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SPOTLIGHT: INDIA'S TRADE PERFORMANCE

1. The Indian government may not offer zero duty on tariff lines in future free trade agreements. The Commerce Ministry is currently evaluating its negotiating strategy to move away from full duty elimination or keep such commitments to a bare minimum.

The principle is reported to have the support of the PM's office and the Finance Ministry. Incidentally, the government conducted a study earlier this year to assess the impact of India's existing FTAs including those with Korea and Japan – following concerns from domestic industry over the impacts of these pacts on domestic businesses.

2. The WTO's tenth Ministerial Conference (MC10) in Nairobi ended with a significant package that looks beyond the Doha Development Agenda (DDA). India had pushed for reaffirmation of the Doha Development Agenda.

The MC10 outcome does however include language on pursuing negotiations on a Special Safeguard Mechanism (SSM) at the WTO. The SSM, which would allow for tariff barriers against import surges or price volatility – was a key demand of the Indian government based on the vulnerability of the agriculture sector in the country.

3. India and China will undertake a joint study to assess the impact of regional trade pacts. The study will be conducted jointly by India's NITI Aayog and China's Development Research Centre. NITI Aayog, which replaces the Planning Commission of India, was established by PM Modi and is also chaired by him. Indian-American economist Arvind Panagariya, the vice chairman of NITI, stated the joint study would look into questions including the impact of mega-regionals like the Trans-Pacific Partnership (TPP), whether India and China should join the TPP, speed up progress on the Regional Comprehensive Economic Partnership (RCEP) and so on.

INDIA'S TRADE PERFORMANCE

Exports declined for the twelfth straight month in November 2015 – a trend that has had Indian exporters worried. The export decline in November is one of the steepest in the past few years and at this rate, it is expected that exports by the end of this financial year will be around \$260-270 billion against the \$325 billion export target.

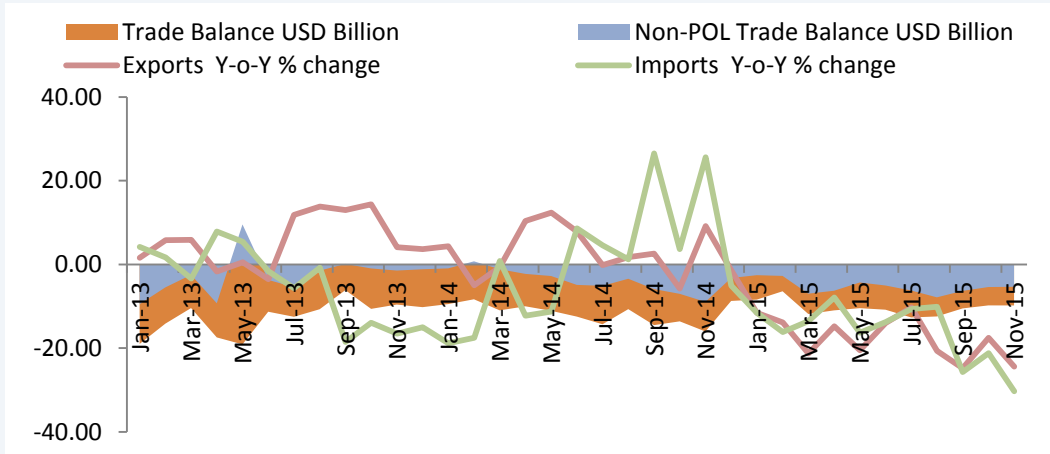
The government has responded by extending export incentive schemes for multiple products. However, weak global demand and low commodity prices, among other factors have outweighed the impact of these steps.

India's Commerce Ministry has also stated that India's exports have in fact, not declined significantly if commodities like oil and gems & jewellery are excluded. They also point out that the current account deficit is only 1.2% and the drop in exports has not compromised growth.

On the positive side, fall in imports combined with the oil supply glut has indeed helped to contain the trade deficit. In addition, some key sectors like drugs and pharmaceuticals as well as readymade garments have grown over the past year.

However, the contribution of exports to GDP has declined from 25.2% in 2013-14 to 21.2% in the first half of 2015-16. Also, excluding oil and gems & jewellery, there are other key export sectors like engineering, textiles, auto components which have been declining.

India's Trade Balance



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