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FTAs and new markets will increase India's export to USD 1 trillion by 2030

With these new initiatives, India has seen a surprising surge in exports of precious metals, minerals, automobiles, electronics, pharmaceuticals, organic chemicals, textiles, spices and defence equipment.

Despite global trade uncertainties, India's exports are charting a new course, bilateral agreements, free trade agreement (FTA) and venturing into uncharted territories like Africa, Latin America, and Central Asia have led to all time high export of USD.

With these new initiatives, India has seen a surprising surge in exports of precious metals, minerals, automobiles, electronics, pharmaceuticals, organic chemicals, textiles, spices and defence equipment.

Exports from India soared 11.9 per cent year-on-year to USD 41.4 billion in February 2024, the highest level since March 2023, boosted by sales of drugs and pharmaceuticals, engineering and electrical goods.

Exports to new markets like Africa, Latin America and Central Asia, have witnessed a significant influx of USD 234 million worth of goods, including cars, two- and three-wheelers, and precious metals, during the April-December 2023 period.

This translates to a 5 per cent growth in exports for key sectors.

FIEO DG Ajay Sahai said, "The medium- to long-term prospects of Indian exports are very encouraging. We are on course to reach the target of USD 1 trillion each in goods and services exports by 2030. However, in the first quarter of the next financial year, some challenges may be faced due to high inflation and geopolitical uncertainties. We expect the US Fed to start reducing the key rates in its next review, which will signal other countries central banks, thus pushing demands."

The focus on new markets, bilateral trade pacts, and FTA's extends beyond value, it will reduce dependence on the traditional export items and foster stronger trade partnerships and economic cooperation across continents.

Sahai said, "The strategy to push FTAs with complimentary economies is showing good results. It is win-win situation as while domestic manufacturing gets a boost with duty free imports of raw materials and intermediates while our exports get better market access."

He added, "While we require a minimum 3-5year time frame to assess any FTA, in a very short period we are seeing growth in the bilateral trade with partner countries of UAE and Australia and exports growth to such countries growing much faster than overall exports. We expect to sign FTA with UK, Oman and Eurasian countries by the next financial year."

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India's main export partners are: United States with 15 percent of the total exports, United Arab Emirates, 11 percent, Hong Kong 5 percent, China and Singapore 4 percent each and United Kingdom 3 percent.

Trade with UAE has surged post free trade agreement between the two countries.

FTA talks with the UK are at an advanced stage and a trade pact is likely to be signed after the formation of the new government. India has signed 14 FTA's in 2024, including a Trade and Economic Partnership Agreement (TEPA) with the European Free Trade Association (EFTA) on March 10, 2024. The EFTA consists of Iceland, Liechtenstein, Norway, and Switzerland

The ongoing Red Sea crisis, which has disrupted traditional shipping routes, is a new challenge to trade. But, India has cleverly turned this adversity into an opportunity. By embracing longer routes via the Cape of Good Hope, new markets in Africa and the Americas are being unlocked.

Sahai said, "While the Red Sea crisis has affected the bottom line of exporters, our top line has not been affected much. However, some commodities and low-value, high-volume products have taken a hit. Most contracts are not coming for renewal and we have to see if existing buyers are willing to factor in high freight prices. The trend so far suggests that in most of the cases, both sides are mutually settling and agreeing to absorb a part of the high freight."

India's export trajectory is in a positive zone. The proactive market diversification strategy, coupled with a focus on innovation and adaptability, positions India as a strong contender in the global trade arena.

With a shrinking trade gap, rising exports, and a growing global presence, India's export story transcends mere economic figures. It embodies resilience, strategic foresight, and the potential to reshape the global trade landscape in the years to come.

(Economic Times, 30/3/2024)

India keen on trade deals with Britain, Oman early in Modi's probable third term, sources say

Synopsis

Indian Prime Minister Narendra Modi plans to prioritize finalizing free trade agreements with Britain and Oman in the first 100 days of his potential new term, as per government sources. Talks with both nations are at advanced stages, aiming to boost India's integration into global trade.

Indian Prime Minister Narendra Modi is likely to prioritise completion of free trade deals with Britain and Oman in the first 100 days of the next government if he wins upcoming elections as opinion polls predict, two government sources said.

Modi has asked Indian ministries to set annual goals for the next five years that will fit into a 100-day action plan as he chalks out a strategy to fuel further growth in Asia's third-largest economy.

Among its goals for the 100-day plan, the trade ministry aims to feature the pacts with Britain and Oman, as talks on both deals are in their final stages, said the sources, who have direct knowledge of the discussions.

They sought anonymity as details of the plan are private.

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This month Modi identified integrating India into world trade as a key priority area in talks with senior government officials, according to a document seen by Reuters.

Some of the objectives will be discussed on May 1, when India will be in the middle of its seven-phase election, set to start on April 19 with vote-counting due on June 4, at which Modi will be seeking a rare third term.

The trade ministry and Modi's office, which will make a final decision on the priorities, did not respond to a request for comment.

A spokesperson for Britain's department for business and trade said the two countries were "continuing to work towards an ambitious trade deal".

The spokesperson added, "Whilst we don't comment on the details of live negotiations, we 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."

Ahead of India's elections, both nations this month put on hold their two-year long negotiations without a deal, while reaffirming their commitment to a new pact aimed at doubling their trade by 2030. Britain also holds elections this year.

Reuters could not immediately contact an Oman official. The trade ministers of India and Oman met in December and said they had asked their negotiators to wrap up talks on a comprehensive pact so as to hasten signing of a deal.

Trade between the countries has more than doubled in two years to \$12.39 billion in the last fiscal year.

(Economic Times, 29/3/2024)

UK, Oman trade agreements may figure in commerce ministry's 100-day agenda for new Govt: official

Synopsis

The exercise assumes significance as while chairing a Cabinet meeting on March 17, Prime Minister Narendra Modi asked the ministers to meet secretaries and other officials of their respective ministries to discuss how the agenda for the first 100 days and the next five years can be better implemented.

India's proposed free trade agreements (FTAs) with the UK and Oman are expected to figure in the commerce ministry's 100-day agenda roadmap for the new government, an official said. The ministry will also focus on issues pertaining to the exporting community with a view to promoting the country's outbound shipments.

Further talks between India and Australia to expand the scope of existing economic cooperation and trade agreement (ECTA) for a comprehensive economic cooperation agreement (CECA) are also progressing at a healthy rate.

The exercise assumes significance as while chairing a Cabinet meeting on March 17, Prime Minister Narendra Modi asked the ministers to meet secretaries and other officials of their respective ministries to discuss how the agenda for the first 100 days and the next five years can be better implemented.

The seven-phase Lok Sabha polls, the world's biggest election exercise, will kick off on April 19 with the counting of votes set to take place on June 4.

The official said that these two FTAs are in their final stages as talks on most of the issues have been concluded.

"The majority of difficult matters in India-UK FTA negotiations are moving towards resolution, and both sides are actively engaged for a fair and equitable deal," the official said.

India and the UK launched talks for an FTA in January 2022. There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

The 14th round of negotiations was held in January. Chapter-wise textual negotiations are near close, and the schedule on goods and services is at an advanced state of negotiations. Recently, a team from the UK visited India for negotiations on outstanding issues.

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.

According to a report by the think tank GTRI (Global Trade Research Institute), the overall gains for India in the trade deal will be limited because most of the goods from here are already entering the UK at low or zero tariffs (import or customs duties).

In 2022-23, India's merchandise exports to the UK were valued at USD 11.41 billion and out of this, USD 6 billion worth of goods such as petroleum products, medicines, diamonds, machine parts, airplanes, and wooden furniture entered Britain at zero levies, it has said.

However, there will be gains from reducing duties for Indian exports worth USD 5 billion and those items include textiles, apparel (shirts, trousers, women's dresses, bed linen), footwear, carpets, cars, marine products, grapes and mangoes, the report has noted.

On the proposed free trade agreement between India and Oman, the official said that this will be concluded "very" soon.

For India, Oman is the third largest export destination among the Gulf Cooperation Council (GCC) countries. India has already implemented a trade pact with another key GCC member - the UAE.

The bilateral trade between India and Oman stood at USD 12.39 billion in 2022-23 as against USD 10 billion in 2021-22. India's exports have increased to USD 4.48 billion in 2022-23, while imports rose to about USD 8 billion in the last fiscal year.

Another GTRI report has stated that Indian goods worth USD 3.7 billion such as gasoline, iron and steel, electronics, and machinery will get a significant boost in Oman, once both sides reach a comprehensive free trade agreement as these goods at present attract 5 per cent customs duty.

Export sectors which could get a boost in Oman include motor gasoline (exports worth USD 1.7 billion), iron and steel products (exports worth USD 235 million), electronics (USD 135 million), machinery (USD 125 million), textiles (USD 110 million), plastics (USD 64 million), boneless meat (USD 50 million)

essential oils (USD 47 million), and motor cars (USD 28 million), will benefit from duty elimination, the report has said.

Key products imported by India to Oman in 2022-23 included petroleum products (USD 4.6 billion), urea (USD 1.2 billion); propylene and ethylene polymers (USD 383 million).

Currently, more than 80 per cent of India's goods enter Oman at an average of 5 per cent import duties, the GTRI report has said.

The current government has so far signed trade deals with Mauritius, Australia, the UAE and four European nations EFTA bloc.

India has so far signed as many as 14 FTAs and six preferential pacts with its trading partners to promote exports and ensure greater market access for domestic goods and services.

(Economic Times, 23/3/2024)

A trade deal for a re-globalising world

The highlight of the agreement is the EFTA's stated goal to increase Foreign Direct Investment (FDI) into India by \$50 billion within 10 years, and another \$50 billion in the five years thereafter, which could generate one million jobs in the country.

The conclusion of a trade agreement with a bloc of four European countries — Switzerland, Iceland, Liechtenstein, Norway — marks an important event for India's trade relations. It is at the same time an affirmation of a positive view of multilateral, or perhaps more accurately 'mini-lateral', trade deals, and a model for bigger deals to come. India had not actively pursued trade agreements as a matter of policy, but the changing economic and trade scenarios in the world and the stalemate in the World Trade Organisation (WTO) negotiations may have led the country to take a fresh look at the policy. The agreement with the four countries, known as the European Free Trade Association (EFTA), has been in the works for over 15 years. Though small, they are high-income countries and, together as a bloc, constitute India's fifth-largest trading partner, after the European Union, China, the United States and the United Kingdom. So the agreement is of high value to both sides.

The highlight of the agreement is the EFTA's stated goal to increase Foreign Direct Investment (FDI) into India by \$50 billion within 10 years, and another \$50 billion in the five years thereafter, which could generate one million jobs in the country. The investment flow is tied to 9.5% nominal GDP growth in India for 15 years and some tariff concessions on a chunk of their exports to India. Indian service firms and professionals will get greater market access to these countries. Every one of these countries has a strong point. Switzerland, Norway and Liechtenstein have highly developed financial sectors and Iceland has well-developed tourism and fisheries sectors. India has a trade deficit with Switzerland mainly because of gold imports. The agreement will lead to the "elimination of duties on most industrial goods exported to India", such as pharmaceutical products, machinery and watches. Swiss wines and chocolates will get cheaper in India.

India has offered "82.7% of its tariff lines which cover 95.3% of the group's exports". But most agricultural items are outside the purview of the deal and the EFTA's market access offer covers 100% of non-agricultural products. The financial sector expertise and technology leadership of these countries

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can be deployed on a wide scale in India to the benefit of both sides. India has an ambitious target of \$2 trillion in exports of goods and services by 2030. Trade agreements will have an important role in achieving it. India has recently signed a major trade deal with the UAE and an interim agreement with Australia. Bigger deals with the EU and the UK are under negotiation. The EFTA is important in that context. It may be said to be a trade deal for a re-globalising world, from India's viewpoint.

(Deccan Herald, 18/3/2024)

India-EFTA Trade and Economic Partnership Agreement

India-European Free Trade Association signed a Trade and Economic Partnership Agreement (TEPA) today i.e. on 10th March 2024.

India has been working on a Trade and Economic Partnership Agreement (TEPA) with EFTA countries comprising Switzerland, Iceland, Norway & Liechtenstein. The Union Cabinet chaired by the Hon'ble Prime Minister has approved signing of the TEPA with EFTA States. EFTA is an inter-governmental organization set up in 1960 for the promotion of free trade and economic integration for the benefit of its four Member States.

Speaking on the occasion, Shri Piyush Goyal, Minister of Commerce and Industry, Food and Consumer Affairs and Textiles said:

"TEPA is a modern and ambitious Trade Agreement. For the first time, India is signing FTA with four developed nations - an important economic bloc in Europe. For the first time in history of FTAs, binding commitment of \$100 bn investment and 1 million direct jobs in the next 15 years has been given. The agreement will give a boost to Make in India and provide opportunities to young & talented workforce. The FTA will provide a window to Indian exporters to access large European and global markets."

The agreement comprises of 14 chapters with main focus on market access related to goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, intellectual property rights, trade and sustainable development and other legal and horizontal provisions.

EFTA is an important regional group, with several growing opportunities for enhancing international trade in goods and services. EFTA is one important economic block out of the three (other two - EU & UK) in Europe. Among EFTA countries, Switzerland is the largest trading partner of India followed by Norway.

The highlights of the agreement are:

EFTA has committed to promote investments with the aim to increase the stock of foreign direct investments by USD 100 billion in India in the next 15 years, and to facilitate the generation of 1 million direct employment in India, through such investments. The investments do not cover foreign portfolio investment.

For the first ever time in the history of FTAs, a legal commitment is being made about promoting target-oriented investment and creation of jobs.

EFTA is offering 92.2% of its tariff lines which covers 99.6% of India's exports. The EFTA's market access offer covers 100% of non-agri products and tariff concession on Processed Agricultural Products (PAP).

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India is offering 82.7% of its tariff lines which covers 95.3% of EFTA exports of which more than 80% import is Gold. The effective duty on Gold remains untouched. Sensitivity related to PLI in sectors such as pharma, medical devices & processed food etc. have been taken while extending offers. Sectors such as dairy, soya, coal and sensitive agricultural products are kept in exclusion list.

India has offered 105 sub-sectors to the EFTA and secured commitments in 128 sub-sectors from Switzerland, 114 from Norway, 107 from Liechtenstein, and 110 from Iceland.

TEPA would stimulate our services exports in sectors of our key strength / interest such as IT services, business services, personal, cultural, sporting and recreational services, other education services, audio-visual services etc.

Services offers from EFTA include better access through digital delivery of Services (Mode 1), commercial presence (Mode 3) and improved commitments and certainty for entry and temporary stay of key personnel (Mode 4).

TEPA has provisions for Mutual Recognition Agreements in Professional Services like nursing, chartered accountants, architects etc.

Commitments related to Intellectual Property Rights in TEPA are at TRIPS level. The IPR chapter with Switzerland, which has high standard for IPR, shows our robust IPR regime. India's interests in generic medicines and concerns related to evergreening of patents have been fully addressed.

India signals its commitment to Sustainable development, inclusive growth, social development and environmental protection

Fosters transparency, efficiency, simplification, harmonization and consistency of trade procedures

TEPA will empower our exporters access to specialized inputs and create conducive trade and investment environment. This would boost exports of Indian made goods as well as provide opportunities for services sector to access more markets.

TEPA provides an opportunity to integrate into EU markets. Over 40% of Switzerland's global services exports are to the EU. Indian companies can look to Switzerland as a base for extending its market reach to EU.

TEPA will give impetus to "Make in India" and Atmanirbhar Bharat by encouraging domestic manufacturing in sectors such as Infrastructure and Connectivity, Manufacturing, Machinery, Pharmaceuticals, Chemicals, Food Processing, Transport and Logistics, Banking and Financial Services and Insurance.

TEPA would accelerate creation of large number of direct jobs for India's young aspirational workforce in next 15 years in India, including better facilities for vocational and technical training. TEPA also facilitates technology collaboration and access to world leading technologies in precision engineering, health sciences, renewable energy, Innovation and R&D.

(PIB, 10/3/2024)

India-EFTA free trade pact likely to be signed on Sunday

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 Union Cabinet on Thursday discussed the proposed free trade agreement between India and the four European nation bloc EFTA and the pact is likely to be inked on Sunday, said sources.

The negotiations for the pact with the European Free Trade Association (EFTA) members — Iceland, Liechtenstein, Norway, and Switzerland — have concluded.

The pact is expected to be signed on Sunday here, sources added.

India may give quota-based duty concession on gold imports from Switzerland under EFTA trade pact

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 agreement has several chapters including trade in goods, rules of origin, intellectual property rights (IPRs), trade in services, investment promotion and cooperation, trade and sustainable development, and trade facilitation.

EFTA has 29 free trade agreements (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 favour of the EFTA group, according to the commerce ministry data.

(Financial Express,7/3/2024)

India-EU still diverge on key issues as EFTA deal goes through

Nearly two years after India and the 27-member bloc European Union (EU) relaunched trade negotiations, both countries continue to differ on “key outstanding issues” with the next round of talks now scheduled only after India's general elections, a report on the seventh round of negotiations released by EU on Monday said.

This comes at a time when India and the four-nation European Free Trade Association (EFTA), an intergovernmental grouping of Iceland, Liechtenstein, Norway and Switzerland, signed a trade pact on

March 10, days before the dates for general elections are expected to be announced triggering the model code of conduct (MCC).

To be sure, the proposed India-EU FTA is among the most comprehensive deals that is being negotiated and could accrue tangible market access gain for India in services and labour-intensive sectors such as leather, textiles and engineering among others. However, the deal is also among the most complicated to close with differing positions of the 27 members during a global election year.

“Some progress was made on texts during this round, in particular on Intellectual Property Rights, but both side’s respective positions still diverge on many key outstanding issues.

The 8th round of EU-India FTA negotiations will be held in Brussels after the upcoming Indian elections, with precise dates still to be confirmed,” the EU report said on the negotiations held between 19 and 23 February in New Delhi.

The report indicated that India and EU continue to differ on Technical Barriers to Trade (TBT) which is a major pain point for Indian exporters and has resulted in slow export growth during the last few years. TBT largely results from legal requirements that countries enact to ensure that products are safe, to protect the environment, and to inform consumers, or for reasons of “national security”.

“Negotiators discussed the articles on technical regulations and conformity assessment as well as sectoral annexes (on cars and on pharmaceuticals), but only limited progress was made. Important differences exist between the two sides in their approach to TBTs, in particular in relation to the incorporation of the WTO’s TBT agreement and the application of the FTA’s dispute settlement to this chapter,” the EU reports read.

The Indian Express has earlier reported that several export items to the EU have suffered due to technical barriers. Indian tea exports for instance have suffered from stiff maximum residue level (MRL) requirements in the EU. Tea exports to the EU dipped 6 per cent from \$176.47 million in FY18 to \$166.08 million in FY23. Moreover, India’s agriculture exports to the EU have also declined in the last five years to \$3.12 billion in FY23 from \$3.36 billion in FY18.

Tea exporters have also expressed concern over Indian organic tea being put by the EU in the high risk category that triggers increased testing and certification requirements. Indian rice exports to EU have also declined after EU in 2017 reduced the MRL limit for a fungicide used in rice cultivation.

In the case of pharma exports, exporters complained that Indian pharmaceutical exports face market access barriers as registration of drugs is taking enormous time in the European Union because of the huge influence the multinational drug companies have. Moreover, in the case of electrical products, the EU imposes standards different from what is globally followed.

(Indian Express, 12/3/2024)

Exporters urged to study FTAs and benefit from the opportunities

Exporters should study the free trade agreement draft documents that the government is working on so that they can leverage the opportunities that will come from the agreements, said Vipul Bansal, joint secretary, Department of Commerce, in Coimbatore on Monday.

Speaking at the inaugural of a three-day International Engineering Sourcing Show, organised by the EEPIC India, he said that in the last one year, the Union government signed two free trade agreements and is working on four more. It shares the drafts of the agreements with the export promotion councils. All the exporters should go through these documents to know the details and leverage on the opportunities that will emerge from these agreements.

Events such as the Engineering Sourcing Show should scale up to become global platforms, where a participant from any country can showcase products, he said.

According to Archana Patnaik, secretary of the Department of MSMEs, Government of Tamil Nadu, the State has 35 % share in the production of automobile and auto components in the country. This shows the vibrancy of the entrepreneurship in the State in this sector. The State government has constituted a task force to promote the electric vehicle sector and supports organisations such as the Coimbatore District Small Industries Association (CODISSIA) with its export promotion fund.

It has also supported 70 MSMEs set up stalls at the Engineering Sourcing Show through Fame TN, she said.

Arun Kumar Garodia, chairman of EEPIC India, said the sourcing show has 300 exhibitors showcasing products in five major categories, 150 new products, and 400 buyers from different countries. The theme of the event was smart sustainable engineering.

The EEPIC India Quality Awards were distributed and EEPIC India Green Awards were launched. A publication on sustainable future and smart engineering was released at the event.

Several parallel sessions will be organised on the three days.

(The Hindu, 4/3/2024)

FTA ‘possible’ before India elections, says UK trade minister Kemi Badenoch

The minister in charge of signing off on the free trade agreement (FTA), now in its 14th round of negotiations, pointed to India’s “protectionist economy” in comparison with the UK’s liberalised regime as one of the factors behind the long-drawn discussions.

A trade deal being negotiated with India is “possible” to be concluded before a general election in the country but Britain does not want to use that as a deadline, UK Secretary of State for Business and Trade Kemi Badenoch has said. The minister in charge of signing off on the free trade agreement (FTA), now in its 14th round of negotiations, pointed to India’s “protectionist economy” in comparison with the UK’s liberalised regime as one of the factors behind the long-drawn discussions.

Badenoch, who was speaking during a Global Trade conference at the think tank Chatham House on Thursday, stressed that she wanted to ensure a “commercially meaningful” pact as opposed to just a pre-election picture opportunity. “India is still very protectionist where we are very, very liberalised,” claimed Badenoch.

“I am not interested in just taking a picture and moving on. It has to be something that is commercially meaningful. People need to be able to say ‘ah now I can do this’, like we had with our Australia agreement or with Japan for example,” she said, referring to FTAs with the two major economies. On the

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timeline for getting to the finishing line with the talks with India, she added: “We can actually sign an agreement before the Indian election. I suspect that that is not necessarily going to be the case because I don’t want to use any election as a deadline.

“It is possible that that will be done but I am very resistant to deadlines being set on trade negotiations because it runs down the clock. It is very possible that we can sign but I am not using it as a deadline for the work that I am carrying out basically.” India and the UK have been negotiating an FTA since January 2022 to significantly enhance the GBP 36-billion bilateral trading partnership. The 13th round of talks concluded on December 15 last year, with both sides hopeful that the ongoing fourteenth round will end in an agreement.

The UK wants India to significantly reduce tariffs on UK exports such as food, cars and whisky that can currently be as high as 150 per cent. India in turn is concerned over the fairness of rules applied to Indian workers temporarily transferred to the UK on business visas who have to pay national insurance, despite not being eligible for UK pensions or social security benefits.

In her keynote address at the trade conference, Badenoch noted: “I have to strike the right balance between embracing the import of goods from developing countries to help them grow with the need to maintain the high standards on quality and safety which the British people rightly expect. We make choices.

“Our free trade agreements are helping us make the right choices because they are all about diversification and resilience. That is what the Indo-Pacific tilt is about, but we need to make sure that the facts are out there.” With both India and the UK set for a general election this year, signing off on a trade agreement has taken on particular urgency before leaders on both sides get into campaign mode.

(Financial Express, 8/3/2024)

UK and India put free trade deal talks on ice until later this year

Latest round of negotiations end without breakthrough and talks will not resume until after India’s election campaign.

The UK and India have closed their 14th round of trade negotiations without reaching a deal and will put the discussions on ice until later this year. The UK government ended the latest round of talks on Friday night after two weeks of intensive negotiations with Indian officials failed to bear fruit.

Ministers had been hopeful of finalising a long-coveted free trade agreement (FTA) with India before its election campaign begins. A delegation led by a senior UK government official flew to Delhi at the start of last week to try to seal the deal.

India’s electoral commission is expected to announce the date of the election on Saturday. Formal talks over an FTA will not take place during India’s pre-election period. Officials expect to return to the negotiating table in May or June in the hope of reaching an agreement before the UK general election, assuming this does not take place until the autumn or winter.

Rishi Sunak spoke to his Indian counterpart, Narendra Modi, on Tuesday. One UK government source said he had hoped to get the FTA over the line during that call.

People close to the talks said the two sides had come very close to finalising a deal, but UK officials said on Friday that India had not moved enough on services and investment.

A key request on the UK side is access for the British services sector – which makes up 80% of the economy – to the Indian market. India has a population of 1.4 billion and its economy is predicted to become the world’s third largest by 2050. Sunak’s spokesperson said that in his call with Modi, “the prime minister reiterated the importance of reaching an ambitious outcome on goods and services”.

A spokesperson for the Department for Business and Trade said: “The UK and India are continuing to work towards an ambitious trade deal. Whilst we don’t comment on the details of live negotiations, we 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.”

India is a notoriously tough negotiator on trade. Its government signed a £79bn agreement with the European Free Trade Association – a bloc made up of Norway, Switzerland, Iceland and Liechtenstein – this week, 16 years after talks began.

The UK and India launched trade negotiations in January 2022 while Boris Johnson was prime minister. Johnson said he wanted the deal to be “done by Diwali” in October 2022 but failed to reach agreement on tricky areas such as visa arrangements.

Visas are particularly contentious for the Conservative government. Suella Braverman, the former home secretary, set back the negotiations last autumn by saying she had reservations about a deal and that Indian migrants made up the largest number of visa overstayers in the UK.

As part of the negotiations the UK has asked for lower tariffs on goods such as cars and whisky, and increased access for British lawyers and financial services companies. In return, India has asked for faster and easier processing arrangements for its companies to send workers to the UK.

One sticking point in recent months has been Delhi’s concern that Indians working temporarily in the UK on business visas have to pay national insurance despite not being eligible for UK pensions or social security benefits.

Modi tweeted on Tuesday that he and Sunak had “reaffirmed our commitment to further strengthen the bilateral comprehensive strategic partnership and work for early conclusion of a mutually beneficial free trade agreement”.

Sunak’s spokesperson said that the leaders “agreed to remain in close contact and looked forward to further progress on trade talks”.

The Guardian, 15/3/2024)

Round 14 of India-UK FTA talks closes ahead of election schedule

Synopsis

The fourteenth round of free trade agreement (FTA) negotiations between India and the UK has concluded, with the next round expected to commence after the Indian general elections. The negotiations, which began in January 2022, aim to enhance bilateral trade, currently valued at around

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Editor: **Secretary General**

GBP 38.1 billion annually. Both sides remain committed to reaching an "ambitious" deal but acknowledge the need for further discussions to finalize terms across goods, services, and investment. The UK seeks reduced tariffs on exports to India, while India is concerned about the fairness of rules for Indian workers in the UK.

The fourteenth round of free trade agreement (FTA) negotiations between India and the UK closed on Friday ahead of the expected general election schedule to be announced by the Election Commission on Saturday. According to UK officials familiar with the discussions, the move was expected as India heads into election campaign mode and the next round of formal trade talks can commence only after the Lok Sabha polls are concluded.

The FTA negotiations, which opened in January 2022, are aimed at securing an "ambitious" outcome for bilateral trade - currently worth around GBP 38.1 billion a year as per official statistics from last month. "We anticipate that while some talks might happen between rounds, the next round of negotiations will take place after the Indian elections," official sources in the UK said.

The development follows a phone call between Prime Minister Narendra Modi and his UK counterpart, Rishi Sunak, earlier this week when both leaders reaffirmed their commitment towards "securing a historic and comprehensive deal" and reiterated the importance of reaching an "ambitious outcome".

"The UK and India are continuing to work towards an ambitious trade deal. Whilst we don't comment on the details of live negotiations, we 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," a UK Department of Business and Trade spokesperson said.

Last week, Commerce and Industry Minister Piyush Goyal told PTI in an interview in New Delhi that long-term benefits for the economy were the key in such FTA negotiations and that India was seeking a "balanced, fair and equitable" deal. His UK counterpart, Secretary of State for Business and Trade Kemi Badenoch, said during a trade conference in London earlier that while a trade deal with India is "possible" before general elections in the country, Britain does not want to use that as a deadline.

"The bigger the country, the more complex the trade agreement. And also, the more different the economy is, the harder it is to negotiate... India is still very protectionist, where we are very, very liberalised," Badenoch noted. The UK wants India to significantly reduce tariffs on UK exports such as food, cars and whisky that can currently be as high as 150 per cent. India in turn is concerned about the fairness of rules applied to Indian workers temporarily transferred to the UK on business visas who have to pay national insurance, despite not being eligible for UK pensions or social security benefits.

(Economic Times, 15/3/2024)

Majority of issues in India-UK FTA towards resolution, says commerce ministry

Synopsis

Commerce Secretary Sunil Barthwal leads progressing India-UK FTA negotiations, aiming to enhance economic ties. Talks cover 26 chapters, including intellectual property rights, with bilateral trade data showing an increase to USD 20.36 billion.

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The majority of difficult matters in India-UK FTA negotiations are moving towards resolution, and both sides are actively engaged for a fair and equitable deal, commerce ministry officials said on Friday. India and the UK launched talks for an FTA in January 2022 to boost economic ties between the two nations.

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

Commerce Secretary Sunil Barthwal said both sides are actively engaged in talks, and both of them "want a fair, equitable deal".

He was replying to media queries after the ministry released trade data for February.

The 14th round of negotiations was held in January. Chapter-wise textual negotiations are near close, and the schedule on goods and services is at an advanced state of negotiations, commerce ministry officials said.

Recently, a team from the UK visited India for negotiations on outstanding issues.

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.

On the proposed free trade agreement (FTA) between India and Oman, Secretary Barthwal said this is one trade pact, which will be concluded very soon.

When asked whether coming into force of Model Code of Conduct with the announcement of General Elections on Saturday would impact the pace of negotiations or signing of a new FTA till the new government assumes office, the official said, there is no restraint on ongoing projects.

India's 10 export destinations during April-February 2023-24 were UAE, Singapore, Netherlands, China, the UK, Saudi Arabia, South Africa, Germany and Bangladesh.

The top import sources were Russia, Switzerland, China, South Korea, Singapore, Iraq, Indonesia, UAE, Saudi Arabia, and the US.

On smartphone shipments, the commerce ministry data showed that the US is India's top exporting destination with a share of 34.4 per cent from April-January 2023-24. The decline in the exports of smartphones to the US was also observed from the world along with China, Hongkong and Vietnam.

India's overall exports (merchandise and services combined) in April-February 2023-24 were estimated to be USD 709.81 billion, exhibiting a growth of 0.83 per cent over April-February 2022-23.

Overall imports in April-February 2023-24 were USD 782.05 billion, registering a contraction of 4.64 per cent over the corresponding period of the last fiscal.

(Economic Times, 15/3/2024)

India-UK trade pact may be pushed back till after polls in both countries

A high-level delegation from the UK is currently in India this week to ensure that there is no let-up in the intensity of negotiations.

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The conclusion of the India-UK free trade agreement (FTA) could be pushed beyond the general elections in both countries, despite last-mile dash by top officials from both sides, because differences still remain on issues of market access in key areas of goods and services.

The formal announcement of commencement of the election process in India is expected by middle of March and the new government will be taking office latest by June. In July, it will be presenting the full budget for FY25 and priorities for the next five years.

Speculation is rife in the UK that Prime Minister Rishi Sunak may call for early elections. According to some UK media reports, elections in the UK may be held in May along with some local elections even though the current Parliament term ends in December.

A high-level delegation from the UK is currently in India this week to ensure that there is no let-up in the intensity of negotiations. Their visit follows a visit to London by officials from India led by Commerce Secretary Sunil Barthwal in the last week of February. The engagement between the two sides continues at the highest levels.

While top officials engage, the designated negotiators from both sides are engaged in the 14th round of negotiations since January. This round of negotiations still continues. Along with the FTA both sides are also negotiating a Bilateral Investment Treaty (BIT) which will be signed along with the FTA,

According to a report in UK's The Guardian newspaper, India now wants to wait for the next government in the UK so that if the Labour party forms the government then it can expect a better deal on visas and social security. Labour traditionally has been more liberal to the issues of migration. India is seeking easier visas for its services professionals as part of service sector negotiations. On social security India wants a mechanism which allows temporary Indian workers in the UK to assess their social security contributions once their work-related stay is over.

According to the newspaper, the shadow business secretary, Jonathan Reynolds, met Commerce and Industry Minister Piyush Goyal during a trip to Delhi last month. "His visit rankled with government figures who are concerned that India may decide to hold out until after the UK general election in the hopes of getting a better deal from Keir Starmer's government. Labour is projected to win a majority," the newspaper said.

The trade agreement with the UK will be an important milestone for India. India has signed 13 FTAs so far with individual countries and regional blocs. It all adds up to 21 countries with which India had trade preferential trade terms. None of these are with the 'Developed West'. Officials admit that the UK FTA is the most complex one they have negotiated so far. For the UK which opted out of the European Union, it is an attempt to realign its ties with the world.

It is a new age FTA that goes beyond simple give and take of tariff cuts in goods and services trade. This FTA has 26 chapters dealing with other subjects like Intellectual Property, Government Procurement, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Competition, Rules of Origin, Trade Facilitation, Customs Cooperation, Small and Medium-Sized Enterprises, Trade and Sustainable Development, Labour, Gender, Digital Trade, Dispute Settlement, General Provisions and Transparency.

The bilateral trade between India and the UK increased to \$ 20.36 billion in 2022-23 from \$ 17.5 billion in 2021-22. India's merchandise imports from the UK were \$8.96 billion in FY2023 while exports stood at \$11.4 billion.

(Financial Express, 7/3/2024)

UK delegation visits India for proposed trade agreement talks

Sources said that issues such as the British demand for a cut in customs duties on electric vehicles may come up for discussion. So far 13 rounds of talks have been completed. The 14th round was started in January.

With the negotiations for the proposed India-UK free trade agreement (FTA) reaching the last leg, a British delegation is here to iron out differences on remaining issues, sources said.

The chief negotiators of both countries may hold negotiations on issues such as goods, and services.

Sources said that issues such as the British demand for a cut in customs duties on electric vehicles may come up for discussion. So far 13 rounds of talks have been completed. The 14th round was started in January.

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.

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.

(Business Standard, 6/3/2024)
