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India Received \$120 Billion In Remittances In 2023: World Bank Report

China (\$50 billion), the Philippines (\$39 billion), and Pakistan (\$27 billion) figure among the top five nations in the World Bank list.

India received \$120 billion in remittances in 2023, almost twice the \$66 billion received by Mexico in the same period, the World Bank said in a report released on Wednesday.

China (\$50 billion), the Philippines (\$39 billion), and Pakistan (\$27 billion) figure among the top five nations in the list released by the World Bank. The list showed remittances in 2023 after a period of strong growth during 2021-2022. The total was an estimated \$656 billion.

"Growing at 7.5 per cent, remittance flows to India touched \$120 billion in 2023, reflecting the benefits of a deceleration in inflation and strong labour markets in the United States, the largest destination for India's skilled migrants, and other OECD destinations, as well as positive demand for skilled and less-skilled workers in the GCC countries (which, together, are the second largest destination for Indian migrants)," the World Bank said.

While the same external demand conditions could have favoured remittance flows to Pakistan, weak internal conditions due to a balance of payments crisis and economic difficulties caused remittances to plummet 12 per cent to \$27 billion in 2023, compared with more than \$30 billion in 2022, it said.

According to the World Bank, remittance flows to India from the United Arab Emirates, which account for 18 per cent and are the second largest source of India's remittances after the United States, benefited from the February 2023 agreement.

The latter established a framework to promote the use of local currencies for cross-border transactions and cooperation for interlinking payment and messaging systems between India and the United Arab Emirates.

The use of dirhams and rupees in cross-border transactions is instrumental in channelling more remittances through formal channels. In addition to the United Arab Emirates, Saudi Arabia, Kuwait, Oman, and Qatar account for 11 per cent of India's total remittances, it said.

The World Bank said remittances to India are expected to grow 3.7 per cent to \$124 billion in 2024, and at four per cent to \$129 billion in 2025.

India's efforts to link its Unified Payments Interface with source countries such as the United Arab Emirates and Singapore are expected to reduce costs and speed up remittances, it said.

"Most importantly, the diversification of India's migrant pool between a large share of highly skilled migrants employed mostly in high-income OECD markets and the less-skilled migrants employed in the GCC markets is likely to lend stability to migrants' remittances in the event of external shocks," the bank said.

"Migration and resulting remittances are essential drivers of economic and human development," said Iffath Sharif, Global Director of the Social Protection and Jobs Global Practice at the World Bank.

"Many countries are interested in managed migration in the face of global demographic imbalances and labour deficits on the one hand, and high levels of unemployment and skill gaps on the other... The resilience of remittances underscores their importance for millions of people," said Dilip Ratha, lead economist and lead author of the report.

"Leveraging remittances for financial inclusion and capital market access can enhance the development prospects of recipient countries. The World Bank aims to reduce remittance costs and facilitate formal flows by mitigating political and commercial risks to promote private investment in this sector," he said.

(NDTV, 26/6/2024)

Goyal reviews FTA progress, 100-day agenda

Goyal directed that a series of meetings must be scheduled in the coming days to delve into the details of various policies and action items that have to be finalised.

Piyush Goyal who took charge as the minister of commerce and Industry for the second term on Tuesday reviewed the status of various free trade agreements that India is negotiating and the 100-day agenda of the ministry.

Along with Goyal, Minister of State for Commerce and Industry Jitin Prasada also assumed charge and participated in the review meeting with the top officials of Department of Commerce (DoC) and Department for Promotion of Industry and internal Trade (DPIIT).

When the election process was on, a team of Indian officials had visited London in April for another leg of talks on agreement for negotiations on outstanding issues. With the European Union a stock taking meeting was held in May. Commerce Secretary Sunil Barthwal and Director General of EU had participated in those discussions.

While with the UK, the 14th round of negotiations was in progress, With the EU the eighth round of talks are scheduled from 24th of this month in Brussels.

In May the first Joint Committee Meeting (JCM) under India-Australia Economic Co-operation and Trade Agreement (Ind-Aus ECTA) was held. Both sides are now negotiating on expanding ECTA and converting it into a Comprehensive Economic Cooperation Agreement.

In April India and Peru had a 7th round of discussions on the FTA and an eighth round of talks are expected to be held in July. Last month a Joint Committee meeting was also held for the review of the Asean-India Trade in Goods Agreement (AITGA).

Officials of DoC and DPIIT have been working on the 100-day agenda when the election process was on and secretaries of DoC and DPIIT made a presentation on it, a statement said.

Goyal directed that a series of meetings must be scheduled in the coming days to delve into the details of various policies and action items that have to be finalised. He also said the Steering Committee on Advancing Local value-add and Exports (SCALE) Committee and Production Linked Incentive (PLI) Schemes must be utilised to their full potential to boost exports and domestic production.

Some of the proposals that are part of the 100-day agenda drawn up by officials will require legislative changes or approval from the cabinet. The review over the next few days will decide on the best way forward to meet the goals of the agenda, the official added. Some of the items that are part of the agenda include changes in Special Economic Zones Act, steps to boost e-commerce exports, extension of interest equalisation scheme for exporters and wrap up FTA negotiations with Oman and UK. DPIIT's plans include reforms for Ease of Doing Business, review of Foreign Direct Investment rules, Deep Tech Start-up Policy and enhancing funding for start-ups at the early stage.

(Financial Express, 12/6/2024)

India to remain fastest-growing among largest economies, says World Bank

The World Bank on Tuesday retained its growth forecast for India at 6.6 per cent for FY25.

"India will remain the fastest-growing of the world's largest economies, although its pace of expansion is expected to moderate. After a high growth rate in FY 2023/24, steady growth of 6.7 per cent per year, on average, is projected for the three fiscal years beginning in FY 2024/25," the multilateral bank said in its latest biannual Global Economic Prospects.

For FY26 and FY27, the World Bank projected India's economy to grow at 6.7 per cent and 6.8 per cent, respectively. In FY24, the National Statistical Office has estimated gross domestic product (GDP) to have grown at 8.2 per cent.

The World Bank cited the projected moderation in growth to a slowdown in investment from a high base. "However, investment growth is still expected to be stronger than previously envisaged and remain robust over the forecast period (FY25-FY27), with strong public investment accompanied by private investment. Private consumption growth is expected to benefit from a recovery of agricultural production and declining inflation. Government consumption is projected to grow only slowly, in line with the government's aim of reducing current expenditure relative to GDP," it added.

The Reserve Bank of India (RBI) in its latest monetary policy review last week raised its growth projection to 7.2 per cent for FY25 from 7 per cent estimated earlier.

"The forecast of above normal south-west monsoon by the India Meteorological Department (IMD) is expected to boost kharif production and replenish the reservoir levels. Strengthening agricultural sector activity is expected to boost rural consumption. On the other hand, sustained buoyancy in services activity should continue to support urban consumption. The healthy balance sheets of banks and corporates; government's continued thrust on capex; high capacity utilisation, and business optimism augur well for investment activity. External demand should get a fillip from improving prospects of global trade," RBI Governor Shaktikanta Das said in his statement.

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The World Bank said in India the fiscal deficit was projected to shrink relative to GDP partly because of increased revenues generated by the authorities' efforts to broaden the tax base. "India's economy has been buoyed by strong domestic demand, with a surge in investment, and robust services activity. Some large EMDEs, such as India, are expected to see continued solid per capita growth," it added.

(Business Standard, 12/6/2024)

BRICS calls for enhanced use of local currencies in trade between member countries

Synopsis

"They recalled the paragraph 45 of the Johannesburg II Declaration tasking the Finance Ministers and Central Bank Governors of the BRICS countries to consider the issue of local currencies, payment instruments and platforms and to report back to the BRICS Leaders," according to the Joint Statement.

BRICS calls for enhanced use of local currencies in trade between member countries

The Foreign Ministers reiterated the demand made at COP27 to guarantee that international financial institution reform will prioritise expanding the scope of financing and facilitating easier access to resources.

The BRICS ministers of Foreign Affairs met in Russia's Nizhny Novgorod on June 10 and held a plethora of discussions, including an important one on the enhanced use of local currencies in trade and financial transactions between the BRICS countries.

The meeting was the first ministerial meeting following BRICS expansion in 2023 when Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE joined Brazil, Russia, India, China, and South Africa as full-fledged BRICS members.

India welcomes new members

The Indian delegation was led by senior diplomat Dammu Ravi, Secretary (Economic Relations), at the Ministry of External Affairs (MEA). Randhir Jaiswal, Ministry of External Affairs spokesperson, welcomed the new members in a post on X. "A significant meeting in the format of expanded BRICS family. India wholeheartedly welcomes the new membership," he said.

Usually, the External Affairs Minister attends such meetings. Since S. Jaishankar was reappointed as External Affairs Minister only on Monday after Prime Minister Narendra Modi's swearing-in ceremony on Sunday, he could not make it to Russia to attend the meeting.

Push for trade in local currencies

At the meeting, the Ministers recognized the need for a comprehensive reform of the global financial architecture.

"They recalled the paragraph 45 of the Johannesburg II Declaration tasking the Finance Ministers and Central Bank Governors of the BRICS countries to consider the issue of local currencies, payment instruments and platforms and to report back to the BRICS Leaders," according to the Joint Statement.

Further, the Foreign Ministers reiterated the demand made at COP27 to guarantee that international financial institution reform will prioritise expanding the scope of financing and facilitating easier access to resources.

They anticipated that the 2025 International Bank for Reconstruction and Development shareholder review would be a great success.

As per the Joint statement released by MEA, the leaders also “supported a robust Global Financial Safety Net with a strong quota-based and adequately resourced International Monetary Fund (IMF) at its centre, and also called on “continuing the process of IMF governance reform including creating a new quota formula reflecting the economic size of its membership” during the overall review of quotas.

In accordance with the Sharm El-Sheikh Action Plan of the COP27, which Egypt hosted in November 2022, the Ministers emphasised the necessity of reforming the policies and practices of multilateral development banks (MDBs) in order to increase their lending capacities, to be able to better assist developing countries in financing their needs for development and enhancing their climate action.

The implications of the expansion of BRICS

Developing the New Development Bank

“The Ministers encouraged the New Development Bank to follow the member-led and demand-driven principle, employ innovative financing mechanisms to mobilise financing from diversified sources, enhance capacity building and knowledge exchange, including with knowledge sources from developing countries, assist member countries in achieving the SDGs and further improve efficiency and effectiveness to fulfil its mandate, aiming to be a premier multilateral development institution for EMDCs,” the Joint Statement read.

They agreed to jointly develop the New Development Bank into a new type of Multilateral Development Bank of the 21st century and urged the Bank to execute its purpose and functions in accordance with the Agreement on the New Development Bank in a fair manner.

“The Ministers expressed their support to the further expansion of the NDB membership and early consideration of applications of BRICS Member countries as per the NDB approved policies,” the statement added.

Moreover, the Ministers also expressed the intention to promote energy cooperation among the BRICS countries.

They urged for resilient global supply chains to ensure universal access to affordable, accessible, reliable, sustainable, and modern energy sources.

Concern expressed for ongoing situations in Ukraine, West Asian regions

The Ministers recalled their national positions concerning the situation in and around Ukraine as expressed in the appropriate fora, including the UN Security Council and UN General Assembly.

“They noted with appreciation relevant proposals of mediation and good offices aimed at peaceful resolution of the conflict through dialogue and diplomacy,” the statement read.

The Ministers expressed serious concern over continued conflicts in the Middle East and North Africa (MENA) region and noted the Joint Statement by BRICS Deputy Foreign Ministers and Special Envoys at their meeting of April 25, 2024.

Notably, Russian Foreign Minister Sergey Lavrov opened the BRICS Ministerial with a minute of silence in memory of the deceased former Iran President Ebrahim Raisi and Iranian Foreign Minister Hossein Amir-Abdollahian.

He offered condolences to the people of Iran and the families of the victims.

This is the first meeting of foreign ministers since the expansion of BRICS in 2023. The 10 full members of the association include Brazil, Russia, India, China, and South Africa with new members Egypt, Iran, UAE, Saudi Arabia, and Ethiopia joining the grouping in 2023.

Russia took over the chairmanship of BRICS on January 1, 2024.

(The Hindu, 11/6/2024)

Indian Economy: New government can take solace in the economy's robust outlook

The current macroeconomic conditions in India are indeed healthy and capable of maintaining a strong growth momentum. What's going good for India.

By Amitendu Palit

The new government taking office in India can draw comfort from the optimism over India's current economic outlook.

India's GDP grew by 8.2 per cent in FY24. The growth is in line with expectations of the Indian economy being among the best-performing major economies of the world in FY25. Several global forecasts hold this view for India.

The International Monetary Fund (IMF) has forecasted India to grow by 6.8 per cent in FY25. The Asian Development Bank (ADB) expects the FY25 growth to be at 7.0 per cent. Projections by the Organisation for Economic Cooperation and Development (OECD), World Bank, Fitch, and Standard Chartered, indicate India to grow between 6.6-7.0 per cent in FY25.

India's growth forecasts put it in a distinct sweet spot in comparison to the world economy at large. A growth rate of 6.6-7.0 per cent for India in FY25 will be far higher than the 3.2 per cent global growth projected by the IMF. It will also be well above those of the US and China, and major economic regions of the world, such as emerging and developing Asia, emerging and developing Europe, Middle East and Central Asia, Latin America & the Caribbean and the Association of Southeast Asian Nations (ASEAN).

The robust outlook for FY25 means India is well-positioned to achieve the kind of economic expansion that it requires for becoming the world's 3rd largest economy by the end of the decade, if not before.

What's going good for India? Domestic demand is clearly one of the key drivers. Demand is being driven by both stable investments and consumption.

Public investments in building new infrastructure have been successful in enhancing internal connectivity. They've also generated incomes for project workers. Various public welfare programmes have enabled their targeted beneficiaries among the rural and urban poor to maintain household expenditures.

Domestic consumption demand has been backed by inflows of remittances. The latter comprise both internal and external remittances, from workers who have moved from their original locations within the country to work in other parts, and to other countries outside India. As the highest foreign remittance recipient in the world, many domestic households have benefitted from steady income flows that have enabled them to maintain healthy consumption.

Long-term investor optimism about the Indian economy has been driven by a liberal and exhaustive foreign investment policy. Foreign investors can now look at practically all sectors of the economy for both greenfield and brownfield projects, except a few prohibited industries (e.g. atomic energy, railway operations, lottery, gambling).

As a foreign investment location, India's appeal has enhanced from liberal policies adopted for several sensitive and strategic sectors (e.g. banking, e-commerce, insurance, mining, defence, civil aviation, satellites, telecommunication). Allowing foreign investments in these sectors has enabled India to be visualized as an attractive 'friendshoring' destination for long-term investors looking to diversify sourcing and shift production as part of an overall 'China +' strategy.

More optimism for investors has arisen from India contributing actively to high-end functions of several global supply chains. These are manifesting through the roles of local specialists in idea-driven functions, largely innovative designs and their applications. More than a thousand global capability centres are now active in India and engaged in a broad range of specialist functions including R&D generating billions of dollars in revenues. It is hardly surprising therefore that prominent global businesses in knowledge-intensive, hi-tech sectors – Alphabet, Apple, Google, Micron, Microsoft, Nvidia – have committed to India in the long-term.

Looking ahead, domestic-market oriented growth prospects in India remain stable and promising, primarily due to the large young and rapidly urbanising population. This population is the key driver of ecommerce in the country responsible for pushing demand in communication, hospitality, digital payments and healthcare services.

The current macroeconomic conditions in India are indeed healthy and capable of maintaining a strong growth momentum. There are, however, a couple of concerns that need to be addressed for sustaining the optimistic investor outlook about the economy.

Headline inflationary tendencies need to be managed through an appropriate combination of policies. The challenge over here, from an investor perspective, is to ensure that business conditions in India remain competitive compared with other economies. High prices and high cost of living will require businesses paying higher wages and salaries for retaining workers. This might turn out to be challenging if profits squeeze. From the government's perspective, the leverage over prices is often limited if they are influenced by external factors. External disturbances and disruptions, such as the Russia-Ukraine conflict and militancy in the Red Sea, can cause supplies to shrink and prices to rise, leaving the government with precise little room to manoeuvre.

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A great part of the current optimism about India is due to the availability of good people. Higher premiums will incentivize many of the good to shift to global jobs. Skill shortages are already being felt in India in critical areas like healthcare providers and trained technical educators. It's important to ensure that the skill shortage doesn't become an impediment in the economy's ability to be productive and respond effectively to the rising demand for goods and services.

The author is Senior Research Fellow and Research Lead (trade and economics) in the Institute of South Asian Studies in the National University of Singapore.

(Money Control 4/6/2024)

India Launches Globalization of the Rupee

India plans to connect around twenty countries to its payment network over the next five years.

Asian De-dollarization

The United Arab Emirates and India (both members of BRICS) are among the nations most eager to purge the dollar from their exchanges. In July 2023, Narendra Modi and Sheikh Mohamed bin Zayed Al Nahyan signed an agreement providing for the settlement of transactions in their respective currencies, the rupee and the dirham.

The two nations maintain very strong cultural and commercial relations. India is the UAE's second-largest trading partner, and the UAE is India's third-largest trading partner. Their bilateral trade stood at \$84 billion in 2023, compared to \$73 billion a year earlier.

The transaction mechanism is simple: UAE exporters are paid in Indian rupees (invoice denominated in rupees) and credited to their nostro account opened with a bank operating in India. Conversely, Indian exporters receive dirhams for their exports (invoices in dirhams).

Trading in local currencies aims not only to boost bilateral trade but also to develop a payment mechanism enabling the emergence of an INR/AED parity (forex). The goal is to reach volumes that would ensure good liquidity and thus low conversion fees.

New Blow to the Petrodollar

The very first agreement was concluded between the Indian Oil Corporation (IOC) which pays in Indian rupees for oil produced in the UAE.

Central banks of both countries are optimistic, but more work is needed to convince small and medium-sized enterprises.

The Khaleej Times reports that transaction fees are currently around 2% on average. Fees remain very high for small businesses. The goal of both countries is to ensure that local currency payments "significantly reduce transaction costs":

"This local currency settlement system (LCSS) could make exports more competitive and more accessible to small players. Besides reducing transaction costs, this payment system offers quick settlement times."

The Emirati newspaper adds:

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“The rupee-dirham agreement is not a de-dollarization. It aims to reduce reliance on the dollar. The rupee-dirham agreement will protect bilateral trade from geopolitical risks [...] and help both countries reduce their dependence and exposure to the reserve currency that is the dollar.”

Internationalization of the Rupee

The Reserve Bank of India (RBI) plans to extend its instant payment system to 20 countries over the next five years.

In its annual report, the RBI indicates that interconnection work will begin this year. The project will be led by the National Payments Corporation of India (NPCI) via the UPI (Unified Payments Interface) system. UPI is operational in France, Sri Lanka, Bhutan, Nepal, Singapore, Peru as well as in the United Arab Emirates.

The NPCI plans to soon deploy its UPI system in about ten Asian countries. These include Malaysia, Thailand, Philippines, Vietnam, Singapore, Cambodia, South Korea, Japan, Taiwan, and Hong Kong.

“Efforts are underway to internationalize the Indian rupee through the settlement of bilateral trade in local currency”, states the RBI report.

De-dollarization is not a myth. A myriad of solutions are currently being tested around the globe.

That said, Bitcoin remains far ahead of its time. It is an almost free international payment system and a store of value at the same time.

Transferring the equivalent of 100 million rupees in Bitcoin costs \$1. Conversely, 2% fees on 100 million give us 2 million rupees, or \$24,000...

(Cointribune, 19/6/2024)

New EU rules seen to restrict exports of textiles, footwear

The European Union's new ecodesign regulation, setting stringent sustainability requirements for all products in the bloc, is expected to hit Indian exporters, particularly smaller businesses, as it bans the destruction of unsold textiles and footwear, which could limit orders.

The guidelines issued a few weeks ago has mandated product durability, reusability and energy efficiency, and is in line with a series of steps, including carbon border adjustment mechanism and the deforestation regulations that have been put in place. CBAM is seen as a unilateral move that may be challenged at the WTO. The ecodesign regulations are to kick in 24 months after its publication in the official journal.

The European Commission can introduce similar bans for other products in the future, an official statement said. "There are certain products that must comply with minimum requirements related to energy efficiency. These are called ecodesign requirements and the aim is to reduce the negative environmental impact throughout the product's lifecycle," EU explained on its website.

"While industry is adjusting to the new ESG (environmental, social and governance) norms, these kinds of changes that come up suddenly particularly affect small players," said Mithleshwar Thakur, secretary

general at Apparel Export Promotion Council. Thakur, who heads the secretariat at the industry body, suggested that govt should take it up as part of the bilateral talks with EU.

Another industry player described it as a non-tariff barrier and said govt should flag the concern even during the free trade negotiations as these norms would negate the impact of any tariff cut that is being sought. The adoption of the regulations by the European Council has temporary exclusions for SMEs, but they are not seen to be sufficient.

"This new regulation replaces the existing ecodesign directive and broadens its scope to encompass all goods placed in the EU market, beyond just energy products. To encourage the public purchase of green products, ecodesign criteria will be applied in public procurement. It will also align with the Digital Services Act for products sold online," the EU statement said.

The regulation applies to a wide array of products, with exceptions, like cars and defence-related items. It introduces new requirements including product durability, reusability, upgradability, reparability and energy & resource efficiency, it added. There are norms regarding substances that restrict circularity, recycled content, remanufacturing, recycling, and environmental footprints.

(Times of India, 18/6/2024)

EU's proposed sustainability standards to hurt Indian exports: GTRI

Synopsis

EU's ESPR regulation, criticized by GTRI, may raise costs and impact exports from developing nations due to stringent sustainability standards and Digital Product Passport requirement.

The EU's recently passed regulation, Ecodesign for Sustainable Products Regulation (ESPR) will lead to high costs and hurt exports from developing countries, economic think tank Global Trade Research Initiative (GTRI) said Wednesday. The ESPR mandates that imported products meet stringent sustainability standards, including a Digital Product Passport for traceability.

ESPR will cover all products by 2030 but would begin with regulating items such as textiles, furniture, mattresses, tyres, detergents, paints, lubricants, iron and steel from January 2026. "ESPR will lead to high costs of products because of changes needed in production processes. Since most products covered are consumer products, the price rise may lead to inflation in the EU," GTRI said. Besides, it could hurt exports from developing countries due to the increased costs and challenges of meeting high EU standards and compliance cost.

GTRI said that Indian firms exporting to the EU must proactively prepare to comply with ESPR requirements to maintain their market presence and leverage the shift towards sustainability for competitive advantage. It has suggested evaluating the environmental impact of their products throughout their life cycle, monitor the ESPR adoption process, develop compliance plans, and ensure that suppliers provide necessary sustainability data for the Digital Product Passports 6/20/24, 8:01 AM EU's proposed sustainability standards to hurt Indian exports:

(Economic Times, 19/6/2024)

Netherlands emerges as India's 3rd largest export destination in 2023-24

India's trade surplus with the Netherlands has increased to USD 17.4 billion in the last fiscal from USD 13 billion in 2022-23.

The Netherlands has emerged as India's third largest export destination after the US and UAE during 2023-24, even as the country's merchandise shipments dipped by over 3 per cent, according to the commerce ministry data. The main commodities which registered healthy exports growth in the Netherlands include petroleum products (\$14.29 billion), electrical goods, chemicals, and pharmaceuticals in the last fiscal.

India's trade surplus with the Netherlands has increased to \$17.4 billion in the last fiscal from \$13 billion in 2022-23.

The Netherlands has taken over major destinations such as the UK, Hong Kong, Bangladesh and Germany.

India's exports to the Netherlands rose by about 3.5 per cent to \$22.36 billion in 2023-24 as against \$21.61 billion in 2022-23, the data showed.

In 2021-22 and 2020-21, the outbound shipments to the European country stood at \$12.55 billion and \$6.5 billion, respectively.

The exports have been registering healthy growth continuously since 2000-01, when India's exports to that nation were \$880 million.

Further, in 2021-22, the Netherlands was the fifth largest destination for Indian exports as against the ninth largest in 2020-21.

According to trade experts, the Netherlands has emerged as a hub for Europe with efficient ports and connectivity with the EU through roads, railways and waterways.

Mumbai-based exporter and Chairman of Technocraft Industries Sharad Kumar Saraf said the trend of increasing exports would continue in the future also.

Saraf said that the Netherlands is a gateway to Europe as its ports are very efficient.

India and the Netherlands established diplomatic relations in 1947. Since then, the two countries have developed strong political, economic and commercial relations.

In 2023-24, the bilateral trade between the two countries marginally dipped to \$27.34 billion as against \$27.58 billion in 2022-23.

The Netherlands is among the top trading partners of India in Europe, after Germany, Switzerland, the UK and Belgium.

It is also a major investor in India. During the last fiscal, India received about \$5 billion in foreign direct investment from the Netherlands. It was \$2.6 billion in 2022-23.

There are over 200 Dutch companies present in India, including Philips, Akzo Nobel, DSM, KLM and Rabobank. Similarly, there are more than 200 Indian companies operating in the Netherlands, including

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all the major IT firms such as TCS, HCL, Wipro, Infosys, Tech Mahindra as well as Sun Pharmaceuticals and Tata Steel.

(Economic Times, 4/6/2024)

India's GDP grows 7.8 per cent in Q4, FY24 growth pegged at 8.2 per cent

Synopsis

India Q4 GDP: The analysts were anticipating a better-than-expected growth for the January to March quarter this time around. The Reserve Bank of India (RBI) estimated Q4FY24 real GDP growth to be 7 per cent while ET Poll suggested the growth rate of 6.8 per cent. As per a Reuters poll, the Indian economy was expected to grow at 6.7 per cent in the January-March quarter on a year-on-year basis, owing to weak demand.

Beating the expectations of analysts, India's gross domestic product (GDP) grew at 7.8 per cent on an annual basis in the last quarter (Q4) of the FY24 . Further, the Centre now estimates the overall growth rate of FY24 to be 8.2 per cent, the Ministry of Statistics and Programme Implementation (MOSPI) data showed Friday.

The data for previous quarter i.e. Q3 that had left experts surprised, has also been revised upwards to 8.6 per cent from 8.4 per cent. Therefore, the growth in the previous three quarters now stand at 8.2 per cent in Q1, 8.1 per cent in Q2 and 8.6 per cent in Q3, on an annual basis.

The GDP growth for FY24 has also been revised upwards to 8.2 per cent from the second advance estimate of 7.6 per cent which was released in February this year (2024).

Meanwhile, the real Gross Value Added (GVA) grew by 7.2 per cent in FY24 over 6.7 per cent in 2022-23. "This GVA growth has been mainly due to significant growth of 9.9 per cent in manufacturing sector in 2023-24 over a contraction of 2.2 per cent in 2022-23 and growth of 7.1 per cent in 2023-24 over 1.9 per cent in 2022-23 for mining sector," the government said in a press release.

The experts were anticipating a better-than-expected growth for the January to March quarter. The Reserve Bank of India (RBI) estimated Q4FY24 real GDP growth to be 7 per cent while ET Poll suggested the growth rate of 6.8 per cent. As per a Reuters poll, the Indian economy was expected to grow at 6.7 per cent in the January-March quarter on a year-on-year basis, owing to weak demand.

How did economy fare in FY24?

The primary sector sector, constituting agriculture and mining, grew at 2.1 per cent on an annual basis. The agriculture and mining sectors recorded a growth of 1.4 per cent and 7.4 per cent, as against 4.7 per cent and 1.9 per cent, respectively.

The secondary sector, including manufacturing, electricity and construction components, grew at 9.7 per cent on a year-on-year basis. Manufacturing sector witnessed a growth of 9.9 per cent while electricity grew by 7.5 per cent. The construction sector also grew by 9.9 per cent in FY24.

The tertiary sector (including trade and hotels, real estate and defence categories) witnessed a growth of 7.6 per cent on an annual basis. The combined growth rate for category including trade, hotels, transport, communication and services related to broadcasting stood at 6.4 per cent on a yearly basis.

For financial, real estate and professional service category, the growth rate stood at 8.4 per cent. For public administration, defence and other services, the growth rate was recorded at 7.8 per cent.

The growth readings come at a time when PM Modi is seeking a third term after a decade in power. India's economic progress has been a key pitch for the Modi government in election campaigns.

Experts credit the service sector and public investment for bolstering the latest quarter's growth from a year earlier. Chief Economic Advisor V. Anantha Nageswaran had suggested that FY24 growth could reach 8 per cent, up from 7 per cent in FY23.

What's in store for FY25?

For FY25, economists have a positive outlook on India's economic growth, with a median GDP growth forecast of 6.8 per cent and inflation expected to ease to 4.5 per cent from the current 5.4 per cent.

"We expect GDP growth at around 7 per cent in FY25," stated Rajani Sinha, Chief Economist at CareEdge. "This is based on expectations of improvement in consumption trends as inflation moderates and agricultural sector performance improves. Given the increased intent to invest by the private sector, we expect a pickup in their capex cycle in the coming quarters."

The International Monetary Fund (IMF) recently raised its FY25 growth forecast for India to 6.8 per cent from 6.5 per cent estimated in January. The Asian Development Bank (ADB) is even more optimistic, projecting a 7 per cent growth for the fiscal year.

An ET poll showed varied forecasts for FY25, ranging from 6.4 per cent to 7.7 per cent. Experts highlight the need for private investment to drive growth. "It is high time that RBI once again moves ahead of the curve, like it did in April 2023 with the pause, and cuts the policy rate, ahead of other major central banks," said Debopam Chaudhuri, Chief Economist at Piramal Group.

The RBI is expected to maintain the policy rate at 6.5 per cent in its upcoming meeting, with potential rate cuts anticipated later in the fiscal year, after the general elections.

(Economic Times, 31 May 2024)

Economists give a thumbs up to robust FY24 GDP ahead of poll results on June 4; maintain FY25 estimates at 6.5-7%

The economists stated that the Indian economy has emerged as an outlier after maintaining the growth rate at a higher level as compared to global economies following the breakout of the pandemic. Furthermore, economists pegged India's GDP growth for FY25 in the range of 6.5- 7.0 per cent.

Economists said that India's gross domestic product (GDP) growth at 7.8 per cent in the March quarter of the previous financial year, which pushed up the annual growth rate for the whole of FY24 to 8.2 per cent, shows economic resilience. The economists and experts stated that the Indian economy has emerged as an outlier after maintaining the growth rate at a higher level as compared to global

economies following the breakout of the pandemic. Sanjeev Agrawal, President, PHD Chamber of Commerce and Industry, said, "India's growth at 8.2 per cent in FY 2023-24 is a reflection of the efforts for Viksit Bharat by 2047; the growth momentum is expected to continue and strengthen in the coming times. Despite deepening geopolitical distress and global macroeconomic headwinds, India remains resilient. India has become a growth leader among the major advanced, emerging and developing countries."

As per the data released by the National Statistical Office (NSO), the FY24 GDP growth came in sharply higher than 7 per cent in FY23, driven by a resurgent manufacturing and steady growth in the construction (both sectors grew at 9.9 per cent), and surge in mining activities (7.1 per cent), even as the primary sectors faltered and the key services slowed. Ranen Banerjee, Partner and Leader Economic Advisory, PwC India, said, "The GDP numbers have been buoyed by a strong print in manufacturing supported by a low base given the negative growth printed in previous year. Mining and Quarrying has also helped the higher print. However, all other sectors have printed a decline over previous year and the low prints in agriculture and services are areas of concern."

The latest headline GDP numbers got a big boost from buoyant indirect taxes (GST receipts) and lower subsidy outgo, besides deflation in WPI inflation in FY24. Suman Chowdhury, Chief Economist & Head of Research, Acuité Ratings, said, "While the momentum in the economy continues to be strong, there are two factors that had a meaningful contribution to the higher than expected GDP growth numbers in the previous year. One is the deflation or very low WPI inflation witnessed in FY24 which leads to lower differences between real and nominal GDP growth. As WPI inflation normalizes to ~3 per cent or higher, the difference between the two growth prints will revert to the average levels. Secondly, the upside in tax collections and the lower than budgeted subsidy payouts have also helped in elevating GDP growth as compared to GVA growth."

Furthermore, economists pegged India's GDP growth for FY25 in the range of 6-5- 7.0 per cent. Here is a look at what economists and experts are saying on the GDP data and the expectations on growth going forward...

Suman Chowdhury, Chief Economist & Head of Research, Acuité Ratings

India has continued to throw a major surprise by recording a GDP growth of 7.8% in Q4FY24 and 8.2% for FY24 as a whole. The GVA growth of 7.2% for FY24 indeed has exceeded most expectations with a robust growth in the manufacturing sector at 9.9% as compared to a negative 2.2% in FY23. This is also despite the 0.6% muted growth in the agricultural sector brought about by the El Nino phenomenon. The upside in the GDP figures have also led to a downward revision in the fiscal deficit to 5.6% for FY24 which augurs well for fiscal consolidation.

While government investments have been a solid support to the economy, we have continued to see a relative weakness in the private consumption expenditure which is now estimated at 4.0%. It's well known that the rural economy was in a relatively weak spot in the previous year which impacted overall mass consumption.

Given the expectation of a higher than normal monsoon in the current year, we expect a recovery in private consumption in the current year. Nevertheless, we peg the real GDP growth for FY25 at 6.8%, given the high base factor at play.

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Editor: **Secretary General**

Shreya Sodhani, Regional Economist, Barclays

Q1 24 GDP growth surprised to the upside, as has been usual over the last fiscal year, at 7.8% y/y, implying FY23-24 growth averaged 8.2%. Both GVA growth and the domestic demand contribution to headline growth reduced a bit from Q4. We still forecast FY24-25 growth at 7.0%, and expect the MPC to take comfort from this print.

Despite stronger-than-expected print and consequent high base, we maintain our FY24-25 GDP growth forecast at 7.0%. We expect the steady domestic growth momentum to continue, supported by 1) continued increases in government capex (albeit at a slower pace), 2) the much-anticipated rising private investment, 3) some recovery in rural consumption, even if cyclical, and 4) recovery in exports with the uptick in global trade. That said, our monetary policy expectations suggest rates will remain elevated for longer, creating some headwinds for growth, as reflected in our forecast moderation in growth between FY 23-24 and FY 24-25. In addition, softening GVA for three straight quarters (Q1-Q3 FY24), suggest growth could ease from FY24. The print suggests growth is moving faster than expected by the RBI, which means the central bank should see little urgency to cut rates while the MPC awaits for comfort on headline inflation. In our view, the MPC will likely vote 5-1 to keep the policy mix unchanged at its meeting next week. We also do not expect the bank to reduce rates before Q4 24 given its own inflation trajectory and persistent upside surprises in growth.

Dr Manoranjan Sharma, Chief Economist, Infomerics Ratings

The manufacturing sector grew robustly by 9.9% in 2023-24. Multiple high-frequency indicators strongly suggest that the Indian economy continues to be resilient and buoyant despite global headwinds, e.g., heightened global tension because of the Israeli- Hamas/ Iran war, slow growth across countries, geopolitical fragmentation and volatility in oil prices. India is likely to grow by 7% in FY25. Welcome that India's FY24 fiscal deficit is at Rs 16.54 lakh crore, 95.3% of the revised estimates.

These are impressive and reassuring numbers and clearly demonstrate that high and sustained growth is here to stay in India. Such outperformance will consolidate India's position in the global pecking order and will have a salubrious impact on economic growth, structural transformation and distributive equity. Way to go!

Dr Ravi Singh, SVP – Retail Research, Religare Broking Ltd

India's Q4 GDP came well above the estimate and expectations. The robust and widespread bottom-line growth evident in corporate results has already poised an optimistic outlook in the industry. Looking at the momentum of economic activity and several early data points and indicators that have emerged, we get the validation in the numbers. The strong growth in construction and manufacturing activities and government spending has contributed towards this growth in Q4. With this growth momentum, the Indian economy has again managed to retain its tag of being the fastest growing major economy in the world.

Dharmakirti Joshi, Chief Economist, CRISIL Ltd

India's growth continues to surprise on the upside. Despite a poor showing by agriculture, provisional estimates peg India's GDP growth for fiscal 2024 at 8.2%. This beats the 7.6% growth estimated by the

National Statistical Office (NSO) in February. To be sure, provisional estimates provide a better estimate with updated data and have longer shelf life as the next estimate for fiscal 2024 from NSO will come only in 2025.

Although real GDP is still around 7.5% below where it would have been without the pandemic, domestic strengths and policy focus have put the economy on a healthy growth trajectory and is trimming the permanent loss of GDP from the pandemic.

Signs of a mild slowdown were seen in the fourth quarter, when GDP grew 7.8% and gross value added (GVA) 6.3%. The growth moderation was seen across industry and services. From the demand-side, investment growth moderated this quarter.

We expect growth to moderate to 6.8% in the current fiscal, with high interest rates and lower fiscal impulse (as the deficit is trimmed to 5.1% in fiscal 2025) tempering demand in non-agricultural sectors. Agriculture, however, is expected to improve its performance in the current fiscal on the back of normal monsoons and a favorable base effect. Agriculture grew at 1.4% in fiscal 2024, much below its pre-pandemic decadal average of 4.4%.

Aditi Nayar, Chief Economist, Head of Research and Outreach, ICRA Ltd

While the growth in India's GDP and GVA moderated to a four-quarter low of 7.8% and 6.3%, respectively, in Q4 FY2024 from the revised prints of 8.6% and 6.8% in Q3, it exceeded both our and market expectations. The wedge between the two narrowed only slightly to 148 bps from 178 bps in Q3, amid the high 22.2% growth in net indirect taxes in real terms. With such a high growth of net indirect taxes unlikely to sustain in FY2025, we expect GDP and GVA growth to print closer to each other, especially in terms of the annual numbers.

The sequential deceleration in GVA growth was largely driven by the industrial sector, reflecting both a moderation in volume growth as well as the narrowing deflation in industrial raw material inputs in Q4 FY2024 vis-à-vis Q3. Nevertheless, the expansion in manufacturing and construction remained quite robust, printing at above 8.0% in the quarter.

The agri-GVA growth was revised up for Q3 FY2024, amid the upward revision in the output of crops in the Second Advance Estimates (AE) vis-à-vis the First AE. The lingering impact of the unfavourable 2023 monsoon was seen in the performance of the agri sector, which just eked out a 0.6% YoY rise in Q4 FY2024.

The sequential slowdown in GDP growth was driven by investment activity, even as private consumption maintained a bland 4.0% rise and government consumption expenditure turned around to a mild growth from a contraction.

With transient factors likely to dampen growth in H1 FY2025, we expect the GDP growth to decelerate from the 8.2% recorded in FY2024.

Gaura Sen Gupta, Chief Economist, IDFC FIRST Bank

Growth was led by private consumption and investment in contribution terms. Private consumption growth held steady in Q4, likely reflecting pick-up in rural expenditure and moderation in urban

expenditure. Investment growth was softer in Q4FY24, reflecting slowdown in Centre and state capital expenditure.

The wedge between GDP and GVA growth persists, with GVA growth moderating to 6.3%YoY in Q4FY24 v/s 6.8% in Q3 (revised-up from 6.5%). The divergence between GDP and GVA is due to net taxes less subsidies which jumped by 22.2%YoY, boosting GDP growth. The increase is due to sharp decline in subsidy expenditure in Q4 (-24%YoY in Q4FY24 and -54% in Q3, in nominal terms) and pick-up in indirect tax collections.

The fluctuation in net tax collections (less subsidies) has added a lot of volatility in the GDP print in H2FY24. Instead, GVA would be a better metric to look at while assessing growth as it's not impacted by fluctuation in net tax collections.

Full year FY24 GDP growth was at 8.2% (v/s 7.0% in FY23), which was higher than the advanced estimate of 7.6%. FY25 GDP growth estimate is retained at 6.5% (with upside risk). The RBI dividend which significantly exceeded expectations, provides fiscal space of 0.2% of GDP. Whether this is used to cut borrowings or boost expenditure (or both) will be clear once the final budget is presented.

Sanjeev Agrawal, President, PHD Chamber of Commerce and Industry

India's economy is becoming more and more robust as growth is strengthening quarter after quarter; the Q4 growth at 7.8% indicates a strong growth trajectory to continue in the coming quarters too. Manufacturing, construction and electricity sectors have become the major growth drivers in the recent quarters. The overall real GDP growth at 8.2% in 2023-24 is highest among the leading advanced, emerging economies. The manufacturing sector has grown at 8.9% in Q4 2023-24 on the back of strategic reforms and prudent policy measures by the government and efforts of industry. The consistent growth in the construction sector is indicating the creation of new employment as the construction sector absorbs skilled, semi-skilled and unskilled chunks of the workforce.

Sanjay Nayar, President, ASSOCHAM

GDP numbers for the fiscal 2023-24 give us further confidence about the inherent strength of our economy, leveraging our ambitious goals for our aspirational human resource. The optimism for sustaining a growth momentum also stems from a good beginning by the core sector industries like steel, electricity etc which have shown a combined expansion of 6.2 per cent in April, 2024 over the previous fiscal.

Anshuman Magazine, Chairman & CEO – India, South-East Asia, Middle East & Africa, CBRE

The GDP numbers indicate that the Indian economy has emerged as an outlier after maintaining the growth rate at a higher level as compared to global economies following the breakout of the pandemic. The country's growth story continues to be aided by strong domestic demand coupled with strengthening activity in the services sector. Outlook for investment and consumer momentum too is expected to underpin solid growth prospects. Emerging economic trends indicate that India continues to be on its expansion trajectory.

Nish Bhatt, Founder & CEO, Millwood Kane International

Riding on solid economic fundamentals and pegged by tremendous growth in manufacturing, construction, and defense, India's gross domestic product (GDP) grew 7.8 percent y-o-y during the January-March 2024 quarter (Q4 FY24), while the FY23 GDP growth stands at 8.2%. This growth reiterates India's position as the world's fastest-growing major economy which currently holds the tag of being the world's fifth largest economy.

The significant growth of 9.9 percent in the manufacturing sector in 2023-24 over a contraction of (-)2.2 percent in 2022-23 and growth of 7.1 percent in 2023-24 over 1.9 percent in 2022-23 for the mining sector is remarkable, showing a sustained growth momentum in domestic demand. With the expectation of normal monsoon and continuity in policy, strong growth is expected to persist, though geopolitical situations remain a concern.

Rohit Arora, Co-Founder & CEO, Biz2Credit and Biz2X

The GDP growth estimate of 8.2% for FY23-24 aligns with expectations, driven by a rebound in manufacturing and gains in the mining and quarrying sector. This indicates a strong, diversified economic resurgence, emphasizing India's resilience and dynamic nature. However, declines in agriculture and services highlight areas of concern for balanced growth.

(Financial Express, 2/6/2024)

Govt readying SOP for FTA negotiations

The ministry of commerce is working to codify the experience gained through intensive negotiations on the Free Trade Agreements (FTAs) in the past few years and compile it as Standard Operating Procedure for future guidance and reference.

"After doing several agreements now we have got this experience, we want to codify that," a senior official said.

India currently has FTAs relationship with 26 countries. It is negotiating with 44 more. Once done, India will have FTAs with 71 countries covering \$337 billion or 74.7% of India's exports.

Significant forward movement in India-UK FTA

Last few years have seen a change in India's approach to the FTAs and geographical focus has moved from East to West. The negotiations have become more complex. The new FTAs that are being negotiated – including ones with the UK and European Union – involve not just tariff reductions and market access but other areas like intellectual property issues, environment, trade in services and movement of people.

"The aim of SOP is to streamline the FTA negotiation processes as several trading partners of India are coming forward for trade pacts," he said.

This SOP is designed to ensure thorough analysis, meticulous background work, and systematic reporting throughout the negotiation phases, the official said adding it would also include structured interactions with various ministries and stakeholders both before and after negotiation rounds.

The SOP will also deal with what should be India's strategy going forward and which countries should be opted for FTAs. It will also give broad direction to what should be India's views on issues that crop up in new age FTA like climate, gender and labour standards.

The elements of the SOP were discussed in detail at the retreat of the officials of the Department of Commerce on May 16-17 which also saw the participation of officials from other ministries.

Former commerce secretaries, trade experts and government officials from ministries including finance, IT and electronics, and mines participated in the deliberations.

"Our SOP draft is ready. We have presented that in the meeting and now some more improvement is required. It will be circulated to core ministries in about a month," the official said.

Other issues that were discussed at the retreat include India's trade strategy and vision 2047; economic assessment and modelling of FTAs.

A separate session was also organised on leveraging India's FTAs to address measures such as Carbon Border Adjustment Mechanism (CBAM), supply chain disruptions, critical minerals, and artificial intelligence.

(Financial Express, 22/5/2024)

Hope India-UK FTA not far away, says incoming FICCI UK Council chair

Synopsis

Priya Guha, the new chair of FICCI UK Council, and Baroness Usha Prashar discuss the India-UK Free Trade Agreement, emphasizing research, innovation, and cultural ties for a stronger bilateral partnership.

The proposed India-UK free trade agreement is hopefully not far on the horizon as it will offer immense opportunity to be leveraged within the bilateral partnership, said the new chair of a trade council that has played a key role in shaping the ongoing negotiations. UK-based tech professional Priya Guha, who invests in women-led innovation as Venture Partner of Merian Ventures,

took over as chair of the Federation of Indian Chambers of Commerce and Industry (FICCI) UK Council from Baroness Usha Prashar at a hand-over ceremony at the High Commission of India in London on Monday evening.

The India-UK Free Trade Agreement (FTA) negotiations opened in January 2022 and are aimed at significantly enhancing bilateral trade - currently worth around GBP 38.1 billion a year.

The negotiations are now in their fourteenth round of talks, and likely to pick up pace following the Indian general election.

Guha, the British Indian investor, expressed the hope that the bilateral partnership would continue to flourish as she looks to build on the foundations laid by Prashar, who was the first to take on the role at FICCI UK four years ago.

"I take this on thinking about the role of research and innovation in the creative industries, the trade partnership and the opportunities that will be leveraged when we're able to have the FTA in place, which we all hope is not far away on the horizon," said Guha.

"The reality is that these things only do happen because we are able to work in partnership with so many people as we transition into this new phase of the India-UK Industry Advisory Group.

"One role of business is to make a concrete contribution to economic growth on both sides and clearly, we have that in the India-UK relationship. But, actually, the role of business is so much more - to open our eyes to other things, to build cultural ties, to strengthen relationships, to deepen a very strong bond and take that to the new stage of its potential," she said.

The event at India House in London was organised to felicitate Prashar for her relentless work over the years in promoting India-UK trade and cultural ties, including through an FTA memorandum on non-tariff barriers that fed into the policy framework.

"We managed to establish a very dynamic and energetic council and establishing it was a masterstroke," said Prashar in her farewell address, as she traced the genesis of FICCI to Mahatma Gandhi's vision of the ethics of "business with purpose."

"As we look towards an FTA, there will be a great deal to do to give it effect. The devil is always in the detail and to make things work, FICCI will play a very significant role as and when the FTA happens," she said.

The Indian High Commissioner to the UK, Vikram Doraiswami, led tributes to the House of Lords peer as the first Indian-origin judicial commissioner of the UK and someone who has been a "part of the very fabric" of the UK.

"If we have been successful in the last several months in getting things inch forward in the dial that is the bilateral relationship, a fair bit of the credit, which has never been asked and never been given, I think goes to Baroness Prashar," said Doraiswami.

"As and when the free trade agreement gets signed, FICCI will continue to help leverage all the potential that lies unlocked because there is a huge opportunity for a forward-looking India-UK relationship that is based on at least three key pillars of research and innovation, education and capacity building, and trade opportunities," he added.

(Economic Times, 22/5/2024)

India received \$111 billion in remittances in 2022: World Migration Report 2024

India was way ahead of its closely ranked peers Mexico (\$61.1 billion), China (\$51 billion), Philippines (\$38.05 billion) and France (\$30.04 billion).

According to the United Nations' latest World Migration Report, India was the highest recipient of remittances from abroad at \$111 billion in 2022. Its remittance receipts were way ahead of its closely ranked peers Mexico (\$61.1 billion), China (\$51 billion), Philippines (\$38.05 billion) and France (\$30.04 billion).

The report enumerated that with a “very large” number of migrant workers from the subregion, South Asia receives “some of the largest inflows of remittances globally.” It further stated, “India is also the origin of the largest number of international migrants in the world (nearly 18 million), with large diasporas living in countries such the United Arab Emirates (UAE), US and Saudi Arabia,” adding, “Pakistan and Bangladesh, which were the sixth and eighth largest international remittance recipients in 2022 (about \$30 billion and \$21.5 billion respectively) also have a significant portion of their populations living abroad as migrant workers, especially in Gulf Cooperation Council (GCC) states.”

Importantly, the biennially published report mentions that while remittances remain a “lifeline” for many people in the subregion, migrant workers from the mentioned countries in South Asia continue to face a “myriads of risks, including financial exploitation, excessive financial debt due to migration costs, xenophobia and workplace abuses.”

According to the report, India is the first to reach and even surpass the \$ 100 billion mark. Its receipts from 2010 till 2022 have more than doubled. In 2010, the country received \$53.48 billion, \$68.91 billion in 2015 and \$83.15 billion in 2020, as per the report.

Overall, international remittances have recovered from the dip in 2020 due to the COVID-19 pandemic. Migrants sent an estimated \$831 billion in international remittances globally in 2022. This marked an approximately 5% increase since 2021, when it stood at \$791 billion, and approximately 16% from \$717 billion in 2020. The report further highlighted that remittance receipts to low- and middle-income countries increased 8% between 2021 and 2022— from \$599 billion to \$647 billion.

“Since the mid-1990s, international remittances have greatly surpassed official development assistance levels defined as government aid designed to promote the economic development and welfare of developing countries; they have also recently overtaken foreign direct investment,” it mentioned.

GCC countries among significant destinations for migrant workers

According to the report, Gulf states remain significant destinations for migrant workers from around the world. The 2022 FIFA World Cup further underscored the importance of migrant labour to the subregion, as well as putting a spotlight on rights violations. Most of the migrants in GCC are from India, Egypt, Bangladesh, Ethiopia and Kenya. They are engaged in sectors such as construction, hospitality, security, domestic work and retail.

Several countries in the GCC are among the largest sources of remittances globally, as per the report. Saudi Arabia, Kuwait and Qatar had remittance outflows of about \$39 billion, \$18 billion and \$12 billion respectively in 2022.

Gendered dimension in migrant workforce

According to the report, India had a slightly higher share of female immigrants than males. Countries with a significantly high proportion of male emigrants include India, Bangladesh and Pakistan.

From an Asian perspective, the distribution of female and male migrants in the top 10 countries of destination and origin is much more variable compared to Africa. “In the top destination countries, Gulf countries — including the United Arab Emirates, Saudi Arabia and Kuwait – have a far greater share of

male than female immigrants. Malaysia is the only non-Gulf country where the proportion of male migrants is significantly higher than that of females,” the report observed.

(The Hindu, 8/5/2024)

India received over \$111 billion in remittances in 2022, first country to ever reach that figure: U.N.

The International Organisation for Migration, in its 2024 Report said that in 2022, India, Mexico, China, the Philippines and France were the top five remittance recipient countries.

India received over \$111 billion in remittances in 2022, the largest in the world, becoming the first country to reach and even surpass the \$100 billion mark, the United Nations migration agency has said.

The International Organisation for Migration (IOM), in its World Migration Report 2024 launched Tuesday, said that in 2022, India, Mexico, China, the Philippines and France were the top five remittance recipient countries.

“India was well above the rest, receiving more than \$111 billion, the first country to reach and even surpass the \$100 billion mark. Mexico was the second-largest remittance recipient in 2022, a position it also held in 2021 after overtaking China, which historically had been the second-biggest recipient after India,” the report said.

According to the report’s data, India was the top country receiving remittances in 2010 (\$53.48 billion), 2015 (\$68.91 billion), and 2020 (\$83.15 billion), with the remittances crossing the \$100 billion mark to reach \$111.22 billion in 2022.

It noted that with a very large number of migrant workers from the subregion, Southern Asia receives some of the largest inflows of remittances globally.

Three countries in Southern Asia — India, Pakistan and Bangladesh, rank among the top ten recipients of international remittances in the world, underscoring the significance of labour migration from the subregion.

“With India estimated to have received more than \$111 billion in 2022, it is by far the largest recipient of international remittances in the world and the first country to ever reach that figure,” the report said.

Pakistan and Bangladesh were the sixth and eighth largest international remittance recipients in 2022, receiving nearly \$30 billion and \$21.5 billion respectively.

The report however noted that while remittances remain a lifeline for many people in the subregion, migrant workers from these countries continue to face a myriad of risks, including financial exploitation, excessive financial debt due to migration costs, xenophobia and workplace abuses.

The Gulf States remain significant destinations for migrant workers from around the world, and the 2022 football World Cup further underscored the importance of migrant labour to the subregion as well as rights violations.

Migrants continue to comprise high proportions of the total populations in many Gulf Cooperation Council (GCC) States.

In the United Arab Emirates, Kuwait and Qatar, migrants made up 88%, nearly 73 and 77% of the national populations, respectively.

Most migrants — many of whom come from countries such as India, Egypt, Bangladesh, Ethiopia and Kenya — work in sectors such as construction, hospitality, security, domestic work and retail.

The report added that nearly 18 million or 1.3% of the total population, India is also the origin of the largest number of international migrants in the world, with large diasporas living in countries such as the United Arab Emirates, the United States and Saudi Arabia.

India came in 13th as the destination country for immigrants, with 4.48 million.

India — United Arab Emirates, India — U.S., India — Saudi Arabia and Bangladesh — India were among the top 10 international country-to-country migration corridors, the report said.

Mexico is now the second largest recipient of international remittances in the world after India. China had long held the second spot but it was surpassed by Mexico in 2021, with the Central American country estimated to have received more than \$61 billion in 2022, while China received about \$51 billion.

"The contraction of remittance flows to China has been attributed to multiple factors, including demographic shifts that have resulted in the shrinking of the working age population and the country's zero-COVID policy, which prevented people from travelling abroad for work," the report said.

The report further said that countries in Asia are the origins of the largest number of internationally mobile students in the world.

In 2021, more than one million internationally mobile students were from China, by far the highest number globally and more than double the number of students from India, which ranks second (around 508,000).

The US is the largest destination country for international mobile students in the world (more than 833,000), followed by the UK (nearly 601,000), Australia (around 378,000), Germany (over 376,000) and Canada (nearly 318,000).

China is also an important destination for international students, especially those from the Republic of Korea, Thailand, Pakistan and India.

The report said that there are more female than male international migrants in destination countries in Europe and Northern America, such as the US, Canada, France, Spain and Italy, but also in India.

India has a slightly higher share of female immigrants than males. Countries with a significantly high proportion of male emigrants include India, Bangladesh and Pakistan.

Irregular migration to the US remains an ongoing challenge and major policy issue, with increasing numbers of arrivals from atypical origin countries. There were 2.4 million encounters at the United States–Mexico border in 2022, the highest on record. "Encounters" constitute both apprehensions and expulsions, and these statistics also include many migrants who tried to enter the US several times without authorisation.

For years, most irregular migrants were overwhelmingly from Mexico, Guatemala, El Salvador and Honduras but in 2022 and for the first time, there were more encounters with migrants from Venezuela, Cuba and Nicaragua.

“There were also a large number of arrivals from Haiti, Brazil and from countries outside the region such as India and Ukraine,” it said.

“The shift in origin country geography has also been attributed to Title 42, which suspends the right to claim asylum under United States and international law on the basis of preventing the spread of COVID-19,” it said.

The report noted that the impact of the pandemic has been severe on both internal and international Indian emigrant workers, particularly low-skilled emigrants on short-term contracts, migrants working within the informal economy and undocumented workers.

Loss of jobs along with wage theft and lack of social security during the pandemic has plunged many Indian migrants into deep debt and insecurity.

“The pandemic has had an overwhelming effect on internal labour migration patterns and has reshaped work in both rural and urban areas. There has been a decline of almost 10 per cent in blue-collar workforce mobility towards cities, which has drastically cut the labour supply for major industries. The official estimate of reverse internal migration is 51.6 per cent for men and 11 per cent for women,” the report said citing experts and official data.

Since 2000, IOM has been producing its flagship world migration reports every two years.

(The Hindu, 8/5/2024)

Chabahar Port development to help India expand trade routes; need to ensure necessary infra: GTRI

Synopsis

India has signed a 10-year contract to operate the strategic Iranian port of Chabahar, which will help India enhance its logistical capabilities and expand its trade routes to Central Asia. The port, which is Iran's only ocean port, is strategically located about 170 km west of Pakistan's Gwadar Port and offers an alternative maritime route to the congested Strait of Hormuz. The port is an integral component of the International North-South Transport Corridor (INSTC), a 7,200-km multi-modal transportation route connecting India with Iran, Azerbaijan, Russia, Central Asia, and Europe.

The development of Chabahar Port will help India enhance its logistical capabilities and expand its trade routes to Central Asia and for that there is a need to ensure necessary infrastructure, and processes to effectively manage the cargo flow at the port, economic think tank GTRI said on Tuesday. The Global Trade Research Initiative (GTRI) suggested that the government stick to the fact that the Chabahar Port is not under international sanctions despite being Iran's only ocean port as despite the strategic advantages, the project's success is intricately tied to the complex geopolitical environment it operates within.

India on Monday signed a 10-year contract to operate the strategic Iranian port of Chabahar. The long-term agreement was signed by Indian Ports Global Ltd (IPGL) and the Port & Maritime Organisation of Iran. IPGL will invest about USD 120 million while another USD 250 million will be raised as debt.

The Chabahar port on the Gulf of Oman, which New Delhi had proposed to develop back in 2003, will provide Indian goods a gateway to reach landlocked Afghanistan and Central Asia using a road and rail project called International North-South Transport Corridor, bypassing Pakistan.

US sanctions on Iran over its suspected nuclear programme had slowed the development of the port. "India should ensure that Chabahar has the necessary infrastructure, processes, and staffing to effectively manage the cargo flow. Yet the overarching stability required for such grand-scale projects remains a significant challenge due to external political pressures and regional instabilities," GTRI Co-Founder Ajay Srivastava said.

He added that the development of the port is a testament to India's strategic foresight in enhancing its logistical capabilities and expanding its trade routes to Central Asia and beyond.

According to the GTRI, Chabahar Port, comprising the Shahid Kalantari and Shahid Beheshti terminals, is strategically located about 170 km west of Pakistan's Gwadar Port. It offers an alternative maritime route to the congested Strait of Hormuz.

Chabahar is also an integral component of the International North-South Transport Corridor (INSTC), a 7,200-km multi-modal transportation route connecting India with Iran, Azerbaijan, Russia, Central Asia, and Europe.

This corridor aims to reduce transit times to about 25 days -- 20 days fewer than the Suez Canal route -- and cut freight costs by 30 per cent.

Commenting on the signing of the 10-year contract, Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said the port provides strategic advantages to India through diversification of trade routes providing access to Afghanistan, Eurasia, Central Asia, and Europe being integral part of INSTC.

"The INSTC envisages the movement of goods from Mumbai (India) to Shahid Beheshti Port Chabahar (Iran) by sea, from Chabahar to Bandar-e-Anzali (an Iranian port on the Caspian Sea) by road, and then from Bandar-e-Anzali to Astrakhan (a Caspian port in the Russian Federation) by ship across the Caspian Sea, and after that from Astrakhan to other regions of Russia and further into Europe by Russian railways," Sahai said.

He added that the strategic location of Chabahar has a "great" advantage for developing it as a transshipment hub. "The Port's deep draft of 16 m is suitable for handling large shipment vessels.

The Port lies close to some of the busiest trade routes in the world: the AsiaEurope, Asia-Asia trade route, which carries large cargo volumes.

"The movement of cargo through this route is expected to save cost by 30 per cent and transportation time by 40 per cent, ensuring quick turnaround at competitive cost," he added.

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Editor: **Secretary General**

Global supply chain shift: Has India finally arrived?

By Ravi Jakhar

The first half of this decade has been a nightmare for global trade. From covid disruptions to Suez Canal and Red Sea crisis, the trade has witnessed many operating challenges. The economic environment puts further stress on demand and as an outcome, global trade is expected to grow between 2020-25, at only half the average growth rate of previous decade. However, amidst this challenging environment, India has found its glory moment. The fastest growing economy in the world and now a favoured destination for new manufacturing investments, India has got everything right to launch the economic miracle, much like Japan did in 1950s and China in 1980s.

India has an opportunity at hand, that can propel the country to become the second largest economy in the world by 2075 on the back of sustained growth spanning decades. Japanese miracle lasted for over twenty years with Japan growing at nearly 10% during the golden age of capitalism from 1950 to 1973. Subsequently, from 1979 to 2010, China witnessed three decades of growth averaging similar 10%. Both stories had three things in common. First, a favourable geopolitical environment. China entered age of reform and people growing up in 1980s were considering western economies as friends, much different from an anti-capitalism view prevailing earlier.

Japan was witnessing unprecedented support from US, which provided aid and opened markets for Japanese exports, which further increased during the Korean War. The second aspect was government policies. Liberal reforms of China supporting manufacturing growth and the Japanese government were key drivers of development. Third and equally important was demographic advantage. The availability of labour in China and suitable demographics in Japan enabled economic miracles. Now, as we look at India, all these three factors align well.

We are a friendly country which is being preferred for supply chain diversification and government is launching much needed reforms to drive manufacturing led growth amidst favourable geopolitical environment. With age and skill on our side, it truly is a perfect moment to reap demographic dividend and aim for \$35 trillion economy in 2047. Unprecedented third consecutive term for Prime Minister Modi or Modi 3.0 is well positioned for taking economic reforms to the next level.

There are many concurrent events shaping the Indian opportunity. As per a media report, in 2023, Morgan Stanley analysts noted increased labour costs, geopolitical tensions, and human rights concerns prompting businesses to decrease reliance on China as the world's factory. According to Kearney's Reshoring Index, Chinese goods constituted 50.7% of US imports of manufactured goods from Asian countries in 2022, down from nearly 70% in 2013. Additionally, Japan, South Korea, and Europe are seeking new supply lines in the Asia-Pacific, providing another opportunity for India's growth in global trade in the coming decades.

Moreover, as businesses increasingly adopt novel technologies such as Gen AI for smart logistics and optimise supply chain processes, India's leading position in 'AI talent concentration' on the Network Readiness Index 2022 signifies the nation's preparedness for this transformative journey.

Furthermore, India's climate commitments, including achieving net-zero emissions by 2070, adds to its appeal for countries seeking environmentally sustainable trade practices. The country benefits from a

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young workforce, technological expertise, a strong climate stance, strategic political alliances, government initiatives for logistics advancement, and a home market with a burgeoning demand.

Furthermore, besides engineering a diplomatic triumph for the Global South in the G20 summit last year, India strategically positioned itself in something equally momentous on the sidelines: the India-Middle East-Europe Economic Corridor (IMEEC). Once completed, the IMEEC, a cross-border ship-to-rail network, could enhance trade speed between India and Europe by 40%, establishing India as a pragmatic and agile global ally. From far east to west and south, India has everyone's attention and capital is gradually flowing in to drive manufacturing growth. However, a few risks remain and the country must address them on topmost priority.

As JP Morgan's Dimon said, trade openness, less protectionism, regulatory transparency, and consistency in taxation will encourage companies to invest in India. Also, there is an urgent need to revive special economic zones which are not stifled by legacy compliances. Together with industrial parks and export-focused hubs, such dedicated spaces will accelerate growth, according to Kearney's definitive 2021 white paper, 'Shifting Global Value Chains: The India Opportunity', prepared for the World Economic Forum. Further, India already has unique port side ancillary infrastructure in Container Freight Stations and right policy and initiative can help leverage them to drive India's emergence as trading and distribution hub.

Logistics is the backbone of economy and it has to be efficient to make manufacturing led growth possible. The government does recognise that and hence structural transformations are being brought about by the National Logistics Policy, Sagarmala Project and the PM Gati Shakti initiative. Technology enabled logistics framework, and integrated transport modes and utilities, will bring down logistics costs. At policy level, we have all the underpinnings for a world-class supply chain. The progress is already visible as India has moved up by six places in the World Bank's Logistic Performance Index for 2023.

However, a lot more needs to be done. A lot of Indian manufacturing is in the hinterlands and there is a need to set up dedicated export oriented manufacturing cities near the coastline and as much to enhance the rail connectivity of ports and manufacturing clusters. The plan for dedicated freight corridors (DFCs) is the perfect answer, however, the slow implementation poses a big risk to our development ambitions. The western DFC launched in 2006 is yet to connect JNPT to the north and we must ensure that new corridors don't take that long from ideation to execution.

India has the DNA of services economy, driven by the growth in IT and other services in the last three decades. It would be ideal to leverage that capability by promoting logistics service providers to focus on delivering most efficient services, while Government can facilitate by providing requisite infrastructure. Much like Europe, US and later Japan and China, India's domestic distribution is dominated by home grown companies and they are all capable of shifting to multi-modal logistics on the back of robust infrastructure. The strong focus on technology places them well to enable partnership with manufacturers to build best in class supply chains.

India is already an exporter to reckon with in iron and steel, heavy metals, specialty chemicals, agricultural goods, active pharmaceutical ingredients, generic drugs, electronics, and vaccines. The central government's initiatives like Make in India and the export-led scheme of production-linked incentives (PLI) are gradually propelling other industries too. Backed by its Foreign Trade Policy, the government aims to increase India's overall exports to USD 2 trillion by 2030. If we can continue to

improve on the ease of doing business, there is no limit to the opportunity at hand. The government must bring in more clarity in interpreting land and labour laws, nurture a culture of R&D, and improve urban standards of living for expats.

With its strong macroeconomic advantages, India stands to harness significant supply chain opportunities in this multipolar world and thus fully capitalise on the ongoing global trade restructuring. India's moment has indeed truly arrived and we must seize it with manufacturing empowered by efficient logistics.

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