Europe India Chamber of Commerce

Newsletter

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EICC-EPC Debating India Think Tank Conference on 9 October 2023 Brussels

Europe India Chamber of Commerce and European Policy Centre are jointly organising the Think Tank Debating India Conference in Brussels on 9 October. The theme of the High-Level Debate is "EU - India Relations and the Emerging World Order: Strengthening Ties for Common Interest". The Debate will take place in the EPC Auditorium (Rue du Trône 14 16, 1000 Brussels).

"Debating India" is a Think Tank brand that EICC is developing together with Think Tanks in Europe.

For a long time, the rise of India has not attracted due attention within the EU and in the larger Europe. There is not much presence or debate about India's role in the world, especially in post-Brexit Brussels. Although it is India's century, India is missing from larger European canvass. Europe is yet to realise that today's India is very different from the one just five years ago. It has become the voice of the global south and is now ready to navigate global economy. The rise of India is not at the cost of others but for the benefit of all and Europe can adapt and adjust to the new India. What Europe needs is a proper understanding of India's global role and its stakes in India.

Several mutual interests are involved, especially considering the EU is India's 3rd largest trading partner and 2nd largest export destination. Although multiple challenges remain unaddressed, both the EU and India have shown a willingness to conclude a bilateral Free Trade Agreement (FTA), which would benefit both regions, especially given the challenges posed by the current global economic environment. While EU sees India as a partner to preserve democratic principles in global affairs, there is lack of understanding of India's global influence and its identity in the emerging world order, which shapes its response to events such as Russia's war on Ukraine.

Given the fast changing geo-political and geo-economic developments which is having implications for India and Indian business in Europe, it is important that Europe India Chamber of Commerce rise to the occasion and plays its role to promote trade and strategic relations between Europe and India.

As the global economy grapples with the looming threat of a recession in 2023, countries worldwide are feeling the effects of weakened growth. However, amidst this economic uncertainty, India stands strong, defying the odds and projecting a promising future. With its robust economy and soaring GDP, India is emerging as a global powerhouse, presenting unparalleled opportunities for entrepreneurs and foreign investments. The country is set to surpass Japan and Germany to become the world's third-largest economy in the next three years and will have the third-largest stock market by the end of this decade, thanks to global trends and key investments the country has made in technology and energy.

Against this backdrop, the European Policy Centre (EPC) and the Europe-India Chamber of Commerce (EICC) are partnering this High-Level debate focused on EU-India relations concentrated on strategic and economic ties. The Debate assumes special significance because India will go for parliamentary election next year and its outcome will shape the emerging multipolar global order. The Debate will also touch on topics such as: the rise of India as a strategic player and its importance for the EU; assess the current state and challenges of EU-India relations; and how has the EU's Agenda for Action 2025 endorsed in 2020 boosted strategic and economic relations between the two partners. This Think Tank Conference is being organised within a month of India hosting the G20 Summit in New Delhi on 9-10 September.

The Debate will bring together selected business and thought leaders, policy makers, security experts, representatives of the European Commission and European Parliament, trade, and business bodies. Representatives of the Missions of EU countries, G20 countries and selected Asian countries are also being invited.

Participation in the Debate is only by invitation and those interested to attend should contact Secretary General of EICC on E-mail: Sunil.Prasad@Telenet.be

India can become USD 6.7 trillion economy by 2031: S&P Global

But a global slowdown and lagged effect of a policy rate hike by RBI could slow down growth to 6 per cent in the current fiscal, S&P Global said in a report titled 'Look Forward: India's Money'.

India can become a USD 6.7 trillion economy by 2031, from USD 3.4 trillion currently, if the country clocks an average growth of 6.7 per cent for 7 years, an S&P Global report said on Thursday. India had clocked a 7.2 per cent GDP growth in 2022-23 fiscal. But a global slowdown and lagged effect of a policy rate hike by RBI could slow down growth to 6 per cent in the current fiscal, S&P Global said in a report titled 'Look Forward: India's Money'.

"We expect India to grow 6.7 per cent (average) from fiscal 2024 to fiscal 2031, catapulting GDP to USD 6.7 trillion from USD 3.4 trillion in fiscal 2023. Per capital GDP will rise to about USD 4,500," said the report jointly authored by S&P Global Ratings Global Chief Economist Paul Gruenwald, Crisil Chief Economist Dharmakirti Joshi and S&P Global Market Intelligence Chief Economist Asia Pacific Rajiv Biswas.

The macro challenge for India in the upcoming decade is to turn traditionally uneven growth into a high and stable trend, it said. Capital accumulation will drive India's economy toward this desirable path with the government and increasingly private sector investing in infrastructure and manufacturing, the report said. "You will see growth peak at around fiscal 2025-26," Joshi said. The report also said that India will likely see gains from reforms such as Goods and Services Tax. Further, the implementation of the Insolvency and Bankruptcy Code would also help to drive a healthy credit culture.

Opening Bell: All eyes on US equity futures after Fitch downgrades America

It said that even with India recalibrating toward manufacturing, services will maintain a strong role in the economy. The challenge over the next decade and beyond will be to create the conditions for sustained growth and achieving this will likely require structural reforms in 3 key areas — raise labour participation, especially among women, and boost skills, lift private investment in manufacturing and bolster external competitiveness through FDI, it added.

A massive domestic market, along with gradually improving global competitiveness, is helping India draw foreign investment, the report said.

(Press Trust of India, 3/8/2023)

Morgan Stanley upgrades India’s rating to overweight, downgrades China’s to equal weight

Morgan Stanley said that the country's macro indicators remain resilient, and added that India's economy is on track to achieve the GDP forecast of 6.2 per cent.

Brokerage firm Morgan Stanley on late Wednesday upgraded India’s outlook to ‘overweight,’ saying that the firm believes that the country is just at the start of a long-wave boom. This comes four months after the firm upgraded India’s outlook to equal weight from underweight on March 31.

An overweight outlook means that Morgan Stanley expects India’s economy to perform better in the future.

In a note, Morgan Stanley said that the country’s macro indicators remain resilient, and added that India’s economy is on track to achieve the GDP forecast of 6.2 per cent.

It said that there are things that have fundamentally changed in India, including structural reforms, supply-side reforms like corporate tax cuts and production-linked incentive (PLI) schemes, and regulation and formalisation of the economy.

Morgan Stanley analysts said, “We see a secular trend towards sustained superior earnings per share (EPS) growth versus EM over the cycle,” and added that a young demographic profile is supporting equity inflows.

With this upgrade, India is now the top ranked, most-preferred market among emerging markets (EMs), the brokerage said.

Morgan Stanley’s upgrade on India comes when it also cut its rating for China to equal weight and said investors should capitalise on a rally spurred by government stimulus pledges to take profits.

“We think returning India to an “overweight” rating and downgrading China to “equal weight” is warranted,” Morgan Stanley analysts said, referring to the Indian markets’ outperformance over China as a sign of a structural breakout in favour of New Delhi.

The firm said it also expects the BSE benchmark index, Sensex, to reach 68,500 points by December. It said Sensex will trade at a price-to-earnings multiple of 20.5 times compared to a 25-year average of 20 times.

The premium over the historical average reflects greater confidence in medium-term growth, Morgan Stanley said in its outlook.

Morgan Stanley's target for Sensex is based on multiple factors, such as the absence of major upward movements in commodity prices, the US escaping a recession, and the Reserve Bank of India maintaining a pause in its repo rate hikes.

(Indian Express, 3/8/2023)

India, EU make good progress in FTA, investment, GI pact talks: Govt

Synopsis

India and the European Union have made good progress in the ongoing three negotiations- India-EU Free Trade Agreement; a standalone Investment Protection Agreement; and a Geographical Indications Agreement, the government said Saturday. The commerce and industry ministry said in a statement that the two sides discussed their market access issues and review the progress made so far under the India-EU Trade and Technology Council.

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The commerce and industry ministry said in a statement that the two sides discussed their market access issues and review the progress made so far under the India-EU Trade and Technology Council.

Commerce and industry Piyush Goyal met the European Commission Trade Commissioner Valdis Dombrovskis for the third High Level Dialogue.

"Minister Goyal and I held a positive and thorough discussion on advancing our Free Trade Agreement during our High-Level Economic Dialogue today," Dombrovskis said, adding that both sides would benefit enormously from a comprehensive trade and investment partnership.

He said: "We need to see good progress in terms of investment protection - important to attract further European investment to India".

The EU is India's second largest trading partner but there is still a lot of untapped potential, Dombrovskis said, adding that there is a clear political willingness on both sides to change gear and make faster progress.

"We must now use this momentum to bridge major gaps that remain," he said, adding that the two committed to important outcomes, including reform of the World Trade Organization (WTO).

The upcoming WTO ministerial conference matters were also briefly discussed during the meeting.

(Economic Times, 27/8/2023)

Awaiting India's response on dispute settlement mechanism in proposed investment protection pact: EU trade commissioner

Synopsis

The European Union (EU) is waiting for India's response to its proposal for a dispute settlement mechanism under the bilateral investment protection pact being negotiated alongside a free trade agreement (FTA). The EU Commissioner for Trade, Valdis Dombrovskis, stated that progress has been made in the FTA negotiations but there is still much work to be done.

The European Union is awaiting India's response to its proposal for setting up a dedicated dispute settlement mechanism under the bilateral investment protection pact that is being negotiated along with an ambitious free trade agreement (FTA) by the two sides, a top EU official said on Saturday. The EU's Executive Vice-President and Commissioner for Trade Valdis Dombrovskis told a select group of journalists that both sides are engaged in "intensive" negotiations on the proposed FTA and that "progress" has been made on various issues.

But at the same time the top EU official, currently on a visit to India, noted that there is "still a lot of work ahead of us."

Asked when the FTA can be sealed, the EU Commissioner for Trade said the main focus has been on "substance over deadlines".

"The free trade agreement will give India preferential access to the EU market, which is the largest single market in the world," Dombrovskis said.

To a question, Dombrovskis said there is no direct impact of New Delhi's trade ties with Moscow on the India-EU trade negotiations, adding: "In a sense, we do not see new topics emerging which could be obstacles for the FTA in this context."

Dombrovskis also allayed New Delhi's concerns over its proposed carbon tax on imports of high-carbon goods like steel and iron ore and described it as a "non-discriminatory" measure aimed at protecting the planet.

Over four months back, the European Union announced its decision to impose a carbon tax on imports of steel, aluminium, cement, fertilisers and electricity as part of its Carbon Border Adjustment Mechanism (CBAM).

The CBAM that will come into effect from 2026 is aimed at achieving net zero greenhouse emissions by 2050.

"Given that the CBAM is non-discriminatory and non-trade distorted, it doesn't really affect certain countries' producers' ability to export to the EU. And EU producers will be paying the same price. So there's not going to be trade distorting effects," Dombrovskis said.

On the dispute settlement mechanism proposed by the EU for its investment protection agreement with India, Dombrovskis said it had similar mechanisms in all such pacts that the 27-nation grouping firmed up in recent times.

The EU has proposed setting up an independent investment court system as part of the dispute settlement mechanism under the investment protection pact.

"We have proposed this investment court system, as we have had in all recent agreements which we have concluded. Currently, we are also waiting for India's offer in this regard," Dombrovskis said.

"And we'll be following it up in the next negotiating round. In any case, I would say that from both sides, there is a willingness to explore different avenues and find a solution of how this dispute settlement mechanism could work," he said.

Asked about India's unwillingness to have such a mechanism as any dispute could be resolved by the World Trade Organisation's dispute redressal mechanism, Dombrovskis suggested that it is better to have a bilateral solution than going to the global body.

"When we discuss bilateral engagements -- that's the whole purpose of having bilateral free trade agreements, having bilateral investment protection agreements that go beyond what is in WTO," he said.

When asked about reports of some EU countries pushing for incorporating certain clauses relating to rights and environmental issues in the FTA, Dombrovskis said it's only well-established practice in the EU agreements and they are part of "what we call trade and sustainable development chapters."

These chapters cover human rights and especially labour rights and environmental questions, he added.

The trade commissioner said there is a strong demand for it from a number of EU member states as well as from the European Parliament and broader civil society with an aim to ensure that EU trade is not leading to environmental degradation or deteriorating labour standards or other negative consequences.

The EU trade commissioner also highlighted the importance of the proposed investment protection agreement between the EU and India.

"It will help to attract more European investment to India, providing investors with necessary reassurances and help to meet India's ambition of becoming a global manufacturing hub," he said.

"The free trade agreement will give India preferential access to the EU market, which is the largest single market in the world, and thus will facilitate economic development and the geographical indication," he added.

On EU's trade ties with India, the Trade Commissioner said the grouping is looking at significantly expanding economic engagement with New Delhi.

"The EU is India's second-largest trading partner, accounting for some 120 billion euros worth of trading last year, which is 10.8 per cent of total Indian trade.

"And India is the EU's 10th largest trading partner, accounting for two per cent of EU total trade. But at the same time, we see that there is still lots of untapped potential," he said.

Dombrovskis said the EU is looking at making sure that its trade and investment cooperation with India becomes "much more intense".

(Economic Times, 27/8/2023)

India's foreign trade crosses $800 bn mark in first six months of 2023: GTRI

Synopsis

According to the analysis by GTRI, exports of goods and services by India rose by 1.5 per cent to USD 385.4 billion during January-June this year, as against USD 379.5 billion in January-June 2022. Imports, however, dipped by 5.9 per cent to USD 415.5 billion during the six months of this year, as against USD 441.7 billion in January-June 2022.

A healthy growth in India's services segments has helped the country's total exports and imports of goods and services to cross the USD 800 billion mark during the first half of 2023, despite a slowdown in global demand, think tank GTRI said in a report on Monday. According to the analysis of the Global Trade Research Initiative (GTRI), exports of goods and services rose by 1.5 per cent to USD 385.4 billion during January-June this year, as against USD 379.5 billion in January-June 2022.

Imports, however, dipped by 5.9 per cent to USD 415.5 billion during the six months of this year, as against USD 441.7 billion in January-June 2022.

"India's foreign trade (exports and imports of merchandise and services) reached USD 800.9 billion during January-June 2023, exhibiting a decline of 2.5 per cent over the same period last year (January-June 2022)," the report said.

Standalone, goods exports dipped by 8.1 per cent to USD 218.7 billion, while imports contracted by 8.3 per cent to USD 325.7 billion.

On the other hand, services exports during the six months period grew by 17.7 per cent to USD 166.7 billion, while imports rose by 3.7 per cent to USD 89.8 billion.

"Data is showing modest decline due to weak global demand and losing competitiveness in labour intensive sectors. The decline in merchandise exports happened despite appreciating INR (Indian Rupee). INR/USD exchange rate appreciated from 76.16 in April 2022 to 82.18 in Apr 2023," GTRI Co-founder Ajay Srivastava said.

He said the world trade outlook for 2023 is weak due to a number of factors, including the ongoing war in Ukraine, high inflation, tighter monetary policy, and financial uncertainty.

"But these factors will soon be overshadowed by a spate of new subsidies and protectionist measures by the EU and USA. For example, in the first seven months of 2023 alone, the EU has introduced five regulations on climate change and trade, each of these are essentially measures to curb imports," he said.

India should continue to focus on increasing product quality and supply chain competitiveness, he said, adding since every big country is into inward mode, India should not surrender its policy space especially in new issues in FTAs (free trade agreements) and Indo-Pacific Economic Framework for Prosperity (IPEF).

He suggested the government be ready to use targeted and precise retaliation to counter unilateral policy decisions like CBAM (carbon border adjustment mechanism) or EU Deforestation Regulation.

India has done this effectively in 2019 by raising tariffs on the US products when the US in 2018 raised tariffs on steel and aluminium, he said.

The report stated that 11 of 29 product categories contributing to 25 per cent of India's exports registered positive export growth during January-June 2023, over the same period last year.

Those sectors include Telecom, Computer and electronics items; Machinery, boilers, Turbines; Pharmaceuticals; ceramic products.

Smartphone exports jumped to USD 7.5 billion during January-June this year from USD 2.5 billion in January-June 2022.

However, exports in 18 of 29 product categories contributing to 75 per cent of total merchandise exports declined during the period and that include cereals, vegetable, fruits, spices; fish, meat; dairy products; textiles, ; carpets, garments; footwear; and leather.

"Small firms active in labour intensive sectors face 10-15 cost disadvantages due to high cost of capital, low quality grid power, delays at the ports and higher compliance cost. PLI is not an answer to product categories where thousands of firms make the same products as it will put non recipients to disadvantage," Srivastava said.

He suggested that a horizontal scheme extending 2-3 per cent incentive to every firm in the sector will help in meeting some of the cost disability.

Further, the report said that India exports goods to 240 countries and out of that, the country's outbound shipments declined in 134 destinations.

Major countries where exports declined include the USA, UAE, China, Bangladesh, and Germany. Countries where exports grew positively include Netherland, UK, Saudi Arabia.

"India's exports exceed USD one billion with 41 countries. India's export promotion must focus on these countries as these countries account for 87 per cent of India's exports. India's exports grew positively in 12 of these countries and declined in 29 countries," he said.

During January-June 2023, the top 15 countries with which India has the highest trade deficit include China (USD 38.1 billion), Russia (USD 29.6 billion), Saudi Arabia (USD 12.9 billion), Iraq (USD 12.5 billion) and Switzerland (USD 7.5 billion).

Talking about free trade agreements, the report said the share of FTA partners in India's merchandise exports came down from 30.1 per cent in the first six months of 2022 to 26.8 per cent in 2023.

This includes total merchandise exports and not the preferential exports for which data is not in public domain. About oil imports, it said that import of crude petroleum came down from 79.2 billion in January-June 2022 to 73.2 billion in January-June 2023, a decline of 7.6 per cent.

"But, Russia's share in India's import of petroleum crude jumped from 6.4 per cent in January-June 2022 to 31.3 per cent in January-June 2023.

"Imports increased from USD 5.1 billion to USD 22.9 billion registering a growth of 350 per cent," Srivastava said, adding the share of imports from all other major suppliers like Iraq, Saudi Arabia, UAE has declined substantially during this period.

(Economic Times, 21/8/2023)

FTA talks: Investment treaty to figure prominently during UK's high-level team visit to India this week

UK Secretary of State for Business and Trade Kemi Badenoch and Director General for Trade Negotiations at the Department for Business and Trade (DBT) Amanda Brooks are visiting India this week.

Issues pertaining to the proposed bilateral investment treaty being negotiated between India and the UK along with a free trade agreement will figure prominently during the visit of a high-level team from Britain here, an official said.

UK Secretary of State for Business and Trade Kemi Badenoch and Director General for Trade Negotiations at the Department for Business and Trade (DBT) Amanda Brooks are visiting India this week.

Besides participating in the G20 Trade and Investment Ministerial Meeting in Jaipur on August 24-25, the UK minister will hold bilateral talks with Commerce and Industry Minister Piyush Goyal on August 26 here and review the progress of talks on the free trade agreement.

The UK minister is also expected to meet Finance Minister Nirmala Sitharaman on various issues, including the bilateral investment treaty.

Brooks would also meet senior officials of the department of economic affairs in the finance ministry, which is leading the negotiations on the investment treaty.

These meetings assume significance as negotiations for the free trade agreement have reached a final stage. Investment treaty is being negotiated as a separate agreement between India and the UK and the two countries are looking at signing both the agreements simultaneously.

Though talks for most of the chapters have been closed, both sides have intensified negotiations to iron out differences on issues including rules of origin, intellectual property rights and the investment pact.

Sources said that at present the investment treaty is a hurdle in the conclusion of both the agreements simultaneously, however, negotiations are going on to bridge the differences.

These investment treaties help in promoting and protecting investments in each other's countries. The main point of contention involved in this pact is about the mechanism for the settlement of disputes.

India has proposed to first utilise all local judicial remedies for settlement of disputes before initiating an international arbitration.

India has earlier lost two international arbitration cases against British telecom giant Vodafone and Cairn Energy plc of the UK over the retrospective levy of taxes.

On automobiles and whiskey, an important demand of the UK, India has agreed to give duty concessions to British industry. Popular British whiskey brands include Johnnie Walker, Black Label and Chivas Regal.

To provide duty concessions in the automobile sector, several rounds of consultations have been held with the domestic players in India. According to an expert, the UK-based auto makers like JLR, Bentley, Rolls-Royce, and Aston Martin, cater to the luxury segment, while Indian manufacturers are mostly in the mass segment.

The 12th round of talks between India and the UK is in progress here. Out of the total 26 chapters in the proposed FTA, 19 have been closed. Investment is being negotiated as a separate agreement (bilateral investment treaty) between India and the UK.

The Indian industry is demanding greater access for its skilled professionals from sectors like IT, and healthcare in the UK market, besides market access for several goods at nil customs duties.

On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, automobiles, lamb meat, and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments such as telecommunications, legal and financial services like banking. The bilateral trade between the countries increased to USD 20.36 billion in 2022-23 from USD 17.5 billion in 2021-22.

(Financial Express, 20/8/2023)

High-level India-EU meetings this month to boost FTA talks

Synopsis

India and the 27-nation bloc resumed negotiations on June 17 last year after a gap of over eight years on the proposed agreements on trade, investments and Geographical Indications (GI). India had started negotiations for a trade pact with the EU in 2007, but the talks stalled in 2013 as both sides failed to reach an agreement on key issues, including customs duties on automobiles and spirits and the movement of professionals.

High-level meetings between India and the European Union (EU) will be held this month to take stock of the progress of talks on the proposed free trade agreement, according to an official. "The EU officials are coming for the G20 trade ministers meeting this month in Jaipur. There is a high-level meeting at the minister level on August 26 in the national capital between India and the EU.

"Commerce Secretary Sunil Barthwal is also likely to meet EU Director General for Trade Sabine Weyand in Jaipur," the official added.

These meetings would give an impetus to the ongoing negotiations between the two sides on the free trade agreement (FTA).

The G20 Trade and Investment Ministerial Meeting, under India's G20 Presidency, is scheduled at Jaipur on August 24-25.

So far, five rounds of talks have been held on the agreement.

India and the 27-nation bloc resumed negotiations on June 17 last year after a gap of over eight years on the proposed agreements on trade, investments and Geographical Indications (GI).

India had started negotiations for a trade pact with the EU in 2007, but the talks stalled in 2013 as both sides failed to reach an agreement on key issues, including customs duties on automobiles and spirits and the movement of professionals.

India's merchandise exports to EU member countries have increased to USD 74.5 billion in 2022-23 from USD about USD 65 billion in 2021-22. Imports also rose to USD 60 billion in 2022-23 from USD 51.4 billion in 2021-22.

The EU accounts for about 17 per cent of India's total exports and about 8.5 per cent of the country's total imports.

A GI is primarily an agricultural, natural or manufactured product (handicrafts and industrial goods) originating from a definite geographical territory. Typically, such a name conveys an assurance of quality and distinctiveness, which is essentially attributable to the place of its origin.

Besides greater market access for its products like textiles, leather, gems and jewellery, the Indian industry is looking for easy access for skilled professionals in the EU markets. On the other hand, the EU side has an interest in areas like auto, digital trade, data protection, sustainability and financial services sectors like banking and insurance.

Earlier, India asked the European Union to lift restrictions on the flow of sophisticated outsourcing business to India following the status of a data-secure country.

(Economic Times, 7/8/2023)

British demands on data related issues, duty concessions on dairy out of India-UK FTA: Sources

Synopsis

Protecting the interest of domestic players, India has kept demands of Britain on data related issues and giving any kind of duty concessions on dairy sector out of the ambit of the proposed free trade agreement being negotiated between the two countries. The negotiation for the agreement has reached a critical stage and in all likelihood, it could be concluded by October end or November.

Protecting the interest of domestic players, India has kept demands of Britain on data related issues and giving any kind of duty concessions on dairy sector out of the ambit of the proposed free trade agreement being negotiated between the two countries, sources said. However, India is looking at providing duty concessions on auto, and certain confectionery items, they said.

The negotiation for the agreement has reached a critical stage and in all likelihood, it could be concluded by October end or November.

The talks received a great impetus due to the recent visit of Commerce and Industry Minister Piyush Goyal and Commerce Secretary Sunil Barthwal to London in July, where both held a series of meetings with different stakeholders including senior British officials.

The negotiation would get a further fillip during the meetings of trade ministers of India and the UK at the sidelines of G20 trade ministers meeting this month in Jaipur.

"The visit of the Indian minister and secretary was very positive for the negotiations. Most of the issues are sorted out between the two countries," one of the sources said.

To provide duty concessions in the automobile sector, several rounds of consultations have been held with the domestic players.

In the dairy sector, India would not touch any product because of the sensitivities of the domestic players, they added.

As both India and UK are strong players in the services sectors, the two sides are negotiating hard for easing of norms in a number of sectors such as IT, healthcare, accounting, education, medical practices, banking, insurance, legal, and telecommunications.

The UK has shown keen interest in areas like banking, insurance, legal, and telecommunications.

The UK firms have raised concerns over data localisations norms in India.

Another official said that India and the UK are very close to concluding negotiations for a proposed free trade agreement as both sides are working to iron out differences on issues including investment treaty, intellectual property rights (IPRs) and rules of origin.

Out of the total 26 chapters in the FTA, 19 have been closed. In the rules of origin chapters, both countries are talking about product specific rules, value addition, and certification.

The 'rules of origin' provision prescribes minimal processing that should happen in an FTA country so that the final manufactured product may be called originating goods in that country.

Under this provision, a country that has inked an FTA with India cannot dump goods from some third country in the Indian market by just putting a label on it. It has to undertake a prescribed value addition in that product to export to India. Rules of origin norms help contain dumping of goods.

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

The bilateral trade between the countries increased to USD 20.36 billion in 2022-23 from USD 17.5 billion in 2021-22.

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 received USD 1.74 billion in foreign direct investment from the UK as against USD 1 billion in 2021-22.

During April 2000 and March 2023, investments stood at USD 33.9 billion.

Under such pacts, two trading partners significantly reduce or eliminate customs duties on the maximum number of goods traded between them, besides easing norms to promote trade in services and investments.

(Economic Times, 7/8/2023)

Data Protection Bill: What will it do, penalties for non-compliance, who will implement? Here are all the answers

Synopsis

The proposed legislation places several responsibilities on companies, including transparency, informed consent, withdrawal of consent, and data accuracy. The Bill proposes a Rs. 250 crore fine for entities that violate the criteria set and a minimum fine of Rs 50 crore, and entities must delete user data if no longer useful for their intended purpose.

Union government introduced the Digital Personal Data Protection Bill (PDPB), 2023, in Lok Sabha on Thursday. The bill is intended to prohibit cross-border data transfers, penalize firms for data breaches, and establish a framework for establishing a data protection authority to enforce compliance. There has been no announcement of a date for enactment.

What will the the Data Protection bill do?

The Bill establishes requirements for businesses handling and processing data, as well as individual rights.

Its purpose is to prohibit cross-border data transfers, penalize firms for data breaches, and provide a framework for the establishment of a data protection body to ensure compliance.

Noncompliance and failure can result in penalties for businesses and institutions. The companies or oraganisation will also be compelled to discontinue retaining user data if it no longer serves the intended business purpose.

No corporation or organization will be permitted to process personal data that is likely to have "any detrimental effect" on a child's well-being.

Government agencies may be exempt from the law on this basis.

Furthermore, the proposed legislation establishes various rights for citizens, referred to as Data Principals:

Right to Information: Data principals have the right to access information about the processing of their personal data, along with a summary of the data itself.

Right to Withdraw Consent: Individuals can withdraw their consent for data processing at any point, and they are entitled to be informed if their data has been shared with a third party.

Right to Correction and Erasure: Data principals have the authority to rectify inaccuracies in their personal data and request the erasure of such data when no longer necessary.

Right of Grievance Redressal: This empowers data principals to register complaints with the data fiduciary. In cases of inadequate or unsatisfactory responses, grievances can be escalated to the Data Protection Board.

The bill outlines certain obligations for Data Principals, including refraining from providing false information and filing false complaints.

Simultaneously, the proposed legislation places several responsibilities on data-holding companies:

Transparency: Data fiduciaries must transparently explain the personal data they intend to collect and the purpose behind the collection.

Informed Consent: Prior informed consent is mandatory for collecting an individual's personal data.

Withdrawal of Consent: Individuals retain the right to withdraw consent anytime.

Data Accuracy: Measures should be implemented to ensure the accuracy and completeness of processed data.

Security Measures: Adequate security measures must be in place to prevent data breaches.

Data Retention: Data should only be retained as long as required for the intended purpose.

Data Breach Notification: In the event of a data breach, both the Data Protection Board and affected data principals must be notified.

Data Sharing: Data fiduciaries should establish contracts before sharing or transferring data to other fiduciaries or data processors.

For larger data organizations, the bill mandates the appointment of a data protection officer and an independent auditor for periodic compliance audits.

Who will put the Digital Data Protection Bill into action?

A pivotal provision in the Bill involves the creation of the Data Protection Board of India (DPB), marking India's first dedicated regulatory body focusing on upholding personal data privacy. The DPB will be responsible for overseeing compliance and imposing penalties on organizations found to be non-compliant.

The board, and its members for "action taken in good faith."

What about the companies?

Companies and institutions are required to delete user data if it no longer serves the intended business purpose. No corporation or organization will be permitted to process personal data that is likely to have "any detrimental effect" on a child's well-being.

On the basis of national security, government agencies may be exempt from the legislation.

What will the repercussions be? Noncompliance and failure to take reasonable precautions to prevent data breaches can result in penalties for entities.

Entities that violate the criteria can face fines of up to Rs 250 crore and a minimum of Rs 50 crore.

How to other countries govern data protection?

According to the United Nations trade agency UNCTAD, around 70% of countries worldwide have some type of data protection legislation. The EU's General Data Protection Regulation, which took effect in 2018, is billed as the "toughest privacy and security law in the world," and is widely regarded as the global standard. Several countries, like China and Vietnam, have lately tightened regulations controlling the transfer of personal data abroad, while Australia introduced legislation in 2018 granting police access to encrypted data.

(Economic Times, 3/8/2023)

India bites the bullet, open to global arbitration of disputes

According to sources, a discussion paper to be floated soon will suggest re-drafting the text to allow first resort to "international arbitration within India".

A lack of takers for the 2015 model text for Bilateral Investment Treaties (BITs) and a slowing of foreign direct investment (FDI) inflows have prompted New Delhi to take another look at the template.

To accommodate the concerns of potential partners, the government may choose not to insist on the stance that international arbitration can be explored as a means of resolution of disputes by a foreign investor only after domestic legal remedies are exhausted.

According to sources, a discussion paper to be floated soon will suggest re-drafting the text to allow first resort to "international arbitration within India". The process, the paper will suggest, may be under the administrative supervision of the Permanent Court of Arbitration (PCA), located at The Hague, Netherlands. This significant change is expected to address the drought of new BITs since India shifted to the 2015 text — only four new treaties have since been signed.

BITs are basically reciprocal agreements between two countries to promote and protect foreign private investments in each other's territories, and are expected to help boost investor confidence.

The sources added that the discussion paper might also delve into issue of India not having enough bankable projects for foreign investors to focus on. Issues concerning land acquisition and the Insolvency and Bankruptcy Code would also be addressed, they said.

The changes in erstwhile BIT were triggered by several high-profile international arbitration proceedings launched by global majors such as Vodafone and Cairn against the Indian government in different tax disputes. India lost these cases.

The current model BIT explicitly bars any enterprise from a treaty partner country from seeking relief on tax disputes and any dispute has to be resolved through the domestic judicial process, which could take years.

Till 2015, India had signed BITs with 83 countries/regions based on the Model BIT of 1993, and as amended in 2003. Out of these, 74 were ratified. Out of 74 BITs, India has unilaterally suspended BITs with 68 countries/regions with a request to re-negotiate based on the Model BIT 2015 while six BITs are still in force.

After the model BIT of 2015 was approved, India signed four agreements with relatively small countries including Cambodia, but only two of these are in force.

As countries see India's new BIT as very protectionist and do not offer quicker dispute resolution against policies that could harm the interest of foreign investors, there are no takers for it from major trade partners.

"The policy paper will seek wider consultation on the model BIT. We have to get practical as we are negotiating Free Trade Agreements (FTAs). FTA buttressed with BITs make sense as the objective of the engagement is to attract investments," a senior official aware of the matter, said.

India's ambitious National Infrastructure Pipeline (NIP) has an investment potential of Rs 111 trillion in six years through FY25. But many projects have been hampered by slower contract enforcement, land acquisition and other issues.

As investors look to relocate from China or make fresh investments, India has to address their concerns about risks to their money due to possible regulatory discrimination on investments or repatriation of profits.

"There has to be a balance between protecting sovereign rights and allowing international arbitration for dispute resolution. As domestic remedy takes years, probably some arbitration mechanism within India which is acceptable to partner countries could be explored," the official said.

India will be the fastest-growing G-20 economy over the next few years aided by its growing manufacturing and infrastructure sectors, but reform and policy barriers could hamper foreign direct investment, Moody's Investors Service said recently. "BITs would be complementary to the trade pacts between India and the other countries," Sudhir Kapadia, partner, tax & regulatory services, EY India, said.

"With the measures being contemplated by GOI to set up international arbitration and mediation mechanisms in India (on the lines of countries like UK and Singapore), there would be greater comfort for countries entering into BIT with India," Kapadia said.

Despite launching 14 production-linked incentive schemes, India attracted $70.97 billion FDI in FY23, down from $84.8 billion in FY22, indicating investor reluctance despite incentives.

A standing committee on external affairs in a report submitted in September 2021 noted that India till then had received 37 notices of dispute or letters intending to raise a dispute under various BITs. "Although only one case resulted in India paying an arbitral award, the said award resulted in a significant cost to the exchequer." Underlining the need to avoid such losses in the future, the committee recommended timely settlement of investment disputes through pre-arbitration consultation or negotiations.

(Financial Express, 8/8/2023)

Huge progress in India-UK talks on free trade pact; looking to resolve issues during meetings this month: Official

Synopsis

There is a "huge" progress in the talks between India and the UK on the proposed Free Trade Agreement (FTA) and New Delhi is looking to resolve the pending issues during high level meetings scheduled this month between the two countries, a top official said on Monday. The 12th round of talks between the countries are in progress here.

There is a "huge" progress in the talks between India and the UK on the proposed Free Trade Agreement (FTA) and New Delhi is looking to resolve the pending issues during high level meetings scheduled this month between the two countries, a top official said on Monday. The 12th round of talks between the countries are in progress here.

Commerce Secretary Sunil Barthwal said the 11th round of talks in London was "very intense" and many issues got closed.

Out of the total 26 chapters in the proposed FTA, 19 have been closed. Investment is being negotiated as a separate agreement (bilateral investment treaty) between India and the UK.

"Now, there are only few issues left. The UK team is coming to India during the Trade and Investment Working Group (TIWG) meeting (in Jaipur) and we are hoping that we would be closing those remaining issues.

"So, our target is that we close the issues with the UK when the UK team visit us in India and we are very hopeful that the issues will be sorted out," Barthwal told reporters here.

As talks are moving at a healthy pace, the negotiations for the agreement could be concluded soon.

"I think there is a good possibility of the UK FTA moving forward... there are a lot of steps before FTA is signed," he said, adding "there is a huge progress on the FTA".

One section of the UK team is already here in the national capital and the remaining officials are coming from August 16.

The UK trade minister and DG Trade, counterpart of India's commerce secretary, will be here this month for the talks and TIWG meeting.

The minister-level meeting is expected on August 21 here.

"Lot of visits are happening that is why we are saying that we are very keen to close the remaining chapters during this visit," Barthwal said.

The main issues which could come up for discussions in this round include investment treaty, reduction of duties on auto and whiskey, rules of origin, intellectual property rights and matters pertaining to services.

The Indian industry is demanding greater access for its skilled professionals from sectors like IT, and healthcare in the UK market, besides market access for several goods at nil customs duties.

On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, automobiles, lamb meat, and certain confectionary items.

Britain is also looking for more opportunities for UK services into Indian markets in segments such as telecommunications, legal and financial services like banking.

The bilateral trade between the countries increased to USD 20.36 billion in 2022-23 from USD 17.5 billion in 2021-22.

(Economic Times, 15/8/2023)

Non-tariff barriers stymie India's efforts to boost global trade

Proliferation of non-tariff barriers amid efforts to ease trade via FTA route.

While the government is considering more free trade agreements that address tariff walls, the post-pandemic proliferation of non-tariff barriers (NTBs) are threatening to undo the trade liberalisation plans.

NTBs have come in the form of quotas, embargoes or technical regulations, standards and conformity assessment procedures that are used to ensure safety, quality and performance of goods.

The key Indian exports that routinely face high NTBs are chilies, tea, basmati rice, milk, poultry, bovine meat, fish, chemicals products to the EU;, sesame seed, shrimps, Medicines, Apparels to Japan; food, meat, fish dairy and industrial products to China.

In the US fruits and shrimps exports face barriers while in South Korea bovine meat. Ceramic tiles to Egypt, chilli to Mexico, medicines to Argentina, microbiological regents to Saudi Arabia, electrical, medical devices and household appliances to Brazil.

According to an assessment, 80% of India's trade is subject to some or the other non-tariff barrier.

Non tariff barriers are more effective than tariffs in regulating trade. While tariffs can regulate prices and businesses can adjust to it, the list of compliances, complex rules and time taken to meet the technical and safety requirements can dissuade many smaller and medium businesses.

Most of the Indian exporters faced the issue of complex and time-taking procedures for authorization, clearances, or for mandatory testing at laboratories. Additionally, some countries also imposed their standards and regulations which are not aligned with international standards. Due to these, exporters face high costs for meeting such rigorous requirements. As sometimes, they have to change the production processes and might lack infrastructure or production technology which impacts their overall exports internationally.

Most of these barriers are put by developed countries and regions like the US and the European Union.

"The developed countries have agreed to very low bound tariffs at the World Trade Organisation leaving little room for them to manoeuvre tariffs and so they are using non-tariff barriers in greater numbers," Secretary General of Apparel Export Promotion Council Mithileshwar Thakur said.

The new FTAs that are being negotiated also discuss technical barriers on trade but not everything can be covered by the agreements as countries come up with newer kinds of trade barriers. The biggest NTB is on the horizon of the Carbon Border Adjustment Mechanism or carbon tax. First proposed by the European Union, now other developed countries like the UK and the US are planning something on the same lines.

The protests against the carbon tax have been registered by the developing countries and the issue could also come at the World Trade Organisation.

Apart from WTO and trade agreements, countries also try to deal with the issue bilaterally.

“India’s exports are far below potential as most products face NTBs in the EU, USA, China, Japan, Korea and many other countries. To get to the next phase of India must address the issue of non tariff barriers which has been rising rapidly post COVID,” founder of Global Trade Research Initiative Ajay Srivastava.

As the tough standards are imposed on Indian exports, the government continues to engage with those countries to minimise their impact.

In the past few years China alone has issued more than 2500 notifications on non tariff barriers while the US, UK, UAE have issued more than few hundred.

Other than imposing standards that are very strict and sometimes not even backed by science, the countries put a big list of procedures that take a lot of effort and time to comply. “The bigger exporters can deal with them but small and medium enterprises are discouraged and some of them give up their efforts,” Srivastava said.

AEPC’s Thakur says that Industry should also be proactive when technical barriers to trade are put up.

He also said while putting TBT (Technical Barrier to Trade) measures, countries notify the World Trade Organisation. Most countries follow a consultation process before a new TBT (Technical Barrier to Trade) is introduced or an existing TBT is modified.

“Indian industry should proactively participate during the consultation process and register their apprehensions/ concerns and raise objections, if any, before the regulations notifying TBTs come into force,” he added.

One way of dealing with the non-tariff barriers is raising domestic standards in products where export rejection is faced. “India should engage in discussions with partner countries and be prepared to retaliate if unreasonable standards or rules continue to obstruct imports from India,” Srivastava said.

The hindrance posed by NTBs on India’s export performance is a critical challenge. A time frame must be decided to resolve important NTBs.

(Financial Express, 16/8/2023)
