

ASEAN-India Free Trade Agreement: Issues and Contentions

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AIFTA (ASEAN India Free Trade Agreement) was India's first agreement with a regional grouping which also happens to be one of the most important groupings in world trade. AIFTA became operational in the year 2010 after several rounds of negotiations. The paper attempts a systematic review of impact assessment studies done in the context of AIFTA. An attempt is undertaken to understand the research methodological processes used in these studies and identification of gap in the current literature. The paper concludes that there is no conclusive evidence to show that the agreement has benefitted India or disadvantaged it and most of the studies conducted so far are more focussed on the sector specific advantage/ disadvantage for India. The future is bright and with the conclusion of the agreement on trade in services, India has much more to look forward to with regards to AIFTA.

Keywords: FTA, AIFTA, Sector, Review, Methodology, Trade



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A free trade area is the removal of all (some) tariffs over a gradual period of time between the nations for enhancing trade with each other. This is the second form of economic integration after a PTA (Preferential Trade area). It is the most important of economic integration across the globe.¹ This is the second tier of economic grouping when the countries remove tariffs amongst themselves but retain their different tariffs amongst the non-members. It shows its predominance over the custom union kind of integration. The historical study on the free trade agreements falls into two categories: the study of relevance (under the realms of pure economics), reasoning on the proliferation of FTAs all over the world, and the quantitative impact assessment studies, the focus of this review. According to Crawford (2005), the countries across the world are increasingly making RTAs the main point of commercial activities. Both north-south and south-south agreements are growing; a recent vogue is the many regional

¹ World Trade Organization(2014)

trading blocs coming into play. Traditionally the formation of FTAs occurs amongst the natural trading partners but once this option is exhausted others are explored. The major chunk of RTAs is amongst the transitional economies. Motivations behind the formation of FTAs could be political, economic, or relating to security. The Section 1 of the review paper deals with the contention, relevance, and proliferation of the origin of the free trade areas. The Second section discusses India's FTA policies. The third and the concluding section undertakes a systematic review on the impact assessment of AIFTA (ASEAN- India FTA).

The current study is based on a systematic literature review process. Resources used include books, scholarly journals, reports and conference presentations to understand the impact assessment of the Indo-ASEAN free trade agreement. Given the vastness of the current field of study the focus is on impact of free trade agreement in trade only and the study excludes the themes of proliferation, relevance, and the theoretical foundation /relevance of free trade areas. The final review consists of 34 full text studies based on AIFTA.

The initial search criterion included the following keywords, "Free Trade Agreement, India, ASEAN, Impact, trade." The date of search was set from 1990- 2015. There have been very few studies in the subject till 2005 but gained momentum thereafter. The time referred to the talk of signing of the agreement. The results for the study were sorted on the basis of relevance. The advance search excluded newspaper, magazine articles and wire feeds.

Objectives

1. The current review is undertaken to gain an insight into the impact assessment on AIFTA by following a systematic review process to identify the research gaps in the current body of literature.
2. Through the review process an understanding of methodologies used in the study of impact of AIFTA will be undertaken.
3. Lastly the review process will bring in major findings from the studies dealt in the review.

Section 1

The Contention

The Theoretical foundation of the concept lay in Viner's (1950) theory of custom union who introduced the concepts of trade diversion and creation. Since then there have been multifarious economic debates relating to the relevance of FTAs. This is a debate raging between two groups, one who state that the FTA increases the welfare and the other, who believe that this complexity of FTAs have resulted in an increase in burden of business with the firms experiencing a higher level of burden due to cost benefit effect of multiple rules of origin(ROOs.) There are arguments against PTAs whether they can divert trade from non-members to members thereby resulting in an allocative inefficiency (Bhagwati, 2003 and Panagariya, 2008). This arises when non-members happen to be more efficient producers. The plurilateral FTAs have had a more significant impact relative to bilateral FTAs in stimulating trade (Sen, Srivastav and Gail, 2013). Wonnacott (1996) opines that an FTA could lead to increased competition, and specialization may reduce a partner's cost enough to make it the lowest cost source, thus increasing the world welfare. The problems with FTAs arise when they tend to multiply leading to the hub and spoke problem in which the hub is benefitted at the cost of spokes. Krugman (1991) asserts that these agreements only lead to a general reduction in world welfare. The gains in intra-regional may be more than offset by the losses of the inter regional trade. The importance of natural trading partners is cited which means a much lesser reduction in welfare than if the countries were not natural trading partners. Another strong critique comes from Panagariya (2003) who contends that it is erroneous to say that high initial volumes of trade make PTAs more welfare improving. The scope of trade diversion is substantial in case of south Asian region and not advantageous for India where tariff levels are already very high and asserts that non-discrimination is preferable than preferential treatment. Bhagwati (2008) terms these FTAs as the termites in the trading system which lead to an additional burden of costs and that they are inherently discriminatory, the solution lies in bringing the MFN tariffs to nil. Pal (2011) talks about India's own noodle bowl and asserts that it is not the demand side which is a constraint for India's exports, the supply side issues such as lack of infrastructure, lack of technology etc. should be focussed upon. The north-south

agreement may be further detrimental as the developed nations may push for aggressive reforms which have been rejected at the multilateral level. Summers (1991) favours the formation of regional trade comes in strong support of these FTAs be it multi, uni, bi or pluri. Trade liberalization is likely to result in more of trade creation; even if it is leading to trade diversion it could still lead to an increase in welfare. He cites the importance of natural trading blocks and that many of the existing and contemplated trade agreements link nations that are already natural trading partners. Bhagwati (1996) citing the example of US speaks it has an infatuation with FTAs which may ultimately become a tragedy for the country. This can amount to little more than symbolic copycatting of other countries' FTA activity and otherwise empty gesture politics. In such cases economic strategy is conspicuous by its absence. Bergsten (1996 and 1999) asserts these agreements to be stepping stones rather than stumbling blocks and essential for the forward momentum in trade policy. It is important at the same time to launch trade liberalization on a larger scale, as the proliferation of these FTAs provide a basis for the launch of liberalization on a greater scale, the regional agreements should be rolled into multilateral agreements.

To summarize in Sally's (2006) words, for FTAs to be workable and make sensible reasoning, they should have comprehensive sectoral coverage, be consistent with relevant WTO provisions, go beyond both WTO commitments and applied practice at home. In other words, they should involve genuine and tangible, not bogus, liberalisation. There should be strong provisions for non-border regulatory cooperation, especially to improve transparency in domestic laws and regulations in order to facilitate market access and boost competition. Rules-of-origin (ROO) requirements should be as simple, generous and harmonised as possible to minimise trade diversion and red tape. He further asserts that such FTAs tend to be driven by foreign-policy aspirations, with justifications that are all too often vague, muddled and trivial, having little relevance to commercial realities and the economic nuts and bolts of trade agreements. There has to be a harmonious relationship between the multilateral and the regional process along with the increase of welfare.

Proliferation of FTAs

Menon (2008) cites various reasons for proliferation of FTAs, these are the motivational factors further branched

into general and specific. In general factors is the failing of the multilateral process, the snowballing effect meaning countries feel themselves at a disadvantage if they are not a part of any agreement. In context of Asian region, it was the successes of initiatives for economic integration in Europe and the Americas that proved to be a strong motivation to move towards regional economic cooperation and integration. The successful launch of an economic and monetary union by the euro area countries and the expansion of EU to further east as well as the success of NAFTA and the Free Trade Area of the Americas (FTA) in North Central, and South America have proven beneficial to the participating economies. The fear that the two trading giants, the EU and the US, might become more dominant and influential in rule-setting in the global trading arena has been a major impetus for the regional leaders of Asian economies to come forward to step up initiatives of regional cooperation and integration. The slow progress in the WTO/Doha round and the APEC process also prompted the regional economies to come together themselves and form trade agreements that were mutually beneficial to their circumstances. The failure of talks at multilateral levels has seen a deep proliferation of these free trade agreements all across the globe. Trade policy in Asian region has switched from non-discriminatory unilateral liberalisation, reinforced by GATT/ WTO commitments, to discriminatory FTAs. This has come about after multiple negotiations have failed at the WTO level. Many nations have stirred out of WTO and are actively engaging in bilateral agreements on their own. In case of India and other countries of Asia, these agreements are more to correct the distortions offered by the western world in form of enormous groupings like NAFTA and others. Baldwin (1993) gives his views of the proliferation of the FTAs in the form of a domino theory which is a deeper integration or an expansion of current blocs sets a trigger in membership who were currently happy to be non-members. This is because the deeper integration causes losses to the firms of the non-members and the disadvantage in the larger number of markets increases. Pal (2008) talks about the proliferation of trade agreements in the US and EU countries. He cites the hub and spoke reason with the maximum benefit going to the hub (the developed countries) and the spokes (developing) nations benefit little. Raja and Sen (2004) are sceptical about the new wave of regionalism in the ASEAN region citing major reasons for joining an FTA could be for defensive in order to be a part of the hub and sometimes

FTAs are formed where political concerns override the economic advantages. They are in favour of amalgamation of FTAs rather than proliferation of new ones. Mehta and Narayanan (2006) contend that the major reason for India entering into these RTAs is the fear of so called global isolation and there should be more focus on investment and services. Farasat (2008) discusses the numerous reasons for the quest is India's desire to emerge as a global leader and not to be left out in the race of the FTAs, India's RTAs and its engagements at WTO should be complementary to each other.

India's Agreements

India's trade agreements basically fell in three categories², those with the developing countries which were limited in scope, the more comprehensive arrangements with the developing countries and those with the developed countries which it has been trying to negotiate. The major driving force in the conclusion of RTAs was more political in nature though there were supplementary factors such as improving competitiveness, providing greater economies of scale, enabling greater synergies in trade and investment etc. India offers a large market to its FTA partners and the fact that MFN tariffs are still significant make for substantial benefits. In one of early papers discussing India's policy options, Mehta and Pahariya (2006) contend that in agreements with Sri Lanka and Thailand, India showed a lack of preparedness facing a constant pressure on pruning its negative list accentuating difficulties is the ROO criterion and were in more favour of north-south rather than south south agreements.

Section 2

India-ASEAN FTA -India's transcending to the ASEAN boundaries was a gradual affair and the birth child of India's look east policy which led to a change in its conventional trade policy. Trade till now has been characterized by import licenses, high prevalence of tariffs and quantitative restrictions. India's economic reforms of 1991 led to a gradual shift when India became a sectoral dialogue partner of ASEAN in 1992, becoming a full dialogue partner of ASEAN in its fifth Asian summit in 1995 and eventually the member of the ASEAN regional forum in 1996. Negotiations with ASEAN were a stretched out affair with the FTA in goods being signed in the year 2000 and it was not before January

2010 that it became finally operational. The agreement aims to remove barriers, deepen economic linkages between the trading partners resulting in lower costs and increased intra regional trade relations. Both the regions understand the importance of their growing trade and economic interdependence. Position of ASEAN in world's exports is much stronger than that of India's.

India-ASEAN Free Trade Agreement impact studies: A Systematic Analysis

The studies on AIFTA are divided into two themes one which focus on the potential on trade between the two entities and other group which focuses on impact analysis.

Studies on AIFTA Potential

Karmakar (2005) shows that India exhibits a strong revealed comparative advantage in services when compared with goods sector compared to the ASEAN countries. India could increase its trade prospects and reap substantial gains in sectors such as Finance, Education, health, IT & Telecom, transport, movement of professionals and miscellaneous business services. Similar views are shared by Sen et al. (2004). India's merchandise exports to ASEAN have more than tripled from about US\$ 1.0 billion in 1991-92 (5.7 % of its world exports) to US\$ 3.4 billion in 2001-02 (7.7 % of its world exports). The authors further focus on service areas such as ICT, tourism, energy etc. where India and the ASEAN nations could cooperate with each other. These range from food and energy security to healthcare, aviation, tourism, logistics, educational services etc. [Gaur (2003), Chaudhary (2012), De (2014), Bainik (2014)]. Anand (2009) is of the view that India stood to gain if the relationship between the two sides goes beyond trade in goods and there is huge economic potential for both the sides with the signing of the AIFTA and exploiting each other's complementarities especially in the services sector.

Lee and Liew (2007) found that there exists integration in goods and services between the two regions but the evidence found on purchasing power parity was weak, lesser integration was found in the financial markets. Due to the weak PPP evidence, the goods and services markets will also receive substantial impact from future liberalization. This suggests that the two regions could further exploit their partnership in FTA in their complementary areas, both in goods and services markets, and financial markets, in

2. Seshadri (2009)

particular. CII (2013) report shows that ASEAN's share in India's exports has grown much more than any other destination. There are many identified sectors in the study where the value of Indian exports to ASEAN is much below the potential. Product diversification in India's imports from ASEAN is far less than India's exports to ASEAN. Both the regions could increase mutual trade with each other in selected sectors, for ASEAN this could be in the area of leather, pharmacy, auto components, gems and jewellery etc. India could enhance its products to ASEAN in machinery, engineering products, mineral products, base metal and metal articles, chemicals, drugs and pharmaceuticals, Transport equipment, Textiles and apparel, plastics optical, precision and instruments, Prepared foodstuffs, and Vegetable products etc. Standard Chartered (2014) study sees a huge potential in the region with the trade between the two regions growing in six categories of merchandise trade petroleum products, organic chemicals, vehicles, pharmaceuticals, gems and jewellery, and apparel. Exports to ASEAN will reach USD 280bn in 10 years, at which point ASEAN would hold a 15% share in Indian exports. India appears to have an advantage in pharmaceuticals, gems and jewellery, and iron and steel, while ASEAN has an advantage in natural resources and electronics. Sinha (2009) also sees a strong potential in the agreement as the trade between the two nations has already been growing at a compounded rate. Bilateral trade will increase in machinery, agricultural products, auto components, steel, chemicals and synthetic textiles. From the Indian viewpoint, the FTA will open up the US\$1.1 trillion ASEAN market to its exporters, reducing their dependence on the West. The balance of trade of the region remains tilted towards the ASEAN which can be only modified once the service sector opens to trade. In a joint study conducted by Deloitte-FICCI group (2011), an analysis of RCA amongst the major sectors shows that India has comparative advantage in textiles apparels and accessories; handicrafts, Carpets, Chemical and pharmaceutical sector. ASEAN on the other hand has comparative advantage in Machinery and appliances Sector. It is also suggested that Indian service providers to partner with established ASEAN players to serve third country markets. Batra (2006) opines that amongst the ASEAN nations high trade potential is indicated for Philippines, Vietnam and Cambodia. With countries like Malaysia, Indonesia, Singapore, India had exceeded its trade potential. There are many studies which have focussed on the trade potential in the agreement such as Sudsawasd and

Mongsawad(2007) attempted to find out trade potentialities between ASEAN-5 and the prospective partners for then proposed FTA (Australia, India, Japan, New Zealand, South Korea and US). In term of sectoral impact it was found that the textile and wearing apparel sectors would benefit significantly from eliminating import tariffs large unexplored trade potential between ASEAN-5 and India.

Impact Studies on AIFTA

In one of the most comprehensive studies related to AIFTA, Sikdar and Nag (2011) show that India will experience a massive fall in employment levels along with a fall in GDP. There is betterment in terms of price index. Malaysia, Singapore and Thailand seem to gain the most in terms of welfare and Cambodia showing the most adverse effects. Under the present scenario, maximum gains are accrued to Malaysia and Singapore and least to India. Under third scenario (All ASEAN nations included) India's GDP position falls, while not much change is seen in the prices. Malaysia, Singapore and Thailand show the same position as in current scenario whereas the smaller countries experience similar position as in case of full liberalization. By eliminating all tariffs India will see substantial increase in volume of trade though trade deficit will worsen. Cambodia, Indonesia, Vietnam, and Philippines and Thailand also show a slight increase in trade volume. Under the current scenario trade liberalization works best for Malaysia and Singapore with India showing maximum increase in trade at the cost of worsening of terms of trade. All ASEAN countries experience increased trade volumes. Under the Bilateral trade effect India's exports of major products record the largest demand in Thailand and in Cambodia when all countries implement FTA. The smaller countries of ASEAN will also become large markets for India's exports. Bilateral trade in many sectors is shown to increase phenomenally, meat and meat products, other metals, food products, oil and gas, machinery, wearing apparel, other manufactured products, chemicals, transport equipment and ferrous metals see increase in trade. In addition, when the other countries implement the FTA, sectors producing other crops, coal, and leather and leather products assume importance as exports to India. With full liberalization, sectors such as rice, dairy products, sugar, beverages and tobacco, and vegetable oil register manifold increases in their exports to India. In Plantation commodities which is in the highly sensitive list in the agreement, overall positive effect is seen. Veermani and Saini (2012) attempted a study to understand

the import impact on (Coffee, tea and pepper), their major findings were that trade creation will dominate over trade diversion in all the three sectors in both the scenarios. This will lead to a significant increase in imports, causing loss of tariff to government but consumer welfare will increase. The amount of trade creation was the highest for tea, coffee and pepper in decreasing order. The most affected countries of the trade diversion effect were Uganda, Kenya and Sri Lanka. In another study relating to plantation products Ratna and Kallumal (2012) found no threat to fisheries. In the case of tea, there is visible threat from ASEAN nations such as Vietnam and Indonesia in few categories where imports are cheaper. India was seen as cost competitive for Brunei, Singapore, and Malaysia. Export potentialities seen in case of coffee, pepper and coconut. Mohanakumar, S. (2012) focussed on impact of rubber, coffee and pepper emphasized on impact in area, productivity and price stability. Not many changes are seen in area and productivity due to liberalization of the crops. Regarding impact of the agreement the author is sceptical as these three crops are also important in ASEAN exports and most of the ASEAN countries show higher productivity in coffee and pepper though Kerala commands some advantage than Thailand in natural rubber. Similar views are held by Harilal (2010) on the impact on plantation commodities for the south Indian region. According to the author there is a huge reduction in India's tariffs and in terms of tariff commitments, India has offered much more than what it has been able to get. South East Asia and Kerala have the same kind of production of crop due to similar topography such as natural rubber, coconut, tea, coffee, Malabar spices, cashew, and tropical fish varieties. These products are placed in the category of special products where there is severe tariff reduction. Products like palm oil and natural rubber are at a severe disadvantage leaving India to compete with nations like Malaysia. A permanent import threat will also be posed to the fishery sector. The agreement will thus have a negative impact. A different and contradictory is shown by Joseph (2009) who uses a more dynamic approach of study, it is revealed that the fears that on account of duty cuts due to the FTA may lead to a surge in imports is unfounded and there are other variables the imports are dependent upon such as the exchange rate, the market, and the productivity structures in the two regions. The authors do not find any relation between imports and tariffs and also between imports and domestic prices. The import of rubber in few segments could also create value addition in the sector.

Thus no harm is seen to Plantation Commodities. Chandran (2012) does an impact study of the Indo-ASEAN FTA on the fisheries sector, little impact is seen as India's largest item of import was shrimps and prawns which are placed under the Exclusion list. This showed the major items of India's import are adequately protected under the agreement. Similarly top six items of India's export which alone accounted 76.18 percent are placed in the negative list. The simulation results showed trade creation from the RTA increases as the tariff reduction increases. The apprehension that India-ASEAN FTA will lead to substantial import of marine products into India is unfounded. In a study on the stakeholders in the fishery sector in Cochin district of Kerala, Shyam, S. S. and Geetha, R. (2011) using a sample survey found benefit to majority of stakeholders, thus the apprehensions are majorly untrue, with consumers benefitting from diversification, year round supply. Perception of fish exporters and fish processors also is positive due to economies of scale, increasing export domain, additional market access. Ample opportunities exist for the market functionaries as well. In another study on the impact on stakeholders, Jha (2013) conducted a primary survey on utilization of preferential schemes by the Indian exporters. It is clear that although India's exports to its RTA partners have increased, it is not because of the RTAs. So the RTAs per se have not been useful in helping exporters to increase their share in partner markets. While preferential imports were the driving force behind the substantial increase in total imports from the RTA partners, this indicates that non-preferential items accounted for much of the increase in post-RTA exports. Therefore, the RTAs per se cannot be said to have greatly benefited Indian exporters. Greatest number of applications for COO (Certificate of origin) was received under ISFTA. In this further analysis revealed that 11% of total export transactions were issued COO. In a survey conducted by FICCI (2013) mostly half of the respondents felt that this agreement had no impact on the exports of major industries. 35% of the respondents acknowledge that current FTA in goods has a positive impact on their imports into India due to duty reductions by India, which helps to reduce input costs. The remaining 65% felt that liberalized import regime has not had any impact on their business. In a study focussing on the impact on tea, Nagoor and Kumar (2010) showed that only 22 % of India's import demand was being met by ASEAN and scope is higher. India has an export price advantage in exporting tea to markets of Philippines, Singapore and Brunei but together

their share is minuscule in India's exports thus to conclude there is little possibility to enhance India's tea exports to ASEAN whereas there could be threat due to the agreement.

Francis (2011) in a sectoral study dwelled into the study of the pattern and composition of India's trade with ASEAN. There were significant gains for the ASEAN countries in India in several semi processed and processed agricultural commodities along with non agricultural sectors intermediate goods such as manmade staple fibres; and light manufacturing products such as furniture, lighting and prefabricated buildings; musical instruments and parts; rubber and rubber products; and wood and wood products are likely to be adversely affected by the much greater market access. The ASEAN economies will gain due to tariff liberalisation under Normal Tracks 1 and 2. Thus, under AIFTA, Indian farmers are likely to encounter significantly increased volumes of imports in the domestic markets. In contrast Ohlan (2012) presents a very grim picture of ASEAN-India FTA; there will be more surge in imports than exports as India's tariffs are higher than ASEAN nations. India-ASEAN trade intensity index has been shown declining meaning they are becoming less important trading partners. The study is also suggestive of the fact that ASEAN is more into intra regional rather than inter regional trade. Though India's export basket was highly diversified. India's comparative advantage in ASEAN's import product is found to be weak whereas ASEAN has more competitive advantage in both exports and imports. Similar view is opined by Pal and Dasgupta (2008). India stands to gain very little in the short run as preferential trade agreement is beneficial only when there is a gap between the MFN rates and the preferential rates. It will be difficult for India to make much headway in areas of agriculture, manufacturing, though there are certain products where India could still make some headway such as gems and jewellery. There is huge trade potential between India and Vietnam. The ASEAN nations on the other hand stand to gain huge in agriculture, electronics, motor car equipment etc. The authors see huge gains for India in the services sector where most of ASEAN nations are in deficit (Pal and Dasgupta, 2009). The agreement ultimately boils down to having a market access for India with Indonesia, Malaysia, Philippines and Vietnam whereas with Singapore, Thailand and Myanmar, India has already trade agreements.

Bhattacharyya, R. and Mandal, A. (2010) found India's trade is found to be below potential with Thailand, Philippines

and Indonesia and above potential with Singapore and Brunei. The removal of tariffs will result in asymmetrical gains in favour of ASEAN because ASEAN exports are sensitive to tariffs whereas Indian exports are not. ASEAN's import is driven more by country specific and size issues and less by price factors such as tariffs. However the opposite holds for Indian imports: price is more important than country specific issues or size issues. India's aggregate imports are expected to increase by 13 % due to the implementation of the FTA. Indian imports are however going to rise from all these countries except Philippines and Brunei. Thus the overall impact is negative for India. India's aggregate imports are expected to increase by about 13 % due to the implementation of the FTA. Chandran (2010) revealed that India's export and import intensity were high for ASEAN. India's exports and imports are intense with ASEAN countries compared with its trading pattern with rest of the world whereas in case of ASEAN the export intensity index was higher. A country wise analysis revealed that the highest export intensities for India were observed with Myanmar, Singapore and Vietnam whereas import intensity for India was low for the lesser developed countries of Brunei, Cambodia and Lao. India has RCA in food grains, chemicals, iron and steel, gems and jewellery, minerals. It can import edible and other agricultural products from other ASEAN countries. ASEAN has advantage in crude oil, Electrical and Electronic components and India can import them from ASEAN. With regard to Textiles and Clothing there is intense competition between ASEAN and India. India has a strong comparative advantage in Textiles. In a study on the impact on dairy trade by Mondal et al. (2012), India was having a substantial gain in the tariff lines offered for liberalization by Philippines, Myanmar and Vietnam. The total increase in exports by 2019 would be the highest in Philippines (US\$150.09 thousand), followed by Vietnam (US\$ 39.54 thousand), and Myanmar (US\$ 9.67 thousand). India is not offering much concessions as there will be little threat for a surge in imports. Products contributing to high increase in imports were whey based products, cheese and curd (Buttermilk, Curdled Milk and Yogurt). In a study focussing on the elasticity of India's exports to ASEAN, Sarkar (2010) found variability in exports to various ASEAN countries with respect to two variables of price elasticity and import of the ASEAN nation. India's export price is competitive in ASEAN markets. Thus Agreements with ASEAN will be helpful in raising its exports. The devaluation in Indian currency would be helpful to raise its exports to this region.

In another study, Pant and Sadhukan (2009) show that India's exports to ASEAN show negative income elasticity. Trade diversion when seen at a disaggregated level, is shown for all commodities exported from India to ASEAN. Increase in GDP of ASEAN has resulted in decline for India exports but it is vice versa for other three FTAs. Formation of the RTA itself has had no impact on India's exports. India's exports to ASEAN impacted only by demand constraints. Das and Tiwari (2010) in a study specific to seeing the impact of Indo-ASEAN trade agreement on the North east region show that the north east enjoys a comparative advantage over ASEAN in the share of tea, coffee, rubber, and ginger. The absence of manufactured products is a major problem of this region. These primary products could be exported more by developing specialization. The region could benefit from export of Tea, raw silk, bamboo items though it could face some stiff competition from Indonesia and also handicrafts. The free trade agreement is likely to facilitate greater trade integration between the two regions. Ahmed (2011) shows that though the agreement will be beneficial to both the regions in terms of welfare, India which will see a surge in the imports from the ASEAN countries like processed food, fisheries etc which may thus have an adverse impact on the livelihood. In India, the output of most of the commodity groups indicate change in positive direction, with relatively higher increase in wearing apparel, textile, metals, ferrous metals, electrical equipment and light manufacturing. GTAP results indicates an increase in India's global exports by 5.48 per cent. There will also be a loss in the revenue to the government along with an adverse impact on trade balance. In a study focussing on Agricultural impact due to the agreement, Raju (2010) in her book does an in-depth analysis of the trade agreement on agriculture by studying the current and potential categories of agricultural exports and imports by identifying current, dominant, and potential product lines. It concludes that by using implicit protection and implicit deprotection, it is evident that the sensitive agricultural imports from ASEAN member countries have been placed under Exclusion/Sensitive/Special products and not much impact will be seen from the agreement. Yean and Yi (2014) show that the gains will be more for ASEAN in the manufacturing sector as tariffs are high in India. An increase in 1 per cent of the GDP of ASEAN countries will result in a 1.5 per cent increase of ASEAN'S exports to India. An increase in the India's GDP will induce an increase in export to ASEAN as well, but with a smaller magnitude in terms of impact the reduction in tariffs will

lead to an increase in India's exports to ASEAN by less than 1 %. Nayak and Ahmed (2008) did an impact analysis of the agreement in the textile and clothing sector of India. The Indo-ASEAN trade in this sector has constantly shown an increase at the two digit level. It is revealed that there will be product groups which will be considered sensitive to the imports from ASEAN and there is a possibility that significant threat may emanate from the ASEAN member countries exports in the liberalized tariff regime. There are also few product groups of India from HS 57 to 59 are considered not sensitive rather complementary in nature.

Babu (2013) has done a review of various studies under the India-ASEAN FTA. He concludes that there will be gains and losses depending on sector/ timeline and other factors. In times of the slowdown in west the FTA could give access to a huge market of 600 million people for India. The author sees huge gains for both businesses and consumers provided the Government of India makes efforts for deeper engagements.

Findings

- 1) The studies are divided to understand the trade potential between the two regions or undertake an analysis of the impact of the agreement.
- 2) In context of sectoral analysis of Indo-ASEAN FTA, the studies focus more on the sensitive sectors in the agreement i.e. The plantation crops and fisheries [(Harilal (2012), Joseph (2009), Chandran (2012))]. Little effort has been done to analyse the non-agricultural sector i.e. the manufacturing sector in these studies. Only one study was found Yean et al. (2014).
- 3) There are mixed reviews relating to AIFTA. Some studies Pal and Dasgupta (2010) and Francis (2009) see no advantages whereas others Sikdar and Nag (2011) show gains from the agreement.
- 4) When a single sector is analysed there can be gains in few product categories and losses in another. Example Dairy sector analysis by Mondal et al. (2011).
- 5) Only two studies found on the Impact of AIFTA to the final stake holders Jha (2013), Shyam and Geetha (2011).

The future- There is a growing body of trade literature which is talking about growing complementarity in India and ASEAN relationship. The range of existing complementarities between ASEAN and India are substantial and still are not fully exploited (Sen, 2004). For such

agreements to be successful, private sector cooperation, more competitiveness in the economies of both the nations, transportation and communication links are vital in boosting trade links with one another (Gaur, 2003). While the impetus for mutual cooperation is strong, forging a strong partnership in the 21st century will require ASEAN and India to overcome several formidable challenges and seize key opportunities with courage, vision and deftness.

From the ASEAN experience it is necessary for leaderships to give primacy to economic issues and not allow political differences to stand in the way of regional cooperation. It is necessary that negotiators have a positive attitude towards greater openness especially in situations where trading relations among neighbours are not well developed. In the case of ASEAN countries, large negative lists, limited number of concessional tariff lines, restrictive rules of origin, exclusion of services, NTBs etc., changed in favour of greater openness because of the cooperative attitude of negotiators on all sides. This happened despite great differences in governance structures and outlooks. The small volume of trade between India and ASEAN is hardly an indicator of its economic importance to India. What is more compelling is the fact that though the volume of trade is small, the export basket has potential to move up the value chain and diversify to cater to the emerging and growing demand in the ASEAN countries. Compared to other regional groupings, ASEAN

is the fifth most important market in the world in terms of Indian exports and fourth in terms of imports.

India must focus on the commodity groups that are of maximum importance to ASEAN so that Indian exports to the region may reach the targeted level of USD³. Developing transparent, business friendly, smooth custom oriented agreements, is what ultimately makes a success out of a Free trade agreement. The ASEAN FTA could mark a new start. And India's importance and relevance will grow as the ASEAN members, like many Western countries, take note of the strident march of its economy and its infinite potentials. Among ASEAN's existing 10 members not many have so far really seriously tried economic development or have reaped many of its fruits. But some like Singapore, Indonesia and Thailand are very much in the game. An enlarged opportunity for doing business with a vibrant, emerging economy such as India's would be for them a welcome break. Every country likes to have multiple choices when it comes to picking partners for interaction. In making the choice, it takes into account not just political and strategic perspectives but also the economic calculus. India is one of the top seeds on both these counts. The India-ASEAN FTA would hasten process of coming together of parties who in many ways are natural complements of each other. With the signing of the AIFTA in services, the time is again ripe for ushering in a new era of trade.

Tables and Exhibits

India- ASEAN FTA Systematic Review

Table 1 : Inclusion and Exclusion Criterion used

Inclusion Criterion	Exclusion Criterion
AIFTA goods	AIFTA services
Impact studies	Political Themes
Utility Studies	Economic Theory

Source: Authors' Compilation

Table 2 : Major Themes in Studies on AIFTA

Theme	Number of papers
Studies on Potential	14
Studies on Impact	21
Studies on Impact on Stakeholders	2
Total	37

Source: Authors' Compilation

Table 3: Various methodologies used in impact studies(Some have used more than one tool)

Methodology Type	Number of Papers found
RCA/export intensity/import intensity	8
Statistical	18
Gravity	5
Regression	2
WITS SMART Simulation	4
CGE Model(GTAP)	2
Survey	4

Source: Authors' Compilation

Table 4: Top Journals in which relevant articles were found

Name of Journal	Number of articles found
ASEAN Economic Bulletin	2
Economic and Political weekly	6
MPRA papers	4
Foreign Trade Review	2
IPCS(Institute of Peace and Conflict studies) Special Report	2
FICCI survey	2
Others	19

Source: Authors' Compilation

Table 5: Sectoral Studies relating to Impact of AIFTA

Sector	Number of relevant Studies
Fisheries	2
Plantation	6
Dairy Products	1
Agriculture	1
Textile and garments	1
General Analysis of important sectors	10
Trade Potential	12
Stakeholder Survey	2
Tea	1
North east region	1
Total	37

Source: Authors' Compilation

Table 6: Sources of data

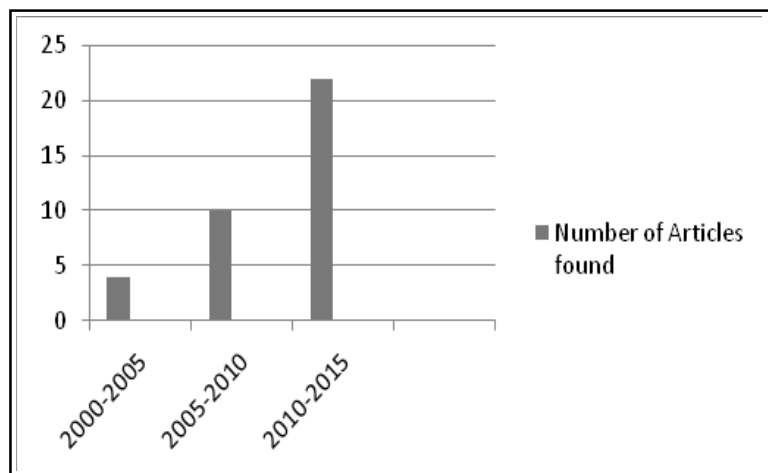
Source of data
Pro Quest
JSTOR
Ebscohost
SSRN
Emerald insight
Google Scholar

Source: Authors' Compilation

Table 7: List of Resources where relevant articles were found

Scholarly Journals	17
Reports	7
Seminar Presentation	1
Miscellaneous Research Council and Network, bank and discussion Papers	6
Periodicals	6
Book	1
Total	37

Source: Authors' Compilation

Graph showing year and the number of relevant Impact studies found

Source: Authors' Compilation

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