Glimmer of hope as Beijing processes rare-earth requests

SHREYA NANDI
New Delhi, 18 July

Chinese authorities have informed New Delhi that they are processing applications from Indian importers seeking shipments of rare earth magnets, amid new export licensing rules imposed by Beijing.

The export restrictions, which took effect on April 4, apply to rare earth magnets, which are critical components in industries ranging from automobiles and electronics to health care and defence. China introduced the curbs in response to heightened tariffs imposed by the US on Chinese goods.

The Indian automobile sector raised concerns last month over disruptions caused by the delay in obtaining import approvals from China's Ministry of Commerce. Industry executives warned the supply bottlenecks were affecting production schedules, including for electric vehicles.

According to government officials, the delay stems from a surge in export license applications, putting pressure on China's processing system. "China has made the process of obtaining a licence long-drawn and complicated," a senior official said. "Right now, they are not adequately equipped to handle the sudden overload of applications, but we have been informed that they have started processing the applications. So we believe it's a matter of time now."

The official added that Chinese authorities are under pressure from domestic stakeholders, who are wary of foreign competitors catching up in rare earth technologies. "The companies wouldn't want other countries to develop the technology and compete with them," the official said.

China accounts for about 70 per cent of global rare earth mining and nearly 90 per cent of rare earth magnet production, making it a dominant player and giving it significant leverage in global supply chains. The recent export controls have therefore affected importers around the world.

Under the new licensing regime, Chinese exporters are required to show that shipments will not be used for dual-use or defence-related applications. The approval process, however, remains complex.

NITI for easing investment rules for Chinese firms

REUTERS
New Delhi, 18 July

The NITI Aayog has proposed easing rules that de facto require extra scrutiny for investments by Chinese firms, arguing that the rules have meant delays for some sizeable deals, three government sources said. Currently, all investment by Chinese entities in Indian companies needs to gain a security clearance from both home and foreign ministries in India. The NITI Aayog, has proposed that Chinese companies can take a stake of up to 24 per cent in an Indian firm without any approval being required, said the sources who were not authorised to speak to media and declined to be identified.

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transparency, good regulatory practices, Customs and trade facilitation, intellectual property rights, and mutual administrative assistance.

On trade and sustainable development (TSD), including the contentious labour and environmental issues which India considers non-trade issues, the latest EU statement said both sides had constructive discussions, making progress on several provisions and exploring alternatives on others. "Nevertheless, substantial differences remain, including on the binding and enforceable nature of TSD commitments," it added.

Commerce Department Special Secretary L Satya Srinivas said the two sides exchanged offers related to the services sector during the 12th round.

"We have exchanged our offers on services and non-services... there were discussions on that. We also discussed key interests in market access related to goods as well," he told reporters on Tuesday.

The 13th round of negotiations is scheduled to take place in New Delhi during the week beginning September 8.

The EU noted that intense inter-sessional engagement will continue over the summer across nearly all topics, with additional discussions likely at higher levels.

NITI for easing investment rules for Chinese firms

The proposal, reported for the first time by *Reuters*, is part of a plan to boost foreign direct investment in India and is being studied by the trade ministry's industries department, the finance and foreign ministries, as well as Prime Minister Narendra Modi's office, the sources said.

And while not all of NITI Aayog's ideas are necessarily taken up by the government, the proposal comes at a time when India and China are seeking to mend ties that have been particularly strained since border clashes in 2020.

DEALS SUCH AS A 2023 PLAN BY CHINA'S BYD TO INVEST $1 BILLION IN AN ELECTRIC CAR JOINT VENTURE HAVE BEEN SHELVED DUE TO THE RULES, SOURCES SAID

Any decision to ease might be months away and will be taken by political leaders, two of the sources said. They added that the industries department is in favour of easing, but the other government bodies are yet to give their final view.

NITI Aayog, the ministries, the industries department and the prime minister's office did not reply to *Reuters* requests for comment.

Deals shelved

The rules were put in place in 2020 after border clashes, including hand-to-hand fighting between the two neighbours.

They only apply to land bordering nations, which affects Chinese companies the most. By contrast, companies from other countries can freely invest in many sectors such as manufacturing and pharmaceuticals, while some sensitive sectors such as defence, banking and media have restrictions.

Deals such as a 2023 plan by China's BYD to invest $1 billion in an electric car joint venture have been shelved due to the rules, sources have said.

While foreign investment has slowed globally since Russia's invasion of Ukraine, the rules hampering Chinese investment in India have been seen as a significant factor behind a large drop in the South Asian country's FDI. Net foreign direct investment in India tumbled to a record low of just $353 million in the past financial year, a fraction of the $43.9 billion logged in the year ended March 2021.

An easing in military tensions since October has led to more efforts by both countries to mend ties, with plans for the resumption of direct flights and India seeking a "permanent solution" to their decades-old border dispute.

Indian Foreign Minister Subrahmanyam Jaishankar's made his first trip to China in five years this week, telling his counterpart that the two nations must settle tensions along their border and avoid restrictive trade measures such as China's curbs on the supply of rare earth magnets.

The think tank has also recommended revamping the board that decides on foreign direct investment proposals, the sources said.

Sebi plans MF norms' revamp to curb clutter, push innovation

Sebi plans separate regulations to address the proliferation of passive schemes.

The regulator has also proposed expanding active equity, hybrid, and debt categories. Fund houses will now be allowed to offer both value and contra schemes (previously limited to one). A new sectoral debt fund category, investing over 80 per cent in debt instruments of a specific sector, was also introduced.

In the solution-oriented space, Sebi plans to expand the number of permissible schemes from two to six.

The proposed retirement FoF category will invest across equity, hybrid, and debt funds, with a life cycle FoF launch permitted every five years, for a maximum tenure of 30 years.

Reliance Q1 profit soars 78.3% on windfall from Asian Paints stake sale

This will be the slowest revenue growth for the company in the last three quarters. With this, the company's consolidated net sales grew in single digits or have declined Y-o-Y in seven of the last 10 quarters starting March 2023. This is largely