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India to seek fast tracking of pact with ASEAN on services and investment

Special Correspondent, Hindu

NEW DELHI, October 8, 2011: Seeking to widen the scope of the free trade agreement (FTA) in merchandise goods, India will seek fast tracking of the agreement with the ASEAN bloc for opening of trade in services and liberalisation of investment norms.

A team of ASEAN officials is scheduled to visit New Delhi during middle of this month to hold talks on further progress of the talks which have been hanging fire for the last one and half years due to reluctance of some ASEAN countries including Philippines on opening the services sector. India and the 10-nation ASEAN bloc already allow each other free market access in merchandise goods.

With services being the mainstay of the Indian economy, India is keen for concluding the talks as early as possible. Philippines, a strong player in the global outsourcing, is not enthusiastic about the services pact which has made its conclusion difficult.

The two sides have already held ten rounds of talks without a breakthrough and effort this time around would be deal with the contentious issues in order to arrive at some kind of understanding to pave way for an early pact. The services sector is of key interest to India as it contributes over 55 per cent to its GDP.

The services sector has emerged very strong for export earnings for India. India is looking at expanding trade with the ASEAN in several services including banking, insurance, health, accountancy, architecture and engineering. During the April-July period this fiscal, the country's cumulative exports of services amounted to \$44.74 billion. The talks are being held before the India-ASEAN summit to be held in Bali, Indonesia in November in which Prime Minister, Manmohan Singh is likely to take part. India and ASEAN are keen that the talks should be concluded by the end of this year.

A recent FICCI-Deloitte study has said that once the agreement comes into effect, Indian industry would get considerable opportunities in services like telecommunications, radio, television, consultancy, architectural, legal, accounting, education, health and social work. The ASEAN countries include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Singapore and Vietnam. India-ASEAN trade in 2010 stood at \$50.33 billion. Both the sides aim to take it up to \$70 billion by 2012.

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India-Asean services talks inching towards 'progress'

Nayanima Basu, Business Standard

New Delhi October 21, 2011: But hopes of more access under Mode 4 are fading.

The much-awaited pact on trade in services and investment between India and the Association of Southeast Asian Nations (Asean) has made “some progress towards conclusion” during the last round of negotiations that took place here last week, even as New Delhi’s hope of getting more market access for its professionals seems futile.

India and the 10-member trading bloc already have a goods agreement in place after it came into force from January last year, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts.

However, the deal in services trade and investment had been going on since it started formally in October 2009. Under that, India has mainly demanded greater job opportunities for its professionals in the Asean markets of Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines, Cambodia, Laos, Brunei and Myanmar.

“Hopefully, by the early part of 2012, we might be able to wrap up the talks. But getting more under Mode 4 is out of question, even though we do have hopes to get more under Mode 3 and Mode 1,” according to a senior commerce department official involved in the talks. “So, there has been some working progress this time. The level of ambition can be seen amongst all the countries. It has been agreed unanimously to nudge Philippines from its position, which had been reluctant since beginning. Of course, huge levels of ambitions cannot be expected,” he told Business Standard.

Under trade parlance, trade in services is divided into four broad categories. Mode 1 refers to cross-border supply of services through electronic means. Mode 2 refers to a situation where the consumer of a service moves into another partner country. Mode 3 implies that a particular service provider established presence in form of joint venture in another country. Mode 4 is the movement of professionals to other country to provide service such as doctors, accountants and engineers.

“Bilaterally, with Thailand and Indonesia, India will be able to get more access under Mode 4 but under Asean it is not possible because of the inherent nature of the block,” the official said. “Within Asean, they do not want to give each other more than what has already been offered, which is the main problem.”

India and the Asean countries had earlier decided to have a broad-based comprehensive economic partnership agreement encompassing trade in goods, services and investment. However, the goods deal was agreed and signed upon last year.

This would result in doing away with at least 80 per cent of import tariffs in a phased manner between 2013 and 2016. The tariffs on sensitive products would also be slashed by five per cent by 2016.

This deal would also help India in reducing its dependence on China as it will be able to access the vast and thriving markets of all the 10 Asean countries. The total trade between India and the 1967-formed bloc increased by 24 per cent in 2010 reaching \$51.3 billion.

India’s exports grew at 33 per cent to \$23.1 billion while imports from Asean increased by 18 per cent to \$28.2 billion. Both sides have set the objective of increasing bilateral trade to \$70 billion by 2012.

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Final push to India-Asean FTA in services on anvil

Amiti Sen, Economic Times

17 November, NEW DELHI: Prime Minister Manmohan Singh will make yet another attempt to convince the ten-member Asean group to conclude the long-pending free trade agreement on services at the upcoming India-Asean summit in Singapore, but the commerce department is already weighing the option of exiting the talks if no headway is made soon in the negotiations. Asean had promised to sign a services pact soon after the implementation of the India-Asean FTA in goods in January last year. The two sides are nowhere near completing the negotiations as the Asean countries have not come up with meaningful offers that would give India greater access into the services market in these countries. "We have been going around in circles for the last couple of years and have already employed a lot of resources on the services talks," a commerce department official said requesting anonymity. "If Asean does not come up with meaningful offers soon, we might as well deploy our officials in other negotiations," he added. A formal decision on the matter, however, needs to be taken involving the Prime Minister's Office, as India-Asean relation is high on the priority list of the PM. In fact, it was on the insistence of the PMO that the commerce department agreed to delink the services pact from the FTA in goods, which allowed the Asean to go slow on the services agreement which is not its area of primary interest. Both goods and services were part of the original pact that the two sides had agreed to endorse. The prime minister is expected to make one last push for an agreement at the two-day India-Asean summit beginning November 18 reminding the countries of the promise made. "The Prime Minister will put political pressure on Asean leaders during the summit reminding them of their promise. We hope something comes out of it," the official said.

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India's trade with ASEAN to grow to \$70 bn by 2012

IANS

20 Jan, 2012,KOLKATA: Trade between India and the ASEAN (Association of Southeast Asian Nations) countries is expected to grow to \$70 billion in 2012, a senior external affairs ministry official said here on Friday. "The trade between India and the ASEAN countries following the Free Trade Agreement (FTA) for trade in goods reached \$50 billion in 2011. So we now have a target of \$70 billion by 2012," said Sanjay Singh, secretary (east) in the ministry of external affairs. "We have a very large trade basket with ASEAN countries... it is spread over huge number of commodities. We hope to see growth in all the commodities. In 2012, we will get \$70 billion (trade) because we are growing at a rate of 18-20 per cent every year," he said on the sidelines of the Look East Economic Summit 2012.

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India-Asean services deal stuck

Nayanima Basu, Business Standard

Clause relating to the movement of professionals a major roadblock

New Delhi, April 19, 2012: The much-awaited services pact between India and the 10-member Association of Southeast Asian Nations (Asean) trading bloc has reached an impasse. The deal, which was expected to open a huge services market, is stuck over stiff differences.

Since the negotiations started, talks on services trade have faced serious roadblocks, especially over the issue of Mode 4 of services trade that refers to the movement of professionals. Countries like Indonesia and Philippines have strongly opposed liberalising their respective services markets for India, as these feel Indian professionals would take away a large share of jobs in these countries if trade is liberalised.

Earlier this week, another round of talks was held between the Asean nations and India, but this, too, remained inconclusive. "It is not progressing at all. The deal is stuck. But we are still trying and hope to achieve some consensus," a senior commerce department official involved in the negotiations told Business Standard.

India's primary demand under the deal has been greater job opportunities for its professionals, based on easier visa rules in the markets of Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines, Cambodia, Laos, Brunei and Myanmar.

India wants greater access in sectors such as information technology, healthcare, pharmaceuticals, banking & financial services, tourism and legal services. Philippines, one of the bigger members of the bloc, feels India is a competitor in the business process outsourcing (BPO) space. The BPO industry in Philippines accounts for about 15 per cent of the global outsourcing market.

The major problem is while countries like Thailand, Malaysia and Indonesia are ready to offer greater access to their services market to India, these are not keen to give the same leverage to other Asean members.

Currently, India is also engaged in negotiations with Thailand and Indonesia to have separate bilateral trade and investment deals with those countries.

According to officials in the ministry of commerce & industry, India was able to gain significantly in services trade when it established a separate trade agreement with Malaysia, compared to gains from the larger Asean agreement.

In August 2009, India had signed a free trade agreement (FTA) with Asean members in Thailand. According to the FTA, Asean member countries and India would lift import tariffs on more than 80 per cent of traded products between 2013 and 2016.

In January 2010, Singapore, Malaysia and Thailand accepted the FTA on goods. It is expected to be extended to all Asean member countries by 2016. The FTA collectively covers a market of nearly 1.8 billion people and proposes to gradually slash tariffs for 4,000 product lines.

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