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Union Budget 2022 highlights | Sharp hike in capital expenditure; no changes in Income Tax

Here are sector-wise highlights of the 2022 Union Budget presented by Finance Minister Nirmala Sitharaman

Union Finance Minister Nirmala Sitharaman presented the Union Budget 2022 on February 1. She said that the Budget proposals for this financial year rest on health and well-being, infrastructure, inclusive development, energy transition and climate action, financing of investments and 'Minimum Government, Maximum Governance'. India's economic growth estimated at 9.2% to be the highest among all large economies. 60 lakh new jobs to be created under the productivity linked incentive scheme in 14 sectors.

Significant announcements include digital currency, e-passports and a slew of infrastructure projects. Edible oil, wearable electronics, imitation jewellery, polished diamond are to be cheaper. Fiscal deficit is 6.9% of GDP. Tax relief announced to persons with disabilities. No change in personal income tax rates.

Here are the highlights of the Budget in a glance:

Infrastructure

PM Gati Shakti National Master Plan at a cost of ₹20,000 crore

National Highways network to be expanded by 25,000 kms in 2022-23.

National Master Plan on Expressways will be formulated in 2022-23

400 new generation Vande Bharat trains to be manufactured in next 3 years.

60 km of ropeway projects under the Parvat Mala project

Metro systems, muti-model connectivity

100 Gati Shakti cargo terminals in the next 3 years.

Agriculture

Procurement of wheat, paddy, kharif and rabi crops, benefiting over 1 crore farmers.

NABARD to facilitate fund with blended capital to finance startups for agriculture & rural enterprise.

₹2.37 lakh crore towards direct payments for minimum support price.

Chemical-free, natural farming to be promoted across the country.

2022 to be Year of Millet - support for post-harvest value addition for millet products

Using Kisan drones for crop assessment and spraying of pesticides

Ken-Betwa river linking project at a cost of Rs 44,000 crore, to benefit 9.0 lakh hectare of farmer land

Education

Digital University will be established, and to be made in different Indian languages, based on networked hub model.

One Class, One TV channel will be expanded from 12 to 200 TV Channels to provide supplementary education in all regional languages, to make up for loss of formal education due to Covid.

Defence

68% capital procurement budget earmarked for domestic procurement.

Defence R&D to be opened up for start ups, private industry and academia. 25% of R&D budget to be set aside for this.

Private industry will be encouraged to take up design and development of military platforms and equipment.

Developments on the digital front

RBI to introduce 'digital rupee' using blockchain technology in 2022-23.

Virtual digital assets to be taxed at 30%.

Gift of virtual assets will be taxed at the receiver's end.

75 digital banking units to be set up across 75 districts.

Tax, economy and finance

Green bonds will be issued for upping green infrastructure.

Fiscal deficit is 6.9% of GDP.

Taxpayers can file within 2 years an updated return if there is any anomaly in their filing.

Cooperative societies pay 18.5% alternate minimum tax and companies pay 15%. From now cooperative too will have to pay only 15%.

Surcharge has also been reduced to 7% for those cooperative having income 1 to 10 crores.

Tax relief to persons with disabilities.

Tax deduction limit for NPS account of state govt employees to 14%.

Virtual digital assets will be brought under tax regime.

Long term capital gains surcharge will be capped at 15%.

Custom duty on cut and polished diamond reduced to 5%.

Custom duty on imitation duty slashed.

Duty on Sodium cyanide increased.

Duty on umbrellas raised to 20%.

Steel scrap duty extended for another year.

Anti-dumping on stainless steel is being revoked.

Duty reduced on shrimp aquaculture.

Health and Sanitation

National Digital Health Ecosystem to be rolled out.

National Tele Mental Health program to be set up to focus on mental health.

23 tele mental health centres of excellence.

Integrated benefits to women and children through Mission Shakti, Mission Vatsalya, Saksham

Anganwadi and Poshan 2.0.

Rs. 60,000 crore allocated to cover 3.8 crore households in 2022-23 under Har Ghar, Nal se Jal

(Financial Express, 1/2/2022)

Advance estimate: GDP likely to grow 9.2% in FY22

Given the fresh curbs on mobility in the wake of the Omicron spread, PFCE will likely remain the biggest bump of the recovery path.

India's real gross domestic product (GDP) will likely grow 9.2% in FY22 upon last fiscal's sharply-contracted base and exceed the pre-Covid (FY20) level by just 1.3%, according to the first advance estimate released by the National Statistical Office (NSO) on Friday.

The statistical body seems to have refrained from bold projections — many analysts had predicted real growth in the range of 8.4% to 9.5% and the central bank had pegged it at 9.5% — amid mounting worries about a potential flare-up of the fast-evolving Covid situation. Still, some analysts reckon that this projection, too, faces downside risks.

Given that the economy expanded 13.7% in the first half, driven considerably by a conducive base, the NSO's latest growth forecast for the second half turns out to be 5.6%, as the base effect wanes.

Importantly, the nominal GDP — against which key deficit numbers are benchmarked — is estimated to be higher by almost 4.2% from the budget estimate for FY22. Assuming that fiscal deficit, in absolute term, remains the same as budgeted (Rs 15.07 lakh crore), when expressed as a fraction of GDP, it will ease to 6.5% in FY22 from the budget estimate of 6.8%.

While robust revenue mop-up (net receipts likely around Rs 2 lakh crore higher than budgeted) would have significantly brought down the deficit in absolute term, higher expenditure commitments like release of the entire dues to FCI and a higher-than-budgeted fertiliser subsidy may keep the deficit close to the budgeted level.

However, private final consumption expenditure (PFCE), the principal pillar of the economy, continues to disappoint, as income losses in the wake of the pandemic hit disposable income of people, crimping their discretionary spending. In fact, PFCE is estimated to drop by 2.9% from the pre-pandemic level, even though growth in even FY20 had remained below par (only 5.6%). However, it is estimated to grow 6.9% from the last fiscal, driven primarily by base effect.

Given the fresh curbs on mobility in the wake of the Omicron spread, PFCE will likely remain the biggest bump of the recovery path.

The projected rebound in real GDP growth from last fiscal's record 7.3% contraction would be mostly assisted by robust government spending and an uptick in fixed investments in select sectors — both would grow 10.7% and 2.6%, respectively, from the pre-Covid levels.

With this, India will regain its position, on an annualised basis, as the fastest-growing major economy in FY22, pipping China's 8% expansion, as projected by the IMF. The gross value added is estimated to grow 8.6%.

Analysts say given the nominal GDP surge, the Centre's fiscal deficit target may be met in FY22 despite elevated expenditure commitments, particularly for food and fuel subsidies. As such, against the budgetary full-year goal of 8.5% growth, the Centre's tax revenue jumped 65% until November this fiscal, buoyed by greater formalisation of the economy (albeit inorganic) and better compliance. Similarly, its expenditure up to November grew 8.8%, compared with a marginal fall in the full-year budget estimate.

On the supply side, the GVA was bolstered by good performance of manufacturing (12.5% growth y-o-y), mining (14.3%), trade, hotels, transport communications, etc (11.9%), construction (10.7%) and continued decent growth of the farm sector (3.9%).

Analysts, however, conceded that the spread of the new Covid strain compounds challenges for policy makers in stimulating growth, especially in light of a potential tightening of interests by key central banks due to the Fed's taper move. The recent surge in imports could also inflate the drag-down effect of net exports on GDP, they said.

Aditi Nayar, chief economist at Icra, said: "The widening restrictions triggered by Omicron will thwart the nascent recovery in the contact-intensive services, notwithstanding the widening vaccine coverage. Amid the ongoing uncertainty, we currently peg the impact of Omicron on GDP growth in Q4 FY22 at around 40 bps, posing a mild downside to our FY22 GDP growth forecast of 9%."

M Govinda Rao, chief economic adviser at Brickwork Ratings, said the advance estimates are more optimistic, considering the supply bottlenecks, coal, power and semiconductor shortages and looming third wave of the pandemic. The estimates are the extrapolation of the numbers based on the six to eight months of the current fiscal.

"One positive feature in these annual GDP estimates is the excess of nominal growth over real growth by a margin of 8.4% points. This is mainly due to a high implicit price deflator (IPD)-based inflation of 7.7%. This, in combination with an ongoing base effect, is likely to result in a high growth in Centre's gross tax revenues (GTR). We assess that the annual growth in centre's GTR may be close to 35%

implying a buoyancy of nearly 2. With these buoyant tax revenues, the government may be able to limit the 2021-22 fiscal deficit to its budgeted level of 6.8% of GDP although a marginal slippage may not be ruled out," wrote DK Srivastava, chief policy adviser, EY India.

(Financial Express, 8/1/2022)

2022: Economy sets sail with growth hopes; pandemic, inflationary headwinds remain

Synopsis

As 2022 begins, a raft of developments, ranging from Budgetary announcements to continuation of stimulus measures to monetary policy, will set the tone for the domestic economy, which is projected to grow more than 9 per cent in the current fiscal ending March 2022.

After navigating the turbulent pandemic waves, the recovering Indian economy is now sailing through unchartered waters of rising coronavirus cases, spiralling commodity prices and spiking inflation though the lighthouse of sustainable growth remains visible.

As 2022 begins, a raft of developments, ranging from Budgetary announcements to continuation of stimulus measures to monetary policy, will set the tone for the domestic economy, which is projected to grow more than 9 per cent in the current fiscal ending March 2022.

The country's continuing massive vaccination drive and 'precaution' doses starting for select categories of people this month will provide a firewall against any steep spike in coronavirus cases amid the emergence of the Omicron variant.

Experts opined that the economy is expected to see a strong recovery in the coming months and even going past the pre-COVID levels unless the pandemic plays spoilsport.

In the 2021 April-June quarter, the economy recorded a whopping 20.1 per cent growth but then it came mainly on the back of the base effect as GDP contracted 24.4 per cent in the year-ago period.

Nevertheless, an 8.4 per cent growth in the second quarter (July-September) was more meaningful as it indicated sustained recovery.

The country's exports have picked up in recent months, which is also an indicator of substantial recovery in the economy.

Industry body Ficci President Sanjiv Mehta said that a likely growth of over nine per cent in the current fiscal ending March 2022 was good but more important would be to "achieve a sustained growth of eight per cent over a long period of time".

A sustained growth is needed for accelerating job creation, removing poverty and bringing in prosperity in the rural and semi-urban areas.

Fitch said it expects the services sector to show a strong reading amid the lifting of most restrictions.

"We have cut our FY22 (financial year ending March 2022) GDP growth forecast, to 8.4 per cent (-0.3 pp). GDP growth momentum should peak in FY23, at 10.3 per cent (+0.2 pp), boosted by a consumer-led recovery and the easing of supply disruptions," the global rating agency said.

A dovish monetary policy by the Reserve Bank of India (RBI) has also played a key part in stimulating the overall economic activities. With global inflationary trends slightly on the upward trajectory, how long the RBI will continue with its relatively loose monetary policy will be closely watched by the markets.

The Reserve Bank has kept the benchmark lending rates or repo rates unchanged since May 2020. Among others, the low-interest rates have provided a much-needed boost to the real estate and other sectors of the economy.

"India's real GDP bounced back strongly in Q2:2021-22, hitting a growth of 8.4 per cent over a favourable base and exceeding the Reserve Bank's estimates of 7.9 per cent. The GDP level surpassed that of Q2:2019-20 by 0.3 per cent," according to an assessment by the RBI.

The recovery in aggregate demand remained broad-based in the Government Final Consumption Expenditure (GFCE), Gross Fixed Capital Formation (GFCF) and exports, it said.

The central bank noted that Private Final Consumption Expenditure (PFCE) too posted an uptick on a year-on-year basis due to a faster resumption of contact-intensive services and restoration of consumer confidence.

India's exports continued to register an impressive recovery, emerging as a key driver of the higher growth trajectory, the RBI said.

With uncertainties galore, the Union Budget in February as well as the government's fiscal approach and ambitious asset monetisation plans will chart the future course of reforms path.

(Economic Times, 2/1/2022)

Exports hit record $300 billion: Piyush Goyal

While the rise in imports signals improving domestic demand following a Covid-induced compression last fiscal, it will also pressure current account deficit (CAD).

Merchandise exports hit $300 billion till December, a record for the first three quarters of any fiscal, having witnessed a rise of 48.9% from a year before and 25.8% from the pre-Covid (same period in FY20) level, and turned out to be a major growth engine for the economy, commerce and industry minister Piyush Goyal said on Monday.

Exports in December touched a monthly record of $37.3 billion, up 37% from a year earlier and 37.6% from the pre-pandemic level. However, the continued spurt in imports (purchases from overseas jumped 38% on year to $59.3 billion) kept trade deficit in December at an elevated level of $22 billion, down marginally from $22.9 billion in the previous month. While the rise in imports signals improving domestic demand following a Covid-induced compression last fiscal, it will also pressure current account deficit (CAD).

Goyal exuded confidence that the country will realise its lofty goods exports targets of $400 billion despite potential short-term risks to the global supply-chain from the new Covid-19 strain, against $291 billion in FY21. An industrial resurgence in advanced economies, global commodity price rise, pledge to clear all past dues owed to exporters and official support to ease a liquidity crunch have bolstered exports this fiscal, analysts have said.

Importantly, merchandise exports had remained below par in the past decade, having fluctuated between $250 billion and $330 billion a year since FY11; the highest export of $330 billion was achieved in FY19. So, a sustained surge in exports for a few years will be crucial to India recapturing its lost market share.

Goyal said services exports, too, are estimated to have risen by 19.1% year-on-year to $178.8 billion until December this fiscal, despite Covid-induced curbs on travel and tourism across the globe. Such exports rose 11.7% from the pre-pandemic period.

Stressing the potential of free trade agreements (FTAs) in contributing to sustained export growth momentum in future, the minister said an FTA with the UAE, India's third-largest export destination, is close to finalisation. An interim trade deal with Australia, which will cover key labour-intensive sectors like textiles, pharmaceuticals, footwears, leather and agriculture, is at a very advanced stage of conclusion, he said. This is to be followed up with a broader FTA with Australia. Negotiations for another FTA with the UK will likely be launched this month and an early-harvest deal could be finalised by March 2022, Goyal said.

Official data showed core exports (excluding petroleum and gems and jewellery) in December stood at $28.7 billion, up 28.6% from a year before and 36.2% from the pre-Covid period. Similarly, such imports rose 34.7% on -year in December to $35.6 billion and 47.8% from the pre-pandemic level.

Of course, headline imports were driven partly by a spill-over of pent-up domestic demand that remained mostly muted in the wake of the pandemic. But import bill was greatly inflated by elevated global crude oil prices and massive purchases of coal, cooking oil and gold.

Exports this fiscal have been supported by strong order flow from key markets such as the US and China.

The top ten commodities–such as engineering goods, petroleum products, gems & jewellery, organic & inorganic chemicals, drugs & pharmaceuticals, electronics, garments, cotton yarn/fabrics/made-ups, handloom products etc., plastic & linoleum and rice–made up for about 80% of the exports in December and recorded a 41% rise from a year before. "Many of them were labour-intensive sectors that contributed majorly to the exports basket, which itself is a good sign, further helping job creation in the country," said A Sakthivel, president of the exporters' body, FIEO.

(Financial Express, 4/1/2022)

India, United Kingdom conclude round 1 of free trade agreement talks

Synopsis

The talks covered 26 policy areas including trade in goods and services such as financial services and telecommunications, investment, intellectual property, customs, sanitary and phytosanitary measures, technical barriers to trade, gender, sustainability and geographical indicators.

India and the United Kingdom on Friday concluded the first round of negotiations, for a bilateral Free Trade Agreement (FTA), the commerce and industry said in a Joint Outcome Statement.

The talks covered 26 policy areas including trade in goods and services such as financial services and telecommunications, investment, intellectual property, customs, sanitary and phytosanitary measures, technical barriers to trade, gender, sustainability and geographical indicators.

“Both teams maintain a shared ambition to conclude negotiations by the end of 2022- as part of both sides’ efforts to secure a comprehensive agreement,” the ministry said in a statement, adding that the negotiations were “productive”.

The negotiations were held virtually for over weeks and saw the coming together of technical experts from both counties for discussions in 32 separate sessions.

India and the UK formally launched negotiations for an FTA earlier this month with an aim to put an interim agreement in place by mid-April followed by a comprehensive deal by the end of the year.

The second round of negotiations is due to take place on March 7-18.

(Economic Times, 29/1/2022)

India and UK may start formal negotiations for FTA this month

Synopsis

While a delegation comprising representatives of the UK's trade ministry and businesses is to visit India to launch the negotiations, the two sides may consider doing a virtual launch amid rising Covid-19 cases, sources said.

India and the UK are likely to launch formal negotiations for a free trade agreement (FTA) in the second week of this month followed by the first round of talks after a week, people aware of the development said.

"The idea is to launch the negotiations and the first round of talks this month," an official told ET.

While a delegation comprising representatives of the UK's trade ministry and businesses is to visit India to launch the negotiations, the two sides may consider doing a virtual launch amid rising Covid-19 cases, sources said.

The two sides plan to put in place an interim agreement by March 2022 followed by a comprehensive agreement. The interim trade pact would involve early tariff or market access concessions on certain key high priority products and services, they said.

Whisky, cars, vaccines, basmati rice, wool, yarn, instant coffee, and tea pre-mix top Indian industry's list of products identified for duty cuts. India also wants enhanced mobility for its professionals.

The UK is keen on tariff reduction on Scotch whisky and a bilateral data adequacy agreement prior to the finalisation of a full-fledged free trade agreement.

Reduction or removal of tariffs on automotive products, and removal of barriers to trade in food and drink, services, and healthcare and medical device sectors are among the objectives of proposed agreement, sources said.

"The UK is keen to ink trade agreements after Brexit and India is a natural partner for it," said the official cited above.

The India-UK Joint Economic and Trade Committee (Jetco) would also meet during the launch of the negotiations.

India's exports to the UK in FY21 were $8.15 billion (₹60,700 crore) and imports were $4.95 billion (₹36,850 crore). Last year, the two countries had agreed on an enhanced trade partnership with the goal to double bilateral trade to £50 billion, or about Rs 5 lakh crore, by 2030.

(Economic Times, 3/1/2022)

UK trade minister to launch FTA talks in Delhi next week

Synopsis

A trade deal could help increase this further and will play a key role in our ambition to double trade with India by 2030, the UK government said.

Britain's Secretary of State for International Trade Anne-Marie Trevelyan will launch free trade agreement (FTA) negotiations during a visit to New Delhi starting on Wednesday, the UK government said on Sunday.

The Department for International Trade (DIT) said the schedule for the two-day visit to India will include bilateral talks between Trevelyan and Commerce and Industry Minister Piyush Goyal on Thursday, when they are expected to discuss a range of issues including green trade and the removal of market access barriers for both UK and Indian businesses.

Both ministers are then expected to confirm the launch of official negotiations on a new UK-India FTA.

"The UK and India are already close friends and trading partners, and building on that strong relationship is a priority for 2022," said Trevelyan.

"I will be using my visit to drive forward an ambitious trade agenda which represents the UK's Indo-Pacific tilt in action and shows how we are seizing global opportunities as an independent trading nation," she said.

"This is just the start of a five-star year of UK trade, forging closer economic partnerships around the globe and negotiating deals that work for businesses, families and consumers in every part of the UK," she added.

On Thursday, the UK minister will join Goyal to co-host the 15th UK-India Joint Economic and Trade Committee (JETCO) to review how businesses in both countries are benefiting from existing market access commitments under the UK-India Enhanced Trade Partnership agreed last May by Prime Ministers Boris Johnson and Narendra Modi.

The DIT said the UK Trade Secretary is expected to meet several Cabinet ministers to discuss closer bilateral cooperation, including External Affairs Minister S Jaishankar, Finance Minister Nirmala Sitharaman, and Environment Minister Bhupender Yadav.

"This highlights the ongoing wider strategic importance of the UK-India bilateral relationship which extends beyond trade," the DIT said.

On Wednesday, Trevelyan will meet staff at the New Delhi site of British manufacturing firm JCB to talk about how manufacturing and engineering firms could hugely benefit from the UK-India trade deal. The company are dubbed a UK "export success story", having been in India for over 40 years and employing over 5,000 people in country.

Later that day, the UK minister will also attend a Defence Industry roundtable hosted alongside Defence Secretary Dr Ajay Kumar to promote future UK-India defence collaboration and strategic cooperation in the Indo-Pacific.

According to latest DIT figures, total trade in goods and services between the UK and India was GBP 23.3 billion in 2019, making India the UK's 15th largest trading partner. Indian investment in the UK supports 95,000 jobs across the country, with 15,000 new jobs created by Indian investment in the last three years.

A trade deal could help increase this further and will play a key role in our ambition to double trade with India by 2030, the UK government said.

It added: "India is one of the world's biggest and fastest-growing economies and a bold new deal would put UK businesses at the front of the queue to export to India's growing middle class of a quarter of a billion consumers.

"India is set to become the world's third-biggest economy by 2050, with a bigger population than the US and EU combined.

(Economic Times, 11/1/2022)

UK minister hopeful of free trade pact by early 2023

Synopsis

The deal would open huge opportunities for British businesses in India and vice versa in both goods and services, said the minister who was visiting India despite the pandemic situation. "The growing middle class in India provides a big opportunity for the British businesses to offer quality services and products. British businesses should seize this opportunity."

The United Kingdom was hopeful of concluding a free trade pact with India by early 2023, secretary of state for international trade Anne-Marie Trevelyan told ET. The deal could double trade in a decade by opening up a slew of opportunities for both sides, even as negotiators would brainstorm over the next weeks on the possibility of an interim pact, she added.

"The formal official negotiations on a UK-India free trade deal will be launched tomorrow (Thursday) when I meet minister Goyal. Thereafter, negotiators from both sides will begin their negotiations from next week and are expected to meet for a few rounds in the coming weeks. It will be decided depending on the negotiations whether to have an interim deal or to go altogether for a final deal. I am hopeful that both sides could finalise the deal by early 2023 if all issues are addressed," Trevelyan told ET in an exclusive interview on the eve of her meeting with commerce and industry minister Piyush Goyal.

The deal would open huge opportunities for British businesses in India and vice versa in both goods and services, said the minister who was visiting India despite the pandemic situation. "The growing middle class in India provides a big opportunity for the British businesses to offer quality services and products. British businesses should seize this opportunity."

The UK was hopeful that following the deal the current volume of bilateral trade would double within a decade, Trevelyan said. The UK government was also hoping to reap benefits from the deal ahead of the 2024 national elections.

When asked about concerns or challenges that British businesses are facing in India, the minister said that tariff for some products was one of the issues that could be looked at by the Indian side. "Green technology and renewables are key areas of partnership. But products like turbines are facing a big tariff. We would like the Indian side to look into this issue." Besides green energy and renewables, "digital sector holds immense potential for British businesses" in India, Trevelyan pointed out and recalled a partnership with Singapore in this sphere.

When asked about Indian concerns in the UK, the minister noted that Indian investments had contributed in a big way to the country's economy and each sector in the UK was open for Indian investments. It may be pointed out that Indian investments in the UK already support 95,000 jobs, with 15,000 new jobs created by Indian investment in the last three years alone.

India wants to ramp up mobility for its professionals, besides safeguards for agriculture, better market access for vaccines, basmati rice, wool, yarn, instant coffee and tea premix, among other items.

Total trade in goods and services between the two countries was £23.3 billion in 2019, making India the UK's 15th largest trading partner.

(Economic Times, 13/1/2022)

Want to bring together mutually beneficial FTA for India, Britain: UK Minister

Synopsis

The UK minister and Commerce and Industry Minister Piyush Goyal on January 13, formally launched negotiations for the proposed FTA, which is expected to help double bilateral trade to over USD 100 billion by 2030 and boost economic ties between the two countries.

UK's Secretary of State for International Trade Anne-Marie Trevelyan has said that both India and Britain want to bring together a free trade agreement (FTA), aimed at boosting economic ties, which is mutually beneficial for both the countries.

She also expressed hope that both sides would conclude the negotiations for the trade pact by end of the year or early 2023.

The UK minister and Commerce and Industry Minister Piyush Goyal on January 13, formally launched negotiations for the proposed FTA, which is expected to help double bilateral trade to over USD 100 billion by 2030 and boost economic ties between the two countries.

The two sides are hoping that the negotiations would conclude by the end of this year. Both sides are looking to conclude an interim agreement by Easter.

"We want to bring together an FTA which is mutually beneficial for both the countries... We look forward to bringing together an exciting, vibrant and broad FTA...," Trevelyan told PTI.

On setting up an ambitious deadline to conclude the talks, she said that there are positive views from both sides "that we can do that, so we will throw all our energy and weight behind it".

When asked about key concerns being raised by UK businesses in India, the minister said that there are tariff barriers which British businesses are keen to see reduced.

Digital trade is also an important area which is raised by many businesses, she added.

Further the minister said that promoting investments from both the sides would also be an integral part of this trade deal.

Already investments are flowing in both the countries, but there are many more opportunities for the business community of India and UK, she said.

The UK minister has stated that both the countries have a "golden opportunity" to forge a new economic partnership as India's economy is set to grow rapidly.

According to Goyal, the pact will help in boosting Indian exports from several sectors such as leather, textile, jewellery and processed agri products.

India will also seek special arrangements for the movement of its people.

India's exports to the UK stood at USD 8.15 billion in 2020-21, while imports aggregated at USD 4.95 billion. India's main exports to the UK include ready-made garments and textiles, gems and jewellery, engineering goods, petroleum products, transport equipment, spices, pharmaceuticals and marine products.

Imports from Britain include precious and semi-precious stones, ores and metal scraps, engineering goods, chemicals and machinery.

In the services sector, the UK is the largest market in Europe for Indian IT services.

Commerce Secretary B V R Subrahmanyam has said the total trade of goods and services between India and the UK is about USD 50 billion (USD 35 billion services and USD 15 billion goods) and it would cross USD 100 billion in ten years' time.

(Economic Times, 14/1/2022)

Goyal-Trevelyan meet: India-UK FTA may cover 90% of goods

Officials of both the nations will now hold negotiations on January 17, and future rounds of talks will take place roughly in every five weeks.

India and the UK launched formal negotiations on Thursday for a “fair and balanced” free trade agreement (FTA), which could cover more than 90% of tariff lines, and aimed to double bilateral trade of both goods and services to about $100 billion by 2030.

Both the sides could opt for an interim agreement first, which would be followed up with a broader FTA, commerce and industry minister Piyush Goyal indicated at a joint press briefing he held along with UK trade secretary Anne-Marie Trevelyan. This interim pact would mainly cover “low-hanging fruit”, Goyal said. This means sensitive issues–such as allowing freer movement of skilled professionals from India–could be taken up later once the negotiations for the full-fledged FTA reach an advanced stage. Both the sides aim to conclude negotiations for the full-fledged FTA in a year.

Separately, commerce secretary BVR Subrahmanyam said the proposed agreement will be a “new-age FTA” and go well beyond traditional pillars of goods, services and investments. In fact, it will have 16 chapters, including areas such as intellectual property rights, geographical indications, sustainability, digital technology and anti-corruption.

In the interim pact, about 60-65% of imported goods and 50-60 lines of services (out of about 160 lines) would be covered, Subrahmanyam added. Areas of India’s interest, including textiles & garments, leather, footwears, marine products, iron & steel, gem & jewellery and processed food products, could be covered. Many of these are labour-intensive sectors.

Similarly, for British manufacturers, greater access in high-end capital and consumer goods could be part of the negotiations. However, tariff concessions in sensitive sectors such as agriculture and dairy are unlikely to be taken up now.

The India-UK trade is currently dominated by services, which make up for about 70% of the overall annual trade of roughly $50 billion.

Officials of both the nations will now hold negotiations on January 17, and future rounds of talks will take place roughly in every five weeks.

If everything goes as planned, this would be India’s third FTA during the current NDA regime. New Delhi hopes to clinch an FTA with the UAE early this year, which would be its first after more than a decade, and another one with Australia.

Allaying fears over negotiations in new areas such as IPR, sustainability, etc. (while India has traditionally been shy of including these in trade negotiations, advanced economies have been keen on these aspects as well), the commerce secretary highlighted the massive opportunity costs that India would incur if it steadfastly refuses to get into FTAs with advanced economies. As such, tariff advantages being enjoyed by competitors like Bangladesh and Vietnam (especially in garments) in the UK and Europe make our products uncompetitive there, he said.

Speaking to reporters at the joint briefing, Goyal also said mutual recognition agreements in the pharma sector could provide additional market access for exporters from both the countries. There is also great potential for increasing exports in service sectors like IT/ITES, nursing, education, healthcare, including AYUSH and audio-visual services. India would also be seeking special arrangements for movement of its people, Goyal added.

Before the pandemic, India shipped out goods worth $8.7 billion to the UK in FY20 and its imports from that nation stood at $6.7 billion. However, bilateral trade dropped to $13.2 billion last fiscal in the wake of the pandemic. India mainly exports textiles & garments, gems and jewellery and certain capital and consumer goods to Britain and imports capital and consumer goods in large volumes as well.

The negotiations with the UK are a part of India's broader strategy to forge "fair and balanced" trade agreements with key economies and revamp existing pacts to boost trade. The move gained traction after India pulled out of the China-dominated RCEP talks in November 2019. Balanced FTAs will also enable the country to achieve its ambitious merchandise export target of $1 trillion by FY28, against $291 billion in the pandemic year of FY21.

(Financial Express, 14/1/2022)
