

# Far and Wide

Every week we share selection of six news from six continents that we believe will impact our world in the near or distinct future

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## Navigating Carbon Tax Challenges: India Seeks Direct Engagement with EU

Welcome to our ninth edition of the newsletter, *Far and Wide*, where we bring a collection of interesting stories from around the world. Our lead story sheds light on India's endeavour to establish direct engagement with the European Union (EU) regarding its proposed carbon tax. Instead of pursuing the matter through the World Trade Organization (WTO), India aims to negotiate directly with the EU to secure favorable conditions for its small manufacturers. As a significant exporter of steel and aluminum, India seeks exemptions from the Carbon Border Adjustment Mechanism (CBAM) imposed by the EU. The CBAM imposes taxes on imports from countries that do not adhere to carbon pricing methods similar to Europe's. While India has already filed a discussion paper with the WTO addressing the impact of environmental regulations on trade, it believes that direct negotiations with the EU could lead to a quicker resolution. The EU's newly implemented levies under CBAM are designed to prevent carbon leakage, where companies relocate their carbon-intensive production to nations with less stringent climate policies or taxes. CBAM will undergo a three-year "reporting only" period starting from October 1, with financial adjustments taking effect in 2026. During ongoing negotiations for a free-trade agreement with the EU, India advocates for waivers benefiting its small- and mid-sized enterprises, similar to exemptions previously granted to European domestic companies under the Emissions Trading System that CBAM replaces. This story raises several important considerations. Firstly, it highlights the intricate relationship between international trade, environmental regulations, and carbon pricing mechanisms. Secondly, it underscores the significance of direct engagement and negotiation in addressing trade-related challenges, potentially ensuring a level playing field for Indian small manufacturers. Lastly, it prompts us to contemplate the evolving landscape of global environmental policies and their alignment with international trade agreements.

We hope you find this edition thought-provoking and informative.

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## Europe

### India Seeks Direct Engagement with EU on Carbon Tax



Source: Bloomberg

<https://www.bloomberg.com/news/articles/2023-06-06/india-prefers-negotiating-with-eu-on-carbon-tax-to-wto-complaint>

India is seeking direct engagement with the European Union (EU) regarding its proposed carbon tax, instead of going through the World Trade Organization (WTO), according to sources familiar with the matter. As a significant exporter of steel and aluminum, India is looking for exemptions from the Carbon Border Adjustment Mechanism (CBAM), which imposes taxes on imports from nations that do not have carbon pricing regulations similar to Europe's. India has submitted a discussion paper to the WTO on how environmental regulations affect trade, but it hopes that direct negotiations with the EU will lead to a quicker resolution regarding CBAM. The EU's aim with CBAM is to prevent carbon leakage, where companies move carbon-intensive production abroad to avoid strict climate policies or taxes. CBAM will have a reporting-only period starting in October 2021, with financial adjustments beginning in 2026. In ongoing free-trade agreement negotiations with the EU, India is advocating for exemptions for its small- and mid-size enterprises, similar to what Europe had for its domestic companies under the Emissions Trading System. India is also considering a domestic mechanism similar to CBAM and its implications for import costs. The Indian steel sector, which exports a significant amount of steel to the EU, is seeking a level playing field to address the trade barrier presented by CBAM. India's Chief Economic Adviser has criticized the EU's carbon tax, stating that it goes against the principles of the Paris Agreement, which recognizes differentiated responsibilities among countries in addressing climate change.



## Asia

### US, Taiwan, and Japan Forge Alliance for Real-Time Naval Reconnaissance Data Exchange

The United States, Taiwan, and Japan have reached an agreement to exchange real-time data from naval reconnaissance drones. This initiative aims to strengthen coordination among the three nations in response to the possibility of a Chinese attack on Taiwan. The US defense contractor General Atomics will deliver four MQ-9B Sea Guardian drones to Taiwan starting in 2025. These maritime drones have the capability to locate, track, and target enemy ships and radars. Sharing data from these drones will enable the US, Taiwan, and Japan to have a common operational picture, allowing them to observe the same information simultaneously. However, including Taiwan in interoperability structures with the US military and its allies is a sensitive matter due to the complicated relationship between the US, China, and Taiwan. China views such cooperation as escalatory and has opposed military contact between Taiwan and countries with diplomatic ties with China.



Source: Financial Times

<https://www.ft.com/content/bde0db76-a7f8-4ecd-b5d5-03de0b5a8659>



## North America

### US and five allies condemn trade-related 'economic coercion', with eye on China

The United States, along with five of its allies (Australia, Britain, Canada, Japan, and New Zealand), released a joint declaration condemning trade practices amounting to economic coercion. While the statement did not explicitly name any country, it appeared to be directed at China. The declaration highlighted that such practices pose a threat to the multilateral trading system and harm relations between countries. The move follows the G7 leaders' recent commitment to counter economic coercion and take action against those attempting to weaponize economic dependence. The joint statement expressed concerns about subsidization, anti-competitive practices, forced technology transfer, and government interference in corporate decision-making. The US Trade Representative's office specifically mentioned China's import ban on Lithuania as an example. The declaration also addressed the issue of forced labor, emphasizing the need to end all forms of forced labor in global supply chains.

Source: CNN

[https://www.reuters.com/markets/wit-eye-china-us-five-allies-condemn-trade-related-economic-coercion-2023-06-09/#:~:text=WASHINGTON%2C%20June%209%20\(Reuters\),to%20be%20aimed%20at%20China.](https://www.reuters.com/markets/wit-eye-china-us-five-allies-condemn-trade-related-economic-coercion-2023-06-09/#:~:text=WASHINGTON%2C%20June%209%20(Reuters),to%20be%20aimed%20at%20China.)



## South America

### Chevron to Invest \$500 Million in Argentina's Vaca Muerta Shale Basin

Chevron, the U.S.-based oil major, has announced plans to invest over \$500 million in the development of the Tropical block in Argentina's western Neuquen province, home to the vast Vaca Muerta shale basin. The investment was confirmed after a meeting between Economy Minister Sergio Massa and Chevron officials. The spending plan is set to commence before July. Last year, Chevron received a concession for shale production in the area, with an initial investment of approximately \$80 million for the pilot stage. The Vaca Muerta shale formation is one of the largest reserves of shale oil and gas, offering significant potential for both domestic energy supply and exports. Oil companies operating in the region have been increasing production in recent months, aiming to address Argentina's energy deficit.



Source: Reuters

<https://www.reuters.com/business/energy/argentina-says-chevron-invest-500-mln-vaca-muerta-shale-area-2023-06-10/>



## Africa

### Strengthening India-Africa Ties: Indian Minister Piyush Goyal Hosts African Ambassadors to Foster Economic Cooperation and Trade Relations



Union Commerce and Industry Minister Piyush Goyal recently hosted 15 Ambassadors from key African nations in New Delhi, emphasizing the remarkable friendship and potential for India and Africa to become powerhouses of the future. The event aimed to enhance economic cooperation, trade relations, and collaboration between the two regions. The Minister expressed India's willingness to act as a trusted partner, expand trade, commerce, business, and investment opportunities, and explore the possibility of Free Trade Agreement (FTA) negotiations with individual African countries or the entire continent. The event served as a platform for diplomatic representatives to strengthen bilateral ties, forge partnerships, and celebrate the cultural bond between India and Africa, with a focus on inclusive growth, job creation, and mutual development.

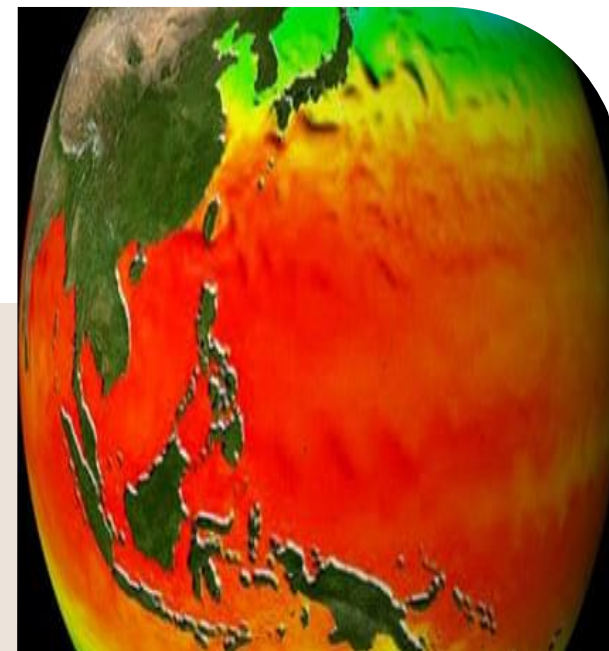
Source: PIB

<https://pib.gov.in/PressReleasePage.aspx?PRID=1930979>



## Australia

### Alert Raised as Australia Predicts 70% Chance of El Niño, Hotter and Drier Conditions Expected



Australia's weather bureau has announced a 70% chance of an El Niño weather pattern occurring this year, associated with hotter and drier conditions. The bureau has raised the alert level from "watch" to "alert" based on its climate models and indicators. This announcement follows a forecast by Australia's chief commodity forecaster that winter crop production will decrease from record highs due to anticipated dry weather. In an El Niño pattern, Australia's eastern region is more likely to experience drier conditions, while the southern two-thirds will likely see above-average temperatures. This could impact wheat production, as Australia is the second-largest wheat exporter globally. The potential impact of El Niño extends beyond Australia, with significant implications for various regions worldwide. India, heavily reliant on the monsoon season, may face difficulties in unirrigated parts if the monsoon is deficient, as projected by global models due to El Niño. Around half of India's farmlands are rain-fed, making them vulnerable to a deficit in monsoon rains. This could lead to lower crop output, food inflation, and potential restrictions on vital commodity exports such as wheat, rice, and sugar.

Source: Reuters

<https://www.reuters.com/business/environment/australia-weather-forecaster-puts-chance-el-nino-2023-70-2023-06-06/>