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India's GDP swells to $3.75 trillion as it topples other biggies

Synopsis

The finance minister called India a 'bright spot' in the global economy, highlighting its position as the fifth largest economy. Last year, India had surpassed the UK to become the world's fifth-largest economy last year and is now behind only the US, China, Japan and Germany, as per the IMF projections.

India's Gross Domestic Product (GDP) has reached $3.75 trillion in 2023, from around $2 trillion in 2014, said Union finance minister Nirmala Sitharaman on Monday

The finance minister called India a 'bright spot' in the global economy, highlighting its position as the fifth largest economy. Last year, India had surpassed the UK to become the world's fifth-largest economy and is now behind only the US, China, Japan and Germany, as per the IMF projections. A decade back, India was ranked 11th among the large economies.

Recently, a stronger-than-expected fourth quarter lifted India's growth to 7.2 per cent in FY23, exceeding the 7 per cent cited in the second advance estimates released in February, underscoring the country's economic resilience in the face of multiple challenges.

As per the provisional estimates released by the National Statistical Office (NSO) recently, real GDP growth for 2022-23 stood at 7.2 per cent, higher than the 7 per cent projected earlier.

The gross domestic product (GDP) rose 6.1 per cent in the March quarter from a year earlier, accelerating sequentially as well from the upwardly revised 4.5 per cent in the preceding quarter, government data showed. An ET poll of 20 economists had earlier estimated 5.1 per cent median growth in the fourth quarter.

Recently, Chief Economic Advisor Dr V Anantha Nageswaran lauded the estimated 7.2 per cent real GDP growth in 2022-23 and expressed confidence that when the final numbers for the fiscal are frozen in early 2026, the growth will be higher.

Speaking at an event organised by the Bharat Chamber of Commerce, Nageswaran said 7.2 per cent GDP growth is "heartening achievement for the government and economy".

"It is efforts of people like you more than the government that gave us 7.2 per cent real GDP growth in FY 23 following the 9.1 per cent in FY 22," ANI quoted him as saying.

Nageswaran said India's GDP growth estimates are presented six times and "the final estimate for FY 23 will actually be with us in January-February 2026. And my expectation and belief is that when the final number for FY23 is frozen in February 2026, the number will be more than 7.2 per cent."

Nageswaran said this is the first reliable estimate of GDP growth and "as more and more data become available, further revision will be for upside from 7.2 per cent."

Meanwhile, Moody's on Sunday said the Indian economy is expected to clock a 6-6.3 per cent growth in June quarter, and flagged risks of fiscal slippage arising from weaker-than-expected government revenues in the current fiscal.

The growth estimate released by Moody's is lower than the 8 per cent projection for the first quarter made by the Reserve Bank of India (RBI) last week.

In an interview with PTI, Moody's Investors Service Associate Managing Director Gene Fang said India has a relatively high level of general government debt at around 81.8 per cent of GDP for 2022-23, and low debt affordability.

"We expect India's growth to come in around 6-6.3 per cent in the first quarter of the current fiscal year, which remains relatively flat from the 6.1 per cent recorded in the final quarter of fiscal 2022-23," PTI quoted Fang as saying.

(Economic Times, 12/6/2023)

World Trade Organisation panel asks India, European Union to negotiate IT tariffs by September

India and EU are already negotiating a Free Trade Agreement and the decision to sort out a WTO dispute bilaterally seems significant.

The Dispute Settlement Body of the World Trade Organisation has deferred the adoption of its ruling on tariffs by India on information technology products till September 19 to give both India and EU time to resolve the issue bilaterally.

India and the European Union (EU) had jointly approached the dispute settlement body of the World Trade Organisation (WTO), seeking deferment of the adoption of its ruling on tariffs imposed by India on some information technology products till September 19, as they try to reach an understanding on the issue through negotiations.

"WTO members agreed at a meeting of the Dispute Settlement Body (DSB) on 15 June to a request from the European Union and India to grant the DSB additional time to consider the adoption of the panel ruling in "India — Tariff Treatment on Certain Goods in the Information and Communications Technology Sector," a Geneva-based Trade Official said.

India and EU are already negotiating a Free Trade Agreement and the decision to sort out a WTO dispute bilaterally seems significant. Already four rounds of talks on the FTA have happened and the fifth round is underway.

On April 17, the DSB had ruled against India on tariffs imposed on information and technology products on a complaint by Japan, Taiwan and the European Union.

It had said that India's tariffs are against the WTO's Information Technology Agreement (ITA) that seeks to remove all duties on IT products.

After the adverse order, there was a 60-day window available for appeal. As per WTO dispute settlement rules if no appeal is filed then the DSB adopts the order and the country against whom the ruling has been passed has to implement it.

During that 60-day time-window, the parties in dispute can also agree to settle among themselves.

The EU had challenged the Indian import duties on information technology products like mobile phones and components, base stations, integrated circuits and optical instruments in April 2019. The EU had claimed that the measures appear to be inconsistent with certain provisions of ITA of the WTO. Later, Taiwan and Japan joined the dispute.

India has already challenged the ruling in the case of Japan.

As per the WTO process, bilateral consultation is the first step to resolve a dispute when a complaint is filed. If both sides are not able to resolve the matter through consultation, either of them can seek establishment of a dispute settlement panel.

The panel's ruling or report can be challenged at WTO's appellate body. The body is presently non-functional because of differences among member countries to appoint its members.

Back to negotiating table

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(Financial Express, 16/6/2023)

Two official teams from India, EU to discuss carbon tax issues

The European Union (EU) is introducing the Carbon Border Adjustment Mechanism (CBAM) from October 1 this year.

India and the European Union have constituted two teams to discuss issues pertaining to the EU's carbon tax, which will kick in from October this year, a government official said. The European Union (EU) is introducing the Carbon Border Adjustment Mechanism (CBAM) from October 1 this year. It would have an impact on seven carbon-intensive sectors, including steel, cement, fertiliser, aluminium and hydrocarbon products.

India raised these issues in the Trade and Technology Council (TTC) meeting between the two regions in Brussels in May. In that meeting, the official said, India presented the problems which would be faced by domestic MSMEs due to this tax and also matters related to modalities to comply with that. "So now they have agreed that there will be a channel opened for discussions. So there will be a team from their side and our side discussing this. The two teams would discuss about the implications of the notification of the EU," the official, who did not wish to be named, said.

India has suggested the EU to recognise some certifying agencies in India as it would be an expensive affair for a small Indian exporter to take certificates from the EU. India has asked for recognition to its Carbon Credit Trading Scheme (CCTS), which is under preparation. Issues pertaining to the pricing of carbon-intensive products would also be discussed.

India has already sought exemption for its MSMEs from the European Union's carbon tax. According to a report of the think-tank GTRI, CBAM would translate into a 20-35 per cent tax on select imports into the EU starting January 1, 2026. From October, domestic companies from seven carbon-intensive sectors — including steel, cement, fertiliser, aluminium and hydrocarbon products — will have to seek compliance certificates from the EU authorities to comply with the CBAM norms.

The commerce ministry held a detailed stakeholders' consultations meeting on the issue last month and discussed the industry's preparedness for CBAM compliance. The compliance is in two parts – a requirement of filing data from October and later imposition of the tax from January 2026.

According to the GTRI (Global Trade Research Initiative) report, from October 1, India's iron, steel and aluminium exports to European Union countries will face extra scrutiny under the mechanism. From January 1, 2026, the EU will start collecting carbon tax on each consignment of steel, aluminium, cement, fertiliser, hydrogen and electricity.

In 2022, India's 27 per cent exports of iron, steel and aluminium products worth USD 8.2 billion went to the EU. At the multilateral level, India and certain other countries have flagged their concerns to the World Trade Organisation (WTO) on CBAM. India submitted a paper on the subject to the WTO in February.

(Financial Express, 29/6/2023)

Micron nears $1 billion investment in India chip packaging plant

Synopsis

Micron Technology is in discussions to establish a semiconductor packaging factory in India worth at least $1bn, according to sources. The move is to expand the company's global footprint as trade tensions rise between China and the US. The company could commit as much as $2bn to the project, which market insiders suggested could be confirmed during the Indian Prime Minister's US visit next week. The deal would mark a win for Modi's Make In India campaign, while also helping the US diversify its chipmaking supply chains.

Micron Technology Inc. is close to an agreement to commit at least $1 billion toward setting up a semiconductor packaging factory in India, according to people with knowledge of the matter, a move to further diversify its geographic footprint at a time of US tensions with China.

An announcement could be made as soon as when Prime Minister Narendra Modi visits the US next week, said the people, who asked not to be identified because the details are private. The amount of money committed could go as high as $2 billion, one of the people said. The details could change as discussions are in progress, and there's no guarantee an agreement will be finalized.

The deal would mark a win for Modi's ambitious "Make in India" plans, while offering Washington an opportunity to strengthen key supply chains outside of China. Removing barriers to technological trade between the two countries is a key part of Modi's state visit, US National Security Adviser Jake Sullivan said in New Delhi on Tuesday.

The Indian investment would follow a Chinese ban on the use of Micron chips in what Beijing called critical infrastructure, a move that cast uncertainty over the status of US chipmakers in the world's largest semiconductor market. On Friday, Micron pledged to invest $600 million more in its Chinese plant to create jobs and support the local market.

India's Technology Ministry and Ministry of External Affairs didn't respond to requests for comment, while a representative for Micron declined to comment.

The US is pushing to diversify advanced chipmaking as growing Chinese tensions spur concerns about the world's reliance on Asian manufacturing centers such as Taiwan. Micron, the largest American memory chipmaker, also secured financial support for a $3.6 billion next-generation plant it aims to establish in Japan.

Modi starts his first formal state visit June 21, with President Joe Biden hosting him for a banquet the following day. The Indian leader will also address the US Congress. Modi has pledged $10 billion to woo chipmakers to India, promising his administration will bear half the cost of setting up all semiconductor sites.

The Business Standard newspaper had previously reported Micron was set to get Indian government approval for a $1 billion assembly and packaging facility in India.

(Economic Times, 16/6/2023)

Energy shift: India only major economy moving ahead in all aspects

Country still ranked 67 in the transition index

India the only major economy that is "making advances on all aspects of energy transition," the World Economic Forum (WEF) said in a report, even as the country still ranked a lowly 67 among 120 countries in terms of the progress in the transition.

The momentum of transition, which is key to the country meeting the multilateral carbon reduction goals, is "accelerating across the Energy Transition Index's (ETI) equitable, secure and sustainable dimensions," the WEF said.

India is steadily improving across the three dimensions of the energy triangle over the past decade, and improved its score by more than 10 percentage points along with two other large emerging centres of demand – China and Indonesia.

"Achieving universal access to electricity, replacing solid fuels with clean cooking options (primarily liquefied petroleum gas) and increasing renewable energy deployment have been primary contributors to the improvement of India's ETI performance," the WEF said in the report "Fostering Effective Energy Transition 2023 Edition."

At COP26, India committed to achieving net-zero emissions by 2070 and raised its ambition in its revised nationally determined contribution to reduce emission intensity by 45% from 2005 levels, and attain 50% of cumulative non-fossil fuel power generation capacity by 2030.

Though the energy mix remains predominantly carbon intensive, Indian energy sector's sustainability profile has improved due to the reduced energy intensity and the increasing share of renewable energy, it said.

"Improvements in the enabling environment have been driven by political commitment, an ambitious reform agenda, infrastructure investments and a competitive renewable energy landscape," the report stated.

India's energy consumption has more than doubled since 2000. And, as it is the fastest-growing major economy, this trend is expected to continue. With rising energy demand, India's energy imports have increased in tandem.

Although the report notes that India maintains a well-diversified mix of energy trade partners, rising import dependence represents a risk amid global energy market volatilities. Decarbonization of power generation and electrification of final demand are key levers of India's energy transition, it said.

The report further highlights that India will require a substantial increase in investments and the modernisation of the grid infrastructure if it wants to install 500 GW of non-fossil fuel power generation capacity by 2030.

It also noted the need for strategies for early retirement or repurposing of the existing thermal power plants, even as their expansion has considerably slowed. India, however, maintains that it will not compromise on energy security needed for growth.

Other challenges that may impact continued progress in energy transition are strong economic growth, urgency to create quality jobs, skilled workforce and investment in R&D in low-carbon technologies, it added.

(Financial Express, 28/6/2023)

India, UK seeking equal treatment for services sector companies under proposed free trade agreement: Official

Synopsis

The two countries are looking at promoting trade in services through this agreement, negotiations for which was launched on January 13, 2021. As many as ten rounds of talks have been completed till June this year and both sides are aiming to conclude the negotiations at the earliest.

India and the UK are seeking equal treatment in each other's market for their respective companies engaged in the services sector under the proposed free trade agreement, which is under negotiations, a government official said. The two countries are looking at promoting trade in services through this agreement, negotiations for which was launched on January 13, 2021.

As many as ten rounds of talks have been completed till June this year and both sides are aiming to conclude the negotiations at the earliest.

In the services sector, the official said the UK is showing keen interest in areas such as financial sectors, while India is looking at areas such as education and movement of skilled professionals.

Under the services chapter of the free trade agreement, there are no customs duty concessions given to each other.

The two trading partners negotiate issues like giving national treatment to Indian and British companies in different sectors and ease norms to promote trade in services like simple visa processes for skilled labour force and easy foreign direct investment norms in the sector.

"Regular meetings are held at higher levels to review the progress, resolve the outstanding issues and discuss the way forward in negotiations. So far nothing has firmed up in the services sector," the official, who did not wish to be identified, said.

"The UK is an important financial services centre of the world, so they always have interest in that," the official added. Both sides have exchanged the list of services where they are keen to promote exports.

The negotiations between the two countries for the agreement covers as many as 26 policy areas/ chapters. Out of this, 14 chapters have been substantially closed for negotiations and there is significant progress in other areas.

Investment is being negotiated as a separate agreement (bilateral investment treaty) between India and the UK and it would be concluded simultaneously with the free trade agreement.

Indian students have for the first time overtaken Chinese as the largest group of foreign students studying in the UK with a massive 273 per cent hike in visas granted over the past few years, according to the country's official immigration statistics released in November last year.

The UK Home Office data collated by the Office for National Statistics (ONS) had shown that Indians also continue to be the top nationality granted visas in the skilled worker category, with 56,042 granted work visas in the past year.

Indian nationals also represented the highest number of visas at 36 per cent of the total under the tailored Skilled Worker Health and Care visa targeted at medical professionals, reinforcing Indian contribution to the state-funded National Health Service (NHS).

The UK ranks number two in the world in terms of tourists visiting India, but most of the tourists are British nationals of Indian origin. Around 500,000 Indians visit the UK every year.

Services Export promotion Council of India (SEPC) Chairman Sunil Talati said huge potential is there to further boost trade in services.

"The four areas of our interest in the UK under the trade agreement are accounting and auditing, legal, tourism, and engineering and architecture.

"We are requesting the commerce ministry to seek liberalised visa norms for Indian professionals in these segments. Medical treatment in the UK is expensive.... In fact people from Scotland and Ireland also prefer India for treatment," Talati said.

He added that Uk is keen in segments such as legal, accounting and auditing, tourism, and financial services.

The bilateral trade between the countries has increased to USD 20.36 billion in 2022-23, as compared to USD 17.5 billion in 2021-22.

India's exports to the UK stood at USD 11.4 billion last fiscal, as against USD 10.5 billion in 20210-22. Imports aggregated at USD 8.96 billion in 2022-23, as compared to USD 7 billion in the previous fiscal.

India's main exports to the UK are ready-made garments and textiles, gems and jewellery, engineering goods, petroleum and petrochemical products, transport equipment, spices, machinery and instruments, pharmaceuticals and marine products.

The main imports include precious and semi-precious stones, ores and metal scraps, engineering goods, professional instruments other than electronics, chemicals and machinery.

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

In the field of investment, the UK is one of the top investors in India. In 2022-23, India has received USD 1.74 billion foreign direct investment from Britain as against USD one billion in 2021-22. During April 2000 and March 2023, the investments stood at USD 33,9 billion.

Top sectors attracting FDI from the UK are petroleum, ports, services, roads and highways, computer software. There are around 700 Indian companies like the Tata Group in the UK.

(Economic Times, 19/6/2023)

Very optimistic about FTA with India, says UK Investment Minister Lord Dominic Johnson

Synopsis

Addressing a UK-India Infrastructure Summit hosted by the City of London Corporation as part of the India Global Forum UK-India Week, Johnson said he is "very optimistic" about an FTA even as he declined to put a timeframe to it.India and the UK recently concluded their tenth round of FTA negotiations and an 11th round is set to begin in the next few weeks.

An India-UK free trade agreement (FTA) is really important for both nations and it is for businesses on both sides to help drive that agenda, UK Minister for Investment Lord Dominic Johnson said in London on Tuesday. Addressing a UK-India Infrastructure Summit hosted by the City of London Corporation as part of the India Global Forum UK-India Week, Johnson said he is "very optimistic" about an FTA even as he declined to put a timeframe to it.

India and the UK recently concluded their tenth round of FTA negotiations and an 11th round is set to begin in the next few weeks towards a comprehensive agreement expected to significantly enhance the bilateral trading relationship worth an estimated 34 billion pounds in 2022.

"I'm very optimistic about a free trade deal with India," said Johnson.

"It is hugely important for India if it wants to get the capital flows it needs to take itself to the next step, which is to become a global hyperpower economically. And it's very good for the UK if we're going to ensure that we've got the investment coming from India," he said.

The minister went on to make a clarion call for representatives of business and industry gathered at the summit to be more vocal about voicing their support for such an FTA.

"It's really important for businesses to express their support for such a deal because it's about allowing businesses to function more effectively with greater profits, wealth and security for the world," he said.

Describing the India-UK relationship as the "most symbiotic partnership", the minister also backed a City of London suggestion for a new UK-India Green Finance Partnership to promote greater two-way green investment flows.

"I truly believe India has reached escape velocity as an economy. And, I truly believe that the UK is literally India's best friend, and the best placed country to take advantage of what is such a mutually beneficial long-term financial partnership," he added.

Under the theme of "Financing a Sustainable Future", the summit highlighted the immense scope and potential for investment in sustainable infrastructure development in India, and London's expertise in meeting India's growing demand for green finance.

"The UK, particularly the City of London, has excellent capabilities in structuring and funnelling finance where it is needed. The UK has demonstrated technological capabilities while India is at the frontiers of innovation. Combining technology with financing would enhance the cooperation," said BVR Subrahmanyam, CEO of NITI Aayog.

"I would argue that your interests are best served in aligning with us in making sure that the transformation of India happens in a way that does not replicate any of the faults of the past," noted Vikram Doraiswami, the Indian High Commissioner to the UK.

The summit, which forms part of a six-day series of events running until Friday as part of UK-India Week, opened with a keynote address by the Lord Mayor of the City of London Nicholas Lyon.

"Sustainable infrastructure is critical for India's economic trajectory and to meet the needs of its fast-growing population, while fulfilling its ambition to reach net zero by 2070. With strong government backing and unparalleled global expertise in sustainable finance and infrastructure financing solutions, the City of London and the UK can help India to access one of the largest and diversified global capital pools on the best possible terms," he said.

"As the fastest growing major economy in the world, and the most populous, India has huge aspirations and equally huge responsibilities. The rapid building of high quality sustainable physical and digital infrastructure will be critical to achieving India's growth trajectory, as well as balancing its net zero commitments," added Manoj Ladwa of India Global Forum, organisers of UK-India Week.

(Economic Times, 28/6/2023)

India, UK finish 10th round of free trade agreement talks

India and the UK concluded their 10th round of negotiations on a free trade agreement (FTA) in New Delhi on Friday, with detailed discussions on the key aspects of the proposed deal.

India and the UK concluded their 10th round of negotiations on a free trade agreement (FTA) in New Delhi on Friday, with detailed discussions on the key aspects of the proposed deal.

The latest round of negotiations began on June 5 and were spread over five days. “Substantial progress has been made in the negotiations and the deal is expected to be completed by the end of the year,” an official, who did not wish to be named, said.

The FTA negotiations cover 26 policy areas or chapters.

“Thirteen chapters have been substantially closed for negotiations and significant progress has been made in other chapters,” the official said.

Apart from a comprehensive FTA, both sides are also negotiating a Bilateral Investment Treaty. The investment treaty will be completed with the FTA.

India and UK started negotiating FTA in January of 2021 and now aim to get the deal ready for signing by 2023-end.

India’s merchandise exports to the UK grew 9% on year in FY 23 to $11.4 billion, while imports were up 27.7% to $8.9 billion.

(Financial Express, 10/6/2023)

India open to FTA negotiations bilaterally or individually with Africa: Piyush Goyal

Synopsis

India's Union Minister for Commerce and Industry, Piyush Goyal, hosted 15 ambassadors from African countries to discuss strengthening trade and investment ties. India plans to prioritize trade with Africa and is open to Free Trade Agreements (FTA) with African countries.

The Minister for Commerce and Industry, Piyush Goyal, discussed with the visiting Ambsaddors from Africa how New Delhi plans to work towards making Africa a top priority for trade and said India is open for Free Trade Agreements (FTA) with African nations.

"This is the beginning of a new engagement and reaffirmed that India would act as a trusted partner to expand trade, commerce, business, investment and opportunities between the two nations.India is open to FTA negotiations bilaterally or individually with African countries or Africa as a whole," said Goyal.

Union Minister for Commerce and Industry Piyush Goyal hosted 15 ambassadors from African countries on Thursday to discuss ways to strengthen trade and investment ties between India and the African countries.

The bilateral trade between India and 48 African countries was USD 74.86 billion in 2021-22, witnessing a growth of 59.91% compared to 2020-21.

Ambassadors from key African nations namely Algeria, Botswana, Egypt, Ghana, Republic of Guinea, Kenya, Malawi, Mozambique, Morocco, Rwanda, South Africa, Tanzania, Togo, Uganda and Zimbabwe discussed ways to improve their partnership with India, thereby promoting bilateral trade, registering new partnerships.

According to data available at the Ministry of Commerce and Industry, India’s exports to Sub Saharan Africa (SSA) region were at USD 33.08 billion and recorded a growth of 44.31% in 2021-22 vis a vis 2020-21. Whereas India’s imports from SSA region registered a growth of 74.87%, and were valued at USD 41.77 billion during the same period.

India primarily exports petroleum products and pharmaceuticals to Africa. While on the other hand India imports gold, crude oil, coal and other minerals from it.

India's attempt to have fruitful ties with African countries is in tune with the fact that the continent is surfaced with abundant natural resources, an aid for Indian businesses, which can boost economic activity and trade between India and Africa.

"Through increased trade and investment, both India and Africa can benefit from each other's strengths and expertise, fostering inclusive growth and job creation," a release by the Ministry said.

(Economic Times, 10/6/2023)

IPEF supply chain pact could shift production centres to India

“The agreement will also lead to deeper integration of India in the global supply and value chains, especially Indian MSMEs,” It said.

The substantial progress made on a supply chain agreement at the recent meeting of trade ministers of the Indo-Pacific Economic Framework for Prosperity (IPEF) could lead to a shift in production centres of key goods and critical sectors to India, a statement by the commerce & industry ministry said on Thursday.

“The agreement will also lead to deeper integration of India in the global supply and value chains, especially Indian MSMEs,” It said.

At the meeting in Detroit, the trade ministers of the 14-member bloc on May 27 had made substantial progress on a supply chain agreement. Other benefits that will accrue to India by being a party to the agreement on supply chains is upward mobility in value chains; mitigation of risks of economic disruptions to India from supply chain shocks and creation of a seamless regional trade ecosystem.

Economists hail India’s ‘resilient growth’ with FY23 GDP growth at 7.2% but warns against global headwinds.

wheat procurement, Rabi Marketing season, procurement, public distribution, MSP, rice procurement, stock, procurement norms

Wheat procurement crosses 260 LMT mark in RMS 2023-24 till date, surpasses last year’s procurement by 74 LMT

"India and other partner countries will continue to engage to ensure effective implementation of the agreement so as to achieve the overall objectives of the agreement, which is to make IPEF supply chains more resilient, robust and well-integrated, and contribute towards economic development and progress of the region as a whole," the statement said.

The IPEF was launched in May 2022. Its members include the US, Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and Vietnam. The grouping is negotiating issues of trade, supply chains, clean energy, decarbonisation, infrastructure, tax and anti-corruption.

The group gives flexibility to its members to be part of discussions and agreements on any of the issues or opt out of some. India is out of the discussion on trade pillar.

(Financial Express, 2/6/2023)

Foreign companies are shifting investment out of China as confidence wanes, business group says Beijing.

President Xi Jinping's government, trying to shore up economic growth that sank to 3% last year, is trying to encourage foreign companies to invest and bring in technology.

Foreign companies are shifting investments and their Asian headquarters out of China as confidence plunges following the expansion of an anti-spying law and other challenges, a business group said Wednesday. The report by the European Union Chamber of Commerce in China adds is one of many signs of growing pessimism despite the ruling Communist Party's efforts to revive interest in the world's No. 2 economy following the end of anti-virus controls.

Companies are uneasy about security controls, government protection of their Chinese rivals and a lack of action on reform promises, according to the European Chamber. They also are being squeezed by slowing Chinese economic growth and rising costs. Business confidence in China is "pretty much the lowest we have on record," the European Chamber president, Jens Eskelund, told reporters ahead of the report's release. "There's no expectation that the regulatory environment is really going to improve over the next five years," Eskelund said.

President Xi Jinping's government, trying to shore up economic growth that sank to 3% last year, is trying to encourage foreign companies to invest and bring in technology. But they are uneasy about security rules and plans to create competitors to global suppliers of computer chips, commercial jetliners and other technology. That often involves subsidies and market barriers that Washington and the European Union say violate Beijing's free-trade commitments. Two-thirds of the 570 companies that responded to the European Chamber's survey said doing business in China has become more difficult, up from less than half before the pandemic.

Three out of five said the business environment is "more political," up from half the previous year. Companies are on edge after police raided offices of two consultancies, Bain & Co. and Capvision, and a due diligence firm, Mintz Group, without public explanation. Authorities say companies are obliged to obey the law but have given no indication of possible violations. Companies also are uneasy about

Beijing’s promotion of national self-reliance. Xi’s government is pressing manufacturers, hospitals and others to use Chinese suppliers even if that raises their costs.

Foreign companies worry they might be shut out of their markets. Last month, the government banned using products from the biggest U.S. maker of memory chips, Micron Technology Inc., in computers that handle sensitive information. It said Micron had unspecified security flaws but gave no explanation. One in 10 companies in the European Chamber survey said they have shifted investments out of China. Another 1 in 5 are delaying or considering shifting investments. In aviation and aerospace, 1 in 5 companies plan no future investment in China. China has long been a top investment destination due to its huge and growing consumer market, but companies complain about market access restrictions, pressure to hand over technology and other irritants.

The ruling party has tightened control since Xi took power in 2012, pressing foreign companies to give the party board seats and a direct say in hiring and other decisions. The European Chamber noted it wasn’t just foreign companies that are moving: 2 out of 5 in its survey reported Chinese customers or suppliers are shifting investments out of the country. A separate group, the British Chamber of Commerce in China, said last month its members were waiting for “greater clarity” about anti-spying, data security and other rules before making new investments.

The biggest concern is the ruling party’s sweeping expansion of its definition of national security to include the economy, food, energy and politics, Eskelund said. “What does qualify as a state secret? Where does politics begin and the commercial world stop?” Eskelund said. That “creates uncertainty” about “where we can operate as normal businesses.” In the European Chamber survey, the top destination for companies moving their Asian headquarters out of China was Singapore, with 43% of companies that moved, followed by Malaysia.

Only 9% went or plan to go to Hong Kong. Leaders including Premier Li Qiang, China’s top economic official, have promised to improve operating conditions, but businesses say they see few concrete changes. “Our members are not really convinced that we are going to see tangible results,” Eskelund said.

(Press Trust of India, 21/6/2023)

US, India decision to end trade disputes a big victory, mutually beneficial: Piyush Goyal

Synopsis

India and the US have resolved six trade disputes at the World Trade Organization (WTO) through mutually agreed solutions. India has removed retaliatory customs duties on certain American products, such as almonds, walnuts, and apples. Commerce and Industry Minister Piyush Goyal called the move a "big victory" for both nations and said it marked the end of pending India-US disputes at the WTO.

The decision of the US and India to end six major trade disputes at WTO is a "big victory" and will be mutually beneficial for both countries, Commerce and Industry Minister Piyush Goyal said on Friday. He said resumption of talks at the Trade Policy Forum has started yielding significant results.

India and the US have agreed to end six trade disputes at the World Trade Organization while New Delhi will also remove retaliatory customs duties on certain American products such as almonds, walnuts, and apples.

A joint statement issued after the meeting of Prime Minister Narendra Modi and US President Joe Biden in Washington said the two leaders welcomed the resolution of six outstanding WTO disputes through mutually agreed solutions.

"It is a big victory for India and is a mutually beneficial arrangement for both countries," Goyal told reporters here.

He said, now there are no pending India-US disputes at WTO.

On the poultry case, he said both sides are discussing it and will find a solution by end of this year.

"So, India and the US by the end of this year will have no disputes. All the six major ones have gone," the minister said adding "for the first time bilaterally we are ending the disputes."

In 2015, India lost a long-pending dispute over poultry imports from the US at WTO's dispute settlement body. India had 12 months to comply with the WTO order. The US had sought trade sanctions against India in this case.

Goyal informed the reporters that US Trade Representative Katherine Tai will be coming to India by end of this year for next TPF meet.

"Before that, we will be in a position to solve that (poultry case) also," he added.

Talking about the six trade disputes, he said it's a "package deal". The six disputes include three initiated by India and as many by the US.

In 2018, the US imposed 25 per cent and 10 per cent import duties on certain steel and aluminium products, respectively, on grounds of national security. In retaliation, India in June 2019 imposed customs duties on 28 American products, including chickpeas, lentils, almonds, walnuts, apples, boric acid, and diagnostic reagents. India had also filed a complaint against the US in WTO on imposing these duties.

On the steel and aluminium case, there were requests by Indian players to exclude certain products from the high duty list.

On this, the US has given "us an assurance that at least 70 per cent of all such requests of steel, and 80 per cent of all such requests for aluminium applications for products originating in India will be excluded from the additional process of Section 232 (of a US law)".

In 2018, then US President Donald Trump had imposed these duties using Section 232 of an act that permits the president to restrict imports.

The six disputes include countervailing measures on certain hot-rolled carbon steel flat products from India, certain measures relating to solar cells and modules, measures relating to the renewable energy sector, export-related measures, certain measures on steel and aluminium products, and additional duties on some products from the US.

According to trade experts, both countries can resolve the disputes on mutually agreed terms and later inform the Geneva-based WTO about the same.

On April 12, 2012, India requested consultations with the United States with regard to the imposition of countervailing duties by the US on certain hot rolled carbon steel flat products from India. New Delhi had claimed that the countervailing duty investigation and related measures are inconsistent with WTO trade norms.

On February 6, 2013, the US requested consultations with India concerning certain measures of India relating to domestic content requirements under the Jawaharlal Nehru National Solar Mission for solar cells and solar modules. America claimed that the measures appear to be inconsistent with global trade provisions.

Similarly, on September 9, 2016, India requested consultations under the aegis of the WTO with the US regarding certain measures of the US relating to domestic content requirements and subsidies instituted by the governments of the states of Washington, California, Montana, Massachusetts, Connecticut, Michigan, Delaware and Minnesota, in the energy sector.

On March 14, 2018, the US asked for consultations with India concerning certain alleged export subsidy measures of New Delhi under Merchandise Export from India Scheme (MEIS), Export Oriented Units (EOU), Electronics Hardware Technology Parks (EHTP), Special Economic Zone (SEZ) and Export Promotion Capital Goods (EPCG). The WTO dispute panel ruled against India, and New Delhi in 2019 appealed against the ruling at the appellate body.

On May 18, 2018, India requested consultations with the US concerning certain measures imposed by America to allegedly adjust imports of steel and aluminium into the US. India had claimed that these measures appear to be inconsistent with the WTO rules.

Similarly on July 3, 2019, the US asked for consultations under the WTO dispute settlement mechanism with India regarding India's imposition of additional duties with respect to certain products originating in the US.

The US is the largest trading partner of India. In 2022-23, the bilateral goods trade increased to USD 128.8 billion as against USD 119.5 billion in 2021-22.

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