India, US aim to resolve thorny trade issues by middle of '22

Bilateral trade expected to cross $100 bn this year

SHREYA NANDI
New Delhi, 23 November

India and the US on Tuesday expressed hope of reaching some sort of an understanding to resolve thorny issues in their trade relations by mid-2022 as US trade representative (USTR) Katherine Tai wrapped up her two-day visit to the capital. They include those related to agriculture, non-agriculture goods, services, investments and intellectual property rights.

Both the countries sought to achieve this under the Trade Policy Forum (TPF), which is being re-convened after a four-year gap. Tai and commerce and industry minister Piyush Goyal chaired the first meeting of the revived TPF here.

Meanwhile, the US said it may consider India's request to give it benefits under the generalised system of preferences (GSP), withdrawn by the Trump administration. Both the countries also exchanged their views on potential 'targeted tariff reductions'.

The two ministers directed the working groups, constituted for the five broad areas cited above, under TPF, to develop action plans for making substantive progress by March 2022.

They also asked the group to identify a set of specific trade outcomes, which could be finalised for an inter-sessional TPF meeting by mid-2022.

"The ministers acknowledged the tangible benefits accruing to Indian and US farmers and businesses, by mutually resolving certain outstanding market access issues through increased bilateral engagement. Both sides also agreed to continue working to expand bilateral trade in agricultural and food products through the TPF Working Group on Agricultural Goods. They committed to holding technical dialogues on animal health, plant health, food safety and other technical issues in 2022," a joint statement said after the TPF meeting. The relaunch of the forum comes at a time when the US has emerged as India's largest trading partner, surpassing China. Bilateral merchandise trade in the current year is poised to surpass the $100-billion mark, according to the joint statement. The importance of TPF also gained ground as the US had earlier made it clear that it is not keen on looking at signing a mini trade deal with India for the time being. The US is also India's biggest export market, and outbound shipments worth $52 billion were sent to that country in 2020-21.

NATIONS TO WORK ON EXPORTING MANGOES, POMEGRANATES TO US

India and the US on Tuesday agreed to work on ways to export mangoes from India as well as to import cherries from America, during the meeting between Commerce Minister Piyush Goyal and USTR Katherine Tai where various other trade matters also came up for discussion. The US would finalise the transfer of the pre-clearance programme/ regulatory oversight of irradiation for both the fruits to Indian authorities soon, a joint statement said. PTI

"The ministers underlined the significance of the TPF in forging robust bilateral trade ties and enhancing bilateral economic relationships to benefit working people in both countries," said a joint statement released by the two countries.

Both the nations are expected to work towards deeper bilateral cooperation on important issues. These include, digital trade, agriculture, good regulatory practices and standards and conformity assessment.

The ministers also decided to finalise work on market access facilitation for pomegranates and pomegranate arils from India, and cherries and alfalfa hay for animal feed from the US. For instance, the US agreed to work to complete India's request for table grapes access to the US. And, India agreed to work to finalise the mutually-agreed export certificate to allow the import of US pork products.

India also expressed its interest in restoration of its beneficiary status under the American Generalised System of Preferences (GSP) program. The Trump administration had, in 2019, removed India from the GSP scheme, a special trade treatment for developing countries due to significant trade barriers in India. India was the biggest beneficiary of the GSP in 2018.

"The United States noted that this could be considered, as warranted, in relation to the eligibility criteria determined by the US Congress," the statement said.

The ministers also exchanged information on the relationship between trade and labour, emphasising the importance of trade in creating employment and opportunities for the working population.

GST cut: GoM to meet on Nov 27 to finalise report

PRESS TRUST OF INDIA
New Delhi, 23 November

The panel of state finance ministers looking into GST rate rationalisation will meet on November 27 and finalise its report on rate changes to expand the tax base.

Sources said the Fitment committee, comprising tax officers from states and the centre, has made many "sweeping" recommendations regarding slab and rate changes and taking items out of the exemption list.

The recommendations will be discussed in the meeting, but all might not be accepted in toto. This is the third meeting of the GoM, which was set up in September. It was tasked to submit a report within 2 months.

The Group of Ministers (GoM) on rate rationalisation, headed by Karnataka CM Basavaraj Bommai, also includes, Kerala Finance Minister K N Balagopal, and Bihar Deputy CM Tarkishore Prasad. The sources said the report of the ministerial panel is likely to be finalised in this meeting and would be presented before the GST Council when it meets next month. The GoM in its meeting on November 27 would also review items under an inverted duty structure to help minimise refund payout and review the supply of goods and services exempt under GST with an objective to expand the tax base and eliminate breaking of input tax credit chain.

Currently, GST is a four-tier slab structure of 5, 12, 18 and 28 per cent. Essential items are either exempted or taxed at the lowest slab, while luxury and demerit items attract the highest slab. On the top of the highest slab, a cess is levied on luxury and demerit goods.

There have been demands for merging the 12 and 18 per cent slab as also taking out certain items from the exempt category to balance the impact of slab rationalisation on revenue.

Goldman, others raise FY22 GDP growth forecast

PUNEET WADHWA
New Delhi, 23 November

Various analysts and brokerage houses have raised their projections for India's economic growth in the current fiscal year on a low base of 7.3 per cent contraction in 2020-21 due to pick-up in consumption and dwindling Covid cases.

Goldman Sachs in its recent Macro Outlook 2022 note revised upward its projection for gross domestic product (GDP) to 9.1 per cent, from the earlier estimate of 8 per cent for calendar year 2022. For 2021-22 (FY22), it pegged economic growth at 8.5 per cent.

"We expect consumption to be an important contributor to growth in 2022 as the economy fully reopens, driven by a notable improvement in the virus situation and adequate progress on vaccination. We also expect government capital spending to continue, seeing nascent signs of a private corporate capital expenditure recovery and a revival in housing investment," wrote Andrew Tilton, Goldman Sachs' chief Asia-Pacific economist in a co-authored report with Santanu Sengupta and Suraj Kumar.

This consumption-led growth, however, will come with its own set of challenges.

For one, Goldman Sachs expects a rise in core inflation as manufacturers pass on input cost increases to consumers. As a result, the global research and brokerage house has pegged the headline consumer price inflation in India at 5.8 per cent year-on-year in 2022, from 5.2 per cent in 2021.

SBI Research upped its forecast of GDP growth to 9.3-9.6 per cent for the current fiscal year, from its earlier prediction of 8.5-9 per cent.

"We now believe that FY22 GDP growth rate could be in the range of 9.3-9.6 per cent. The reason for the upward revision is that India recorded only 11 per cent increase in Covid cases during the third quarter of 2021, second-lowest among top 15 most-affected countries, and the increase in cases has declined to 2.3 per cent in November over September," said Soumya Kanti Ghosh, chief economic advisor, SBI Group.

	Earlier	Now
Goldman Sachs	8	9.1
SBI Research	8.5–9	9.3–9.6
UBS Securities	8.9	9.5
RBI	9.5	9.5
CARE Ratings	9.1	9.1
Fitch Ratings	10	8.7

Note: Goldman Sachs figures are for calendar year 2022
Source: Respective entities

Citing faster-than-expected recovery, rising consumer confidence, and the resultant spending spike, Swiss brokerage UBS Securities recently revised upward its growth forecast for the current fiscal year to 9.5 per cent, from 8.9 per cent pegged in September.

The brokerage also saw the economy clipping at 7.7 per cent in 2022-23 (FY23), but moderating to 6 per cent in 2023-24 since it expects the benefit of a low-interest rate regime to end by the end of FY23.

However, CARE Ratings retained its projection to 9.1 per cent with an upward bias.

The Reserve Bank of India also forecasts 9.5 per cent GDP growth this fiscal year, while the average projection ranges between 8.5 per cent and 10 per cent. The government projection is around 10 per cent.

In this regard, Fitch Ratings is an outlier which had lowered its projection to 8.7 per cent, from its earlier forecast of 10 per cent in view of the impact of the second Covid-19 wave in the country.

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