

IN THIS ISSUE:

1. India may push for services pact in WTO
2. EU, India hold stocktaking talks on FTA
3. Gold imports surge, trade deficit widens

SPOTLIGHT: INDIA & THE TPP

INDIA & THE TRANS-PACIFIC  
PARTNERSHIP

India's Commerce Minister Nirmala Sitharaman recently stated that the mega trade pact could affect Indian exports and that there could also be import surges.

Sitharaman said that the TPP would impact multiple key sectors like pharmaceuticals, textiles, chemicals and that there was a need to work towards common standards.

The TPP will bring stricter investment and labour standards, rules of origin, intellectual property right and product standards. Areas under the TPP also include competition policy, environment, state-owned enterprises, e-commerce.

The Indian government is currently engaged the Regional Comprehensive Economic Partnership (RCEP) negotiations which brings together Asean and six other countries including China.

**1. The Indian government may pitch for a trade facilitation agreement in services in the WTO, reports suggest.** This could include a liberalised visa regime with multiple entry visas, visa-free travel for foreign tourists and long term visas for business. According to reports, a key Indian demand would be Mode 4 access that is, movement of professionals, which is an enabling factor for its services exports particularly in sectors like IT.

Meanwhile, India's Union Cabinet has granted an 'ex-post-facto approval' for the approach adopted at the Nairobi Ministerial. The government also issued a statement highlighting the positive deals secured in agriculture as well as the benefit of duty-free market access for countries that have agreed to the Information Technology Agreement, which will be available to all WTO members. The government is now expected to ratify the Bali Trade Facilitation Agreement soon.

**2. The EU and India have restarted discussions on the free trade agreement.** Chief negotiators of both sides met in January for a stock-taking meeting over the long-pending trade pact. India's Commerce Secretary Rita Teaoitia termed the meeting 'extremely positive' while adding that India would like to work towards a 'balanced agreement'. India has also recently approved and released the new Model Bilateral Investment Treaty (BIT) which will be used by the government for negotiating and renegotiating investment pacts. The model BIT will not provide an option to contest taxation decisions taken by the government. It also excludes issues like government procurement, subsidies and compulsory licenses.

**3. A dip in gold prices combined with India's penchant for gold has led to a huge surge (179%) in the precious metal's imports in December 2015.** In combination with India's continued decline in exports, this has led to India's trade deficit widening by over a quarter to \$11.7 billion. December is the thirteenth successive month of exports decline. RBI Governor Raghuram Rajan stated there are indications of a bottoming out and the rate of decline in volumes may also be moderating. In the meanwhile, low oil prices have helped the overall current account deficit to remain contained. In recent meetings with the Commerce Ministry, export bodies have argued for a re-alignment in promotional schemes beyond the present focus on RCEP as well as expediting the EU-India FTA particularly for the benefit of the textile industry.

**Figure 1: India's Trade Balance**  
(figures in \$ billion)

