

INDIA-ASEAN TRADE DEAL – ECONOMY

NEWS: Over the last one year, India has held nine meetings with the **Association of Southeast Asian Nations (ASEAN)** to review the **trade agreement signed with the grouping, but no progress has been made on any item.**

WHAT'S IN THE NEWS?

Background of the ASEAN-India Trade Agreement

- **Original Agreement Signed:**
The **ASEAN–India Free Trade Agreement (AIFTA)** was signed in **2009**, covering trade in goods and aimed at reducing or eliminating tariffs between India and ASEAN nations.
- **Tariff Commitments under AIFTA:**
 - **India** agreed to eliminate tariffs on **71% of its tariff lines** for ASEAN products.
 - In contrast, **ASEAN countries** committed to lower openings:
 - **Indonesia:** 41%
 - **Vietnam:** 66.5%
 - **Thailand:** 67%
 - This asymmetry raised concerns over reciprocal benefits.
- **Trade Outcome Over 15 Years:**
 - India's **exports to ASEAN have doubled**, showing increased trade interaction.
 - However, **imports from ASEAN have tripled**, leading to a **widening trade deficit**.
 - These developments necessitated a **formal review of the FTA**.
- **Review Process Initiated:**
A **Joint Review Committee** began its work in **2024**, aiming to address trade imbalances and structural shortcomings in the agreement.

About ASEAN (Association of Southeast Asian Nations)

- **Established:**
In **1967**, through the **Bangkok Declaration** during Cold War tensions.
- **Founding Members:**
Indonesia, Malaysia, Philippines, Singapore, and Thailand.
- **Current Membership:**
10 countries – **Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.**
- **Headquarters:**
Jakarta, Indonesia.
- **Objective:**
Promote **regional peace, stability, economic cooperation, and political integration.**

- **India as a Dialogue Partner:**
ASEAN maintains partnerships with India, USA, China, Japan, EU, Australia, and others for strategic dialogue and cooperation.

Evolution of India–ASEAN Relations

- **Early Engagement:**
Initiated in the **early 1990s** as part of India's **Look East Policy**, which aimed to build strategic and economic relations with Southeast Asia.
- **Policy Transition:**
In **2014**, the Look East Policy evolved into the **Act East Policy**, reflecting a more **action-oriented and strategic engagement** with ASEAN.
- **Timeline of Milestones:**
 - **1992:** India became a **Sectoral Dialogue Partner**.
 - **1996:** Elevated to **Full Dialogue Partner**.
 - **2012:** Upgraded to a **Strategic Partnership**.
 - **2022:** Elevated to a **Comprehensive Strategic Partnership**.

Trade, Investment, and Connectivity Cooperation

- **Importance in Trade:**
ASEAN is India's **4th largest trading partner**, with total trade valued at **US\$110.4 billion** in **2021–22**.
- **Connectivity Projects:**
India has prioritised **regional infrastructure development**, including:
 - **India–Myanmar–Thailand Trilateral Highway**
 - **Kaladan Multimodal Transit Transport Project**
 These aim to enhance physical connectivity and regional integration.

Defense and Security Cooperation

- **Joint Exercises and Dialogue:**
 - India actively participates in ASEAN's security platforms such as the **ADMM+ (ASEAN Defence Ministers' Meeting Plus)**.
 - Regular **India–ASEAN maritime exercises** strengthen defense ties and regional maritime security.
- **Indo-Pacific Vision:**
ASEAN is central to India's **SAGAR (Security and Growth for All in the Region)** doctrine, promoting a **free, open, inclusive, and rules-based Indo-Pacific**.

Socio-Cultural and Educational Cooperation

- **People-to-People Initiatives:**
India and ASEAN have promoted:

- **ASEAN–India Students Exchange Programmes**
- **Training for ASEAN diplomats**
- **ASEAN–India Network of Think Tanks**

These initiatives enhance **cultural diplomacy and academic dialogue**.

Components of the ASEAN–India Free Trade Area (AIFTA)

- **Framework Agreement (2003):**
Set the legal foundation for economic cooperation, including goods, services, and investment.
- **Trade in Goods Agreement (2010):**
 - Required parties to **eliminate tariffs on 76.4% of goods** gradually.
 - Aimed to enhance market access and trade liberalisation.
- **Trade in Services Agreement (2014):**
Covered:
 - **Transparency and market access**
 - **National treatment**
 - **Recognition of professional qualifications**
 - **Dispute settlement mechanisms**
- **Investment Agreement (2014):**
 - Ensures **fair treatment of investors**, including protection from **expropriation, non-discrimination**, and **guaranteed compensation**.

Challenges with the AIFTA

- **Widening Trade Deficit:**
 - India's **trade deficit with ASEAN rose to \$44 billion in FY23**, from \$8 billion in FY13.
 - Faster import growth has led to **asymmetrical economic benefits**.
- **Limited Services Market Access:**
 - Despite India's competitive advantage in **IT, education, and health**, ASEAN offered **minimal liberalisation** in these sectors.
- **Non-Tariff Barriers (NTBs):**
 - Indian exporters face **complex regulatory standards, licensing, and sanitary/phytosanitary requirements**, which restrict exports, especially of **agricultural and pharmaceutical products**.
- **Rules of Origin Loopholes:**

- **Lax origin rules** allow goods from **third-party countries like China** to enter India via ASEAN routes, undermining India's **Make in India** initiative.
- **Limited Gains for Agriculture:**
 - Indian farmers face **quota restrictions and strict standards** on agri-exports.
 - Meanwhile, **ASEAN's low-cost exports of palm oil, rubber, and spices** hurt domestic producers.
- **Negotiation Imbalance:**
 - ASEAN negotiates as a **regional bloc**, while India negotiates **bilaterally**, reducing its leverage in gaining reciprocal concessions.

Way Forward

- **FTA Review Launched (2022):**
India and ASEAN formally agreed to **review the trade agreement** to address asymmetries and recalibrate terms.
- **Recommendations for Reform:**
 - **Tighten rules of origin** to prevent third-country routing.
 - **Strengthen safeguard mechanisms** to protect vulnerable sectors.
 - Enhance **market access for Indian services and agricultural goods**.
 - Negotiate for **regulatory cooperation** to address NTBs and technical barriers.
- **Strategic Importance of Deeper Partnership:**
 - India's increasing engagement with ASEAN (especially since **2024**) reflects its broader role in the **Indo-Pacific and Global South**.
 - A balanced, modernised FTA can enhance **mutual economic growth, regional stability, and geopolitical resilience**.

Source: <https://www.thehindu.com/business/no-headway-in-india-asean-trade-deal-review-despite-9-meetings-in-last-one-year/article69729081.ece#:~:text=Over%20the%20last%20one%20year,any%20item%2C%20according%20to%20sources.>