

# FTA review: China's greater integration with ASEAN worries India

Amrit Sen  
New Delhi

The ASEAN's deeper economic integration with China in the last 15 years since India's free trade agreement (FTA) with the bloc was forged has thrown a big challenge for the country in the ongoing review of the pact, sources said.

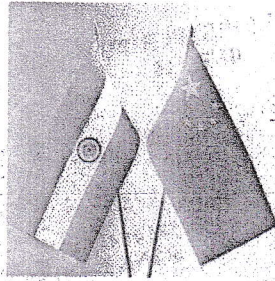
India is trying to guard against the risk of the neighbouring country taking advantage of a possible greater opening up of markets as China's supply lines are now more intertwined with that of ASEAN countries, sources tracking the matter told *businessline*.

"China is like the big elephant in the room where India and the ASEAN are holding review negotiations. ASEAN's imports from China are now 30 per cent of its total imports, which is up from 10 per cent 15 years ago. Recently, the Chinese Premier Li Qiang talked about an even greater integration with the bloc. India needs to weigh every step carefully keeping this in mind," the source said.

## SEEKING FTA REVIEW

India had demanded a review of the FTA with the ASEAN, formally called the ASEAN India Trade in Goods Agreement (AITIGA), signed in 2009, as it resulted in disproportionate gains for the ASEAN countries with their trade deficit with the bloc widening to \$38.46 billion from \$7.5 billion in 2010, when the pact got implemented.

"There have been concerns about a variety of products with a high Chinese content, ranging from steel products to mobile phones, taking their way into India without preferential duties from countries such as Vietnam, Indonesia and Malaysia," the source said.



With the Regional Comprehensive Economic Partnership (RCEP), an ambitious free trade pact between the ASEAN and its five FTA partner countries China, South Korea, Japan, Australia and New Zealand, now operational, the risk of Chinese items coming into India through the ASEAN countries is even higher, the source added.

"The answer to the concern does not lie solely in making ROO (rules of origin which trace where an item originates from) more stringent to keep Chinese items out. After RCEP, Chinese investment in the ASEAN is also increasing rapidly. So the problem is more complex," the source said.

The problem is that the ASEAN has to be convinced to allow India adequate protection in items where its domestic industry is being hit because of the FTA concessions. "For that the bloc would want additional concessions in other areas from India. That is something that has to be properly negotiated," the source said.

Also, while under the AITIGA, both sides agreed to open their markets by progressively reducing and eliminating duties on 76.4 per cent coverage of goods, the ASEAN countries did not take on uniform commitments. "India wants countries like Vietnam, that had given disproportionately less market access in the AITIGA, to take on more tariff reduction under the review," the source added.