

Contents

India seeks early conclusion of trade deal with Asean	2
Asia edges towards giant free trade zone: ASEAN	3
Boosting trade with Asean.....	4
India digs in heels on free trade pact with Asean.....	6
India ready to sign FTA in Services, Investment with ASEAN: PM	7
Security clause inserted in Asean trade pact.....	8
India, Asean talks on services, investment pact set to conclude.....	9
Asean services pact talks concluded.....	11
Tea sector eyes export opportunities in Asean	13
Asean beckons	14
India's firmer eastward gaze.....	15
Free trade pact with Asean likely to be signed in August.....	17
Asean services and investment agreement gets govt push.....	18
Government likely to review bilateral trade pacts, FTAs to reassess gains.....	19
India-Asean FTA falters just before finalization over services pact.....	20

India seeks early conclusion of trade deal with Asean

Elizabeth Roche, Mint

New Delhi, August 7, 2012: India on Tuesday sought the early conclusion of a free trade pact in services and investments between Asia's third largest economy and the 10-member high-growth Association of Southeast Asian Nations (Asean).

The move will lead to further economic integration between the two regions, which have a combined population of about 1.8 billion, "a market with resource and demand", foreign minister S.M. Krishna said in his remarks to the round-table of the Asean-India networks of policy research groups.

The round-table is one of many events being held in the run-up to a commemorative India-Asean summit on 20-21 December in New Delhi to mark two decades of apex-level ties between the two.

Tuesday's meet was organized by Research and Information Systems for Developing Countries think tank in New Delhi.

Krishna noted that India's trade with the Asean, which groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, crossed the \$70 billion (around Rs. 4 trillion today) target set for 2011.

Recalling that India and Asean had signed a free trade agreement (FTA) in goods in 2009, Krishna said, "We would now like to see the early finalization of the Asean-India FTA in investment and services." This will help kick-start talks on a regional economic partnership initiative resulting in further integration, he added.

Trade with India constituted just 2.9% of Asean's overall global trade, said Nyan Lynn, deputy secretary general (political security community), Asean secretariat. He called on India to support and participate in Asean's plans to improve connectivity in South-East Asia and South Asia. Referring to an Asian Development Bank estimate, Lynn said Asian nations need to invest \$3 trillion in overall infrastructure development between 2010 and 2020.

India is already in talks with Myanmar and Thailand for a trilateral highway. During a visit to India in January, Thai Prime Minister Yingluck Shinawatra suggested maritime links between Chennai in southern India and Thailand through the Dawei seaport in Myanmar.

"India's engagement with Asean so far has been episodic. I think we need to step up engagement with the economically vibrant region. If India does not respond to Asean's overtures, say, in the area of trade, Asean can turn to a China or Japan or South Korea. So it is in India's interest to keep up ties with the group," said C. Uday Bhaskar, an analyst with South Asia Monitor think tank in New Delhi.

India and Asean established preliminary ties in 1992— around the time India launched its "Look East" policy aimed at forging stronger ties with the fast growing economies of South-East Asia. India was upgraded to a full dialogue partner of Asean in 1995, and in 2002, India and Asean held their first summit-level interaction.

[\[Back to top\]](#)

Asia edges towards giant free trade zone: ASEAN

Agence France Presse

31 August 2012: Sixteen nations home to roughly half the world's population have agreed "in principle" to create a free trade area spanning Asia, the secretary-general of ASEAN said Friday.

Trade ministers from the 10-member Association of Southeast Asian Nations (ASEAN) and their counterparts from China, Japan, South Korea, India, Australia and New Zealand will press their leaders to start talks on the trade zone at a regional summit in November, Surin Pitsuwan told AFP.

The move towards establishing the Regional Comprehensive Economic Partnership (RCEP), made during a meeting in the Cambodian tourist town of Siem Reap on Thursday, was hailed by Surin as "a big achievement".

The proposal could transform the region -- containing around 3.5 billion people -- into an integrated market with a combined Gross Domestic Product (GDP) of \$23 trillion, a third of the world's current annual GDP, he said.

ASEAN -- which groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam -- already has five separate free trade agreements (FTAs) governing economic cooperation with the six partner countries.

"This idea of trying to string together all these FTAs in existence into one, in principle now it's been agreed," Surin said on the final day of a week-long gathering of ASEAN economic ministers. The pact will aim to eliminate trade barriers, create a liberal investment environment and protect intellectual property rights, according to the negotiation guidelines.

"This is a bold move to deepen integration in the most dynamic region in the world," New Zealand Trade Minister Tim Groser said in a statement on his government's website.

"It shows that despite the economic difficulties in other parts of the world, Asia is actively pursuing trade liberalisation."

Progress on the proposed RCEP trade deal, where China will be a dominant power, comes as the United States is leading a push to create a vast trans-Pacific pact with at least 10 other economies, including four ASEAN members.

The Trans-Pacific Partnership (TPP) has emerged as a trade priority for US President Barack Obama, who has cast the mooted pact as a way to boost US exports and jobs while preserving labor and environmental standards.

US Trade Representative Ron Kirk, who attended this week's trade talks in Cambodia, said there was room for both trade initiatives.

"We seem them as complementary, not necessarily competition," he told reporters.

[\[Back to top\]](#)

Boosting trade with Asean

Biswajit Dhar, Mint

September 24, 2012: This year, India is commemorating its two decades of economic partnership with the Association of Southeast Asian Nations (Asean). The relationship—that coincided with India's look east policy—began with India joining the grouping as a dialogue partner, a step that culminated in the Free Trade Agreement (FTA) that became operational in 2010.

FTA with Asean marked a major step in the evolution of the country's integration with the global economy. Its engagement with Asean marked a departure from its earlier position regarding bilateral and regional trade agreements. Until the start of its close association with the grouping in 2003, India was almost unequivocally wedded to the multilateral trading system. The only exceptions to this being bilateral deals that it had concluded with its immediate neighbours in South Asia. Since then, India has aggressively pushed for concluding FTAs/Preferential Trade Agreements with its major partners.

Not only has it reached out to most of the East Asian Summit members, it has actively engaged with several members of Asean to deepen and widen its economic engagement and conclude comprehensive economic partnership agreements.

The FTA negotiations were initiated as a part of the Framework Agreement on Comprehensive Economic Cooperation between India and Asean. The framework agreement set out the road map for deepening economic cooperation between the two sides through the establishment of an India-Asean Regional Trade and Investment Area (RTIA). RTIA was to be realized through progressive elimination of tariffs and non-tariff barriers in substantially all trade in goods and by progressive liberalization of trade in services. At the same time, the partners agreed to establish a liberal and competitive investment regime that facilitates and promotes investment within RTIA.

The process of negotiating an FTA in goods, that took nearly six years to complete, raises the crucial question about its outcome and the prospects it holds for trade between the two sides. FTA, when fully functional by 2016, will eliminate tariffs in a phased manner on 80% of the items traded. Import tariffs will not be eliminated for 10% sensitive items, while the tariffs on the remaining 10% items will be brought down to 5%. In the third category of products, the reductions will be completed by 2019. This tariff reduction plan is expected to give a fillip to India's merchandise exports to Asean region, which has stagnated around 11% of its total exports in the past years.

It must be said in this context that the level of trade between the two partners hardly justifies the long standing economic relations that exists between the two. While at the turn of the century, Asean absorbed 6.5% of India's total exports, after nearly a decade of intense trade policy dialogue, mostly centring on FTA; this share had barely crossed double-digits.

One of the problems that can clearly be seen in the trade ties is the narrowness of the product basket on both sides. At the same time, the major products in terms of value (on both sides) have remained largely unchanged over the past few years. There is, thus, no gain saying that the only way in which this trade can attain the desired buoyancy is through a diversification of the trade basket. Over the past several years, petroleum products have been the single most important item in the exports of Asean members taken as a whole and India. More recently, electrical and non-electrical machinery have gained prominence in India's imports from the region, which indicates a shift towards non-conventional items. India will have to consider ways in which it can diversify its exports to its partners in the East, in particular, by joining the production networks that have so successfully provided dynamism to the region as a whole.

One may argue that the conclusion of FTA with Asean will not result in the realization of all potential gains for India unless the country does the necessary homework to exploit markets in one of the fastest growing regions in the world. It needs to be recognized that substantial reduction or even

elimination of import tariffs does not automatically ensure larger market access since "behind the border measures" are becoming ever so important. These measures include various forms of standards, the more prominent ones being the technical barriers to trade and food safety (sanitary and phytosanitary) measures. In order to maximize the gains from FTA, Asean and India must find mutually agreeable solutions to address the issue of standards. At the same time, the two partners must consider taking facilitation measures that would help in reducing the cost of doing business. In today's world, economic relations cannot be strengthened without adequate focus being given to trade in services and investment. Over the past two years, Asean and India have tried to resolve the issues that will help fast-track negotiations on services and investment. An early conclusion of agreements in both these areas can provide the wherewithal for getting the trade in goods off the ground.

Biswajit Dhar is director general at Research and Information System for Developing Countries, New Delhi.

[\[Back to top\]](#)

India digs in heels on free trade pact with Asean

Neeraj Thakur, Daily News & Analysis

3 November 2012: New Delhi mulls suspending negotiations on services and investment after row with Philippines, Indonesia

Ahead of the Indo-Asean summit on free trade agreement on November 19, India is considering the proposal of suspending negotiations on both services and investment. The move is being considered against the backdrop of disappointing response from countries such as Philippines and Indonesia in the services sector.

A note prepared by the ministry of commerce on the issue has floated three options that include suspending negotiations on both services and investments and resume these at a later date. The second options in consideration is concluding the services agreement on the basis of existing offers and conclude separate agreements with AMS (Asean member states) and separate ones with the Philippines and Indonesia. The third option being considered by India says 'restrict the investment agreement to only an Investment Promotion Agreement given the wide divergence in positions on investments.'

The note clearly expresses India's disappointment with Indonesia and Philippines saying, "While India would have expected a better services offer from all Asean members it is clear that Philippines and Indonesia are not inclined."

Under the services sector, India wants greater opening in the Mode IV category to ensure that professionals like doctors, nurses, accountants, chefs, get more job opportunities in the Asean member states that include Brunei, Cambodia, Laos, Indonesia, Malaysia, Myanmar, Singapore, Philippines, Vietnam and Thailand.

Prime Minister Manmohan Singh would be travelling to Cambodia on November 19 to attend the Asean summit this year.

India had signed the 'Trade in Goods' agreement with a focus on tariff liberalisation with Asean in 2009. The agreement on goods targeted elimination of tariffs on 80% of the tariff lines accounting for 75% of the trade in a gradual manner starting from 1st January, 2010.

India's trade with Asean countries has grown at a rate of 42% in the past two years.

Exports to Asean countries have touched \$36 billion in 2011-12 while imports have touched \$25.7 billion in the same period. The government expects that the full tariff reduction on 64% of the lines will be completed only by December 2013 and it would be too early to gauge full impact of the FTA.

[\[Back to top\]](#)

India ready to sign FTA in Services, Investment with ASEAN: PM

Sandeep Dikshit, Hindu

19 November 2012, Phnom Penh: Prime Minister Manmohan Singh responded to the urging of Association of South East Asian Nations (ASEAN) by promising to finalise the Free Trade Agreement (FTA) in services and investment before leaders from this 10-nation bloc arrive in Delhi next month for a summit with India.

On Sunday, Prime Minister of Singapore Lee Hsien Loong and President of Philippines Benigno Aquino during meetings with Dr. Singh were the most recent to press for an early conclusion of a comprehensive FTA. India had signed the FTA in goods in 2009 and has since been negotiating its extension into the services and investment sectors.

Although Commerce and Industry Minister Anand Sharma rolled out figures to assert that trade with ASEAN was growing in leaps and bounds, the fact remains that the dollars 75 billions in bilateral trade clocked last year was only 2.9 per cent of this block's total trade. Even the FTA in goods covers only 80 per cent of tariff lines compared with 90 per cent in ASEAN's FTAs with other countries.

"India is prepared to conclude the agreement on trade in services and investment promotion before the commemorative summit in Delhi in December. This will be a strong signal of our deepening economic engagement, and will allow for rapid expansion in trade and investment flows in both directions," Dr. Singh said in his opening remarks at the one-hour India-ASEAN summit here on Monday. During his response statement later, he felt a comprehensive FTA would be the "springboard" for rapid expansion in economic relations with ASEAN.

With the US backing the initiative, Dr. Singh said the India-Myanmar-Thailand highway would be operational by 2016 thus opening North East India to South East Asia. He also spoke about another alternative route through central or north Myanmar to connect Guwahati to Hanoi. US and Japan at their recently held second trilateral meeting with India had supported this initiative and the issue would be discussed at their next meeting in depth to be held in Washington. "The route will be through virgin territory. With the big boys [Japan and the US] backing it, we would like to give the proposal a try," said Government sources.

"These are welcome steps in implementing the vision of India-ASEAN connectivity. We await route alignments on the extension of the Trilateral Highway and the proposed new highway to Vietnam so that these can be examined in an integrated manner. I look forward to early completion of the feasibility studies," Dr. Singh said in this respect.

The Prime Minister pointed out that the importance of surface and sea connectivity with the east was being highlighted by the India-ASEAN car rally that will cover eight ASEAN countries over a route length of 8,000 kms and the sailing expedition by the naval ship Sudarshini which set off from Kochi. Dr. Singh also mentioned other India-ASEAN initiatives that tend to get eclipsed by more attractive initiatives. These include the upcoming business fair in Delhi, a past meeting between the heads of space agencies in Bengaluru and a meeting of ASEAN economic ministers in Guwahati next month. He appreciated Cambodia's constructive and supportive role for the last three years as the coordinator for ASEAN and welcomed Brunei which has taken over this function.

The Prime Minister's assurance of across-the-board FTA with ASEAN by mid-December was welcomed by the Confederation of Indian Industries (CII) which pointed out that the two were among the biggest beneficiaries of the shift in global economic equations and should jointly leverage their large markets and development endeavors.

[\[Back to top\]](#)

Security clause inserted in Asean trade pact

Indrani Bagchi & Sidhartha, Times Of India

New Delhi, 19 December 2012: The government is not taking any chances with security and is seeking a specific "exception" clause in the agreement on services and investment with the Asean members, while staring at a prospect of having three sets of terms to deal with concerns raised by the Philippines and Indonesia.

Sources privy to the negotiations told TOI that India wants an explicit "security exception" built into the agreement to block companies or individuals from using the services agreement to gain entry into India. Although, the WTO agreements provide member countries the right to restrict trade due to national security and environmental reasons, the government is keen that the treaty provides it clearly to avoid any confusion in the future. In fact, many see it as a precursor to similar clauses being inserted in several international agreements that are currently under negotiation.

In case of Asean services agreement that has been under discussion for years, India will make one offer to eight members of the Asean group, with separate offers to the Philippines and Indonesia. With an eye on expanding its IT presence in the region India is seeking full access for contractual service suppliers or employees of companies that do not actually have offices or commercial presence. But, it is facing resistance on allowing executive below the level of directors and specialists said a source familiar with the talks.

In the Philippines there are concerns over the easier entry of Indian companies as it has emerged as a BPO hub in its own rights.

Officials on both sides said that the issues are expected to be resolved by Wednesday with negotiators in the final stages of concluding an agreement. "The matter of services agreement is a continuing discussion. We are hopeful we can conclude this particular agreement. There's no blocking, there is only continuing discussion in this matter. I am optimistic it will be concluded very soon," Philippines vice president Jejomar Binay told TOI in an exclusive conversation. Responding to question on concerns of Philippines' industry, he said, "Despite this, there are 17 of your top 20 IT companies and BPOs already operating in Philippines. There are concerns on some other business aspects, not on IT and BPOs."

Commerce and Industry Minister Anand Sharma said the deal will help tap the enormous potential for the trade to grow and the two sides are committed to bring the negotiations to a closure. "We will definitely conclude it and we are duty bound to report to the heads of states and heads of the governments who shall formally make the declaration on Thursday," he said.

Cambodian commerce minister Cham Prasidh was more forthcoming, saying, "We may be able to give you a good news tomorrow."

[\[Back to top\]](#)

India, Asean talks on services, investment pact set to conclude

Asit Ranjan Mishra, Livemint

New Delhi, 19 December 2012: India and members of the Association of Southeast Asian Nations (Asean) are all set to announce closure of negotiations on a long-pending agreement on services and investment in New Delhi on Wednesday, seeking to boost trade and investment links.

“We will definitely conclude it and then we are duty bound to report to the heads of states and heads of the governments who shall formally make the declaration on 20 December,” Commerce And Industry Minister Anand Sharma said at a joint press conference with trade ministers of key Asean countries.

To mark the 20th anniversary of a dialogue-level partnership and the 10th anniversary of its summit-level partnership with Asean, India is hosting the India-Asean Commemorative Summit on the theme “India and Asean: Partners in Progress and Prosperity” on 20-21 December, which will be attended by head of states of the Asean region. The summit is expected to result in the adoption of the “Asean-India Vision Statement 2020”, which will chart the future direction of relations.

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Two-way trade between the two sides stood at \$80 billion in 2011. They are targeting \$100 billion by 2015.

India became a sectoral dialogue partner of Asean in 1992, and the relationship was upgraded to a full dialogue partnership in 1996. Since 2002, India has been having annual summits with Asean.

While both sides have signed a free trade agreement (FTA) on goods that came into effect in August 2010, India has been pressing hard for the services and investment agreement as it sees more gains in these two sectors.

Sharma said that after conclusion of the talks for the services and investment agreement, it may take an year to fully implement the pact. Sharma hopes early operationalization of the agreement would provide greater impetus to trade and investment flows.

A trade expert who spoke on condition of anonymity said his impression was that the pact will be very low in ambition and India is unlikely to gain anything significant from the agreement.

The Philippines has been opposing a services pact with India as it competes with it for outsourcing business. Felicitas Agoncillo-Reyes, Assistant Secretary, Department of Trade and Industry, who represented the Philippines in the negotiations, was absent from the joint press conference attended by all other trade ministers of the Asean region.

“This is just to make a political statement,” the analyst said. India views its partnership with Asean as a crucial block in sustaining growth momentum. “We would like to benefit from Asean experience in key sectors of economy such as infrastructure, agro-processing, retail and value-added manufacturing. Equally, Indian companies can be invaluable partners for Asean economies in augmenting their productivity,” he said.

The Asean region, along with six major economies in the region—India, China, South Korea, New Zealand, Japan and Australia—have also agreed to launch negotiations for a regional comprehensive economic partnership with an aim to be the largest trading block in the world when negotiations conclude in 2015.

Sharma said the proposed treaty, when it is reached, will be a momentous step and will truly have a defining influence on the global economic architecture.

[\[Back to top\]](#)

Asean services pact talks concluded

Business Standard Reporter

New Delhi, 21 December 2012: India and the Association of Southeast Asian Nations (Asean), the 10-member regional grouping, moved closer on Thursday to completing a bilateral trade pact, by finalising a free trade agreement (FTA) on services and investments. They are expected to sign the pact in August 2013.

An FTA on goods was signed between Indian and Asean in 2011. India's services sector contributes around 55 per cent to the country's GDP, making this new pact significant. The agreement on services and investment had been pending.

The 10 members in Asean are Cambodia, Laos, Malaysia, Singapore, Thailand, Vietnam, Brunei, Indonesia, Myanmar and Philippines.

The pact will enable free movement of professionals from here such as doctors, engineers, architects and management consultants across the Asean markets. It is being seen as lifting the India-Asean relation to a new strategic partnership. Business process outsourcing (BPO) is among the areas likely to benefit once the pact is signed. In his opening remarks at the two-day 'Asean India Commemorative Summit' here, Prime Minister Manmohan Singh said negotiations for the new FTA had been concluded. "This represents a valuable milestone in our relationship. I am confident it will boost our economic ties in much the same way the FTA in goods has done," he said.

India-Asean trade has grown over 10 times in the 10 years since the annual summits between the two sides began, the PM noted. While the summit is celebrating 10 years, India has been a dialogue partner with this regional grouping for 20 years.

Two-way trade grew 41 per cent in 2011-12, to touch \$79 billion. While the target has been set at \$100 billion by 2015, the PM said on Thursday it had the potential to reach \$200 billion by 2022.

As Asean investments into India have multiplied, their countries, too, have emerged as major destinations for Indian companies, the PM said. "From energy resources to farm products, from materials to machinery, and from electronics to information technology, Indian and Asean companies are forging new partnerships of trade and investment."

Implications

Services will include sectors such as healthcare, pharmaceutical, biotechnology, tourism, transport, communication and construction. The FTA aims to cover a market of 1.8 billion people and a collective GDP of \$3.8 trillion.

Shubhada Rao, chief economist at YES Bank, told Business Standard it was extremely important for India to diversify its export destinations. "With the developed world likely to take a while before getting back to a normal trajectory, this agreement will allow India to look at growth in the Southeast Asian regions for greater competitiveness," she said. According to her, India has already demonstrated its skill sets to the West. "We can now replicate our expertise before the Asean region in a cost-effective manner," she added.

Agreed another economist, Sridhar Venkateswaran, who noted the services pact would be critical from India's standpoint. "Visa on arrival and free movement of professionals in the services sector are among the advantages for India. Indian information technology and BPO companies will get significantly benefited, as they will be able to set up back-office centres across the Asean region," he said. Also, the Asean market would like to access India's tourism sector, he said.

Last month, the Indian PM was in Phnom Penh, Cambodia, to attend the Asean Summit and the parallel East Asia Summit, where talks were held on extending the scope of the FTA to services and investment. Ahead of the two-day Asean-India Commemorative Summit being attended by the heads of states, trade ministers had met to reduce the differences on many issues that some had in connection with the services and investment pact. Philippines and Indonesia, strong in outsourcing, are among the member-countries with some reservations on opening their services sector.

Speaking to reporters, Singapore Prime Minister Lee Hsien Loong said the Asean-India FTA was now a comprehensive agreement, in line with the other Asean Plus One FTAs. Lee is learnt to have met some industrialists in Gurgaon, the satellite city next to Delhi. Bharti Group chairman Sunil Mittal was one of them. Singapore's Sing Tel is an investor in Bharti. The two discussed the scope of investments in Singapore.

A vision statement issued at the summit said, "We declare that the Asean-India Partnership stands elevated to a strategic partnership." India and Asean share the vision of a peaceful, prosperous and resurgent Asia, which contributes to and promotes global peace and security, it added.

[\[Back to top\]](#)

Tea sector eyes export opportunities in Asean

Supratim Dey, Business Standard

Guwahati, 21 December 2012: Against the backdrop of improved trade and business bonhomie between India and the Association of South East Asian Nations (Asean), the tea sector is eyeing an increase export to these countries. It feels that given the declining trend in tea production and increase in tea import for consumption in Asean countries over the last few years, there appears to be a “clear opportunity” for India to vigorously market its tea to Asean.

Figures show tea production in Asean, including Vietnam and Indonesia, the only two tea-exporting Asean members, is on the decline. In contrast, consumption in this region has been increasing over the years, brightening the chances of India being able to increase its export to this neighbourhood market.

The recent flag-down ceremony of the Asean-India car rally in Guwahati gave the Assam tea industry an opportunity to showcase different varieties of Assam tea before participants, delegates and leaders from Asean countries.

“The production trend is on the downside and consumption is increasing in the Asean countries, which clearly reflect in their downward trend of exports over the last three-four years. Vietnam and Indonesia are the only exporting countries from Asean. Their export share is also on the decrease — from 13.23 per cent to 12.49 per cent during 2009 to 2011. This gives a clear opportunity for India to increase our export share to these countries,” said Bidyananda Barkakoty, chairman of the North Eastern Tea Association.

[\[Back to top\]](#)

Asean beckons

Financial Express

24 December 2012: Given India's competitive advantage in services—a Deloitte study puts India's revealed comparative advantage index in all services at between 1.5 and 2 as compared to a number between 0.5 and 1 for Asean nations and China—the successful conclusion of an Indo-Asean dialogue to include a pact in services as well as investments is a very big positive. The exact details are not known as yet since the formal signing has not taken place, but Indian officials announced that a deal had been reached on Thursday. India's long-held position, in both multilateral and bilateral talks, has been that the opening up of Indian markets would be contingent upon it getting access to global services markets including through the movement of Indian professionals. Of course, this goes both ways and India cannot stop, say, Singapore lawyers from practising in Indian courts while wanting Singapore to allow India's IT professionals to be allowed to work in Singapore. Asean is a big importer of services and, in 2011, imported \$262 billion of services as compared to its services exports of \$253 billion.

In the medium term, Indian manufacturing will have to get quite competitive. As per the agreement, when the FTA gets fully functional in 2016, tariffs will be eliminated on 80% of traded items in a phased manner, tariffs on 10% of items (sensitive items) will not be touched and the tariffs on the rest will be brought down to 5%. While India can be more competitive in chemicals and pharmaceuticals and mineral fuels, Asean scores in machinery and electrical equipment—in automobiles, the picture is not so clear-cut as both have their own competitive advantages. Apart from the onus this puts on India's manufacturing sector, this means the government will have to do its bit as well since, more often than not, lack of land, rigid labour laws, unavailability of world-class infrastructure and general bureaucratic lethargy are what prevent firms from acquiring global quality. While India stands to gain from the greater access to Asean markets, the bigger gains will undoubtedly arise when the Asean+6 agreement gets formalised.

At the end of the day, while global trade is slowing—India's exports have been falling steadily for seven months—intra-regional trade offers better potential, especially since it is clear multilateral talks are not going to succeed till the global economy starts picking up. While intra-regional trade is a significant part of both European and the Americas global trade—it is 25% in the case of the Asean—India's trade with her neighbours is minuscule, partly an indictment of the way in which India's neighbours view her. A Mekong river-type joint development, for instance, looks near impossible between India and her neighbours that share the same river waters.

[\[Back to top\]](#)

India's firmer eastward gaze

N Chandra Mohan, Business Standard

22 January 2013: India's free trade agreement (FTA) with the 10-member Association of Southeast Asian Nations (Asean), which kicked off for trade in goods from 2010, is an important building block of its Look East policy, and its efforts to integrate with a wider pan-Asian economic community encompassing China, Japan and Korea. The decks have been cleared for negotiations for a regional comprehensive economic partnership (RCEP). At a time when the World Trade Organisation's trade talks are going nowhere, the ambition to put in place one of the world's largest FTAs, which includes three billion people and a combined gross domestic product of \$17 trillion, commends itself.

India's engagement with Asean is two-decade old. From a sectoral-dialogue partner in 1992, it graduated to a full-dialogue partner in 1995 and reached summit-level status in 2002. A framework agreement on comprehensive economic cooperation with this grouping was concluded in 2003 and finally realised with the agreement on services in December 2012 when India hosted the 20th India-Asean Commemorative Summit. India's relationship has now been elevated to a strategic partnership — on this journey, Avtar Singh Bhasin's meticulous documentation is a necessary and valuable reference.

India's eastward gaze acquired a firm foundation with the signing of a framework agreement for an FTA with Thailand in 2004 and a comprehensive economic cooperation agreement (CECA) with Singapore in 2005. It has also sought greater cooperation with the Bay of Bengal grouping of countries, called BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, involving Bangladesh, India, Myanmar, Sri Lanka and Thailand). A comprehensive economic partnership agreement (CEPA) with South Korea and Japan is also operational from January 2010 and August 2011. India's CECA with Malaysia is functional since July 2011.

A similar agreement with Thailand is on the anvil. Thailand Premier Yingluck Shinawatra was the chief guest at India's Republic Day parade last year. The occasion of her visit was used to reaffirm the commitment of both countries to conclude a bilateral CECA. The 2nd protocol was also signed to amend the framework agreement for establishing FTA to boost bilateral trade. However, the talks to conclude FTA in early January 2013 were inconclusive, since there were sticky and contentious issues. The prospects are that the agreement will be signed later this year.

This flurry of signing FTAs in Asia stems in large part from India's frustration with the slow pace of integration in its neighbourhood. Its experience has been satisfactory with Sri Lanka, with whom it signed an FTA in 1998. Thanks to its festering problems with Pakistan, regional integration remains problematical as long as India continues to be denied the Most Favoured Nation treatment. BIMSTEC's prospects appear alluring in this context, although not much progress has been registered so far. With the dominance of China looming over Asia, India felt it had to defend its turf.

Such moves have prompted concerns about the shallow coverage of many of India's 13-odd FTAs in the region, "which are said to be quite liberalising when it comes to trade in goods, but quite thin and vague in services as well as new issues", argued Ganeshan Wignaraja, director-research at the Asian Development Bank Institute, who was recently in New Delhi for a presentation on emerging patterns of regional cooperation initiatives. Only five out of the 13 agreements have a fast-track approach to tariff liberalisation. Three comprehensively cover services. Only two cover new issues like trade facilitation, trade and investment and trade in competition, according to his research.

India is definitely on a learning curve as its recent FTAs like CEPA with South Korea and Japan and CECAs with Singapore and Malaysia show more depth than the earlier agreements. Although the India-Asean FTA has now acquired a comprehensive character — the services trade agreement will be inked later this year — it still runs the danger of being characterised as shallow owing to its thin

services coverage. Fearing India's dominance, the market access openings offered by Asean members turned out to be less than even their commitments to Australia and New Zealand.

India must, nevertheless, try to leverage the Indo-Asean FTA if bilateral trade volumes are to hit \$100 billion by 2015. A positive development on the foreign direct investment front is that Indian businesses are beginning to show greater confidence in investing in Singapore in a big way. Malaysia is fast emerging as a major manufacturing hub for India's pharmaceutical companies for exports to Southeast Asia, according to Business Standard. India Inc and other stakeholders can get a much better deal out of this agreement by exploring Asian economies more closely.

India Inc should study in detail the preferences in various bilaterals like the Indo-Asean FTA. The lack of information on FTAs is the biggest impediment to Asian companies using such agreements, according to a study by Masahiro Kawai and Wignaraja. Although India is not covered, the scenario will not be very different. Once this process gets going, India will be in an advantageous position to harness RCEP's benefits — negotiations for which are slated to begin in early 2013 and conclude by end-2015.

The single market vision that Sharma intends to talk about will depend on seamless connectivity to take advantage of the strengths that lie within, according to Biswajit Dhar, director general of Research and Information System for Developing Countries, a Delhi-based think tank.

“Despite the huge potential that is there in this region, we are allowing fragmentation to pull us down,” Dhar said. “All that is required is to build bridges and this should be done at the earliest.”

“If you allow latent economic forces to unleash their strengths, the vested interests feeding on fragmentation will be reduced to mere spectators. Separatists (those propagating violence) are a small minority, who are keen not to allow benefits of economic integration to spread,” Dhar said. “If the common people can be made partners in economic progress, the pool of people in favour of economic growth and integration will be much larger than the minority of vested interests groups.”

Collaborative work in developing energy-related infrastructure and connectivity grids involving India, Pakistan, Nepal and Bhutan should be given top priority, according to Sharma. Besides reducing cost of energy consumption, the common power grid will “enable us to follow a sustainable development path,” he will say in his prepared speech.

Sharma in the text of his speech holds that the South Asian region has been the slowest to realize the fruits of integration for historical reasons. From a high of 19% trade in 1948 in the region from Kabul to Chittagong, trade within South Asia has dropped to 2%, according to him.

“We have reached a stage that we now need to break out from the shackles of the past and write a bold new essay,” the text of his speech says. “This will have to be based on new ideas which emerge from amongst our nations and pass the litmus test of economic viability.”

Without naming Pakistan, Sharma has noted that Asia has had a troubled past and there are elements in our neighbourhood that have vested interest in maintaining a status quo.

“I would urge the business community present here to carry back a message home that the political leadership effectively counter these forces and under no circumstance allow any seeds of violence or terror to be sown in the country,” Sharma intends to say on Monday.

[\[Back to top\]](#)

Free trade pact with Asean likely to be signed in August

Business Line (The Hindu)

Chennai, 6 March 2013: The Free Trade Agreement between India and the Asean (Association of South East Asian Nations) is all set to become a more comprehensive one. A pact on trade in services, as well as investment, is going to be signed in the next few months.

Avinash P. Joshi, Director, Union Ministry of Commerce and Industry, said negotiations between the Indian Government and Asean (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) are over and an agreement to this effect would be signed in August.

“We hope this would open up a huge opportunity in the services and investment relations with these countries,” he said.

Besides, pointing out that the trade with these countries in the first nine months of the current financial year has clocked over \$55 billion, he said this is expected to go past \$80 billion by the end of the year.

In an “outreach session” on Free Trade Agreement, organised here today by the Confederation of Indian Industry along with the Union Ministry of Commerce and Industry, Joshi said total trade between India and the member countries of Asean has been growing at a compounded annual growth rate of 20.64 per cent, from 2005-06.

Talking about foreign direct investments into India, he said bilateral investments between Singapore and India have crossed \$50 billion, with Indian investment in Singapore (at \$27 billion) being marginally above Singapore investment in India (\$24 billion).

[\[Back to top\]](#)

Asean services and investment agreement gets govt push

Huma Siddiqui, The Financial Express

New Delhi, 4 July 2013: Even as the government pushes for a ratification of the Asean-India Trade in Services and Investment Agreement, a high-level meeting of legal scrubbing is scheduled to take place in the Capital later this month. A senior government official told FE, “Asean member states are finalising the dates for meetings during this month.” External affairs minister Salman Khurshid, addressing the 11th Asean-India foreign ministers meeting in Bandar Seri Begawan, Brunei, said, “FTA on trade in goods signed in 2009 helped us meet our trade target of \$70 billion ahead of time, when the trade turnover in 2012 reached \$80 billion. But the more recent trend of a relative decline in Asean-India trade during 2012-13, though minor, should serve as a wake-up call... Khurshid pushed for ratification of the agreement, negotiations for which ended last December. Khurshid hoped for an early signature on the agreements before heads of both the countries meet again in three months. “This is also essential for achieving our trade target of \$100 billion by 2015.” The signing is expected to take place in August during a consultation between Asean economic ministers and commerce and industry minister Anand Sharma’s visit to Brunei in August 23-24. Asean members have offered very little in terms of increased market access in services to India, especially when compared to what they have given to other partners like Australia and New Zealand. The 10 countries have been very conservative in their offers on allowing more access under Mode 4 to professionals, keeping the IT sector out of the agreement. Asean has offered longer visa permits and other qualification relaxations to professionals from Australia and New Zealand, which go beyond the commitments, made at the World Trade Organisation, but have refused to give similar concessions to India. Indian negotiators will now try to seal whatever little gains that they have been able to make in select services by putting in place timelines in the final schedules. “We will try to fix a date for finalisation of mutual recognition agreements in various categories so that our professional qualifications get easy recognition in the Asean countries,” the official said, adding that “they would try to make similar manoeuvre in other areas. “With the implementation of these two agreements, the manufacturers, traders, service providers and investors of India and the Asean member will be able to realize the full potential of comprehensive economic partnership between India and Asean and take the economic cooperation between the two sides to a higher level,” sources added. After operationalising FTA in goods in 2011, both sides were engaged in widening the base of the pact by including services and investments.

[\[Back to top\]](#)

Government likely to review bilateral trade pacts, FTAs to reassess gains

Deepshikha Sikarwar, The Economic Times

New Delhi, 16 July 2013: The government may review India's bilateral trade pacts including free trade agreements (FTAs) amid increasing clamour from the industry against conceding foreign trading partners more access to the country's market without extracting significant gains in return.

The finance ministry wants a review of the FTAs to ensure an optimum deal for the country, a senior official told ET, adding that India cannot run a high current account deficit for long.

Even as the ministry has started reviewing the bilateral investment treaties, it is likely to soon ask the department of commerce to examine whether the country has got what it expected from the FTAs, most importantly with Thailand and the ten-member ASEAN.

"We are at the moment looking at bilateral investment promotion agreements. But FTAs need to be looked at," said the official, who did not wish to be named.

The domestic industry has been mounting pressure on the government, saying it has not gained much from the FTAs.

"India needs to have a fresh look at its FTA strategy in view of the continued slowdown in exports and not much gains being realised from services exports either," a spokesperson of the industry body CII told ET.

Indian industry's biggest concern is the India-Thailand agreement, which has kicked off in a limited way with an early harvest scheme that has eliminated tariffs on 82 items.

India's imports from Thailand rose to \$5.6 billion in 2012-13 from \$2.7 billion in 2008-09 while exports grew to \$3.7 billion from \$1.94 billion over the same period. The country's trade deficit with ASEAN, with which it signed a trade agreement in August 2009, has widened to \$18 billion from \$14.9 billion in 2009-10.

India has had a bitter experience with imports of gold from Thailand at a concessional duty under the trade early harvest scheme. Imports of gold items from Thailand shot up after India increased duty on the yellow metal to discourage its import and consumption.

Heavy bullion imports were one of the main reasons for the rise in the country's trade deficit to an all-time high of 4.8% of GDP in 2012-13.

Gold jewellery imports from Thailand have been suspended since and the finance ministry has sought removal of gold jewellery from tradeable item under the trade agreement with Thailand.

[\[Back to top\]](#)

India-Asean FTA falters just before finalization over services pact

Dilasha Seth, Economic Times

New Delhi, 20 July 2013: India may not get its sought-after services pact with Asean this August because of concerns on both the sides as the details of the broad agreement finalised in December last year are worked out. Issues related to movement of professionals under mode 4 and mutual recognition of qualification in medical and education are learnt to be the main roadblocks, a person familiar with the development told ET.

India and the 10-member Asean (Association of Southeast Asian Nations) had in December finalised the much-awaited free trade agreement in services and investments. "The signing looks a bit difficult now. The negotiating team is legally scrutinising the text, where there are minor issues related to one or two services and investment," the person told ET. But a senior official in the commerce and ministry played down the issue. "We have had two rounds of legal scrubbing and made some progress, and signing depends upon domestic procedures of all the members. So, after it is concluded and legally scrutinized, each of the member states goes through its domestic procedures and then it will be signed," he said.

The two sides have signed an agreement for trade in goods, which benefited Asean more, giving it access to India's vast consumer market. India has a bigger stake in the services agreement, as it can help push exports to the region. The comprehensive agreement on services and goods is expected to boost trade to \$100 billion by 2015.

India's exports to Asean declined by 10.2 per cent in 2012-13 to \$32 billion, while imports grew by 2.86 per cent to \$43.7 billion, leaving a trade gap of about \$11 billion. The pact on services will help India gain some ground. Asean's share in India's IT export is a mere 5 per cent, as per estimates. Countries like Malaysia and Thailand are not keen on allowing mode 4 of the services pact, which will make entry of Indian professionals easier in their countries.

Under mode 4, Indian professionals will be able to work in the Asean nations. These countries believe that it will affect their workforce with the increased presence of Indian workers, and are opposing the agreement. "These countries apparently want Indian professionals to get an additional qualification from their countries to be eligible under mode 4 movements. It makes sense for India to sign the deal only if we get mutual recognition agreement," said an expert.

For instance, to practice medicine in Thailand, a person needs a licence from the Thai Medical Council, with the council conducting its examination in Thai, which only a few foreign practitioners can clear. While in education, foreign professionals require an invitation from the education institute that will employ them and also should meet the criteria set by the ministry of education. Some Asean countries, it is learnt, have an issue with India providing subsidies in higher education, whereas they give it at full cost price, which would give Indian professionals an edge, he added.

India wants mutual recognition agreement with Asean which will enable qualifications of professional service supplies such as engineering, medical and education among others to be mutually recognised by signatory member countries. If such an agreement is not signed at the Asean level, India would have to sign MRA degrees and licence of equivalence agreements with individual Asean members, making the process more cumbersome.

Another expert who has been part of the negotiation of the goods deal with Asean, attributed the delay more to the Asean side rather than India.

[\[Back to top\]](#)