

● INDIA-ASEAN TRADE PACT REVIEW

India for tighter rules of origin

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THE REVIEW OF Asean-India Trade in Goods Agreement (AITGA) will start with discussions on making the Rules of Origin (ROO) more comprehensive and detailed, as New Delhi is keen to remove the scope for exporters from third countries to exploit the preferential tariffs, a senior official said.

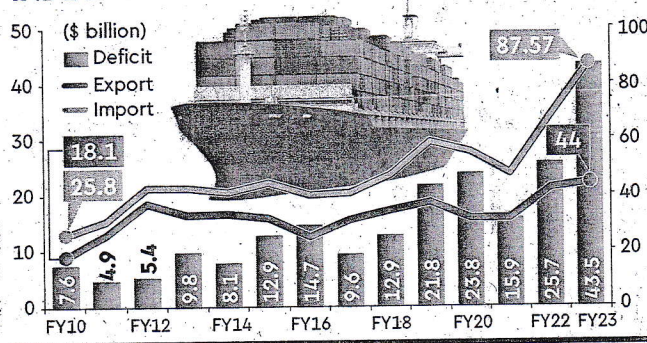
"It is an agreement on trade in goods, and not services, and here, the core area is market access and ROO... so we have said (to Asean negotiators) that we should start talks on these first. Other issues are routine like trade remedies," the official, who did not wish to be identified, said.

The ROO revision would be in line with the provisions in the trade agreements that are currently being negotiated, where extent of value addition in a product originating from the exporting country is different for each chapter or product.

Currently, the ROO is not a very detailed chapter in AITGA. This is seen to be still allowing businesses from third countries to utilise this FTA, for exports to India. "We need to look at ROO in a very different manner because different sectors behave differently," the official added.

After years of negotiations, AITGA was signed in 2009 and at

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that time the ROOs framed were very generic in nature. For non-manufactured products, agriculture products and marine items, grown or extracted or obtained from territorial waters of the countries participating in the pact, were eligible for concessional duties.

In manufactured products, domestic value addition of 35% of FOB (the cost at the frontier of the exporting country) value was mandated. Another condition for availing concessional tariffs was that final processing is performed within the territory of the exporting country.

"We want to make rules of origin in AITGA more granular and product specific," the official said.

In trade talks with Australia, value addition norms for 6,000 products are being negotiated individually. Even with the UK, product specific value addition norms are discussed and is one of the contentious issues in the talks.

"In newer agreements under consideration the value addition requirements are different for each product. These values can't be the same for agriculture and manufactured products," the official said.

While agriculture products are mostly grown and processed locally, manufacturing happens in global value chains.

For the review, the government has held stakeholder consultations

with 7-8 industry groups.

The AITGA entered into force on January 1, 2010 which created one of the world's largest free trade areas. Since then, the trade deficit with Asean widened from \$4.98 billion in 2010-11, the first full year of operation of AITGA to \$43.57 billion in 2022-23. The widening of the deficit by \$17.51 billion in the last financial year is alarming as in 2021-22, the deficit was \$25.76 billion.

Within five years of the agreement on goods being activated, India had started asking for a review of the pact as its imports from Asean zoomed but it could not derive the expected benefits. India maintains that its exports to Asean have been impeded by non-reciprocity in FTA concessions, non-tariff barriers, import regulations and quotas.

In August this year, both sides laid down the framework and a deadline of 2025 to complete the review.

Apart from rules of origin, other areas where talks will focus on are goods. Both rules of origin and goods trade will be negotiated by separate sub-committees.

The in-person joint committee meeting on the review is expected in the third week of February.

Before that one, virtual meeting of the joint committee may be held, the official said.