



# Europe India Chamber of Commerce

## Newsletter

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### **India to log double-digit growth this fiscal: CEA K V Subramanian**

Chief Economic Adviser (CEA) K V Subramanian on Tuesday exuded confidence that India would achieve double-digit growth in the current financial year on the back of policy initiatives and continuing reforms.

He also said the country is well poised to meet the fiscal deficit target of 6.8 per cent of GDP.

"At this stage, I can say confidently that we should be able to achieve that fiscal deficit number. Any shortfalls that might happen on the disinvestment side will also be accompanied by positive surprises that have happened on tax revenue," he told reporters.

The government estimates fiscal deficit at 6.8 per cent of the gross domestic product (GDP) for the current financial year ending on March 31, 2022.

Subramanian, who would be demitting office after completing his three-year stint next month, added, "India is likely to have double-digit growth this year. The overall growth for the first half has been 13.7 per cent, so even a little more than 6 per cent growth in the subsequent quarters should be able to deliver double-digit growth for this year."

India's GDP growth stood at 8.4 per cent in the second quarter of 2021-22, with the economy surpassing the pre-COVID level, official data showed on Tuesday.

The Economic Survey 2020-21, released in January this year, had projected GDP growth of 11 per cent during the current financial year ending March 2022.

The Survey had said growth will be supported by supply-side push from reforms and easing of regulations, infrastructural investments, boost to manufacturing sector through the Production-Linked Incentive (PLI) schemes, recovery of pent-up demand, increase in discretionary consumption subsequent to rollout of vaccines and pick up in credit.

"We are projecting 6.5-7 per cent (growth) next year and thereafter 7 per cent plus over different scenarios. I think the impact of seminal second generation reforms will unfold in terms of both investment and in productivity going forward," he said.

With regard to the impact of the new coronavirus variant Omicron, he said it is too early to comment.

He, however, said the impact would be less than the first wave as the government already has experience of handling two waves of the pandemic.

"Given that we are still amidst pandemic and the Omicron variant seems to have actually created some concern, we are all waiting for evidence to come on how infectious would it be, and how debilitating would it be as well compared to the Delta variant," he said.

Asked about the impact of repeal of three farm laws on the reforms process, the CEA said it should not affect reforms in other sectors.

"In a democracy like ours, political economy matters a lot and I think it is a fact that the way agriculture generates emotion other sectors do not.

"Therefore, extrapolating anything that you are seeing in agriculture, be it reforms or otherwise, on to other sectors...I would not recommend, because the dynamics are quite different," he said.

Parliament on Monday passed a bill to repeal the three contentious agricultural laws at the centre of protests by farmers for over a year, with the Lok Sabha and the Rajya Sabha giving their approval in quick succession amid an uproar.

The government scrapped the three laws which were passed by Parliament in September last year.

Prime Minister Narendra Modi had announced on November 19 that the three farm legislations -- Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act; The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act; and The Essential Commodities (Amendment) Act -- will be repealed.

(Economic Times, 30/11/2021)

### **India will achieve net-zero by 2070: PM Modi at climate summit**

#### Synopsis

"India is among the top countries in the world in terms of installed renewable energy, wind and solar energy capacity. At the WLS, I will share India's excellent track record on climate action and our achievements," PM Modi said in a statement ahead of the summit.

In a move that will energise the global efforts at climate change, India committed to achieve net zero emissions by 2070. This commitment was buttressed with four near-term targets. By 2030, India would increase its non-fossil fuel energy capacity to 500 GW, increase the share of renewables in the energy mix to 50%, and reduce the emissions intensity of its economy by 45%. India also committed to reduce emissions by one billion tonnes by 2030.

Addressing the COP 26 climate summit in Glasgow, Prime Minister Narendra Modi announced the five-point climate 'panchamrit', or pledge. As he set new and tougher targets for India, Modi called for a new financial target of \$1 trillion, money that the developed countries would provide the developing countries.

COP26 Summit: India will achieve 'net zero' emission target by 2070, says PM Modi in Glasgow

Prime Minister Narendra Modi on Monday presented 'Panchamrit' or five 'Amrit Tatva' from India at the COP26 Summit in Glasgow. He said, "India will bring its non-fossil energy capacity to 500 GW by 2030. Second, by 2030 India will fulfil 50% of its energy requirement through renewable energy." He added,

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"Third, India will cut down its net projected carbon emission by 1 bn ton from now until 2030. Fourth, by 2030 India will bring down carbon intensity of its economy by more than 45%. Fifth, by 2070 India will achieve the target of 'net zero'."

In doing so, India gave support to the Africa Group's demand for \$1 trillion in climate finance. "When we as developing countries are increasing the ambition of our climate action, then the amount of climate finance cannot remain the same as it was at Paris," Modi said in a stark reminder of the global compact that has been forged to address climate change, but one that has been consistently under-met.

This ties in with what Modi set out as the mantra of India's approach to global climate action. "Today in the 21st century, it has become all the more important, relevant, that the world has to move together, talk to each other and that our hearts should meet."

#### Track Record

Modi stressed that India is the only big emitter that has delivered in letter and spirit on Paris. He also reminded that India's track record is not empty words. India's renewable energy capacity is fourth in the world, a 25% increase in the last four years. India's railway system has promised to reach net zero by 2030. This alone will reduce 60 million tonnes of emissions. India also has launched institutional solutions at the global level: ISA, CDRI, that go hand in hand with Monday's announcement in COP26.

(Economic Times, 2/11/2021)

#### **India's services sector activity expands at fastest pace in 10.5 years in October: PMI**

Companies indicated that a notable pick-up in new business led to the fastest expansion in output in over a decade and as a result more jobs were created, even though business confidence remained subdued due to growing inflationary concerns.

PMI indexThe Composite PMI Output Index -- which measures combined services and manufacturing output -- rose from 55.3 in September to 58.7 in October, signalling the strongest monthly expansion since January 2012.

India's services sector activity expanded at the strongest pace in ten-and-a-half years in October, driven by a substantial upturn in business activity amid favourable demand conditions, a monthly survey said on Wednesday.

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The seasonally adjusted India Services Business Activity Index rose from 55.2 in September to 58.4 in October, signalling the strongest rate of growth in ten-and-a-half years.

For the third straight month, the services sector witnessed an expansion in output. In Purchasing Managers' Index (PMI) parlance, a print above 50 means expansion, while a score below 50 denotes contraction.

“... The recovery of the sector entered its third straight month, with firms scaling up activity at the fastest pace in ten-and-a-half years and creating more jobs,” said Pollyanna De Lima, Economics Associate Director at IHS Markit.

On the price front, with input costs again rising sharply, companies lifted their fees at the fastest pace in nearly four-and-a-half years. Monitored companies cited higher fuel, material, retail, staff and transport costs.

“... Service providers were concerned that persistent inflationary pressures could deter growth in the coming year. Business confidence remained subdued in the context of historical data,” Lima said.

On the employment front, services companies continued to hire additional workers in October. Although moderate, the pace of job creation quickened from September to the strongest since February 2020.

However, the latest data continued to point to weak international demand for Indian services. New export business decreased in October, a trend that has been recorded since the COVID-19 outbreak, the survey said.

Meanwhile, private sector output in India increased at a sharper rate in October as growth quickened among both manufacturers and service providers. The Composite PMI Output Index — which measures combined services and manufacturing output — rose from 55.3 in September to 58.7 in October, signalling the strongest monthly expansion since January 2012.

October data pointed to a second successive monthly increase in private sector employment, but the rate of expansion was only slight as growth among service providers was partly offset by job shedding at goods producers. Business sentiment among companies operating in the Indian private sector strengthened in October, owing to a notable rebound in optimism at goods producers, the survey said.

(Press Trust of India, 3/11/2021)

### **Is India recalibrating its approach towards FTA negotiations?**

#### Synopsis

There are early signs that India may be recalibrating its approach towards PTA negotiations. The direction in which its trade policy tilts will determine the success of India’s plans for export-led economic growth. It will also influence India’s positions on emerging global trade issues.

India has recently reaffirmed its commitment to trade multilateralism with the World Trade Organisation (WTO) at its centre. Parallely, India has renewed its Preferential Trade Agreement (PTA) negotiations with many countries with vigour. While it has maintained certain long-held positions at the WTO, there are early signs that India may be recalibrating its approach towards PTA negotiations.

At the WTO, India is simultaneously contesting certain developments while taking initiatives and demonstrating leadership in other areas. India is opposing the inclusion of new rules through non-consensus based instruments such as the Joint Statement Initiatives. It is also challenging the proponents who seek erosion of Special and Differential Treatment (SDT) and reform of the principle of self-declaration of development status.

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Editor: **Secretary General**

At the same time, India has taken the lead in seeking a Trade-Related Aspects of Intellectual Property Rights (TRIPs) waiver for Covid-19 related vaccines and medical equipment. It is at the forefront of efforts towards finding a permanent solution on public stockholding for food security purposes at the WTO Committee on Agriculture in Special Session. In the fisheries subsidies negotiations, India is pressing for effective SDT.

On the bilateral front, India has recently begun/resumed PTA negotiations with various countries. A combination of reasons seems to have driven this.

First, a focus on export-oriented economic growth, with the government setting ambitious targets for goods and services exports. This indicates signs of a more offensive strategy focusing on Indian export potential, rather than a defensive approach prioritising protection of domestic industry from import competition.

Second, the missed chance to get preferential access for Indian exports subsequent to India's unwise decision to stay out of the Regional Comprehensive Economic Partnership (RCEP).

Third, WTO multilateral negotiations are stalled and plurilateral negotiations (which India so far contests) are more focused on regulatory issues rather than core trade concerns. All these reasons have led to India making a renewed push for pursuing trade liberalisation on preferential basis through the PTA route.

How does India's engagement at WTO negotiations square with its recent trade engagements bilaterally? The example of trade and environment talks may be pertinent here. At the WTO, there are Trade and Environmental Sustainability Structured Discussions (TESSD) taking place, as a means to complement the work of the Committee on Trade and Environment. The focus of these discussions is on trade and environmental sustainability.

India was not a participant in the 2020 Communication on Trade and Environmental Sustainability where the TESSD were launched. On the other hand, recent news reports have indicated that India may be agreeable to incorporating chapters on trade and sustainable development (TSD) in its proposed PTAs with the UK and EU. The TSD chapters of existing EU FTAs contain obligations on environmental and social concerns, including on climate policy.

Although it remains to be seen how far India will be willing to go on such trade and non-trade linkages in PTA negotiations, it does mark a shift in its approach. India has traditionally been wary of linking non-trade issues with trade, both bilaterally and multilaterally at the WTO. This is currently being witnessed in India's opposition to attempts by some WTO members to link the negotiations on fisheries subsidies with forced labour concerns.

What then does this shift indicate? It perhaps reveals a greater degree of pragmatism on the part of Indian trade negotiators. There seems to be an acceptance that going forward, there will inevitably be a greater role of certain issues in trade negotiations. These include environmental and sustainability concerns, which are transitioning from "non-trade" to "trade-related" issues. There is an ever-increasing linkage of trade with such areas, given the nature of problems of global commons the world is confronting today. Avoiding engagement on these issues at the WTO does not mean that they will not

show up elsewhere in bilateral and regional settings. In this context, a degree of pragmatism may help align negotiation outcomes with Indian trade policy goals.

At the same time, India should carefully assess the implications of its stance on such “trade-related” issues in bilateral settings for the positions it will take multilaterally. Additionally, India must remain cautious of not over-committing to onerous and sweeping new rules on WTO-plus matters in its zeal for early finalisation of PTAs. India’s positions on issues like trade and sustainable development in upcoming PTA negotiations will be valuable pointers to its approach on trade policy going forward.

Overall, India is simultaneously pursuing export-led economic growth and greater self-reliance, committing to multilateralism and renewing its focus on bilateralism. While there are apparent contradictions here, there is also space for convergence.

Notably, India is not unique in this attempt to straddle multiple trade policy paths. The United States has emphasised the role of the WTO as a force for good, but is simultaneously focusing on a worker-centric trade policy at home. The EU’s new mantra is “open strategic autonomy”, including a trade policy which enhances the EU’s trade enforcement powers and integrates EU values such as sustainable development.

There are early signs that India may be recalibrating its approach towards PTA negotiations. The direction in which its trade policy tilts will determine the success of India’s plans for export-led economic growth. It will also influence India’s positions on emerging global trade issues.

(Economic Times, 9/11/2021)

#### **India received record FDI in last 7 years; hope to see the trend continue: Piyush Goyal**

He also said that India is focusing on integrating its quality standards with the world and the country needs to let go of the mindset of a particular product being for the domestic market and others for the export market.

India attracted “record” foreign direct investments in the last seven years and the trend is expected to continue in the coming years as well on account of major structural reforms being undertaken by the government, Commerce and Industry Minister Piyush Goyal said on Tuesday. He also said that India is focusing on integrating its quality standards with the world and the country needs to let go of the mindset of a particular product being for the domestic market and others for the export market.

“Last seven years, we have seen record FDIs (Foreign Direct Investments). I hope to see that continue, looking at major structural reforms being undertaken. This pick up in economic activity is here to stay and the future looks to be extremely bright,” he said at industry body CII’s National Conference on MNCs 2021. FDI inflows into the country rose 62 per cent to USD 27 billion during April-July period of the current fiscal.

“We will have an FTA with UAE in next 60-100 days, an interim agreement with Australia probably around the same time. With the EU, work should start soon (as) they have recently appointed a lead negotiator and we are working to start with Canada,” he said. Goyal appealed to MNCs (Multi National Corporations) to use India as a manufacturing base as they can capture the whole world from India.

"Hope you continue to grow, acquire new businesses, recruit in India and bring international talent here," he said, adding that on the single window clearance platform, more states will come on board. Under an FTA, two trading partners reduce or eliminate customs duties on the maximum number of goods traded between them. Besides, they liberalise norms to enhance trade in services and boost investments.

(Financial Express, 17/11/2021)

### **India, world's largest recipient of remittances, received USD 87 bn in 2021: World Bank**

#### Synopsis

India, the world's largest recipient of remittances, received USD 87 billion in 2021 with the United States being the biggest source, accounting for over 20 per cent of these funds, according to the World Bank. India is followed by China, Mexico, the Philippines, and Egypt, the Washington-based global lender said in its report released on Wednesday.

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India is followed by China, Mexico, the Philippines, and Egypt, the Washington-based global lender said in its report released on Wednesday.

In India, remittances are projected to grow three per cent in 2022 to USD 89.6 billion, reflecting a drop in overall migrant stock, as a large proportion of returnees from the Arab countries await return, it said.

"Flows to India (the world's largest recipient of remittances) are expected to reach USD 87 billion, a gain of 4.6 per cent - with the severity of COVID-19 caseloads and deaths during the second quarter (well above the global average) playing a prominent role in drawing altruistic flows (including for the purchase of oxygen tanks) to the country," the World Bank report stated.

Remittances to low- and middle-income countries are projected to have grown a strong 7.3 per cent to reach USD 589 billion in 2021, the bank said.

This return to growth is more robust than earlier estimates and follows the resilience of flows in 2020 when remittances declined by only 1.7 per cent despite a severe global recession due to COVID-19, according to estimates from the World Bank's Migration and Development Brief.

"Remittance flows from migrants have greatly complemented government cash transfer programs to support families suffering economic hardships during the COVID-19 crisis.

"Facilitating the flow of remittances to provide relief to strained household budgets should be a key component of government policies to support a global recovery from the pandemic," said Michal Rutkowski, World Bank Global Director for Social Protection and Jobs.

India had received over USD 83 billion in remittances in 2020.

(PTI, 18/11/2021)

## **India, US set to revive Trade Policy Forum after four years**

US Trade Representative says priority is to iron out market-access restrictions

India and the United States (US) are set to revive the Trade Policy Forum (TPF) on Tuesday after four years, in an attempt to bolster trade and investment flows between the two nations.

US Trade Representative Katherine Tai, who is on a two-day visit to India, said she hoped to make progress in areas such as movements of goods and services between the two countries, and ironing out market access restrictions and high tariffs, and these would be taken up on priority with India.

“I believe that a revived TPF can help our trade relationship keep pace with other important aspects of the US-India partnership ... at USTR we hear very frequently from our stakeholders who are not shy on issues that will be familiar to those of you involved in moving goods and services between our two countries, market access restrictions, high tariffs, unpredictable regulatory requirements, restricted digital trade measures. These are issues where we intend to make progress and they will be on the top of my list while I’m here,” Tai said after meeting Commerce and Industry Minister Piyush Goyal.

“I’m also looking forward to discussing how further collaboration on what we are calling worker-centric policies can benefit our trade relationship. President Biden and I are convinced that US trade policy requires a fundamental shift to ensure that our policies and actions focus on the impact that trade and trade agreements have on real working people,” she said.

Established in 2005, the India-US TPF met last in October 2017. It was then replaced by negotiations between the two sides on a trade deal. With the Biden administration now insisting on resolving irritants first rather than going for a mini deal, the focus on the TPF has again emerged.

India, US set to revive Trade Policy Forum after four years.

“The trade relationship between our two countries is a top priority, both from President Biden and for me. That’s why it was important for me to come to India and relaunch the trade policy forum on my first trip to Asia,” she said.

Goyal said the Trade Policy Forum was only the beginning of a new chapter in trade relations between the two nations and he hoped to revitalise the platform and resolve outstanding issues.

“I hope our meetings will encourage business communities and investors on both sides to look at a greater degree of engagement,” Goyal said.

(Business Standard, 23/11/2021)

### **Trade talks: India, US to expand agri market access**

Domestic IT firms pay over \$1 billion a year to comply with the social security norms for their Indian employees in the US despite the fact that these people don’t work there long enough to be eligible for such benefits.

India and the US agreed on Tuesday to ensure greater market access in certain farm commodities, continue their engagement on the critical visa issues and facilitate the movement of skilled



professionals, as the two sides held the trade policy forum (TPF) meeting after a gap of four years to provide a fresh impetus to bilateral trade.

Both commerce and industry minister Piyush Goyal and US trade representative Katherine Tai, who co-chaired the TPF meeting, agreed to pursue a social security totalisation agreement. The decision to work towards freer movement of professionals and the totalisation pact, long sought by New Delhi mainly to protect its IT industry against US' non-tariff barriers, seemingly marks a departure from the stringent US policies in recent years, especially under the Trump administration.

Domestic IT firms pay over \$1 billion a year to comply with the social security norms for their Indian employees in the US despite the fact that these people don't work there long enough to be eligible for such benefits. A totalisation agreement removes dual social security taxation. However, the US has remained non-committal on a complete restoration of the GSP (Generalised System of Preferences) benefits to India. Under GSP, India could ship out duty-free goods worth \$6-6.5 billion a year (but the potential tariff forgone by the US was only \$240 million in 2018).

"...the US noted that this could be considered, as warranted, in relation to the eligibility criteria determined by the US Congress," according to a joint statement after the meeting.

Bilateral goods trade between the US and India is expected cross \$100 billion for the first time in FY22, against about \$81 billion in the last fiscal when the pandemic hit the supply chains.

Interestingly, both the sides agreed to further engage to find mutually-agreed solutions on outstanding disputes at the World Trade Organization (WTO), just days before a ministerial meeting of the global trade body is to commence (from November 30).

The two sides emphasized on the collaboration of the private sector in both the countries in building stronger linkages in critical sectors — including cyberspace, semiconductors, AI, 5G, 6G and future generation telecommunications technology — and supporting resilient and secure global supply chains.

Both the sides agreed to finalise market access facilitation for mangoes, pomegranates and pomegranate arils from India, and cherries and alfalfa hay for animal feed from the US. They also decided to resolve market access issues for Indian grapes and American pork and pork products.

New Delhi also highlighted the delays in US regulatory inspections of Indian pharmaceutical facilities.

Both Goyal and Tai agreed to utilise the revitalised TPF and its working groups as a means of rapidly engaging on fresh trade concerns as they arise, and that they would evaluate the progress in this regard at quarterly intervals.

The US offered to export ethanol to support India's lofty goal of reaching 20% of ethanol blending with petrol by 2025.

Recognising that legal, nursing, accountancy and electronic payment services can facilitate growth in trade and investment, both the sides agreed to promote engagement in these sectors.

Both the countries pledged to deepen bilateral engagement to promote the digital economy, and to explore the adoption of joint principles that ensure that the internet remains open for free exchange of ideas, goods, and services.

The TPF Working Groups, comprising officials from both the countries, have been asked to develop, by March 2022, plans of action for making substantive progress. Senior officials would remain would regularly review the activity of the working groups and identify a set of specific trade outcomes that could be finalised for an inter-sessional TPF meeting to be held by mid-2022.

Both the sides highlighted the importance of trade in creating employment and opportunities for working population and the relationship between trade and environment matters. They also exchanged views on approaches to increase the utilization of renewable energy and other clean technologies to achieve net-zero emissions, including by aiming to mobilise finance and scale innovative clean technologies as agreed in the India–US Climate and Clean Energy Agenda 2030 Partnership, according to the joint statement.

(Financial Express, 24/11/2021)

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