

AHEAD OF INDIA-ASEAN FTA REVIEW

Industry flags spike in import of 38 items

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India is gearing up for a review of the 13-year-old trade pact with the Association of Southeast Asian Nations (Asean) against the backdrop of a surge in the import of as many as 38 items, including laptops, IT hardware, telecom equipment, and stainless steel products, during the first six months of the current financial year.

The spike in imports was witnessed mainly from countries such as Singapore, Thailand, Indonesia, Malaysia, Vietnam, and the Philippines, people aware of the matter told *Business Standard*.

The 10-member

WORRYING SURGE

Commodity/ Major Asean member exporting to India	India's imports during Apr-Sep FY24 (in \$ mn)	Y-o-Y growth (%)
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PV cells not made into panels/Malaysia	264.19	4,841.56
Lithium-ion/Vietnam	41.46	294.19
Aluminium ingots/Malaysia	80.15	270.08
Semi-finished stainless steel/Indonesia	624.71	188.34
Plastics/Malaysia	41.42	174.56
Non-monetary unwrought gold/Philippines	39.69	99.3
Telecom equipment (machines for conversion of audio, visual data)/Singapore	329.37	59.21
AC parts/Thailand	81.86	52.93
Electronic equipment (monolithic integrated circuit)/Singapore	601.11	15.59
Laptop, PCs/Singapore	445.41	7.15

Source: Government data

Asean grouping also includes Brunei Darussalam, Cambodia, Laos, and Myanmar. The India-Asean free trade

agreement (FTA) was signed in August 2009, and the deal came into force 2010 onwards.

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ly further for some time until something brings them down. I do not see any such headwind at the moment, but this week could point out what that risk could be,” said Andrew Holland, CEO of Avendus Capital Alternate Strategies.

FTA...

While the department of commerce has begun the exercise of compiling and analysing trade data, it has sought inputs from industry executives and asked them to share their concerns with respect to the deal, which till now has resulted in a trade balance in favour of Asean.

The industry has raised an alarm regarding the jump in imports during the April-September period, one of the persons cited above said.

There has been a substantial increase in imports of items such as laptops, electronic equipment such as amplifiers, monolithic integrated circuits and gear boxes, metals such as nickel, lead and steel scrap, and p-Xylene, which is used in the production of polyester, from Singapore.

Similarly, there has been a surge in the import of solar PV cells, telecom equipment, steel bars and rods, jewellery and AC parts from Thailand; plastics, aluminium ingots and solar PV cells from Malaysia; and lithium-ion, telecom and electronic equipment, and flat steel products from Vietnam.

The review of the FTA has been a long-standing demand of Indian businesses, especially because India hopes to diversify trade while addressing the “current asymmetry of bilateral trade”. Both sides aim to conclude the review and negotiations of the existing agreement by 2025.

Apart from the widening trade deficit, India has been worried about the routing of goods from non-Asean countries through Asean countries by taking the duty advantages of the agreement. Towards this, government officials said India

is pushing for the tightening of the ‘rules of origin’ norms under the existing FTA.

‘Rules of origin’ determine the criteria for which goods are eligible for free imports, with the larger idea to avoid routing of products manufactured in third countries to India.

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. In August, Commerce and Industry Minister Piyush Goyal had said the trade agreement with Asean was an “ill-conceived” pact and unfair to Indian industry.

Climate deal...

The draft text, published by the UN’s climate body on Monday evening, advocates for “reducing both consumption and production of fossil fuels, in a just, orderly and equitable manner, so as to achieve net-zero by, before, or around 2050 in keeping with the science”.

However, the text does propose the phasing out of inefficient fossil fuel subsidies “that encourage wasteful consumption and do not address energy poverty or just transitions” as soon as possible. This move has been championed by the European Union and the United States.

UN Secretary-General Antonio Guterres, speaking on Monday, as reported by global media outlets, emphasised that while recognising the need for a phase-out of fossil fuels is crucial in the fight against climate change, not all countries need to phase out simultaneously.

The draft text represents the first global stocktake under the 2015 Paris Agreement, which aimed to limit the rise in mean global temperature to well below 2°C above pre-industrial levels, and preferably to 1.5°C.