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India Logs July-September Quarter GDP Growth At 7.6%

The July-September GDP increased 7.6 percent, against 7.8 per cent growth seen in the previous quarter ended June, and 6.1 per cent increase seen in the last quarter of the previous fiscal year.

India's gross domestic product (GDP) grew by 7.6 per cent in the quarter ended September 2023 at constant prices, data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Thursday revealed. The July-September GDP increased 7.6 percent, against 7.8 per cent growth seen in the previous quarter ended June, and 6.1 per cent increase seen in the last quarter of the previous fiscal year. Comparatively, the economy recorded a growth rate of 6.2 per cent in the second quarter of the previous fiscal year at constant prices.

Commending the performance of the Indian economy, Prime Minister Narendra Modi said via a post on social media platform X, "The GDP growth numbers for Q2 display the resilience and strength of the Indian economy in the midst of such testing times globally."

The GDP growth numbers for Q2 display the resilience and strength of the Indian economy in the midst of such testing times globally. We are committed to ensuring fast paced growth to create more opportunities, rapid eradication of poverty and improving 'Ease Of Living' for our...

— **Narendra Modi (@narendramodi) November 30, 2023**

This growth rate surpassed the central bank's predictions for the Indian economy. Shaktikanta Das, governor of the Reserve Bank of India (RBI), earlier this month, predicted the Indian economy to continue its growth momentum and clock a GDP growth rate of 6.5 per cent in the second quarter of the current fiscal year.

Addressing the BFSI Insight Summit, the Governor earlier noted, "... looking at the momentum of economic activity, looking at a few early data points that have come in a few early indicators, I can say that the second quarter GDP number as and when it is released at the end of November, in all probability will surprise everyone on the upside."

Notably, a Reuters poll on Thursday projected that the Indian economy will report a GDP growth rate of 6.8 per cent for the July to September quarter, higher than the RBI forecast of 6.5 per cent, but lower than the 7.8 per cent growth witnessed in the economy in the preceding quarter.

The news agency noted that India could outpace a slowing global economy dampened by surged interest rates and higher energy prices. Further, solid urban consumption and government spending would be key factors in helping the country maintain a strong growth in the quarter, the report stated.

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Editor: **Secretary General**

Barclays economist, Rahul Bajoria, further stated, "Domestic demand remains the key economic driver of activity, as external demand continues to remain weak." Earlier in the week, on Wednesday, Economic Affairs Secretary Ajay Seth told reporters the economy showed good momentum and he expected "good numbers" for the September quarter.

Further, data released by the Controller General of Accounts (CGA) revealed that the fiscal deficit of the government reached 45 per cent of the full-year budget estimate by the end of October. The fiscal deficit during the April to October period in 2024 stood at Rs 8.03 lakh crore. In the previous fiscal year during the reviewing period, the fiscal deficit stood at 45.6 per cent of the budget estimates for 2022-23. The overall estimated fiscal deficit for FY24 is set to be Rs 17.86 lakh crore, which comes at 5.9 per cent of the GDP.

Additionally, government data revealed that output for eight key infra sectors increased by 12.1 per cent in October against 0.7 per cent in the same period a year earlier.

(ABPLive, 30/11/2023)

S&P ups India's FY'24 growth forecast to 6.4% on robust domestic momentum

The Indian economy grew 7.2 per cent in 2022-23 fiscal ended March 2023. India's GDP expanded 7.8 per cent in April-June quarter.

S&P Global Ratings on Monday raised India's growth forecast for the current financial year to 6.4 per cent, from 6 per cent, saying that robust domestic momentum has offset headwinds from high food inflation and weak exports.

The US-based rating agency, however, has cut growth estimates for the next fiscal (2024-25) to 6.4 per cent, as it expects growth to slow in the second half (October-March) of the current fiscal, on higher base impact and subdued global growth. "We have revised up our projection for India's GDP growth for fiscal 2024 (ending in March 2024) to 6.4 per cent, from 6 per cent, as robust domestic momentum seems to have offset headwinds from high food inflation and weak exports.

"Still, we expect growth to slow in the second half of the fiscal year amid subdued global growth, a higher base, and the lagged impact of rate hikes. As a result, we have lowered our outlook for growth in fiscal 2025 to 6.4 per cent, from 6.9 per cent," S&P said. The Indian economy grew 7.2 per cent in 2022-23 fiscal ended March 2023. India's GDP expanded 7.8 per cent in April-June quarter.

In its Economic Outlook for Asia Pacific, S&P said growth this year and the next is on track to be the strongest in emerging market economies with solid domestic demand — India, Indonesia, Malaysia, and the Philippines. Fixed investment has recovered considerably more than private consumer spending in India, it said. In India, there was a transitory spike in food inflation in the July-September quarter, but it appears to have had little effect on underlying inflation dynamics.

Still, headline inflation remains above the Reserve Bank of India's target of 4 per cent, suggesting it will be a while before the rate cycle turns, S&P said. "In Australia, India, and the Philippines, lingering inflation risks are keeping central banks occupied. The government plans to expand fiscal policies in several countries could complicate central banks' policymaking," S&P said. Risks remain but so too does

the potential for growth in the region. In coming months, the spotlight may shine a little more brightly on emerging markets where domestic demand is strong, the rating agency said.

(Press Trust of India, 27/11/2023)

UAE considers \$50 billion investment in India, strengthening bilateral ties: Report

Some of these investments could involve sovereign wealth funds such as the Abu Dhabi Investment Authority, Mubadala Investment Co., and ADQ.

SUMMARY

The discussions include the possibility of acquiring stakes in key Indian infrastructure projects and state-owned assets. Provisional commitments from the UAE may be disclosed early next year. With close to \$1.5 trillion in sovereign wealth, the UAE is a crucial partner for India.

The United Arab Emirates (UAE) is mulling an investment of up to \$50 billion in India, its second-largest trading partner, as part of a broader strategy to tap into the world's fastest-growing major economy. As reported by Bloomberg, provisional commitments from the UAE may be disclosed early next year.

These potential investments would follow discussions between India's Prime Minister, Narendra Modi, and UAE President Sheikh Mohammed bin Zayed in July. Over the past decade, both nations have been working to strengthen their ties, with the goal of increasing non-oil bilateral trade to \$100 billion. Modi's recent visit to Abu Dhabi marked his fifth trip to the Gulf nation since he assumed office as prime minister in 2014. The last Indian premier to visit the UAE prior to him was Indira Gandhi in 1981.

The discussions include the possibility of acquiring stakes in key Indian infrastructure projects and state-owned assets. Announcements are likely to be made before Modi seeks a third term in the elections scheduled for next year. Some of these investments could involve sovereign wealth funds such as the Abu Dhabi Investment Authority, Mubadala Investment Co., and ADQ.

The exact timelines for a significant portion of these investments are yet to be determined, and no final decisions have been made regarding the size or timing of these announcements.

As part of this effort, entities overseen by Sheikh Tahnoon bin Zayed Al Nahyan have initiated preliminary discussions about investing billions of dollars in India. Sheikh Tahnoon is the brother of the UAE president and serves as the chairman of International Holding Co., which recently disclosed a 5% stake in Gautam Adani's flagship conglomerate. This move came shortly after IHC reduced its holdings in two Adani companies, although it reaffirmed its commitment to India at the time.

Royal Group has shown a strong interest in India for some time, with executives considering it a potential growth engine for the next decade. Sheikh Tahnoon also serves as the chairman of ADQ and ADIA, one of the world's largest sovereign wealth funds with assets close to \$1 trillion.

Lured by the expanding middle class and seeking to diversify from conventional investment destinations like Europe, government-backed investors from the Gulf states have been strengthening their relationships with India. Other investors, such as the Qatar Investment Authority and Saudi Arabia's Public Investment Fund, have also become notable contributors to India's growth.

The UAE's plan underscores the government's ambition to position itself as a neutral player in a world increasingly divided between Washington and Beijing. With close to \$1.5 trillion in sovereign wealth, the UAE is a crucial partner for the world's most populous nation, which is striving to bridge infrastructure gaps. Significant foreign investments would enable Prime Minister Modi to emphasise his efforts to bolster India's economy ahead of the 2024 elections.

(Business Today, 3/11/2023)

India-Finland Diplomatic Talks and Arctic Policy Innovations Set the Stage for Dynamic Partnerships

According to the Ministry of External Affairs statement, the consultations provided a platform for the exchange of perspectives on regional and global matters of common concern, including developments within the regions neighbouring India and Finland, such as the Ukraine conflict.

Ahead of the forthcoming 2nd edition of the India Nordic Baltic Business Conclave this month, India and Finland conducted a comprehensive review of trade and investments, educational collaboration, digital partnerships, sustainability initiatives, and more, as part of their Foreign Office Consultations.

During the 12th Foreign Office Consultations, both parties also assessed matters pertaining to mobility, cultural relations, and people-to-people interactions. Discussions encompassed multilateral cooperation, notably concerning Arctic affairs and reforms within the United Nations Security Council.

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Leading the Indian delegation was Sanjay Verma, Secretary (West) at the Ministry of External Affairs, while the Finnish delegation was headed by Jukka Salovaara, Permanent State Secretary of the Ministry for Foreign Affairs of Finland.

India-Finland

The year 2024 marks the 75th anniversary of diplomatic relations between the two nations, and a decision was made by both sides to commemorate this significant milestone fittingly.

Later this month, in collaboration with the Ministry of External Affairs, an industry association will host the 2nd edition of the India Nordic Baltic Business Conclave. Set to occur on November 22-23, 2023, in New Delhi, this Conclave will serve as a platform for various stakeholders to engage in dialogues centered around key sectors of interest, foster new business partnerships, and pave the way for potential policy adjustments to facilitate these partnerships.

India-NORDIC Relations & Arctic Policy

India's Arctic Policy holds significant importance in the context of the nation's expanding global presence. The growing India-Nordic relations play a pivotal role in advancing this policy, highlighting New Delhi's strategic commitment to the Arctic region. This alignment further strengthens India's ties with the European Union (EU), which are steadily gaining momentum.

The United States is the sole country, besides India, with which the Nordic nations have an exclusive collaboration at the summit level. This unique synergy contributes to the establishment of a comprehensive strategic partnership.

Several Nordic multinational corporations, including Volvo, Ericsson, IKEA, Tetra Pak, Kone, Ahlstrom, Wartsila, and Nokia, actively operate within India, bolstering the Indian market and substantially contributing to economic growth, technological collaboration, and job creation.

Simultaneously, the heightened collaboration between the Nordic countries' Smart Cities Project and India's ambitious Smart Cities Project enhances shared economic progress. Additionally, India's investments in Nordic countries have seen a notable increase.

Presently, more than 70 Indian companies have established their presence in Sweden, and Indian firms are making a growing impact in Denmark, Finland, and Norway, particularly in the IT, automobile, and pharmaceutical sectors. This reciprocal business and investment partnership is instrumental in elevating the bilateral relationship to strategic heights.

Importantly, Nordic states are increasingly interested in engaging within the framework of the India-European Union Free Trade Agreement, anticipated to be concluded in the near future, which promises to foster mutual economic growth.

The collaboration between India and Nordic states on innovation and clean technology has been progressively gaining momentum, converging India's talent pool and digitization efforts with Nordic states' expertise in innovation and green technology transfer. This cooperation emphasizes the mutual interest in investing in "innovative and sustainable solutions" and identifying opportunities in sectors such as food processing, agriculture, health projects, and life sciences.

India's Arctic Policy, introduced on March 17, 2022, responds to the urgent need for clear articulation in the rapidly changing Arctic, which is experiencing warming three times faster than the global average. This accelerated warming has substantial implications for global shipping routes and the increased availability of mineral and hydrocarbon resources, with far-reaching geopolitical and resource-related consequences for India and the world.

The necessity for an Arctic Policy in India can be categorized into three key aspects: scientific research, climate change, and environmental concerns; economic and human resources; and geopolitical and strategic considerations. Each of these aspects contributes to India's interest in the Arctic region.

Russia plays a dominant role in the Arctic, accounting for almost half of the region's area, coastline, population, mineral wealth, and hydrocarbons. Despite a relatively small population in the Russian Arctic, it significantly contributes to Russia's GDP and exports. Russia's vested interest in the Arctic has led to soliciting funding and cooperation for infrastructure development, especially along the Northern Sea Route (NSR).

However, India's approach to the Arctic has had some gaps. While the Ministry of External Affairs (MEA) has recognized India's interests in the Arctic as scientific, environmental, commercial, and strategic, it was one of the four out of 13 Observer nations of the Arctic Council without a nationally articulated

Arctic Policy until recently. India needs to transition beyond a purely scientific perspective and develop a more nuanced understanding of Arctic geopolitics and governance, given its growing global stature.

Currently, India's polar research is budgeted under the Polar Science and Cryosphere (PACER) program of the Ministry of Earth Sciences (MoES). The funding allocated for Arctic research is comparatively modest, indicating the need for increased investment to support India's Arctic endeavours.

The National Centre for Polar and Ocean Research (NCPOR), under the MoES, serves as the nodal agency for India's polar research program, including Arctic studies. The MEA manages India's engagement with the Arctic Council, connecting through the United Nations Economic & Social (UNES) Division.

(Financial Express, 2/11/2023)

UK seeks higher protection for its GI products from agri sector under FTA with India

Synopsis

In the ongoing negotiations for a free trade agreement between the UK and India, the demand for heightened protection of Geographical Indication (GI) products from Britain's agriculture sector remains an unresolved point. GIs like Scotch whisky and Stilton cheese signify distinctiveness linked to their specific origins, prompting discussions to address differences in protection levels.

The UK's demand of a higher level of protection for its GI products from the agriculture sector under the proposed free trade agreement (FTA) with India remains an unresolved issue as the talks for the pact are on to iron out differences, an official said. British GI (Geographical Indication) products include Scotch whisky, Stilton cheese and Cheddar cheese.

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.

Once a product gets this tag, any person or company cannot sell a similar item under that name.

India normally provides general protection for violation of GI rules, but the UK is seeking a higher level of protection, the official, who did not wish to be named, said.

"Negotiations are going on between the two countries. There are some issues pending in the intellectual property rights (IPRs) chapter," the official added.

According to experts, the Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the World Trade Organisation outlines an elevated level of protection for GIs.

This enhanced protection prohibits the use of a GI if the product does not genuinely originate from the designated area, regardless of whether the public is misled or the true origin is specified. This ensures complete protection of a GI, safeguarding its reputation under all circumstances.

It also prohibits the use of terms like 'kind', 'style', and 'type' for products that fall under this protection. Currently, this higher level of protection is exclusive to wines and spirits.

GI is an intellectual property right. On this subject, under a free trade agreement, normally two countries include rules prescribed in the TRIPS and do not go beyond that.

Nilanshu Shekhar, founding partner at law firm KAnalysis, said Indian legislation does not differentiate between wines and spirits, and other products in terms of GI protection, and the decision to grant higher protection rests with the central government and varies based on international recognition.

India has been advocating for extended protection to other products beyond wines and spirits to prevent misuse of its labels like Basmati rice by other countries.

"The UK's interest in securing higher-level GI protection for more products in the proposed FTA with India predominantly benefits its strong export segments of wines and spirits, dairy products etc. As FTAs are based on mutual benefits, India should negotiate firmly for the UK to offer similar elevated GI protection to Indian products to a higher range of Indian products too," Shekhar said.

He said that this approach would create a more balanced and reciprocal trade relationship, potentially opening new markets and enhancing the global standing of Indian products.

A higher level of GI protection for products like cheese will create problems for Indian companies, hence, New Delhi should not accede to the demand unless the UK is reciprocating equally in this or another department, he added.

Sharing similar views, expert on internal trade and WTO-related issues, Abhijit Das said: "If the UK is demanding a higher level of protection for its GIs, Britain must be willing to give a higher level of protection to our GIs as well. But, there could be some adverse consequences for cheese manufactured by Amul in India".

The famous Indian goods carrying GI tag include Basmati rice, Darjeeling Tea, Chanderi Fabric, Mysore Silk, Kullu Shawl, Kangra Tea, Thanjavur Paintings, and Kashmir Walnut Wood Carving.

Commerce Secretary Sunil Barthwal has recently stated that India and the UK are not working under any deadline for the conclusion of negotiations for a free trade agreement as both sides are discussing issues "slightly" complex in nature.

India and the UK launched the talks for the agreement in January 2022.

(Economic Times, 20/11/2023)

Rules of origin for medical devices sector remains a sticking point under India-UK proposed FTA

Synopsis

"In the medical devices sector, a lot of issues related to rules of origin are still there. Demand for customs duty concessions is also there," the official said, adding negotiations are going on between the two countries to resolve the differences in both goods and services sectors.

Finalising the rules of origin for the medical devices sector remains a sticking-point in the proposed free-trade agreement (FTA) between India and the UK and the talks are on to iron out the differences, an official said.

Huge potential is there in the medical devices sector in India, as it imports about 80 per cent of its requirement, with the US, Germany, China, Singapore and Netherlands being top exporters of such devices to the country.

"In the medical devices sector, a lot of issues related to rules of origin are still there. Demand for customs duty concessions is also there," the official said, adding negotiations are going on between the two countries to resolve the differences in both goods and services sectors.

The government has taken steps to promote domestic manufacturing of medical devices/equipment and attract large investment in the sector. Such schemes/initiatives include Promotion of Medical Device Parks, National Biopharma Mission, and a production-linked Incentive scheme for the sector.

The six major categories of medical devices that are being mainly imported into the country include consumables, disposables, electronics and equipment, implants, IVD reagent and surgical instruments.

The 'rules of origin' provision prescribes minimal processing that should happen in the 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.

According to experts, India should refrain from giving duty concessions, as the government here is promoting domestic manufacturing of these devices.

"India can consider giving relaxations for those equipment which are not manufactured in India," Rajinder Singh Kanwar from Export Promotion Council For Medical Devices said.

The negotiations between the two countries for the agreement cover as many as 26 policy areas/chapters. 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.

India is looking at greater market access for its pharmaceutical products in the UK, as part of the proposed agreement with Britain, the official added.

India has already secured greater market access for the domestic pharma industry in a trade pact with the UAE. Under the pact, Indian pharmaceutical products and medical goods will get regulatory approval within 90 days that have been approved in developed jurisdictions such as the US, the UK, the EU, Canada, and Australia.

Similarly, the India-Australia trade deal would provide fast-track approvals and quality assessment/inspections of manufacturing facilities.

"In pharma, we are looking at a positive outcome from the India-UK deal. Regulatory cooperation with the UK's Medicines and Healthcare products Regulatory Agency is also on the cards," the official said.

India and Britain launched negotiations for the free-trade agreement (FTA) in January with an aim to conclude talks by Diwali (October 24), but the deadline was missed due to political developments in the UK.

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

Major imports include precious and semi-precious stones, ores and metal scraps, engineering goods, professional instruments, non-ferrous metals, chemicals and machinery.

The UK is also a key investor in India. The bilateral trade between India and the UK increased to USD 20.36 billion in 2022-23 from USD 17.5 billion in 2021-22.

(Economic Times, 21/11/2023)

UK PM Rishi Sunak likely to visit India as and when FTA is ready to be announced

Synopsis

There are reports that the deal could be sealed in December after the state assembly elections. The two sides have differences whether taxation will be included in a proposed investment protection pact, as well as the UK's demand that tariffs be cut on electric vehicle exports to India.

Notwithstanding the phone call between PM Narendra Modi and his British counterpart Rishi Sunak last Friday, the much talked about visit by the UK PM to India is not on the cards until the Free Trade Agreement is finalised and ready to be signed.

Sunak has also been kept busy by developments in West Asia and there are speculations that a trip in the middle of a conflict may not be feasible, ET has learnt.

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Launched on January 13, 2022, the India-U.K. FTA began its latest 13th round of negotiations on September 18. The two sides were earlier looking to conclude FTA negotiations in October for a visit by Sunak in October last week ahead of Diwali. India-UK bilateral trade has increased from \$17.5 billion in 2021-22 to \$20.36 billion in 2022-23. With the talks reaching a critical juncture, both sides are now discussing contentious issues like tariffs on alcohol, Scotch whisky, rules of origin and visas for professionals.

Sunak spoke to Prime Minister Narendra Modi last Friday afternoon during which both leaders discussed the need to "de-escalate" tensions and the importance of protecting innocent civilians in the Israel-Gaza conflict.

The phone call centred around the situation in the Middle East but also covered bilateral ties and the progress being made towards an "ambitious" deal in the ongoing India-UK free trade agreement FTA negotiations. The leaders discussed recent progress on free trade agreement negotiations. They agreed on the importance of securing an ambitious deal that benefitted both sides, according to a UK government readout. Sunak would likely showcase the deal as a benefit of Brexit.

(Economic Times, 8/11/2023)

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Editor: **Secretary General**

UK FTA talks revolve around time-bound dispute resolution

London keen for investor protection treaty along with trade pact

India and the UK are discussing possible options to address investors' disputes in a time-bound manner through a domestic judicial mechanism in the proposed Bilateral Investment Treaty (BIT), a move that crucial for the conclusion of the much-awaited Free Trade Agreement (FTA) in the next few weeks, a senior official told FE.

India and the UK want to sign the FTA and BIT together as both complement each other for a comprehensive economic partnership between New Delhi and London.

The discussions turned out to be sticky with regard to India's position that foreign investors have to exhaust domestic legal remedies before going for international arbitration. The UK's concern was that Indian courts often take years to decide on cases, which could adversely impact investors.

The other sticky issue is over the Rules of Origin given the fears in India that Chinese goods could be routed through the UK as Chinese companies were gradually increasing their presence in the UK industry.

The ongoing discussion, sources said, is about having a time limit on resolving disputes in India before these could proceed for international arbitration. However, there were fears whether the independent Indian judiciary would abide by any time frame specified in BIT. Deliberations are on to find a solution, the official added.

Recently, EU trade commissioner Valdis Dombrovskis suggested the establishment of special courts to resolve disputes involving violation of investment protection agreements to provide comfort to investors putting their money in India. India is also in talks for an FTA with the EU.

In the services sector, the differences have been broadly agreed upon on the lines of the UK's FTA with Australia which came into force from May 2023, another official said. India would benefit significantly from the mobility of professionals in the proposed FTA with the UK," the second official said.

In the services sector, the UK demanded national treatment for its services businesses and greater freedom for its professionals to operate in India. National treatment means treating foreigners and locals equally with regard to rules and regulations.

In FTA with the UK, Australia has secured ambitious commitments on the mutual recognition of professional qualifications and providing greater certainty for skilled professionals entering the UK labour market.

There has been no break or let up in negotiations on the India-UK free trade agreement and the 13th round of talks that began in September still continues.

There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

(Financial Express, 4/11/2023)

Next round of India, UK talks for free trade agreement expected soon

Synopsis

Issues which need resolution include rules of origin; intellectual property rights (IPRs); social security agreement; duty concessions on electric vehicles, scotch whiskey, lamb meat, chocolates and certain confectionary items; liberalisation of norms in services sectors like banking and insurance.

Chief negotiators of India and the UK are expected to soon hold next round of talks for the proposed free trade agreement to iron out differences on issues such as automobiles, medical devices, and movement of professionals, an official said. The official said that the UK team may come here for the 14th round of negotiations so that the talks can be concluded at the earliest.

"Virtual sessions are progressing. But we are planning for a full fledged round of talks. In the full round, both sides discuss all the chapters. Some 60-70 sessions happen parallelly," the official, who did not wish to be named, said.

Issues which need resolution include rules of origin; intellectual property rights (IPRs); social security agreement; duty concessions on electric vehicles, scotch whiskey, lamb meat, chocolates and certain confectionary items; liberalisation of norms in services sectors like banking and insurance.

Talks are also progressing on the proposed bilateral investment treaty (BIT).

The investment treaty is being negotiated as a separate agreement between India and the UK.

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

BITs help in promoting and protecting investments in each other's countries.

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

India and the UK launched the talks for free-trade agreement (FTA) in January 2022, with an aim to conclude talks by Diwali (October 24, 2022), but the deadline was missed due to political developments in the UK.

There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

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, chocolates and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments like telecommunications, legal and financial services (banking and insurance).

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

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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.

(Economic Times, 15/11/2023)

India-UK: Fresh round of talks on to resolve differences

Parallel talks are also being held on the Bilateral Investment Treaty (BIT) that would be signed with the trade agreement.

India and the UK are at the stage of discussing “complex issues” involved in the free trade agreement (FTA) which are of high economic significance including rules of origin, import duties on EVs and other automobiles and movement of professionals, a senior official said Wednesday. As the issues are complex so they are being looked at more closely without the pressure of deadlines, commerce secretary Sunil Barthwal said.

Joint Secretary in the commerce ministry and India’s chief negotiator for the pact, Nidhi Mani Tripathi, said that the two sides continue to discuss the “outstanding issues” which remained unresolved.

“At all levels, there have been continuous exchanges to iron out differences and we intend to close as many issues quickly,” she said.

So far 13 rounds of talks on the agreement have been completed. “Talks are happening at the track level and at the senior level when required,” she added.

Issues which are under negotiation include social security pact, automobiles, medical devices, movement of professionals; rules of origin; intellectual property rights (IPRs); duty concessions on electric vehicles, scotch whiskey, lamb meat, chocolates; and liberalisation of norms in services sectors like banking and insurance.

Parallel talks are also being held on the Bilateral Investment Treaty (BIT) that would be signed with the trade agreement.

The main point of contention in BIT is about the mechanism for the settlement of disputes that arise among investors or between investors and the government.

India and the UK launched the talks for free-trade agreement (FTA) in January 2022, with an aim to conclude talks by Diwali but the deadline was missed due to political developments in the UK.

There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights. Majority of chapters are closed or are in advanced stages of negotiations.

The UK is the 7th biggest market for Indian exports taking in \$ 11.4 billion worth of goods last financial year. In the same period imports from the UK totalled \$8.4 billion.

On broad-basing the existing free trade agreement with Australia, Joint Secretary in the ministry, Darpan Jain said that the eighth round of talks is expected in the first week of December.

“Negotiations are going at a fast pace. We are also having exploratory discussions on 14 new areas such as competition, MSME, and gender...and we have reached a convergence on many of these areas like sports, labour environment, MSME, and traditional knowledge,” he said.

He added that both countries intended to convert them into formal tracks as soon as possible.

On the trade pact with Latin American nation Peru, the ministry said that the sixth round of talks is expected in December.

Similarly, with Sri Lanka, the next round of negotiations on a free trade agreement is scheduled early January next year.

(Financial Express, 16/11/2023)

India seeks social security agreement in UK FTA

The Bilateral Investment Treaty, which is being negotiated as a separate agreement and is expected to be signed along with the FTA, has also seen substantial progress.

As the next round of negotiations for a free trade agreement with the UK is scheduled, India has sought inclusion of social security in the discussions, an official said Tuesday.

The social security pact, if it gets included in the discussions and becomes part of the FTA, will allow temporary Indian workers in the UK to claim social security benefits from contributions made during their period of stay.

At present temporary workers in the UK who stay beyond a year have to make contributions to social security. When they return after a brief stay there is no mechanism for them to get their contribution back or derive any benefit out of it.

Both countries have concluded 13 rounds of talks on the FTA but the closing of positions on key issues of rules of origin, tariffs on automobiles and whiskey, greater liberalisation of services trade and visa issues still remain.

The virtual sessions are still on but we are planning a full-fledged round of talks, the official added.

He said that negotiators are not working with a deadline for concluding the talks and are willing to give time for reaching a deal that is in best interest of both sides.

On intellectual property issues, agreement is within reach. The Bilateral Investment Treaty, which is being negotiated as a separate agreement and is expected to be signed along with the FTA, has also seen substantial progress.

The proposed FTA between the two countries, negotiations for which were started in January of 2022 covers 26 chapters or policy areas. “Majority of chapters are closed or are in advanced stages of negotiations,”

The UK is the 7th biggest market for Indian exports taking in \$ 11.4 billion worth of goods last financial year. In the same period imports from the UK totalled \$8.4 billion.

(Financial Express, 16/11/2023)

India raises concerns over potential carbon taxes in UK FTA talks - sources

Synopsis

The EU's CBAM, the world's first tariff regime on cheaper imports of foreign polluting products, entered its first phase in October, causing disquiet among trading partners like India, which plans to challenge it in the World Trade Organisation.

India is worried about Britain's possible tax on imports of high-carbon goods like steel and wants a mechanism in their planned free-trade agreement (FTA) to address issues arising from such a measure, three Indian sources said. Earlier this year, Britain initiated consultations with domestic stakeholders on measures such as a potential carbon border tax, which could mimic the European Union's carbon border adjustment mechanism (CBAM).

Now, India wants clauses included in the planned FTA that would commit Britain to holding bilateral consultations with New Delhi in case a CBAM-like measure is introduced, Indian officials said.

"The idea is to ensure the India-UK deal is future-proof, and something like CBAM can act as a new tariff barrier in the future," one of the officials said. According to two officials the UK side regards this request as "unfair" as no decision has been taken on whether to introduce such a measure.

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The three Indian government sources did not want to be named as discussions over the trade pact with the UK are confidential. India's trade ministry did not respond to an emailed request for comment.

The British Department for Business and Trade said "the UK and India continue to work towards an ambitious trade deal that works for both countries. We have always been clear we will only sign a deal that is fair, balanced and ultimately in the best interests of the British people and the economy."

Over the course of negotiations, India-UK FTA talks have hit several road blocks and the ambitious pact now stands delayed by over a year from its previous deadline.

(Economic Times, 18/11/2023)

No deadline for conclusion of India-UK trade pact talks: Commerce Secretary

Synopsis

The 'rules of origin' provision prescribes minimal processing that should happen in the 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 the dumping of goods.

India and the UK are not working under any deadline for the conclusion of negotiations for a free trade agreement as both sides are discussing issues that are "slightly" complex in nature, a senior government official said on Wednesday. Commerce Secretary Sunil Barthwal said that the two countries are working to finalise the issues as early as possible.

"We are not working (under) any deadlines...because there are issues which are of slightly complex in nature and which have economic significance for both the countries," he told reporters here.

"So we are looking at those issues much more carefully...so there is no deadline as such, we are working under timelines," he added.

Joint Secretary in the commerce ministry and India's chief negotiator for the pact, Nidhi Mani Tripathi, said that the two sides continue to discuss the "outstanding issues" which remained unresolved.

"At all levels, there have been continuous exchanges to iron out differences and we intend to close as many as issues quickly," she said.

So far 13 rounds of talks have been completed.

Issues which are under negotiation include social security pact, automobiles, medical devices, movement of professionals; rules of origin; intellectual property rights (IPRs); duty concessions on electric vehicles, scotch whiskey, lamb meat, chocolates; and liberalisation of norms in services sectors like banking and insurance.

India wants a social security agreement (SSA) under the FTA. The agreement would ensure that employers are saved from making double social security contributions for the same set of employees (posted in other countries). Besides, the employees would also be saved from making double social security contributions.

Talks are also progressing on the proposed bilateral investment treaty (BIT).

The investment treaty is being negotiated as a separate agreement between India and the UK. These investment treaties help in promoting and protecting investments in each other's country. The main point of contention involved in this pact is about the mechanism for the settlement of disputes.

India and the UK launched the talks for free-trade agreement (FTA) in January 2022, with an aim to conclude talks by Diwali (October 24, 2022), but the deadline was missed due to political developments in the UK.

There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

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, chocolates and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments like telecommunications, legal and financial services (banking and insurance).

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

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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 the dumping of goods.

On broad-basing the existing free trade agreement with Australia, Joint Secretary in the ministry, Darpan Jain said that the eighth round of talks is expected in the first week of December.

"Negotiations are going at a fast pace ... we are also having exploratory discussions on 14 new areas such as competition, MSME, and gender...and we have reached a convergence on many of these areas like sports, labour environment, MSME, and traditional knowledge," he said.

He added that both countries are intended to convert them into formal tracks as soon as possible.

On trade pact with Latin American nation Peru, the ministry said that the sixth round of talks is expected in December.

Similarly, with Sri Lanka, the next round of negotiations on a free trade agreement is scheduled early January next year.

(Economic Times, 16/11/2023)

India must tread carefully in negotiating labour provisions in FTAs: Trade experts

Synopsis

India's approach to negotiating labour provisions in free trade agreements (FTAs) is being questioned by experts, as it could potentially impact domestic manufacturing and trade competitiveness. India has begun to engage on labour issues in its trade negotiations with the UK, European Union, and the US-led Indo Pacific Economic Framework for Prosperity (IPEF).

India needs to follow a cautious approach while negotiating labour provisions in free trade agreements (FTAs) as those could have potential repercussions on domestic manufacturing and overall trade competitiveness, experts say. International trade experts claimed that in a significant shift from its longstanding stance, India has begun to engage on labour issues in its trade negotiations with the UK, European Union, and the US-led Indo Pacific Economic Framework for Prosperity (IPEF).

Inclusion of these issues in trade pacts could have negative impacts, they said, adding that the recent US presidential memorandum of Joe Biden on worker rights indicates a deepening focus on labour standards in trade deals.

Negotiations are on fast track with a comprehensive trade agreement with the UK, which seeks to promote trade in goods, services and two-way investments.

Think tank Global Trade Research Initiative (GTRI) Ajay Srivastava said that such provisions could erode the competitive advantage of developing countries by inflating manufacturing costs.

Citing an example, he said that the US-Mexico-Canada free trade agreement, which mandates a minimum wage in Mexico's auto sector, potentially diminishes its competitiveness.

Sharing similar views, trade expert and former government official Sangeeta Godbole also expressed reservations about labour clauses in trade deals.

She was involved in the negotiations of the India-EU trade agreement.

"Even non-binding labour provisions in the EU-South Korea FTA led to a dispute adversely impacting South Korea's auto industry, cautioning against complacency in negotiations," Godbole said.

International trade expert Abhijit Das said that labour provisions in trade agreements often seek enforcement of domestic laws and can lead to punitive actions for non-compliance.

He noted that the labour clauses in the recent supply chain resilience agreement under IPEF as a potential gateway for increased scrutiny and a pressure point for the imposition of import restrictions in future based on alleged labour law violations.

"India must tread carefully in negotiating labour provisions in trade agreements, mindful of the potential repercussions on its manufacturing sector and overall trade competitiveness," the experts said.

(Economic Times, 24/11/2023)

India-Asean trade pact review: India pitches for tighter rules of origin

The ROO revision would be in line with the provisions in the trade agreements that are currently being negotiated, where extent of value addition in a product originating from the exporting country is different for each chapter or product.

The review of Asean-India Trade in Goods Agreement (AITGA) will start with discussions on making the Rules of Origin (ROO) more comprehensive and detailed, as New Delhi is keen to remove the scope for exporters from third countries to exploit the preferential tariffs, a senior official said.

"It is an agreement on trade in goods, and not services, and here, the core area is market access and ROO..so we have said (to Asean negotiators) that we should start talks on these first. Other issues are routine like trade remedies," the official who did not wish to be identified said.

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Currently, the ROO is not a very detailed chapter in AITGA. This is seen to be still allowing businesses from third countries to utilise this FTA, for exports to India. "We need to look at ROO in a very different manner because different sectors behaves differently," the official added.

After years of negotiations AITGA was signed in 2009 and at that time the ROOs framed were very generic in nature. For non-manufactured products, agriculture products and marine items, grown or extracted or obtained from territorial waters of the countries participating in the pact, were eligible for concessional duties.

In manufactured products, domestic value addition of 35% of FOB (the cost at the frontier of the exporting country) value was mandated. Another condition for availing concessional tariffs was that final processing is performed within the territory of the exporting country.

“We want to make rules of origin in AITGA more granular and product specific,” the official said.

In trade talks with Australia value addition norms for 6000 products are being negotiated individually. Even with the UK, product specific value addition norms are discussed and is one of the contentious issues in the talks.

“In newer agreements under consideration the value addition requirements are different for each product. These values cannot be the same for agriculture and manufactured products,” the official.

While agriculture products are mostly grown and processed locally, manufacturing happens in global value chains.

For the review the government has held stakeholder consultations with 7-8 industry groups.

The AITGA entered into force on 1 January 2010 which created one of the world’s largest free trade areas. Since then the trade deficit with Asean widened from \$4.98 billion in 2010-11, the first full year of operation of AITGA to \$43.57 billion in 2022-23. The widening of the deficit by \$17.51 billion in the last financial year is alarming as in 2021-22 the deficit was \$ 25.76 billion.

Within five years of the agreement on goods being activated India had started asking for a review of the pact as its imports from Asean zoomed but it could not derive the expected benefits. India maintains that its exports to Asean have been impeded by non-reciprocity in FTA concessions, non tariff barriers, import regulations and quotas.

In August this year both sides laid down the framework and a deadline of 2025 to complete the review.

Apart from rules of origin, other areas where talks will focus on are goods. Both rules of origin and goods trade will be negotiated by separate sub-committees. The in-person joint committee meeting on the review is expected in the third week of February. Before that one virtual meeting of the joint committee may be held, the official said.

(Financial Express, 23/11/2023)
