

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

August 2023 | Issue #16

India to flag concerns over EU's carbon tax, deforestation regulation at WTO meet next year

Welcome to the next edition of Far and Wide, where we bring a collection of interesting stories from around the world. Our lead story this week covers the concern of developing countries raised by the new regulations of the European Union countries. Changes include deforestation rules, carbon tax, shipping entering the EU's emissions trade system and Foreign subsidies regulation. This, among other things, means that only products that have been produced on land that has not been subject to deforestation or forest degradation after December 31, 2020 may be placed on the E.U. market or exported. This is just one more sign of the ongoing expansion of regulations focused on risks related to environmental, social & governance (ESG) issues — in this case, those with a focus on the E. However, E is not alone in this regulation, as respect for human rights will be considered an obligation for a product to be considered deforestation-free. It is expected to likely make exports costlier for developing countries, and affect their domestic industry. These concerns are to be raised by India too, in the 13th ministerial conference (MC) of the World Trade Organization (WTO) which is scheduled for February 26 next year in Abu Dhabi. Though the regulations hope to limit the impact of large-scale deforestation and hold companies accountable for how their products are made; it is also true that the EU will collect billions annually once these provisions come into operation completely. They need these funds to provide subsidies to their companies and farmers. But the additional carbon tax could impact India's exports of iron, steel, aluminium and cement. The deforestation rules could affect exports of crops like soya bean, palm oil, coffee. While the Foreign Subsidies Regulation could judge our domestic MSP regime unfavourably. Discussions are ongoing, since this is an important issue keeping in mind that EU accounts for 16% of India's exports.

We hope this story and the others in this edition of our newsletter will provoke thought and discussion among our readers.

INSIDE

Stories in Focus



Policy

India to flag concerns over EU's carbon tax, deforestation regulation at WTO Meet next year



Global Trade

U.S. chipmaker AMD to invest \$400 million in India by 2028

Bajaj Auto to set up first overseas manufacturing plant in Brazil

India-Australia Trade gap narrows by 15% with FTA



Infrastructure and Resources

Gautam Adani meets Sri Lankan president Ranil Wickremesinghe to explore Green Hydrogen projects

Uranium price ticks up after Niger coup, more gains expected



Europe

India to flag concerns over EU's carbon tax, deforestation regulation at WTO meet next year



Source: Indian Express

<https://indianexpress.com/article/business/economy/india-concerns-eu-carbon-tax-deforestation-regulation-wto-meet-2024-8870816/>

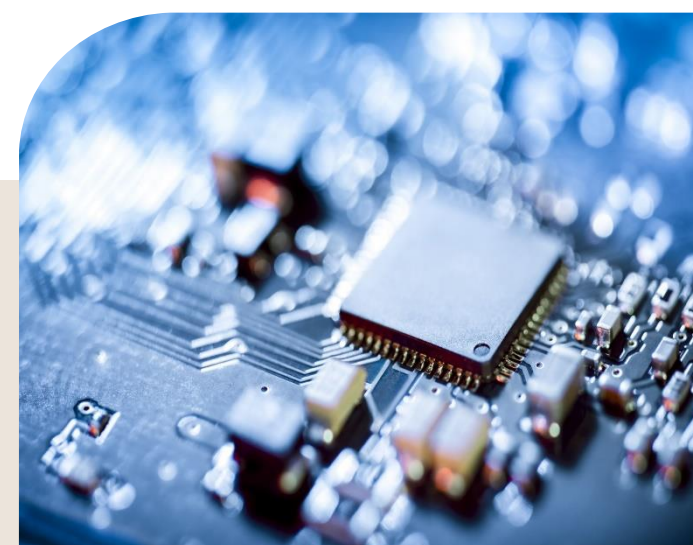
European Union has brought out new regulations on climate change and trade including carbon tax. This is most likely to affect developing countries. The serious concerns will be raised by India in the upcoming WTO Ministerial Meet in Abu Dhabi, in February. The EU's regulations comprise of: **1. Carbon border adjustment mechanism (CBAM) 2. Deforestation regulations 3. Including shipping in the EU's emission trade system 4. Foreign subsidies regulation.** India is particularly worried about the **CBAM**, which will impose a **20-35% tax** on select imports into the EU starting January 1, 2026, impacting India's **exports of iron, steel, aluminum, cement, fertilizer, hydrogen and electricity** to the EU. In 2022, India's 27 per cent exports of iron, steel, and aluminium products of value USD 8.2 billion went to the EU. Additionally, the European Union Deforestation-Free Products Regulation (EU-DR) will affect India's **exports of products like coffee, leather hides, oil cake, soya beans, palm oil, cocoa bean powder, chocolate, wood articles and paperboard** (exporters would have to certify that these products have been **grown on land, which has not been deforested after December 31, 2020**). The EU parliament's inclusion of shipping in its emissions trade system will also levy a **carbon tax on shipping firms** from January 1, 2027. The **Foreign subsidies regulation** allows the EU to investigate cases where foreign subsidies distort competition within the region. India's exports to the EU has increased to USD 74.9 billion from USD 65 billion in 2021. The EU accounts for over 16 per cent of India's total merchandise exports.



North America

U.S. chipmaker AMD to invest \$400 million in India by 2028

Advanced Micro Devices (AMD), a U.S. chipmaker, has announced plans to invest approximately \$400 million in India over the next five years. The company will establish its largest design center in **Bengaluru, India's tech hub**. The announcement was made by AMD's Chief Technology Officer: Mark Papermaster, at a semiconductor conference in Gujarat, attended by other industry leaders such as Foxconn's Chairman Young Liu and Micron's CEO Sanjay Mehrotra. The new design center is expected to be **operational by the end of this year** and will create **3,000 engineering roles within five years**. This move highlights India's **efforts to attract investments and establish itself as a chipmaking hub, even though it is a late entrant in the sector**. The Indian government has been actively encouraging investments in the country's nascent chip industry. AMD's chips are widely used in **personal computers and data centers**. Unlike its rival Intel, AMD outsources the production of its chips to third-party manufacturers like Taiwan's TSMC. This comes after **Applied Materials'** \$400 million plan and **Micron's** \$825 million investment in a semiconductor testing and packaging unit in Gujarat. India unveiled a **\$10 billion incentive program in 2021** to boost the chip sector.



Source: Reuters

<https://www.reuters.com/technology/us-chipmaker-amd-invest-400-mln-india-by-2028-2023-07-28/>



South America

Bajaj Auto to set up first overseas manufacturing plant in Brazil



Bajaj Auto, India's the largest exporter of motorcycles and three-wheelers in India, is setting up its **first overseas manufacturing plant in Brazil** through its 100% owned subsidiary, 'Bajaj Do Brasil'. The move is aimed at achieving insights into **product development and consumer behavior** in **Latin America's biggest two-wheeler market** and strengthening its position in the region.

Headquartered in Pune, Bajaj Auto **operates in over 90 countries**, using a **distribution-led model** where local operations, including assembly, are managed by distribution partners.

The **initial capacity** of the future plant in Brazil, anticipated to be situated in the **Manaus Special Economic Zone**, is **20,000 units per month**, with production planned to begin within the next 12 months. The facility will not only manufacture Bajaj models but also produce motorcycles from **KTM AG, an Austrian company in which Bajaj Auto holds a 48% stake**. Additionally, Bajaj Auto has formed a **global alliance with Triumph, a UK-based motorcycle maker**, to co-develop middle-weight motorcycles. Interestingly, Triumph **already has a manufacturing presence in Brazil**.

Executive Director Rakesh Sharma was quoted as saying by ET that "Due to **Brazil's size, complexity and sometimes unpredictability**, **Brazil needs a longer-term staying power**. The company thought it was best to have a different business model and undertake the business development directly."

Source: Business Standard

https://www.business-standard.com/companies/news/bajaj-auto-to-set-up-first-overseas-manufacturing-plant-in-brazil-123073100210_1.html

Asia

Gautam Adani meets Sri Lankan president Ranil Wickremesinghe to explore Green Hydrogen projects

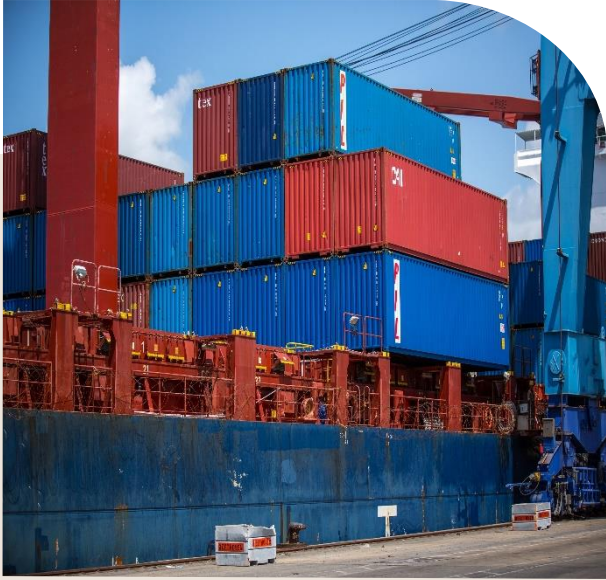
Businessman Gautam Adani recently met with President of Sri Lanka Ranil Wickremesinghe while the President was on a two-day official visit to India. The agenda was to talk about the possibilities of a variety of projects in Sri Lanka. Adani posted that the meeting covered the ongoing **development of the Colombo Port West Container Terminal**, a 500 MW wind project, and the extension of their **renewable energy expertise to produce green hydrogen**. The Adani Group had previously been issued approval to start **wind power projects in Pooneryn, in Sri Lanka's northeast, for an investment of over \$500 million**. This adds to their investments in the country's energy sector and the port of Colombo's Western container terminal. Gautam Adani, the group's chief, met the then-president Gotabaya Rajapaksa in October 2021 too.

Wickremesinghe's visit to India is aimed at strengthening the relationship between the two countries, with discussions on enhancing their neighborly bonds and partnership under India's "**Neighbourhood First**" and "**SAGAR**" policies. This visit marks the first time the Sri Lankan President has traveled to India since taking office, highlighting the significance of the visit in fostering the multi-faceted partnership between the two nations.



Livemint

<https://www.livemint.com/companies/news/gautam-adani-adani-group-news-sri-lankan-president-ranil-wickremesinghe-projects-on-green-hydrogen-11689907138314.html>



Australia

India-Australia Trade gap narrows by 15% with FTA

The FTA (free trade agreement) between India-Australia, now in force for 6 months, has resulted in a 15% reduction of India's trade shortfall with Australia. This is **primarily due to bigger exports of oil (prices increased due to Russia-Ukraine War), drugs (fast track approval of medicines), electrical machinery (The Economic Cooperation and Trade Agreement), and iron and steel articles, along with waning coal imports (milder Indian summer)**. Among non-energy shipments, Indian pharmaceutical product exports to Australia grew by 34.6% in the April-May period, while electrical machinery exports rose by 173%. Exports of nuclear reactors, boilers, and machinery also increased by 21.6%. India's exports increased by 3.3% (excluding energy sector), while imports dropped 31%, leading to a contracted deficit of \$3.27 billion (41% decrease from past year). **Coal imports account for 75% of total shipments from Australia, while oil exports make up 38% of India's exports to the nation.**

However, India's farm exports to Australia after the FTA dropped marginally due to **strict biosecurity checks** in Australian ports. Indian farm exports to Australia stood at \$143.78 million in the up till June this year, compared to \$144.39 million during the comparable period last year. India's **recent ban on rice exports is expected to further reduce agri-exports** to Australia. Overall, while the India-Australia interim FTA has shown positive impacts on certain sectors, **challenges remain in certain areas** such as agriculture, and it may take time for further partnerships to develop.

Source: Livemint

<https://www.livemint.com/economy/indiaaustralia-trade-gap-narrows-by-15-with-fta-11690313334678.html>



Africa

Uranium price ticks up after Niger coup, more gains expected

The price of uranium has seen just a slight increase (\$56.25 per pound on Monday, up from \$56.15 a week earlier; as per data by UxC, market research firm and consultancy UxC) ever since military took over Niger last week. This is because mining operations in the country, **the world's seventh-largest producer of uranium**, have not stopped. Despite the coup, **French nuclear fuels company Orano, which operates the uranium mines has continued operations**, mentioning the reason that most of its employees were nationals. Since Orano sells uranium on long-term contracts, the price does not fluctuate much. However, **UxC's president, Jonathan Hinze, believes that the coup's effects may take more time to impact the market**, so price may increase. Over the past three years, the uranium price has doubled but remains far below its peak of \$140 in 2007. While Niger's political situation poses potential risks, the European Union nuclear agency **Euratom** stated that there is currently **no immediate risk to nuclear power production in Europe** even if Niger cuts its uranium deliveries. Utilities in the EU have **sufficient inventories** to last for three years. Niger was the **second-largest supplier of natural uranium to the EU previous year**. Despite **international calls for democratic rule**, the junta in Niger has **detained** senior politicians, including the **mines minister**, signaling uncertainty and possible implications for the country's uranium sector. The coup has been **supported by Mali and Burkina Faso**, themselves run by militaries.



Source: Reuters

<https://www.reuters.com/markets/commodities/uranium-price-ticks-up-after-niger-coup-more-gains-expected-2023-08-01/>