



India-ASEAN free trade agreement

Shubham Kaushik

Assistant Registrar, Institute of Leadership Development, Rajasthan Skill University, Jaipur, Rajasthan, India

Abstract

Policy originates in vacuum, certain factors definitely motivate it. India, Policy of LEP (Look East Policy) is also not exception to this rule. The origin of LEP can be traced out in early years of 1990. The disintegration of Soviet Union resulted in the end of Cold War. Now Russia was not in a position to give political and economic help to India. India had already adopted free market economy, hence then was need for new economic partner and new markets. It led to the adoption "Look East Policy" which brought to an end the long separation between India and South-East Asia. End of Cold War brought number of changes in World Politics. It led to the formation of various regional economic organization. In the early years of 1990 number of consequences of globalization were witnessed. Then results created number of political and economic compulsions for various countries. It encouraged international compulsion and also created a new wave of regionalism.

Keywords: India, ASEAN, free trade agreement

Introduction

No policy originates in vacuum, certain factors definitely motivate it. India, Policy of LEP (Look East Policy) is also not exception to this rule. The origin of LEP can be traced out in early years of 1990. The disintegration of Soviet Union resulted in the end of Cold War. Now Russia was not in a position to give political and economic help to India. India had already adopted free market economy, hence then was need for new economic partner and new markets. It led to the adoption "Look East Policy" which brought to an end the long separation between India and South-East Asia.

End of Cold War brought number of changes in World Politics. It led to the formation of various regional economic organization. In the early years of 1990 number of consequences of globalization were witnessed. Then results created number of political and economic compulsions for various countries. It encouraged international compulsion and also created a new wave of regionalism. Under these circumstances India decided to adopt the Look East Policy.

On 8th August, 1967 it was declared in Bangkok Resolution that the three main objectives of ASEAN are:

1. To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South East Asian Nations.
2. To promote regional peace and stability through abiding respect for justice and the rules of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter.
3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields.

India's LEP got a momentum from India. ASEAN Free Trade Agreement which was signed on 13th August 2009

and was enforced from 1st January, 2010. Following are its main features:

1. It became operational from 1st January, 2010.
2. By 2013 3200 goods will be made tariff free.
3. By 2016 about 800 products will be tariff free.
4. about 489 products were placed in negative list. On other wards these products will not be tariff free.
5. By 2019 all types of duties will be made free.
6. This agreement did not include service sector and investment.
7. Safeguards provisions which will be included at any tie, were also given recognition.

The importance of India-ASEAN agreement can be explained as follows:

1. As a result of this agreement India-ASEAN Bloc has become fourth largest economic bloc of the world.
2. It has speedup the growth of trade between India and ASEAN. In 2015, it was upto 100 million dollars.
3. Since India has cultural similarity with number of ASEAN members, it will help in the branding of goods.
4. Consumers will be benefited as they can purchase the goods at the lower prices.
5. This agreement will pave way for agreement in the fields of service sector and investment. It is obvious that FTA in the service sector will be favourable for India.
6. The most important feature of this FTA is that ASEAN has accepted the negative list. Infact since last five years ASEAN was not ready to accept it.
7. The negative list has virtually has taken into consideration the interests of farmers of India specially Kerala.

Initially there were some concerns about this FTA in the minds of business community. Actually India should not be worried about the cheap competitive imports. Indian

government has taken positive steps to protect the interests of Indian industries. In order to face the competition of imports, Indian government and industry must introduce certain reforms specially in infrastructure high production cost and labour reforms etc. This FTA has also increased the diplomatic value of India as now ASEAM, SAARC, BIMSTEC have become more effective trading blocs in the world. India, because of its large size, population, services, area, technology etc. has become the leading player. This Agreement is fruitful for India from domestic and international point of view. Internally, it has resulted in the fact development of North-Eastern states of India. Internationally, it will help in creating balance against China in ASEAN. It has also contributed in increasing South-South co-operation. Moreover, India and ASEAN may adopt uniform approach on different world platforms like W.T.O. etc. But despite all these advantages there are some problems too. The negative list is quite lengthy which is a matter of great concern. This agreement does not provide anything about service sector and investment while, India is a leading country in the service sector. Presently the balance of trade is in favour of ASEAN and it is believed that this agreement will further deteriorate this situation. Steel and copper are still cheap in India. It will give a jolt to Indian industrialists as they will be duty free in case of ASEAN. "Rule of origin" has some technical ambiguity, it may create the problem of dumping. By 2019 FTA will cover almost all goods which will not be in the trading interests of Indian farmers of south. In 2014 N.D.A. government came into power in India. Prime Minister gave too much importance to India's policy towards ASEAN. He made it clear that now India will implement "Act East Policy" Thus the relationship between India and ASEAN are increasing very fast in different sectors.

References

1. Mohammad Ayoob. India and South East Asia: Indian Perspective and Policies, Routledge, London, 1990.
2. Muni SD, Das Suranjan (edited), India and China: The next decade, New Delhi, 2010.
3. Kumar, Nagesh, Rahul Sen, Mukul Asar (edited), India and ASEAN Economic Relation: Meeting with the Challenges of Globalisation, 2006.
4. Amitabh Mattoo. ASEAN in India's Foreign Policy (Edited), 2001.
5. Kaul Man Mohini. Imaging the South Pacific: an Indian Construct of the Region (Edited) Page. 2001, 132.
6. Tuli Sinha. India-ASEAN Trade Agreement: A survey of Literature, IPCS Special Report. 2001, 2007.
7. Nagesh Kumar, Rahul Sen, Mukul Asher. India-ASEAN Economic Relation-Meeting the Challenges of Globalization, ISEAS Working Paper, 2004.
8. Tuli Sinha. India-ASEAN Trade Agreement: A survey of Literature, IPCS Special Report, 2007.
9. Tuli Sinha. India-ASEAN Trade Agreement: A survey of Literature, IPCS Special Report, 2007.
10. Economic Briefing to the Penang State Government, The India- ASEAN Partnership, 2004.
11. Tuli Sinha. India-ASEAN Trade Agreement: A survey of Literature, IPCS Special Report, 2007.
12. Rahul Sen, Mukul Asher G, Ramkishan Rajan S. ASEAN- India Economic Relation: Current Status and Future Prospects, ISEAS Working Paper, 2004.
13. Satu Limaye. India-Asia Pacific Relations: Consolidating Friendships and Nuclear Legitimacy, Comparative Connections, 2008.
14. Tuli Sinha. India-ASEAN Trade Agreement: A survey of Literature, IPCS Special Report, 2007.
15. Dong Zhang. Development of Trade and Economic Relations between India and ASEAN, AUSAID Working Paper, 2006.
16. Satyajit Mohanty. India-ASEAN FTA Negotiations: The Way Forward, SEA, 2007.