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1. India on 23 May sealed a \$500 million deal with Iran to develop its Chabahar port during PM Modi's visit to the country. Other deals included a \$1.6 billion Chabahar-Zahedan rail line which is part of a transit corridor in trilateral agreement between Iran, India and Afghanistan. PM Modi described the development as 'history is being created'. The deal also is expected to provide India a trade route to Central Asia particularly for energy and natural resources through Iran. Chabahar is also expected to be hub for Indian business. This is in line with the government's vision to diversify its trade markets.

2. India's trade deficit continued to recieve respite largely on the back of falling gold imports and stronger fall in imports compared to exports. India's trade deficit for April 2016 stood at \$4.84 billion – the lowest yet in the past two years. Meanwhile, imports contracted by about 23% (y/y) while exports contracted for the seventeenth consecutive month by 6.74% (y/y). While India's trade has been impacted by the low oil prices, it's trade balance in particular, has benefited by this trend mainly because of oil imports, a major import item, have become significantly cheaper. This in turn, has helped lower the current account deficit to only 1.4% of GDP in 2014-15 compared to the 4.7% in 2012-13. The impact of low oil prices is also reflected in the fact that oil imports have fallen to 4% of GDP in FY15-16 compared to 9% two years back. It's share in the total import bill is down to 22% compared to close to 40% in the same period.

India's Trade: A 2-Year Snapshot

As part of its Foreign Trade Policy 2015-2020, the Indian government plans to make India a significant partner in world trade. However, poor global demand and soft commodity prices have impacted trade volumes with exports declining for the seventeenth straight month. The government plans to tackle this by boosting services exports as well as increasing exports in priority sectors like auto, pharma, textiles among others.

The government is also working on structural reforms including improving standards as well as trade facilitation measures. Among the major developments, India has ratified the WTO's Trade Facilitation Agreement and is working on implementing it – this is linked with the drive to improve the Ease of Doing Business in India.

India is also negotiating major free trade agreements including those with the EU, Australia, Canada, among others, apart from the mega-regional Regional Comprehensive Economic Partnership which bring together ASEAN and six of its existing FTA partners. India is now likely to pursue a proposal on trade facilitation in services at the WTO, suggest reports

The PM Modi-led government has also signed historic trade & transit pacts with countries like Bangladesh and Iran, which are expected to play a significant role in regional integration.

