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## SPOTLIGHT: RCEP, THE STATE OF PLAY

**1. India has become the 76<sup>th</sup> member to ratify the World Trade Organisation's (WTO) Trade Facilitation Agreement (TFA).** It had notified its Category A commitments in March. The instrument of acceptance was officially handed over to the WTO Director General Roberto Azevêdo on April 22, 2016. The government has linked the development to India's overall Ease of Doing Business initiative.

It has also initiated the process to set up a National Trade Facilitation Committee to coordinate the implementation of the Agreement. The Committee will essentially provide an institutionalised mechanism for all stakeholders to work together on the same page. Over 30 government department, state government with international borders and private players are likely to be linked through the Committee.

**2. India and the U.S. are scheduled to hold consultations at the WTO on 11-12 May over America's move to hike visa fees for non-immigrant temporary workers.** This follows from India's complaint against the US in WTO's dispute settlement body in March. India believes the move would adversely affect the competitiveness of India's services industry engaged in the U.S. market and create uncertainties for Indian service suppliers.

The IT sector in particular is a major strength of India in services exports. Estimates suggest that the U.S. accounts for close to 60% of India's software exports. Commerce Secretary Rita Teotia recently commented on the need for India to increase legal capacity to deal with disputes at the WTO.

## RCEP: THE STATE OF PLAY

The Regional Economic Comprehensive Partnership (RCEP) completed its 12<sup>th</sup> round of negotiations in April 2016. Members held discussions on goods, service, investment, intellectual property, economic and technological cooperation, e-commerce and articles of law.

The negotiations are reportedly at an advanced stage however, there are differences on the degree of liberalisation and ambitions on market access to respective economies.

Also, some members are seeking ambitious relaxations in goods, other members like India are seeking a greater access in services sector through Mode 4 relaxations, suggest reports. Given the high tariff levels it currently imposes, India is also measuring relaxations against revenue losses from these cuts to duties – reportedly expected to be up to 1.6% of GDP.

The mega-regional RCEP, which includes 10-member ASEAN, China, South Korea, Japan, India, Australia and New Zealand, is scheduled to be completed by end-2016. It is expected to generate deeper integration and in the member countries.

The next round will take place from 12-18 June in Auckland, New Zealand.

**3. India’s trade balance received some respite on the back of falling gold imports and an overall stronger contraction in imports than exports.** India’s trade deficit for March 2016 stood at \$5 billion – about a 55% fall compared to the same period last year. Meanwhile, imports contracted by about 21% while exports contracted for the sixteenth consecutive month by 5.5%. India currently has a trade deficit in goods with over one-third of all its trade partners. It runs a negative balance with the majority of it’s top 25 partners. It’s largest trade deficit is with China who accounts for about one-third of India’s total trade deficit. The government plans to boost exports in priority sectors like pharmaceuticals, chemicals, textiles and automobile among others and diversifying its trade markets. However, the global downturn combined with a stronger rupee have proved to be a dampener.

