Foreign & Commonwealth Office

MONTHLY TRADE REPORT
INDIA TRADE POLICY GROUP
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1. Make-in-India and New Industrial Policy: Soon after taking charge in 2014, the PM Modi-led government launched the 'Make in India' programme among its first major initiatives in September that year. It was aimed at increasing the almost stagnant share of manufacturing in India's GDP to 25% by 2025, enabling job creation and building export-focused industries. A major round of FDI liberalisation (opening up 15 sectors like banking, defence and construction) were done in November 2015 to give a fillip. Since 2013-14, FDI inflows have shown an increase of about 67% to $60bn in 2016-17, though majorly focussed on a few Make-in-India thrust sectors like automobiles, chemicals, pharma and IT. The share of manufacturing to GDP currently stands at 18% (FY17). Meanwhile, Indian companies face off against the highly competitive manufacturing industry of countries like China, Japan and Korea. This is linked to need for more focused structural reforms that make it easier for domestic industry to develop and operate in India. To tackle this, a new industrial policy (a revamp of the Industrial Policy 1991) is likely to be announced this year. The policy is aimed to address issues such as inadequate infrastructure, restrictive labour laws, slow technology adoption, R&D & innovation and the overall ease of doing business, among others.

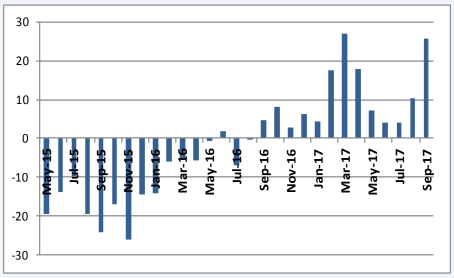
2. Due to a trade deficit of $51bn in favour of China, the Indian Commerce Ministry has decided to conduct a study for the period between 2007-08 and 2016-17 to identify Chinese products that can be substituted competitively by domestic products. The study will specifically focus on steel, chemicals, pharmaceuticals, electronics, telecom and consumer products of mass consumption. India's merchandise trade with China more than tripled to $71.4bn in 2016-17 from 2007-08. However, this surge has been primarily driven by Chinese exports to India. In 2016-17, India's exports to China constituted 14% of the total bilateral trade compared to the 86% it imports from China. Consequently, in the past 10 years, trade deficit for India has increased by 205% leading to concerns over the impact on India's domestic manufacturers, and ways to address it.

3. Revisiting India-ASEAN @25 – India and ASEAN[1] celebrated 25 years of their partnership in 2017 marking 30 dialogue mechanisms in a wide range of sectors including commerce and connectivity. The two sides culminated celebrations in a commemorative summit on 25 January 2018 – one day ahead of India's Republic Day. The regional bloc is India's fourth largest trading partner with Indonesia, Malaysia and Singapore being India's top three trade partners in ASEAN. Merchandise trade with ASEAN increased 80% to $70bn in 2016-17 since 2007-08 with India's exports increasing by 90% to $31bn and imports by 80% to $40.6bn. FDI from ASEAN have also increased around 12.5% since 2000, though majority of this is from Singapore. The two sides are connected through multiple channels including the ASEAN-India Free Trade Area on regional connectivity, free trade agreements on goods as well as services and through separate bilateral pacts between India and some of the ASEAN member countries. India & ASEAN are also members of the on-going Regional Comprehensive Economic Partnership (RCEP) talks.

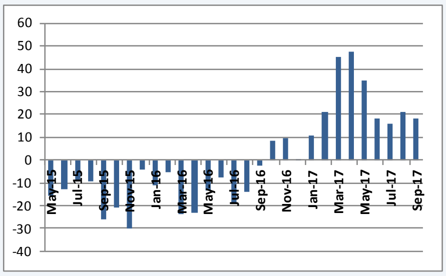
[1] The Association of South-East Asian Nations (ASEAN) comprising of Indonesia, Singapore, Philippines, Malaysia, Brunei, Thailand, Cambodia, Lao PDR, Myanmar and Vietnam

Merchandise trade: *exports/imports / trade balance*

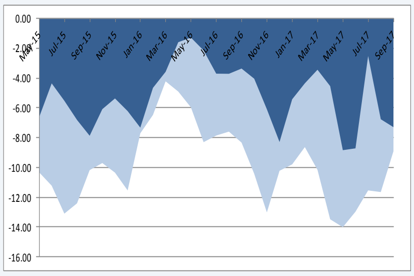
Export growth (% y/y)



Imports (% y/y)

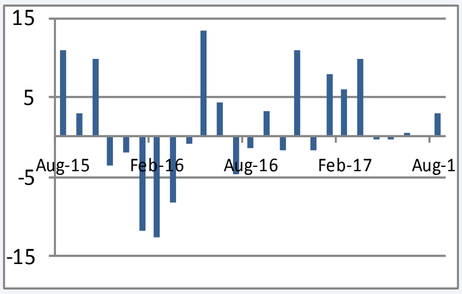


Trade balance ($bn)

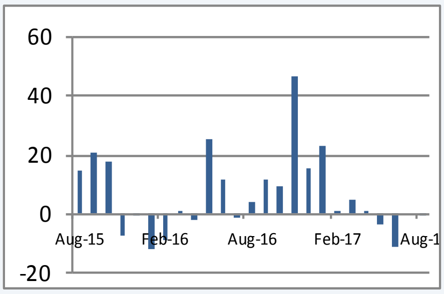


Services trade: *exports / imports / trade balance*

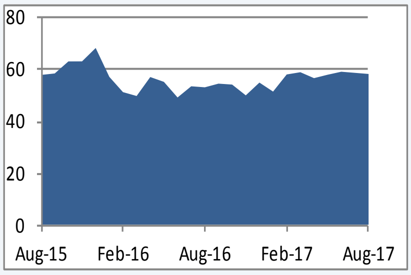
Export growth (% y/y)



Imports (% y/y)

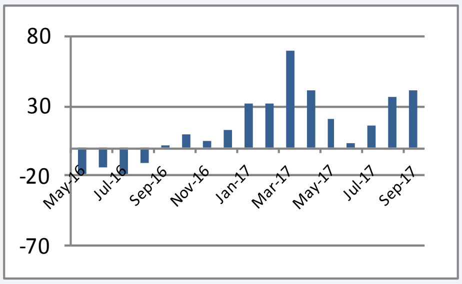


Trade balance ($bn)

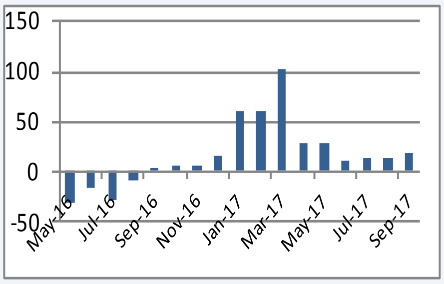


Petroleum Oil Lubricant (POL) trade

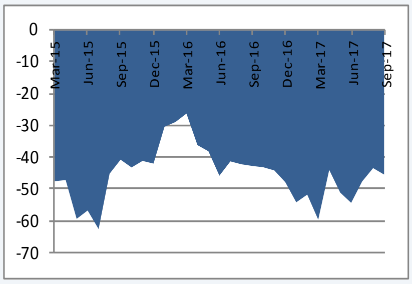
Export growth (% y/y)



Imports (% y/y)

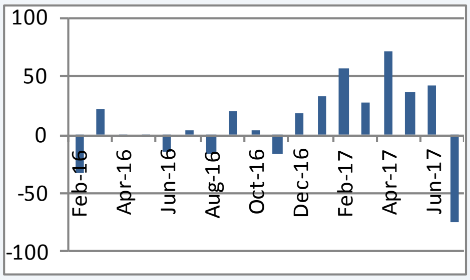


Trade balance ($bn)

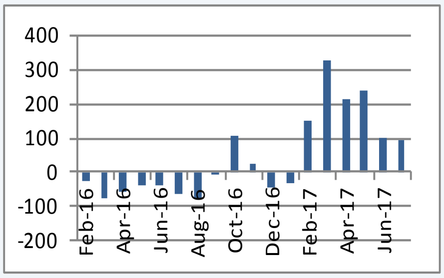


Gold trade

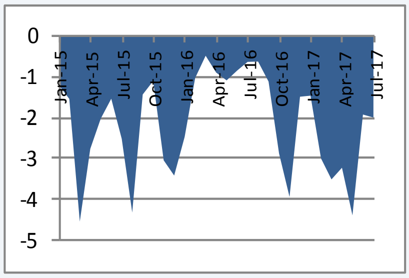
Export growth (% y/y)



Imports (% y/y)

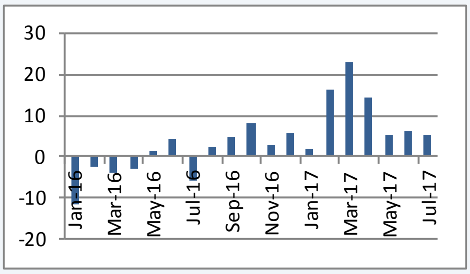


Trade balance ($bn)

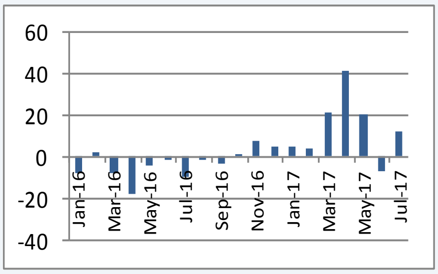


Non oil/Non gold trade

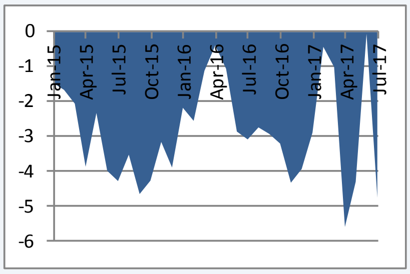
Export growth (% y/y)



Imports (% y/y)



Trade balance ($bn)



Data Sources : Government of India and Reserve Bank of India official statistics

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Read our analysis on the [India Economic Share Point]()