Europe India Chamber of Commerce

Newsletter

Issue: 172 Volume: 17 February 2023

Economic Survey lists growth outlook pointers, flags current account deficit challenge

India's gross domestic product (GDP) growth of 6.5 per cent in 2023-24 compares with an estimated 7 per cent expansion in current fiscal year (April 2022 to March 2023) and 8.7 per cent in the previous year.

The Indian economy is seen growing 6.0-6.8 per cent with a baseline real GDP growth of 6.5 per cent in the next financial year 2023-24 on the back of a rebound in private consumption, higher capital expenditure, near-universal vaccination coverage enabling spending on contact-based services, and strengthening of the balance sheets of the corporates, says the Economic Survey for 2022-23 tabled in Parliament on Tuesday (January 31).

Challenges and risks

The Survey has listed risks and challenges from widening current account deficit (CAD) amid elevated commodity prices, likelihood of further rate increases in policy rates by the US Federal Reserve, the challenge of the depreciating rupee, and further possible loss of export stimulus amid slowing world growth and shrinking global market size along with ongoing monetary tightening exercise globally with "entrenched inflation" expected to prolong the tightening cycle.

"The upside to India's growth outlook arises from (i) limited health and economic fallout for the rest of the world from the current surge in Covid-19 infections in China and, therefore, continued normalisation of supply chains; (ii) inflationary impulses from the reopening of China's economy turning out to be neither significant nor persistent; (iii) recessionary tendencies in major AEs triggering a cessation of monetary tightening and a return of capital flows to India amidst a stable domestic inflation rate below 6 per cent; and (iv) this leading to an improvement in animal spirits and providing further impetus to private sector investment," it said.

CAD will remain a risk on the external front, the Survey said. "While commodity prices have retreated from record highs, they are still above pre-conflict levels. Strong domestic demand amidst high commodity prices will raise India's total import bill and contribute to unfavourable developments in the current account balance. These may be exacerbated by plateauing export growth on account of slackening global demand. Should the current account deficit widen further, the currency may come under depreciation pressure," it said.

In the current year, India has faced the challenge of reining in inflation that the European strife accentuated, it said, adding that measures taken by the government and RBI, along with the easing of global commodity prices, have finally managed to bring retail inflation below the RBI upper tolerance target in November 2022.

“While the pace of rate hikes has slowed, major central banks have reaffirmed their hawkish stance on inflation. Entrenched inflation may prolong the tightening cycle, and therefore, borrowing costs may stay ‘higher for longer’. In such a scenario, global economy may be characterised by low growth in FY24. However, the scenario of subdued global growth presents two silver linings – oil prices will stay low, and India’s CAD will be better than currently projected,” it said.

(Indian Express, 31/1/2023)

India to be $26 trillion economy by 2047-48: EY

In a report released on Wednesday, EY noted that even while maintaining a stable yet modest growth rate of 6% per annum, India would become a $26 trillion economy, in nominal terms by 2047-48 with the per capita income at six times the current levels.

India’s GDP will be $26 trillion in market exchange rate terms by 2047-48, and India’s per capita income would exceed $15,000, putting it among the ranks of developed economies according to EY.

In a report released on Wednesday, EY noted that even while maintaining a stable yet modest growth rate of 6% per annum, India would become a $26 trillion economy, in nominal terms by 2047-48 with the per capita income at six times the current levels.

The recent accelerated pace of economic reforms of the last few years in the domains of fiscal, digital, physical infrastructure and social inclusion, has positioned India for higher and sustainable growth, the report noted.

This, together with the largest, broadest and deepest labour pool, with a relatively inelastic labour market, provides a long runway for improving productivity at a pace faster than growth in wages. This enhances the global competitiveness of enterprises doing business in India.

Among the key enablers is the services exports which have grown by 14% over the last two decades to $254.5 billion in 2021-22. A large part of services exports is from the Information.

Digitalisation too is an enabler. The large telecom subscriber base of 1.2 billion and 837m internet users combined with government’s focus on building digital platforms have laid foundations for a digital economy, enabled the development of a robust digital payment ecosystem and strengthened governance. N Chandrasekaran, Chairman Tata Sons, wrote in the foreword, “our technology strength means that we are well placed to continue reimagining our national blueprint using digital. If we use technology in the right way — and put our people first — it can fix structural problems that have held us back for decades,”. Chandrasekaran added that it wasn’t merely about domestic development. “It is about becoming a global hub for technology that will drive exports, fuel growth and raise incomes even faster,” he observed. India, he noted, has already led the world in reimagining ways of work once before, during the transition from hardware to software. As traditional ways of doing things continue to be transformed by the accelerating digital revolution, we can lead again.

(Financial Express, 19/1/2023)

India a 'bright spot' in world economy right now: Top UN economist Hamid Rashid

These remarks were made by the Chief of the Global Economic Monitoring Branch, Economic Analysis and Policy Division, UN-Department of Economic and Social Affairs Hamid Rashid.

India's economic growth is expected to remain "strong" even as prospects for other South Asian nations "are more challenging." India is projected to grow at 6.7 per cent in 2024, the fastest-growing major economy in the world. Rashid said, "we believe the Indian economy is on a strong footing given the strong domestic demand in the near term." Noting that India's economic growth is expected to pick up in 2024 to 6.7 per cent, he said this is "very high growth relative to other G20 member countries.

The Group of Twenty (G20) comprises 19 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Türkiye, United Kingdom and United States) and the European Union "This is a sustainable growth rate for India. India also has a significant number of people living in poverty. So this would be a great boost. If India can sustain this growth rate in the near term, that would be good for the Sustainable Development Goals, good for poverty reduction globally," Rashid said.

Responding to a question on the Indian economy, Rashid, who is the lead author of the report, attributed three factors to India's current economic strength. He said India's unemployment rate has come down significantly in the last four years to 6.4 per cent and is lower than what it was around 2017. "That means the domestic demand has been pretty strong," he said.

India's inflation pressure also has "eased quite significantly" and it is expected to be about 5.5 per cent this year and 5 per cent in 2024. Rashid said this means that the country's central bank would not have to aggressively go for monetary tightening. The third factor benefitting India is that its import bills have been lower, "especially energy import cost has been lower than in the previous years. That has also helped India's growth prospect in 2022 and 2023," he said.

Outlining "downside risks" for India's growth prospects in the near term, Rashid said higher interest rates have a spill over effect. "India's debt servicing cost has exceeded 20 per cent of the budget and that is a significantly high debt servicing cost and that would probably have some drag on the growth prospects." He said another risk for the Indian economy is external demand.

"If Europe goes into a very slow growth mode" and the US is also in a similar situation, India's export to the world economy may suffer a setback. The report noted that world output growth is projected to decelerate from an estimated three per cent in 2022 to 1.9 per cent in 2023, marking one of the lowest growth rates in recent decades as a "series of severe and mutually reinforcing shocks — the COVID-19 pandemic, the war in Ukraine and resulting food and energy crises, surging inflation, debt tightening, as well as the climate emergency — battered the world economy in 2022."

It presents a gloomy and uncertain global economic outlook for the near term. Global growth is forecast to moderately pick up to 2.7 per cent in 2024 as some of the headwinds will begin to subside. However, this is highly dependent on the pace and sequence of further monetary tightening, the course and consequences of the war in Ukraine, and the possibility of further supply-chain disruptions.

The report, produced by the United Nations Department of Economic and Social Affairs (UN DESA), said that in South Asia, the economic outlook has significantly deteriorated due to high food and energy prices, monetary tightening and fiscal vulnerabilities. Average GDP growth is projected to moderate from 5.6 per cent in 2022 to 4.8 per cent in 2023.

“Prospects are more challenging” for other economies in the South Asia region. Bangladesh, Pakistan and Sri Lanka sought financial assistance from the International Monetary Fund in 2022.China is projected to grow at 4.8 per cent in the calendar year 2023 and 4.5 per cent in 2024, while the US is estimated to register a 0.4 per cent economic growth this year and 1.7 per cent in 2024.

The report said that amid high inflation, aggressive monetary tightening and heightened uncertainties, the current downturn has slowed the pace of economic recovery from the COVID-19 crisis, threatening several countries — both developed and developing — with the prospects of a recession in 2023. Growth momentum significantly weakened in the United States, the European Union and other developed economies in 2022, adversely impacting the rest of the global economy through a number of channels.

In India, annual inflation is estimated at 7.1 per cent in 2022, exceeding the 2 to 6 per cent medium-term inflation target band set by the Central Bank. India’s inflation is expected to decelerate to 5.5 per cent in 2023 as global commodity prices moderate and slower currency depreciation eases imported inflation.

Most developing countries have seen a slower job recovery in 2022 and continue to face considerable employment slack. Disproportionate losses in women’s employment during the initial phase of the pandemic have not been fully reversed, with improvements mainly arising from a recovery in informal jobs, the report said.

Recovery in the labour market has been uneven across the region. The report said that among the large economies, the unemployment rate dropped to a four-year low of 6.4 per cent in India, as the economy added jobs both in urban and rural areas in 2022. “In India, the unemployment rate in 2022 declined to pre-pandemic levels through stepped-up urban and rural employment. But youth employment remained below pre-pandemic levels, particularly among young women, given the pandemic’s severe impacts on economic sectors where women tend to cluster,” it said.

The report calls for governments to avoid fiscal austerity which would stifle growth and disproportionately affect the most vulnerable groups, affect progress in gender equality and stymie development prospects across generations. It recommends reallocation and reprioritisation of public expenditures through direct policy interventions that will create jobs and reinvigorate growth. This will require strengthening of social protection systems, ensuring continued support through targeted and temporary subsidies, cash transfers, and discounts on utility bills, which can be complemented with reductions in consumption taxes or customs duties, it said.

(Press Trust of India, 26/1/2023)

Advance estimates peg FY23 GDP growth at 7%

The statistical body expects the feeble growth in manufacturing to improve a tad and hit 3% in H2FY23, against 0.1% in H1 and the projected 1.6% for the full year.

India's real gross domestic product (GDP) is estimated to grow 7% in FY23 from a year before, which is slightly above the forecasts by the central bank and the International Monetary Fund (IMF) but broadly in consonance with those of some other agencies.

While the National Statistical Office's (NSO's) first advance estimates for the full year helps India retain the status of the world's fastest-growing major economy, it also brings to the fore the concerns of a sharp sequential deceleration in growth. The NSO has pencilled in a growth rate of just 4.5% for the second half of this fiscal, against 9.7% in the first half, as a favourable base effect wanes and external headwinds mount.

It also serves as a reminder that FY24 could be a more difficult year, as global growth slowdown accentuates and elevated domestic interest rates start to hurt demand expansion while a recent pick-up in contact-intensive services sectors loses momentum. But the Indian economy is still likely to display greater resilience than most others.

However, the nominal GDP growth of 15.4% for FY23, against the budget estimate of 11.1% (although the base was subsequently revised), will create space for an additional spending of Rs 97,080 crore by the government without breaching its fiscal deficit target of 6.44% of nominal GDP.

The large difference between the nominal and real GDP growth rates for FY23 is driven by the fact that wholesale price inflation, which influences the deflator more than retail inflation, remained mostly in double digit this fiscal. However, the deflator may ease in FY24 as the WPI inflation moderates at a sharp pace, which again will weigh on the computation of real growth. The gross value added for FY23 is expected to hit 6.7%, against 8.1% last year (which was, of course, on a contracted base).

What worries analysts is that the NSO has, in effect, predicted a 0.2% contraction in private consumption expenditure, the principal pillar of the economy, for the second half of this fiscal, even though the full-year growth is pegged at 7.7%. This indicates that the pent-up demand for goods, witnessed after the second Covid wave, has almost evaporated.

Surprisingly, the NSO has calculated an 11.9% rise in exports in real term for H2FY23 despite a demand slowdown for goods in key markets. This forecast, some analysts reckon, may have to be revised down once the provisional estimates for the full year is announced in May.

However, what comes as a relief for policymakers is that the NSO has factored in a decent 8.4% jump in gross fixed capital formation (GFCF) for the second half, upon a relatively unfavourable base, assuming that the government's capex push and a revival of private investments in certain sectors will yield the dividend. For the full year, the growth in the GFCF is pegged at 11.5%, partly due to higher growth in the first half.

The statistical body expects the feeble growth in manufacturing to improve a tad and hit 3% in H2FY23, against 0.1% in H1 and the projected 1.6% for the full year. But this is below par. Moreover, all services segments are expected to see slower growth in H2FY23. Trade, hotels, transport and communication services is estimated to grow 9.4% in the second half, against 19.5% in H1. Financial, real estate and professional services could grow 4.2% in H2, compared with 8.2% in H1 and public administration, defence and other services would barely grow at 1.7%, against 15.3%.

“The slowdown is expected to intensify next year, as global growth falls further. While domestic demand has stayed relatively resilient so far, it would be tested next year by weakening industrial activity. It will feel the pressure from increasing transmission of interest rate hikes to consumers as well, and as the catch-up in contact-based services fades,” Crisil chief economist DK Joshi said. Crisil has projected real GDP growth to slow to 6% next fiscal, “with risks tilted to the downside”, while nominal GDP growth may moderate to around 11%.

However, there could be some positive surprises when the first advance estimates are revised. Icra chief economist Aditi Nayar said at 2.7%, the NSO’s growth projection for agriculture for H2FY23 is slightly lower than her forecast. “Given the brisk sowing (y-o-y growth of 4.5% up to December 30), improved fertiliser availability and healthy reservoir levels, we expect rabi sowing in FY2023 to exceed year-ago levels by 1.0-2.0%, which would contribute to agricultural GVA growth of 3.0-4.0% in H2 FY2023, while entailing a base-effect led easing in Q4,” she said. However, she termed the projected 9.4% growth for the trade, hotels, transport and communication services segment for H2 “quite optimistic”. In contrast, its growth projections of just 1.7% for the public administration and other services segment “are on the lower side”, she said.

India Ratings principal economist Sunil Kumar Sinha said: “On the whole the first advanced estimates will cheer the government since the nominal GDP and, in turn, tax revenues are going to be much higher than budgeted and would provide adequate fiscal headroom to achieve the fiscal deficit target.”

(Financial Express, 7/1/2023)

Netherlands emerging as key export destination for India amid jump in shipments of petro products

Synopsis

The Netherlands has taken over major destinations such as the UK, Hong Kong, Bangladesh and Germany, according to data of the commerce ministry. India's exports to the Netherlands rose by about 69 per cent to USD 13.67 billion during April-December 2022 as against USD 8.10 billion in the same period previous year, the data showed.

The Netherlands has emerged as India's third largest exports destination after the US and UAE during April-December this fiscal on account of a surge in shipment of goods such as petroleum products, electronic items, chemicals, and aluminium goods. India's trade surplus with the Netherlands has also increased from USD 1.5 billion in 2017 to USD 12.3 billion in 2022.

The Netherlands has taken over major destinations such as the UK, Hong Kong, Bangladesh and Germany, according to data of the commerce ministry.

India's exports to the Netherlands rose by about 69 per cent to USD 13.67 billion during April-December 2022 as against USD 8.10 billion in the same period previous year, the data showed.

In 2021-22 and 2020-21, the outbound shipments to the European country stood at USD 12.55 billion and USD 6.5 billion, respectively. The exports are registering healthy growth continuously since 2000-01, when India's exports to that nation was USD 880 million.

Further, in 2021-22, the Netherlands was the fifth largest destination for Indian exports as against ninth in 2020-21.

Federation of Indian Export organisations (FIEO) Director General Ajay Sahai said the Netherland has emerged as a hub for Europe with efficient port and connectivity with EU through road, railways and waterways.

"Petroleum exports went up significantly. During April-November this fiscal, these exports rose from USD 2.7 billion during April-November 2021-22 to USD 6.4 billion as oil companies are using the Netherlands as distribution hub. Aluminium, electrical and electronics and pharma exports also contributed significantly though some of these goods may be finally consumed in Germany or France," Sahai said.

In the calendar year, India's exports to the country increased to USD 18.1 billion in 2022 from USD 5.5 billion in 2017.

According to economic think tank GTRI (Global Trade Research Initiative), ATF (aviation turbine fuel) and diesel were the key petroleum products exported from India to that country.

Telecom equipment and smartphones with a value of over USD 1 billion were the largest electronic items, it said.

Mumbai-based exporter and Chairman of Technocraft Industries, Sharad Kumar Saraf said the Netherlands is a gateway to Europe as their ports are very efficient hence cheaper than other European ports for shipping operations.

India and the Netherlands established diplomatic relations in 1947. Since then, the two countries have developed strong political, economic and commercial relations.

In 2021-22, the bilateral trade between the two countries stood at USD 17 billion as against about USD 10 billion in 2020-21.

The Netherlands is among top trading partners of India in Europe, after Germany, Switzerland, the UK and Belgium. It is also a major investor in India. During April-September this fiscal, India received USD 1.76 billion in foreign direct investment from the Netherlands. It was USD 4.6 billion in 2021-22.

There are over 200 Dutch companies present in India, including Philips, Akzo Nobel, DSM, KLM and Rabobank. Similarly, there are over 200 Indian companies operating in the Netherlands, including all the major IT firms such as TCS, HCL, Wipro, Infosys, Tech Mahindra as well as Sun Pharmaceuticals and Tata Steel.

(Economic Times, 29/1/2023)

Recession will hit a third of the world this year, warns IMF chief Kristalina Georgieva

It comes at a time when the ongoing conflict in Ukraine shows no signs of abating after more than 10 months, with spiralling inflation, higher interest rates and the surge in coronavirus infections in China fuelled by the Omicron variant.

A third of the global economy will be in recession this year, the IMF chief has said, and warned that 2023 will be "tougher" than last year as the US, EU and China will see their economies slow down. Kristalina Georgieva, the chief of the International Monetary Fund (IMF) made these grim assertions on Sunday during a CBS news programme "Face the Nation."

It comes at a time when the ongoing conflict in Ukraine shows no signs of abating after more than 10 months, with spiralling inflation, higher interest rates and the surge in coronavirus infections in China fuelled by the Omicron variant. "We expect one-third of the world economy to be in recession," Georgieva said on the news programme.

The year 2023 will be tougher than last year because the economies of the US, the EU and China will slow down, she said. "Even in countries that are not in recession, it would feel like a recession for hundreds of millions of people," she explained.

IMF says global economic outlook getting 'gloomier', risks abound

In October last year, the IMF trimmed its growth forecast for 2023."Global growth is forecast to slow from 6 per cent in 2021 to 3.2 per cent in 2022 and 2.7 per cent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic," it said.

China has scrapped its zero Covid policy and opened its economy following a wave of anti-government protests in the country. "For the next couple of months, it would be tough for China, and the impact on Chinese growth would be negative, the impact on the region will be negative, the impact on global growth will be negative," she added.

(Press Trust of India, 2/1/2023)

India begins anti-dumping probe into import of vitamin from China, EU

Synopsis

The commerce ministry's investigation arm Directorate General of Trade Remedies is investigating the alleged dumping of 'Vitamin A Palmitate' originating in or exported from China, European Union and Switzerland. Alleging that dumping of the product is impacting domestic companies, Piramal Pharma Ltd has filed a petition before the directorate seeking imposition of anti-dumping duty on the imports.

India has launched an anti-dumping probe into import of a certain kind of vitamin, used for animal consumption, from three countries on a complaint by a domestic player. The commerce ministry's investigation arm Directorate General of Trade Remedies (DGTR) is investigating the alleged dumping of 'Vitamin A Palmitate' originating in or exported from China, European Union and Switzerland.

Alleging that dumping of the product is impacting domestic companies, Piramal Pharma Ltd has filed a petition before the directorate seeking imposition of anti-dumping duty on the imports.

The DGTR , in a notification, said that on the basis of the application "and having satisfied itself, on the basis of the prima facie evidence submitted, about the dumping of the subject goods...the authority, hereby, initiates an investigation".

The directorate further said that it would recommend the imposition of anti-dumping duty on these imports if it is established that the dumping has caused material injury to domestic players.

The finance ministry takes the final decision to impose duties. Anti-dumping probes are conducted by countries to determine whether domestic industries have been hurt because of a surge in cheap imports.

As a counter measure, they impose these duties under the multilateral regime of the Geneva-based World Trade Organization (WTO). The duty is aimed at ensuring fair trading practices and creating a level-playing field for domestic producers vis-a-vis foreign producers and exporters.

India has already imposed anti-dumping duty on several products to tackle cheap imports from various countries, including China. In a separate notification, the DGTR said a similar probe has also started against alleged dumping of 'Self- Adhesive Vinyl' coming from China.

(Press Trust of India, 5/1/2023)

Yale, Oxford and Stanford Campuses in India? UGC invites suggestions on draft rules

The University Grants Commission on Thursday invited comments, suggestions and feedback on draft regulations on setting up and operation of campuses of foreign universities in India, as part of its measures for internationalisation of the country's higher education system.

The UGC's Setting up and Operation of Campuses of Foreign Higher Educational Institutions in India) Regulations, 2023 aim to facilitate the entry of foreign higher educational institutions into India.

The UGC had notified the guidelines on internationalisation of higher education in 2021, which included provisions like setting up an Office for International Affairs and Alumni Connect Cell in the Universities. To foster academic collaboration between Indian and foreign higher educational institutions, the UGC (Academic Collaboration between Indian and Foreign Higher Educational Institutions to offer Twinning, Joint Degree and Dual Degree Programmes) Regulations, 2022 were notified on May 2, 2022.

The draft regulations says that the NEP 2020 has envisioned that "top universities in the world will be facilitated to operate in India." For this, "a legislative framework facilitating such entry will be put in place, and such universities will be given special dispensation regarding regulatory governance, and content norms on par with other autonomous institutions of India".

The regulatory framework allowing the entry of higher-ranked foreign universities, as envisaged in NEP, 2020, will provide an international dimension to higher education, enable Indian students to obtain foreign qualifications at affordable cost, and make India an attractive global study destination, it said.

(Moneylife, 6/1/2023)

India FTA can be clinched this year, but no more visa offers: UK trade minister

According to official UK government data, India-UK bilateral trade currently stands at around GBP 29.6 billion a year.

The India-UK free trade agreement (FTA) is expected to be clinched this year but it won't involve any boost of free movement visa offers for Indians, British trade minister in charge of the negotiations has said.

Kemi Badenoch, who was in New Delhi last month to kick off the sixth round of FTA talks with Commerce and Industry Minister Piyush Goyal, said that former prime minister Boris Johnson's "deal by Diwali" deadline last year was not feasible and had to be changed.

In an interview with 'The Times' recently, the UK Secretary of State for Trade also ruled out any major similarities between the FTA the UK had struck with Australia – one of the first post-Brexit trade deals – and that with India.

"We left the EU (European Union) because we didn't believe in free movement, we didn't think it was working. This is not a deal that's negotiating some kind of free movement with India," Badenoch told the newspaper, with reference to more visa offers.

The minister indicated a willingness to make concessions on issues like business mobility, but ruled out the prospect of Indians getting the same kind of deal as with Australia – which allows under-35s to live and work in the UK for three years.

The reciprocal UK-India Young Professionals Scheme, formally launched earlier this month, is seen as overcoming this hurdle by annually offering 3,000 18 to 30-year-old graduates visas to live and work in either country for up to two years.

"We have to make sure that each trade agreement we sign is tailored to the specific country. The kind of mobility offer I can do to a country like Australia is not going to be the same kind of mobility offer I can do with a country like India, which has got many times the population," said Badenoch.

"And what people from the UK want to do when they travel to Australia is probably slightly different from what they do when they travel to India, and vice versa as well," she told 'The Times'.

Distancing from the previous Tory government's approach of deadline-bound FTA negotiations as "unhelpful", Badenoch reiterated the Rishi Sunak led government's more flexible approach going forward.

"The 'deal by Diwali' mantra is one of the things I have changed since becoming Trade Secretary. I tell people it's about the deal, not the day. I think that having a fixed day where everything needs to be completed is not helpful in a negotiation because the other party can run down the clock," she said.

Johnson had set a Diwali 2022 deadline for the FTA during his prime ministerial visit to India in April last year. However, amid major political upheavals in the UK, that deadline fell by the wayside and most ministers have since been reluctant to set a fresh timeframe.

"I do think a deal this year. I don't know when. But after a while if things don't conclude then people just move on, on both sides. I'm very keen to sign a deal this year," said Badenoch.

According to official UK government data, India-UK bilateral trade currently stands at around GBP 29.6 billion a year. Both sides formally launched FTA negotiations at the start of last year, with Sunak committing to working "at pace" towards an FTA that does not "sacrifice quality for speed" after that October 2022 Diwali deadline was missed.

(Financial Express, 23/01/2023)

FTA negotiations with India 'well advanced', next round set to commence very soon: UK minister

Synopsis

Ahmad was responding to the debate entitled "The Importance of the Relationship Between the United Kingdom and India" in the House of Lords on Thursday, tabled by British Indian peer Baroness Sandy Verma. He confirmed that negotiations for a bilateral free trade agreement (FTA) are "well advanced", with the next round of negotiations set to commence very soon.

A UK Foreign Office minister mentions in Parliament that the negotiations between Britain and India for the ambitious Free Trade Agreement (FTA) are moving further along, with the next round of talks set to take place very soon. He asserted the importance of a strong deal, stating that it could boost the country's economy.

UK Foreign Office minister for South Asia, Lord Tariq Ahmad also said that Britain's relationship with India is central to its foreign policy as it is one of the world's biggest economies, is a key partnership.

Ahmad was responding to the debate entitled "The Importance of the Relationship Between the United Kingdom and India" in the House of Lords on Thursday, tabled by British Indian peer Baroness Sandy Verma.

He confirmed that negotiations for a bilateral free trade agreement (FTA) are "well advanced", with the next round of negotiations set to commence very soon.

"It is true that, as we set up and strengthen this relationship, the United Kingdom's relationship with India is central to UK foreign policy," said Ahmad.

"As one of the world's biggest and fastest-growing economies, India is a key partner to the UK... We are also looking at lowering non-tariff barriers on medical devices to benefit British exporters, and are well advanced in our negotiations for an ambitious and balanced free trade agreement," he said.

A strong trade deal with India could boost the UK economy by billions of pounds over the long term, helping families across the country, he said.

"Cutting red tape and high tariffs could also make it easier and cheaper for UK companies to sell in India, driving growth and supporting jobs," he added.

As part of a review of the progress across all sectors of bilateral cooperation, including defence, health and climate action, the minister also addressed the issue of timelines related to a UK-India FTA.

"As an update, we have now completed six rounds of negotiations for a trade deal and will begin the next round very soon... Several noble Lords talked about timelines.

"I assure them that we are working those through specifically, but it was very much by mutual agreement to ensure that the trade deal signed is not rushed but properly thought through, and that all chapters are discussed in an exhaustive manner so that we reach a deal that is of mutual benefit to both countries and their peoples," the minister said.

As per the official UK government data, the India-UK bilateral trade currently stands at around 29.6 billion pounds a year. Both sides formally launched FTA negotiations in January last year with former prime minister Boris Johnson announcing a Diwali deadline for its conclusion.

However, Prime Minister Rishi Sunak committed to working "at pace" towards an FTA that does not "sacrifice quality for speed" after that October deadline was missed amid political turmoil in the UK.

The sixth round of negotiations to finalise the deal concluded last month with detailed draft treaty discussions across 11 policy areas over 28 separate sessions.

The UK government has said its target for the FTA is to achieve a deal to cut tariffs and open opportunities for UK services such as financial and legal, making it easier for British businesses to sell to the Indian economy.

Verma opened the debate by highlighting the recent creation of the India (Trade and Investment) All Party Parliamentary Group (APPG), backed by the British Indian think tank 1928 Institute as its secretariat. She revealed that the cross-party group is scheduled to take its first delegation to India in April.

"We believe that the group will provide a strong Parliament-wide link that will not just strengthen political engagement and understanding but will build on what will become the free trade agreement for us to make this century one of the strong foundations, strong collaborations and new partnerships," she said.

Lord Karan Bilimoria spoke of the need for large prime ministerial delegations to India and called on Prime Minister Sunak to lead one "as soon as possible".

"Today India has the presidency of the G20. Today India has a vision to become, in the next 25 years, the second-largest economy in the world with a GDP of USD 32 billion," he said.

"The Indian express has left the station. It is now the fastest train in the world-the fastest-growing major economy in the world. The UK must be its closest and most trusted friend and partner in the decades ahead," he added.

(Economic Times, 21/01/2023)
