



# Europe India Chamber of Commerce

## Newsletter

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### **India's GDP shines in Q3, grows at 8.4%; FY24 estimate pegged at 7.6%**

#### Synopsis

GDP Q3: An ET poll of 15 economists had expected the GDP to grow by 6.6 per cent in the third quarter. Forecasts varied from 6 per cent to 7.2 per cent for the quarter ended December. Meanwhile, the Reserve Bank of India (RBI) had estimated a growth rate of 6.5 per cent for the same period.

Surpassing the expectations of analysts, India's Gross Domestic Product (GDP) registered a robust growth of 8.4 per cent on an annual basis in the third quarter (October-December), as against a 8.1 per cent in the previous quarter, data released by the National Statistical Office (NSO) showed Thursday.

The number for Q1, Q2 FY24 has also been revised upwards to 8.2 per cent (against 7.8 per cent) and 8.1 per cent (against 7.6 per cent) respectively.

According to a median poll of 15 economists conducted by ET, the economy was expected to grow by 6.6 per cent in the third quarter. Forecasts varied from 6 per cent to 7.2 per cent for the quarter ended December. Meanwhile, the Reserve Bank of India (RBI) had estimated a growth rate of 6.5 per cent for the same period.

The FY24 estimate was also revised upwards to 7.6 per cent from 7.3 per cent in January. "Real GDP or GDP at Constant (2011-12) Prices in the year 2023-24 is estimated at Rs 172.90 lakh crore, against the First Revised Estimates (FRE) of GDP for the year 2022-23 of Rs 160.71 lakh crore. The growth in real GDP during 2023-24 is estimated at 7.6 per cent as compared to 7.0 per cent in 2022-23," the official release stated.

The FY23 number was revised downwards to 7 per cent from 7.2 per cent projected earlier, whereas the FY22 number was revised upwards to 10.1 per cent as per the final estimates, given the 7.4 per cent contraction during the Covid year.

"The upside surprise in GDP growth number continues to be sizeable. The CSO's real GDP growth forecast of 7.6% for 2023-24, if comes true, will be the highest growth print in seven years, barring 2021-22, which had shot up due to the statistical effects of a markedly favourable post-Covid base. Importantly, high frequency growth indicators continue to stay robust, suggesting strong growth prints during 2024-25 as well," said Siddhartha Sanyal, Chief Economist and Head Research, Bandhan Bank.

He further added, "Strong growth coupled with projections of softening in inflation prints in the coming quarters offer meaningful cushion for policy makers. While we continue to expect that rate cuts are

unlikely at least in the next couple of MPC meetings, a key aspect to watch remains RBI's communication and action on the liquidity front."

A Reuters poll had anticipated that economic growth would fall below 7 per cent for the first time in the current fiscal year during the October-December period, due to a sluggish manufacturing sector and weakening consumption. However, the numbers released have shown otherwise. The growth in manufacturing sector stood at 11.6 per cent as against 14.4 per cent in the previous quarter. The manufacturing sector had contracted 0.4 per cent in the same period last fiscal.

Agriculture sector contracted 0.8 per cent this quarter against a growth of 1.6 per cent in Q2. Mining grew 7.5 per cent, up from 11.1 per cent in the previous quarter.

The electricity and other public utilities expanded by 9 per cent against 10.5 per cent. Meanwhile, construction grew 9.5 per cent, from 13.5 per cent in the previous quarter.

Trade, hotels, transport, and communication expanded 6.7 per cent from 4.5 per cent.

On the expenditure side, investment also contributed to growth, rising 10.6 per cent in Q3 FY24 compared with 5 per cent growth in Q3 FY23, but private consumption remained subdued with a 3.5 per cent growth.

"India's stellar 8.4 per cent GDP growth for the third quarter of 2023-24 is indeed laudable. What stands out is the double-digit expansion in manufacturing. Consistent high growth in manufacturing can provide a transformative change in the direction of our economy. Construction, too, has shown an impressive performance and reflects the focus on infrastructure and real estate," said Deepak Sood, Secretary General, ASSOCHAM.

A growing economy

India is expected to maintain its position as one of the world's fastest-growing economies, with the government's first advance estimate projecting a growth rate of 7.3 per cent for the current fiscal year. This comes amid a slowing China and a eurozone narrowly avoiding a technical recession.

Kaushik Das, an economist at Deutsche Bank, highlighted India's long-term growth potential, anticipating minimum real GDP growth of 6 per cent to 6.5 per cent and nominal GDP growth of 10 per cent to 11 per cent over the next two decades, surpassing comparable emerging market countries.

(Economic Times, 1/3/2024)

### **Trade talks with EFTA conclude after 17 years, agreement to be signed 'in next 10 days'**

India and 4 member countries of European Free Trade Association have held 13 rounds of negotiations between 2008 & 2013. Negotiations were placed on hold before resuming in October 2016.

New Delhi: Negotiations for the free trade agreement between the European Free Trade Association (EFTA) and India have been concluded and may be signed within the next 10 days, the permanent secretary in the Icelandic ministry of foreign affairs, Martin Eyjólfsson, announced Thursday.

Speaking at the Raisina Dialogue 2024 being held in New Delhi, Eyjólfsson said, “We concluded negotiations (on the Free Trade Agreement) just days ago after 17 years and 20-plus rounds and we hope to be able to sign it in 10 days’ time here in Delhi.”

India and the four member countries of the EFTA — Norway, Iceland, Liechtenstein and Switzerland — have been negotiating a Trade and Economic Partnership Agreement (TEPA) since 2008.

Thirteen rounds of negotiations were held between 2008 and 2013. Negotiations were placed on hold before resuming in October 2016, as per information made available by the EFTA website.

The total value of trade in goods between India and the four countries stood at roughly EUR 5.54 billion in 2023, according to statistics published by the bloc. EFTA imported goods worth EUR 3.2 billion from India, while it exported goods worth EUR 2.3 billion to India.

Earlier this month, ThePrint had reported that there were differing views between departments in the government of India regarding provisions of the agreement relating to patents on pharmaceutical products.

The provisions under negotiation could have an impact on access to life-saving medicines, as reported by ThePrint.

India has also been negotiating free trade agreements with the US, the UK and the European Union (EU), apart from the EFTA negotiations. Negotiations between India and Canada have been paused since September 2023.

India a strategic focus for Europe

Gabrielius Landsbergis, the Lithuanian minister of foreign affairs, highlighted that India is a key actor for the European countries, with respect to the evolution of partnerships with emerging economies of the world.

Landsbergis, a panellist at the Raisina Dialogues 2024, said, “One has to say that there is a reason why you will see so many European delegations here in New Delhi today. Apparently, it is quite obvious where European countries see a strategic direction going.”

The Lithuanian ministry of foreign affairs also pointed out the rekindling of relationships with the 10 member countries of the Association of Southeast Asian Nations (ASEAN), Australia, South Korea and Japan, as examples of the “widening” approach of the EU to diversify its relationship from China.

(The Print, 22/2/2024)

### **India seeks tariff exemption for textiles in EU FTA talks for competitive edge**

EU nations impose higher import duties, typically ranging 10-12%, on textile products, placing India at a disadvantage compared to China, the blocs leading supplier of apparel and textiles.

New Delhi: India is advocating for labour-intensive textiles and apparel products to be classified as non-tariff items in the ongoing negotiations for a free-trade agreement (FTA) with the European Union.

EU nations impose higher import duties, typically ranging 10-12%, on textile products, placing India at a disadvantage compared to China, the EU's leading supplier of apparel and textiles, said two people seeking anonymity.

The seventh round of negotiations with the 27-nation bloc, which started on 19 February, is significant for the Indian textiles and apparel sector, considering that the EU, the US and West Asian countries, are the major export destinations for Indian garments.

"The issue of bringing textiles under the non-tariff barrier category was prominently raised during the seventh round of discussions. The talks are still on, and we are positive about it," the first person said.

India's textile exports to the EU fell from \$44.43 billion in 2021-22 to \$36.68 billion in FY23. In the first 10 months of the current fiscal year, India exported textiles worth \$27.69 billion globally, including products valued at \$7.67 billion to the EU. This merchandise included readymade garments worth \$4.30 billion and handicrafts worth \$330 million.

India is emerging as a preferred destination for sourcing textiles, with better quality products, adhering to global standards, driving exports growth. The elimination of import duties will further stimulate growth, the second person said.

Emailed queries to the Union commerce ministry remained unanswered till press time. The European Commission's press officer refused to comment. However, experts hold differing views on the proposal for zero duty on textile exports. Mere signing of an FTA may not result in a rise in export of India's labour-intensive goods, said Ajay Srivastava, founder, Global Trade Research Initiative (GTRI).

Eliminating duties in the EU or the UK may benefit Indian exports, but for a significant increase, we need to strengthen our product profile, Srivastava, a former Indian Trade Service officer, added. "India's export of apparel to Japan is an example. Even after eliminating duties on all apparels from day one of the India-Japan FTA, which came in force in August 2011, the expected gains did not happen."

Negotiations for an FTA between the EU and India were launched in 2007, but were suspended in 2013. Discussions resumed on 17 June 2022, with commerce minister Piyush Goyal, and Valdis Dombrovskis, the executive vice president of the European Commission, leading the efforts.

The EU is a significant export destination for India, ranking second only to the US. Nevertheless, non-tariff barriers imposed by the EU have led to a decline in goods exports over the past two decades. An FTA could reduce duties and also address the barriers affecting Indian agricultural exports. Moreover, India's production-linked incentives could boost exports of textiles, pharmaceuticals, and mechanical appliances, all of which are significant imports for the EU.

In the sixth round of negotiations in October, the two sides made progress in 18 out of the 23 chapters.

Geographical indications (GIs) are the other key issue that both sides seek to address. According to the EU's website, bilateral agreements aim for significant progress in protecting geographical indications, enhancing GI safeguards within the trade partner's territory to standards similar to the ones upheld by the EU.

(Mint, 25/2/2024)

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### South Korea hoping to conclude FTA talks with India before possible state visit in 2024

Officials from India and South Korea met earlier this year in January for the 10th round of official negotiations to upgrade the bilateral Comprehensive Economic Partnership Agreement, or CEPA.

India and South Korea are hopeful of concluding negotiations to 'upgrade' the Comprehensive Economic Partnership Agreement (CEPA) in 2024 before a possible state visit of the Korean President, Ambassador Chang Jae-bok has said.

"At the last round of negotiations in end of January, we found some willingness to conclude the negotiations within this year. So each side will present concessions to the other side and then hopefully we will reach a compromise," Chang Jae-bok told reporters on February 28 in New Delhi.

"Hopefully, before the possible bilateral visit by our President – probably after the elections in India and in Korea – we hope to conclude the negotiations," the ambassador added.

The CEPA between India and South Korea became operational in 2010. However, the Indian government has voiced its dissatisfaction with the agreement, with Commerce Minister Piyush Goyal saying in July 2023 saying the pact should be more balanced and equitable.

India's trade with south korea

India's bilateral trade with South Korea grew nine percent in 2022-23 to \$27.88 billion, although India had a significant trade deficit. While India's exports contracted by 18 percent to \$6.65 billion, imports from South Korea jumped 21 percent to \$21.23 billion.



In the first nine months of 2023-24, the total bilateral trade stood at \$20.92 billion, with India's exports down seven percent year-on-year at \$4.76 billion and imports from South Korea up one percent at \$16.16 billion.

On February 28, the South Korean Ambassador said that while he hoped trade would continue to increase, it was up to both sides to "work harder".

"Free Trade Agreement negotiations are in general very, very difficult to reach agreement because in each country there are some industries. With the conclusion of the FTA, some parts of industries will have a loss and some part of the economy will have some gains. So these are political negotiations domestically. It's not easy," the ambassador said, adding that he was not in a position to provide any details as the negotiations are still underway.

According to reports, India wants greater access to the South Korean market for certain foods such as steel, rice, and shrimp. At the same time, South Korea is said to want greater access to India in sectors such as auto components and chemicals.

Chang's briefing comes ahead of the visit of External Affairs Minister S Jaishankar to South Korea on March 5-6, where he will co-chair the 10th India-Republic of Korea Joint Commission Meeting (JCM) with his counterpart Cho Tae-yul.

"The JCM is expected to comprehensively review the entire gamut of bilateral cooperation and explore avenues for further strengthening it. It will also provide an opportunity for the two sides to exchange views on regional and global issues of mutual interest," according to a statement by India's external affairs ministry.

According to Ambassador Chang, discussions between the two foreign ministers are expected on issues such as defence, defence production and co-operation, economic security, science and technology, and people-to-people exchanges.

"We are proud to support Korean SMEs and start-ups and actively encourage their investments in India," Chang said. He added that Korean firm Simmtech's signing of a Memorandum of Understanding at the 10th Vibrant Gujarat Global Summit in January committing an investment of Rs 1,250 crore for printed circuit board (PCB) manufacturing could potentially "open doors for other Korean companies" in the Indian semi-conductor space.

(The Money Control, 27/2/2024)

### **High-level delegation to visit UK to conclude FTA talks**

FTA negotiations between India and UK started in January 2022 and since then on many occasions there have been hints that the negotiations are about to conclude but the talks still continue.

As talks on India-UK free trade agreement (FTA) enter final stages, a high-level delegation of Indian officials will be visiting London to try and resolve the pending issues where breakthrough is proving hard, sources said Tuesday.

This visit comes in the midst of the 14th round of talks which started on January 10. Last week the Prime Minister's office held a review of the status of negotiations. A similar high-level delegation from the UK had visited India between January 23-25.

The chief negotiators of both the countries would hold negotiations on different issues such as goods, services, and rules of origin.

India-UK FTA has 26 chapters or policy areas and majority of chapters are either closed or in final stages of negotiations. Sources said that the attempt of this visit would be to close the remaining issues.

FTA negotiations between India and UK started in January 2022 and since then on many occasions there have been hints that the negotiations are about to conclude but the talks still continue.

Along with the FTA, India and the UK are also negotiating a Bilateral Investment Treaty which will be signed along with the FTA.

The UK is an important trading partner of India. In the last financial year the bilateral merchandise trade between the two increased to \$ 20.36 billion from \$ 17.5 billion in 2021-22.

(Financial Express, 21/2/2024)

### **Indian official delegation heads for London for FTA talks**

#### Synopsis

Negotiations for the India-UK free trade agreement are in the final stage. A high-level Indian delegation is heading to London to resolve remaining issues on goods, services, and rules of origin. The negotiations cover 26 chapters, including market access, skilled professionals, and import duties. The bilateral trade between India and the UK increased to USD 20.36 billion in 2022-23.

New Delhi, With the negotiations for the proposed India-UK free trade agreement (FTA) reaching its last leg, a high-level Indian official delegation is heading for London to iron out differences on remaining issues, sources said on Tuesday. The chief negotiators of both the countries would hold negotiations on different issues such as goods, services, and rules of origin.

The visit assumes significance as last week, the Prime Minister's Office has reviewed the progress of the talks.

Sources said that the attempt of this visit would be to close the remaining issues.

So far 13 rounds of talks have been completed. The 14th round was started last month.

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

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

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 duty.

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On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, electric vehicles, 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.

(Economic Times, 21/2/2024)

### **EU Sanctions Proposal: Why is the European Union considering trade restrictions on Indian, Chinese firms?**

The EU has proposed sanctions on around two dozen companies, including one from India and three from China, for allegedly supporting Russia's war in Ukraine. Trade restrictions are proposed to be imposed on the listed companies.

The European Union (EU) has proposed sanctions on around two dozen companies, including one from India and three from China, for allegedly supporting Russia's war in Ukraine, Bloomberg reported.

As part of the sanctions, trade restrictions are proposed to be imposed on the listed companies. Besides this, the EU has recommended sanctions on over 110 individuals and entities, forming part of a broader package commemorating two years since Russia's invasion of Ukraine.

#### **Why Are the Companies On the Sanctions List?**

The listed companies are primarily engaged in technology and electronics, as per the report. They have been accused of contributing to Russia's military and technological capabilities and the draft document highlights their purported role in advancing Russia's defence and security sector.

The draft document, as seen by Bloomberg, accuses these companies of importing prohibited technologies and electronics and subsequently reexporting them to Russia.

#### **Where Are These Companies Situated?**

The proposed list includes three Chinese firms, and one each from India, Sri Lanka, Serbia, Kazakhstan, Thailand, Turkey, and Hong Kong, among others. The document clarifies that inclusion doesn't attribute responsibility for actions to the respective jurisdictions. Over 620 companies, mainly from Russia, have been previously listed by the EU.

If approved, this move would mark the EU's first instance of imposing sanctions on mainland Chinese companies since Russia's invasion of Ukraine.

The proposed restrictions aim to prevent European firms from engaging in trade with the listed companies, aligning with the EU's strategy to curb Russia's access to sanctioned goods through third-country entities.

#### **Barrier Towards Action Against Chinese Firms**



The issue is of significant importance for the EU, especially in its relationship with China, a key trade partner. Notably, earlier attempts to list Chinese firms faced resistance from certain member states and assurances from Beijing. Germany, for example, is reliant on China as the largest market for carmakers such as Volkswagen AG, and closely monitors developments.

Further, EU sanctions require unanimous approval from all member states and may undergo changes before adoption. The EU Commission spokesperson declined to comment on the proposal, and no immediate response was received from China's embassy in Brussels, according to the report.

(Mint, 13/2/2024)

### **Switzerland and Norway could invest \$100 billion in India**

Ties are getting stronger between India and some European economies in the form of a new free trade agreement and enormous investment plans.

Sixteen years of negotiations are coming to an end as India is concluding a first-of-its-kind trade agreement with Switzerland, Norway, Iceland and Liechtenstein, reported Bloomberg.

These countries form the European Free Trade Association (EFTA), which agreed to invest in India as part of a free trade deal, in exchange for easier access to the world's most populous nation, a market of 1.4 billion people.

The unusual feature of this Free Trade Agreement (FTA) is that it comes with investment guarantees, however, how binding they are, is still a question for the final talks.

According to the report, citing sources with knowledge of the matter, the final amount could be as much as \$100 billion for the next 15 years. However, the precise sum will also depend on some haggling during the final talks.

The road to signing is rushed so the deal could be sealed before India holds general elections in the coming months, likely starting in April.

The Swiss economy ministry said in a statement to Bloomberg that the text of the agreement is "still to be finalised" and they cannot disclose details, but confirmed that they have reached an agreement on "patent protection, which was controversial in the past, as well as a new type of investment promotion chapter."

What this trade deal is going to bring to the table

India's bilateral trade with the EFTA nations is largely about Switzerland's contribution, their two-way trade was worth \$17.14 billion in the 2022-23 fiscal year out of \$18.66 billion with the whole group, according to figures from India's commerce ministry, cited by Bloomberg.

The media outlet also reported referring to its confidential sources, that the new deal would bring investments mainly from private businesses to India and they would be focused on manufacturing projects with potentially more than 1 million jobs created in the South Asian country.

India is hopping from trade deal to trade deal.

Besides this deal between EFTA and India, another major trade deal with the UK is also being negotiated, although the end is not likely to be in sight before the elections in India this year. Talks are ongoing with the EU and Australia, too.

The Indian government has also just signed off on an investment treaty with the United Arab Emirates, and its largest sovereign wealth fund Abu Dhabi Investment Authority (ADIA) has committed to set up a \$4-5 billion fund in India's latest special finance district, called Gujarat International Finance Tec-City.

India, the world's fifth-biggest economy, has been eyed by several major economies including the US and the EU, as businesses are increasing their efforts to get more independent from China and diversify their supply chains.

India is one of the world's fastest-growing large economies, with an annual projected GDP growth rate of over 8%. It is also expected to be the third biggest economy by 2030, according to financial research giant S&P Global.

(Euronews, 8/2/2024)

### **India okay for Scotch whisky import, conditions apply**

India proposes allowing Scotch whisky import in both barrels and bottles, but will bargain hard on mobility and migration issues during India-UK FTA talks

Indian negotiators have proposed to allow Scotch whisky import in both barrels and bottles. AP (Dan Steinberg/Invision/AP)

With the proposed India-UK free-trade agreement (FTA) in the last leg of discussions, Indian negotiators proposed to allow Scotch whisky import in barrels and bottles, but will bargain for mobility and migration related issues, two officials who are part of the negotiating team said.

The 14th and final round of discussions for the India-UK FTA, which started on 10 January, is still on and India is hoping that FTA will fructify with positive commitments, the first official said.

India and the UK have held 14 rounds of negotiations for the FTA, and both sides are keen to conclude the agreement soon. A delegation of high-ranking officials from the UK arrived in India on 22 January to discuss remaining aspects of the free-trade agreement negotiations.

On the issue, a British High Commission spokesperson said, "The UK and India continue to work towards an ambitious trade deal."

"While we do not comment on the details of live negotiations, we continue to actively engage with India and are clear that we will only sign a deal that is fair, balanced and ultimately in the best interests of the British people and the economy," the British High Commission spokesperson said.

Emailed queries sent to the commerce secretary and the ministry's spokesperson remained unanswered. "The issue of liquor import is under consideration stage. We have proposed import of spirits in both bottles and barrels," the second official said. "We are also hoping FTA's terms of reference on similar lines in the matters related to mobility and migration," the second official added.

A majority of the issues in the proposed FTA between India and the UK are either finalized or at an advanced stage of talks. "The FTAs are on the right track. There are some issues with mobility, but we have put a strong stand on it. Indians should get 'full mobility' for doing businesses in the UK," the first official said. On the visa issue, the second official said, "We have proposed granting relaxations in the visa regime and make it in favour of Indian service companies operating in the UK under FTA provisions, so that Indian firms should be able to hire manpower easily."

"The FTA will become a tool of facilitation for both nations. Wait till February-end, there will be a positive development in India-UK FTA," the official said.

The UK's delegation of about a dozen members are negotiating to resolve the sticky issues in the final deliberations.

On the liquor import issue, Vinod Giri, who heads Confederation of Indian Alcoholic Beverage Companies (CIABC), said, "Our demand is very simple. We want the government to propose a tax reduction on bottled liquor from current 150% to 100% now and then to 50% over a period of 10 years. This offer is progressive, fair and will ensure the domestic industry is not unduly impacted. We also acknowledge that whisky imported in bulk is also used as a raw material and hence are fine with more concessions on it by reducing duty to 75% now and then to 25% over 10 years."

"The other pertinent issue that we have raised is removal of the maturation condition of 3 years for a spirit to be called whisky in the UK. In warm Indian weather conditions, whisky matures 3-5 times faster than in cold Scotland. It also evaporates 10-15% every year during maturation in hot India and so in 3 years more than one-third of the whisky is lost which would make Indian products just uncompetitive. If this condition is not removed the deal would be one sided with no gain to Indian industry," Giri said.

In terms of sales' value for Scotch whisky, India stands at fifth position in the world. As per industry data, sales of Scotch whisky in India increased by 93% to \$340 million in 2022. Scotch, however, accounts for just 2% of all whiskies consumed in India. The overall whisky market in the country is expected to cross \$22 billion by 2027.

The mobility issue has become a bone of contention for UK as ending free movement of people and taking back control of its borders were key factors leading to Brexit in 2016.

(Livemint, 6/2/2024)

### **"Trade Deal Floor, Not Ceiling, Of Ties": UK Opposition Leaders To NDTV**

During their three-day visit to India, UK's shadow foreign secretary, David Lammy, and the shadow business and trade secretary, Jonathan Reynolds, will meet senior ministers as well business leaders.

With elections in the United Kingdom due in a few months and their party enjoying a significant lead in opinion polls, two senior leaders from the opposition Labour Party are on a three-day visit to India to speak to senior ministers as well as business leaders. Stating that India is a "huge powerhouse", the leaders stressed the importance of the UK-India relationship, calling it a deep people-to-people connection spanning generations.

In a wide-ranging, exclusive interview with NDTV on Tuesday, shadow foreign secretary David Lammy and the shadow business and trade secretary, Jonathan Reynolds, also spoke about the Labour Party's support for the delayed India-UK Free Trade Agreement and India's transformation in the past two decades.

Shadow ministers, appointed by the leader of the opposition in the UK, take up roles mirroring the government and are responsible for not only scrutinising the policies of the government in their specific areas, but also questioning their counterparts in the cabinet in Parliament and other domains.

#### Deep Ties

To a question on why they chose to visit India now, when elections are due in both countries, Mr Lammy said, "The relationship between the United Kingdom and India transcends whoever is in government. This is an important strategic relationship, a history that goes back many, many generations, a deep people-to-people connection, as well as a business-to-business connection."

The Labour Party leader said that, if his party comes to power, it wants to understand the views of the Indian government, as well as business leaders, and identify opportunities. The objective, he said, is also to underline that his party's focus is growth.

With that objective in mind, he said, "We recognise that India, this huge powerhouse, growing economy, growing population, growth against the backdrop, where other parts of the world, and certainly in Europe, are not seeing anything like the growth, there are key opportunities for us going forward. Yes, we are working on a trade deal. But that is the floor of our relationship, not the ceiling. There's much more to do in the years ahead."

#### Trade Deal Delays

Asked about statements from the Conservative Party government, when former Prime Minister Boris Johnson was in office, that the deal would be signed by Diwali 2022 and what the Labour Party would do if the agreement was not in place if and when it came to power, Mr Reynolds said he was aware that there were some worries about the elections in both countries affecting the timeline.

"We have come to make clear that if the Labour Party does form the next government in the UK, this is something we support, that we would want to implement or continue those negotiations. Of course, for both sides, it is going to be a good deal. It is going to work commercially. But there are clearly areas where we can see the potential for that to be something very significant indeed," he said.

Mr Reynolds stressed that reducing tariffs for textiles imported to the UK from India and for scotch and whiskey flowing the other way were obvious areas, but access to services is also critical.

"People shouldn't think that we just want to finish this trade deal, get it done - as significant as it would be - and that's the end. There are a whole range of further areas of collaboration. We have talked to people about technology, about defence, about what collaboration on the green transition might mean, not just for India and the UK, but for the rest of the world. The collaboration that we could do together, could really have such a positive and beneficial impact," he added.

'Support India Joining UN Security Council'

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On how the India-UK relationship has changed - with India overtaking the country to become the fifth-largest economy and poised to be the third-largest economy by 2030 - and whether the Labour Party backs New Delhi's push for permanent membership of the UN Security Council, Mr Lammy said, "The levels of growth here, the growing, burgeoning middle class, the gripping of education and skills, the dynamism of the economy are exemplary. And there's much to learn. I think, as I come here, and I have now visited India on many, many occasions. I remember one of my first trips 22 years ago, as a young minister in Tony Blair's government, and the transition has been immense. "

"Let me just say, of course, we support India joining the UN Security Council alongside Germany, Japan, Brazil, and Africa as well, very, very important, indeed. The world is changing and multilateral partnership is essential. And in that sense, India remains and will continue to be a key partner of the UK and our allies. We have a long history. There's much that we can do together in a dangerous world," he added.

Former labour party leader Jeremy Corbyn had been criticised for saying that he supported a proposal for an Independent Kashmir but the new labour leader, Keir Starmer, has corrected that. Another sticking point between India and the UK has been the reaction to the Khalistani protests at the Indian High Commission last year.

Asked for the Labour Party's stand on both issues, Mr Lammy said, "First, Jeremy Corbyn is not in the Labour Party any longer. We have had dramatic changes since the 2019 election, led by Keir Starmer, and that is important to emphasise. And that has put us in a position where, once again, we hope to have the privilege of serving in a government."

"...the issues of Kashmir are complex, 75 years old and beyond, they are centrally issues for India, for Pakistan and the Kashmiri people. And we understand that in the British Labour Party," he said.

Mr Lammy also reiterated that his party has zero tolerance for "extremist behaviour".

Racist Rhetoric?

On the anti-immigration rhetoric by Conservative MP and former home secretary Suella Braverman and others, Mr Reynolds said India and the UK share a strong relationship and his country is welcoming.

Asked whether he thought the recent rhetoric was racist, he said, "I think a lot of what we've seen from the Conservative government on immigration, how they've tackled this, yes. How they fundamentally, I think, sent out a message that might be unwelcoming, it is a challenge, it is a problem."

The Labour Party, he said, recognises the benefit of the global economy and championing its strengths, including higher education.

Rishi Sunak As PM

To a question on Rishi Sunak becoming Prime Minister being celebrated in India and the Labour Party's declining support among the Indian community in Great Britain, Mr Lammy spoke about the history between the two countries, pointed out his own personal connection with India and emphasised that the relationship between the two countries "supersedes" the person who is Prime Minister in the UK or who is in power in New Delhi.

"I and the Labour Party also took great comfort and pleasure in the election of Rishi Sunak as the first UK Prime Minister of Indian origin, and that's personal to me. My family, my father, arrived in the UK from Guyana in 1956. My mother's grandmother was from (then) Calcutta. She arrived in Guyana as an indentured worker after the end of slavery in the century before last. So, look, our history is immense," the leader said.

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"I think that the relationship between the UK and India supersedes whoever is in Number 10 or running India and I know you've got elections ahead, because it's an important relationship. It's an important partnership, not just a win-win for our two economies, but for the global community," he stressed.

The two leaders also spoke about the role of Indian investment in the UK, both countries cherishing the democratic tradition and how the Labour Party is, despite its lead, not complacent about coming to power after 14 years.

(NDTV, 7/2/2024)

### **Govt rejects EU FTA's data exclusivity demand to protect drug cos' interest**

Commerce Secretary Sunil Barthwal said there is no Free Trade Agreement (FTA) in which India will go against the generic drug industry.

India on Thursday said it has rejected the demand of the four European nations EFTA bloc for inclusion of a 'data exclusivity' provision in proposed free trade agreements, stating that it always protects the interests of the domestic generic drugs industry.

Commerce Secretary Sunil Barthwal said there is no Free Trade Agreement (FTA) in which India will go against the generic drug industry.

The European Free Trade Association (EFTA) members are Iceland, Liechtenstein, Norway, and Switzerland. The bloc is negotiating a trade agreement with India.

"They want that there should be data exclusivity, we rejected their demand. We are with our generic industry.

"There is no fear for Indian generic industry (from this agreement). In fact, it is our very important objective to see that generic drug industry flourishes," he told reporters here.

The secretary said the industry is contributing significantly to India's exports, which are also growing.

"So we are there to protect the interest of the industry," he added.

Data exclusivity provides protection to the technical data generated by innovator companies to prove the usefulness of their products. In the pharmaceutical sector, drug companies generate data through expensive global clinical trials to prove the efficacy and safety of their new medicine.

By gaining exclusive rights over this data, innovator companies can prevent their competitors from obtaining marketing licence for low-cost versions during the tenure of this exclusivity.

Switzerland has some of the major pharma firms of the world and that include Novartis and Roche. Both these firms have a presence in India.

India's generic drug industry is estimated at about USD 25 billion and the country exports 50 per cent of its produce.

An expert said that data exclusivity is beyond the provisions of Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement under the WTO (World Trade Organisation). India and EFTA have been negotiating the pact, officially dubbed as Trade and Economic Partnership Agreement (TEPA), since January 2008 to boost economic ties.

The 21st round of TEPA negotiations was held here in January. The negotiations were held on various chapters, including trade in goods, rules of origin, trade and sustainable development, intellectual property rights, and trade facilitation.

According to the commerce ministry, the talks at present are at an advanced stage. EFTA has 29 FTAs with 40 partner countries, including Canada, Chile, China, Mexico, and Korea.

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

EFTA countries are not part of the European Union (EU). It is an inter-governmental organisation for the promotion and intensification of free trade.

It was founded as an alternative for states that did not wish to join the European community. India's exports to EFTA countries during 2022-23 stood at USD 1.92 billion against USD 1.74 billion in 2021-22.

Imports aggregated at USD 16.74 billion during the last fiscal compared to USD 25.5 billion in 2021-22. The trade gap is in the favour of the EFTA group, according to the data of the commerce ministry.

(Business Standard, 15/2/2024)

### **India on track to become \$10 trillion economy, set for 3rd largest slot: WEF President Borge Brende**

“The Indian economy is the fastest growing among all large economies of the world. We saw in Davos this year that there was a huge interest in India and I think this will only continue,” Brende said.

India is on track to become a USD 10 trillion economy in coming years and grab the third-largest slot soon, World Economic Forum President Borge Brende said on Thursday as he described the country as a place with optimism not seen elsewhere in a very fragmented and polarised world. In an exclusive video interview with PTI, Brende also said that the World Economic Forum (WEF) hopes to come back to the country with the WEF India Summit in collaboration with Government of India when the time is ripe.

“The Indian economy is the fastest growing among all large economies of the world. We saw in Davos this year that there was a huge interest in India, and I think this will only continue,” Brende said. Geneva-based WEF, which describes itself as an international organisation for public-private cooperation, holds its annual meeting in the Swiss ski resort town Davos every year in January.



Brende said Indian Prime Minister Narendra Modi is “always very, very welcome to Davos”. “When you come to India, you feel some optimism which is not the case all over the world. We are facing a geopolitical recession, a very fragmented and polarised world, but still there are areas where we can collaborate and it is important to find those areas,” he said.

Brende said it is necessary to underline that the economic growth is not so bad, especially in the case of India where “we are seeing 7 per cent economic growth and the world’s largest economy, the US, which is also doing very well.” On India targeting to become the third largest economy in the next 2-3 years, Brende said India is on track to become a \$10 trillion economy in the coming years.

“India has gone through important reforms and it is well placed vis-a-vis the two largest economies, the US and China. Also, India is seeing a good increase in foreign direct investments, a lot of manufacturing activities are now taking place in India which used to happen in other emerging economies,” he said. He also lauded India’s digital competitiveness and said digital trade is growing much faster than traditional goods in the world today. “India is well placed and it is just a question of time before India becomes the third largest economy in the world after the US and China,” he said.

On India’s role in handling geopolitical conflicts, Brende said, “We will see a larger and larger Indian footprint on the global diplomatic scene in the years to come.” India’s major priority so far has been to secure economic growth, eradicate poverty, and ensure that India is flourishing when it comes to prosperity. “I think India has also stayed away from any knee-jerk reactions on geopolitical issues. It’s not an easy neighbourhood in Asia but India has dealt with situations very well and we do not see any conflicts in this region as we have seen in places like Ukraine and the Middle East,” he added.

Brende said India is an important country when it comes to digitalisation with 1.4 billion people with digital IDs, linked bank accounts and effective payment systems. “At the same time, the advent of new technologies raises concerns. While there are big opportunities presented by generative AI, there are also threats in the form of deepfakes and increased cyber attacks. So, it is very necessary to be vigilant and also have policies for that,” he said. For example, cybercrime last year stole \$2 trillion from the global economy, he said.

(Financial Express, 22/2/2024)

### **India set to clock up to 8% GDP growth as it boosts manufacturing capacity, minister says**

#### **KEY POINTS**

“Every sector of the economy has seen a significant improvement in the manufacturing processes,” Union Minister for Railways, Communications, Electronics and Information Technology Ashwini Vaishnaw said.

The government in its interim budget earmarked 11.11 trillion rupees (\$133.9 billion) in capital expenditure for fiscal year 2025, an 11.1% jump from the prior year.

As many as 61% of the 500 executive-level U.S. managers surveyed by UK market research firm OnePoll said they would pick India over China if both could manufacture the same materials.

India could clock up to 8% annual GDP growth for several years as it focuses on boosting its manufacturing capabilities, a key government minister told CNBC on Thursday.

“Every sector of the economy has seen a significant improvement in the manufacturing processes,” Union Minister for Railways, Communications, Electronics and Information Technology Ashwini Vaishnaw said.

He highlighted that manufacturing in electronics, pharmaceuticals, chemicals and defense has seen great advancements and will tie into Prime Minister Narendra Modi’s ‘Make in India’ initiative that encourages companies to manufacture and assemble goods in the country.

His comments came close on the heels of the government’s interim budget that earmarked 11.11 trillion rupees (\$133.9 billion) in capital expenditure for fiscal year 2025, an 11.1% jump from the prior year.

India’s finance minister Nirmala Sitharaman presented the interim budget on Thursday, which is a stop-gap arrangement before the full budget is tabled by the new government after the general elections later this year.

“This budget will reinforce the process of making India which started 10 years back, [and] will lead to significant and consistent 7-8% growth rate for at least next five to seven years” Vaishnaw told CNBC’s Sri Jegarajah.

India plans to narrow fiscal deficit to 5.9% of GDP

He spoke extensively about the country’s mobile manufacturing ecosystem, claiming that 99% of the phones used in India were made within the country.

India is expected to have 1 billion smartphone users by 2026, according to Deloitte.

India, which currently has the world’s fifth largest consumer market, is set to move up to the third spot by 2027.

The country exported \$11 billion mobile phones last year, and they are likely to rise to between \$13 billion and \$15 billion in 2024, Vaishnaw said.

Apple’s presence in India has grown exponentially since it first started manufacturing in the country in 2017. The company aims to produce 25% of all of its iPhones in the South Asian nation, according to another government minister.

In April, Apple opened two retail stores in Delhi and Mumbai. Samsung announced in the same month that it will set up 15 premium experience stores across India by the end of the year in major cities such as Delhi, Mumbai and Chennai.

“The mobile phone industry has consistently grown and is at a major inflection point now. This inflection point will lead to significantly higher growth in the coming,” Vaishnaw said.

The first made-in-India semiconductor chip from Micron is also expected to rollout in December, he added.

Stronger U.S.-India ties

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Editor: **Secretary General**

Several analysts have said that India will be the biggest beneficiary of the “China plus one” strategy Western firms are beginning to adopt.

“Global supply chains are gradually shifting their approach from one based on efficiency to one increasingly based on geopolitical risk management. As a result, the alternative strategies of reshoring, friendshoring, and nearshoring have become a hot topic for debate,” a BofA client note from January said.

As many as 61% of the 500 executive-level U.S. managers surveyed by UK market research firm OnePoll said they would pick India over China if both countries could manufacture the same materials, while 56% preferred India to serve their supply chain needs within the next five years over China.

This is largely spearheaded by warming ties between U.S. President Joe Biden and India’s Modi, with the former’s “friendshoring” policy aimed at encouraging U.S. companies to diversify away from China making India an attractive alternative.

US President Joe Biden hugs India's Prime Minister Narendra Modi during a welcoming ceremony for Modi, on the South Lawn of the White House in Washington, DC, on June 22, 2023. (Photo by Mandel NGAN / AFP) (Photo by MANDEL NGAN/AFP via Getty Images)

US President Joe Biden hugs India’s Prime Minister Narendra Modi during a welcoming ceremony for Modi, on the South Lawn of the White House in Washington, DC, on June 22, 2023.

“I would like to call it ‘trustshoring.’ They trust India as a country because it’s democratic, it has clear policy structure,” Vaishnav said. “Very large manufacturers would like to actually set up mega electronic manufacturing clusters in our country.”

In January, Maruti Suzuki, announced that it would invest \$4.2 billion to build a second factory in the country. Vietnamese electric auto maker VinFast also said last month that it aims to spend around \$2 billion to set up a factory in India.

CNBC’s Michael Bloom contributed to this report

(2/2/2024)

### **India's AI market to touch USD 17-billion by 2027: Nasscom-BCG report**

Globally, investments in AI have seen 24 per cent CAGR since 2019, with 2023 seeing close to USD 83-billion investment, with majority in data analytics, GenAI, and ML algos and platforms.

Technology service providers are developing a wide array of innovative AI-based services and solutions, expanding their offerings beyond traditional IT services.

India's AI market, growing at a compounded annual growth rate (CAGR) of 25-35 per cent is projected to reach USD 17-billion by 2027, according to a report. This growth is fueled by multiple factors including increasing enterprise tech spending, India's growing AI talent base and a significant increase in AI investments, the report titled "AI Powered Tech Services: A Roadmap for Future Ready Firms; AI & GenAI's Role in Turbocharging the Industry."

The report in partnership with BCG was released on Tuesday on the sidelines of the Nasscom Technology & Leadership Forum 2024 in Mumbai.

Globally, investments in AI have seen 24 per cent CAGR since 2019, with 2023 seeing close to USD 83-billion investment, it said.

Majority of investments were made in data analytics, GenAI, and ML algos and platforms, as per the report.

Notably, around 93 per cent of the investments made by Indian tech services and made-in-India product players focus on digital content, data analytics and supply chain, according to the report.

With increasing enterprise tech spending, technology service providers are developing a wide array of innovative AI-based services and solutions, expanding their offerings beyond traditional IT services, it stated.

This includes the development of proprietary AI & GenAI platforms, tools for automation, data analytics solutions, and bespoke AI applications for specific industry verticals such as healthcare, banking & finance, and retail, the report said.

According to the report, India has the second highest installed talent base with 420,000 employees working in AI job functions. India also has the highest skills penetration with three times more AI skilled talent than other countries. The country ranks among the top five nations with a 14 times growth in individuals skilled with AI in the last seven years, it said.

As the investments in AI continues to increase, the demand for AI talent in India is also expected to grow at 15 per cent CAGR till 2027, the Nasscom-BCG report said, adding the tech industry in India is already seeing more than 15 per cent growth in AI/ML jobs over the past 12 months with positions such as AI engineers growing at 67 per cent year-on-year.

Recognizing the importance of human capital in the AI journey, leading firms have invested heavily in upskilling and reskilling their workforce in AI and related technologies, with some organizations allocating USD 1-billion over the next three years dedicated to upskilling.

"Indian tech companies, with the advent of Generative AI, are expanding their portfolios beyond traditional IT and business process management to include AI-driven analytics, intelligent automation, and personalized customer interactions," said Debjani Ghosh, President at Nasscom.

These companies are not just adopting AI; they are redefining their service offerings, creating more value for their clients, and setting new industry standards, she noted.

Accelerating this journey will require massive scale investment on AI skilling, investments in ethical and secure AI development practices and governance frameworks and a fundamental shift towards a human-centered approach, prioritizing transparency and human oversight, according to Ghosh.

(Economic Times,21/2/2024)

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