

India-ASEAN Free Trade Agreement

As per the recent Indo-ASEAN pact, negotiations for free trade area in goods is slated to be finalised by June 30, 2005 and that for services and investments the negotiations are slated to begin in 2005 and conclude in 2007. Negotiations on exchange of tariff concessions under EHS will begin from November 1, 2004. A trade negotiating committee will begin framing the rules of origin, modalities for tariff reduction and FTA in January 2004. India has agreed to special and differential treatment to ASEAN group and align its peak tariff levels. India will reduce its tariff for Brunei, Cambodia, Laos, Indonesia, Malaysia, Myanmar, Singapore, Thailand and Vietnam in 2011. Correspondingly while Brunei, Indonesia, Malaysia, Singapore and Thailand will reduce their tariff for India in 2001, the new ASEAN members like Cambodia, Laos, Myanmar and Vietnam (CLMV) will do so in 2016. Philippines which has expressed its reservations to the FTA has agreed to eliminate its tariff on reciprocal basis for India by 2016. India will unilaterally extend concessions on 11 tariff lines to CLMV. The agreement and the list of items under the Early Harvest Programme are being reproduced below:

FRAMEWORK AGREEMENT

ON COMPREHENSIVE ECONOMIC COOPERATION BETWEEN THE REPUBLIC OF INDIA AND THE ASSOCIATION OF SOUTH EAST ASIAN NATIONS

Preamble

WE, the Heads of State/Government of the Republic of India (India), and Brunei Darussalam, the Kingdom of Cambodia (Cambodia), the Republic of Indonesia (Indonesia), the Lao People's Democratic Republic (Lao PDR), Malaysia, the Union of Myanmar (Myanmar), the Republic of the Philippines (the Philippines), the Republic of Singapore (Singapore), the Kingdom of Thailand (Thailand), the Socialist Republic of Viet Nam (Viet Nam), Member States of the Association of South East Asian Nations (collectively, "ASEAN" or "ASEAN Member States", or individually, "ASEAN Member State");

Recalling that in 2002, we had agreed on the importance of enhancing our close economic cooperation and to work towards an India-ASEAN Regional Trade and Investment Area (RTIA) as a long-term objective;

Desiring to adopt a Framework Agreement on Comprehensive Economic Cooperation (this Agreement) between India and ASEAN (collectively, "the Parties", or individually referring to India or to an ASEAN Member State as a "Party") that is forward-looking in order to forge a closer economic partnership in the 21st century;

Desiring to minimise barriers and deepen economic linkages between the Parties; lower costs; increase intra-regional trade and investment; increase economic efficiency; create a larger market with greater opportunities and larger economies of scale for the businesses of the Parties; and enhance the attractiveness of the Parties to capital and talent;

Recognising the important role and contribution of the business sector in enhancing trade and investment between the Parties and the need to further promote and facilitate their cooperation and utilisation of greater business opportunities provided by the India-ASEAN RTIA;

Recognising the different stages of economic development among ASEAN Member States and the need for flexibility, including the need to facilitate the increasing participation of Cambodia, Lao PDR, Myanmar and Viet Nam (the New ASEAN Member States) in the India-ASEAN economic co-operation and the expansion of their exports, inter alia, through the strengthening of their domestic capacity, efficiency and competitiveness;

Reaffirming the rights, obligations and undertakings of the respective parties under the World Trade Organisation (WTO), and other multilateral, regional and bilateral agreements and arrangements; and

Recognising that regional trade arrangements can contribute towards accelerating regional and global liberalisation and as building blocks in the framework of the multilateral trading system,

Have agreed as follows:

ARTICLE 1

Objectives

The objectives of this Agreement are to:

strengthen and enhance economic, trade and investment co-operation between the Parties;

progressively liberalise and promote trade in goods and services as well as create a transparent, liberal and facilitative investment regime;

explore new areas and develop appropriate measures for closer economic co-operation between the Parties; and

facilitate the more effective economic integration of the new ASEAN Member States and bridge the development gap among the Parties.

ARTICLE 2

Measures For Economic Cooperation

The Parties agree to enter into negotiations in order to establish an India-ASEAN Regional Trade and Investment Area (RTIA), which includes a Free Trade Area (FTA) in goods, services and investment, and to strengthen and enhance economic cooperation through the following:

progressive elimination of tariffs and non-tariff barriers in substantially all trade in goods;

(b) progressive liberalisation of trade in services with substantial sectoral coverage;

(c) establishment of a liberal and competitive investment regime that facilitates and promotes investment within the India-ASEAN RTIA;

(d) provision of special and differential treatment to the New ASEAN Member States;

provision of flexibility to the Parties in the India-ASEAN RTIA negotiations to address their sensitive areas in the goods, services and investment sectors with such flexibilities to be negotiated and mutually agreed based on the principle of reciprocity and mutual benefits;

establishment of effective trade and investment facilitation measures, including, but not limited to, simplification of customs procedures and development of mutual recognition arrangements;

expansion of economic cooperation in areas as may be mutually agreed between the Parties that will complement the deepening of trade and investment links between the Parties and formulation of action plans and programmes in order to implement the agreed sectors/areas of co-operation; and