



Europe India Chamber of Commerce

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India, EU agree to launch Trade and Technology Council to push nexus of trade, trusted technology and security

Synopsis

The European Commission, in a press statement, said this strategic coordination mechanism will allow both partners to tackle challenges at the nexus of trade, trusted technology and security, and thus deepen cooperation in these fields between the EU and India.

Prime Minister Narendra Modi and President of the European Commission, Ursula von der Leyen, on Monday agreed to launch the EU-India Trade and Technology Council eyeing closer cooperation on strategic aspects of emerging technologies and building trusted partnerships.

This strategic coordination mechanism will allow both partners to tackle challenges at the nexus of trade, trusted technology and security, and thus deepen cooperation in these fields between the EU and India, according to a joint statement.

Both sides agreed that rapid changes in the geopolitical environment highlight the need for joint in-depth strategic engagement. The Trade and Technology Council will provide the political steer and the necessary structure to operationalise political decisions, coordinate technical work, and report to the political level to ensure implementation and follow-up in areas that are important for the sustainable progress of European and Indian economies, according to the statement.

The decision to set up a Trade and Technology Council will be the first for India with any of its partners and second for the European Union following the first one it has set up with the US. Establishing the EU-India Trade and Technology Council is a key step towards a strengthened strategic partnership for the benefit of all peoples in the EU and India.

During the Modi- von der Leyen bilateral talks, both sides reviewed the progress in implementing the India-EU Roadmap 2025 and the outcomes of the India-EU Leaders' Meeting in May 2021. They welcomed the recent decision to formally restart negotiations on India-EU Trade and Investment Agreements by June 2022, an official said, adding, both sides expressed hope in the early conclusion of negotiations for unlocking the full potential of bilateral trade and economic relations.

The two leaders are understood to have noted the strong synergies between India-EU Connectivity Partnership announced last year and EU's new Global Gateway strategy and agreed to fast-track its implementation.

The leaders agreed that as large and vibrant democratic societies, India and Europe share similar values and a commonality of perspectives on many global issues and they reviewed the progress in the India-

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Editor: **Secretary General**

EU Strategic Partnership. The leaders had an extensive discussion on climate related issues, including on possibilities of collaboration between India and the EU in areas like Green Hydrogen, an official said, adding, they also discussed the continuing challenges of COVID-19 and stressed efforts to ensure equitable access to vaccines and therapeutics to all parts of the world.

In addition, several geo-political issues of topical importance were discussed during the meeting, including the situation in Ukraine and developments in the Indo-Pacific region. On Ukraine Modi stressed the importance of giving peace a chance and the need to return to dialogue and diplomacy as the only way to achieve peace.

They appreciated the ongoing cooperation in the digital sector including in areas such as Artificial Intelligence & 5G and welcomed the finalization of the Letter of Intent on High Performance Computing in COVID-19 drug research and climate modeling. Both sides noted the increasing policy convergences on Indo-Pacific and exchanged views on other regional and global issues of mutual interest including cooperation in WTO, G20, Afghanistan and Myanmar, according to an official.

(Economic Times, 26/4/2022)

EU-India: Joint press release on launching the Trade and Technology Council

New Delhi, 25 April 2022

President of the European Commission, Ursula von der Leyen, and Prime Minister of India, Narendra Modi, agreed to launch the EU-India Trade and Technology Council at their meeting in New Delhi on Monday. This strategic coordination mechanism will allow both partners to tackle challenges at the nexus of trade, trusted technology and security, and thus deepen cooperation in these fields between the EU and India.

Both sides agreed that rapid changes in the geopolitical environment highlight the need for joint in-depth strategic engagement. The Trade and Technology Council will provide the political steer and the necessary structure to operationalise political decisions, coordinate technical work, and report to the political level to ensure implementation and follow-up in areas that are important for the sustainable progress of European and Indian economies.

Even as we celebrate the 60th anniversary of the establishment of diplomatic relations, we are confident that the shared values and common interests of the EU and India offer a strong basis to intensify mutually beneficial and deeper strategic cooperation. The European Union and India are bound by decades of close partnership and are determined to increase joint efforts to tackle current

challenges and address geopolitical circumstances. The decision to set up a Trade and Technology Council will be the first for India with any of its partners and second for the European Union following the first one it has set up with the US. Establishing the EU-India Trade and Technology Council is a key step towards a strengthened strategic partnership for the benefit of all peoples in the EU and India.

President von der Leyen in India: Advancing a Strategic Partnership

The European Union and India will strengthen their partnership and deepen bilateral cooperation with a focus on upholding the rules-based global order, supporting economic recovery, fighting climate change and charting the digital transition. This was confirmed during the visit by the President of the European

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Commission Ursula von der Leyen to New Delhi on Sunday and Monday, where she met the President of India, Ram Nath Kovind, and held wide-ranging talks with Prime Minister Narendra Modi.

President von der Leyen and Prime Minister Narendra Modi agreed to establish a joint Trade and Technology Council to tackle key trade, economic and technology challenges, and advance cooperation in these areas.

They also agreed to resume negotiations for an EU-India Free Trade Agreement and to start talks on an Investment Protection Agreement as well as on an Agreement on Geographical Indications. The first round of negotiations will take place in June.

“Today, we are taking steps to deepen our strategic ties with India – on trade, trusted-technology and security, notably in respect of challenges posed by rival governance models. This will help us diversify and secure our supply chains, boost economic opportunities for our businesses, and bring significant benefits to our citizens”, President von der Leyen said, noting that the common objective is to conclude all three agreements swiftly.

India is a key strategic partner for the European Union. The EU is India's third largest trading partner and second largest export destination. It is also one of the largest investors in India, but as President von der Leyen pointed out, there remains a lot of untapped potential.

The EU's Global Gateway strategy opens new opportunities for cooperation and investments in secure and sustainable infrastructure in India and in the region.

Given their size, economic performance and energy needs, India and the European Union are key in the transition to a more sustainable and green future. President von der Leyen proposed stepping up cooperation to reach ambitious decarbonisation targets, with more intense joint efforts on solar energy and further the cooperation on green hydrogen in particular.

President von der Leyen visited the headquarters of International Solar Alliance, one of India's flagship initiatives to fight the climate change, and met with CEOs from Indian and European energy companies.

She said: “We are closely aligned with India in the fight against climate change. The solar energy will play a decisive role to reach our objectives on the way to net zero, both in India and in Europe. Investment here also becomes an investment in our security. Every kilowatt we generate from solar, wind, hydropower or biomass, reduces our dependency on fossil fuels from abroad.”

The President also visited the Energy and Resources Institute (TERI), where she met young students and climate activists and visited the TERI-Deakin Nano-Biotechnology Centre, and she met Indian women leaders and entrepreneurs.

Geopolitical conference Raisina Dialogue

President von der Leyen delivered the opening speech at this year's edition of the geopolitical conference Raisina Dialogue, where she addressed current developments, from the aftermath of the COVID-19 pandemic, clean energy and digital transitions, China and in particular the Russian aggression against Ukraine and its global impact.

She said: “The outcome of Putin's war will not only determine the future of Europe but also deeply affect the Indo-Pacific region and the rest of the world. For the Indo-Pacific it is as important as for Europe that borders are respected. And that spheres of influence are rejected. We want a positive vision for a peaceful and prosperous Indo-Pacific.”.

(Source: European Commission)

India's high growth rate positive for world, says IMF's Kristalina Georgieva

The IMF, early this week, projected a “fairly robust” growth of 8.2 per cent for India in 2022, making it the fastest-growing major economy in the world, almost twice faster than China's 4.4 per cent.

A high growth rate for India, as projected in the latest World Economic Outlook, is not only healthy for the country but also positive news for the world, Managing Director of the International Monetary Fund Kristalina Georgieva has said. The IMF, early this week, projected a “fairly robust” growth of 8.2 per cent for India in 2022, making it the fastest-growing major economy in the world, almost twice faster than China's 4.4 per cent.

The global growth has been projected at 3.6 per cent in 2022, down from 6.1 per cent in 2021.”India is one of the economies that are growing at a high rate. Even with the small downgrade, growth is projected for this year to be 8.2 percent. Healthy for India, but also positive in a world where growth slowdown is creating a major problem,” Georgieva told reporters at a news conference here on the sidelines of the annual spring meeting of the IMF and the World Bank on Wednesday.

On Monday, she met the visiting Indian Finance Minister Nirmala Sitharaman. She said India already plays a very important international role. “By exporting vaccines during the pandemic, it has delivered a global public good,” she said in response to a question. “India is also committed to lead in renewable energy with the International Solar Alliance, another area where the world needs more determination, more progress,” she said.

“And, it is a country that is on the frontline of digital currencies, especially central bank digital currency and how it handles a reduction of risk from crypto assets for the Indian people and businesses,” Georgieva said. Noting that next year India is going to be the Chair of the G20, Georgieva said she very much looks forward to working with the country on many key global cooperation issues, including the 16th General Review of Quotas that should be finalised by the end of next year.

(Financial Express, 21/4/2022)

Govt likely to set export target of \$800 Billion for FY23

Synopsis

The targets - of \$450-480 billion for merchandise and \$350 billion for services - were discussed in a series of meetings that commerce and industry minister Piyush Goyal had with exporters on Wednesday.

New Delhi: India is likely to set an ambitious export target of around \$800 billion for goods and services for 2022-23, almost 19.5% higher than \$670 billion clocked in 2021-22. The targets - of \$450-480 billion

for merchandise and \$350 billion for services - were discussed in a series of meetings that commerce and industry minister Piyush Goyal had with exporters on Wednesday.

India's goods exports touched a record \$420 billion in 2021-22, exceeding the government's target by about 5% and up 40% on-year while services exports touched \$250 billion.

"These are consultative meetings and the targets are yet to be fixed," said an official. Exporters raised the issue of high prices of inputs as buyers are now reluctant to raise prices proportionately due to sufficient inventory and lack of demand.

Restoration of the Market Access Initiative scheme for opening of warehouses overseas, easing of visa requirements for inbound tourism and a revised Transport and Marketing Assistance scheme for certain agricultural products in view of the opportunity in farm exports from the Russia-Ukraine crisis were also taken up, according to sources.

"Despite a rise in Covid cases globally, there is an expectation that travel and tourism will grow this year," said an industry representative.

(Economic Times, 21/4/2022)

India, EU to restart talks for trade pact in June

Synopsis

Commerce Secretary BVR Subrahmanyam said the EU team would visit India for talks immediately after the ministerial meeting of the World Trade Organisation, which is scheduled from June 12-15.

and the 27-nation European Union (EU) will restart negotiations for their long-pending free trade agreement from June, a top official said on Wednesday.

Commerce Secretary BVR Subrahmanyam said the EU team would visit India for talks immediately after the ministerial meeting of the World Trade Organisation (WTO), which is scheduled from June 12-15.

The team is "coming here for the first round... for restarting... Come June, we will start the negotiations," he told reporters.

The secretary said sectors like textiles would get huge benefits from this pact.

India's textile products attract about 9-10 per cent customs duty in the EU and about 8-9 per cent in the UK.

If the trade agreement comes through, then the EU will replace the US as India's largest destination for garments.

Commerce and Industry Minister Piyush Goyal said he has met a large EU delegation which expressed keenness to expand trade ties with India.

"I informed them about the advantages of investing in India and about the scope of doing manufacturing here at a large scale," Goyal said.

He added that India will have a comprehensive pact with the EU. With the UK and Canada, there could be an interim pact first, he noted.

The third round of talks with the UK will be held by the end of this month. "With Canada, we have talked for an interim agreement and then move forward," he said.

The proposed Broad-based Trade and Investment Agreement (BTIA) between India and the EU has been stalled since May 2013 due to several issues. The BTIA is a kind of comprehensive free trade agreement being negotiated by the two sides.

India's merchandise exports to EU member countries stood at about USD 57 billion in 2021-22 (April-February), while imports aggregated to USD 46.36 billion.

(Economic Times, 14/4/2022)

Australia, UAE Free Trade Agreements: Outreach programme on the cards

The India-UAE Comprehensive Economic Partnership Agreement will come into force on May 1, while the Economic Cooperation and Trade Agreement with Australia is expected to be in effect after election there in May.

Weeks after forging trade deals with the UAE and Australia, the government has decided to undertake a nation-wide outreach programme to prepare industry to take advantage of the agreements once they come into force, a senior commerce ministry official told FE.

Over the next few weeks, ministers of state and senior officials of the commerce & industry ministry and state-backed export promotion councils will huddle with senior executives of various companies as well as industry bodies and state government officials in key cities to explain what is in store for them in the two new agreements.

The first such outreach programme is planned in Hyderabad on Saturday, which will focus on benefits for the pharmaceuticals sector in particular and overall industry in general, said the official.

Subsequently, another one in Bengaluru will focus on the IT-ITeS sector, he added. Similar outreach programmes will also be held in Delhi, Mumbai, Chennai, Kolkata, Ahmedabad and Agra in the first phase.

The India-UAE Comprehensive Economic Partnership Agreement will come into force on May 1, while the Economic Cooperation and Trade Agreement with Australia is expected to be in effect after election there in May.

The outreach plan comes amid growing realisation that five of India's six FTAs (with economies like Asean group, Japan, Korea, Singapore and Malaysia), which came into force between 2006 and 2011, only accentuated its trade imbalance with them, partly due to the absence of concerted efforts by the government in sensitising exporters about the opportunities for them by these pacts. Consequently, the utilisation rate of some of these FTAs was less than even 25%.

"We don't intend to just relax after signing the trade agreements. We want to follow up the efforts already put into making the deals by engaging extensively with our industry to let them know what kind

of opportunities are opening up for them via these pacts and how they can cash on them,” said the commerce ministry official.

State government officials and apparatus are also be involved to make the whole exercise more participatory and fruitful, he added.

Both India and the UAE are aiming for a bilateral trade (both goods and services) of \$100 billion in the next five years from about \$60 billion in the pre-pandemic year of FY20.

According to the pact, the UAE will allow as many as 99% of Indian goods (in value term) at zero duty in five years from about 90% in the first year. Similarly, India would allow duty-free access to 80% of goods from the UAE now and it would go up to 90% in ten years. Greater access has also been granted to scores of services under this FTA.

Similarly, India and Australia target to raise their bilateral trade of goods and services to about \$50 billion in five years from about \$27.5 billion in 2021.

The ECTA promises preferential access to all Indian goods in five years (from 96.4% immediately after the pact comes into effect) and 85% of Australian products (from 70% to start with) to each other’s market. Indian yoga instructors, chefs, students and STEM (Science, Technology, Engineering and Mathematics) graduates will have easier access to Australia while premium wine from that country will make greater inroads into Indian supermarkets once the ECTA comes into force.

India’s labour-intensive sectors, including textiles & garments, pharmaceuticals, hospitality and gems and jewellery, and other key industries like IT and start-ups are expected to gain from both the pacts.

(Financial Express, 22/4/2022)

Indian backdoor for Russian oil weakens calls for European ban

Synopsis

If Europe adopts official sanctions on Russian crude and fuel, prices will likely surge, and India could profit even more from refining Russian oil to fuels it then sells to Europe for more money.

Growing calls for the European Union to ban Russian oil imports may be overlooking a crucial flaw in its strategy to punish Moscow: India.

The South Asian nation is becoming a huge buyer of Russian oil, snapping up crude cargoes that are going unwanted by European importers. And with several European countries and oil majors self-sanctioning Russian purchases and starving themselves of fuel, India is already profiting from selling diesel onward to Europe.

If Europe adopts official sanctions on Russian crude and fuel, prices will likely surge, and India could profit even more from refining Russian oil to fuels it then sells to Europe for more money.

It’s a plot twist that reflects how complex it is for the EU to untangle itself from Russian energy imports. Though the bloc is making strenuous efforts to move away from its oil and gas, a country like India could keep profiting by selling fuel made from Russian crude to energy-starved Europe. That would weaken

the argument of some EU countries, which are calling for punishing the Kremlin by not funding its energy sales.

“That is the cost of sanctions or self-sanctioning,” said Jonathan Leitch, an oil analyst at Turner, Mason & Co. Shipping Urals grade Russian crude to India and refining it to then sell it to Europe, “adds a lot of unnecessary tonne/miles and gives a larger profit to the Indian refiners and results in a higher retail price for the consumer.”

Indian refiners -- state-run and private -- have stepped up processing Russian barrels from last month onwards and the volumes will rise as more shipments start arriving this month and next after processors aggressively bought the cargoes shunned by others, according to refinery officials, who asked not to be named discussing internal business matters.

India’s diesel exports in March were the highest since April 2020 when they hit 847,000 barrels a day, according to Jane Xie, a senior oil analyst at the data and analytics firm Kpler in Singapore. “About 30% have ended up in Europe where prices of ultra low sulfur diesel were \$100 a ton costlier than in Singapore last month.”

State-run refiners including Indian Oil Corp. and Bharat Petroleum Corp. have been buying Russia’s flagship Urals grade and its Sokol crude, according to refinery officials. While the refiners mostly sell domestically, they have stepped up exports in order to cash in on higher international prices, the officials said.

India’s Nayara Energy Ltd., which is backed by the Russian oil producer Rosneft PJSC, has also bought some Russian crude, according to two Indian traders.

“Like any other refinery, Nayara Energy optimizes its crude basket with the aim to achieve the best option for our refinery,” the company said in an emailed response to questions. “Feedstock is supplied through ongoing agreements and spot trades. In parallel, we are augmenting our product sales through appropriate channels.”

Though Europe is planning to phase out Russian coal purchases, the EU hasn’t stopped using Russian oil. In fact, exports of Russian diesel to Europe are seen at a “relatively strong level” of 860,000 barrels a day in March, according to Vortexa.

It is very difficult “and in some cases impossible to trace the heritage of oil products,” Turner’s Leitch said. “I can’t see how, even if they wanted to, European product importers would be able to reject certain Indian diesel volumes due to them being refined from Russian crude.”

Europe, which relied on Russia for about a fifth of its diesel imports in 2019, has been scrambling to find alternatives as concerns mount over the prospect of supplies running out.

India’s proximity to European markets gives it an advantage over other Asia Pacific refiners. Xie estimates that a voyage from Jamnagar to Rotterdam would take about 22 days, while a trip from Ulsan in South Korea to Rotterdam trip could take about 38 days.

Indian Oil and Bharat Petroleum didn’t respond to emails seeking comment.

India has pushed back on the entreaties of Western nations to scale back the country's relationship with Moscow, saying it wants to continue buying cheap Russian oil to protect its own interests.

While Indian companies' purchases of Russian oil are a tiny fraction of the total amount imported from overseas, the cheap price at which they are being offered the oil from state-run Russian companies could become a boon. Such purchases would make imports even more attractive for Indian refiners than spot purchases from traders.

(Economic Times, 14/4/2022)

Free trade agreement: India, EU to resume trade talks soon

The secretary's visit follows India's surge in interest in "balanced" trade pacts. It signed an FTA with the UAE in February, New Delhi's first such deal with any economy in a decade, and another "substantial trade deal" with Australia last week. India is also negotiating with the UK for an FTA.

India and the EU are set to soon expedite formal negotiations for a free trade agreement (FTA), with commerce secretary BVR Subrahmanyam visiting Brussels this week to set the stage for the talks, a senior government official told FE.

The secretary's visit follows India's surge in interest in "balanced" trade pacts. It signed an FTA with the UAE in February, New Delhi's first such deal with any economy in a decade, and another "substantial trade deal" with Australia last week. India is also negotiating with the UK for an FTA. It has also lined up talks for a flurry of such agreements with Canada, Israel and GCC members.

After 16 rounds of talks between 2007 and 2013, formal negotiations with the EU for the FTA were stuck over stark differences, as Brussels insisted that India scrap or slash hefty import duties on sensitive products such as automobiles, alcoholic beverages and cheese, among others. New Delhi's demand included greater access to the EU market for its skilled professionals, which the bloc was reluctant to accede to. Last year, both the sides announced the resumption of formal negotiations after eight years.

As both the sides prepare to resume negotiations, they could focus on "low-hanging fruit" first, before switching to contentious matters that had hampered talks earlier, according to sources.

Government officials have also been studying the EU's recent investment agreement with China and its FTA with Vietnam for meaningful negotiations. Preparatory work for the next round of negotiations is in full swing.

The EU, including the UK, was India's largest destination (as a bloc) in the pre-pandemic year of FY20, with a 17% share in the country's overall exports. Importantly, the UK accounted for 16% of India's \$53.7-billion exports to the EU in FY20.

(Financial Express, 6/4/2022)

10 years in making, India and Australia seal landmark free-trade deal

Synopsis

A closer engagement between the two Quad alliance partners comes even as Australia, along with Japan and the U.S., push India to take a stronger stand on Russia's invasion of Ukraine.

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Nearly 10 years in the making, India and Australia inked a landmark economic pact on Saturday, which will see duties being slashed on more than 85% of goods exported to the South Asian nation as both governments secure alternative supply chains and counter an assertive China.

"The trade pact truly is a watershed moment for our relations," PM Modi said after inking the interim agreement. A closer engagement between the two Quad alliance partners comes even as Australia, along with Japan and the U.S., push India to take a stronger stand on Russia's invasion of Ukraine. The free trade deal is expected to help India forge deeper ties with the raw-material rich nation as it seeks to become a manufacturing hub to revive the pandemic-hit economy.

For Australia, the trade deal would open doors for a market of over 1.4 billion people, as it grapples with China's trade curbs on a range of commodities exports. "The trade pact signed with India will further deepen our close ties," said Australian PM Scott Morrison.

The signing of the pact comes ahead of a national election campaign in Australia, with Morrison's center-right government pushing a narrative of strong economic management as it struggles to make up ground in opinion polls.

This is the second major trade agreement that the Modi government has signed so far after sealing a similar deal with the UAE early during the year.

Australia is among India's top 15 trading partners with a total trade valued at around \$20 billion between the two nations in the year ending March 31, according to Indian government data.

The pact, that's been almost a decade in the making, will give greater market access and slash duties on a range of goods including, sheep meat, wool, wine, coal, alumina and metallic ores, sold by Australia in India.

India has also agreed to reduce duties on Australian wine. Tariffs on shipments with a minimum import price of \$5 per bottle will be reduced to 100% from 150% while duty on bottles costing \$15 is being slashed to 75%.

(Economic Times, 2/4/2022)

Free trade agreements: Panel recommends FTA review regime for mid-way corrections

The panel also suggested that the foreign trade policy (FTP) be firmed up within the stipulated time-frame. The FTP for 2015-20 was extended by two years through March 2022 following the Covid outbreak to ensure policy continuity.

As India gears up to forge a raft of balanced free trade agreements (FTAs), a Parliamentary panel has recommended that New Delhi include a review mechanism in such pacts to ensure "mid-way course correction for any asymmetries" in trade with the partners. A report by the Parliamentary Standing Committee on Commerce, submitted on Tuesday, also called for expeditious conclusion of FTAs to reap benefits.

An FE analysis suggests, in five out of six of India's prominent FTAs, which came into force between 2006 and 2011, have exacerbated New Delhi's trade balance. This significantly contributed to the country's

unease over getting into fresh pacts for about a decade before the government decided to sign a deal with the UAE last month. Another interim trade deal with Australia will be announced anytime now.

The panel said that India should leverage the 'China Plus One Strategy' to emerge as an alternative investment destination for multinational companies. The growing preference of firms located in Europe and the US to shift from China to other manufacturing bases offers a golden opportunity for India that needs to be taken advantage of, it said. India should pursue FTAs or preferential trade pacts with the countries that seek to invest here under the strategy, the report said.

Importantly, the House committee has said that the imposition of minimum alternate tax and the introduction of sunset clause for income tax relief would impact the competitive advantages of special economic zone units. "The committee recommends that the government should ensure the continuation of fiscal benefits and extension of a sunset clause to retain the competence of SEZ units," the report said. It also added that SEZs can have the benefits of Remissions of Duties and Taxes on Exported Products (RoDTEP) scheme, which is now applicable to domestic exporters.

It has also expressed concerns over the reduction in export incentives and suggested some of the sectors that have been kept out of the purview of the government's flagship tax remission schemes be included. The sectors include pharmaceuticals, organic and inorganic chemicals and iron and steel.

The panel also suggested that the foreign trade policy (FTP) be firmed up within the stipulated time-frame. The FTP for 2015-20 was extended by two years through March 2022 following the Covid outbreak to ensure policy continuity.

On exports, the panel said: "The committee recommends that the department (of commerce) should identify the infirmities and opt for a more focused approach in increasing market access of the sectors that exhibit a downtrend in exports."

(Financial Express, 2/4/2022)

India, UK decide to deepen defence, trade ties

Synopsis

In their wide-ranging talks, Modi and Johnson vowed to give fresh momentum to overall ties and reviewed the progress made in the implementation of the Roadmap 2030 that listed ambitious targets for deeper collaborations in diverse sectors.

In the backdrop of the rapid geopolitical turmoil, Prime Minister Narendra Modi and his British counterpart Boris Johnson on Friday agreed on a new and expanded India-UK defence partnership and vowed to seal an ambitious free trade agreement by the end of the year.

After his wide-ranging talks with Modi on the second and final day of his India visit, Johnson said the UK is creating an Open General Export Licence (OGEL) for India to "reduce bureaucracy and slashing delivery times" for defence procurement.

The British prime minister said both sides agreed to work together to meet new threats across land, sea, air space and cyber domains and that the UK will partner with India on new fighter jet technology as well as in the maritime sphere to detect and respond to threats in the oceans.

"Today, we have agreed on a new and expanded defence and security partnership, and decades-long commitment to not only forge tighter bonds between us but to support your goal Narendra of Make in India (in defence)," Johnson said, describing Modi as his "khas dost" (special friend).

Referring to the free trade agreement (FTA), Johnson said he wanted negotiators from both sides to close the deal before Diwali in October.

In his comments, Modi said, "good progress" is being made in the negotiations for the FTA and that both sides have decided to do their best to close the pact by the end of this year.

"In the last few months, India has concluded Free Trade Agreements with UAE and Australia. At the same pace, with the same commitment, we would like to move forward on the FTA with the UK as well," Modi said.

"We have also agreed to enhance cooperation in the defence sector. In the defence sector, we welcome the UK's support for 'self-reliant India' in manufacturing, technology, design and development," he said.

On the Ukraine crisis, Modi stressed on an immediate ceasefire and resolution of the problem through dialogue and diplomacy.

"We also reiterated the importance of respect for the territorial integrity and sovereignty of all countries," he said.

Talking about the Indo-Pacific, Modi emphasised on maintaining a free, open, inclusive and rules-based order in the region and noted that India welcomed the UK's decision to join the Indo-Pacific Oceans Initiative.

"We reiterated our support for a peaceful, stable and secure Afghanistan and for an inclusive and representative government. It is necessary that Afghan territory is not used to spread terrorism in other countries," he said.

Johnson described the talks as wonderful and said the partnership between the UK and India is one of the "defining friendships of our time".

Noting that "threats of autocratic coercion" are growing, the British prime minister said it is vital that both India and the UK further deepen their cooperation.

"Today, we are announcing new measures to make it easier to export UK-made medical devices to India and ensure mutual recognition of UK higher education qualification," he said.

In the talks, the two prime ministers also discussed new cooperation on clean and renewable energy.

Johnson said it was aimed at supporting India's energy transition from imported oil and increasing its resilience through secure and sustainable energy.

The two sides also launched a virtual Hydrogen Science and Innovation hub to accelerate affordable green hydrogen and unveiled plans in sync with the Green Grids Initiative announced at COP26.

Johnson visited Gujarat on Thursday before arriving in New Delhi late last evening.

The British prime minister said he received an amazing reception in Gujarat and felt like he was Amitabh Bachchan and Sachin Tendulkar.

The India-UK relationship was elevated to a Comprehensive Strategic Partnership during the India-UK virtual summit held between Modi and Johnson in May last year.

At the summit, the two sides adopted a 10-year-roadmap to expand ties in the key areas of trade and economy, defence and security, climate change and people-to-people connections among others

(Economic Times, 23/4/2022)

Diwali good landing point for FTA, says UK trade minister

Synopsis

UK Secretary of State for International Trade Anne-Marie Trevelyan was giving evidence to the House of Commons International Trade Committee when she was asked about the timeline announced by Prime Minister Boris Johnson during his visit to India last week.

The UK's minister driving the free trade agreement (FTA) negotiations with India said on Wednesday that the Diwali deadline set for a deal is a good "landing point" as there is "real optimism" on both sides.

UK Secretary of State for International Trade Anne-Marie Trevelyan was giving evidence to the House of Commons International Trade Committee when she was asked about the timeline announced by Prime Minister Boris Johnson during his visit to India last week.

The minister said the negotiating teams, currently in India for the third round of FTA talks, have been "going at pace" and if they come across "bumps in the road", those will be dealt with accordingly.

"Diwali seems like a good landing point. Like all of these things, if you provide a political anchor it helps drive the energy," said Trevelyan, in response to questions from the cross-party parliamentary committee.

"But we may yet come across areas of disagreement and need more time on (them). But our respective Prime Ministers have given us that landing zone and there is real optimism and real effort on both sides... the team are out there this week moving into the next stage, looking at the various chapters where those areas of agreement are and indeed looking at the text already, which is really exciting," she said.

"The Prime Minister was out last weekend, helping champion all the work that my team are doing to move forwards on an India FTA," she added.

The senior Cabinet minister also indicated that while an interim agreement by mid-April ahead of a full-fledged FTA by year-end had been on the agenda, there has been a mindset shift on the Indian side to go ahead for a completed agreement by October.

"It (interim agreement) is a tool, but their mindset has changed since doing deals with Australia and UAE. Getting an interim agreement by mid-April fell away by virtue of resource capacity within their trade team," said Trevelyan, with reference to India's recently concluded trade agreements with Australia and the UAE.

"Actually, now having had two rounds of talks with their fantastic team, there is a sense that we probably can do more than perhaps those early conversations; which is why we have all set ourselves the challenge to see if we can draw what will be the broad FTA that both parties want to see through the course of this year," she said.

The minister was also questioned about India's "neutrality" in the Russia-Ukraine conflict and its impact on the talks. However, Trevelyan was clear that the "trade track" of the bilateral relationship was not tied in with the diplomatic side.

"Every country takes a position. India's taken a neutral position... The key is that trade deals aren't the tool for the broader diplomatic agreement discussion. Those continue and there's continuing discussions around areas of policy difference, whatever they might be," she said.

"What we will continue to do is encourage everybody to think about how their relationship, either with Russia or indeed with Ukraine, can be enhanced or reduced in order to bring this war to an end as quickly as we can," she noted.

The minister highlighted that while historically, FTAs have been very much about "straight forward movement of goods", they are now about looking beyond to areas such as innovation.

On a specific question on whether her negotiating team has a mandate to raise issues around the Russia-Ukraine conflict, she said: "No, they have a very clear mandate to continue discussing the broad range of trade issues that we want to see in a trade deal with India."

The minister reiterated that the UK wants to see a "broad partnership" covering defence and strategic ties and as part of those discussions UK minister of state for defence procurement Jeremy Quin has been out in India for the last few days talking to his counterparts in India.

"So, lots of different tracks going on but for the FTA, we have a mandate from across Whitehall and the team are cracking on with making progress and we'll see how we go. We hope we can make good progress, but we may yet encounter challenges," she said.

During his two-day visit to India, Johnson had announced that he and Prime Minister Narendra Modi have told the negotiators to get the FTA done by Diwali, which falls on October 24 this year.

On the eve of the visit, officials had confirmed that four out of 26 chapters within the FTA have been finalised during the first two rounds since the negotiations began in January and "significant progress" has been made in the remaining 22 chapters.

(Economic Times, 28/4/2022)

A BIMSTEC FTA will realise the full potential of the Bay of Bengal grouping

After not signing any major FTA in the last 10 years, India inked a Comprehensive Economic Partnership Agreement with UAE, besides an economic cooperation and trade agreement with Australia to be followed by a flurry of other deals.

The ruling NDA regime has of late revamped its strategy for free trade agreements largely due to the compulsions of boosting exports as an engine of growth. After not signing any major FTA in the last 10

years, India inked a Comprehensive Economic Partnership Agreement with UAE, besides an economic cooperation and trade agreement with Australia to be followed by a flurry of other deals.

The big question is after the fifth summit of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), how long will it take to flesh out an FTA of this grouping — comprising India, Bangladesh, Myanmar, Thailand, Bhutan, Nepal and Sri Lanka — that is a bridge between South Asia and Southeast Asia?

A BIMSTEC FTA no doubt will undergird economic integration and prosperity of this regional grouping. Interestingly, five of its members are also part of the South Asian Association for Regional Cooperation (Saarc), while Myanmar and Thailand are part of the Association of South East Asian Nations (Asean) and Regional Comprehensive Economic Partnership (RCEP). Saarc is a failed effort at regional integration due to India's problems with Pakistan. India walked out of RCEP and is reviewing its FTA with Asean largely due to its concerns regarding China dumping its goods through other markets. The BIMSTEC FTA in the making thus will have to be sensitive to India's concerns, especially on strict rules of origin of goods.

BIMSTEC's diversity, however, is also a potential advantage as it serves as a bridge to RCEP, should India choose to rejoin later on. If BIMSTEC is to succeed where Saarc failed, India must draw the right lessons as the trade pact is being finalised. Besides India-Pakistan tensions, the process of South Asian integration proved to be difficult because the other member countries felt a resentment towards India's dominance.

Ensuring greater market access through unilateral trade liberalisation would have made a big difference and Saarc members would then have benefited from India's rise as an economic power. Their resentment has only deepened as every member only registered trade deficits with India year after year. As India is also dominant within BIMSTEC, accounting for the bulk of its combined GDP of \$4 trillion and population, an FTA will take off when its members develop a larger stake in India's robust growth story. To defend its turf in South Asia, India must reduce its trade surplus by allowing BIMSTEC members to export all they can to its domestic market.

A BIMSTEC FTA, however, is an idea whose time has come as all the building blocks are in place. The 21st meeting of the BIMSTEC trade negotiating committee held in Dhaka four years ago made progress in finalising draft texts of trade in goods, agreement on cooperation and mutual assistance in customs matters and agreement on dispute settlement procedures. In January, Bangladesh hosted a working group meeting to flesh out rules of origin of goods. Implementing an FTA at the earliest will realise the full potential of the Bay of Bengal grouping.

(Financial Express, 4/4/2022)
