

**Contents**

India-Asean trade, services pact may be inked this year ..... 2

Join the Asean way ..... 3

India to set up separate ASEAN mission; FTA by year-end: PM..... 5

India-Asean services agreement to be signed in December ..... 7

India gets on the highway to growth in Southeast Asia ..... 8

India-Asean services FTA may stumble again..... 10

Time we pushed Asean pact on services..... 11

Salman Khurshid pushes for Asean connectivity..... 13

India-Asean services FTA in limbo over retail FDI..... 14

# India-Asean trade, services pact may be inked this year

Business Line (The Hindu)

New Delhi, 7 October 2013: The Free Trade Agreement (FTA) in trade and services between India and the 10-member Association of South-East Asian Nations (Asean) is expected to be signed in calendar 2013, a senior official in the Ministry of External Affairs said on Monday.

“All issues covering the free trade agreement in trade and services investments have been sorted out. The legal study has been completed. There were certain observations by the Philippines and Thailand, which have been addressed. Now, the respective countries are taking their internal approvals. We believe the signing will take place in calendar year 2013. This depends on internal procedures in member countries. But we are optimistic (it will be) this year,” Secretary, East, Ashok Kantha, said.

Kantha was briefing newsmen on the forthcoming visit of Prime Minister Manmohan Singh to Brunei for the XIth India-Asean Summit and the 8th East Asia Summit and the bilateral visit to Indonesia, which begins on October 9.

He said Singh would also meet the newly-elected Australian Prime Minister Tony Abbott on the sidelines of the summit meetings. On the issue of sale of Australian uranium to India, Kantha said the third round of negotiations between the two countries could take place in December.

“There is a firm desire on both sides to try and bring these negotiations to a successful conclusion at an early date,” he said.

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

# Join the Asean way

Sreeram Sundar Chaulia, Times of India

10 October 2013: The 11th summit meeting in Brunei between India and the 10-member Association of Southeast Asian Nations (Asean) comes at a moment of heightened expectations about our role in the Asia-Pacific region. Mainstreaming the notion of an 'Indo-Pacific' theatre is acknowledgment that India is no longer a marginal player in Southeast Asia but a participant in its stability and economic dynamism.

The original intent of India's two-decade-long 'Look East' policy had been for us to integrate closer with an economically prosperous Southeast Asia which dazzled the world through the Asian Tiger and Tiger Cub miracles. The journey that Singapore, one of the pillars of Asean, undertook from "third world to first world" (in the words of its former patriarch, Lee Kuan Yew) in barely two generations showed how strategic trade policy and state-engineered economic transformation can buoy a whole society from penury to high living standards.

During the prime ministership of P V Narasimha Rao, India realised that it would miss out on a critical external partner to rev up its own emerging economy if it did not partake in the vibrant zone carved out by Asean's powerhouses. Ever since, the concrete benefits to Indian businesses and our economy from trading and investing with Asean have added to GDP growth and opened vistas for our middle classes, while delivering market opportunities for Asean's manufacturing titans in India's vast consumer base.

Presently, India and Asean are on the cusp of a free trade agreement (FTA) in services and investment. This landmark deal would complement a thriving FTA in goods between India and Asean since 2010. Two-way trade in goods has touched \$80 billion and the advent of a services component is projected to take the volume of annual economic exchanges past the \$100-billion mark in the next couple of years. The FTA in services and investment is especially auspicious because of the concern in India that goods trade with Asean always generates deficits for us and surpluses for the Southeast Asians. Highly industrialised and export-oriented economies of Asean hold an advantage in goods trading with countries like India, whose manufacturing sector is relatively weak.

The FTA in services, on the other hand, can help redress the trade imbalance and make it a healthier economic relationship. Once the FTA in services is inked, India's business professionals, consultants and contractual workers, who are drivers of economic growth, will gain firmer foothold in Asean nations and boost our export revenues.

Services trade liberalisation not only empowers highly skilled Indian companies and citizens, but also enhances people-to-people ties between Indian and Southeast Asian societies. As more qualified Indians travel to this historically interconnected region (part of which was once labelled 'Indo-China') under the banner of the FTA in services, the stronger the collaborations and joint ventures and deeper the inter-social affections at grassroots level. In diplomatese, service sector exchanges engender 'thick relations' between India and Southeast Asia that transcend particular ruling regimes and elites who may be in power today but out tomorrow.

The India-Asean summit in Brunei is occurring at a politically clouded time when US President Barack Obama has been forced by the 'government shutdown' drama in Washington to cancel his attendance at the Asia-Pacific Economic Cooperation (APEC) summit in Indonesia and East Asia Summit (EAS) in Brunei. Obama's no-show in crucial regional gatherings has spread a wave of disappointment and doubt in the Philippines, Singapore and Indonesia. America's stated commitment as a resident 'Pacific power' is

under the scanner throughout Southeast Asia, which expects extra-regional involvement in order to manage the Chinese giant.

No one should be under an illusion that the US can displace China's singular centrality to Asean. In the marked absence of Obama, Chinese President Xi Jinping grabbed centre stage at the APEC and EAS meets. Before a rapt audience of Indonesian legislators, Xi laid out a stunning blueprint for steering China-Asean trade to a mind-boggling \$1 trillion by 2020. China is an indispensable economic imperative for Asean that neither America nor India can ever push aside.

Yet, the anxieties writ large on the faces of many Asean members at Obama's failure to turn up reveal that Southeast Asians prefer a more multi-partner architecture rather than one in which China holds all the cards. At the strategic level, India has been welcomed into the folds of the EAS by Southeast Asian countries that wish to avoid the trap of total dependence and subservience to China, which has been acting aggressively on territorial disputes in the South China Sea.

As middle powers in Asia, Southeast Asians would ideally like to play off all the big guns in a manner that retains autonomy and foreign policy freedom for the former. It is here that India looms large as Asia's third largest economy and an ambitious naval power which could project forces in Southeast Asia sufficiently to keep options open for Asean nations. Unlike the US, India is less intrusive and not militaristic and hence our expansion in the region is welcome.

Obama's domestic predicament can be an opportunity for India, which will be needed badly by an Asean stung by fears of American strategic retrenchment. The India-Asean summit in Brunei is thus a harbinger of economic and strategic recalibration in a pivotal region.

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

# India to set up separate ASEAN mission; FTA by year-end: PM

PTI

Brunei, 10 October 2013: Eyeing greater cooperation with South East Asian countries on economic and security issues, India today announced a separate Mission for ASEAN region to be set up in Jakarta with a full-time resident Ambassador.

## *Pact with ASEAN nations*

Addressing the 11th ASEAN-India Summit here, Prime Minister Manmohan Singh also said that India was ready to sign a Free Trade Agreement (FTA) with ASEAN on services and investment to boost their bilateral trade to \$100 billion by 2015 from \$76 billion last year.

Singh said over the last two decades, India and ASEAN have established a comprehensive agenda of cooperation and a wide-ranging framework to pursue it. "Today, we stand on the threshold of the third decade of our engagement. In keeping with our substantial achievements, the recent elevation of our ties to a strategic partnership and the rich potential of our cooperation, I feel it would be appropriate for me to take this opportunity to announce that India will soon set up a separate Mission to the ASEAN in Jakarta with a full-time resident Ambassador," he added.

The secretariat for ASEAN (Association of South East Asian Nations), a ten-member block of countries, including Brunei, Indonesia, Malaysia, Myanmar, Singapore, Thailand and Vietnam, is based in Jakarta.

Singh said that all the "countries have equal stakes in the security and prosperity of our shared Asian neighbourhood. The global economic crisis and turmoil in different parts of the world underscore the salience of our robust partnership. The scope of India's engagement with East and Southeast Asia has grown steadily in the last two decades."

"We seek to promote not only mutually beneficial bilateral relations, but also to work institutionally with regional partners and foster a climate that is conducive to stability, security and economic development in our region," he added.

The Prime Minister said that ASEAN has paved the way for a great level of "cooperation and integration, not only among themselves, but also in the broader region.

"For India, it is an article of faith of our Look-East policy that ASEAN must remain central to the future evolution of regional mechanisms, which must be open and inclusive. We share your vision and aspirations for the region and we applaud your march towards an ASEAN Economic Community in 2015," he added.

## *India-ASEAN relations*

About progress on relations between India and ASEAN, Singh said that "India stands ready for the signature of the India-ASEAN Free Trade Agreement on Services and Investment by the end of this year and its early implementation.

“This will complement our Agreement on Goods and bolster our economic partnership,” he said, while adding that initiatives have also been taken by the Federation of Indian Chambers of Commerce and Industry (FICCI) to revitalise the ASEAN-India Business Council and to set up an ASEAN-India Trade and Investment Centre.

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

# India-Asean services agreement to be signed in December

Nayanima Basu, Business Standard

**New Delhi, 1 November 2013:** The much-awaited pact on trade in services and investment between India and the Association of Southeast Asian Nations (Asean) is likely to be a reality finally by the end of next month, which will open up greater job opportunities for India's professionals in information technology, healthcare, designing and research.

India and the 10-member Asean trading bloc already have a goods agreement in place that came into force from August 2011, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts among others. Hence, after the signing the deal in services and investment, the free trade agreement will be called a Comprehensive Economic Partnership Agreement (CEPA).

It is expected to be signed on the sidelines of the World Trade Organisation ministerial meet in Bali in December. According to a senior ministry of external affairs (MEA) official, the CEPA with Asean will be operationalised by July 2014.

"We are happy with what we have got under the services agreement. This will throw open the Asean markets. There will be more job opportunities and an easier business visa regime. Businesses would now have to utilise it properly," the MEA official told Business Standard.

The deal in services was supposed to have been signed in 2009, when the goods pact was agreed upon. However, at that time, some of the Asean countries, particularly the Philippines and Indonesia were apprehensive of Indians "eating away their jobs" and they were also not open to the idea that similar concessions have to be given within the Asean members also, officials in the commerce department said.

Earlier, while addressing the Confederation of Indian Industry, Ashok Kantha, secretary (East), MEA, stated that bilateral trade between India and the Asean region has increased nearly 10 times in the last 11 years. Presently, two-way trade stands at \$76 billion in 2012-13. Both the sides have aimed at increasing it to \$100 billion by 2015.

Ever since the talks began in 2005, India's main demand has been to obtain greater job opportunities for its professionals in the 10 member-Asean countries of Singapore, Malaysia, Indonesia, Vietnam, Thailand, the Philippines, Cambodia, Laos, Brunei and Myanmar.

However, the deal has now been finally sealed during Prime Minister Manmohan Singh's visit to Brunei on October 10 during the Asean-India Summit at Brunei Darussalam.

India is the tenth largest services exporter in the world while Asean is a net importer.

The services sector is of main interest to India as it contributes over 55 per cent to the country's gross domestic product and in terms of export revenues.

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

# India gets on the highway to growth in Southeast Asia

Nayanima Basu, Business Standard

**New Delhi, 19 November 2013:** As India readies to sign the free trade agreement on services and investment with the Association of Southeast Asian Nations (Asean), taking bilateral trade relations to the next level of a comprehensive economic partnership agreement, the focus is on the laying out of a massive road connectivity plan to tie the region together to boost economic objectives.

To start with, India has proposed extending the trilateral highway project connecting India, Myanmar and Thailand to neighbouring Cambodia and Vietnam. The idea is to set up special economic zones along this highway and provide seamless connectivity through these countries by 2016, by when the projects are expected to become operational. Right now, work is on to repair and strengthen 71 bridges that link this stretch.

To ensure greater success of this highway project, Prime Minister Manmohan Singh proposed an Asean-India Transit Transport Agreement (AITTA) at the India-Asean Summit in Brunei Darussalam last month. Once the agreement comes into force -likely by 2015- vehicles from association countries will be able to cross international borders without much documentation.

Total bilateral trade between Asean and India reached \$75.6 billion in 2012, surpassing the target of \$70 billion. Now, with the implementation of the India-Asean comprehensive economic partnership, the target for two-way trade has been set at \$100 billion by 2015, for which an integrated transport network would be the key.

At present, the market is fragmented and the patchy road network is a stumbling block for free flow of goods and services. This, along with administrative and technical barriers, increases costs and leads to transportation delays, says a study by New Delhi-based think tank Research and Information System for Developing Countries on Asean-India connectivity.

While road links are being developed, the proposed AITTA will make crossing the border easier. "AITTA will allow vehicles to move seamlessly across international borders or regional and international trade transportation purposes. AITTA should be in position before the trilateral highway is operationalised in 2016. Potentially, it can be a game changer which will allow us to reap the full benefit of India-Asean free trade agreement, regional comprehensive economic partnership and enhanced connectivity," says Ashok Kantha, secretary (East), ministry of external affairs.

The master plan on Asean road connectivity was adopted at the India-Asean Summit in 2010. The benefits from the highways, which are scheduled to be completed by 2016, are manifold. They would improve connectivity, bring India closer to Asean, reduce trade costs, help exploit the country's comparative advantage in certain products, expand markets, as well as reduce poverty and improve the quality of life for the people in the region. A smooth road network would also provide substantial benefits to other countries, particularly to landlocked and island nations by giving them low-cost access to a wider market outside, the report said.

India already has a goods agreement in place. It came into force in August 2011 and provides tariff-free access to a range of products, including textiles, pharmaceuticals, chemicals, engineering goods,



processed food and auto parts. The likely addition of services and investments to this list of free-trade items in the not too distant future would open up new opportunities for Indian IT and healthcare professionals, designers and researchers.

In addition, India is also contemplating expansion of rail network into Myanmar. The rail head terminates at Jiribam in Manipur. A project to connect Jiribam to the capital Imphal is under way and is slated to be completed by 2017, while proposals on connecting Moreh (Imphal) to Tamu-Kalay (Myanmar) is being considered by the external affairs ministry.

At the same time, work is also on for developing soft infrastructure such as trade facilitation centres and telecommunication, necessary for any economy to function and thrive. Boosting maritime connectivity is on the agenda as well. India has proposed the establishment of a Maritime Transport Working Group between India, Myanmar, Thailand, Cambodia and Vietnam to examine the feasibility of shorter shipping routes. This idea was initially mooted by Thailand which wants a more direct sea transport route to India via the Dawei port in Myanmar, which is a deep sea port. Right now ships have to be routed via Singapore to reach India.

"It is important that we identify economic activities that can be pegged to these corridors, which could attract private sectors from both Asean and India, including from India's Northeast," says a foreign ministry official.

Another project that India has shown interest in is the Mekong-India Economic Corridor (an offshoot of the trilateral highway) to link Myanmar, Thailand, Cambodia and Vietnam with India. The corridor- which might be funded by Asian Development Bank -will extend from Ho Chi Minh City in Vietnam to Dawei in Myanmar via Bangkok (Thailand) and Phnom Penh (Cambodia) and then on to Chennai in India.

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

# India-Asean services FTA may stumble again

Nayanima Basu, Business Standard

Nusa Dua (Bali), 3 December 2013: The India-Asean free trade agreement (FTA) on services and investment, expected to be signed on the sidelines of the World Trade Organization ministerial conference here, might face another delay due to the absence of Thailand, the Philippines and two other Asean countries, a senior commerce and industry ministry official told Business Standard.

The trade pact entails greater access to the Asean countries - Singapore, Malaysia, Indonesia, Vietnam, Thailand, the Philippines, Cambodia, Laos, Brunei and Myanmar - by Indian professional and a relaxed investment regime.

During the Cabinet meeting last week, Finance Minister P Chidambaram and Law Minister Kapil Sibal had expressed their displeasure to Commerce and Industry Minister Anand Sharma for not consulting them on matters related to gaining market access through investment.

India and the 10-member Asean bloc already have a goods agreement in place since August 2011, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts, among others. Hence, after signing the deal in services and investment, FTA will be called Comprehensive Economic Partnership Agreement.

The deal in services was supposed to have been signed in 2009 when the goods pact was agreed upon. However, at that time, some Asean countries, particularly the Philippines and Indonesia, were apprehensive of Indians "eating away our jobs" and they were also not open to the idea that similar concessions have to be given within the Asean members, commerce ministry officials said.

Ever since talks begun in 2005, India's main demand has been to obtain greater job opportunities for its professionals in the Asean countries.

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

# Time we pushed Asean pact on services

Rajrishi Singhal, Business Line (The Hindu)

30 January 2014: India's resolve to get closer to Asean countries is faltering at the altar. After signing a free trade agreement on goods with Asean, a similar pact on trade in services and investment — unarguably India's strong suit — still eludes the country. Marked by public squabbling between ministries, it is quite likely that the final agreement will be signed only after elections.

Make that one year from now. Once the new government takes over, it will be another six-seven months before it can sink its teeth into bilateral trade deals. This is tragic because while India has an advantage in services, India's existing trade balance with Asean is negative.

## *Confusion, delays*

India signed a free trade agreement (FTA) with Asean — an economic bloc of 10 countries — for only goods in 2009. This was to be followed up with the signing of a separate FTA on services and investment, negotiations on which have been continuing for some time now. There is no clarity on the benefits that such an FTA will offer since the agreement is not yet in public domain, but it can be safely said that it will allow India to leverage its competitive offerings in finance, education, health, IT, telecommunications, transport and movement of professionals.

Consequently, Indian service providers will be able to offer services to Asean customers with greater ease than what is available currently.

A formal conclusion to negotiations was signalled through an Asean secretariat communiqué in Delhi on December 20, 2012: "...we welcome the successful conclusion of the negotiation on ASEAN-India Trade in Services and Investment Agreements." The session concluded with Prime Minister Manmohan Singh also endorsing the end of negotiations.

This led to speculations about probable dates, with August 2013 emerging as consensus deadline. On October 10, 2013, at another Asean Summit, Manmohan Singh provided another deadline: "India stands ready for the signature of the India-Asean FTA on Services and Investment by the end of this year and its early implementation." The Cabinet then on December 19, 2013, approved a services and investment treaty with Asean, raising hopes that the deal would be sealed soon.

Sadly, that cut-off date too has lapsed and the agreement seems to have fallen into the cracks that lie between promises and approvals. The delay is being blamed on shadow-boxing between Ministry of Commerce and Industry, which wants India to push ahead with the agreement, and Ministry of Finance, which wants a detailed study on the performance of all FTAs signed so far. While the Cabinet over-ruled all opposition, a delay is now inevitable.

India's economic strength lies in services, given that over 50 per cent of GDP comes from services. It is, therefore, counter-intuitive that bickering and delay should bog down an advantageous trade pact.

## *Missing the target*

The unsigned, unconsummated FTA is to be formalised under the umbrella framework of Comprehensive Economic Cooperation Agreement (CECA) which India and Asean inked in 2003. CECA — which has

two components, goods, as well as services and investment — is similar to most FTAs, but earns the “comprehensive” sobriquet by including investment. India has signed CEAs with Japan, Singapore and Australia.

Under CECA with Asean, the Agreement on Trade Goods was signed in 2009. Asean comprises Singapore, Brunei, Malaysia, Indonesia, Thailand, Cambodia, Laos, Vietnam, the Philippines and Myanmar. Indo-Asean trade has grown from \$30 billion in 2008 (before FTA on goods was initialled) to \$76 billion in 2012. But, given the pace of progress, it seems the 2015 target of \$100 billion will be missed.

The source of inter-ministerial conflict lies in the disaggregated numbers. The Finance Ministry’s contends that there should be a proper study on performance of all FTAs. Specifically, it feels that Asean countries have gained more than India — in simple terms, that means India has imported more from Asean countries than it has exported to them.

For example, India’s trade deficit with Thailand has grown by 111.55 per cent between 2008-09 and 2012-13.

Finance Minister P Chidambaram found vocal support from three sources. First, RBI governor Raghuram Rajan alluded to misaligned FTAs in a November speech: “I am worried because we seem to be reverting to a dialogue of protection and subsidies that we left behind long ago...While we should not enter into free-trade agreements that give foreign manufacturers an undue advantage, that is no reason for us to now respond by giving domestic manufacturers protection.”

Industry lobbies Ficci and Assocham also pitched in. A Ficci survey among its members showed that many respondents felt trade in goods with Asean either had no impact on exports or had an adverse impact, but only a minimal beneficial effect.

An Assocham report was a bit more hard-hitting and cautioned the government to incorporate lessons from the Asean goods FTA into the Indo-EU trade negotiations.

Interestingly, apart from the Indian side, Asean members have been also holding up the talks, even as tariffs on a number of items keep coming down every year. For instance, it is believed some Asean countries are opposed to free movement of professionals, given rising unemployment in their countries. Some of them are insisting that Indian professionals should obtain local qualifications; for instance, a doctor wanting to practice in Thailand must obtain a licence from Medical Council of Thailand.

India, on the other hand, wants to sign a mutual recognition agreement with Asean so that there is a mutual recognition of professional qualifications; in case there is no such agreement at the Asean level, India will then have to sign such an accord with each country separately.

The clock is ticking. Every wasted moment results in India importing more goods (which eventually affects domestic manufacturing) while being handicapped in using its competitive advantage of services export.

*(The author is Senior Geoeconomics Fellow at Gateway House: Indian Council for Global Relations)*

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

# Salman Khurshid pushes for Asean connectivity

LiveMint

New Delhi, 7 March 2014 : Foreign minister Salman Khurshid on Thursday called for increased connectivity and liberalisation of visa rules to permit freer movement of people to cement closer ties between Asia's third-largest economy and the 10-member economically vibrant Association of South East Asian Nations (ASEAN).

On strategic ties with ASEAN, Khurshid said India was looking to extend its naval footprint in the region, long considered China's backyard.

Addressing the sixth Delhi Dialogue that brings together diplomats and academicians from India and the SouthEast Asian bloc Khurshid said India was meeting its commitments on building the India-Myanmar-Thailand Trilateral Highway and was "in the process of dialogue with ASEAN countries to pursue an intermodal approach to integrate road and rail corridors to sea routes, and to bring together economic synergies to transform the corridors of geographic connectivity into corridors of economic cooperation." ASEAN groups Brunei, Malaysia, Phillipines, Laos, Cambodia, Thailand, Vietnam, Singapore, Indonesia and Myanmar. The grouping plans to evolve into an ASEAN Economic Community by 2015. India and ASEAN have set a trade target of \$100 billion by 2015 and \$200 billion by 2022. Both expect trade to surge thanks to the successful completion of negotiations on the Free Trade Agreement (FTA) on services and investment. The signing of an India-ASEAN FTA on goods in 2010 has seen trade reach \$80 billion in 2011-12.

Khurshid proposed the introduction of long-term visas and the creation of economic hubs to ensure greater interaction between the business communities of India and the ASEAN. "Do we not need to make it easier for our businessmen, professionals and experts to travel more easily between our countries? This will help India build capacities in ASEAN and also incentivize investments from the private sectors. Do we not need to conceptualize and encourage economic hubs to compel connectivity?" the minister said at the conference organized by the ministry of external Affairs in collaboration with the Federation of Indian Chambers of Commerce and Industry.

Khurshid noted that the "economic underpinnings" of the ASEAN India strategic partnership were being strengthened with the completion of the process for signing of a free-trade agreement on services and investment. "The envisaged Trade and Investment Centre, the strengthening of the ASEAN-India Business Council and its Secretariat, the decision to task a Working Group on Soft Infrastructure, and the agreement between our Leaders at the last 11th ASEAN India Summit in Brunei Darussalam that we need an ASEAN India Transit Transport Agreement by 2015 are all envisaged under the Vision Statement as part of the way forward," Khurshid said.

On the strategic partnership between India and the ASEAN, Khurshid said an "important dimension" was its increasing relevance to the political-security space in East Asia. "With power equations being redrawn, the ASEAN India relationship provides an egalitarian balance for the maintenance of peace and stability," Khurshid said in a possible reference to the increasing assertiveness of China in the region.

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

# India-Asean services FTA in limbo over retail FDI

Nayanima Basu, Business Standard

New Delhi, 15 April 2014: India's free trade agreement (FTA) on services with the 10-member Association of Southeast Asian Nations (Asean) is still in limbo, as three members – Thailand, Indonesia and the Philippines - are yet to ratify the deal. While Thailand and Indonesia are demanding unconditional access to India's multi-brand retail trading segment, the Philippines appears to be scared of India's information technology (IT) sector.

Indonesia and Thailand have categorically told India they will not ratify the deal, unless the "federal nature of the FDI (foreign direct investment) policy in multi-brand retail" is relaxed. They are particularly annoyed that it is a state-enabling policy, which means a final call on whether or not to allow a foreign retailer to set up hypermarkets or chains is to be taken by state governments, highly placed sources involved in the talks told Business Standard. The two countries have informed the commerce & industry ministry and external affairs ministry that they will enter India only on the condition that their retail chains are allowed to set up shops "anywhere and everywhere".

The demand from Thailand and Indonesia comes at a time when the United Progressive Alliance (UPA) government's decision to allow up to 51 per cent FDI in multi-brand retail has drawn attack from political opponents, though the policy is more diluted than that demanded by Thailand and Indonesia.

The Philippines, which is gearing up to become the call-centre hub of the world, is apprehensive of the fact that the Indian IT-ITeS (information technology-enabled services) sector might eat up its jobs. India has been trying to negotiate with that country by saying it has moved from being a call-centre hub to the more high-end and complex IT jobs.

The FTA for services was approved in India by the Cabinet Committee on Economic Affairs in December last year, despite objections from the finance ministry. This was the last FTA signed by the ruling UPA before the country went to polls.

This also was one of the crucial FTAs, under which India hoped to get greater market access for its professionals in countries like Singapore, Malaysia and Indonesia. However, it now seems that road ahead is not going to be smooth.

The retail sector in Indonesia and Thailand has witnessed a boom over the past decade. In Indonesia, the food and clothing retailers have massive expansion plans and they have been eyeing India for long. Big Indonesian retailers like Matahari Putra Prima, Indomarco Prismatama, Mitra Adi Perkasa and Ramayana have set aside huge investment plans.

Similarly, in Thailand, despite the current political tension, the retail sector is growing 9-10 per cent annually. The Thai Retailers Association has projected 12 per cent growth in the current financial year. The absence of a stable government in Thailand, too, has delayed the process of ratification. India is also negotiating for a separate bilateral trade treaty with Thailand. However, the Indian government is hopeful the ratification process will be over by October this year.

Trade between India and Asean was worth about \$76 billion in 2012-13. Both sides have set a target of increasing this to \$100 billion by 2015.

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