

India Trade Policy Unit (iTPU)
Monthly Trade Report
June 2014

Highlights

- China ready to work with India's new government and signs agreement on industrial parks
- Fresh India-Pakistan trade talks
- India's exports grow in double digits in May

In focus this month

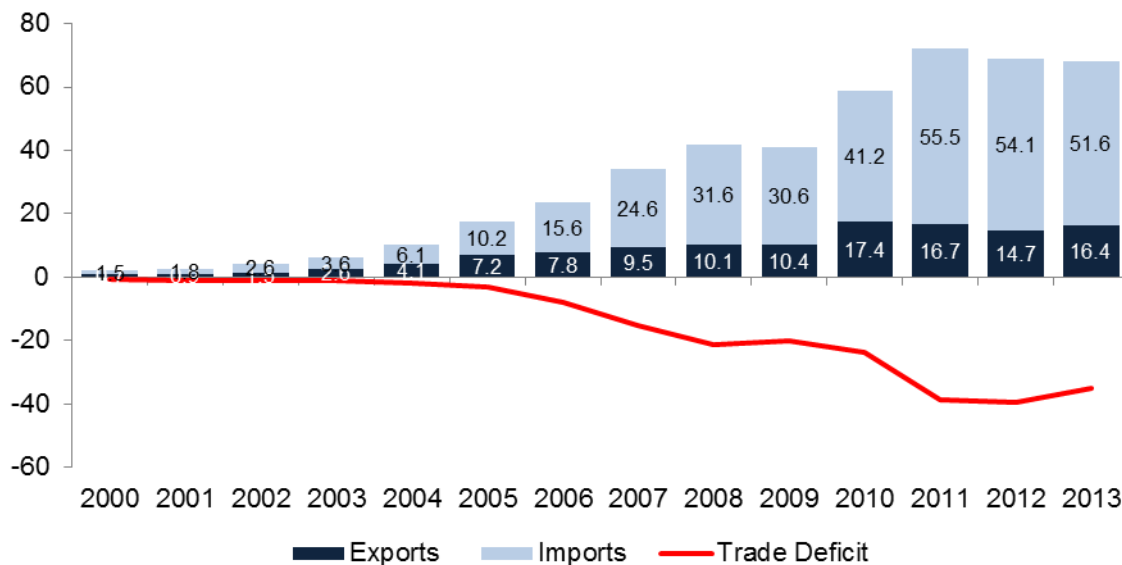
Quick facts on India and China

Highlights

China ready to work with India's new government; ink agreement on industrial parks

India and China signed a Memorandum of Understanding (MoU) to set up China-dedicated industrial parks in various states in India. This is a prelude to PM Modi's meeting with Chinese President Xi Jinping on the sidelines of the BRICS summit in July. Further details of this agreement remain unknown. But media reports claim that China is keen to invest in the agro-processing, tourism and manufacturing sectors. This MoU is expected to facilitate increased Chinese investments to India and help offset India's burgeoning trade deficit. India's trade deficit with China stood at \$35 billion last year. India's Commerce Minister Nirmala Sitharaman has emphasised the government's resolve to improve the investment climate in India. This decision, combined with better infrastructure, could definitely help promote India's manufacturing sector and create jobs. Although India has been pushing for greater market access to cut the trade deficit, pushing through a firm agreement to usher Chinese investments into India signals the intent of the new Modi government to expand manufacturing and revive the country's flagging economy.

India China bilateral trade
(US\$ Bn)



Fresh India-Pakistan trade talks

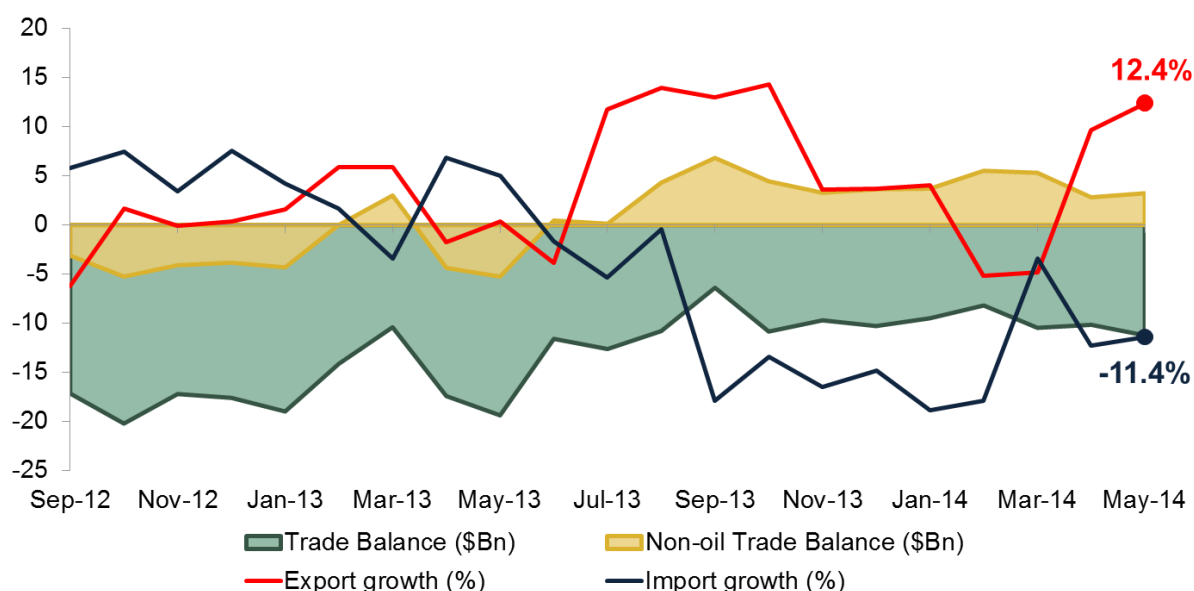
India and Pakistan will resume trade normalisation talks in July on the sidelines of the SAFTA ministerial council in Bhutan. However, Pakistan once again remained silent on when it is likely to extend the Non-Discriminatory Market Access (NDMA) status to India as promised in the trade liberalisation schedule. With Pakistan granting the NDMA status, the import ban on the remaining 1209 items from India would be removed. India for its part will reduce the sensitive list items under SAFTA to 100 once the NDMA status is accorded. PM Narendra Modi is keen to see India playing a larger role in its South Asian neighbourhood and this might give fresh impetus to the India-Pakistan trade talks. The trade normalisation talks were put on hold due to elections in India and domestic political issues in Pakistan. So far the Modi government has got off to a good start by sending out the correct messages and getting the symbolism right on Pakistan.

India's exports grow in double digits in May

Giving a boost to the new government, May exports increased at 12.4% year-on-year, reaching \$28 billion. This is the fastest pace of exports growth in the last 6 months and has set the ground for easing restrictions on gold imports. The trade deficit stood at \$ 11.2 billion, up from \$10.09 billion in April. Though the trade gap widened compared to April, the year-on-year trend was more encouraging. Imports dropped by 11.4% to \$11.2 billion mainly fuelled by a 72% drop in overseas gold purchases. Sectors that registered a high export growth include engineering, petroleum products, ready-made garments, pharmaceuticals and chemicals. Unless global growth disappoints, Indian exports are likely to stay on a strong footing and the risk to the trade deficit remain low even if gold import restrictions are relaxed further.

India's Merchandise Trade

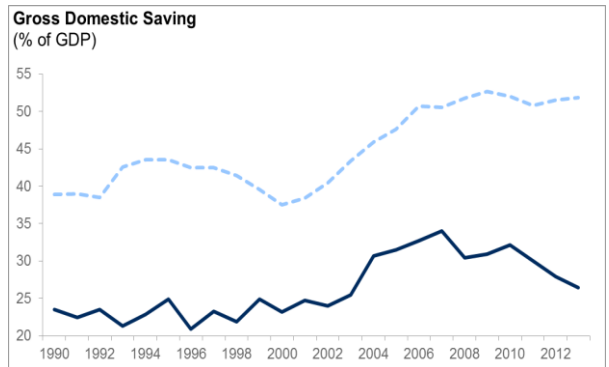
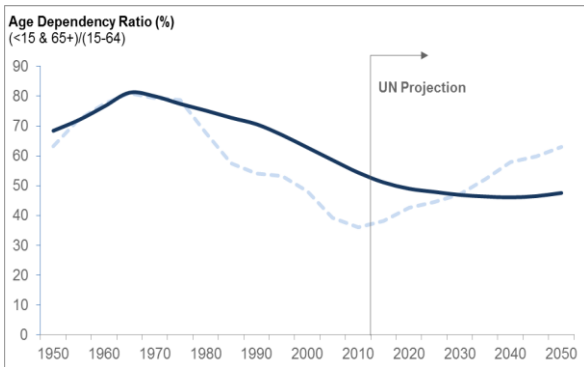
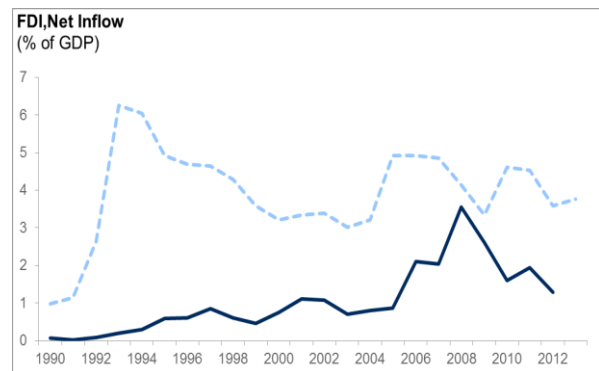
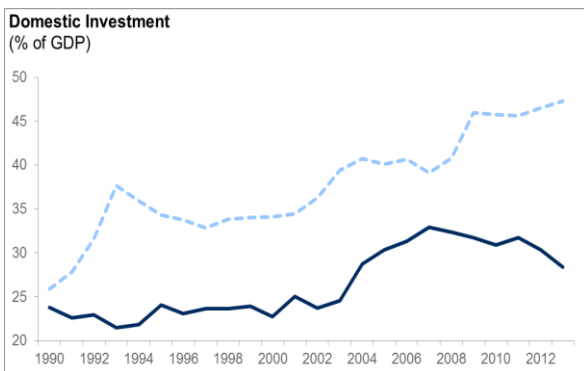
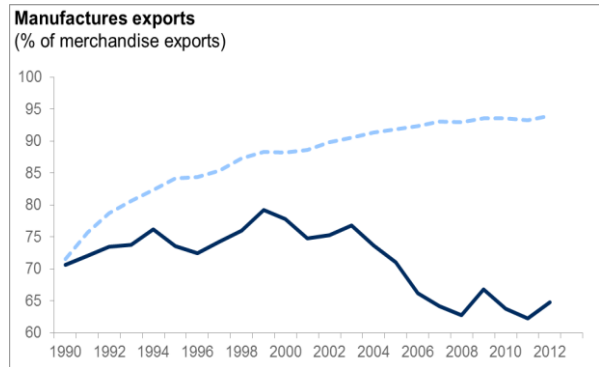
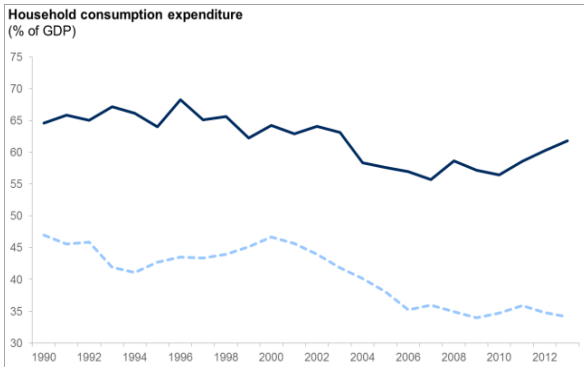
(Monthly Trade Data)



Source: Ministry of Commerce, Government of India.

In focus this month: Quick facts on India and China

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Source: WDI, UN Population Prospect-2012

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