

UK-India FTA: EV market access sparks differences

ILLUSTRATION: AJAY MOHANTY

SHREYA NANDI & NITIN KUMAR

New Delhi, 22 October

The United Kingdom's (UK's) demand for greater access to the Indian market for electric vehicles (EVs) remains a sticking-point as the two countries try to iron out rough edges in the proposed free-trade agreement (FTA), which has entered the last lap.

The UK government has asked India to allow exporting a limited number of fully assembled EVs to India with no customs duty. It has also requested India to lower the 100 per cent duty on electric vehicles with a price tag exceeding \$40,000.

"The requested reduction exceeds 10 per cent, and the demand is to further decrease it gradually," said a top government official.

India imposes 100 per cent import tax on cars that cost above \$40,000 and 70 per cent on others.

The matter was discussed two weeks ago in an inter-ministerial consultation led by the Commerce Department.

On Thursday, another round of meetings was held with the Department of Heavy Industry. India's reluctance to offer major tariff concessions has been mainly because the EV industry is a sunrise sector. Besides, the industry is against making tariff concessions on EVs, and, in its consultations with the government, is asking for it to be put in the "exclusion category".

"Granting tax benefits to the UK might trigger similar requests from other nations. Hence the reluctance. This can affect the growth of our domestic EV market," said another official.

Tesla is asking for a similar tax reduction. After missing last year's Diwali deadline for the deal, set by Boris Johnson as prime minister, the countries are unlikely to ink the pact by the end of October. With general elections in both countries next year, the window for a trade deal is rapidly closing.



British rice industry fears FTA will kill mills

A £1 billion (\$1.2 billion) corner of the UK economy is fearing for its future as Britain and India close in on a long-awaited free-trade agreement (FTA). British rice millers such as Tilda and Veetee Rice have thrived for decades by importing low-tariff unmilled brown rice from the likes of India and Pakistan and "polishing" the grains into the

white product loved by UK consumers. But with India pressing for tariffs on white rice to be slashed, and little feedback from British trade officials, concerns are mounting for an industry that employs more than 3,000 people at 16 mills and processing plants scattered from Kent in southern England to Yorkshire.

BLOOMBERG

While both sides have closed chapters on most of the issues, including non-trade issues such as digital trade, gender, and labour, the main challenge remains on goods and services.

Among goods, the UK has been asking for massive market access to automobiles, which remains a thorny issue.

A British High Commission spokesperson said: "The UK and India continue to work towards an ambitious trade deal that works for both countries. We have always been clear we will only sign a deal that is fair, balanced, and ultimately in the best interests of the British people and the economy."

The commerce and industry ministry did not respond to Business Standard's queries. Experts in the industry say the proposed reductions in import duties may not significantly impact the domestic market, given that the number of

vehicles included in the scheme is relatively small.

"Opening the door to international players could provide a significant boost to the Indian EV industry, offering Indian consumers access to cutting-edge global technology. The trade exception should extend beyond the UK and encompass other countries as well. However, such a move should be accompanied by defined expiry timelines for the agreement and a firm commitment from these international entities to invest in India to support their long-term business endeavours," said Puneet Gupta, director, S&P Global.

According to the VAHAN dashboard of the Ministry of Road Transport and Highways, of the 121,400 electric cars sold in India since 2019, Tata Motors, a domestic manufacturer, accounts for over 60 per cent of the sales.