Europe India Chamber of Commerce

Newsletter

**Issue: 194 Volume: 18** December 2024

**India raises issue of non-tariff barriers with EU**

India's bilateral trade in goods with the EU was $ 137.41 billion in 2023-24, making it the largest trading partner of India for goods.

India has said that the non-tariff barriers are impeding trade with the European Union and has called for addressing the long-pending issues as a confidence building measure.

The issue of the barriers Indian exports face in the EU was raised by Commerce and Industry Minister Piyush Goyal in his meeting with European Commissioner for Trade and Economic Security; Interinstitutional Relations and Transparency Maroš Šefčovič.

This was the first meeting between the two leaders after the new European Commission of the European Union took charge. Other items on the agenda were discussions on India-EU Free Trade Agreement (FTA) negotiations, High Level Dialogue, India-EU Trade and Technology Council, other high level engagements and trade and investment issues, a statement by the ministry of commerce and industry said.

Goyal said after nine rounds of intensive negotiations, FTA discussions require strategic political guidance to conclude a commercially significant and mutually beneficial agreement, with due consideration given to each side's sensitivities.

"Both sides agreed to explore a balanced, equitable, ambitious and mutually beneficial FTA. The two leaders also committed to schedule a bilateral visit to understand each other's sensitivities and concerns at a date convenient to both sides, through diplomatic channels, the statement added.

The negotiations on the FTA that resumed after a gap of nine years in June 2022 has seen nine round of negotiations and the breakthrough is still elusive,

One of the most prominent non-tariff barriers that India faces in the European Union is the safeguard duties on steel, which were first imposed in 2018 and then extended this year till 2026. EU is the most export market for Indian steel with shipments of Rs 29534 crore in 2024-24. Despite the safeguard duties Indian steel exports to the EU have been increasing every year. Steel exports to the EU stood at Rs 22482 crore in 2022-23.

Apart from normal safeguard action the EU has also come out with Carbon Border Adjustment Mechanism (CBAM) and Deforestation Regulation that will impose taxes on imports based on carbon emission intensity.

India’s bilateral trade in goods with the EU was $ 137.41 billion in 2023-24, making it the largest trading partner of India for goods. The bilateral trade in services, in 2023, between India and the EU was estimated at $ 51.45 billion.

(Financial Express, 21 12/2024)

**India-UK FTA talks likely to resume in Jan aiming to resolve pending issues**

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

India and the UK are expected to hold the next round of talks for a proposed free trade agreement (FTA) in January to resolve the pending issues and close the negotiations, a senior official said on Thursday.

The talks for the proposed FTA began in January 2022. The 14th round of talks stalled as the two nations stepped into their general election cycles.

In November, an official statement said that the dates for the FTA talks in early 2025 would be finalised through diplomatic channels.

The negotiations would resume the discussions from the progress achieved previously and seek to bridge the gaps for expeditiously closing the trade deal.

The next round of talks is likely to start at January-end, the official said.

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

On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, electric vehicles, lamb meat, chocolates and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments like telecommunications, legal and financial services (banking and insurance).

The two countries are also negotiating a bilateral investment treaty (BIT).

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

The bilateral trade between India and the UK increased to USD 21.34 billion in 2023-24 from 20.36 billion in 2022-23.

(Business Standard, 15/12/2024)

**EU and Mercosur reach political agreement on groundbreaking partnership**

Today, the President of the European Commission Ursula von der Leyen and her counterparts from four Mercosur countries (Brazilian President Lula, Argentinian President Milei, Paraguayan President Peña, and Uruguayan President Lacalle Pou) finalised negotiations for a groundbreaking EU-Mercosur partnership agreement.

President of the European Commission, Ursula von der Leyen, said: “This is a win-win agreement, which will bring meaningful benefits to consumers and businesses, on both sides. We are focused on fairness and mutual benefit. We have listened to the concerns of our farmers and we acted on them. This agreement includes robust safeguards to protect your livelihoods. EU-Mercosur is the biggest agreement ever, when it comes to the protection of EU food and drinks products. More than 350 EU products now are protected by a geographical indication. In addition, our European health and food standards remain untouchable. Mercosur exporters will have to comply strictly with these standards to access the EU market. This is the reality of an agreement that will save EU companies €4 billion worth of export duties per year.”

This agreement comes at a critical time for both sides, presenting opportunities for major mutual gains through strengthened geopolitical, economic, sustainability and security cooperation.

It will boost strategic trade and political ties between like-minded and reliable partners.

It will support economic growth, boost competitiveness and strengthen resilience on both sides by opening up trade and investment opportunities and securing sustainable access and processing of raw materials.

It represents a major milestone in fighting climate change with strong, specific and measurable commitments to stop deforestation.

It considers the interests of all Europeans, including the critically important EU farming sector. It will help increase EU agri-food exports while protecting sensitive sectors.

It upholds the EU's standards on animal health and food safety, preventing unsafe products from entering our market.

A boost for EU and Mercosur competitiveness and economic security

This landmark deal will:

Secure and diversify our supply chains.

Create new opportunities for all kind of businesses, by removing often prohibitive tariffs on EU exports to Mercosur.

Save EU businesses €4 billion worth of duties per year.

Ensure trade preferences in strategic net zero industry sectors such as renewable energy technologies, and low-carbon fuels.

Help small and medium enterprises export more by cutting red tape.

Secure an efficient, reliable and sustainable flow of raw materials critical for the global green transition.

An enhanced commitment on sustainability

This deal takes the EU-Mercosur sustainability commitments to the next level through:

Making the Paris Agreement an essential element of the EU-Mercosur relationship.

Concrete commitments to halt deforestation.

Clear and enforceable commitments on sustainable development, including on labour rights and sustainable management and conservation of forests.

An active role for civil society organisations to overview the implementation of the agreement, including human rights or environmental concerns.

Moreover, €1.8 billion in EU support will facilitate the fair green and digital transition in Mercosur countries, as part of the Global Gateway.

Next steps

The proposed EU-Mercosur agreement is composed of a political and cooperation pillar, and a trade pillar. The end of negotiations constitutes the first step in the process towards conclusion of the agreement. The official documents will be published online over the next days.

Following final legal scrubbing by both sides, the text will be translated into all official EU languages, and then submitted to the Council and Parliament.

(Source: European Commission, 6/12/2024)

**India, Australia outline path for early conclusion of comprehensive FTA**

New Delhi and Canberra discussed several critical areas of the proposed agreement, including trade in goods, services, mobility, agri-tech cooperation, among others.

The department of commerce on Monday said that India and Australia have "outlined a path forward for the early conclusion" of the Comprehensive Economic Cooperation Agreement (CECA) between both nations.

During a three-day stocktake meeting between both nations during 4-6 December, New Delhi and Canberra discussed several critical areas of the proposed agreement, including trade in goods, services, mobility, agri-tech cooperation, among others.

"The discussions also centered on market access modalities that align with India's food security objectives," the commerce department said in a statement.

The Indian delegation was headed by additional secretary and chief negotiator, department of commerce, Rajesh Agrawal, and the Australian side was headed by first assistant secretary and chief negotiator, department of foreign affairs and trade Ravi Kewalram.

The meeting follows the 10th round of CECA negotiations held in Sydney from August 19th to 22nd, 2024, where both sides made significant progress on various aspects of the CECA.

CECA negotiations began in February 2023, nearly two months after the signing of the interim trade agreement also known as Economic Cooperation and Trade Agreement (ECTA). Both countries had signed ECTA in April 2022, which kicked in later during the year, from December 29.

The proposed comprehensive trade deal envisages a covering five broad areas including goods, services, digital trade, government procurement, product specific rules under rules of origin chapter.

Both sides have shown interest in the inclusion of new areas in the comprehensive trade deals, such as competition policy, micro, small and medium enterprises (MSMEs), gender, innovation, agri-tech, critical minerals, and sports.

“Both delegations expressed optimism about the future of the CECA and the broader India-Australia economic partnership. The discussions have paved the way for further collaboration, particularly in areas such as agricultural innovation, market access, and supply chain resilience,” the statement said.

(Business Standard, 10/12/2024)

**India-UK investment bridge: Focus on roads, renewables, and rapid transit projects**

Synopsis

India and the UK are partnering on infrastructure projects, focusing on roads, rapid transit, and renewables. The collaboration aims to attract UK investment and expertise to support India's growth, with initial plans to identify three projects by March 2024. Building confidence among UK firms wary of past challenges is key to the partnership's success.

India is pitching roads, renewables and rapid transit projects for development under the India-UK investment bridge, according to a report in the Times of India. As per the report, India is willing to tailor the design for greater participation from global investors.

A discussion on potential projects was held also where representatives from the City of London Corporation, officials from Niti Aayog and other ministries and companies from the UK and India, including foreign companies operating in India participated.

Quoting govt sources, ToI claimed that the participation will be open to global bidding, not nomination. This comes as foreign companies have largely exited India's road sector, leaving smaller Indian developers to fill the gap.

Chris Hayward, policy chairman of the City of London Corporation, outlined the plan: “We are receiving presentations from Indian partner companies and also from the UK companies. We have got major engineering firms like Mott Macdonald and Arup, which have global companies with huge global experience in infra projects. The plan is, between now and March next year, we are going to identify three projects with Indian govt which are likely to be in the sectors of roads, rapid transit and renewables.”

The partnership will initially focus on identifying three projects by March 2024, with UK firms offering project management expertise. The long-term goal is to attract capital investment from the UK to support India's sustainable transport strategy. Hayward expressed hopes for a lasting partnership: “Once those are agreed, we will be bringing to the table the expertise that the project management firms can supply. In due course, we expect that to expand to capital investment and capital coming out of London and out of the UK to support PM Modi's sustainable transport strategy. This is a two-year agreement initially, but we hope that it would blossom into a long-term partnership between London and the Indian govt because the growth in India is so spectacular and so fast that India needs friend and partners to support in delivering infrastructure ambitions.”

Hayward emphasized the need for mutual benefit and acknowledged past challenges for UK firms in India, stating: “One of the challenges of this bridge is that British and other firms have had their fingers burnt. The whole market in India has developed or changed since those days. But, of course, the first thing is confidence building in the British companies that they are not going to get their fingers burnt.” The role of a potential bilateral investment treaty remains under discussion, with Hayward highlighting the need for regulatory certainty and ease of participation for UK businesses. He noted: “There are negotiations still in play. For this to succeed, the Indian govt has to make it as easy as possible for UK businesses to participate. If barriers are put up that are unacceptable, then it will not work. Regulatory certainty is important for everything, the world over".

(Economic Times, 4/12/2024)

**Electronics sector in India projected to create 12 million jobs by 2027**

The electronics sector in the country is projected to create 12 million jobs by 2027 — 3 million direct and 9 million indirect roles, a report said on Saturday.

Direct employment opportunities are likely to include employment for nearly 1 million engineers, 2 million ITI-certified professionals, and 0.2 million specialists in fields like AI, ML and data science, while non-technical roles are expected to contribute 9 million indirect jobs, highlighting the sector’s immense potential to fuel economic growth, according to the report by TeamLease Degree Apprenticeship.

The electronics industry has an ambitious goal of achieving $500 billion in manufacturing output by 2030. To meet this target, the sector must grow five-fold over the next five years, bridging a $400 billion production gap.

Currently, domestic production stands at $101 billion, with mobile phones contributing 43 per cent, followed by consumer and industrial electronics at 12 per cent each, and electronic components at 11 per cent.

Additionally, emerging segments like auto electronics (8 per cent), LED lighting (3 per cent), wearables and hearables (1 per cent), and PCBAs (1 per cent) offer substantial growth potential, said the report.

“India’s electronics sector, valued at $101 billion, is swiftly positioning itself as a global electronics hub, contributing 3.3 per cent to global manufacturing and 5.3 per cent to India’s total merchandise exports in FY23,” said Sumit Kumar, Chief Strategy Officer at TeamLease Degree Apprenticeship.

Despite its modest 4 per cent participation in global value chains, the sector holds immense growth potential by moving beyond final assembly to include design and component manufacturing.

“As opportunities and employment creation rise, a multi-pronged approach becomes essential, with a strong focus on apprenticeships, reskilling, and upskilling to cultivate a future-ready workforce,” said Kumar.

Furthermore, capacity building is vital, especially given that ITIs currently operate at just 51 per cent enrolment. Employers and industries can strengthen this effort by setting up in-house training centers and collaborating with academia through Work-Integrated Learning Programs (WILP) and degree apprenticeships, the report mentioned.

According to AR Ramesh, CEO of TeamLease Degree Apprenticeship, India's electronics sector has witnessed remarkable growth, propelled by initiatives such as 'Make in India', the 'National Electronics Policy', PLI schemes, and 'Digital India".

(The Statesman, 30/12/2024)

**Trump tariffs: Govt to review India-US trade ties this week**

During 2001-23, India's exports to the US rose at the compounded annual growth rate of 10.48 % while during this period the US's overall imports grew at 4.76 %.

The ministry of commerce and industry has planned a review of the India-US trade relationship this week to assess its progress over the years and chalk out plans to deal with any possible execution of President-elect Donald Trump's tariff threats.

Though "there are no irritants in the relations between the two countries that can lead to discriminatory tariffs against India," an official said, the ministry will take a look at the experience during the previous Trump administration and plan for the future course.

Trump, who had called India an "abuser" of import tariffs during the US election campaign, on Sunday threatened the nine-member Brics bloc with 100% tariffs if the countries went ahead with their plan to create a new currency to rival the US dollar.

Despite Trump's threats, ministry officials do not expect any drastic change in duties on US imports from India.

Commerce and industry minister Piyush Goyal also expressed similar views last week. "To the best of my understanding of the situation based on the Indian experience of working with the Trump administration we do not see any problem whatsoever," Goyal had said, adding Prime Minister Narendra Modi and Trump enjoy a good relationship.

The officials said Trump's tariff threats for Canada, Mexico and China made last week were tied to matters beyond trade such as illegal immigration and drug trade. While for Brics, the warning was aimed at desisting the bloc from undermining the role of the US dollar in international transactions.

"Between India and the US there are no security or other similar issues so action on that count is not expected," one of the officials added.

The officials are hopeful that the India-US trade will continue its momentum of growth seen in the past nearly two-and-a-half decades.

Data compiled by the ministry since 2000 suggests that India's share in US imports has steadily increased and this trend did not stop even when Trump was President between 2017 and 2021.

India's share of US imports has grown to 2.8% in 2023 from 0.9% in 2001. During 2001-23, India's exports to the US rose at the compounded annual growth rate of 10.48 % while during this period the US's overall imports grew at 4.76 %.

Though Trump had called India an "abuser" of import tariffs, the US itself puts very high tariffs on farm products such as dairy (188%); fruits and vegetables (132%); coffee, tea, cocoa and spices (53%); cereals and food preparations (193%); oilseeds, fats and oils (164%); beverages and tobacco (150%); fish and fish products (35%); minerals and metals (187%); and chemicals (56%). If Trump's tariff threats bring both sides to the negotiating table then India also has the room to seek concessions, according to experts.

(Financial Express, 3/12/2024)

**At $129 bn, India top recipient of remittances this year: World Bank**

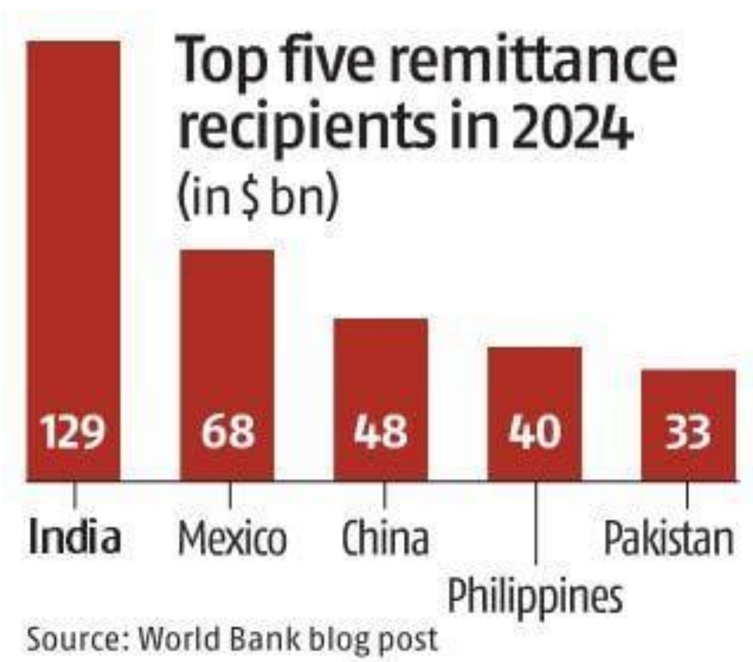
The growth rate of remittances this year is estimated to be 5.8 per cent, compared to 1.2 per cent registered in 2023.

India was the topmost recipient of remittances in 2024 with an estimated inflow of $129 billion, followed by Mexico, China, Philippines and Pakistan, driven by a recovery in the job markets in high-income countries, a blog post by World Bank economists said on Wednesday.

The growth rate of remittances this year is estimated to be 5.8 per cent, compared to 1.2 per cent registered in 2023, according to the report. "The recovery of the job markets in the high-income countries of the Organization for Economic Co-operation and Development (OECD), following the onset of the pandemic, was the key driver of remittances," the blog post said.

It added that officially recorded remittances to low-and middle-income countries (LMICs) are expected to reach $685 billion in 2024. The blog post said remittances have continued to outpace other types of external financial flows to low- and middle-income countries and will continue to increase because of enormous migration pressures driven by demographic trends, income gaps, and climate change.

"Countries need to take note of the size and resilience of remittances and find ways to leverage these flows for poverty reduction, financing health and education, financial inclusion of households, and improving access to capital markets for state and non-state enterprises," the blog said.



Remittance flows to South Asia are expected to register the highest increase in 2024, at 11.8 per cent, driven by continued strong flows to India, Pakistan, and Bangladesh, the blog post by economists Dilip Ratha, Sonia Plazaeung and financial analyst Ju Kim, added.

(Business Standard, 19/12/2024)

**----------------**