

Trade deal to rare earth, geopolitics in focus

NIVEDITA MOOKERJI

New Delhi, 11 June

The celebration of 11 years of the Narendra Modi government comes against the backdrop of fast-moving developments in geopolitics. For instance, talks to arrive at an early trade pact with the United States (US) top the to-do list of the government at this point, according to sources in the know.

Reflecting the unpredictability of the course of the talks, a top government source hinted that the Indian side was keeping fingers crossed, hoping that negotiations with the US would see a positive outcome by the July 9 deadline. If there is no trade deal by then, the 26 per cent reciprocal tariffs announced in April by US president Donald Trump would come into effect, raising the prices of US-bound Indian products significantly.

In any case, both sides are committed to a mutually beneficial bilateral trade agreement by Fall this year.

The US team, which was in India for more than a week to negotiate an early trade deal, is learnt to have returned. This was the second round of negotiations since the US announced reciprocal tariffs, and a 90-day pause later. It is learnt that there was a definite pushback from India when it came to the US' tariff cut demands on certain categories of exports like agriculture and dairy products.

ILLUSTRATION: BINAY SINHA



Story so far

- Talks to arrive at an early trade pact with the US on govt's top agenda
- Indian side hoping for a positive outcome on US trade deal by the July 9
- India talking to other countries where rare earth can be found and processed
- Supply-chain disruptions related to rare earth magnets from China are a cause of geopolitical anxiety for the government

A top source pointed out that in case of tariff revisions of some items, the American side prefers to take the proposals to the US Congress and Trump, thereby causing a delay. With no Plan B in sight, the two sides are bound to get into further rounds of hard negotiations in the weeks leading up to the July 9 deadline, the source said.

Supply-chain disruptions related to rare earth magnets from China are another cause of geopolitical anxiety for the government at this point, especially as India aspires to have a robust electric vehicle (EV) ecosystem. China holds the largest reserve of rare earth — an essential mineral for the manufacture of EVs.

What is India's strategy to tackle the rare earth crisis hitting automobile companies? India is talking to other countries where rare earth can be found and processed,

sources confirmed, while admitting that there was a shortage as indicated by some leading auto firms. Besides China, rare earth is found in the US, Australia, Russia, Canada, South Africa and Southeast Asia. India, too, has a fair amount of rare earth and efforts are on to exploit the same.

Asked if the Indian government had approached its Chinese counterpart for easing the rare earth supply crunch, a source said there was no such engagement yet. Companies might be dealing with the issue separately. China imposed export restrictions on several rare earth elements and magnets, widely used in auto and defence sectors, as part of its trade negotiations with the US.

Overall, for China, there is no sign of any relaxation of rules by India, apart from

easing visa processes for workers in certain sectors.

Another geopolitical issue at play right now relates to the grant of a licence to Elon Musk-owned Starlink, allowing it to offer satellite broadband services in India. While security-linked concerns have come from certain quarters, sources said the government had enough handles to ensure there was no violation. "The government will keep a watch," said a source, adding that the security rules were stringent even for Indian players.

Ultimately, the tariff of a satellite broadband service will determine how it clicks with Indian subscribers, according to a government source. Musk will face Indian rivals like Sunil Bharti Mittal and Mukesh Ambani — known for their low telecom tariffs — in the satellite broadband space.