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SPOTLIGHT: EU-INDIA FTA

1. India's Commerce Minister Nirmala Sitharaman has recently told the Parliament that it remains committed to the Doha Development Agenda (DDA).

According to the Minister, the DDA has development at its core and if concluded as per its mandate, developing countries will get better integrated in the global trading system.

The 10th Ministerial Conference (MC10) held in Nairobi last year recorded the differences in agreeing to carrying Doha ahead. While many members reaffirmed their commitment to the DDA, others believed new approaches are now necessary for meaningful outcomes in multilateral negotiations. However, Nairobi ministers have expressed their commitment to advance negotiations on the remaining Doha issues, including domestic support and market opening.

3. India's merchandise trade deficit improved marginally in February 2016 to \$6.54 billion and is the narrowest in the last twelve months.

However, both exports and imports continue to contract for the fifteenth straight month. The fall in exports though was significantly lower and for the first time in single digit since January of last year - which could also be because of a favourable base effect. Exports, both merchandise and services, constitute about 18% of GDP. Services exports, too have declined over this current financial year. In the meanwhile, the World Trade Organisation (WTO) has predicted that 2016 will be the fifth consecutive year of sub 3% world growth. However, it expects this pattern of low growth will change in the coming years and that trade growth would pick up to 3.6% next year. Higher world trade growth could support Indian export growth.

India's Make in India initiative, launched in September 2014, is expected to play a key role in pushing India's export-driven trade strategy. The government has been bringing in foreign investment related liberalisation as well as improving the ease of doing business in the country. FDI inflow increased 29% from October 2014 to December 2015. FDI equity inflows have increased 36% - most of this has been in computer software/hardware and the services sector.

EU-INDIA FTA

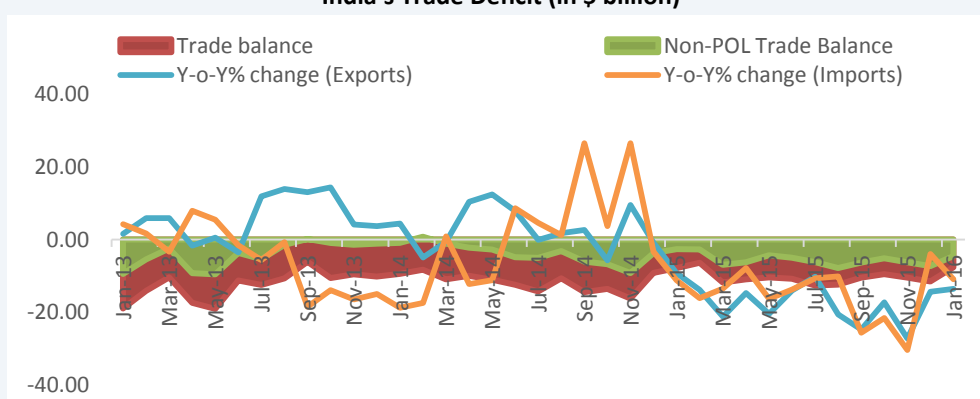
The Brussels Summit, held in March 2016, did not see an announcement on a restart in EU-India FTA negotiations. The joint statement however mentioned that the leaders welcomed that both sides have re-engaged in discussions with a view to considering how to further the negotiations

The trade negotiation launched about a decade back in 2007 but reached a standstill in 2013. After over two years of this impasse, both sides met in January 2016. The meeting was essentially to take stock of the situation.

The EU's key asks include market liberalisation in sectors like insurance, banking and legal among others. India has already unilaterally opened up sectors like insurance.

The EU is India's major trading partner and sectors like textiles and IT would benefit most from a liberalised regime under the FTA.

India's Trade Deficit (in \$ billion)



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