

IN THIS ISSUE:

1. RCEP members differ over tariff cuts, suggest reports
2. India jumps 19 ranks in World Bank's logistics index
3. Trade deficit narrows, exports show early signs of stabilising

SPOTLIGHT: INDIA – REGIONAL TIES

1. The Regional Comprehensive Economic Partnership (RCEP) members differed in the tariff reduction mechanism in the latest round of talks, suggest reports. Some members have reportedly asked for a single tariff while others like India are in favour of a three-tier tariff reduction system.

Reports suggest India has offered Asean countries 80% tariff liberalisation, 65% tariff elimination to South Korea and Japan and 42.5% to China, Australia and New Zealand. RCEP negotiations were officially launched in 2012 and the next round is expected to be held in August.

2. India has jumped 19 places in the World Bank's biennial report measuring trade facilitation tools and logistics services. The 2016 Logistics Performance Index (LPI) puts India at the 35th rank with a score of 3.42. UK is at the 8th rank with a score of 4.07. The index measures 160 countries on a number of parameters that impact efficient trade and transport including quality of infrastructure, customs efficiency and border clearance, shipment reliability and quality of service.

As per the 2016 index, India is among the overperformers in its income group peers. In particular, the Indian government is working on a number of reforms including a single window for trade, more use of ICT, wider use of risk based inspection, reduction in documents required and so on. A better performance in logistics reduces the cost and time of doing trade and is expected to provide a fillip to trade performance, integration in global supply chains as well as boost initiatives like Make in India.

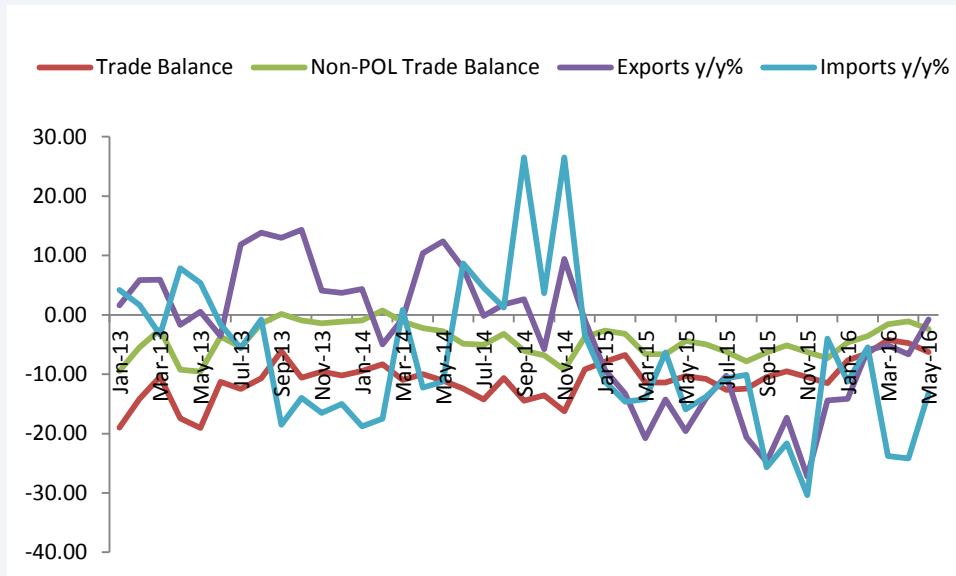
INDIA – REGIONAL TIES

India and Bangladesh formally inaugurated the revised inland waterways trade and transit agreement through the movement of cargo from Kolkata to the north-eastern city of Agartala in India via Bangladesh's Ashuganj Port. The pact, which was signed during PM Modi's visit to Dhaka last year, allows the two countries to use their territories as transit for goods to a third country.

India also recently held bilateral meetings with neighbours Bhutan, Nepal and Sri Lanka to discuss deepening of economic ties. It is working to renew its trade, commerce and transit pact with Bhutan at an early date. The agreement, which was signed in 2006, comes to an end in July this year. India and Sri Lanka also agreed to expedite an economic and technology cooperation agreement which is expected to increase access to Indian markets.

Regional partners trade significantly with India and also hope to tap into its growing economy. India on its part is working on building stronger trade and economic links through its Act East policy.

3. India's trade deficit in May narrowed to \$6.27 billion. Imports declined for the eighteenth consecutive month while overall exports too continued their downward trend. However, non-oil exports for the first time in seventeen months showed a slight uptick. This was largely on the back of increased exports in engineering goods, and gems & jewellery among others. Exports are showing early signs of stabilising and recovery in crude oil prices should also benefit India's oil exports. External factors like slow global demand and low oil prices have impacted exports. The Indian government plans to boost trade performance through structural reforms to boost export competitiveness and diversification of the export basket.



For more information, please write to Yashodhara.Dasgupta@fco.gov.uk