India-Asean FTA review to focus on a 'modern' pact

SHREYA NANDI
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India and the 10-member Asean nations will soon kickstart a review meeting of the existing free trade agreement (FTA) — signed in August 2009 and enforced from 2010 — and discuss ways to make the pact more 'modern', people aware of the matter said.

A delegation comprising key officials from Asean nations is expected to be in New Delhi from on 18 and 19 to begin the negotiations.

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

"It will be a complete re-look of the existing FTA. There will be a detailed chapter on 'rules of origin', which will for the first time see product-specific rules. There will also be a new chapter on trade remedies," one of the people cited above told *Business Standard*.

TAKING STOCK

India-Asean trade

Year	Exports ($ bn)	Growth (%)	Imports ($ bn)	Growth (%)	Trade balance ($ bn)
FY21	31.48	-0.19	47.42	-14.36	-15.94
FY22	42.33	34.43	68.08	43.57	-25.75
FY23	44	3.95	87.57	28.64	-43.57

Source: Department of Commerce

The idea behind pushing for a trade deal is that the FTA was signed 13 years ago and there is a need to upgrade and change certain things, a person cited above said.

In any 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.

For a long time, India has been worried about routing of goods from third countries via non-Asean countries to benefit from duty advantages under the agreement. "The idea is to address this concern through the review," the person added.

Another concern is that the trade balance favours Asean countries. This means imports from Asean nations grew at a much faster pace than exports from India.

In FY23, India's exports to Asean nations increased to $44 billion from $42.32 billion a year earlier. However, imports grew at a faster pace and jumped to $87.57 billion in FY23, $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.

Recently, industry raised an alarm over a jump in imports from countries like Singapore, Thailand, Indonesia, Malaysia, Vietnam, and the Philippines, during the April-September period. This was triggered by a surge in imports of 38 items, including laptops, information technology hardware, telecom equipment, and stainless steel products during the first six months of the current financial year.

Both sides aim to conclude the review and negotiations of the existing agreement by 2025.