

India Takes Tough Stance on ASEAN Trade Pact Amidst Soaring Deficit



India is taking a decisive shift in its trade policy with the Association of Southeast Asian Nations (ASEAN), taking a firm stand after its trade deficit with the bloc ballooned to nearly \$45 billion in Fiscal Year 2024-25. This significant imbalance, up from a manageable \$5 billion in 2010-11, has prompted New Delhi to consider drastic measures, including potentially terminating the existing Free Trade Agreement (FTA) if its long-standing concerns are not addressed. The move highlights India's growing assertiveness in safeguarding its economic interests within the complex landscape of global trade.

The ASEAN-India Free Trade Area (AIFTA), signed in 2009 and effective from 2010, aimed to foster mutual prosperity by reducing tariffs. However, recent years have revealed a stark asymmetry. Indian imports from ASEAN have surged, while its exports have not kept pace, leading to domestic industries, particularly in manufacturing, facing a deluge of cheaper goods. Commerce Minister Piyush Goyal has publicly described the AIFTA as a "silly" deal, arguing it has inadvertently opened a backdoor for Chinese goods to enter India via Southeast Asian nations due to lax "rules of origin."

A key grievance for India revolves around the inadequate enforcement of these rules, which allows goods from third countries, notably China, to be routed through ASEAN members, thereby exploiting tariff benefits intended for genuine ASEAN products. This practice, known as "Chinese dumping," severely undermines India's "Make in India" initiative and domestic manufacturing efforts.

Despite nine rounds of negotiations, ASEAN has reportedly dragged its feet on addressing India's core issues. These include pervasive non-tariff barriers, such as complex standards, import quotas, and stringent licensing requirements imposed on Indian exports, especially in sectors like agriculture and pharmaceuticals. Additionally, critics point out that the original agreement poorly excluded services, a strong suit for India's economy.

Frustrated by the persistent imbalance and the perceived stalling tactics by some ASEAN members, India's government has indicated it is prepared to invoke the FTA's termination clause, which requires a one-year notice period. Senior Indian officials and industry voices have made it clear that meaningful commitments from ASEAN are essential, particularly concerning non-tariff barriers, loopholes in rules of origin, and improved market access for Indian services and agricultural products.

This recalibration of India's trade strategy with ASEAN reflects a broader shift towards prioritizing national economic resilience and fair trade practices. The outcome of these negotiations will not only redefine India-ASEAN economic ties but also send a strong signal about India's approach to future trade agreements in the Indo-Pacific region.