in UK are mainly EU countries and developing countries like Vietnam and Kenya.

Manufacture exports account for over 90% of India's exports to UK. The high growth (value) exports are machinery, electricals, textiles, precious stones and leather items. India's competing countries in UK are EU countries, USA, China, Bangladesh. Therefore, the possibility of India's exports expanding in UK would depend on the tariff concessions provided to these countries relative to India.

A review of UK's public consultations on FTAs with EU, US, Australia, New Zealand indicate that EU countries have been offered zero tariffs across all products, 10 TRQs for agricultural products to US, GSP for developing and LDCs. Vietnam is likely to enjoy tariff preferences under GSP and CPTPP. EU countries with extensive subsidies under Common Agriculture Policy (CAP) can stand to gain for agricultural products. Moreover, across all prospective FTAs, UK's commitment is to implement food quality standards and other technical standards. Therefore, countries that can meet these standards are likely to get better market access.

Projections on a zero-tariff regime in both India and UK indicate a higher growth of imports from UK estimated at US$2.1 billion as the tariffs in India are higher than compared to UK. The estimates show UK imports will substitute wines &spirits from France and automobiles from Germany. As India is not a major exporter for UK, the extent of trade gains will depend on how India develops new competitive products and on the concessions accorded to EU, US, Vietnam and Bangladesh by UK. While there are possibilities of enhancing India's services exports to UK, investment opportunities also exist for chemicals, fertilisers, pharmaceuticals, food processing, telecom and petroleum.

In the light of these trade dimensions, for the FTA negotiations between India and UK, the following issues may become important from India's perspective. First, as UK's tariff reductions may not lead to significant increases of exports for India, higher market access opportunities can be realized only if NTBs are addressed. India should work towards drawing up Mutual Recognition Agreements (MRAs). To mitigate the high compliance cost, India can explore the possibilities of UK's investments in Food Processing, Machinery, Pharmaceuticals with the objective of technological upgradation and implementing Good Manufacturing Practices (GMP). Additionally, India would also require institutional interventions for certifications. In this regard, the Digital Global Identity Systems for supplier verification & certification, based on Blockchain can be developed with UKs assistance. This is particularly beneficial to the industries dominated by SMEs as brought out by the experience of Canada. Second, the focus of investments from UK should be on enhancing R&D capacity of Indian manufacturing. For this, the UK industries may be encouraged to engage in the PLI Scheme with a focus on electronics and textiles. Third, as India exports mainly manufacturing intermediates while UK exports final goods, the give and take in the FTA may necessitate reducing the tariffs for automobiles and spirits. In this regard, pointed industry consultations may provide the feasibility of tariff reduction in exchange for technological partnerships. Fourth, the bilateral relationship in services trade needs to be strengthened for both UK and India. And lastly, the FTA with UK need to be taken up as a continuum for the FTA negotiations with EU.

(Economic Times, 9/9/2021)

Sign FTAs with US, EU for helping domestic exporters: Parliament panel to govt

Synopsis

The Parliamentary Standing Committee on Commerce submitted the report to RS Chairman Venkaiah Naidu, wherein it expressed concern that India's exports contracted from 2019-20, registering a negative growth rate of (-) 15.73 percent in 2020.

The government should iron out the issues hindering the signing of Free Trade Agreements (FTAs) with the US and the EU nations as domestic exporters are at a disadvantage due to the absence of these agreements, a parliamentary panel has recommended in a report submitted on Saturday.

The Parliamentary Standing Committee on Commerce chaired by YSR Congress leader Vijaysai Reddy submitted the report to Chairman of Rajya Sabha Venkaiah Naidu, wherein it has expressed concern that India's exports contracted from 2019-20, registering a negative growth rate of (-) 15.73 percent in 2020.

In view of the crucial role played by exports in the overall economic growth of a country, the Committee in the report opined that "India needs to step up its effort in export promotion, expand its export baskets and penetrate new export markets to recover from its current slump and increase its share in global exports".

The panel also underlined that the Indian exporters are at a "disadvantage" in the US and the European markets while competing with other exporting nations due to the absence of FTAs with the US and the EU countries.

"The Committee recommends the Department of Commerce to iron out the issues that hindered the signing of FTAs with our leading trade partners and enter into trade agreements that are beneficial for our country while balancing the interest of the domestic market with that of our exporters," the report stated.

The panel also expressed concern that the share of rail freight vis-a-vis road is only 35 percent whereas the trend is reversed in developed countries.

The Committee, therefore, recommends the Ministry of Railways to undertake a detailed study on the reason for low share of rail and take a concerted effort to increase the share of rail in freight traffic, the report said.

At the same time, the panel said, it is "disheartening to note that the Ministry of Railways is unable to provide competitive freight rate for movement of export consignment".

The Committee feels that this will adversely affect the competitiveness of India's exports in global markets as freight cost plays a crucial role in determining the final price of the product, as per the report.

The panel undertook an in-depth examination of export-oriented measures and held seven meetings with all stakeholders spanning over for nearly twenty hours, it said.

The panel led by Reddy, who is a noted chartered accountant, in the report recommended the government to take appropriate measures, relook its export strategies and policies to achieve a positive growth rate of exports and higher share in global exports markets.

(Economic Times, 12/9/2021)

World Bank kills ease of doing business report after probe cites undue pressure on rankings

Synopsis

The World Bank said in a statement said that the decision came after internal audit reports had raised "ethical matters, including the conduct of former Board officials as well as current and/or former Bank staff" and a board investigation conducted by the law firm Wilmer Hale.

The World Bank Group on Thursday said it ended publication of its "Doing Business" report on country investment climates after a probe of data irregularities cited "undue pressure" by top bank officials, including then-Chief Executive Kristalina Georgieva, to boost China's ranking in 2017.

The World Bank said in a statement said that the decision came after internal audit reports had raised "ethical matters, including the conduct of former Board officials as well as current and/or former Bank staff" and a board investigation conducted by the law firm Wilmer Hale.

The Wilmer Hale report cited "direct and indirect pressure" from senior staff in the office of then-World Bank President Jim Yong Kim to change the report's methodology to boost China's score, and said it likely occurred at his direction.

It also said that Georgieva, now the managing director of the International Monetary Fund, and a key adviser pressured staff to "make specific changes to China's data points" and boost its ranking at a time when the bank was seeking China's support for a big capital increase.

China's ranking in the "Doing Business 2018" report published in October 2017, rose seven places to 78th after the data methodology changes were made, compared with the initial draft report.

The Doing Business report assesses regulatory environments, ease of business startups, infrastructure and other business climate measures.

"I disagree fundamentally with the findings and interpretations of the investigation of data irregularities as it relates to my role in the World Bank's Doing Business report of 2018," Georgieva said in a statement issued by the IMF. She added that she had met with the IMF's executive board to discuss the matter.

The WilmerHale report also cited irregularities in the data used to determine rankings for Saudi Arabia and Azerbaijan in the "Doing Business 2020" report published in 2019, but found no evidence that any members of the bank's Office of the President or executive board were involved in these changes.

"Going forward, we will be working on a new approach to assessing the business and investment climate," the World Bank said in a statement.

(Economic Times, 17/9/2021)

Council adopts a €5 billion Brexit adjustment reserve

The Council today gave its final approval to a fund designed to help member states tackle the negative impact of Brexit.

The fund of five billion euros (in 2018 prices) will support the hardest hit regions, sectors and communities to cover extra costs, compensate losses or counter other adverse economic and social effects resulting directly from the United Kingdom's withdrawal from the European Union.

The prompt adoption of the reserve means that much needed funding will soon be made available to the worst affected European regions and companies, especially SMEs and their workers. Our goal is to help the most vulnerable navigate through a difficult period of adjustment to the aftermath of Brexit. This demonstrates solidarity by all member states with the most affected areas.

The reserve is a special one-off emergency instrument.

It will support public and private businesses facing disruption of trade flows, including new costs for custom checks and administrative procedures. Since the UK's withdrawal from the EU has created an unprecedented situation, member states will have the flexibility to decide on the best actions to take so as to counter various negative consequences.

In this respect, the setting up of the fund provides for a non-exhaustive list of eligible measures, ranging from support for SMEs, regional and local communities and organisations, including small-scale coastal fisheries dependent on fishing activities in UK waters, as well as measures to support job creation and reintegration in the labour market of returning EU citizens.

The reference period for the Brexit adjustment reserve support is from 1 January 2020 to 31 December 2023.

Allocation

The Council has decided to provisionally share upfront all the resources of the reserve, which in current prices stand at €5.4 billion, taking into account the adverse impact of Brexit on each member state. The method for calculating the provisional allocation is determined by three main factors.

The largest amount of €4.5 billion is shared according to the importance of trade with the UK, €656 million are shared based on the importance of fisheries in the UK's exclusive economic zone, and €273 million are distributed based on the importance of neighbouring links for the maritime border regions with the UK.

In addition, to allow member states to take rapid action, by far the larger part of the resources, €4.3 billion, will be made available as pre-financing in three annual tranches - in 2021, 2022 and 2023. The remaining resources will be made available in 2025, after a review of the expenditure on eligible measures in the previous years, which will also factor in any unused amounts.

(European Council News, 29/9/2021)

Britain hopes to soon complete Free Trade Agreement talks with India

Synopsis

Recently, Commerce and Industry Minister Piyush Goyal said the two countries are moving towards an early harvest trade agreement, with a comprehensive FTA as the next step.

The UK on Friday expressed hope that it will be able to soon complete the negotiations for the proposed Free Trade Agreement (FTA) with India, a move aimed at further enhancing trade and investment ties between the two countries. "I can confidently predict that we will complete the India-UK FTA before we see an India-EU (European Union) FTA completed," UK Investment Minister Lord Gerry Grimstone said.

Speaking at industry body CII's India-UK Annual Conference, he said there have been productive discussions on how the trade pact can act as a means to connect the two economies and to double bilateral trade over the next decade.

India and the UK are aiming to start negotiations for the proposed bilateral FTA by November 1.

Recently, Commerce and Industry Minister Piyush Goyal said the two countries are moving towards an early harvest trade agreement, with a comprehensive FTA as the next step.

In a FTA, two or more trading partners significantly reduce or eliminate customs duties on the maximum number of goods traded between them besides liberalising norms to promote trade in services and investments. In an interim trade pact, customs duties are removed on a limited number of goods.

The bilateral trade between the two nations stood at USD 13.11 billion in 2020-21 as against USD 15.45 billion in 2019-20. Trade balance is in favour of India, according to the data from the Indian commerce ministry.

Grimstone also said that "our focus is on boosting investments, exports, addressing market access issues, removing trade barriers that are hindering growth and unleashing the potential for economic growth".

India is working on creating a robust FTA with the UK, Gaitri Issar Kumar, High Commissioner of India to the UK, said.

India is the second largest FDI contributor in the UK and 850 Indian companies contributed a net revenue of over GBP 50 billion.

(Economic Times, 18/9/2021)