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British Prime Minister announces relaunch of UK-India free trade talks

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18 November 2024

The Prime Minister has announced that UK-India trade talks will relaunch in the new year, following a bilateral meeting with Prime Minister Narendra Modi at the G20 summit.

Boosting trade abroad is essential to delivering a strong economy at home. The UK is committed to negotiating a trade deal with India – one of the fastest growing economies in the world.

The UK will seek a new strategic partnership with India, including a trade agreement, as well as deepening co-operation in areas like security, education, technology, and climate change.

The Business and Trade Secretary announced the UK's commitment to relaunching talks with Free Trade Agreement partners in July. Since then, negotiations have been kickstarted with the Gulf Cooperation Council, Switzerland and South Korea. The UK is also set to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on 15 December.

The Department for Business and Trade will soon unveil the government's new Trade Strategy, aligned with the Industrial Strategy, to help inform future trade talks and achieve long-term sustainable, inclusive and resilient growth through trade.

The Prime Minister is using his trip to the G20 in Brazil to strengthen ties with the world's leading economic powers to drive growth and deliver for the British people at home.

Prime Minister Keir Starmer said:

Boosting economic growth is key to improving living standards for working people.

A new trade deal with India will support jobs and prosperity in the UK – and represent a step forward in our mission to deliver growth and opportunity across our country.

Business and Trade Secretary Jonathan Reynolds said:

India is the fifth largest economy in the world and a vital trading partner for the UK. We believe there is a good deal to be done here that works for both nations.

Whether it's lowering Indian tariffs to help British firms export to this dynamic market or boosting investment which already supports over 600,000 jobs across both countries, striking a deal is important to deliver this Government's core mission of driving economic growth.

A deal with India would boost the UK's trading relationship, worth £42 billion in the 12 months to June 2024. UK exports to India are worth £16.6 billion.

(Press Release from PM Office UK)

No CBAM exemption for India but EU ready for flexibilities

Alternative mechanisms such as equivalent measures, capacity building, funding on the negotiating table for India-EU FTA.

India is unlikely to get a derogation from the EU's carbon border adjustment mechanism (CBAM). Instead, what the EU may be willing to offer are flexibilities and alternative mechanisms such as equivalent measures, capacity building and funding as both sides agree to address the "uncertainty" element in the on-going bilateral free trade agreement talks.

"In the on-going India-EU FTA talks, while the bloc is looking for certainty from India in the area of tariffs, India has argued that EU regulations which are coming in the future and creating an uncertain environment have to be addressed. The EU acknowledged that a solution has to be found," a source tracking the India-EU FTA negotiations told businessline.

The EU regulations that would act as barriers most significantly include the CBAM, where carbon taxes are to be imposed on seven identified imports including steel, aluminium and cement, from 2026, and also the Deforestation Regulation, which has now been deferred.

Prime Minister Narendra Modi during a bilateral meeting with UK Prime Minister Keir Starmer Støre on the sidelines of the G20 Summit, in Rio de Janeiro, November 18, 2024

Britain's Prime Minister Keir Starmer attends a bilateral meeting with India's Prime Minister Narendra Modi on the sidelines of the G20 summit at the Museum of Modern Art in Rio de Janeiro, Brazil

Commerce Secretary Sunil Barthwal visited Brussels last week for a stock-taking meeting on the India-EU FTA with the EC's DG Trade. The tenth round of negotiations is tentatively scheduled in the first quarter of calendar year 2025.

"The stock taking meeting was constructive. There was an understanding on both sides that flexibility needs to be shown. The EU's interest is reduction of tariffs while India's is reduction of trade barriers. The point is that if the EU provides market access and then the regulations come up acting as barriers, then the deal loses its commercial significance for India. Brussels seems to understand the problem," the source said.

While the EU is not quite ready to give India an exemption from CBAM, which it says is a "fair" price on carbon emitted during production of the identified items exported to the bloc and is applied across countries, it is ready to examine alternatives to help the country deal with it, the source pointed out.

"Alternative means such as mechanisms for mutual recognition in terms of equivalent measures that can be implemented here, capacity building and funding are now all up for discussion. There is a recognition that this problem is critical and needs a solution. India is not being told that there is no solution, and you fall in line," the source said.

Per estimates made by some analysts, about 10 per cent of India's exports to the EU are at present of commodities covered under CBAM and imposition of carbon taxes (which could be 20-35 per cent) may cost the country up to 0.05 per cent of GDP.

India has insisted that the principle of 'common but differentiated responsibilities' applicable in the UN climate talks, where developed economies need to take more responsibility, should apply throughout in the India-EU FTA negotiations, the source said.

The EU is India's largest trading partner, accounting for €124 billion worth of trade in goods in 2023. Both sides expect a significant boost in their exports once the FTA is implemented, with the EU pushing India to offer it greater tariff exemptions than in any of its past trade pacts.

(Business Line, 26/11/2024)

India to be insulated from trade war between US and China: Goldman Sachs

Synopsis

A new report by Goldman Sachs suggests that India's economy will likely remain stable despite potential global economic shocks in 2025, including a possible US-China trade war. Although the country's GDP growth is predicted to slow to 6.3 percent due to fiscal consolidation and tighter credit, India's long-term growth potential remains strong.

India will be relatively insulated from the global economic shocks expected from a potential trade war between the United States and China in 2025, according to a report by Goldman Sachs.

The report says that despite the ongoing global uncertainties, India's long-term structural growth prospects remain robust.

"In 2025, we believe India will likely be a relatively insulated economy from global shocks emanating out of a potential trade war between US and China", said the report.

However, the report highlighted that a cyclical growth slowdown is anticipated, with the country's GDP growth forecast to decelerate to 6.3 per cent year-on-year in 2025.

This slowdown is attributed to continued fiscal consolidation and tighter credit growth due to macro-prudential measures taken by the Reserve Bank of India (RBI).

As per the report, the RBI's monetary policy is expected to remain cautious in 2025. It predicts that the central bank will begin easing interest rates from the first quarter of 2025, with a cumulative reduction of 50 basis points by mid-year.

Despite calls for more accommodative monetary conditions to support growth, the RBI is likely to proceed carefully, given the strong US dollar scenario and global trade uncertainties.

Retail loan growth may remain subdued even with lower interest rates because of the ongoing macro-prudential tightening.

Although inflation is projected to align with the RBI's target next year, the rate-cut cycle is expected to be limited. RBI is likely to aim for a balanced approach, keeping monetary policy close to the nominal neutral rate, estimated at 6 per cent.

It said, "While the cyclical growth slowdown calls for easier monetary conditions in our view, the "stronger dollar" scenario will mean the RBI will likely proceed cautiously"

The report suggests a 25-basis-point repo rate cut in February 2025, followed by another 25-basis-point cut in April. The RBI is also expected to maintain a liquidity surplus, allowing overnight inter-bank rates to fall to 5.75 per cent, effectively delivering a 75-basis-point easing from the current levels of 6.50 per cent.

Despite the short-term challenges, India's economy is anticipated to maintain stability amidst global trade tensions, showcasing its resilience in the face of external shocks.

(Economic Times, 22/11/2024)

India, EU firm up extensive roadmap for green hydrogen cooperation

The two sides deliberated on ways to enhance cooperation in the sector at the 10th meeting of the India-EU Energy Panel held on Thursday in Brussels.

India and the European Union (EU) have finalised an extensive roadmap for the green hydrogen sector that includes development of infrastructure, technology cooperation and boosting supply chains.

The two sides deliberated on ways to enhance cooperation in the sector at the 10th meeting of the India-EU Energy Panel held on Thursday in Brussels.

At the meeting, a "work plan" was adopted for the third phase of the India-EU Clean Energy and Climate Partnership 2025-28, which will focus on deeper cooperation in five priority areas, according to the Ministry of External Affairs (MEA).

The priority areas are green hydrogen, offshore wind energy, regional connectivity, electricity market integration and smart grids, energy efficiency, and energy and climate diplomacy.

"The two sides have set out an extensive agenda for green hydrogen cooperation, which includes assessing infrastructure development feasibility, regulatory and technology cooperation, and strengthening of supply chains," the MEA said on Saturday.

It said the energy panel focused on the energy transition priorities of the two sides and took stock of the achievements of the second phase of the India-EU Clean Energy and Climate Partnership 2021-2024.

The two sides undertook and completed joint initiatives involving technical cooperation in 51 activities divided into nine sectors, it added.

"The two sides have also charted out the framework for green hydrogen cooperation, which includes cooperation on green hydrogen policies of India and the EU," the MEA said.

The EU and EU member states participated in the international conference on green hydrogen this year in India.

On its part, India joined as an exclusive country partner of European Hydrogen Week 2024.

"India and the EU also entered into long-term research commitments to jointly support research in clean energy projects as part of the India-EU trade and technology council working group on clean and green technologies, which was established in January 2023," the MEA said.

(Business Standard, 23/11/2024)

India placed at the fourth spot among top world economies in 2025 by IMF: Here's the complete list

1/10: United States of America

The United States of America has taken the top spot yet again, and is predicted to be the fastest growing economy in the world in FY2025 with the country's GDP to be an estimated $29,840 billion, the IMF said in its report.

2/10: China

Despite its economic setbacks and sanctions by Western nations, China will follow close behind rival America in FY2025, too. Beijing's GDP is estimated to be at $19,790 billion, according to the IMF report.

3/10: Germany

Germany, which has narrowly escaped a recession and is still struggling to get a stronghold of its economy, is projected to be the third largest economy in the world in FY2025, the IMF reported. Its GDP is predicted to be $4,591 billion for the next financial year.

4/10: India

Having surpassed the United Kingdom to take the fifth pot among the fastest growing economies the world over, India is now expected to takeover Japan's position to clinch the title of the world's fourth largest economy in FY2025, according to the IMF. India's GDP will rise to come at $4,340 billion next fiscal year, IMF projected.

5/10: Japan

Japan is expected to face an economic downhill, with the country projected to take the 5th spot among the fastest growing global economies in 2025, the IMF report said. The country's GDP is predicted to be at $4,310 billion for the next financial year.

6/10: United Kingdom

The United Kingdom will maintain its position among the world's fastest growing economies and is expected to retain its spot at number 6, after India and Japan, according to IMF. The UK GDP is expected to be $3,685 billion in FY2025.

7/10: France

France is also projected to retain its position at number 7, with its GDP positioned to be $3,223 billion in FY2025, according to the IMF.

8/10: Brazil

Brazil is expected to take an upward leap and position itself at the 8th spot among the fastest growing economies in the world. Currently, the country holds the 9th position in the list. According to the IMF projection, Brazil's nominal GDP will be at $2,438 billion in FY2025.

9/10: Italy

With its nominal GDP projected at $2,390 billion, Italy will slip down a slot in the list of the largest economies and settle at the 9th spot in FY2025, according to the IMF projection.

10/10: Canada

Canada will take the 10th spot in the list of the largest economies around the globe. The country's GDP is projected to be at $2,361 billion, the IMF report showed.

(Economic Times, 2/11/2024)

Peru sets sights on free trade agreements with India in 2025- Here's what this means for global trade

India is an important trade partner for Peru, and a free trade agreement (FTA) with the South Asian giant would complement the trade relationship Peru already enjoys with China.

Peru is poised to finalise a significant trade deal with India in 2025, marking a major step in its efforts to strengthen economic ties with the world's two most populous nations. This potential agreement follows a series of negotiations that have been ongoing for several years and had been briefly paused due to Peru's 2024 elections. According to Peruvian Minister of Foreign Trade and Tourism Ursula Leon, the government aims to resume negotiations with India, to complete the deal by next year.

India is an important trade partner for Peru, and a free trade agreement (FTA) with the South Asian giant would complement the trade relationship Peru already enjoys with China. Since 2009, Peru has had an FTA with China, one of the largest economies in the world. The addition of India to this list would create a powerful economic bloc for Peru, potentially opening up new markets for its exports, particularly in areas such as gold, minerals, and agricultural products.

Trade between Peru and India has seen a significant uptick in recent years, driven largely by the sale of gold from Peru to India. From January to September 2024, Peru's exports to India surged by 77 per cent, reaching an impressive $3.5 billion. This sharp increase highlights the growing economic ties between the two countries, and an FTA could further boost this trade by reducing tariffs and increasing access to each other's markets.

Peru, already the world's third-largest copper producer, is seeking to expand its trade footprint globally, and establishing robust ties with both India and China would diversify its export destinations and reduce its dependence on a single trade partner.

Negotiations with Indonesia and China

In addition to India, Peru is also negotiating a free trade agreement with Indonesia, the world's fourth-most populous nation. Indonesia, with a population of over 280 million people, represents a promising market for Peruvian goods, particularly copper, agricultural products, and processed food. Minister Leon expressed hope that negotiations with Indonesia would make substantial progress during the upcoming Asia-Pacific Economic Cooperation (APEC) forum in Lima, underscoring the importance of the deal for Peru's regional trade strategy.

Moreover, Peru is updating its existing free trade agreement with China, which continues to be a cornerstone of its international trade policy. The updated deal will reflect the evolving economic landscape and ensure that both nations can continue to benefit from their strong trade relationship.

Strengthening Ties with Brazil

Peru is also working towards enhancing its economic relationship with Brazil, its largest trading partner in South America. While negotiations for a potential FTA have been delayed due to the pending anti-corruption protocol since 2016, Leon emphasized the importance of this clause in ensuring transparency and fairness in the agreement. As both countries share vast natural resources, especially in the mining sector, a strengthened economic partnership could further boost trade, particularly in the commodities market.

Looking Ahead to 2025

As Peru continues to push for these free trade agreements with India, Indonesia, and Brazil, the government is focused on building stronger international relations that will boost economic growth and secure new markets for its key exports. With a growing trade footprint in Asia and a clear focus on strengthening ties within South America, Peru's economic future looks promising as it aligns itself with some of the world's most dynamic economies.

Peru's strategy to secure free trade agreements with both global giants and regional neighbours aligns with its broader goal of diversifying its economy and reducing its reliance on a narrow range of trade partners. As negotiations advance with India and Indonesia, the coming years could usher in a new era of trade for Peru, benefiting its farmers, miners, and manufacturers alike.

(Financial Express, 14/11/2024)

Will India Surpass Japan to Become 4th Largest Economy in 2025?

Japan has struggled with economic stagnation, experiencing deflation and recurring recessions, whereas the Indian economy has shown steady growth, particularly since 2000, says The Japan Times.

India's economy is anticipated to surpass Japan in gross domestic product (GDP) terms in the coming years, as Japan grapples with economic stagnation and a weakening yen.

Economists now believe that India, currently the fifth-largest economy, could overtake Japan to claim the fourth spot sooner than expected, according to The Japan Times.

Marcel Thieliant, head of Asia-Pacific at Capital Economics, told The Japan Times that initial forecasts had projected India would surpass Japan by 2026. However, recent economic changes have prompted a reassessment of that timeline.

Various forecasts suggest different timelines, with the International Monetary Fund (IMF) predicting that the Indian economy could overtake Japan as early as 2025, while S&P Global Ratings foresees the shift happening by 2030.

Japan, once the world's second-largest economy, lost its position to China in 2010. Earlier this year, Germany also surpassed Japan, placing Japan fourth in the global rankings. According to The Japan Times, India's growing population and economic expansion make this shift nearly inevitable.

In 2023, the World Bank estimated India's GDP at $3.55 trillion, compared with Japan's $4.22 trillion. The IMF projects India's economy will grow by 7% in 2024 and 6.5% in 2025, while Japan's growth is expected to remain low at 0.3% this year and 1.1% in 2025.

Japan has struggled with economic stagnation, experiencing deflation and recurring recessions, whereas the Indian economy has shown steady growth, particularly since 2000.

"There is no obvious reason why India should not be able to grow by 6% to 7% per year, in real term," The Japan Times quoted Louis Kuijs, chief economist for Asia-Pacific at S&P Global Ratings, as saying. Should these growth rates hold, India could soon surpass Japan's GDP and even challenge Germany for the third position globally, behind only the United States and China.

When measured by purchasing power parity (PPP), which accounts for price differences between countries, India already ranks as the third-largest economy, while Japan is fifth. Still, The Japan Times cautioned that these forecasts should be viewed with care, as economic policies could shift due to recent political changes in Japan, where a minority government and conservative central bank may affect growth and currency stability.

The Japan Times also reported that recent political changes in the United States, particularly the election of Donald Trump, could alter trade flows and economic dynamics for both Japan and India.

The report quoted Thieliant as saying that his team at Capital Economics is reviewing its projections to account for the potential impacts of Trump's victory on trade, which may affect the timing of India's anticipated rise.

Economists advise keeping perspective on India's growth. The Japan Times pointed out that with a GDP per capita of about $2,500 compared to Japan's $34,000, India's economic ascent does not yet translate to a comparable standard of living.

While promising, India's rise does faces challenges. Shilan Shah, deputy chief emerging markets economist at Capital Economics, told The Japan Times that "domestic issues such as weaknesses in the banking sector or inflation from rising food prices" could potentially delay India's progress.

(Strat News Global, 14/11/2024)

RCEP benefit minimal for India due to China's opaque trade practices: GTRI

Synopsis

A new report by GTRI supports India's decision to opt out of RCEP, citing concerns over widening trade deficits, particularly with China. The study argues that RCEP could harm domestic industries, especially MSMEs, and offers limited export gains, outweighing potential benefits like GVC integration.

India's decision to stay out of the Regional Comprehensive Economic Partnership (RCEP) continues to be justified, according to a recent report by the Global Trade Research Initiative (GTRI). The study highlights that participation in the trade bloc could exacerbate India's trade deficits, particularly with China, and pose challenges to domestic industries, especially small and medium enterprises (MSMEs).

India opted out of RCEP in 2019, citing concerns over trade imbalances and the potential harm to local industries. The RCEP, a comprehensive free trade agreement, includes the 10 ASEAN countries and six trade partners—China, Japan, South Korea, Australia, New Zealand, and India (which chose not to join). Together, these countries account for 30% of global GDP and nearly half the world's population.

The GTRI report, authored by Ajay Srivastava and Abhijit Das, points to India's trade dynamics and structural challenges as reasons for avoiding RCEP membership:

Trade Deficits: India's trade deficit with ASEAN, South Korea, and Japan has grown significantly post-FTAs, with an increase of 302.9% for ASEAN, 164.1% for South Korea, and 138.2% for Japan between 2007-09 and 2020-22.

China's Trade Practices: With an $85 billion trade deficit with China in FY24, the report warns that RCEP could worsen the situation by allowing Chinese goods easier access to Indian markets via member countries.

MSMEs at Risk: India's smaller manufacturers could struggle to compete with large-scale Chinese manufacturers if tariff-free imports were allowed, potentially overwhelming domestic industries.

Limited Export Gains: India already has FTAs with 13 of the 15 RCEP nations, excluding New Zealand and China. The report argues that additional export opportunities would be minimal as Indian exports to China have stagnated over the last five years.

The GTRI study challenges claims that RCEP membership would help India integrate into global value chains (GVCs). Despite longstanding FTAs with ASEAN, Japan, and South Korea, India has not emerged as a major player in GVCs due to issues like slow port clearances and low ease-of-doing-business rankings.

Niti Aayog CEO BVR Subrahmanyam recently suggested that India should reconsider joining RCEP to access larger trade areas. However, the report underscores that these benefits may not outweigh the risks, especially for vulnerable sectors like agriculture and MSMEs.

The study also notes mixed evidence regarding the link between FTAs and increased foreign direct investment (FDI), a frequently cited argument for RCEP membership.

(Economic Times, 17/11/2024)

Investment, private consumption driving India's growth: IMF report

The IMF kept its GDP growth forecasts for India unchanged at 7 per cent for FY25 and 6.5 per cent for FY26 in its World Economic Outlook

India remains the world's fastest growing economy with investment and private consumption driving its growth, the International Monetary Fund (IMF) said on Friday in its Regional Economic Outlook for Asia-Pacific.

The IMF, in its World Economic Outlook report released on October 2, had retained India's gross domestic product (GDP) growth forecasts at 7 per cent and 6.5 per cent for FY25 and FY26, respectively. The financial agency said that pent-up demand accumulated during the Covid-19 pandemic has been exhausted as the economy "reconnects" with its potential growth.

The Fund revised the growth, compared to its April forecast, by 0.2 percentage points amid rural consumption benefiting from an improved agricultural season, and public infrastructure investment continuing to expand.

While growth in Asia is expected to slow down in CY 2024 and CY 2025— reflecting fading support from the pandemic recovery and factors like ageing— short-term prospects were more favourable than expected in April, the regional economic outlook report said.

The Asia and Pacific region is expected to contribute roughly 60 per cent to global growth this year. "This said, the outlook is subject to sizable economic and geopolitical uncertainties," IMF said in its report.

A blog post released by IMF alongside the regional outlook said that while manufacturing has been the driver of growth in Asia, a transition to modern, tradable services could be a new source of growth and productivity.

It said that the growth of services has already drawn about half of the region's workers into the sector, up from just 22 per cent in 1990, as hundreds of millions moved from farms and factories.

"This shift is likely to accelerate with further expansion of international trade in modern services such as finance, information, and communication technology, as well as business outsourcing, for example, as already done in India and the Philippines," the blog post said.

Finance Minister Nirmala Sitharaman during her visit to the US for IMF-World Bank Annual Meetings had called for the need to explore alternative growth strategies and the types of jobs they will generate in addition to the traditional manufacturing-led development pathway.

Sitharaman, in discussion on how the World Bank can help create more jobs, had said that jobs are the most pressing global issue, given the continued economic headwinds and rapid technological change that are redefining the skills required for youth to enter the job market.

(Business Standard, 1/11/2024)

India giving RCEP free trade pact a needful second look

India opted out of RCEP on grounds it would hurt local business and farmers but shifting global trade trends may have changed that view

“India should be a part of RCEP and CPTPP,” according to B V R Subrahmanyam, CEO of the National Institution for Transforming India (NITI) Aayog, the Indian government’s top public policy think tank and nodal agency for catalyzing economic development.

Speaking recently to the Associated Chambers of Commerce and Industry of India (Assocham), Subrahmanyam said inclusion in the Asia-centric trade blocs “…will be best for India’s micro, small & medium enterprises sector…40% of India’s exports are from MSMEs. Big corporates are not great exporters.”

The NITI Aayog CEO also suggested that high tariffs have prevented India from taking full advantage of the rising diversification of supply chains away from China. “I don’t think we have captured the ‘China plus one’ opportunity as much as we could have,” he added.

The Indian government was involved in the negotiations that eventually birthed RCEP, a 15-member Asia-Pacific free trade agreement that is the world’s largest in terms of GDP. However, it decided against joining on the belief it would put Indian business and agriculture at a net-net disadvantage.

But views in New Delhi are apparently shifting as the global trade environment enters an uncertain new era.

India’s early involvement in forming RCEP, which took force in January 2022, gives the lie to widely held notions the bloc is, at its core, a China-led initiative aimed at rewriting the rules of international trade to Beijing’s advantage.

In actuality, RCEP originated in August 2011 at the ASEAN+3 (China, Japan, South Korea) conference, which adopted a joint Japanese-Chinese proposal known as the “Initiative on Speeding up the Establishment of an East Asia Free Trade Area (EAFTA) and Comprehensive Economic Partnership in East Asia (CEPEA).”

All of the Asia-Pacific democracies were involved in the long process of RCEP’s development, and all, barring India, signed it on November 15, 2020. The RCEP includes Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, South Korea, Singapore, Thailand and Vietnam

RCEP will eliminate tariffs on about 90% of traded goods within 20 years and standardize many customs, investment, intellectual property and e-commerce regulations. Covering roughly 30% of the global economy, it is also the first trade agreement linking Japan, China and South Korea.

The New Zealand government summed up RCEP’s benefits as:

- A single set of trade and investment rules across the entire RCEP region, increasing certainty and reducing complexity.
- The opportunity for our exporters to get their products into RCEP-wide regional value chains.
- More market access opportunities, especially for services and investment into China and some ASEAN member states.
- Less red tape for exporters, and more streamlined trade; and

- New rules on government procurement, competition policy and electronic commerce, which will help New Zealand exporters take advantage of increased business opportunities.

RCEP could do the same for India.

The CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) is a separate free trade agreement comprised of 11 countries around the Pacific Ocean, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Replacing the original Trans-Pacific Partnership (TPP), which the US was instrumental in developing under President Barack Obama but abandoned in January 2017 under Donald Trump, it entered into force at the end of December 2018.

The Indo-Pacific Economic Framework for Prosperity (IPEF) promoted by the US government as an alternative to the CPTPP is long on feel-good jargon but short on measures to lower tariffs and improve US market access for its 13 other participants: Australia, Brunei, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and Vietnam. IPEF was launched in May 2022.

In the words of the Office of the United States Trade Representative (USTR), “This framework will advance resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness for our economies. Through this initiative, the IPEF partners aim to contribute to cooperation, stability, prosperity, development and peace within the region.”

According to the USTR, this will be accomplished through “…negotiations on the following pillars: (1) Trade; (2) Supply Chains; (3) Clean Energy, Decarbonization, and Infrastructure; and (4) Tax and Anti-Corruption. The IPEF is designed to be flexible, meaning that IPEF partners are not required to join all four pillars.” Neither India nor China participated.

Then, in November 2023, Biden abandoned the IPEF trade pillar. And now incoming president Trump plans to raise tariffs not only on Chinese products but across the board.

Former US Trade Representative Robert Lighthizer, who served in the first Trump administration and may serve in the second, explained the bipartisan US turn to protectionism in an essay published by the Financial Times on November 1:

“In the past three decades we have lost millions of jobs, many of them high-paying manufacturing ones. We have seen median wages stagnate…. Communities across America have been destroyed… We have run up giant trade deficits every year for decades. This transfers trillions of dollars of our wealth overseas in return for current consumption… We are also losing the future innovation that goes with manufacturing.”

After drawing a distinction between countries that practice free trade and those “adopting industrial policies that are designed not to raise their standard of living but to increase exports…,” Lighthizer concludes that “Countries that run consistently large surpluses are the protectionists in the global economy. Others, like the US, that run perennial huge trade deficits are the victims.”

Never mind that industrial policy has been key to economic development and rising standards of living in Germany, Japan, South Korea, China and other countries, and that for a long time US corporate profits, stock prices and economic growth were boosted by outsourcing to low-cost foreign suppliers.

Furthermore, for much of its history, the US itself prospered and built its own industrial base behind a wall of tariffs as high as 40%. And unlike quotas and sanctions, tariffs are a market-based instrument that simply change price incentives. In any case, Trump has made up his mind and other countries must adapt.

India has the world's fifth-largest national economy in US dollar terms, ranking between Japan and the UK, but the third-largest in purchasing power parity terms, behind only China and the US. And it is outgrowing all of them with GDP forecast to rise by 6.9% this year, according to the The Economist Intelligence Unit.

With more than four times the population of the US, India might eventually replace it as a source of demand if participation in regional trade agreements gave its own companies comparable access to new markets.

The same concern China had before joining WTO – that opening up would wipe out local businesses and industries. Look at what happened since. India should have joined RECP then, and its not too late to join now.

(Business Standard, 11/11/2024)

BRICS+ group could surpass G7 in global trade by 2026: EY India

While the BRICS+ group's share in global merchandise exports has increased to 23.3% in 2023 from 10.7% in 2000, the G7's share has fallen by 16.2 percentage points

The BRICS+ grouping of nations like India, China and Russia is rapidly increasing its share in global merchandise exports and imports and is expected to surpass the G7 group by 2026, EY India said in its latest edition of EY Economy Watch.

The share of the BRICS+ group in global merchandise exports has increased from 10.7 per cent in 2000 to 23.3 per cent in 2023, an increase of 12.6 percentage points. On the other hand, the share of the G7 group in global exports has fallen by a margin of 16.2 percentage points from 45.1 per cent to 28.9 per cent over the same period.

The share of the rest of the world has largely remained stable, increasing only marginally from 44.2 per cent to 47.9 per cent during this period.

This implies that largely it is the BRICS+ group which has replaced the G7 group in terms of share in global merchandise exports, the report said.

A similar pattern is visible in the case of share in merchandise imports.

While the share of the BRICS+ group has increased from 7.2 per cent in 2000 to 18.9 per cent in 2023, that of the G7 group has fallen from 49.8 per cent to 33.7 per cent over the period 2000 to 2023. Once

again, the share of the rest of the world has largely remained stable, increasing marginally from 43.0 per cent to 47.4 per cent.

"The importance of the BRICS+ group of countries has progressively increased in terms of the size of the economy and in terms of their share in world exports and imports. The BRICS+ group is likely to compete as well as co-operate with the G7 group for determining world economic policies," it said.

In the context of current geopolitical tensions, the BRICS+ group is making a concerted effort to coordinate their policies, which may eventually translate into a reduction in the dominance of a) the US dollar as currency of choice for global trade and foreign exchange reserves, the use of SWIFT as a global trade platform, and that of western economies in technological leadership.

D. K. Srivastava, Chief Policy Advisor, EY India, and member of the 16th Finance Commission Advisory Council said, "Given the present trends and the likelihood of several new members joining the BRICS+ group being strong, the share of BRICS+ in global merchandise exports can overtake that of the G7 group by 2026.".

The G7's lead in managing global economic affairs is likely to come into question as the importance of the BRICS+ group in terms of their share in global population, world GDP and world trade increases.

Central to this transformation are India and China, two key members of the BRICS+ alliance. In 2023, they ranked third and first globally in terms of purchasing power parity (PPP), both countries are projected to retain these positions by 2030.

China's contribution to BRICS+ exports has surged dramatically, increasing from 36.1 per cent in 2000 to 62.5 per cent in 2023. India has also made significant strides, contributing 7.9 per cent to BRICS+ exports in 2023.

The EY analysis further underscores the increasing importance of high-tech exports from BRICS+ countries. The group's share of global high-tech exports has risen significantly, from just 5.0 per cent in 2000 to 32.8 per cent in 2022. This shift reflects a strategic move toward technology-intensive products, positioning BRICS+ nations as vital players in the global high-tech market.

In addition to trade dynamics, the currencies of BRICS+ nations is gaining traction in the global economy.

"The Yuan has remained stable, with slight appreciation, while the Indian Rupee has faced depreciation, particularly since 2018," it said. Notably, the share of the US dollar as a global reserve currency has declined from 71.5 per cent in 2000 to 58.2 per cent in 2024, signalling a potential shift toward a more multipolar currency framework.

"As geopolitical tensions continue, the coordinated policies among BRICS+ members may challenge the established dominance of the G7 and the US dollar, paving the way for a new multipolar global economic landscape..

"In fact, the BRICS+ group is establishing a platform for conducting international trade and investment transactions, which could become a low-cost alternative to the existing SWIFT platform. The group is also developing a trade and reserve currency, backed by gold and other select commodities," adds Srivastava.

(Business Line, 1/11/2024)

Bilateral trades hint at global carbon market agreement

Dealmaking between wealthy and developing countries gathers pace as negotiators prepare to decide formal framework at COP29

A breakthrough in the long-running deadlock over rules governing a global carbon market is tipped to be a key outcome of COP29 in Baku. The existing unregulated trade in carbon credits between companies — the so-called voluntary market, which is worth around $1.5bn a year — has been beset with accounting and integrity scandals in recent years. But a formalised carbon trading system between countries could help to raise some of the climate finance that developed countries have pledged to deliver. This would be an important win for the COP29 organisers.

If agreed, it would allow governments to claim other countries' emission cuts towards their own climate targets by trading instruments that represent one tonne of carbon dioxide removed or saved from the atmosphere. This means countries could cut emissions "in co-operation with others", making the global race to decarbonise "more effective and faster", says Dirk Forrister, chief executive of the International Emissions Trading Association, a Switzerland-based lobby group.

Singapore, Switzerland, South Korea and Japan are among the countries that have already negotiated initial agreements or frameworks that will allow them to buy carbon reductions from developing countries — for example, from tree planting or the sale of cookstoves that use cleaner fuel. Once this market is given a formal go-ahead, dozens of such deals could be finalised — ending a cycle of failures to resolve debates around UN accounting and reporting guardrails.

People familiar with negotiations are confident that a deal will be struck at COP29 on provisions for bilateral trading between countries, as well as for a centralised UN carbon market that companies can take part in. They credit the positive political momentum from the hosts and technical work, in recent months, to introduce human rights and accounting safeguards that have reassured experts from the EU and elsewhere. However, these people say there is still a risk that a final deal could be scuppered, again, if negotiators choose to hold carbon "hostage" to other key issues due to be discussed at COP29. "This is the UN process.

It's a game of moving chairs," says one. Even if a deal is struck, it could be slow to translate into a carbon-trading boom. Buying instruments meant to represent a tonne of CO_2 reduced comes with reputational risk. Recommended COP29 UN carbon trading expert group agrees deal on market framework More broadly, critics argue that polluters should not outsource their responsibility to cut emissions to developing countries.

"It's really important this supplements strong domestic abatement by countries," said Dexter Lee, head of carbon market negotiations in the UK's at the Department for Energy Security and Net Zero, at a recent industry event. Some environmentalists also fear that seller countries could come under pressure to store the CO_2 at the cheapest possible cost, leaving them liable if problems arise with storage — for example, if trees burn down. International carbon trading generates a lot of "hot air" and debate, says Erika Lennon, a senior attorney at US-based non-profit the Center for International Environmental Law, but is "largely a false solution or a dangerous distraction when what we really need to do is take those [domestic] measures to reduce emissions".

Countries have promised to submit more ambitious decarbonisation goals to the UN by February 2025. If a deal is struck on a global carbon market this month, though, countries that plan to sell carbon reductions in future could be tempted to set less ambitious goals, warns Stéphannie Galdino, an analyst at carbon analytics company Veyt. To avoid double counting, countries cannot put carbon reductions towards their climate goals if they have been sold abroad as credits.

But Forrister argues that countries buying carbon reductions are likely to set more ambitious targets, as they are no longer limited to using emission cuts inside their borders. Carbon credit developer Vahid Fotuhi is looking for buyers of carbon credits that his project to restore degraded mangroves in Mozambique could generate.

As negotiators thrash out final details, the potential for bilateral dealmaking at the summit could help the carbon market inch further into existence. Dubai-based carbon credit developer Vahid Fotuhi, for example, has been trying to drum up interest from buyers in the first 2.5mn credits that his project to restore degraded mangroves in Mozambique could generate in the next few years. His sales pitch is that wetland ecosystems are better at sequestering CO_2 than forests.

The east African country has not yet formally agreed to sell carbon credits to a buyer country, he says. Such an agreement would reassure buyers that carbon removals will not be counted twice. So COP29 is a chance for Mozambique to finalise discussions on a carbon deal with buyer countries, Fotuhi says. If carbon deals are “like a marriage”, Baku is like a “nightclub”. “Marriages are rarely forged in nightclubs,” he says. “But, as discussions advance and take further shape, they lay foundations for future bilateral discussions.”

(Deccan Herald, 12/11/2024)

India and China to shape future global economy: Experts

Synopsis

Singapore Senior Minister of State for Foreign Affairs Sim Ann emphasized the importance of continued engagement with China and India for regional growth. Experts at an inaugural event highlighted the two nations' economic prowess, predicting they will drive half of the world's economic growth in the coming years.

Singapore and the Southeast Asian region should continue to closely engage with both India and China, given the two countries' vital roles in regional growth and development, the city state's Senior Minister of State for Foreign Affairs Sim Ann said on Thursday. She underlined the significance of China and India as economic powerhouses and pivotal players on the global stage at an inaugural event for a series by two think tanks that are to examine key issues related to China and India and their roles in the global economy.

The senior Singaporean minister was speaking at the launch of the series 'China and India: Two Giants Shaping the Global Economy' to be held jointly by the East Asian Institute (EAI) and the Institute of South Asian Studies (ISAS) at the National University of Singapore (NUS).

Experts shared their views and opinions on the two countries at the inaugural workshop pointing out that China and India, the world's first and third-largest economies by purchasing power parity, wield immense global influence.

The two countries together account for 35 per cent of the global population and are projected to contribute 50 per cent of global economic growth in 2024.

The launch event was also addressed by leading experts, scholars and researchers, including Dr Li Li, Deputy Director of the Institute of International Relations (IIR) at Tsinghua University, and Professor C Raja Mohan, Visiting Research Professor at ISAS.

EAI Director Alfred Schipke said, "China and India stand as pivotal pillars in the global economic landscape, their combined potential driving half of the world's economic growth in the coming years. As key players in trade and innovation, their influence extends beyond borders, shaping policies and addressing global challenges."

The two NUS research institutes will jointly organise workshops and public events to examine China and India's growth strategies and their broader impact on the global economy from a policy perspective by bringing together academics, policymakers, practitioners and business leaders.

ISAS director Iqbal Singh Sevea noted that both India and China are pivotal to the future of digitalisation and the transition to the green economy.

"Overall, the global order is evolving, and the future of the global economy will be shaped by India and China. Thus, we must understand the impact these two countries will have on global trends," he said.

Nominations for ET MSME Awards are now open. The last day to apply is November 30, 2024. Click here to submit your entry for any one or more of the 22 categories and stand a chance to win a prestigious award.

(Economic Times, 14/11/2024)