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SPOTLIGHT: INDIA & BURMA TRADE

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The Indian government has taken the decision to stop barter trade with Burma and switch completely to normal trade. For the past 15 years or so, the two countries have allowed border trade to be conducted through the barter mechanism – this was as per a border trade agreement signed by the two countries back in 1994.

The rationale behind permitting barter trade was to enable exchange of locally produced goods along the Indo-Burmese border. This was also due the lack of proper financial institutions between the borders.

The decision to move over completely to normal trade was made recognising the diversification of trade basket as well as the adequate banking presence that can now support normal trade.

So far, issues like the lack of proper financial and physical infrastructure had limited normal trade. However, studies conducted on Indo-Burmese border trade argued in favour of removing barter trade and instead, creating an enabling environment for normal trade.

This development indicates that trade and the relevant infrastructure between the countries is evolving – this is important in context of the region's economic integration. Burma is an important strategic partner for India. In addition, India is an important destination for Burma's imports and exports.

1. India is likely to pursue the Doha agenda in the upcoming 10th Ministerial Conference in Nairobi.

According to the latest statements made by Commerce Minister Nirmala Sitharaman, India would like to see progress on the special safeguard mechanism (SSM) – a tool that will allow developing countries to raise tariffs temporarily to deal with import surges or price falls.

India would also like to retain its developing country status on the basis that despite high growth there is still significant development required to bring it up to par with developed countries. Commerce Secretary Rita Teatota recently stated that India's priority is to work constructively in the WTO focusing on 'equity and fairness'.

2. India and Bangladesh have taken another step forward towards regional connectivity by signing the standard operating procedure (SOP) for their coastal shipping agreement. Under this, India and Bangladesh will give the same treatment to the other country's vessels as to its national vessels used in international sea transportation.

The agreement on coastal shipping was signed in June 2015 during PM Modi's visit to Bangladesh. The two sides now need to implement the protocol for access to Chittagong and Mongla ports – a memorandum of understanding on this was signed during the same visit.

3. India's merchandise exports have declined for the eleventh straight month – the longest such spell in recent years.

However, looking at the longer term, banking major HSBC in its outlook for international trade has recently stated India still has the potential for strong growth and could outpace China with an average 6% growth per year of merchandise exports in 2025-50.

As part of its efforts to boost exports, the government will extend interest relief to the tune of Rs 27 billion over the next five years to exporters in sectors like processed agriculture and food items, auto components, iron and steel among others. Exports in October dropped 21% compared to last year. However, the trade balance was helped in part by low oil prices as well as a bigger fall in imports.

