

EU CARBON TAX: INDIA FLAGS RISK OF TRADE INFO GETTING COMPROMISED

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INDIA HAS FLAGGED concerns relating to sensitive and confidential trade data of its exporters getting compromised while complying with the European Union's Carbon Border Adjustment Mechanism (CBAM) — the world's first system that imposes carbon emission tariffs on iron, steel, aluminium and cement, among other such items imported into the 27-nation bloc.

Indian manufacturing exports in sectors such as steel, oil refining and cement align extremely favourably with global cost competitiveness benchmarks and the concerns flagged by Indian exporters pertain to sensitive trade secrets in these segments getting compromised.

While the CBAM is set to come into effect from 2026, the transition period requiring exporters to submit data to EU authorities began October 1, 2023. The CBAM requires EU importers to submit nearly 1,000 data points and methods used in production by exporters. While the EU says the data collection is aimed at ascertaining carbon emission, Indian exporters fear losing competitive edge by revealing such crucial information.

This assumes significance as India exports over 15 per cent of its total goods exports to the EU. In 2022-23, India exported goods worth \$75 billion to the EU.

The move also comes at a time when India's exports to the EU are slowing this year due to weakening demand in the west. The recent crisis in the Red Sea area is also feared to have a bearing on exports of textile and agri products to the EU.

Trade experts have warned that data collection by the EU under the CBAM must be looked into by the government as Brussels largely aims to revive manufacturing in its territory and wipe out the trade deficit with developing countries such as India and China. The government has already questioned the CBAM in the WTO and is simultaneously looking for concessions.

“Negotiations with the EU are primarily happening under the Trade and Technology Council (TTC). There is a separate track where we have agreed to discuss the challenges with the CBAM. The whole gamut of discussion is happening there...whether it is related to documentation and challenges to filing that is being asked now or related to privacy concerns regarding the data that is being sought...,” a senior government official told [The Indian Express](#).

India's discussions under TTC assume significance as the EU has such a bilateral forum only with the US. And the first ministerial meeting took place in May last year that saw India's commerce ministry, external affairs ministry and union minister of state for electronics and Information Technology engaging with the EU.

The government official said that while the EU has agreed to include solutions regarding CBAM in the FTA under negotiations, however, the final contours of the same have not yet been agreed upon. “FTA is a legal document. We are seeking various kinds of relief including a longer transition timeline, concessions for MSMEs...,” the official further said.

India is not the only country to have flagged concerns in this regard. “The Argentinian industry and Brazilian industry associations have already flagged this to the EU. They have also asked why the EU industry is not subject to parting with such information. The relevant Ministry of

[Taiwan](#) and Thai businesses have also flagged the same concern. Thus, globally, data privacy concerns have been a source of worry.” Sangeeta Godbole, a former revenue service officer who was part of the Indian team negotiating the India-EU free trade deal said.

“Every company has process improvement engineers. Their job is to look for ways to make each process cost effective. That is how they become more competitive than rival companies. For instance, the blast furnace was invented 100 years ago but every company sells steel at competitive prices. It is a closely guarded trade secret how yield is improved. With CBAM's data requirement, this could come out,” former Indian Trade Service officer Ajay Srivastava said.

Srivastava who is heading the think tank Global Trade Research Initiative (GTRI), said that the process of data collection by the European Union via an auditor also poses significant risk of trade secrets being compromised. “Japan, for instance, never shares its data keeping this risk in mind. Another example of misuse is seen in inspections carried about by other countries to allow imports. China not only collects the information needed but goes beyond to gain a competitive edge,” he added.

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