India, Asean review: PSRs, mkt access likely on table

The bloc seeks liberal product-specific rules in electronics and chemicals

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The review of the trade deal between India and the Association of Southeast Asian Nations (Asean) may see intense discussions on product-specific rules (PSRs) for value-addition norms on inbound shipments, greater market access for products and streamlining of non-tariff barriers, a person privy to the matter said.

While India-Asean trade entered into force from 2010 onwards, both sides aim to conclude the review and negotiations of the existing agreement by next year to make the deal more modern and upgrade it with changing times. Moreover, since the trade deal was signed over a decade ago, the 'rules of origin' norms were not detailed, the person said.

Asean nations comprise Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, The Philippines, Singapore, Thailand, and Vietnam.

"We are discussing product-specific rules, greater market access for some products, as well as streamlining non-tariff barriers with Asean nations....They (Asean countries) are also seeking liberal PSRs in items such as electronics, chemicals... We will have to strike a balance" the person told *Business Standard*.

In any free trade agreement (FTA), duty concessions are given to imported goods that are produced or originated in the exporting country only with the larger idea of avoiding the routing of products manufactured in third countries to India. This is generally determined by factors such as the percentage of value-addition that has been done during manufacturing, under the rules of origin norms.

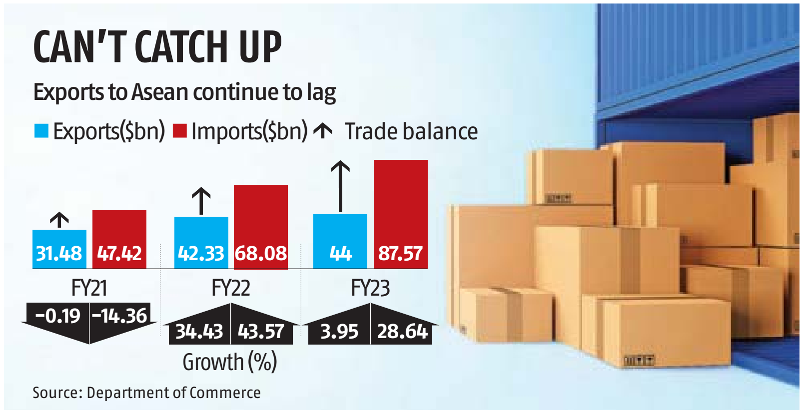
Most of the trade deals signed by India have a single rule for all goods that are produced. However, in most of the new trade agreements being signed and negotiated by India in recent times, product-specific rules are also being negotiated to claim the origin of the product. This may carefully offer flexibilities and value addition norms customised depending on the need of the product.

Arpita Mukherjee, professor, Indian Council for Research on International Economic Relations (ICRIER), said that in the age of global value chains, each country is contributing a small part to the entire value chain.

Especially in the case of mobile phones or electronics, higher value addition norms may not work.

"Firming up product-specific value addition norms needs research and mapping of HS code-wise value chain. For instance, if too many rules of origin are created, and the concessional duty under the FTA is low, then the industry may prefer using the non-FTA route to avoid less procedural formalities. This can eventually hamper the utilisation of the FTA," she said.

For India, another concern has been that the trade balance has been tilted in favour of Asean countries. This means that imports from Asean nations grew at a much faster pace as compared to exports from India. Policymakers also have been concerned about the possibility of the trade agreement being used to route goods into India from third countries. In FY23, India's exports to Asean increased to $44 billion from $42.32 billion a year ago. However, imports grew at a faster pace and jumped to $87.57 billion in FY23 as against $68 billion in FY22. The trade deficit widened to $43.57 billion in FY23 from $25.76 billion the previous year. It was just $5 billion in FY11.



After UAE, India signs local currency trade agreement with Indonesia

The Reserve Bank of India (RBI) and Indonesia's central bank on Thursday signed an agreement in Mumbai to promote cross-border local currency transactions. It is India's second such local currency trade agreement after the UAE. RBI governor Shaktikanta Das and Perry Warjiyo, governor of Bank Indonesia, signed a memorandum of understanding for "establishing a framework for cooperation in the area of cross-border transactions in local currencies between India and Indonesia", said RBI in a statement. The agreement "aims to promote the use of INR (Indian rupee) and IDR (Indonesian rupiah) bilaterally". **BS REPORTER**