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ASEAN-India Economic Ministers' Consultations

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Why in News

Recently, the 17th **ASEAN-India** Economic Ministers Consultations was held virtually, co-chaired by India and Vietnam.

The meeting was attended by the Trade Ministers of all the 10 **ASEAN (Association of Southeast Asian Nations)** countries viz. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.



Key Points

- **Related to Covid-19:** The Ministers reaffirmed their commitment to take **collective actions in mitigating the economic impact of the Covid-19 pandemic.**

They also resolved to **ensure macroeconomic and financial stability** and **resilient supply chain connectivity**, particularly the unimpeded flow of essential goods and medicines in the region, in compliance with the **WTO** rules.

- **AIBC's Report:** The report of the **ASEAN India Business Council (AIBC)** was placed.

- It has recommended that the **ASEAN India Trade in Goods Agreement (AITIGA) be reviewed** for mutual benefit.
- The review will make the Agreement **modern with contemporary trade facilitative practices**, and **streamline customs and regulatory procedures**.
- **ASEAN India-Business Council (AIBC)** was set up in March 2003 as a forum to bring key **private sector players from India and the ASEAN countries on a single platform** for business networking and sharing of ideas.

- **AITIGA:** Discussions on review of the **ASEAN India Trade in Goods Agreement (AITIGA)** took place.

- The AITIGA is a **Free Trade Agreement (FTA)** among the ten member states of the Association of Southeast Asian Nations (ASEAN) and India which came into force in January, 2010.
- India emphasized on review on AITIGA at the earliest and the need to **strengthen the Rules of Origin provisions**, work towards **removal of non-tariff barriers** and provide **better market access**.
 - The Rules of Origins provisions of AITIGA specify that the preferential treatment under the agreement will be applicable **only to goods which have wholly or partially originated** in the exporting country.
 - **India wants strict rules of origin to prevent Chinese goods from flooding the country through ASEAN member countries** that may have lower or no duty levels.
 - A **nontariff barrier** is a way to restrict **trade using trade barriers** in a form other than a **tariff**. **Nontariff barriers** include quotas, embargoes, sanctions, and levies.
- India has concerns regarding the FTA, given that its FTA with ASEAN is **leading to increased trade deficits** with several ASEAN partners.
India's trade deficit with the ASEAN rose from around 5 billion USD in 2011 to 21.8 USD billion in 2019.

- **Background:**
 - In 2003, India and ASEAN signed a **Framework Agreement on Comprehensive Economic Cooperation** to establish an ASEAN-India Regional Trade and Investment Area, which would provide a basis for subsequent FTAs covering goods, services and investment.
 - India dropped out of the **Regional Comprehensive Economic Partnership (RCEP)** in November 2019 at ASEAN+3 summit, because of increasing trade deficits with partner nations and increasing China-India tensions.
 - Recently, India participated in the 6th roundtable meeting of the ASEAN-India Network of Think Tanks (AINTT).
India highlighted the difficulties that were hindering strong response to deal with the Covid-19 pandemic.

Way Forward

- An immediate review of the agreement and the effective utilisation of the ASEAN-India Free Trade Agreement will contribute to the realisation of the **2020 trade target of 200 billion USD set by India and ASEAN**.
- Over dependence of India and other countries on China can be decreased by developing a common forum/platform with ASEAN countries. Moreover, better collaboration and partnership with ASEAN is in line with India's Act East Policy.

Source: PIB