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India tops global remittance charts at $125 billion in 2023

Synopsis

Despite these positive trends, challenges and potential risks are highlighted. The Middle East and North Africa saw a decline in remittance flows for the second consecutive year, mainly driven by a sharp drop in flows to Egypt. Remittance flows to Europe and Central Asia also decreased by 1.4% after a significant gain in 2022.

The World Bank's latest Migration and Development Brief indicates a continued growth in remittance flows to low- and middle-income countries (LMICs) in 2023, albeit at a slower pace. India stands out as the top remittance recipient, showcasing the evolving dynamics in this financial landscape.

Remittances to LMICs grew by an estimated 3.8% in 2023, totalling USD 669 billion. Resilient labor markets in advanced economies and Gulf Cooperation Council (GCC) countries played a crucial role in supporting migrants' ability to send money home.

The report suggests a potential risk of a decline in real income for migrants in 2024 due to global inflation and low growth prospects.

In South Asia, remittance flows to India experienced notable growth, contributing to the region's overall positive trend. South Asia witnessed a 7.2% increase in remittances in 2023.

The Indian economy outperformed previous forecasts, reaching USD 125 billion in remittances for the year. This achievement is attributed to a tight labor market in the United States and robust employment growth in Europe.

Despite these positive trends, challenges and potential risks are highlighted. The Middle East and North Africa saw a decline in remittance flows for the second consecutive year, mainly driven by a sharp drop in flows to Egypt. Remittance flows to Europe and Central Asia also decreased by 1.4% after a significant gain in 2022.

India retained its position as the largest recipient of remittances, receiving an estimated USD 125 billion in 2023. This underscores the crucial role played by the Indian diaspora in supporting families and contributing to the country's economic resilience.

The top five remittance recipient countries include Mexico (USD 67 billion), China (USD 50 billion), the Philippines (USD 40 billion), and Egypt (USD 24 billion).

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The report raises awareness about the potential impact of global economic conditions on remittance flows. The expectation of weaker economic activity in several high-income countries and the prospect of weaker job markets may soften the growth of remittances to LMICs, projecting a 3.1% increase in 2024.

Caution is emphasized, considering volatile oil prices, currency exchange rates, and the possibility of a deeper-than-expected economic downturn in high-income countries.

The World Bank's Remittances Prices Worldwide Database reveals that remittance costs remain persistently high, averaging 6.2% to send USD 200 as of the second quarter of 2023. The report highlights that banks continue to be the costliest channel for sending remittances, with an average cost of 12.1%.

A special section of the report emphasizes the potential of leveraging remittances for development finance, particularly through diaspora bonds. These bonds can tap into diaspora savings held in foreign destinations, providing a stable source of funds.

The report suggests that remittances have surpassed the sum of foreign direct investment and official development assistance in recent years, presenting opportunities for private capital mobilization.

India's prominence in the global remittance landscape is a testament to the significant role played by the Indian diaspora in supporting the country's economy. While challenges and risks persist, the report underscores the need for inclusive labor markets and social protection policies to sustain remittance flows, which serve as vital lifelines for developing countries like India.

(Economic Times, 18/12/2023)

India seeks to settle WTO import duty dispute with EU on ICT goods through free trade talks

As part of the discussion, the EU has sought duty concessions from India on these goods as it was violative of the global trade norms.

India seeks to resolve a WTO import duty dispute with the European Union on certain information and technology products through the proposed free trade agreement, which is under active negotiations, an official said.

Following a ruling of the World Trade Organisation’s (WTO) dispute panel on April 17 that import duties imposed by India on certain information and technology (ICT) products such as mobile phones and components, base stations, integrated circuits and optical instruments violate global trading norms, India and the European Union (EU) are discussing ways to resolve the matter amicably outside the ambit of the WTO.

As part of the discussion, the EU has sought duty concessions from India on these goods as it was violative of the global trade norms, but India has stated that it would be again a breach of WTO rules, if the concessions be extended only to the EU, the official said.

“They are seeking duty concessions, which according to India can be discussed only under the free trade agreement (FTA). India can consider something under the FTA, but not on MFN (most favoured nation) basis,” the official added.

Under the MFN basis, a WTO member country can not give import duty concessions of goods only to one country or region as it would be a violation of global trade rules. All the 164 members of the Geneva-based multi-lateral body have to provide equal/national treatment to each other by extending MFN status.

For India, cutting duties on these items would be difficult as the government is focusing on boosting domestic manufacturing of electronic goods to reduce imports.

A production-linked incentive scheme has been launched to support the manufacturing of different IT hardware products in the country.

Imports of electronic goods rose by 11.63 per cent to USD 51.4 billion during April-October this fiscal.

The European Union and Chinese Taipei both have requested the World Trade Organisation's dispute settlement body not to adopt the panel's ruling against India with regard to an ICT duty dispute to enable the countries to resolve the issue mutually.

On April 2, 2019, the EU challenged the introduction of import duties by India at WTO on a wide range of ICT products like mobile phones and components, base stations, integrated circuits and optical instruments.

The EU had claimed that the measures appear to be inconsistent with certain provisions of WTO. Later, Chinese Taipei and Japan joined the dispute. Since Japan has filed its motion for the adoption of the panel's report at Dispute Settlement Body (DSB) meeting at WTO, India, in response, filed its notice of appeal in the WTO's appellate body.

Interestingly, the appellate body is not functioning because of differences among member countries over the appointment of its members. Several disputes are already pending with this body. The US has been blocking the appointment of the members.

According to the EU, India has been applying duties ranging from 7.5 per cent to 20 per cent and the levies affect EU exports worth Euro 600 million per year.

In October 2018, India hiked import duty on certain communication items, including base stations, to up to 20 per cent as part of efforts to check a widening current account deficit by curbing imports and boosting domestic manufacturing. India has recently resolved all the trade disputes of the WTO with the US through mutually agreed solutions.

(Financial Express, 11/12/2023)

Round 14 of India-UK FTA talks to take place in January 2024

Synopsis

The Ministry of Commerce and Industry announced that the fourteenth round of Free Trade Agreement negotiations between India and the UK will take place in January 2024. The negotiations, which focused on complex issues like goods, services, and investment, will continue.

The fourteenth round of Free Trade Agreement negotiations between India and the UK will take place in January 2024, the Ministry of Commerce and Industry informed on Monday.

The government also provided an update on the previous round, that is the thirteenth round, and said that both nations held negotiations in person and virtually from September 15 to December 15, 2023.

The discussions were held in London and Delhi, the government further informed.

"As with round 12, these negotiations focussed on complex issues including goods, services, and investment," the government said in a release.

Further, the government has reiterated that the UK and India will continue to negotiate towards a comprehensive and ambitious FTA.

India and the UK are committed to developing a comprehensive and mutually beneficial trade relationship, as demonstrated by the ongoing discussions. India and the United Kingdom's bilateral trade grew from $17.5 billion in 2021–2022 to $20.36 billion in 2022–2023.

(Economic Times, 19/12/2023)

India-UK FTA: Scotch whiskey, EV, services issues may figure in 14th round of talks in Jan

Synopsis

The upcoming round of FTA talks between India and the UK in January will address important issues such as duty concessions on scotch whisky and electric vehicles, as well as matters concerning the services sector. According to an official, significant progress has been made in resolving issues related to rules of origin and intellectual property rights. However, differences remain regarding customs duty concessions on scotch whisky and EVs, as well as liberalization of norms in sectors like banking, insurance, and legal services.

Issues like duty concessions on scotch whisky and electric vehicle (EV) and matters concerning the services sector, including mobility of skilled workers, may figure in the next round of proposed FTA talks between India and the UK in January, an official has said. The official also said that both sides have resolved most of the issues in the rules of origin and intellectual property rights (IPRs) chapters.

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

Though the negotiations between the two countries have reached their last leg, both sides have yet to resolve differences on major issues like British demand for significant customs duty concessions on scotch whisky, and EVs and liberalisation of norms in services sectors like banking, insurance, legal, and Indian demand for easy movement of professionals, the official added.

The two countries have concluded 13 rounds of talks, and the next round is scheduled in January 2024.

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

On the other hand, the UK is seeking a significant cut in import duties on goods like scotch whiskey, automobiles (including EVs), lamb meat, chocolates and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments like telecommunications and financial services.

"Some 3-4 issues are also pending in the proposed bilateral investment treaty (BIT)," the official, who did not wish to be named, said.

India and the UK launched the talks for a free-trade agreement (FTA) in January 2022.

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.

Further, the official said talks are also progressing on proposed trade agreements with Oman and the European Free Trade Association (EFTA) bloc.

India and the EFTA bloc (Iceland, Liechtenstein, Norway, and Switzerland) are negotiating a Trade and Economic Partnership Agreement (TEPA) to boost economic ties.

(Economic Times, 30/12/2023)

UK's carbon tax may impact $775 mn worth of Indian goods

Synopsis

For the EU, the tax range is 20-35%. Both the UK and the EU have implemented emissions trading systems (ETS) to cap and reduce greenhouse gas emissions. These systems work by setting a limit on the total amount of carbon dioxide emissions allowed and then issuing permits to emitters. Companies must purchase permits for each ton of carbon dioxide they emit, and the price of these permits is determined by supply and demand.

The UK on Monday decided to implement its carbon border adjustment mechanism (CBAM) from 2027, a move that could subject $775 million of Indian exports or 6.8% of the exports to the country to 14-24% tax, experts said. The implementation of CBAM will undergo a consultation phase in 2024, where the government will finalize the details, including the precise list of products to be covered.

The UK, after the EU, will be the second economy to implement CBAM. It calls the mechanism as the import carbon pricing mechanism. The CBAM will initially focus on sectors like iron, steel, aluminum, fertilizer, hydrogen, ceramics, glass, and cement.

"The tax will be calculated based on the estimated carbon emissions involved in the production of these imported goods. Countries with carbon pricing schemes equivalent to the UK's will be exempt from this tax," said Ajay Srivastava, co-founder, Global Trade Research Initiative (GTRI).

For the EU, the tax range is 20-35%. Both the UK and the EU have implemented emissions trading systems (ETS) to cap and reduce greenhouse gas emissions. These systems work by setting a limit on the total amount of carbon dioxide emissions allowed and then issuing permits to emitters. Companies must purchase permits for each ton of carbon dioxide they emit, and the price of these permits is determined by supply and demand.

The main aim of UK CBAM is to ensure that imports are subject to the same rate of carbon tax as the UK producers pay through UK's ETS.

Srivastava said that the UK CBAM will lead to an increase in prices in UK due to the higher costs of imported goods. However, expensive imports may help local production and investment in low-carbon technologies.

(Economic Times, 19/12/2023)

India, UK look to resolve visa, EV issues under proposed free trade agreement

India, U.K. Look To Resolve Visa, EV Issues Under Proposed Free Trade Agreement The U.K. has sought customs duty concessions on exports of electric vehicles to India under the proposed free trade agreement.

India and the U.K. are trying to resolve issues concerning visas for domestic professionals and duty concessions on British electric vehicles as part of the proposed free trade agreement, and talks on them are at the last leg, an official said.

An Indian team is in the U.K. to iron out differences over these issues, besides some others in the services sector and customs duty cut on British whiskey.

The two countries are looking at tariff rate quota type arrangements for EVs.

Under TRQ, a fixed number of goods are allowed at concessional duty, and beyond that, normal duty applies.

The U.K. has sought customs duty concessions on exports of electric vehicles to India under the proposed free trade agreement.

"India is seeking a liberal visa regime for its services companies as those firms need to send skilled professionals to the U.K. So, visa regime should be facilitative for them," the official said.

However, the U.K. is arguing that one of the main issues that led to Brexit was migration.

"So, we have to balance their migration concerns with our mobility concerns. The point is that we would like our companies to have mobility, so they can perform and the U.K.'s concern is to see that migration does not go unchecked," the official said.

The fast-growing EV market in India is catching the eyes of global players. The U.K. is also looking at phasing out ICE vehicles by 2035, and the British auto market is export-driven.

"So, getting a duty concession on ICE will not have any advantage for them and here, India has extended a production-linked incentive scheme for EVs, so we want our EV sector to be well protected till the PLI scheme is there. So, how to create the balance between between their and our interests," the official said.

India's electric vehicles market is expected to grow to one crore units in annual sales by 2030 and create five crore direct and indirect jobs, according to the Economic Survey 2022-23.

As per industry estimates, the total EV sales in India stood at around 10 lakh units in 2022.

The government has rolled out production-linked incentives schemes for advanced chemistry cell battery storage with an outlay of Rs 18,100 crore and Rs 26,058 crore PLI scheme for auto, auto-components and drone industries.

The negotiations for the free-trade agreement are underway, and both sides are discussing issues that are slightly complex in nature.

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

India and the U.K. launched the talks for a FTA in January 2022, with an aim to conclude talks by Diwali (Oct 24, 2022), but the deadline was missed due to political developments in the U.K.

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

(NDTV Profit, 16/12/2023)

At WTO, India blocks EU move for ruling to lower ICT tariffs

India made it clear that a mutually agreed solution is not possible unless both sides have an FTA, an official said.

As talks with the European Union (EU) on resolving the dispute around Indian import tariffs on information technology products hit a roadblock, to pre-empt the adoption of an adverse ruling that had been delivered in the case at the World Trade Organisation (WTO) New Delhi has filed an appeal.

India and EU have negotiated for the past seven months to arrive at the Mutually Agreed Solution (MAS) to the dispute. In those talks India had offered to lower duties on the products where the EU is seeking lower tariffs in the Free Trade Agreement (FTA) for which negotiations are in progress.

India made it clear that a mutually agreed solution is not possible unless both sides have an FTA, an official said.

India seeks to settle WTO import duty dispute with EU on ICT goods through free trade talks

These products are mobile phones and components, base stations, integrated circuits and optical instruments and are of interest to India because they are covered by the Production Linked Incentive schemes.

As talks broke down, the EU asked for the adoption of the report of the Dispute Settlement Body (DSB) which said in April that Indian tariffs violate WTO agreement on Information and Communication Technology that binds members to zero duties on these products. India imposes 20% import duty on mobile phones and 15% on telecommunications equipment.

India filed the appeal against adoption of the report the day after the EU filed its request for adoption of the report. The appeal was circulated to the WTO members on Thursday, a WTO statement said.

The EU had challenged the Indian import duties at the WTO in April 2019. Later, Chinese Taipei and Japan joined the dispute.

“With Chinese Taipei we are taking a few months time (to settle the dispute),” the official added. India has already filed an appeal against Japan.

The EU’s total exports of the products where it is seeking lower duties were $ 340.15 million in 2022.

As currently the Appellate Body is not functional at the WTO because there are no members to adjudicate the dispute. Once the appellate body does get appointed all the appeals would be put before it.

Reviving the appeals system has been one of the most fiercely contested subjects at the WTO. With no agreement on the issue among WTO members, the appeal by India effectively sends the dispute into deep freeze.

(Economic Times, 17/12/2023)

EU disappointed over India's 'right' to approach WTO's appellate body in ICT duty case

Synopsis

The panel in April had ruled that import duties imposed by India on certain ICT products violate global trading norms. Appellate body is the final authority to decide on trade disputes in WTO. However, it is not functioning as the US has been blocking appointments of judges in the body.

The European Union (EU) has expressed disappointment over India's move to approach the WTO's appellate body in a case related to customs duties on certain information and communications technology (ICT) products, an official said. On December 8, India appealed against a ruling of the World Trade Organization's (WTO) trade dispute settlement panel, in a case filed by the European Union against New Delhi's import duties on certain ICT products including mobile phones and components, base stations, integrated circuits and optical instruments.

India has stated that it is the right of countries to appeal, and called for early restoration of the non-functional appellate body of WTO so that the panel's errors can be corrected and the dispute can be resolved expeditiously.

New Delhi has also rejected the EU's request to settle the dispute through arbitration.

On this request, India has said that such interim arbitration agreements undermine the right of countries to appeal to a permanent standing body, which is fundamental to the multilateral trading system.

The panel in April had ruled that import duties imposed by India on certain ICT products violate global trading norms. Appellate body is the final authority to decide on trade disputes in WTO. However, it is not functioning as the US has been blocking appointments of judges in the body.

Bilateral consultation is the first step to resolve a dispute. If both sides are not able to resolve the matter through consultation, either of them can approach for the establishment of a dispute settlement panel.

The panel's ruling or report can be challenged at WTO's appellate body.

The issue came up during the meeting of the dispute settlement body (DSB) on December 18 in Geneva, the headquarter of WTO.

In the meeting, the EU said the panel has ruled in its favour and has also found that India's tariffs on these products are in excess of its WTO commitments.

It claimed that EU companies have been negatively impacted by India's excessive import duties on ICT products since 2014, a time of enormous developments in the sector, including the rollout of 4G and 5G networks in India.

The EU has said that "while it recognizes India's right to appeal, it deeply regrets that India did not avail itself of the opportunities which the EU repeatedly offered to have this matter adjudicated upon through appeal arbitration," according to the Geneva-based official.

"India said that with respect to the EU request for arbitration, India's long-standing position on the appellate body crisis and the implications of interim arbitration arrangements is that such interim agreements undermine the right of countries to appeal to a permanent standing body, which is fundamental to the multilateral trading system," the official added.

In the meeting, Japan also expressed its disappointment at India's decision to appeal the panel report.

In May, India filed another appeal in a similar dispute case initiated by Japan regarding the tariff treatment that India accords to certain goods in the ICT sector.

In its appeal, India sought review by the appellate body of the "errors of law and legal interpretation" by the panel in its report and findings.

The EU on April 2, 2019 had challenged the introduction of import duties by India on a wide range of ICT products, including mobile phones and components, base stations, integrated circuits and optical instruments.

The EU had claimed that the measures appear to be inconsistent with certain provisions of WTO. Later, Chinese Taipei and Japan also joined the dispute.

Further, India and Chinese Taipei are engaged in talks to resolve the issue outside the ambit of WTO.

On this, the official said India and Chinese Taipei have requested for additional time from the DSB to consider adoption of the panel ruling.

They suggested that the DSB further delay consideration of the panel reports until April 26, 2024 in order to help facilitate resolution of the disputes.

The DSB had agreed to two previous requests from Chinese Taipei to delay consideration until September 19 and December 18, 2023.

Under WTO rules, panel reports must normally be considered for adoption by the DSB within 60 days of the report's circulation, unless a party to the dispute notifies its intention to appeal. The panel report was circulated to WTO members on April 17.

"The DSB agreed to the requests from Chinese Taipei and India," the official said.

(Economic Times, 20/12/2023)

India offers cut in ICT import duties to fast-track EU FTA

To address concerns on the information and communication technology (ICT) tariffs, the government is looking at limiting the benefit of the lowering of duties to the EU members.

India has sought to settle a long-standing dispute with the European Union (EU) by offering exclusive import duty concessions for certain information technology products, under the proposed bilateral free trade agreement (FTA) with the 27-country customs-cum-monetary bloc.

To address concerns on the information and communication technology (ICT) tariffs, the government is looking at limiting the benefit of the lowering of duties to the EU members. Cutting tariffs for those outside the FTA would oblige India to impose similar duties on imports of these products from all countries on a Most Favoured Nation (MFN) basis.

India imposes 20% import duty on mobile phones and 15% on telecom equipment.

While MFN by nomenclature may mean preferential treatment, it just means treating everyone equally in the global trade parlance. It is the basis of all world trade agreements.

India seeks to settle WTO import duty dispute with EU on ICT goods through free trade talks

“They (EU) are seeking duty concessions, which according to India can be discussed only under the free trade agreement (FTA). India can consider something under the FTA, but not on an MFN basis,” the official added.

India and the EU formally re-launched negotiations on FTA in June 2022. Since then, they have held six rounds of negotiations, which cover 23 policy areas or chapters.

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

On April 17, the Dispute Settlement Body (DSB) at the WTO had ruled against India saying that tariffs are against its ITA that seeks to remove all duties on IT products.

Japan has filed its motion for the adoption of the Panel report at the DSB meeting at WTO, in response, India filed its notice of appeal.

India has not filed its motion of appeal against the EU and Chinese Taipei, and it has been agreed to settle the issue through talks.

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

The panel's ruling or report can be challenged at WTO's appellate body. The body is presently dysfunctional due to non-appointment of Appellate Body members since 2019.

As the dispute settlement system is not functional at the WTO, resolutions through negotiations are increasingly being preferred. India and the US earlier ended all their seven WTO disputes through talks.

(Financial Express, 11/12/2023)

Economists revise FY24 GDP forecasts by up to 0.8% after strong Q2

As many as 10 economists have revised upwards their growth projections for the current fiscal year by 20-80 basis points (bps).

In the light of the higher-than-expected GDP growth of 7.6% in Q2FY24 – which was propelled by a sharp rise in manufacturing activity and investments – many economists have raised their GDP growth forecasts for FY24.

As many as 10 economists have revised upwards their growth projections for the current fiscal year by 20-80 basis points (bps). Nomura raised its projection by a steep 80 bps (see chart).

"Owing to the robust Q3 (in this case July-September), we are raising our FY24 GDP growth projection to 6.7% y-o-y from 5.9% previously," Nomura said in a report.

"Q3 (July-September) GDP growth surprised positively… led by a stronger pickup in fixed investment and government consumption (on the demand side) and stronger manufacturing and construction output growth (on the supply side)," it said.

The projections by economists are higher than the 6.5% growth estimate – which the government has retained. Chief Economic Adviser V. Anantha Nageswaran, post the release of GDP data on Thursday, said that the economy might be doing better than the current official estimates suggested. "We might be understating India's growth rather than overstating it," he said.

According to the GDP data, manufacturing grew 13.9% in Q2FY24, at the highest pace recorded in nine quarters. However, this came on a low base. In Q2 FY23, manufacturing had contracted (-)3.8%.

Economists also pointed to deflators playing a role in boosting manufacturing growth. "Manufacturing deflator was negative in Q2 as wholesale inflation (WPI) was negative in the quarter. This could have pushed up the real GDP growth figures (real GDP numbers are derived for certain categories in the GDP data by deflating nominal activity indicators)," HDFC Bank said in a report.

Investments – represented by gross fixed capital formation (GFCF) – witnessed its share in the GDP increase from 34.7% in Q1 FY24 to 35.3% in Q2 FY24. A share of 35.3%, although similar to Q4 FY23, is the highest in 47 quarters.

"Broad-based increase visible in investments at 11% y–o-y and has increased to 35.3% of GDP (constant prices) led by general government, real estate upcycle and higher corporate capex," said ICICI Bank in a report.

“High frequency indicators show growth momentum has continued in October as well with festive demand adding to growth. Given structural upturn seen in tax collections as well as government and private sector capex, we have revised our FY24 GDP growth estimate to 6.6% from 6.3%,” it said.

Even though GDP growth in H1 came in at 7.7%, a weaker H2 will weigh down on the full-year growth and may pull it down much below 7%. A weak agricultural growth and tepid private consumption will have an adverse impact on growth.

“GDP growth in H2FY24 is expected to moderate, in large part due to waning support from base-effects. Growth momentum is expected to moderate as companies profit growth slows, with rise in input cost pressures. Recovery in rural demand has remained mixed due to relatively softer pace of rural wage growth and uneven monsoon. Support to capex cycle from government expenditure (Centre and states) could reduce in H2, ahead of the elections,” said IDFC FIRST Bank in a report.

(Financial Express, 1/12/2023)

CIABC seeks greater market access for alcoholic products in EU, removal of non-tariff barriers

Synopsis

Alcoholic beverages makers' body CIABC on Sunday sought greater market access for domestic products in the European markets and removal of non-tariff barriers to boost exports. Confederation of Indian Alcoholic Beverage Companies (CIABC) said that the EU should remove the non-tariff barriers which prevent the vast majority of Indian products from being sold in their market.

New Delhi, Alcoholic beverages makers' body CIABC on Sunday sought greater market access for domestic products in the European markets and removal of non-tariff barriers to boost exports. Confederation of Indian Alcoholic Beverage Companies (CIABC) said that the EU should remove the non-tariff barriers which prevent the vast majority of Indian products from being sold in their market.

The free trade deal with the EU (European Union) on alcoholic beverages should be no different from the UK, negotiations for which are currently underway, CIABC said in a statement.

It added that the conditions that for a product to qualify as a whisky, it must be matured for a period not less than three years; and for brandy, one year, should not be applicable for products made in India, where climate is warm and maturation happens fast.

"It has been highlighted several times, along with scientific substantiations, that such long maturation is not applicable under warm Indian climate. We believe that it is effectively a non-tariff barrier since long maturation increases the cost of Indian products by 30-40 per cent as spirit evaporates 10-15 per cent every year under Indian climate (compared 1-2 per cent in Europe)," CIABC Director General Vinod Giri said.

He also said that the cost of capital deployed during maturation in India is high (8-10 per cent per annum) as compared to 2-3 per cent for Europe.

"We firmly believe that if the EU does not repeal the law pertaining to the maturation, any trade agreement will be one-sided favouring only the EU and will do nothing for the Indian industry," he added.

Giri further said that as the EU and the UK have tax-free trade, the proposed free trade agreements with the EU should be no different from the one with the UK.

"If the deals agreed are any different, one can expect the trade to start using the more favourable route without any incremental cost or control," he cautioned.

He said that India should offer the EU the same deal which is eventually agreed with the UK on spirits, and what has been agreed with Australia on wines.

"India should not offer any concessions if the EU does not open up its market for Indian products by repealing rules pertaining to maturation," Giri added.

(Economic Times, 18/12/2023)

India will address EU's carbon tax issue; will retaliate if required: Goyal

Synopsis

Bharat will address the problem of CBAM with confidence, and we will find solutions. We will see how we can convert CBAM to our advantage if it comes in. Of course, I will retaliate. You need not worry about it, said Commerce and Industry Minister Piyush Goyal on Friday at an event.

India will address the issue of the European Union's plan to impose a carbon tax on certain imported goods, Commerce and Industry Minister Piyush Goyal on Friday said, adding that "I will retaliate" if required. The CBAM (Carbon Border Adjustment Mechanism) or carbon tax (a kind of import duty) will come into effect from January 1, 2026. However, from October 1 this year, domestic companies from seven carbon-intensive sectors, including steel, cement, fertiliser, aluminium and hydrocarbon products, will have to share data with regard to carbon emissions with the EU.

"Bharat will address the problem of CBAM with confidence, and we will find solutions. We will see how we can convert CBAM to our advantage if it comes in. Of course, I will retaliate. You need not worry about it," Goyal said here at an industry chamber event.

According to a report of the think tank Global Trade Research Initiative (GTRI), CBAM will translate into a 20-35 per cent tax on select imports into the EU, starting January 1, 2026.

India's 26.6 per cent of exports of iron ore pellets, iron, steel, and aluminium products go to the EU. These products would be hit by CBAM. India exported these goods worth USD 7.4 billion in 2023 to the EU.

He also said that India retaliated against the US after it imposed additional customs duties on certain steel and aluminium products.

To resolve the issues, India and the US ended all the bilateral disputes that they had in the World Trade Organisation (WTO).

The minister also asked the industry to help promote the electric vehicle mission of the country to promote sustainable growth.

There is a need to quickly replace the existing public buses and trucks in the country with electric vehicles, besides two and four-wheeler vehicles in a mission mode, he added.

"We have not even started the progress on replacement of old vehicles...Can we have more vehicles scrapping across the country? Can each one of you start demanding that in your company, all vehicles will be electric, all trucks coming into your companies will be electric," he said.

The minister said that using electric vehicles has economic value prepositions.

Citing an example of Mumbai's Brihanmumbai Electric Supply and Transport (BEST), Goyal said it was a perpetually loss-making body, but they are now moving to EV buses.

"Now, in a year or 1.5 years, there will be 100 per cent electric buses and ...(I have been told that) as soon as all the buses go electric, they would end losses and covert it (BEST) into a profit-making body," he said.

He appealed that every state transportation body will become a profit-making body by adopting electric mobility.

On foreign exchange reserves in the country, he said the reserves are enough for the next 5-6 years, "if we continue to have the current levels of current account deficit or trade deficit", without any threat to the Indian economy.

India's forex reserves stood at USD 604 billion as of December 1.

Further, he said that countries like Chile and Peru are looking at trade pacts with India.

(Economic Times, 9/12/2023)

India negotiating trade pact with EU, UK, Sri Lanka, Peru

Synopsis

"India-Sri Lanka Economic and Technology Cooperation Agreement (ECTA) negotiations are ongoing with the 12th round of negotiations conducted from 30th October to 1st November 2023 in Colombo," it said. It added that both sides also agreed to continue discussions on matters, including apparel quotas and pharmaceutical procurement.

India is negotiating free trade agreements with the European Union (EU), the UK, Sri Lanka, and Peru, according to a year-end review statement of the commerce ministry. India-European Union (EU) free trade agreement negotiations were formally re-launched on June 17 2022.

"Negotiations cover 23 policy areas/chapters. Six rounds of negotiations have been held till October 2023," the ministry said.

With the UK, 13 rounds of talks have been completed and the next round will take place in January 2024.

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It added that both sides also agreed to continue discussions on matters, including apparel quotas and pharmaceutical procurement.

With Peru, it said discussions on various chapters, including rules of origin, trade in goods, trade facilitation, sanitary, and phytosanitary measures were undertaken during this special round of talks.

(Economic Times, 20/12/2023)

The India-UK Free Trade Agreement – Opportunities and Challenges

Most studies on the likely effects of FTAs on partner countries and the rest of the world include different trade liberalization scenarios.

In its October 2023 released Global Trade Outlook and Statistics Update, the World Trade Organization (WTO) has painted a gloomy outlook for global trade growth. This is likely to have serious implications for GDP growth in countries across the world as growth in international trade and GDP growth are positively correlated with each other. This is also evident in the WTO October 2023 report where world merchandise trade growth is expected to decline from 3.0% in 2022 to 0.8% in 2023 while the economic growth is expected to decline from 3.1% in 2022 to 2.6% in 2023. One strategy to boost trade and commerce is for countries to enter into free trade agreements (FTAs) with partner countries. Such FTAs are aimed at liberalizing trade in goods and services, and increasingly, facilitating movement of investment, capital and labour. India and the UK are also negotiating a trade deal and the two countries first met at the negotiating table in January 2022. Since then and as of now, 13 rounds of bilateral talks have already been concluded and the next round is planned for January 2024.

There are several contentious issues on both sides. Both countries are grappling to resolve issues covering broad areas related to intellectual property rights, rules of origin, financial services, work visas, and tariff cuts on certain crucial items among others. India expects that UK companies should exhaust all the local judicial remedies before seeking international arbitration for resolving contentious issues; and that the FTA provides greater access to skilled Indian professionals in IT and healthcare to the UK market, besides enabling market access to other products at zero tariffs. Amongst other issues, the UK would like higher protection for geographical indication (GI) products such as scotch whisky, stilton cheese and cheddar cheese etc.; enhanced market access for UK services in telecommunications, legal and financial services; and waiver of duties for fully assembled electric vehicles (EVs).

While the final outcome of the negotiations remains to be seen, a few studies have tried to examine the likely impact of the India-UK FTA on the partner countries. Most studies on the likely effects of FTAs on partner countries and the rest of the world include different trade liberalization scenarios. The conservative scenarios entail lower tariff reductions and little liberalisation of non-tariff barriers (NTBs) to trade. The more ambitious scenarios, on the other hand, consider substantive reductions in tariffs across sectors and meaningful liberalisation of NTBs. There are significant gains to be had from the liberalisation of NTBs such as product standards, technical barriers to trade, legislation pertaining to the protection of intellectual property, government procurement regimes, regulatory requirements for investment and services etc. These are mostly behind the border issues that can typically be more easily addressed in preferential trade negotiations rather than in a multilateral setting. The magnitude of economic gains from the India-UK FTA would therefore also depend significantly on the extent to which these regulatory issues are covered in the eventual agreement.

For instance, a report by the Department of International Trade, Government of UK, suggests that measured in 2019 prices, the FTA could boost UK GDP by around £3.3-£6.2 billion depending on the depth of the negotiated outcome; this is equivalent to a long-run increase in UK GDP of between 0.12% and 0.22%. Similarly, India's GDP could go up from £3.7 to £8.6 billion in 2035, which constitutes a 0.07% to 0.16% rise. The gains emanate from a significant increase in bilateral merchandise and services trade as a result of the agreement. By 2035, UK exports to India could increase by around £8.8 billion (50%) to around £16.7 billion (95%), with the corresponding increase in bilateral imports ranging from £5.2 billion (30.7%) to around £10.9 billion (63.7%).

However, the gains would not be uniform across sectors and industries; moreover, there would be both winners and losers. The study suggests that India's gains from this FTA are likely to be concentrated in labour intensive sectors such as textile exports, apparel, gems and jewellery while for the UK, transport equipment including motor vehicles and parts; manufacturers of machinery and electrical equipment; and the beverages and tobacco sectors are likely to be the major beneficiaries. While the UK is also expected to gain in most services sectors, it could lose out in communications, other financial and other business services (if the agreement is not far-reaching in coverage) as well as in agriculture and allied, food-processing and the textile and apparel sectors. At the same time, the FTA could also facilitate closer integration of UK and Indian supply chains, especially in the textiles and motor vehicles sectors, through improved access to imported intermediate inputs.

While consumers in both markets are likely to benefit from the availability of high-quality and low-priced products and services as a result of the tariff liberalization under the FTA, small and medium enterprises in particular would gain from meaningful liberalization of non-tariff measures such as product standards and technical regulations as these impose prohibitive market access costs on small producers in both countries.

(Financial Express, 4/12/2023)

Optimistic about wrapping up EFTA deal with India before 2024 polls, says Swiss envoy

Synopsis

Noting the sharp rise in visa application processing numbers, which hit a record 2 lakh in 2023 compared to pre-COVID levels of 1.6-1.7 lakh, he said this trend would lead to enhanced trade and cultural ties between India and Switzerland in the years ahead.

Switzerland's Ambassador to India, Ralf Heckner, has expressed optimism that the crucial European Free Trade Association (EFTA) deal with the country would be wrapped up before the 2024 general elections. Heckner stressed on the importance of the proposed trade deal for unlocking innovation and investment opportunities.

"Both sides have been negotiating very closely and seriously over the last more than 12 months. I remain positive that the deal would be wrapped up before the (2024) elections," he told PTI.

The envoy was recently in the city to unveil the Kolkata chapter of the Swiss-India Chamber of Commerce.

Parliamentary elections in India are due in early 2024.

"If India wants innovation, it needs to work with about 12 to 15 countries, and one of those countries is Switzerland for a world of investments and innovation,"

"We will have a more strategic innovation relationship with India," Heckner stated.

Noting the sharp rise in visa application processing numbers, which hit a record 2 lakh in 2023 compared to pre-COVID levels of 1.6-1.7 lakh, he said this trend would lead to enhanced trade and cultural ties between India and Switzerland in the years ahead.

The EFTA-India merchandise trade exceeded USD 6.1 billion in 2022.

The EFTA members include Iceland, Liechtenstein, Norway and Switzerland.

(Economic Times, 11/12/2023)

FTA talks hectic but no deal in 2023 as govt treads with caution

Simultaneous with negotiations for new pacts, Delhi critically reviews benefits and pitfalls of past ones.

The past year has seen hectic negotiations on scores of bilateral free trade agreements being planned by India with a clutch of countries and customs unions like the EU, but it still drew a blank when it comes to clinching of such deals.

Much of the efforts of Indian trade negotiators were directed towards wrapping up the trade and investment agreement with the UK, and for that, as many as seven rounds of talks were held in 2023. The 13th round, the last one to be held this year, is went on between September 18 and December 15. During the year, on many occasions, hopes were raised on an agreement on all outstanding issues between both sides.

Reports suggested that the Prime Minister of the UK will visit India during the cricket world cup in November and preside over the signing of the agreement. The cricket event passed and agreement was nowhere in sight.

While negotiators worked hard for a trade deal with Canada, relations between India and the North American country took a turn for the worse. In September the news came out that Canada has asked for a pause in the talks on a trade agreement. At that time it was said that both sides wanted to reassess their positions.

This was followed by visit of Canadian Prime Minister Justin Trudeau to New Delhi for the G-20 Summit which again was marked by frosty exchanges in bilateral meetings. Days later on return to Canada Trudeau alleged India orchestrated killings of its nationals.

This ended any hope there was of a trade deal between the two sides and their revival could take years. Both sides had formally re-launched the negotiations on Comprehensive Economic Partnership Agreement (CEPA) last year and were also considering an interim agreement till they reach a deal on a broader pact.

Apart from the UK, other high stakes Free Trade Agreement (FTA) that is being negotiated by India is with the EU) Negotiations with the EU were relaunched in 2022 after a gap of 9 years. Earlier both India and EU had negotiated between 2007 and 2013 on trade and investment agreements. After the UK exited the EU both sides came for negotiations separately. The headline issues of discussion are similar in both the agreements.

The UK and EU want India to be more welcoming to its automobiles, wines and spirits, whiskey and gin while India's demand is greater access for its traditional exports like leather, textiles, handicrafts and agri produce. Another major ask for India is easier visa access to UK and EU markets for its service professionals while its negotiators from Europe seek greater openings for its services industry.

However, these days product tariffs and market issues are just one part of the agreements. Both the UK and EU are also negotiating investment agreements with India which will extend protection to investors beyond what other overseas investors get.

With the EU six rounds of talks have been held while with the UK the Indian negotiators will sit again in January for the 14th round. As India goes into general election mode in the next three months the window of opportunity on the UK pact is narrowing.

If the March passes then a gap of another three months will come till the new government assumes office. Then in late 2024 the UK readies for its elections. The UK FTA is important for India as it is the most complex trade deal it will enter into and it would also be its first with a developed western world. The learnings from the negotiations would guide similar engagements with the EU.

"If FTA gets signed with the UK and EU it will be a support for the industry exporting traditional products from India," director general and chief executive officer of Federation of Indian Export Organisations (FIEO) Ajay Sahai said.

Apart from traditional sectors, the engineering sector is also expecting gains from UK and EU FTAs. The quotas and countervailing duties on Indian steel and aluminium imports that are put by the EU are expected to be addressed in the FTA that will be a boost for the engineering sector, chairman of Engineering Export Promotion Council Arun Kumar Garodia said.

Negotiations with the European Free Trade Association (EFTA) that includes Switzerland, Norway, Iceland and Liechtenstein for an FTA are also progressing at a fast pace. India also started negotiations with Bangladesh, Sri Lanka, Peru and Oman in 2023. Offers have been made to Africa. In all India has 13 operational trade agreements and in 2024 the list may be expanded with Oman, UK, EU, EFTA, Sri Lanka and Bangladesh

Along with negotiating new trade agreements, progress was made on India's demand for review of the Asean India Trade in Good Agreement. In August both sides set the framework and deadline of the review. India is seeking a similar review of trade agreement with Japan as it feels that its exports have not benefited as much from the opening up of markets while imports from the partners have zoomed since their signing.

Because many of the past agreements have not delivered the gains that were expected, India has been very cautiously moving at every step in the recent negotiations. The criticism against the older FTAs is that they were signed more due to strategic reasons than economic.

Minister of External Affairs S Jaishankar said recently that India would like to very judiciously consider the merits and risks of the FTAs. "Every decision of the FTAs is exposing millions of people. Their livelihoods are on the line. When we look at FTAs it is not a theoretical exercise which should be done for smart timely diplomacy because there is a visit coming," he had said.

While India has been a tough negotiator of trade agreements, data suggests that its partners have gained more from the trade openings that have happened. "Trade deficit increase has been at double the rate for FTA countries," co-founder of Global Trade Research Initiative Ajay Srivastava said.

In the period between 2017 and 2022, India's exports to its FTA partners increased by 31% while its imports increased by 82 per cent, according to a report. India's FTA utilisation remains very low at around 25%, while utilisation for developed countries typically sits between 70–80%.

So, while FTAs and their issues hog the attention, local industry has to be readied with products of quality and in sufficient quantities to take advantage of newer markets. Here trade and industrial policy has to walk together.

(Financial Express, 28/12/2023)
