

UK delegation reaches out to Siam to quell FTA doubts

Holds meets with industry representatives; agreement at advanced stage

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New Delhi, 26 November

A government delegation from London has reached out to India's key auto lobby group to assuage its fears of India allowing greater market access to United Kingdom-based (UK-based) carmakers under the proposed free trade agreement (FTA) between the two nations. The agreement is at an advanced stage.

The delegation has held meetings with various industry representatives, among them being those of the Society of Indian Automobile Manufacturers (Siam), *Business Standard* has learnt.

The UK's demand for significant cuts in duty on automobiles, especially electric vehicles (EVs), has been one of the thorny issues in the talks on free trade.

The two sides have not been able to meet halfway because the Indian auto industry is resisting deep duty cuts.

India imposes 100 per cent import tax on electric cars that cost more than \$40,000 and 70 per cent on the rest.

Import tariffs for EVs have been steep because the government has been protecting its domestic EV industry, which is a sunrise sector. Besides, another factor is that the government is keen on establishing India as a manufacturing hub, and reducing tariffs could impede progress on this. The UK is trying to convince the Indian automobile industry to grant it greater market access, emphasising that manufacturers there deal primarily in luxury cars, which constitute less than 10 per cent of EV sales in India, according to people aware of the matter.

"The delegation is engaging with stakeholders in the Indian automotive industry to seek their assistance in convincing the Indian side to accede to its requests in the agreements," a source familiar with the

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- UK emphasises that its auto makers primarily deal in luxury cars
- It constitutes less than 10% of EV sales in India

- UK's demand for cut in duty on EVs delaying FTA talks
- Indian automobile industry resisting deep duty cuts
- India had imposed 100% import tax on electric cars costing above \$40,000 and 70 % on the rest
- Centre keen to establish India as EV hub
- Reducing tariffs could impede the progress



matter revealed.

"It has held discussions with representatives of Siam," the source added.

A consensus on the extent of market access for the UK's automobile industry in India, along with reaching common ground on a few more issues, is critical in concluding the trade deal both countries have been negotiating for close to two years. When the agreement concludes is crucial because both countries are headed for elections next year.

As previously reported by this newspaper, the UK government had sought India's permission to export a limited number of fully assembled EVs to the country without any customs duty. Additionally, it has urged India to reduce the duty from 100 per cent on electric vehicles priced above \$40,000 by at least 10 per cent, with the possibility of further reduction in the future.

The UK has been asking for complete market access on lines pertaining to the entire sector of automobiles. The situation is particularly tricky in the case of import duty reduction for automobiles (completely built units) segment. While there has been broader agreement on automobile tariff reduction for passenger cars with internal combustion engines, EVs continue to remain a contentious issue. A *Business Standard* query sent to Siam remained unanswered till press time.

A British High Commission spokesperson said the UK and India continued to work towards an ambitious trade deal that worked 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 spokesperson said.