

NEW UK PRIME MINISTER LIKELY TO STICK TO PLAN OF SECURING DEAL BY OCTOBER

Free trade pact to bring quick economic gains to India

FE BUREAU

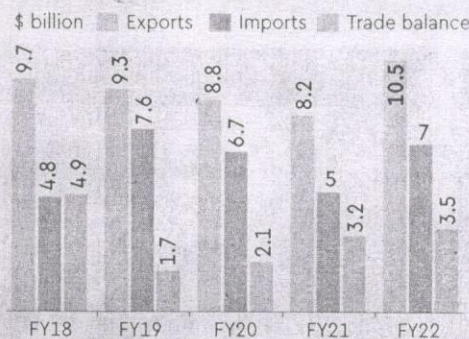
New Delhi, September 5

LIZ TRUSS, AS the UK's new prime minister — she will assume office on Tuesday — will likely stick to the plan of her predecessor Boris Johnson to clinch a free trade agreement (FTA) with New Delhi by Diwali in October, given that both sides have more or less concluded the negotiations already, and are equally keen to strike the deal at the earliest.

Though India is still not among the UK's major economic partners — it accounts for barely 2% of its trade in goods and services and just 0.6% of its inward FDI stock — the scope for expansion on both these fronts are tremendous and much bigger than with any other country. Also, the FTA is seen to bring significant economic benefits to both sides rather quickly.

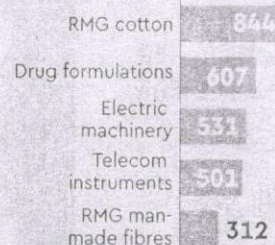
For Truss, who has inherited an economy with sluggish growth, addressing the intractable issues of low wages and high energy costs are

India-UK merchandise trade



Major items of India's exports to the UK

FY22 (\$ million)



paramount. She will have to rely on external trade in a big way in the medium term in battling the Brexit's adverse effects on its economy, which is estimated at a considerable 2-2.5% of its GDP.

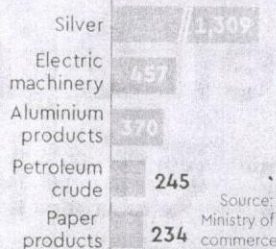
An ambitious target is set by both sides to raise bilateral trade in goods and services between the two countries to about \$100 billion by

2030. While this looks a tall target, the FTA will definitely lead to substantial incremental growth of trade between the two countries, besides enhanced, broader economic cooperation, which would, among other things, result in much higher two-way investment flows.

The pact, which will likely be a full-fledged one (an earlier plan was

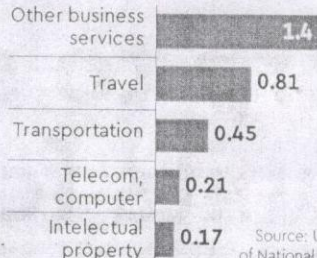
Major items of India's imports from the UK

FY22 (\$ million)



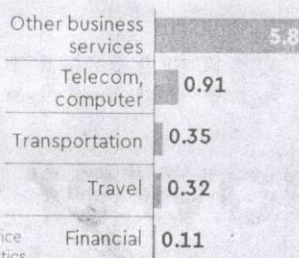
Major services exported from the UK to India

(Billion £)



Major services imported to the UK from India

(Billion £)



surge in India's exports of refined petroleum products to the UK. According to data released by the UK Office of National Statistics, of India's merchandise exports to the UK in Q1 2022, petroleum products were the single largest item, with shipments worth £888 million. This shows bilateral trade could be expanded manifold even in the short term.

India's commerce & industry minister Piyush Goyal and his UK counterpart Anne-Marie Trevelyan have had many rounds of negotiations for the FTA. The discussions centred around opportunities to unlock the full potential of bilateral trade and opening up new areas for businesses from both the sides.

Even though India-EU FTA talks are still hanging fire due to differences in areas including liquor, automobiles and intellectual property rights, the India-UK deal could be struck. On its part, the UK government has laid-out the 'Indo-Pacific tilt' in its foreign policy, and has made it clear that India is a key partner.

to have an interim deal first), could cover more than 90% of tariff lines. Besides, it could lead to a spurt in India-UK services trade, which is currently 60% of overall annual commerce between the two countries. Johnson had agreed to a regime that will multiply visas to Indian skilled IT professionals to tide over a shortage in the UK; Truss

will likely go by that plan.

The FTA encompasses a wide range of areas including tariffs, sustainable growth, product and service standards, SMEs, government procurement, data flows and intellectual property.

The sectors that are to benefit the most from the FTA are textiles, pharmaceuticals and healthcare,

food & drink — including alcoholic drinks like Scotch. Plus, of course, ICT (information & communications technology) and digital services — the innovative, tech-rich future-focused industries that will drive expansion of UK-India trade.

Following the Russia-Ukraine war and the western sanctions on Moscow, there has been a sudden

20% export duty imposed on non-Basmati 'white' rice

SANDIP DAS

New Delhi, September 8

THE GOVERNMENT ON Thursday imposed a 20% export duty on non-Basmati 'white' rice exports which is expected to hit overall volume of exports in the current fiscal.

According to a finance ministry notification, the export tax will be applicable from Friday. Government has exempted par-boiled rice and Basmati from the duty.

Exporters say that out of total non-basmati rice exports of 17 million tonne (mt) in 2021-22, share of white rice was around 60% and the rest of the shipments were par-boiled rice which has been exempted from export duty.

"Our concern is whether this export duty will be applicable to around 2 mt white rice consignment in the transit," V Krishna Rao, president, All India Rice Exporters Association, told FE.

Rao said imposition of export tax will definitely reduce the volume of rice export this fiscal and make rice from India costlier.

Currently, India is exporting non-basmati rice at around \$360 a tonne. The finance ministry also imposed a 20% export duty on rice in husk (paddy) and husked



■ Government has exempted par-boiled rice and Basmati from the duty

■ Traders say imposition of export duty will definitely reduce the volume of rice export

■ India has been the world's largest rice exporter in the last decade — export earnings stood at \$8.8 billion in 2020-21 and \$9.6 billion in 2021-22

brown rice. India has been the world's largest rice exporter in the last decade — export earnings stood at \$8.8 billion in 2020-21 and \$9.6 billion in 2021-22.

According to the commerce ministry data, India's value of rice

exports rose 12% to \$2.6 billion in the first quarter of the current fiscal compared to previous year.

"It will make the exports costlier thereby ensuring affordability of rice to the common masses," Saurab Agarwal, tax partner, EY said. Because of 5% decline in paddy sowing this kharif season because of deficient rainfall in key paddy-growing areas of West Bengal, Uttar Pradesh, Jharkhand and Bihar, rice production is expected to decline in 2022-23 crop year (July-June) from a record 130 mt achieved in 2021-22 crop year.

The United States department of agriculture (USDA) in its rice outlook for August had stated that India's rice exports are projected to increase to a record 22 MT in 2022-23. USDA has projected that country's projected exports exceed the combined shipments of the next three-largest exporters — Thailand, Vietnam and Pakistan.

Out of the 21 mt of rice shipment in 2021-22, India exported more than 17 mt of non-basmati rice and the rest of the volume was aromatic and long grain Basmati rice. In terms of volume, Bangladesh, China, Benin and Nepal are five major export destinations of rice.

Adani Plans to Export Power to Bangladesh

Bloomberg

Gautam Adani plans to start exporting electricity from a coal-fired plant in Jharkhand to Bangladesh before the end of the year, helping to alleviate energy shortages in the South Asian nation.

Adani Power will commission a 1.6 gigawatt facility in Jharkhand and a dedicated transmission line for the exports by December 16, Adani said in a Twitter post late on Monday after meeting Bangladesh's Prime Minister Sheikh Hasina in New Delhi.

The project underscores India's push to use infrastructure as part of its diplomatic outreach to neighbours. Adani — Asia's richest person controlling a business empire spanning ports, infrastructure and energy — is also involved in investments in Sri Lanka.

Bangladesh has been suffering energy shortages as the



price of fuels like gas and coal surge following Russia's invasion of Ukraine. It remains heavily dependent on imported fossil fuels for electricity, and is aiming to double its power generation capacity by 2041 to support its export-oriented economy, according to the US Department of Commerce.

Jharkhand is one of India's biggest coal-mining regions, but the plant will mainly use fuel imported from overseas, according to a 2017 approval document from the environment ministry.

Rice Prices Increase 5% after B'desh Cuts Import Duty Further

Sutanuka.Ghosal
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Kolkata: Prices of rice, the most common staple in Indian households, have gone up nearly 5% from Friday as Bangladesh further slashed import duty on rice from 25% to 15.25% to increase imports of the staple. Rice from West Bengal, Uttar Pradesh, Bihar, Madhya Pradesh and Karnataka are exported to Bangladesh.

"Prices have suddenly shot up by up to 4% after Bangladesh government announced reduction of duty on import of rice. The neighbouring nation will buy rice from India as well as procure some quantities from Vietnam," said Suraj Agarwal, CEO of Rice Villa

Bangladesh will import samba, mansoori, sonam and kolam varieties of rice from UP, Bihar, Madhya Pradesh and Karnataka. Prices of these varieties have already shot up by 3-4% in the last one week.

Due to its proximity to West Bengal, Bangladesh buys a good amount of miniket rice from the state. "Prices of miniket variety in West Bengal have firmed up by 5%," he said.

While Bangladesh's move to import more rice from India has



pushed up prices, lower paddy cultivation too is making rice dearer. Total area under paddy cultivation as on September 2 is down by 5.6% to 383.99 lakh hectares from 406.89 lakh hectares in Kharif 2021. Lesser rains in the paddy growing states of eastern India of Uttar Pradesh, Bihar, Jharkhand and West Bengal are to blame.

"There will definitely be a shortage of 10 million tonnes of rice as the sowing and transplantation season for paddy is now over. We are fearing that there will be panic buying for rice at the farmgate level this year, which may result in prices moving up till December," said Tarun Satsangi, assistant general manager (commodity research), at Origo E-Mandi.

Data from the United States Department of Agriculture showed India had the largest share of rice in global consumption and global production of rice in 2022-23.

The Economic Times dt. 8.9.22

Gas, No Oil' Cap Prices

Supplies would roil global markets

Russia's paramount leader added some defiant spice from the famous Russian fairy tale "The Sister-Fox and the Wolf".

"We would only have one thing left to do: as in the famous Russian fairy tale, we would sentence the wolf's tail to be frozen," Putin said.

Europe usually imports about 40% of its gas and 30% of its oil from Russia.

Since he ordered the February 24 military operation in Ukraine, Putin says the United States and its allies have embarked on economic war on Russia with the most severe sanctions in modern history, warning that they will face an energy crisis as a result.

Since the conflict began, European Union customers have pledged to reduce their reliance on Russian energy while Russia has cut or shut down supplies on three of its biggest westward gas pipelines while oil supplies have been redirected eastwards. **Reuters**

China's Export Growth Sinks in Aug, Imports Shrink

Exports rise 7% yoy, decelerating from July's 18% expansion; imports contract 0.2% compared with previous month's already weak 2.3% growth

Beijing: China's trade weakened in August as high energy prices, inflation and anti-virus measures weighed on global and Chinese consumer demand, while imports of Russian oil and gas surged.

Exports rose 7% over a year ago to \$314.9 billion, decelerating from July's 18% expansion, customs data showed Wednesday. Imports contracted by 0.2% to \$235.5 billion, compared with the previous month's already weak 2.3% growth.

Demand for Chinese exports has softened as Western economies cool and the Federal Reserve and central banks in Europe and Asia raise interest rates to contain surging inflation. At home, repeated closures of Chinese cities to fight virus outbreaks has weighed on consumers' willingness to spend.

"The slowdown in China's export sector is adding to headwinds for the Chinese economy," said Rajiv Biswas of S&P Global Market Intelligence in a report. Lack of import growth highlights "continued weakness of Chinese domestic demand."

Growth in the world's second-largest economy fell to 2.5% in the first half of 2022, less than half the ruling Communist Party's 5.5% annual target, after Shanghai and other industrial centers were shut down to fight virus outbreaks.

Factories have reopened, but restrictions more recently in areas including the southern business center of Shenzhen weighed on activity. **AP**



Foreign Exchange Reserves Drop to Near Four-Year Low



China's foreign exchange reserves declined for a second straight

month to the lowest since October 2018 as global financial asset prices dropped, according to the government. Reserves decreased to \$3.0549 trillion as of the end of August, down \$49.2 billion from a month ago, data released by the People's Bank of China showed. That was slightly below the median estimate of \$3.065 trillion in a Bloomberg survey of economists. The fall was due to drops in asset prices as the dollar strengthened, Wang Chunying, spokeswoman at the State Administration of Foreign Exchange, said in a statement. **Bloomberg**

...Proposes to Cap Windfall Revenues of Power Companies



BRUSSELS European Commission President Ursula von der Leyen

said the EU will propose to cap the huge revenues earned by nuclear and renewable power companies that benefit from exorbitant electricity prices caused by the war in Ukraine. "Low carbon energy sources are making unexpected revenues, which do not reflect their production costs," von der Leyen said. **AFP**

Elon Musk Urged Bankers to Slow Twitter Deal on War Risk: Lawyer

Twitter Inc.'s lawyers are using Elon Musk's text messages to try to convince



invade Ukraine. "It won't make sense to buy Twitter if we have

US Lawmaker Introduces Bill to Ban Chinese App TikTok on Govt Devices



WASHINGTON A US lawmaker on Wednesday in-

Internet is Takeup & Right

Truss's new internet is Britain's most diverse