



## INDIA ASEAN FREE TRADE AGREEMENT: IS INDIA WEAK IN THE NEGOTIATION TABLE?

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### Abstract

Tariff reduction commitments of the India ASEAN FTA clearly points out that India has reduced tariffs to a greater extent than ASEAN. Since India has the higher average tariff before the implementation of the agreement India was weak in the negotiation table. 20% of India's export to ASEAN accounting for 42% of total import was already tariff free before the agreement was implemented. The figures for ASEAN's export to India were only 2.6% of tariff accounting for 2.2% of import. Therefore, India had to start its tariff reform at a fast pace. All these clearly suggest that India was the keener party in the negotiation table and it provides the greater freedom to the party in the other end of the table as far as tariff reductions are concerned.

**Key Words:** Free Trade Agreement, Offer, India, ASEAN, Import Weighted Average.

### 1. Introduction

India's trading relations with the Association of South East Nations (ASEAN) received a momentum about a decade ago after the adoption of the "Look East Policy" (LEP) in 1991. There was rapid progress in the scope and density of their relations thereafter. India signed a Framework Agreement on Comprehensive Economic Cooperation was signed between India and Association of South East Asian Nations (ASEAN) in 2003. The main objective of the agreement was to progressively liberalize and promote trade (in goods and services) as well as in investments between them. Several arguments have been put forward in favour of the framework agreement in all the three areas: a goods agreement (see for example Mehta [2005], Kumar [2005], Bhattacharya and Arif [2002] and Pal & Dasgupta [2008]), a services agreement (Joseph & Parayil [2004], Karmakar [2005], Sen et al. [2004]) and an investment agreement (Mukherjee et al. [2003]). After negotiations lasting six long years a Free Trade Agreement between them was signed on 13<sup>th</sup> August 2009. It took six long years and 15 meetings of the trade negotiation committee to reach a consensus on the tariff reduction schedules.

India has given a single set of tariff offers to nine ASEAN members and another set of offers to Philippines. Nine ASEAN countries (except Singapore, whose tariffs to India were already zero) have given nine different set of offers to India. Each of these offers consists of individual tariff reduction schedules for each of approximately 9700 tariff lines at the Harmonized System eight-digit level. Thus, it turns out that there were approximately 107,000 tariff offers in the ASEAN India Free Trade Agreement (FTA). With such a huge mass of offers, each with its own distinct characteristics, it is difficult to understand exactly what the offers were. Such an understanding is crucial for individual exporters and industry experts, because unless the offers are understood, the benefits of the agreement will never materialize.

Since India's average tariff rate was much higher than the ASEAN's average tariff rate before the negotiation began, by agreeing to sign the agreement, India knew that it had to yield more than the ASEAN countries. In other words, just by agreeing to sign the agreement, India showed a greater keenness and, hence, willingness to sacrifice more. Therefore, India was weak in the negotiation table. This was reflected in the entire gamut of offers. Despite this general trend, there was a significant difference in the level of offers at the commodity level. There are several papers on the impact of the ASEAN India FTA. However, they are mainly concentrating on particular commodities like Plantation Commodities (Joseph [2009]), Tea (Nagoor and Kumar [2010]), Fisheries (Chandran and Sudarsan [2012]), and Automobile sectors (Francis [2011]). Thus the literature on the ASEAN India FTA, being concerned essentially with an analysis of the impact, rarely offers any quantitative assessment of tariff reduction commitments. In this paper we try to fill this gap in the literature by making a quantitative assessment of the offers given in the FTA document.

The rest of the paper is organized as follows. Section 2 describes the broad categories of the tariff reduction schedules. Section 3 provides the methodology. Sections 4 and 5 cover the tariff reduction commitments of India as well as ASEAN members. Finally section 6 concludes the paper.

### 2. Schedules of Tariff Reduction

The tariff reduction schedules of all pairs of countries taken together are almost 3500 pages long. There are approximately 107,000 tariff lines. The goods agreement provides for a phased reduction of tariff for 80% of the tariff lines (approximately 5491 tariff lines at the HS six digit level) during the period from January 2010 to December 2018, accounting for 75% of trade. India has offered two schedules of tariff reduction: one for Brunei, Indonesia, Malaysia, Singapore, Thailand, Cambodia, Lao, Myanmar, and Vietnam and the other for Philippines. On the other hand, each ASEAN member has offered



its own schedule of tariff concessions to India. The agreement categorizes the tariff lines in the five broad categories: Normal Tracks 1 & 2, Sensitive Track, Special Product and Exclusion List. In the normal tracks tariffs will be reduced to zero in a phased manner by 2016. However, the pace of tariff reduction is higher for normal track 1 as compared to normal track 2. Tariffs will be reduced to 5% for the products under the sensitive track. For special product and products under highly sensitive list the average tariffs will be reduced to 5% and 55% respectively.

### 3. Methodology

As a means of determining patterns in the tariff offers we have concentrated on two issues: the comparative pace of reduction and whether the duty structure that emerges due to the schedules was inverted or not. To understand the pace we have formulated two indices one for calculating the simple average of tariff reduction and other for calculating import weighted average of reduction. The averages of these percentage reductions are calculated along different industries during different phases of tariff reduction. The simple average is calculated in the following manner:

$$\frac{[\sum_{i=1}^n (t_{base}^i - t_{final}^i) / t_{base}^i]}{n}$$

where  $t_{base}^i$  is the base year tariff and  $t_{final}^i$  is the final year tariff; n indicates the number of tariff lines in a particular industry.

The import weighted counterpart of this index is:

$$\sum_{i=1}^n [Imp_{base}^i / \sum_{i=1}^n Imp_{base}^i] [(t_{base}^i - t_{final}^i) / t_{base}^i]$$

where  $Imp_{base}^i$  is the import of the ith product in the base period of tariff reduction and  $\sum_{i=1}^n Imp_{base}^i$  represents the total imports of an industry to which the ith product belongs.

The industrial classification has been done on the basis of the multilateral trade negotiations (MTN) nomenclature. In this classification, there are 22 industrial categories that are broadly divided into Agricultural Products and Non-agricultural Products. Agricultural products include Animal Products; Dairy Products; Fruits, Vegetables & Plants; Coffee & Tea; Cereals & Preparations; Oilseeds, Fats & Oils; Sugars & Confectioneries; Beverages & Tobacco; Cotton; Other Agricultural Products. Non-agricultural Products include Fish & Fish Products; Minerals & Metals; Petroleum; Chemicals; Wood, Paper, etc.; Textiles; Clothing; Leather, Footwear, etc.; Non-electrical Machinery; Transport Equipment; Manufactures, Not Elsewhere Specified.

In the FTA, 2007 has been taken as a base year for the reduction of tariff. It appears from the schedule that the tariffs for normal track products of India as well as most ASEAN members will be reduced or eliminated by 2016. Thus, we take the period of analysis from 2007 to 2016. The entire period is divided into three parts—2007–2010, 2007–2012, and 2007–2016—with an objective to differentiate the offers in the different phases of the tariff reduction or elimination. Here, we keep the same base year of 2007 for all the three time periods in order to capture a comparative picture of the extent of tariff reduction in the different phases with respect to the same base year.

## 4. Tariff Reduction Commitments

### 4.1. India's Offer to ASEAN Nine

The agreement will reduce tariffs on a large number of tariff lines and these reductions will be done according to a country specific schedule. Let us first turn to India's offer. India gave a single offer to ASEAN nine members. Table 1 reports simple averages of offers over the chosen period of time. The analysis reveals that the highest reduction of 31.3% was given to the non-electrical machinery sector, followed by electrical machinery, chemicals, manufactures, and transport equipments over the period from the base year 2007 to the first year of the agreement 2010. These top five industries encompass almost 52% of the tariff lines in 5483 total tariff lines at the HS six-digit level commodity classification. These products are mainly covered under normal tracks. By 2016, India will reduce the tariffs for all the products under the normal tracks to zero for most ASEAN members except Philippines. The average percentage reduction of tariffs is approximately 19% in the initial phase of tariff reduction (2007–2010) in all the industries taken together. The analysis also clearly reveals that rate of reduction of tariffs increases rapidly in subsequent phases (32% and 38%). The offer is rather low for cereals & preparations (15.8%) in the initial phase, it is significantly high (50%) in the second phase of the full reduction of tariff for NT (2007–2012). The lowest offer is given to coffee and tea (14%) in the period from the base period of 2007 to 2010. This is in line with the tariff reduction commitments in the FTA for the special product category. Since these products are covered under the list of special products, tariff reduction will be at a much slower pace than the products covered under the normal and sensitive tracks.



**Table 1: India's Offer to ASEAN 9 Members - Simple Average with Same Base Year of Tariff 2007 (% Reduction in Tariffs)**

MTN Industry	India to ASEAN9			India to Philippines		
	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16
Animal Products	16.63	64.79	99.35	7.43	24.06	57.58
Beverages and Tobacco	17.65	64.71	100.00	8.24	24.31	56.86
Cereals and Preparations	15.88	58.92	98.04	6.27	21.47	53.33
Chemicals	26.97	54.43	88.35	22.95	35.50	63.35
Clothing	21.43	45.24	88.10	10.00	25.60	56.81
Coffee, Tea	14.33	49.67	87.00	6.13	19.73	48.27
Cotton	16.33	48.00	100.00	7.33	20.00	46.00
Dairy Products	16.67	66.67	100.00	6.67	23.33	56.67
Electrical Machinery	27.14	52.53	91.87	18.92	30.58	58.58
Fish and Fish Products	16.34	62.77	98.30	6.52	22.46	54.92
Fruits, Vegetables, Plants	16.88	63.44	99.83	7.85	23.83	57.59
Leather, Footwear, Etc	18.29	41.40	78.89	9.93	24.93	55.83
Manufactures, Not Elsewhere Specified	26.59	53.10	99.29	15.01	32.82	69.29
Minerals and Metals	22.65	49.79	96.87	12.13	30.51	68.99
Non Electrical Machinery	31.29	61.78	96.65	29.60	41.03	68.66
Oilseeds, Fats and oils	20.02	52.76	90.31	13.76	26.13	54.01
Other Agricultural Products	17.60	55.43	95.95	8.89	23.20	56.68
Petroleum	0.00	0.00	0.00	0.00	0.00	0.00
Sugar and Confectionaries	18.61	60.00	100.00	9.44	24.50	55.17
Textiles	20.63	43.99	85.00	9.92	24.65	54.35
Transport Equipment	24.41	49.12	95.56	12.84	29.88	68.61
Wood, Paper, etc	23.33	49.88	96.53	11.27	29.51	66.00

Source: Compiled from India ASEAN FTA Tariff Reduction Schedule.

Note: MTN Industry Wise Simple Averages of Percentage Reduction of Tariffs.

Now we turn to the second phase of tariff reduction, that is, from 2007 to 2012. It highlights the fact that the maximum tariff reduction commitment by India is given to dairy products (67%), followed by animal products (65%), beverages & tobacco (64%), fruits & vegetables (63%), and fish & fish products (62%), respectively. Interestingly, in the second phase, lower offers are mainly given to the manufacturing sector, that is, leather & footwear (41%), textiles (44%), transport equipments (49%), electrical machinery (52%), and manufactures (53%). It is worth mentioning that the categories of industries where the maximum offers are given by India in the initial phase of tariff reduction from 2007 to 2010 are significantly different from the industries of maximum offers in the latter phases (2007–2012 and 2007–2016) of tariff reduction. However, all the industries are rather similar in the last two phases of tariff reduction as far as percentage reduction commitment is concerned.

Next, we consider the offers in the last phase of 2007–2016. The assessment clearly depicts that the industries which are given maximum reduction of tariffs (100%) are dairy products, beverages & tobacco, sugar & confectionaries, and cotton respectively. On the other hand, the manufacturing sector attracts lower offers compared to primary commodities. Therefore, we observe that in the last two phases of tariff reduction, India gave a higher offer to ASEAN 9 for primary commodities and manufacturing commodities and the pace of tariff reduction is much higher for primary commodities compared to manufacturing goods. Thus, we need to address the base average tariffs of India for ASEAN members to identify the reason for lower offers in the primary commodity sector.

India's offer schedule to ASEAN 9 members concludes some important points. First, India's average tariffs are high for most industries (85%) compared to the average tariffs for all the ASEAN 9 members. India's average tariff is higher for primary commodities as opposed to manufacturing goods. It also appears from the analysis that pace of tariff reduction is higher for



primary commodities (69%) from 2007 to 2012. Primary commodities accounted for 46% of India's imports from ASEAN members in 2012. Finally, higher offers in primary commodities are followed by higher and significant rise in India's imports from ASEAN 9 members compared to rest of the world. India kept 11% of the tariff lines in sensitive track at HS six digit level classification. These products constitute 15% of India's imports from ASEAN members (92% for manufacturing products and 8 % for primary products). Most importantly there is 100% reduction of tariffs in 2016 for 70% of the products (HS six digit level) in normal tracks which accounts for 45% of imports from ASEAN in 2012. India has reduced tariffs by 58% in normal track from 2007 to 2012 which accounts for 50% of imports from ASEAN members.

#### 4.2 India's Offer to Philippines

The analysis of India's offer to Philippines (Table 1) highlights the fact that the top four industries (non electrical, chemical, electrical machinery and manufactures not elsewhere specified) are same both in India's offer to ASEAN 9 and its offer to the Philippines between 2007 and 2010. India has given lower offers to Philippines for the initial years compared to ASEAN 9 for all industries. This means that the offers to the Philippines are increasing substantially over latter phases of tariff reduction. Industry wise the scenario is as follows. Non-electrical machinery industry (30%) got the highest level of offers, followed by chemicals (23%), electrical machinery (19%), and manufactures (15%). During the second phase of tariff reduction (2007-12), the non-electrical machinery industry experienced the highest level of offer of 41%, followed by chemicals (35%) manufactures (33%), and the electrical machinery industry (30%). The top five industries in terms of India's offer to the Philippines are rather similar in all the three phases of tariff reductions—2007-10, 2007-12, and 2007-16. As in the case of ASEAN 9, the lowest offer is given to the tea and coffee industries over the time period from 2007 to 2010. The other industries where the offers are low are cereals & preparations, fish & fish products, dairy products, and cotton, respectively. In the last phase of tariff reduction (2007-16), the highest level of offer is given to manufactures not elsewhere specified (69.3%) followed by minerals & metals (68.9%), non electrical machinery (68.7%) and transport equipment (68.6%) respectively. The industries where the offers are low are coffee & tea (53%), cereals & preparations (48%) and Oilseeds, Fats & Oils (54%) etc. The averages of offers for all the industries are substantially low at 25% and 56% in the last two phases of tariff reduction (2007-12 and 2007-16) respectively, for India's offer to the Philippines, as compared to 52% and 92% in the same time period for ASEAN 9.

#### 4.3 ASEAN5's Offer to India

Each ASEAN member has offered a different reduction schedule to India. Therefore, in case of ASEAN's offer, let us turn to a country wise analysis. The simple averages of ASEAN 5's offers to India are reported in table 2. Among the members of ASEAN 5, Malaysia gave the highest average reduction of tariffs (18.1%) to India, followed by Thailand (18%), Indonesia (14%), Brunei (10%), and the Philippines (6%) over whole period of tariff elimination. The analysis also highlights the fact that all the countries of ASEAN 5 offer a smaller reduction in tariffs compared to India over the entire period of tariff reduction or elimination.

Let us turn to the offers of Thailand. Beverages and tobacco industry ranks first (32.5%) in terms of simple averages of offers followed by oilseeds, fats & oils (24%), sugar & confectionaries (20.4%) and fruits, vegetables & plants (20.3%) in the initial phase of the tariff reduction (Table 2). The striking feature is that the non-electrical machinery industry enjoys the lowest level of offer (10%) in terms of simple average. However, in case of India's offer to ASEAN 9 this industry attracts the highest level of offers. The primary commodities are offered higher level of offers compared to manufactured commodities. It also appears from the table that some of the manufactured commodities like non electrical machinery and machinery industries occupy top of the list in terms of offer in the last phase of tariff reduction (2007-16). Thailand's average offer of tariff reduction is more or less same in all the phases of tariff reduction except in the last phase.

**Table 2: ASEAN5's Offer to India-Simple Average with Same Base Year of Tariff (% Reduction in Tariffs)**

MTN Industry	Brunei			Indonesia			Malaysia			Philippines			Thailand		
	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16
Animal Products	NA	NA	NA	19.9	53.8	97.8	21.4	50.0	100.0	11.5	21.7	45.0	16.9	47.1	91.4
Beverages and Tobacco	NA	NA	NA	17.0	43.1	83.3	21.4	56.8	100.0	12.0	20.8	47.5	32.5	55.2	93.4
Cereals and Preparations	NA	NA	NA	17.8	47.5	81.3	18.3	48.5	100.0	10.6	19.6	50.6	16.4	49.1	91.8
Chemicals	9.1	0.0	0.0	13.5	32.8	57.8	12.4	34.0	70.5	2.4	3.9	39.9	12.1	34.1	92.0



Clothing	NA	NA	NA	4.5	14.5	33.1	9.5	32.5	73.6	6.7	20.0	46.7	12.9	43.3	87.8
Coffee, Tea	NA	NA	NA	15.9	45.6	85.4	20.5	55.0	100.0	0.8	1.8	35.0	20.1	45.6	92.3
Cotton	NA	NA	NA	20.0	60.0	100.0	NA	NA	NA	0.0	0.0	53.3	NA	NA	NA
Dairy Products	NA	NA	NA	19.4	52.5	90.0	15.6	40.3	100.0	3.3	5.0	33.5	15.5	44.1	91.7
Electrical Machinery	10.0	10.0	20.0	10.8	25.6	52.4	17.7	49.2	98.7	7.3	12.5	41.1	19.5	41.3	97.9
Fish and Fish Products	NA	NA	NA	14.4	29.4	71.4	26.6	60.7	100.0	14.9	25.8	57.2	18.0	52.2	93.0
Fruits, Vegetables, Plants	NA	NA	NA	17.0	47.0	79.8	21.5	50.6	89.3	7.5	13.3	48.3	20.3	50.4	96.1
Leather, Footwear, Etc	5.0	1.9	2.1	13.3	34.1	66.6	13.1	34.8	77.7	9.5	15.6	47.7	18.6	49.8	91.4
Manufactures, Not Elsewhere Specified	9.9	7.9	7.0	12.1	29.9	59.9	17.7	47.8	98.3	7.5	13.8	52.0	17.1	46.8	96.1
Minerals and Metals	9.8	3.2	2.8	12.7	30.1	55.6	17.1	44.7	89.8	3.6	7.3	44.5	15.1	38.4	93.0
Non Electrical Machinery	12.3	37.3	90.1	12.1	25.0	54.2	17.9	50.0	97.0	2.8	4.3	20.3	10.3	28.0	99.6
Oilseeds, Fats and oils	NA	NA	NA	14.4	40.7	69.3	20.4	58.3	100.0	3.2	4.5	40.6	23.9	50.7	91.1
Other Agricultural Products	NA	NA	NA	17.2	48.0	80.8	20.0	57.8	100.0	1.0	1.5	44.8	16.2	40.0	97.5
Petroleum	NA	NA	NA	2.5	7.5	17.5	20.0	60.0	100.0	0.0	0.0	66.0	21.3	46.3	93.8
Sugar and Confectionaries	NA	NA	NA	19.6	53.6	91.9	16.7	50.0	100.0	8.7	14.5	53.9	20.4	50.2	99.0
Textiles	1.2	0.0	0.0	11.2	29.3	60.6	17.8	40.9	85.2	12.1	20.5	45.6	17.1	50.3	90.5
Transport Equipment	24.9	50.0	100.0	12.1	30.9	66.2	18.1	46.5	96.1	3.7	8.7	54.4	15.0	37.1	95.6
Wood, Paper, etc	11.7	10.8	14.4	14.2	36.5	66.6	16.1	42.6	99.7	7.5	13.3	37.8	19.6	48.4	98.5

Source: Compiled from India ASEAN FTA Tariff Reduction Schedule.

Note: MTN Industry Wise Simple Averages of Percentage Reduction of Tariffs. NA – Base Tariff Rate is zero in 2007.

For Malaysia, fish and fish products get the highest level of offer (27%) followed by fruits, vegetables, & plants (21.5%), animal products (21%), beverages & tobacco industries (21%) in the initial phase of tariff reduction. The lowest offer is given to the clothing industry (9.5%). Surprisingly, the coffee and tea industry enjoys a higher level of offers compared to India's offer to Malaysia, not only in the initial phase but also in the latter phases of tariff reduction. Oilseeds, fats & oil and other agricultural products also undergo the same nature of reduction as coffee and tea. Out of 22 industries, only 9 industries are subject to higher reduction of tariff compared to India's offer in the initial period of 2010. Therefore, Malaysia also enjoys a higher offer compared to India for all the industries over the entire period of analysis. It also appears from the analysis that Malaysia provides a higher offer in primary commodities to India compared to that in manufacturing goods throughout the entire period of tariff reduction. Most importantly, Malaysia's average offer is lower than India's offer over whole range of tariff elimination with the sole exception of last phase.

In case of Brunei over 84% of products have zero tariffs before the commencement of the agreement (table 2). These products constitute almost 60% of the industries. The remaining 40% of the industries undergo a lower level of offers as compared to India's offers to Brunei. Textiles imports by Brunei from India follow the lowest level of offers (1.2%) over the period from 2007 to 2010. Brunei's average offer is at a much lower level of 10% as compared to India's average offer of 19.5% over the period from 2007–10. The maximum offer is given to the transport equipment industry (25%), followed by the non-electrical machinery industry (12%), wood & paper (12%) and electrical machinery (10%) industries. Another insight that we obtain from the analysis is that the transport equipment industry is the only industry where the offer is the same both in case of India's offer to Brunei and vice versa. The top five industries in terms of tariff reduction offer remain



same in all the three phases of tariff elimination. It also appears from the analysis that India's offer to Brunei is much higher than Brunei's offer to India over the entire period of tariff reduction.

For Indonesia, the highest offer is given to the cotton industry (20%) followed by animal products (19.8%), sugar & confectionaries (19.5%), dairy products (19.4%), and cereals & preparations industries (17.8%) in the initial phase of tariff reduction. The clothing industry is given the lowest offer (4.5%) followed by electrical machinery (10.8%) and textiles (11.2%) industries. Furthermore, India enjoys lower offers compared to Indonesia for all the industries over the period from 2007–12 with the sole exception of the cotton industry. The cotton industry is given the highest level of reduction followed by animal products (53.8), sugar & confectionaries (53.6%), dairy products (52.5%), and cereals & preparations (47.5%), respectively in the second phase of tariff reduction. It is interesting to note here that the non electrical machinery industry enjoys a substantially lower offer of 25.5% in the case of Indonesia's offer over the period from 2007–12. However, this industry attracts a significantly higher level of offer (52.5%) in terms of India's offer schedule to Indonesia. In the last phase of tariff reduction cotton industry is offered highest level of tariff reduction (100%) followed by animal product industry (98%) and sugar & confectionaries (92%). The analysis of Indonesia's offer also highlights the fact that India's offer is much higher than Indonesia's offer in all the phases of tariff reduction. Therefore, Indonesia enjoys a higher offer compared to India.

Philippines's offer reveals that in the initial phase of tariff reduction (2007–10) fish products were offered the highest percentage reduction of tariffs (15%), followed by textiles (12.1%), beverages & tobacco (12%), and animal products (11.5%). However, the basic nature of offer indicates that the higher offer is given to the primary commodities in the initial phases of tariff reduction. However, in the last phase, some of the manufacturing sectors like transport equipments and manufacture are given substantially higher level of offers. Like other ASEAN 5 members Philippines enjoys higher level of offers from India compared to India's offer to ASEAN 9 members.

Thus (a) ASEAN 5 members have received a higher level of offer from India (b) Indonesia, Thailand and Philippines gave higher offer in primary commodities compared to manufactured goods and Brunei and Malaysia did the opposite. ASEAN 5's average tariff in the base year is at a much lower level of 8% compared to high India's average of 23%. It is also important to note here that ASEAN 5's average tariffs in primary and manufactured goods are 8.8 % and 7.7% (for India the rates are 34% and 15%). Therefore, ASEAN 5's high average tariff in primary commodities explains the ASEAN 5's higher offer in this category to India. ASEAN 5 has offered 100% reduction in tariff by 2016 in 12% of the tariff lines (not zero tariffs in 2007) accounting for 7.2% of imports from India in 2012. Therefore, it appears from the analysis that ASEAN 5 has much lower pace of reduction in tariff compared to India.

#### **4.4 Offers of Cambodia, Lao, Myanmar, and Vietnam**

Let us now turn to the offers of new and less developed ASEAN members. The simple averages of offers are reported in table A.1 in the appendix. These countries have offered India less (6%) compared to ASEAN 5 members (13.3%) in the initial phase of tariff reduction in terms of simple average of offers. India obtains the highest level of offers from Lao (15%) followed by Vietnam (8.8%) over the period from 2007–2010. Surprisingly, there will be no reduction of tariff in the first year of the agreement for Cambodia and Myanmar.

Let us examine the country-wise assessment of offers furnished in table A.2 in the appendix. We first consider Laos' offer to India. The chemicals industry enjoys the highest level of offers (19%) in terms of simple average during 2007–2010, followed by clothing (18.7%), textiles (18.6%), and dairy products (18.5%) industries. The lowest offer is given to animal products (7%). In the second phase of tariff reduction, we observe that the clothing industry attracts the highest offer (29%) followed by sugar & confectionaries (28%) and fish products (27%). It also highlights the fact that Lao offers higher reduction of tariff in primary goods compared to manufactured goods throughout the entire period of tariff reduction.

India's offer to Vietnam (19.5%) is more than double the offer of Vietnam to India (8.8%) during the period 2007–10. As far as simple average of offer is concerned, the clothing industry gets the highest level of offer (11%) during the same period, followed by textiles (10.9%) and oilseed, fats and oil industries (10%), respectively. Another important insight that we obtain from the analysis is that the offers are increasing at a much slower rate compared to India in the latter phases of the tariff reduction. Vietnam enjoys a higher bargaining power compared to India over the entire period of tariff reduction. Surprisingly, Myanmar gives the highest level of offer for coffee and tea industry during the second phase of tariff reduction between 2007 and 2012.

The analysis obviously concludes that new and less developed ASEAN members (CLMV) clearly overwhelm India in terms of offer over the entire period of tariff reduction or elimination in most industries. It also highlights the fact that CLMV



members offer higher level of tariff reduction in primary commodities. This is due to the fact that CLMV's average base tariffs are high for primary commodities. In CLMV's offer no tariff lines follow 100% of tariffs by 2016.

## 5. Conclusions

The analysis clearly reveals that India's average tariff to ASEAN 9 before the negotiation started was 12.7%<sup>1</sup> while ASEAN 9's average tariff to India was 8.3%. Therefore, when India started its tariff reforms with the ASEAN it had to do it at a fast pace. India has 19 % of tariff lines accounting for 42% of their import from ASEAN 9 for the products under the categories of exclusion list, sensitive track, and special product. On the other hand, ASEAN 9 has 19 % of tariff lines accounting for 25 % of their import from India in the same categories. The reduction schedules also highlight the fact that India has allowed 100% reduction in tariff by 2016 in 70% tariff lines accounting for 45% of import. On the contrary, for ASEAN 9 the figures are 12% and 7.2%. India has 74% of tariff lines accounting for 50% of their import from ASEAN 9 in the normal track (1 and 2) ASEAN 9 on an average has 36 % of tariff lines accounting for 69% of their import from India in the same category. 90% of tariff lines have 100% reduction by 2016. If we divide this period into three sub periods (2007-10, 2010-12 and 2012-16) then the pace of reduction of tariff is highest in the last sub period both for India and ASEAN. Therefore, the analysis of the reduction offer clearly suggests that India was the keener party in the negotiation table. India has offered more to the party in the other end of the table.

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<sup>1</sup>Arithmetic Mean of Tariffs of All HS 6 Digit Products.

## Appendix



**Table A.2: Offers of Cambodia, Lao, Myanmar and Vietnam to India with Same Base Year of Tariff - Simple Average (% Reduction in Tariffs)**

MTN Industry	Cambodia			Lao			Myanmar			Vietnam		
	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16	2007-10	2007-12	2007-16
Animal Products	0.00	18.99	48.46	7.21	15.23	40.35	0.0	16.7	50.0	8.58	18.66	44.63
Beverages and Tobacco	0.00	18.10	46.77	7.72	17.31	44.11	0.0	14.1	44.1	4.16	13.22	30.87
Cereals and Preparations	0.00	11.08	39.73	17.55	22.23	58.87	0.0	12.6	36.8	9.30	20.14	53.78
Chemicals	0.00	3.49	30.85	18.91	21.12	60.01	0.0	1.9	10.3	10.07	16.86	50.96
Clothing	0.00	16.73	44.03	18.72	28.72	66.16	0.0	13.4	31.6	11.25	22.58	48.90
Coffee, Tea	0.00	17.06	44.85	11.25	22.29	54.17	0.0	18.0	41.1	6.23	16.56	44.85
Cotton	0.00	0.00	28.57	17.00	19.00	58.00	NA	NA	NA	10.00	22.50	52.50
Dairy Products	0.00	17.02	46.79	18.50	23.50	63.00	0.0	0.0	36.0	9.01	20.25	43.91
Electrical Machinery	0.00	14.16	40.41	16.71	19.16	54.07	0.0	3.7	16.5	8.99	18.23	48.49
Fish and Fish Products	0.00	16.45	47.53	17.69	27.34	65.52	0.0	12.1	36.2	6.04	17.36	39.12
Fruits, Vegetables, Plants	0.00	7.63	36.04	7.38	17.64	44.30	0.0	12.8	40.8	9.10	22.88	57.79
Leather, Footwear, Etc	0.00	9.69	36.73	14.81	22.25	57.19	0.0	1.6	30.4	8.42	18.49	53.96
Manufactures, Not Elsewhere Specified	0.00	14.29	44.52	14.25	15.76	46.60	0.0	4.9	22.5	7.79	18.45	49.25
Minerals and Metals	0.00	5.32	33.38	18.41	19.84	56.88	0.0	0.3	11.3	7.64	14.87	43.92
Non Electrical Machinery	0.00	16.00	47.53	18.15	19.44	56.21	0.0	0.6	4.1	8.55	16.58	48.16
Oilseeds, Fats and oils	0.00	3.47	30.08	16.55	23.59	61.69	0.0	0.5	3.6	10.20	21.80	55.58
Other Agricultural Products	0.00	11.04	40.48	15.94	19.50	56.94	0.0	0.0	15.5	10.08	20.22	54.14
Petroleum	0.00	8.89	22.54	10.27	18.02	54.49	0.0	0.0	11.1	NA	NA	NA
Sugar and Confectionaries	0.00	0.00	28.57	18.33	28.33	66.67	0.0	13.1	39.9	9.58	19.82	45.49
Textiles	0.00	2.63	29.68	18.57	25.46	63.32	0.0	9.3	27.6	10.94	23.32	49.19
Transport Equipment	0.00	16.21	46.03	12.39	15.13	44.02	0.0	0.1	17.3	10.16	20.41	53.01
Wood, Paper, etc	0.00	5.75	34.86	13.81	19.07	53.96	0.0	6.9	28.8	7.70	17.96	46.94

Source: Compiled from India ASEAN FTA Tariff Reduction Schedule.

Note: NA – No Products in this Particular Industry. Simple average indicates Percentage Reduction in Tariffs.