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India's economic growth estimated at 8.7% in FY22, Q4 GDP slows to 4.1%

Synopsis

The fluctuation in GDP numbers could be attributed to the impact of localised restrictions during the Omicron wave and high inflationary pressures hitting private consumption. The fears of the Omicron-led third wave resulted in disruption of economic recovery which was afoot.

India's GDP grew by 4.1% in the fourth quarter of FY22. Meanwhile, the overall growth recorded for the financial year 2021-22 is estimated at 8.7% as against the contraction of 6.6% in FY21.

The estimate of 8.7% for FY22 is the highest in 22 years in terms of back series data. The nominal GDP grew by 19.5% in the financial year 2021-22. GVA for FY22 came in at 8.1% compared to a contraction of 4.8% in the preceding fiscal.

Contact-intensive sectors like trade, hotels, and transport grew by 11.1% compared to a contraction of 20%. The services sector had contracted in the last fiscal as it bore the brunt of pandemic-related restrictions.

Manufacturing grew by 9.9% against a contraction of 0.6%. Manufacturing in the fourth quarter collapsed in the negative territory and contracted by 0.2%, thereby, pulling the overall GDP growth down. Construction showed a growth of 11.5% versus a contraction 7.3%.

Agriculture slowed to 3% in FY22 compared to a growth of 3.3% in last fiscal. The numbers have come down from the official second advance estimate of 8.9% released on February 28 owing to third-wave of Covid-19 and surging global prices.

The fluctuation in GDP numbers could be attributed to the impact of localised restrictions during the Omicron wave and high inflationary pressures hitting private consumption. The fears of the Omicron-led third wave resulted in disruption of economic recovery which was afoot.

Adding on to these worries are the concerns of early and excessive heatwaves in March, export bans by key producers, shortage of raw materials and supply-side disruptions. The agriculture and industry sectors suffered a lot, especially during the Q4 of the FY22, due to the above-mentioned factors.

Higher raw material cost has impacted margins of companies which poses a challenge to the recovery in private investment.

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Aditi Nayar, chief economist, ICRA, said the slowdown seen in India's GDP growth to a four-quarter low in January-March period of 2021-22 was a result of the adverse impact of the third wave on contact services, and of high commodity prices on margins, as well as the unfavourable base effect.

"Unsurprisingly, the services sector was the main driver of the 3.9 per cent GVA growth in fourth quarter of FY2022," she said. Boosted by government spending, Public Administration, Defence and Other Services (PADOS) stood out as the fastest growing sub-sector of GVA (Gross Value Added) in January-March quarter of last fiscal, Nayar added.

Rumki Majumdar, economist, Deloitte India, said, the difference between the real and nominal GDP suggests that inflation has been a persistent problem, and the economy has been fighting the challenge of rising prices for a long time now.

"Higher prices weighed on consumer wallets and production costs. Panic and the search for safer havens amongst global investors led to capital outflows from emerging countries, India being one. This resulted in currency depreciation and higher import bills," Majumdar said.

Ramesh Nair, CEO, India & MD, Market Development, Asia, Colliers, said, India's GDP grew by 8.7 per cent in 2021-22, staging a major comeback after a deceleration of 6.6 per cent in the previous fiscal.

"This clearly indicates that the economy is out of the woods from the effects of pandemic and is on its path to recovery. Both housing and office demand have a very high correlation to GDP, even if pricing cycles are dependent on demand and supply dynamics," he said.

D K Srivastava, chief policy advisor, EY India, said the NSO numbers confirm that all GDP segments have emerged higher than their pre-Covid magnitudes. "Going forward, in 2022-23, the Implicit Price Deflator (IPD)-based inflation may remain high given the current inflationary trends. With the expectation of nominal GDP growth in FY23 being significantly above the real GDP growth, the Centre may garner tangibly higher tax revenues compared to the budget estimates," Srivastava added.

What lies ahead?

The soaring commodity prices owing to the ongoing Russia-Ukraine war (that started in late February this year) have taken a toll on peoples' pockets. The retail inflation landed at an eight-year high of 7.79% in April 2022, breaching the upper limit of RBI's tolerance band for the fourth consecutive month.

The pass-through of this inflationary pressure could hit private consumption which is one of the key drivers of the Indian economy. Therefore, to curb the accelerating price rise situation, the Reserve Bank announced a rate hike of 40 bps in the repo rate making it 4.40%. RBI had revised the GDP growth rate to 7.2%, from 7.8%, in its April resolution for FY23 due to higher oil prices causing a threat to private consumption.

(Economic Times, 31/5/2022)

India joins US-led Indo-Pacific economic bloc aimed at countering China

On issues such as digital commerce, labour, and environmental standards, India and the US have contrasting views

Prime Minister Narendra Modi on Monday formalised India's entry into the Indo-Pacific Economic Framework (IPEF), along with 12 other countries, including the US, to strengthen economic cooperation as a geostrategic counter to China's growing clout in the region.

The other countries that joined the IPEF ahead of the QUAD leaders' summit in Tokyo are Australia, Brunei Darussalam, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

But the Biden administration that conceptualised the IPEF diluted the language of the joint statement to allow more countries to participate in the initiative. The joint statement does not call for launching negotiations for a trade pact. It only promises to begin "collective discussions towards future negotiations" with an ambitious wish list.

Speaking at the launch event in Tokyo, Modi said India will work with other members to build an "inclusive and flexible" IPEF. "The Indo-Pacific Economic Framework is a declaration of our collective will to make the region an engine of global economic growth. I believe that there should be three main pillars of resilient supply chains: Trust, Transparency, and Timeliness. I am confident that this framework will help strengthen these three pillars, and pave the way for development, peace, and prosperity in the Indo-Pacific region," Modi said, without mentioning the other three pillars of the proposed trade deal.

The joint statement talked about four pillars: Trade; supply chains; clean energy, decarbonisation and infrastructure; tax and anti-corruption. Under the trade pillar, the joint statement seeks to build "high-standard, inclusive, free and fair trade commitments". "Our efforts include, but are not limited to, cooperation in the digital economy," the joint statement said without ruling out tariff negotiations under the proposed trade pact.

A fact sheet released by the White House made the objectives of the Biden administration clear. "We will pursue high-standard rules of the road in the digital economy, including standards on cross-border data flows and data localisation. We will also seek strong labor and environment standards and corporate accountability provisions that promote a race to the top for workers through trade," it said.

On issues such as digital commerce, labour, and environmental standards, India and the US have contrasting views. India strongly resists putting such standards in any of the free-trade agreements it signs. India didn't join the Osaka track on the digital economy at the G20 leaders' summit in 2019 as it remains reluctant on setting global rules e-commerce holding that this may deny policy space to developing countries to expand their nascent e-commerce space.

Biswajit Dhar, professor of economics at the Jawaharlal Nehru University, said the language in the joint statement is deliberately vague and broad to avoid differences at the initial stage. "This allows each leader to interpret the animal the way he wants it. But India certainly needs to take it very seriously. We should weigh the proposals very carefully looking at our own comfort level, especially on the regulatory coherence front," he added.

(Business Standard, 24/5/2022)

India, fastest-growing major economy, projected to grow 6.4% in 2022: UN

The UN Department of Economic and Social Affairs said in its World Economic Situation and Prospects (WESP) report released on Wednesday that the war in Ukraine has upended the fragile economic recovery from the pandemic, triggering a devastating humanitarian crisis in Europe, increasing food and commodity prices and globally exacerbating inflationary pressures.

As the Ukraine conflict impacts the global GDP, India is projected to grow by 6.4 per cent in 2022, slower than the last year's 8.8 per cent but still the fastest-growing major economy, with higher inflationary pressures and uneven recovery of the labour market curbing private consumption and investment, according to a UN report.

The UN Department of Economic and Social Affairs said in its World Economic Situation and Prospects (WESP) report released on Wednesday that the war in Ukraine has upended the fragile economic recovery from the pandemic, triggering a devastating humanitarian crisis in Europe, increasing food and commodity prices and globally exacerbating inflationary pressures.

The global economy is now projected to grow by only 3.1 per cent in 2022, down from the 4.0 per cent growth forecast released in January 2022. Global inflation is projected to increase to 6.7 per cent in 2022, twice the average of 2.9 per cent during 2010–2020, with sharp rises in food and energy prices, it said. The report said that the outlook in South Asia has deteriorated in recent months, against the backdrop of the ongoing conflict in Ukraine, and higher commodity prices and potential negative spillover effects from monetary tightening in the United States.

The regional economic output is projected to expand by 5.5 per cent in 2022, which is 0.4 percentage points lower than the forecast released in January. "India, the largest economy in the region, is expected to grow by 6.4 per cent in 2022, well below the 8.8 per cent growth in 2021, as higher inflationary pressures and uneven recovery of the labour market will curb private consumption and investment," it said. For the fiscal year 2023, India's growth is forecast to be 6 per cent.

Lead Author & Chief, Global Economic Monitoring Branch, Economic Analysis and Policy Division, United Nations Department of Economic and Social Affairs Hamid Rashid told reporters at the UN Headquarters that almost all regions in the world are affected by high inflation except for East Asia and South Asia. He said "India in that sense" is a "little bit" in a better position as it did not have to aggressively pursue monetary tightening compared to other countries in Latin America.

Brazil has raised interest rates repeatedly.

India's projected growth for 2022 is 6.4 per cent, a downward adjustment of 0.3 per cent from January. "We expect Indian recovery to remain strong in the near term, in the next year and two, but again we cannot completely discount the downside risk that would come from external channels. So that risk is still there," he said.

The report added that higher prices and shortages of farming inputs including fertilisers are likely to persist in the region, negatively impacting the agricultural sector in Bangladesh, India, Pakistan, and Sri Lanka. "This will probably result in weaker harvests and exert further upward pressures on food prices in the near term," the report said.

It said along with higher energy prices, elevated prices of food will likely increase food insecurity across the region. Consumer price inflation in the region is expected to accelerate to 9.5 per cent in 2022, from 8.9 per cent in 2021. The report also said that tighter external financial conditions will adversely affect regional growth prospects, especially for countries with high exposure to global capital markets facing debt distress or risks of debt default.

“The pandemic left many countries with large fiscal deficits and higher and unsustainable levels of public debt. Sri Lanka is currently facing a debt crisis and discussing a new IMF-supported programme to bring its economy out of the crisis,” it said. The downgrades in growth prospects are broad-based, including the world’s largest economies — the United States, China and the European Union — and the majority of other developed and developing economies, it said. The growth prospects are weakening particularly in commodity-importing developing economies, driven by higher energy and food prices. The outlook is compounded by worsening food insecurity, especially in Africa, it added.

Growth forecasts for the United States, European Union and China have been revised downward, with the European Union registering the most significant downward revision. The European Union economy — most directly hit by disruptions in the energy supply from the Russian Federation — is now expected to grow by 2.7 per cent in 2022, down from 3.9 per cent expected in January.

The United States economy is expected to grow by 2.6 per cent in 2022 and 1.8 per cent next year, while China is expected to grow by 4.5 per cent in 2022 and 5.2 per cent in 2023. The developing countries, as a group, are projected to grow by 4.1 per cent in 2022, down from 6.7 per cent in 2021, the report said.

“The war in Ukraine — in all its dimensions — is setting in motion a crisis that is also devastating global energy markets, disrupting financial systems and exacerbating extreme vulnerabilities for the developing world,” UN Secretary-General Antonio Guterres said.

“We need quick and decisive action to ensure a steady flow of food and energy in open markets, by lifting export restrictions, allocating surpluses and reserves to those who need them, and addressing food price increases to calm market volatility,” he said.

(Financial Express, 19/5/2022)

India expects to seal FTA with European Union by next year: Piyush Goyal

Synopsis

"By next year, we would be able to conclude an FTA with the EU," Piyush Goyal said, adding that a delegation from Italy including its foreign minister is in New Delhi now with which he will be having deliberations. Already, three rounds of negotiations have been held with the UK and there is a possibility of a fourth round soon, Goyal said, adding that he will be meeting the representatives on May 26-27.

Commerce and Industry Minister Piyush Goyal on Friday said India will be able to conclude a free trade agreement (FTA) with the European Union by next year. Speaking at an event organised by the IMC Chamber of Commerce, Goyal said the country has already sealed pacts with the UAE and Australia, and is in negotiations with other countries or blocs including the EU, UK, Canada and Gulf Cooperation Council (GCC).

"By next year, we would be able to conclude an FTA with the EU," Goyal said, adding that a delegation from Italy including its foreign minister is in New Delhi now with which he will be having deliberations.

Already, three rounds of negotiations have been held with the UK and there is a possibility of a fourth round soon, Goyal said, adding that he will be meeting the representatives on May 26-27.

The FTAs will push growth in India and create more jobs as well, Goyal said, making it clear that the country is looking for fair, equitable and win-win partnerships with other countries or blocs.

Pointing out that the country recorded USD 38 billion in exports in April, the highest for the month after the busy March when businesses are keen to seal sales before the financial year-end, Goyal said that a closer look at the numbers indicates that India is emerging as a manufacturing hub for high-class products.

This indicates that programmes like the performance linked incentive scheme and the infrastructure push are bearing the expected results, Goyal said.

Pointing to GST collections of over Rs 1.67 lakh crore in March, Goyal said it is very redeeming that the economic activity is back beyond the expectations of the analysts' community and added that the surge in purchasing managers' indices is also reflective of the same revival.

Goyal said the country could attract foreign direct investment of USD 82 billion in 2021, its highest ever, because it has emerged as an isle of stability with virtues like rule of law, democracy and stable policies which attract businesses.

(Economic Times, 7/5/2022)

India, Germany commit to reform WTO

Synopsis

Both sides also expressed their strong support for the upcoming negotiations between the European Union and India on a Free Trade Agreement, an Investment Protection Agreement and an Agreement on Geographical Indications.

India and Germany on Monday committed to reforming the WTO with a view to strengthen its principles and functions as well as preserve the autonomy of the two-tier appellate body of the global trade organisation.

Both sides also expressed their strong support for the upcoming negotiations between the European Union and India on a Free Trade Agreement, an Investment Protection Agreement and an Agreement on Geographical Indications.

Further, they emphasised the enormous potential of such pacts for expanding bilateral trade and investment, according to a joint statement issued after the 6th India-Germany Inter-Governmental Consultations.

The meeting was held under the co-chairmanship of Prime Minister Narendra Modi and German Federal Chancellor Olaf Scholz.

Appreciating the continued adherence to and underlining the importance of rules-based, open, inclusive, free and fair trade, the two nations highlighted the importance of the WTO (World Trade Organisation) as the centre of the multilateral trading system and central pillar of integrating developing countries into the global trading system.

"Both governments committed to reforming the WTO with the objective of strengthening its principles and functions, especially, preserving the two-tier appellate body, along with the autonomy of the appellate body," the joint statement said.

The appellate body is a standing body of seven persons that hears appeals from reports issued by panels in disputes brought by WTO members. Currently, the appellate body is unable to review appeals due to positions remaining vacant.

The term of the last sitting appellate body member expired on November 30, 2020.

According to the statement, the two sides aim to make supply chains more resilient, diversified, responsible, and sustainable.

In a tweet after the meeting, Modi said India committed to quick progress in free trade agreement negotiations with European Union.

"Both governments highlight the need to work together to ensure that supply chains can continue to bring economic benefits while upholding international environmental, labour and social standards," the statement said.

In the field of taxation, both sides welcomed the agreement on the two-pillar-solution reached at the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) in October 2021.

Both the governments also expressed their common understanding that the solution should be simple, the process will be inclusive and will contribute to the stabilisation of the international tax systems by establishing a fair level playing field for all businesses.

"Germany and India shared a willingness to support a swift and effective implementation of both pillars. India and Germany expressed their commitment to complete the protocol amending the double tax avoidance agreement quickly," the statement said.

Further, the two sides expressed their wish to further strengthen the start-up cooperation and in this context appreciate the ongoing cooperation between Start-up India and the German Accelerator (GA).

The two nations welcomed GA's intention to further increase its support by offering an India Market Access programme from 2023 onwards and Start-up India's proposal to develop a common engagement model in partnership with GA for enhanced support to both startup communities.

India and Germany have signed nine agreements. They pertain to green and sustainable development partnership, comprehensive migration and mobility partnership, and field of advanced training of corporate executives and junior executives from India, among others.

(Economic Times, 3/5/2022)

India, Germany to partner on migration and mobility of students, researchers and professionals

Both the governments agreed to support each other's efforts to expand the internationalisation of their higher education systems.

India and Germany would be signing a migration and mobility agreement to facilitate two-way movement of students, professionals and researchers while addressing the challenges of illegal migration.

Both the governments agreed to support each other's efforts to expand the internationalisation of their higher education systems, interlinking further the innovation and research landscapes of both countries, and strengthening dual structures for vocational education and training.

Prime Minister Narendra Modi and German Chancellor Olaf Scholz welcomed the finalisation of the negotiations on the bilateral agreement on a comprehensive Migration and Mobility Partnership as documented by the draft agreement initiated on Monday.

"They agreed to take action to swiftly sign the agreement and bring it into force. They highlighted the importance of this agreement in facilitating two-way mobility of students, professionals and researchers as well as addressing the challenges of illegal migration," said a joint statement issued after the sixth Inter-Governmental Consultations.

According to the statement, India will encourage exchange of students and facilitate admission of German students in Higher Education Institutions (HEIs) under programmes like Study in India. Additionally, both Governments also welcomed efforts at university level to explore collaboration between Indian and German universities, in the form of joint degrees and dual degrees.

Moreover, both the governments expressed their intent to strengthen the cooperation in the field of medical products regulation by signing a Joint Declaration of Intent between the Central Drugs Standard Control Organization (CDSCO) and Germany's Federal Institute for Drugs and Medical Devices and the Paul-Ehrlich-Institut (PEI).

Earlier, External Affairs Minister S Jaishankar and German Minister for Economic Cooperation and Development Svenja Schulze signed a joint declaration of intent on the implementation of Triangular Development Cooperation projects in Third Countries.

Jaishankar also inked a JDI with his German counterpart Annalena Baerbock on the establishment of an agreement on the exchange and mutual protection of classified information and on the establishment of an agreement to establish a direct encrypted connection between MEA and German Foreign Office.

He also inked the Indo-German Development Cooperation Regarding Renewable Energy Partnership with Schulze.

(Financial Express, 3/5/2022)

Germany and India sign €10 billion green development deal as Modi visits Berlin

Germany and India signed a series of bilateral agreements Monday focused on sustainable development that will see the South Asian nation receive €10 billion in aid by 2030 to boost the use of clean energy.

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The accords were signed during a visit to Berlin by India's Prime Minister, Narendra Modi. Germany Chancellor Olaf Scholz is seeking to elicit India's support for the tough stance taken by Europe and the United States toward Russia over the war in Ukraine.

Modi reiterated his call to both Russia and Ukraine to end the fighting, saying: "We believe that no party can emerge victorious in this war."

But unlike Scholz, Modi refrained from any overt criticism of Moscow, which has previously praised India for its "neutral" stance on the conflict.

Reporters were not permitted to ask questions after the two leaders spoke - an unusual arrangement at German chancellery where at least four questions are routinely taken.

The decision was taken at the insistence of the Indian delegation, said a German official, who spoke on condition of anonymity because of the sensitivity of the issue.

The agreements covered issues ranging from technical assistance to increase the use of renewable energy and hydrogen, to reducing greenhouse gas emissions, protecting biodiversity and improving agricultural land use.

Other areas of cooperation centre on migration, nuclear research and the establishment of secure communications channels between the two governments.

Scholz also invited India, Indonesia, Senegal and South Africa to attend the meeting of the Group of Seven major industrialised economies in Germany at the end of June.

(Euronews, 3/5/2022)

PM Modi invites Danish companies, pension funds to invest in India's infrastructure sector

Synopsis

Danish companies are operating in various sectors like wind power, shipping, consultancy, food processing and engineering. Prime Minister of Denmark Mette Frederiksen hosted Modi during his official visit to Denmark.

Prime Minister Narendra Modi on Tuesday invited Danish companies and pension funds to invest in India's infrastructure sector and green industries. Addressing media after his talks with Danish counterpart Mette Frederiksen, Modi said that over 200 Danish companies are already present in India and benefiting from the 'ease of doing business' initiative of the government.

"There are huge investment opportunities for Danish Companies and Danish Pension Funds in India's Infrastructure Sector and Green Industries," the Prime Minister said in a tweet.

Danish companies are operating in various sectors like wind power, shipping, consultancy, food processing and engineering.

Prime Minister of Denmark Mette Frederiksen hosted Modi during his official visit to Denmark.

Meanwhile, a India-Denmark Joint Statement issued during the visit of Modi said the two Prime Ministers underlined the importance of bilateral trade and investments and stressed the need to maximise the potential of economic ties between the two countries.

"They affirmed that robust bilateral investments and trade flows through diversified, resilient, transparent, open, secure and predictable global supply chains would ensure economic security and prosperity of their peoples," it said.

The two leaders, it added, also welcomed Danish investments in India especially in the renewable energy, water, terminals and port modernisation and expansion, food processing and engineering sectors and India's investments in Denmark especially in the Information Technology sector.

"They noted that such investments have made India the country where Danish companies have the largest number of employees outside of Denmark," the statement said.

Further, both the leaders agreed that the opportunities created by the Green Strategic Partnership will likely lead to an upward trajectory in bilateral trade and investment.

"In this context, the two Prime Ministers welcomed the launch of the 'India Green Finance Initiative', which aims to contribute to financing green projects in India with the purpose of accelerating green growth and job creation in India," the statement said.

On multilateral cooperation, the two Prime Ministers reaffirmed their commitment to a rules-based international order, and a strengthened and reformed multilateral system.

Modi and Frederiksen confirmed their commitment to work towards reforming the UN, including the UN Security Council, to make it more effective, transparent and accountable.

Frederiksen reiterated Denmark's support for India's permanent membership of a reformed UN Security Council, the statement said.

Prime Minister Modi confirmed India's support for Denmark's candidacy for non-permanent membership of the UN Security Council for 2025-2026, it added.

The two leaders also agreed to expand the cooperation on agriculture by a Joint Declaration of Intent establishing among others a Centre of Excellence on Dairy.

Modi arrived in Copenhagen from Germany where he held detailed bilateral discussions with German Chancellor Olaf Scholz and co-chaired the India-Germany inter-governmental consultations.

It is Prime Minister Modi's first visit to Denmark.

(Economic Times, 3/5/2022)

India excludes 1,157 products from ambit of free trade pact with UAE

Given the sensitivities of these products for the domestic industry, India will not provide any kind of customs duty concessions on the 1,157 goods under the the India-UAE Comprehensive Economic Partnership Agreement.

India has kept out as many as 1,157 products, including TVs, picture tubes, soaps, toys, footwear, instant coffee, sharbat, and petroleum waxes, from the ambit of its free trade agreement with UAE. The pact came into force on May 1. Given the sensitivities of these products for the domestic industry, India will not provide any kind of customs duty concessions on the 1,157 goods under the India-UAE Comprehensive Economic Partnership Agreement (CEPA), according to FAQs prepared by the commerce ministry on the pact.

The product categories include jewellery (except for 2.5 tons quota for gold jewellery), plastics, scrap of aluminium and copper, most automobiles and automotive components, medical devices, dairy products, fruits, cereals, sugar, food preparations, tobacco products, dyes and pigments, natural rubber, tyres, and processed marble.

TVs, picture tubes, soaps, toys, footwear, instant coffee, sharbat, and petroleum waxes are among the products that have been excluded from the ambit of the trade pact. As per the FAQ, the CEPA is likely to benefit about USD 26 billion worth of Indian products that are subjected to 5 per cent import duty by UAE. The agreement has also stringent product-specific rules of origin that reflect the requirement for substantial processing.

The certificate of origin, a key document required to avail the duty benefits under the pact, will be issued by the Ministry of Economy of the UAE to prevent circumvention of the rules of origin criteria. The agreement has built-in protection to ensure that no third country product enters Indian market through UAE and benefit from concessional tariffs without being substantially transformed., it added.

“The India-UAE CEPA trade in goods does not allow such products through a stringent rules of origin that reflect the requirement for substantial processing,” it added.

Further, it said a concept of review of the agreement has been put in place to take stock of the operation of the pact and based on the same, suggest the future course of action

The agreement is operationalised and implemented through a joint committee. The committee would meet biennially to review the agreement with a purpose of considering additional measures to further enhance the pact. To promote trade in services, both the countries have undertaken commitments in 11 broad categories, including business, communication, construction, educational and financial.

Market access has been offered for business visitors, intra corporate transferees, and contractual services suppliers in a range of services sectors.

On government procurement chapter of the pact, the ministry said that it has certain binding commitments related to process, procedure and transparency elements of government procurement for only a limited number of central government ministries and departments.

(Financial Express, 5/5/2022)

India-UK free trade agreement (FTA) could be ready by Diwali: Piyush Goyal

Synopsis

"Canada is progressing well towards an early harvest agreement. With the UK, we had agreed to do an early harvest agreement - basically, to grab the low-hanging fruits and leave the more difficult elements

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Editor: **Secretary General**

for the next stage and give the people of both countries the confidence that this agreement is a win-win. But the way things are progressing, we'll actually land up doing a full FTA with the UK by Diwali," Goyal said.

The way things are progressing between the two negotiating teams, a free trade agreement (FTA) between India and the UK could be ready by Diwali without the need for an interim early harvest agreement, said Commerce and Industry Minister Piyush Goyal during a visit to the UK.

The minister arrived in London from the World Economic Forum in Davos to stock-take and interact with stakeholders and business people ahead of the fourth round of FTA negotiations, set for June 13 in the UK.

During a curtain raiser event on Thursday evening for the annual UK-India Week by India Global Forum (IGF) scheduled from June 27, Goyal pointed to the FTAs concluded at speed with the UAE and Australia as a sign of things to come.

"Canada is progressing well towards an early harvest agreement. With the UK, we had agreed to do an early harvest agreement - basically, to grab the low-hanging fruits and leave the more difficult elements for the next stage and give the people of both countries the confidence that this agreement is a win-win," the minister said.

"But the way things are progressing, we'll actually land up doing a full FTA with the UK by Diwali. I have had very good meetings on it," he said.

Diwali in October was set as a timeline for a draft FTA after British Prime Minister Boris Johnson's talks with Prime Minister Narendra Modi during his visit to India last month.

Indian High Commissioner Gaitri Issar Kumar revealed at the event that Prime Minister Johnson has already extended an invitation to his Indian counterpart to visit the UK to sign off on the draft agreement once it is ready later in the year.

Asked about the points of contention in the path of such a tight timeline, Goyal said: "Our approach is that we are very honest and upfront in our constraints, yet willing to be sensitive to the concerns of the other country."

He went on to highlight the "relentless work, study, focus and engagement with stakeholders" that is required in the entire process towards an FTA.

"You are actually writing out the destiny of your trading relations between two nations for the next 30 or 50 years. Particularly in this current world where there is so much dichotomy between countries, so much distrust... the world has realised that they would rather work with a trusted partner like India," the minister said.

"When you do a trade deal, you are crystal gazing 30-50 years into the future, so you have to be very careful. I can't afford to make a mistake... everybody has to be very cautious. Lots of modelling has to be done," he said.

The minister noted that India, as one of the fastest growing economies of the world, even growing at a "modest 8 per cent every year" would be 10 times from where the economy is now at the least.

"That is the opportunity on offer for a fair and equitable agreement... which is what was understood in the UAE and Australia, which is why we were able to close fast," he said.

Earlier on Thursday, the minister said he held "productive discussions" on carrying forward the ongoing FTA negotiations to further boost the India-UK trade and investment partnership during talks with his UK counterpart, Trade Secretary Anne-Marie Trevelyan.

"We discussed progress of ongoing trade talks; opportunities to unlock the full potential of our trade and commercial relationship already worth over 24 billion pounds; and opening new markets for businesses in both the UK and India," said Trevelyan.

The two ministers also co-hosted a "Small Business Round Table" to discuss the opportunities on offer for businesses with an FTA. Goyal will hold further talks with business and industry on Friday during his two-day visit to Britain.

Total trade between India and UK stood at USD 16 billion FY 2021-2022 (Apr-Feb). The UK was India's 17th largest trading partner during the period of FY 2021-2022 (Apr-Feb), according to latest official figures available on the website of the Indian High Commission here.

(Economic Times, 27/5/2022)

New UK India Industry Taskforce launched to facilitate free trade deal

Synopsis

A new UK India Industry Taskforce, a joint commission to increase cross-industry collaboration and push the UK-India FTA over the line has been launched. During a visit to India last month, British Prime Minister Boris Johnson revealed that the negotiators have been set a timeline of Diwali in October to complete a draft FTA.

A new UK India Industry Taskforce, a joint commission to increase cross-industry collaboration and push the UK-India Free Trade Agreement (FTA) over the line, was launched on Monday.

The Confederation of British Industry (CBI) and the Confederation of Indian Industry (CII) have created the new taskforce as part of a memorandum of understanding to provide a "critical forum" for discussion to ensure the FTA works to the benefit of businesses in both countries.

The joint commission is designed to provide oversight and meet ahead of key milestones to reflect views on trade-offs, breakdown barriers to market access and help feed in on-the-ground business intelligence at a ministerial level in India and the UK.

"I look forward to working with CII on this new commission to strengthen our ties across trade, investment, climate and health as our countries recover from the twin shock of Covid and the Ukraine crisis," said CBI President Lord Karan Bilimoria.

"A free trade agreement with the world's fastest growing economy is now within touching distance, and to clinch that deal a focus on lowering barriers to trade is now essential.

"For example, on renewables, we have an opportunity to export UK's expertise in clean tech. A deal has the potential to drastically lower tariffs on wind turbines parts that are currently as high as 15 per cent," he said.

More broadly, a deal anchored in slashing tariffs, improving the ability to move talent across borders as well as data, will unlock plenty of prizes across a host of sectors from services and life sciences to tech and innovation, the Indian-origin peer and entrepreneur said.

During a visit to India last month, British Prime Minister Boris Johnson revealed that the negotiators have been set a timeline of Diwali in October to complete a draft FTA.

The negotiating teams have since completed the third round of talks in New Delhi, with a focus on reducing the barriers to trade, cutting tariffs, and supporting firms to export.

According to the CBI, reducing tariffs on green exports such as solar, onshore, and offshore wind, could open up new opportunities for companies in India, with an FTA with India expected to nearly double UK exports to India.

A trade deal is also expected to boost Britain's total trade by as much as 28 billion pounds (USD 34 billion) a year by 2035 and increase wages across the UK regions by 3 billion pounds (USD 3.6 billion), according to industry estimates.

"This partnership is an opportunity to address shared concerns, identify common interests and foster greater understanding and to develop capacity to address the issues of economic and global concerns," CII Director-General Chandrajit Banerjee said of the new UK India Industry Taskforce.

"The collaboration between CII and CBI will cover joint efforts in specific areas such as advancing technology and digitalisation, climate change and sustainability, multilateral collaboration, alignment on FTA and education. As we build upon this renewed partnership today, we are eager and excited to be working together with a focused approach," he said.

Between them, the two industry organisations say they represent over 300,000 businesses of all sizes across both countries.

(Economic Times, 9/5/2022)

India-UK FTA draft treaty advanced in majority of chapters

Synopsis

The Department for International Trade (DIT) issued a "Joint Outcome Statement" at the end of the latest round of technical talks between the negotiators on both sides, which was held in New Delhi in a hybrid fashion.

The Free Trade Agreement (FTA) negotiations between India and the UK have resulted in the draft treaty text advancing across the majority of chapters at the end of the third round of talks, the British government said on Wednesday.

The Department for International Trade (DIT) issued a "Joint Outcome Statement" at the end of the latest round of technical talks between the negotiators on both sides, which was held in New Delhi in a hybrid fashion.

The experts held 60 separate sessions in-person and virtually to cover 23 policy areas, with the fourth round of talks now scheduled to be hosted by the UK next month.

"On 6 May 2022, the Republic of India and the United Kingdom concluded the third round of talks for an India-UK Free Trade Agreement (FTA)," the statement read.

"Negotiation officials undertook these technical talks in a hybrid fashion - with some of the teams meeting in New Delhi and the majority joining virtually. For this round of negotiations, draft treaty text was advanced across the majority of chapters. Technical experts from both sides came together for discussions in 60 separate sessions covering 23 policy areas," it said.

In the first two rounds since the FTA talks began in January, four out of 26 chapters have already been agreed upon and those close to the negotiations said that there had been "significant progress" in the remaining 22 chapters.

During his visit to India last month, British Prime Minister Boris Johnson had announced that the negotiating teams on both sides must work towards a Diwali timeline for the completion of a draft agreement. The new target of October 24 brings forward from the previous timeline of concluding FTA talks by the end of this year.

"This could double our trade and investment by the end of the decade, driving down prices for consumers, and increasing wages across the UK by as much as GBP 3 billion," Johnson said at the time.

Indian High Commissioner to the UK Gaitri Issar Kumar has said that officials have been working round-the-clock towards the deadline and Minister of Commerce and Industry Piyush Goyal is also scheduled for a UK visit at the end of this month to hold discussions with stakeholders to move things along.

"The minister is leading the negotiations on the Indian side on achieving the target of doubling our bilateral trade by 2030," said Kumar, with reference to the ministerial visit planned for May 27.

"He has offered to come to London and speak to explain what's in store for both sides at a roundtable, where stakeholders from business and industry will get an opportunity to weigh in where necessary. So far, the feedback from the Chief Negotiators is that things are very cordial and going in the right direction," she said.

Earlier this week, a new UK India Industry Taskforce was also announced by the industry bodies on both sides as a joint commission to increase cross-industry collaboration to push the UK-India FTA over the line.

The Confederation of British Industry (CBI) and Confederation of Indian Industry (CII) say their Taskforce will provide oversight and meet ahead of key milestones to reflect views on trade-offs, breakdown barriers to market access and help feed in on-the-ground business intelligence at a ministerial level in both countries.

(Economic Times, 12/5/2022)

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Editor: **Secretary General**

India-UAE trade pact to create huge job opportunities, boost economy: Piyush Goyal

The bilateral pact, officially dubbed the Comprehensive Economic Partnership Agreement (CEPA), is expected to increase the bilateral trade in goods to over USD 100 billion and trade in services to over USD 15 billion within five years.

The comprehensive trade agreement between India and the UAE will help in creating huge job opportunities and boost growth of the domestic economy, Commerce and Industry Minister Piyush Goyal said on Friday.

The bilateral pact, officially dubbed the Comprehensive Economic Partnership Agreement (CEPA), is expected to increase the bilateral trade in goods to over USD 100 billion and trade in services to over USD 15 billion within five years.

It came into effect from May 1.

The agreement opens the door for many sectors, particularly labour-intensive ones such as textiles, gems and jewellery, pharmaceuticals and agriculture, Goyal said while briefing the media along with the UAE Minister for Economy Abdullah Bin Touq Al Marri here.

The ministers launched 'India-UAE Start-up Bridge' at the India-UAE Partnership Summit, organised by industry body CII here.

The India UAE Start Up bridge is part of CEPA to strengthen collaboration to promote startups through exchange of best practices, and strengthened relations between accelerators, incubators, and other such ecosystem stakeholders.

The bridge will act as a one-stop platform where information regarding the Indian and UAE startup ecosystem will be easily accessible to entrepreneurs and stakeholders from both countries.

"Clearly millions of jobs will be added if our exports which are now at about USD 36 billion, which is about nearly Rs 2.5 lakh crore, grows as we are planning. And my own guess estimate is, this partnership can finally go up to about USD 250 billion of bilateral trade on both sides.

"So my sense is that this will give a big boost to economic growth, to jobs. And the opportunities it opens not only in the UAE, but in the larger ground for the African region. (It) should significantly give a bump up to the Indian economy as well," Goyal said.

He added that the pact would not only open doors for Indian businesses to the UAE but also to other countries as well as UAE is a transit point for large parts of Africa, CIS (Commonwealth of Independent States) countries, and the Gulf region.

CIS countries include Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, and Tajikistan.

Further, Goyal said Indian pharma products will get immediate access to the UAE market as CEPA has given a pathway for fast-track approval for these products in the UAE.

"It is the first time any nation in the world has given India such a benefit," he added.

“We believe (bilateral) trade will grow to at least to USD 100 billion in the near future....Our own commitment is to take it to a much higher level,” Goyal asserted.

According to the minister, the framework is expected to add a million jobs in India and provide opportunities to the startup ecosystem in the country and has huge potential for engagement on skill development and education.

“We are looking at significant investments as the UAE has committed over USD 100 billion of investments into India in manufacturing, infrastructure, (and) service (s). So the business will get a booster shot,” the minister said.

He informed that there are a large number of startups which have emerged in the last six years, with more than 65,000 registered with the ministry.

India also has over 100 unicorns with the third largest startup ecosystem in the world, he said.

The UAE minister said the pact will add 1.7 per cent GDP growth to their economy.

Stating that CEPA offers significant economic benefits for both the countries, he said “most important part of this agreement is that there will be a lot of opportunities that will arise. It will add 1.7 per cent growth in UAE’s economy and also create 140,000 jobs.” The UAE minister termed CEPA as very agile and nimble and it has chapters that allow for future discussions on areas such as digital economy and digital trade.

Besides, the minister said, the government procurement and intellectual property rights also hold special significance for the India-UAE CEPA.

He also said the agreement is not just on products and commodities but also services, adding that there are other opportunities that can come along.

“Now, the growth that we’re looking at, that we want to reach – USD 100 billion from USD 40 billion or so today, in the next decade... Our economic modelling showed that this is an opportunity of growth, it can actually reach that number,” Al Marri said.

Goyal said, “India and UAE have huge potential to work together and the Comprehensive Economic Partnership Agreement (CEPA) will significantly open the doors to a plethora of markets across the globe and help in building a future ready, more robust and resilient bilateral partnership.” The minister said he is certain that the gains of the partnership will start flowing from this year itself, as is evident from the early wins for the gems and jewellery sector.

Goyal also said India and the UAE are looking at education partnerships and deeper energy cooperation as well. Green hydrogen is going to be an area where both sides will work together.

The India-UAE Startup bridge will also focus on bringing the investment houses from the UAE in working closely with Indian venture capital and private equity houses, as per an official release.

The bridge will also facilitate joint training sessions for incubators in India and the UAE. These sessions will focus on helping incubators in the UAE develop training modules and understand the kind of handholding startups will require at an early stage.

Besides, a joint program will be explored to provide startups from the UAE to visit India and explore incubation opportunities.

The vast network of Indian incubators and their expertise will provide UAE-based startups a great opportunity to work with Indian startups and the enablers of our aspirational ecosystem, according to the release.

(Financial Express, 14/5/2022)
