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## INDIA- ASEAN FTA REVIEW TO NEGOTIATE TARIFF CONCESSION

**THIS ARTICLE COVERS “DAILY CURRENT AFFAIRS” AND THE TOPIC DETAILS OF “INDIA- ASEAN FTA REVIEW TO NEGOTIATE TARIFF CONCESSION”. THIS TOPIC IS RELEVANT IN THE “ECONOMICS” SECTION OF THE UPSC- CSE EXAM.**

### WHY IN THE NEWS?

To enhance its negotiating position with the 10-member ASEAN, the Commerce Department has actively solicited additional insights from various industry and export promotion organisations regarding products that could potentially yield more substantial tariff concessions. This proactive approach aims to bolster India’s stance in forthcoming negotiations for the review of the ASEAN-India FTA scheduled in Indonesia next month. To prioritise areas for expanded market access, the Commerce Department is seeking guidance on specific product categories. Additionally, it actively gathers insights on addressing non-tariff barriers.

### DISPROPORTIONATE TRADE DEFICIT LEADS TO REVIEW OF FTA:

- The India-ASEAN Free Trade Agreement formally termed the **ASEAN-India Trade in Goods Agreement (AITGA)**, has led to imbalanced outcomes, prompting India’s desire for rectification through a review process.
- During 2023-24, India observed a significant widening of its trade deficit with the ASEAN bloc, reaching \$38.46 billion compared to \$7.5 billion during the agreement’s initiation in 2010. While India exported goods valued at \$41.2 billion to the region, its imports stood at \$79.66 billion.
- In response, New Delhi aims to secure enhanced market access for its goods, greater flexibility in setting **rules of origin (ROO)** tailored to specific products, and the resolution of non-tariff barriers to mitigate the escalating trade imbalance with the bloc.
- India’s call for a review of the AITGA has been longstanding, triggered by the substantial expansion of its trade deficit with the ASEAN nations since the agreement’s inception in January 2010.
- In previous discussions, India advocated for the adoption of product-specific rules (PSRs) to determine rules of origin, aiming to relax requirements for high-value items with low-value additions.



### **CHALLENGES FACED BY INDIA IN THE AITGA INCLUDE:**

- **Lack of Market Access and Connectivity:** Some Indian products do not have market access in ASEAN countries, hindering the growth of bilateral trade.
- **Trade Deficit:** India's trade deficit with ASEAN has widened significantly, reaching US\$ 43.57 billion in the last fiscal year from US\$ 5 billion in 2010-11. This imbalance is attributed to the rapid expansion of ASEAN's export and manufacturing capabilities, driven by investments from multinational corporations.
- **Inverted Duty Structure:** India is examining the inverted duty structure on certain items, such as ferroalloys, aluminium, copper pipes and tubes, textile staple fibres, and several chemical preparations, which puts the Indian industry at a disadvantage. This review aims to correct these anomalies and make the agreement more balanced and sustainable.
- **Non-Tariff Barriers (NTBs):** India has identified NTBs as a significant challenge in the FTA. These barriers include import regulations, quotas, and other trade restrictions that hinder the smooth flow of goods between the two regions.
- **Rules of Origin:** The rules of origin under the FTA have been a point of contention. India has sought to address these issues to ensure that the agreement is more trade-enabling and mutually beneficial.
- **Tariff Discrepancies:** The FTA has a diverse duty structure due to varying rates of tariff removal by ASEAN countries. For example, Vietnam has committed to a lower share of tariff negotiation, while Singapore has agreed to 100% tariff elimination.
- **Protectionism and Political Differences:** Protectionist policies and political differences can hinder the free flow of trade. India needs to align its trade policy with its domestic and international outlook on other issues before entering or leaving free trade agreements.

- **Chinese Goods Flooding Markets:** India is concerned about Chinese goods flooding the markets through FTAs with third countries, which can negatively impact domestic industries.
- **Intellectual Property Rights (IPR) Issues:** India is facing increasing pressure to accept more international patents, which can impact its domestic research and development (R&D) efforts.

### **INDIA AND ASEAN HAVE SIGNIFICANT IMPLICATIONS FOR THEIR ECONOMIC RELATIONSHIP:**

- **Asymmetry in Trade:** The widening trade deficit, which has more than doubled since the implementation of the Free Trade Agreement (FTA) in 2010, indicates that India is importing more from ASEAN countries than it is exporting.
- **Impact on Indian Industries:** The rapid growth of imports from ASEAN countries, particularly in sectors like electronics, machinery, and textiles, can put pressure on Indian industries, potentially leading to job losses and reduced competitiveness.
- **Dependence on ASEAN:** India's significant trade deficit with ASEAN countries, including Indonesia, Singapore, and Malaysia, highlights the need for India to diversify its trade and reduce its dependence on these nations. This can be achieved by increasing exports to ASEAN countries and reducing imports from them.
- **Need for Export Boost and Import Control:** The trade deficit with ASEAN countries underscores the need for India to boost its exports and control imports. It can be achieved through policies that promote domestic manufacturing, enhance export competitiveness, and regulate imports to ensure that they align with India's economic goals.
- **Impact on Currency and Debt:** A rising trade deficit can lead to currency depreciation, making imports more expensive and worsening the deficit. This can increase external debt and deplete foreign exchange reserves, signalling economic instability to investors and potentially reducing foreign investment.
- **Potential for Regional Growth:** The trade deficit also highlights the potential for India and ASEAN countries to work together to promote regional growth and development.

### **WAY FORWARD:**

- **Quarterly Schedule of Negotiations:** India and ASEAN have negotiated to follow a quarterly schedule of negotiations to conclude the review by 2025. This will ensure that the review process remains on track and that both sides can address their concerns and issues in a timely manner.
- **Addressing Implementation Issues:** The review aims to address implementation issues, origin rules, customs procedures, and data sharing. This will help to eliminate barriers and misuse of the trade pact, making it more trade-facilitative and mutually beneficial.
- **Enhancing Market Access:** The review will focus on enhancing market access for Indian products in ASEAN countries, which is currently a significant challenge.
- **Addressing Non-Tariff Barriers:** The review will also address non-tariff barriers (NTBs) that have been flagged by businesses. This includes import regulations, quotas, and other trade restrictions that affect the smooth flow of goods between the two regions.
- **Regular Meetings:** Regular meetings of the AITIGA Joint Committee will be held to monitor the progress of the review and ensure that both sides are working together to address their concerns and issues.

### PRELIMS BASED QUESTIONS:

**Q. Free Trade Agreement (FTA) facilitates:**

1. Free flow movement of goods.
2. Increase in exports.
3. Reduce fiscal deficit.

Which of the following above statement/s is/ are correct?

1. 1 Only.
2. 2, 3 Only.
3. 1, 3 Only.
4. All of the above.

**Answer: A**

### MAINS BASED QUESTIONS:

1. Sometimes, the Free Trade Agreement (FTA) has led to the Trade deficit. Discuss how India can negotiate with a trading partner to ensure product-specific trade.

[Vishal Yadav](#)

## IPEF CLEAN ECONOMY INVESTOR FORUM

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "CLEAN ECONOMY INVESTOR FORUM.". THIS TOPIC IS RELEVANT IN THE "ENVIRONMENT" SECTION OF THE UPSC CSE EXAM.

### WHY IN THE NEWS?

On the sidelines of the inaugural Indo-Pacific Economic Framework for Prosperity (IPEF) Clean Economy Investor Forum, the Department of Commerce and Invest India organised a meeting to showcase various investment opportunities in India. The forum was held at the iconic Marina Bay Sands in Singapore.

The gathering brought together a wide array of participants, featuring investors from the United States, Singapore, Japan, Australia, and Korea, among others, as well as 15 companies based in India.

### WHAT IS THE CLEAN ECONOMY INVESTOR FORUM?

- The Clean Economy Investor Forum is a key initiative under the Indo-Pacific Economic Framework for Prosperity (IPEF) that aims to catalyse investment in sustainable infrastructure and climate technology across IPEF partners.
- It gathers the region's leading investors, philanthropic organisations, financial institutions, innovative firms, startups, and entrepreneurs.

- The Department of Commerce is the lead organisation for IPEF initiatives. At the same time, the IPEF Clean Economy Investor Forum is overseen by Invest India, the national agency that promotes investment in the country.
- The forum identifies and promotes investment opportunities in clean and sustainable industries. It facilitates connections between investors, startups, and established companies to foster collaboration and funding.
- It also provides a platform for sharing insights, best practices, and technological advancements in the clean economy.
- The forum facilitated meaningful interactions between Indian companies and global investors, featuring presentations on investment opportunities across various sectors.

The Clean Economy Investor Forum accelerates the switch to a sustainable economy. It does so by connecting financial resources with innovative environmental solutions. This initiative underpins the growth and expansion of technologies crucial in minimising environmental footprints and furthering worldwide sustainability objectives. By fostering partnerships and financing, the forum is a key player in promoting the development of a clean economy, ensuring a more robust and sustainable future for all.

#### **ABOUT INDO-PACIFIC ECONOMIC FRAMEWORK FOR PROSPERITY:**

- The Indo-Pacific Economic Framework for Prosperity (IPEF) is a United States-led initiative to enhance economic collaboration within the Indo-Pacific region. Initiated in 2022, the IPEF aims to foster a more inclusive, sustainable, and resilient economic landscape in a region recognised for its dynamic growth and potential.
- The cooperation framework is built on four pillars: Trade, Supply Chain, Clean Economy, and Fair Economy. Notably, India does not participate in the trade pillar.
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- The Indo-Pacific Economic Framework comprises 14 member countries: Australia, Brunei, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the United States, and Vietnam.
- IPEF promotes mutual growth through enhanced economic ties among Indo-Pacific nations, building resilient and sustainable supply chains for economic stability, ensuring inclusive development through widespread sharing of economic benefits, and advocating for a fair, rule-based economic order.
- IPEF conducts regular ministerial meetings and specialised group discussions to advance priorities in digital infrastructure, sustainable development, and regulatory policies, with collaborative efforts from the government and the private sector for innovation and investment.

#### **CONCLUSION:**

The inaugural IPEF Clean Economy Investor Forum marked a significant step towards enhancing economic cooperation in the Indo-Pacific region. Industry participants underscored the importance of collaborative efforts to tackle shared challenges and leverage new growth opportunities. The forum highlighted the critical role of a clean economy and resilient supply chains in achieving sustainable economic development.

**MAINS PRACTICE QUESTION:**

**Q. Discuss the challenges the IPEF Clean Economy Investor Forum aims to address in the clean economy sector. How does the forum promote sustainable and inclusive economic growth through its activities?**

[Amit Pradhan](#)



**Yojna IAS**  
योजना है तो सफलता है