



# Europe India Chamber of Commerce

## Newsletter

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### **India may overtake Germany, Japan too after beating UK; to become world's third largest economy**

India should surpass Germany in 2027 and most likely Japan by 2029 at the current rate of growth, a remarkable achievement by any standards.

India reported double digit economic growth at 13.5 per cent in the first quarter of the current fiscal. At this rate, India is likely to be the fastest growing economy in the current fiscal, said SBI in a research paper adding that even as estimates of India's GDP growth rate for FY23 range from 6.7% to 7.7%, it is immaterial as in a world that is plagued by uncertainties, 6% -6.5% growth is the new normal. Seeing the path taken by India since 2014, India is likely to get the tag of 3rd largest economy in 2029, 7 ranks higher since 2014 when the country was ranked 10th. "India should surpass Germany in 2027 and most likely Japan by 2029 at the current rate of growth, a remarkable achievement by any standards." the research paper said.

**India to benefit as China slows down:** According to analysts, India has undergone a large structural shift since 2014 and is now the 5th largest economy. Recently it was reported that India crossed the UK to become the world's 5th largest economy. However, SBI Research analysts believe that India had surpassed the UK as early as December 2021 itself and not recently as is being claimed. Note that the share of India's GDP is now at 3.5%, as against 2.6% in 2014, and it is likely to cross 4% in 2027, the current share of Germany in global GDP, the research paper said, In coming days India is expected to be the beneficiary as China slows down in terms of new investment intentions, it added.

**More global conglomerates may turn to India:** Global tech giant Apple recently decided to shift part production of its flagship iPhone 14 model for worldwide shipping from India, with a negligible time lag of a few weeks after its slated launch on September 7. According to SBI's Research, this move by Apple, the most recognisable face of tech infused innovation across the globe in the last two centuries, captures aspirations of an upwardly mobile population. "it should open the floodgates for other major conglomerates to follow suit," the paper stated. Additionally, a broad-based growth of empowerment will also lift India's per capita income from current levels.

Analysts said that just how at the beginning of 21st century, China embarked on an accelerated growth path occupying the second largest economy tag, with the right policy perspective and realignment in global geopolitics, India might see a similar trajectory in the near future. "Our current estimates might even undergo an upward revision," they added.

(Financial Express, 6/9/2022)

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Editor: **Secretary General**

## **India surpasses UK to become world's fifth biggest economy**

### Synopsis

The former British colony leaped past the UK in the final three months of 2021 to become the fifth-biggest economy. The calculation is based in US dollars, and India extended its lead in the first quarter, according to GDP figures from the International Monetary Fund.

Britain has dropped behind India to become the world's sixth largest economy, delivering a further blow to the government in London as it grapples with a brutal cost-of-living shock.

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The UK's decline down the international rankings is an unwelcome backdrop for the new prime minister. Conservative Party members choose Boris Johnson's successor on Monday, with Foreign Secretary Liz Truss expected to beat former Chancellor of the Exchequer Rishi Sunak in the run-off.

The winner will take over a nation facing the fastest inflation in four decades and rising risks of a recession that the Bank of England says may last well into 2024.

By contrast, the Indian economy is forecast to grow more than 7% this year. A world-beating rebound in Indian stocks this quarter has just seen their weighting rise to the second spot in the MSCI Emerging Markets Index, trailing only China's.

On an adjusted basis and using the dollar exchange rate on the last day of the relevant quarter, the size of the Indian economy in "nominal" cash terms in the quarter through March was \$854.7 billion. On the same basis, UK was \$816 billion.

The calculations were done using the IMF database and historic exchange rates on the Bloomberg terminal.

The UK is likely to have fallen further since. UK GDP grew just 1% in cash terms in the second quarter and, after adjusting for inflation, shrank 0.1%. Sterling has also underperformed the dollar relative to the rupee, with the pound falling 8% against the Indian currency this year.

The IMF's own forecasts show India overtaking the UK in dollar terms on an annual basis this year, putting the Asian powerhouse behind just the US, China, Japan and Germany. A decade ago, India ranked 11th among the largest economies, while the UK was 5th.

(Economic Times, 3/9/2022)

## **Industry body IIA explores collaborating with business clusters in Denmark to boost exports for the MSME sector**

Ease of Doing Business for MSMEs: A delegation of Indian Industries Association (IIA) recently visited Copenhagen to look into the possibility of export of Indian goods to Denmark and import of advanced technology.

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Editor: **Secretary General**

Ease of Doing Business for MSMEs: Industries in the state of Uttar Pradesh are fostering industry and trade alliances with partners in the African, Latin American and European countries in line with the \$-trillion economy target set by the state government, according to the Business Standard report.

A delegation of Indian Industries Association (IIA), an apex representative body of micro, small and medium enterprises (MSMEs) recently visited Copenhagen to explore export of Indian goods to Denmark and in turn import advanced technology to the Indian shores, said the report.

For joint ventures for import and export there are 13 business clusters in Denmark that can be looked at, particularly for the MSME sector, as per the report.

“We are not only supporting the Centre for the uplift of established industries, but also new industries to achieve the overarching target of India becoming a \$5-trillion economy by 2025,” said the senior Vice-President of IIA, Neeraj Singhal.

The state is also targeting to grow merchandise exports from the current level of about Rs 1.5 trillion to Rs 3 trillion in the next three years, as per the report. This could only happen by initiating exports and penetrating into new areas of manufacturing to capture the global markets, added the report.

UP additional chief secretary, MSME and export promotion, Navneet Sehgal said the state government was providing easy access to working capital to the industry other than a number of incentives and subsidies, reported Business Standard.

As of now, IIA has signed memorandum of understandings (MoUs) with international industry bodies from different countries including Germany, Russia, Nigeria, Tanzania, Brazil, etc. It has also engaged with their public and private sector representations to bolster trade in an array of sectors including manufacturing, clean energy, MSME, agro, auto ancillary, etc.

IIA has around 10,000 MSME members in North India, especially UP. Earlier, the industry association had collaborated with the National Association of Small and Cottage Industries of Bangladesh (NASCIB) and the Federation of Nepal Cottage and Small Industries.

(Financial Express, 3/9/2022)

### **India, UK stick to Diwali deadline for FTA: Official**

Commerce secretary BVR Subrahmanyam had in July said both the sides could wrap up negotiations by the end of August. So, after the process of legal scrubbing and other internal clearances (like Cabinet approval), the deal will be ready before the deadline to be signed.

India and the UK are sticking to the Diwali (October 24) deadline to hammer out a free trade agreement (FTA), despite concerns about the pace of negotiations in recent months due to political churning in the UK and the death of Queen Elizabeth-II earlier this month.

A top government official told FE that the UK, under the new Prime Minister Liz Truss, has reaffirmed its intent to stick to the Diwali deadline. “That’s reassuring,” he added. What has turned out to be an impetus for the FTA talks is the fact that Truss had pushed for the deal when she was the UK’s international trade secretary. Of course, the UK had earlier conveyed to the Indian negotiators that there was broad-based support for the deal with New Delhi.

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However, for the deal to be clinched within the Diwali deadline, negotiations have to move at a rapid pace. Both the sides couldn't expedite the talks the way they had planned in April, when then British Prime Minister Boris Johnson had visited India and pushed for the Diwali deadline. This was mainly due to the change of guard at the UK and the national mourning after the queen's demise.

Commerce secretary BVR Subrahmanyam had in July said both the sides could wrap up negotiations by the end of August. So, after the process of legal scrubbing and other internal clearances (like Cabinet approval), the deal will be ready before the deadline to be signed.

At that time, both the countries were engaged in the fifth round of negotiations and had completed as many as 17 of the 26 chapters that would be covered by the FTA.

Both India and the UK launched formal negotiations in January for the FTA, which could ultimately cover more than 90% of tariff lines. They aim to double bilateral trade of both goods and services to about \$100 billion by 2030. The India-UK trade is dominated by services, which make up about 70% of the overall annual commerce.

Given that this is going to be a modern-day FTA, it will go beyond the traditional pillars like goods, services and investments; it will also cover a range of areas, including gender, trade and development, labour, corruption and MSMEs.

(financial Express, 22/9/2022)

### **Free trade pact to bring quick economic gains to India, UK**

An ambitious target is set by both sides to raise bilateral trade in goods and services between the two countries to about \$100 billion by 2030.

Liz Truss, as the UK's new prime minister — she will assume office on Tuesday — will likely stick to the plan of her predecessor Boris Johnson to clinch a free trade agreement (FTA) with New Delhi by Diwali in October, given that both sides have more or less concluded the negotiations already, and are equally keen to strike the deal at the earliest.

Though India is still not among the UK's major economic partners — it accounts for barely 2% of its trade in goods and services and just 0.6% of its inward FDI stock — the scope for expansion on both these fronts are tremendous and much bigger than with any other country. Also, the FTA is seen to bring significant economic benefits to both sides rather quickly.

For Truss, who has inherited an economy with sluggish growth, addressing the intractable issues of low wages and high energy costs are paramount. She will have to rely on external trade in a big way in the medium term in battling the Brexit's adverse effects on its economy, which is estimated at a considerable 2-2.5% of its GDP.

An ambitious target is set by both sides to raise bilateral trade in goods and services between the two countries to about \$100 billion by 2030. While this looks a tall target, the FTA will definitely lead to substantial incremental growth of trade between the two countries, besides enhanced, broader economic cooperation, which would, among other things, result in much higher two-way investment flows.



The pact, which will likely be a full-fledged one (an earlier plan was to have an interim deal first), could cover more than 90% of tariff lines. Besides, it could lead to a spurt in India-UK services trade, which is currently 60% of overall annual commerce between the two countries. Johnson had agreed to a regime that will multiply visas to Indian skilled IT professionals to tide over a shortage in the UK; Truss will likely go by that plan.

The FTA encompasses a wide range of areas including tariffs, sustainable growth, product and service standards, SMEs, government procurement, data flows and intellectual property.

The sectors that are to benefit the most from the FTA are textiles, pharmaceuticals and healthcare, food & drink — including alcoholic drinks like Scotch. Plus, of course, ICT (information & communications technology) and digital services — the innovative, tech-rich future-focused industries that will drive expansion of UK-India trade.

Following the Russia-Ukraine war and the western sanctions on Moscow, there has been a sudden surge in India's exports of refined petroleum products to the UK. According to data released by the UK Office of National Statistics, of India's merchandise exports to the UK in Q1 2022, petroleum products were the single largest item, with shipments worth £888 million. This shows bilateral trade could be expanded manifold even in the short term.

India's commerce & industry minister Piyush Goyal and his UK counterpart Anne-Marie Trevelyan have had many rounds of negotiations for the FTA. The discussions centred around opportunities to unlock the full potential of bilateral trade and opening up new areas for businesses from both the sides. Even though India-EU FTA talks are still hanging fire due to differences in areas including liquor, automobiles and intellectual property rights, the India-UK deal could be struck. On its part, the UK government has laid-out the 'Indo-Pacific tilt' in its foreign policy, and has made it clear that India is a key partner.

(Financial Express, 6/9/2022)

## EU seeks to ban products made with forced labour - document

### Synopsis

"Such prohibition should apply to products for which forced labour has been used at any stage of their production, manufacture, harvest and extraction, including working or processing related to the products," the document said.

Products made with forced labour or those imported into the 27-country European Union will be banned under draft EU rules, according to an EU document seen by Reuters.

"Such prohibition should apply to products for which forced labour has been used at any stage of their production, manufacture, harvest and extraction, including working or processing related to the products," the document said.

"The prohibition should apply to all products, of any type, including their components, and should apply to products regardless of the sector, the origin, whether they are domestic or imported, or placed or made available on the Union market or exported.

(Economic Times, 9/9/2022)

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