



Munich Personal RePEc Archive

India in the Regional Comprehensive Economic Partnership (RCEP) – Need for Caution.

Chandran, B.P. Sarath

VVM's Shree Damodar College, Margao, Goa

25 January 2018

Online at <https://mpra.ub.uni-muenchen.de/84201/>

MPRA Paper No. 84201, posted 10 Feb 2018 09:51 UTC

India in the Regional Comprehensive Economic Partnership (RCEP) – Need for Caution.

B.P. Sarath Chandran

Associate Professor of Economics

Shree Damodar College of Commerce & Economics, Goa.

sarath.chandran7@gmail.com

Abstract

Regional Comprehensive Economic Partnership (RCEP) is a large trade negotiation among 16 countries of Asia Pacific which aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights among these nations. The 16 RCEP countries include China, India, Japan, South Korea, Australia, New Zealand, and the 10-member ASEAN which represent more than 3.5 billion people and about 40 percent of global GDP. India already implemented a free trade agreement with ASEAN, Japan and South Korea and negotiating similar pacts with Australia and New Zealand. There are apprehensions that RCEP agreement will lead to large-scale import of manufactured goods from developed members of RCEP particularly China which enjoys a trade surplus of more than 50 billion US\$ with India. Also, large coverage of items in the tariff reduction programme will lead to an influx of cheaper commodities into India affecting the manufacturing sector. Easy access to burgeoning Indian consumer market may affect a large number of informal players affecting their livelihoods. India's gain primarily comes from the services sector which needs greater access to the members' markets. Also, the previous experiences of India's RTAs did not yield desirable results as India's import increased rapidly compared to exports. In this context, the paper argues for India's caution and push for a comprehensive agreement by including services sector where India's advantage lies.

Key Words – RCEP, Regional Trade Agreement, ASEAN, India,

India in the Regional Comprehensive Economic Partnership (RCEP) – Need for Caution.

1. Introduction

Regional Economic Cooperation Partnership (RECP) is an initiative of economic cooperation among 10-member ASEAN countries and six Free Trade Agreement (FTA) partners of ASEAN. A broader Asian regional free trade area was contemplated and East Asia Vision Group (EAVG) recommended the establishment of an East Asian Free Trade Area (EAFTA) to the leaders of ASEAN+3 while Japan proposed CEPEA based on East Asia Summit framework. In November 2011, ASEAN proposed its own model for an ASEAN centric regional FTA – the RCEP. RECP was conceived as a competitor for TPP agreement. However, TPP agreement faces deadlock and put under backburner RECP is receiving more global attention.

The countries participating in the RECP also signed a number of bilateral FTAs with other member countries. Since there are a number of cross-country FTAs are signed between members, the outcome of RECP may not be substantial. But RECP is expected to improve efficient functioning of the production networks of the region. Also, the coverage of the RECP should be substantial compared to FTA+1 for sustainable benefit from the agreement.

RCEP negotiations cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, e-commerce, and other issues.

RCEP negotiations will follow eight principles: (1) consistency with the WTO; (2) significant improvements over the existing ASEAN+1 FTAs; (3) facilitation of trade and investment; (4) flexibility (e.g., special and differential treatment) to the least developed AMSs; (5) continuation of existing FTAs; (6) open accession clause; (7) technical assistance and capacity building to the developing and least-developed countries; and (8) parallel negotiation. RCEP negotiations were launched in November 2012, and 18 rounds of negotiation have been held, along with six ministerial meetings and three inter-sessional meetings. But there is limited progress as members have disagreements on the tariff reduction on goods, liberalisation of services and investment framework.

2. Economic and Trade Profile of ASEAN+6 Countries

The table-1 provides the economic and trade profile of ASEAN countries and its six FTA partners. In terms of land area China, Australia and India are the large economies where China, India and Indonesia are the most populous countries in the group. In terms of GDP size, China is by far the largest economy with 11 trillion US \$ in 2015 followed by India which is a 2.9 trillion economy. Australia got the highest per capita income followed by New Zealand and Japan. India and China are the fastest growing economies among bigger countries. FDI inflows into China is way high with 133 billion US dollars followed with India at 44 billion dollars in 2015. Trade GDP ratio is highest in Singapore as trade is almost three times the GDP of Singapore.

Table 1, Economic and Trade Profile of ASEAN+6 Countries, 2016

Indicators	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	Australia	China	India	Japan	Korea	New Zealand
Land Area(m)km ²	5270	176520	1811570	230800	328550	653080	298170	707	510890	310070	7682300	9326410	2973193	364485	96920	264537
Population (million)	0.423	15.578	257.564	6.802	30.331	53.897	100.699	5.604	67.959	93.448	24.309	1382.323	1326.802	126.324	50.504	4.565
GDP Millions Current US\$	12930	18050	861934	12585	296284	62601	292449	292734	395168	193241	1270596	11382057	2274998	4919661	1392963	180583
GDP Per Capita, Current \$	30,553	1159	3346	1850	9768	1161	2904	52239	5815	2068	52268	8234	1715	38945	27581	39556
Real GDP Growth yony %	-0.55	7.04	4.79	7.56	4.97	7.29	5.90	2.01	2.83	6.68	2.40	6.70	7.30	1.0	2.70	3.20
Current A/C Balance (%GDP)	13.26	-9.38 (e)	-2.02	-18.08	7.78 (e)	-7.30	2.82	20.12	8.08	0.47	-	2.96 (2015)	-1.06 (2015)	3.09 (2015)	7.68 (2015)	-2.92 (2015)
Exchange Rate (\$)	1.375	4067.75	13389.4	8147.91	12.17 (e)	1162.615	45.503	1.375	34.248	21697.60	1.345	6.644	67.195	108.793	1160.270	1.437
FDI inflows(M\$)	173.24	1700.97	15508.16	1219.82	11121.50	2824.0	5234.03 (j)	65262.40 (j)	10844.64	11800.0	48190.25	133700.0	44485	11388.41	10826.60	2291.63
FDI outflows (M\$)	507.94	47.46	6249.62	1.13	9899.50	-	5601.94 (j)	35485.04 (j)	7776.24	1100.0	6011.70	183100.0	5120.27	145242.43	27274.20	-43.86
Personal Remittances (%GDP)	-	2.20	1.10	0.74	-	5.11	10.05	-	1.33	-	-	-	3.10 (2015)	0.09 (2015)	0.48 (2015)	-
Trade Balance (%GDP)	8.28(e)	-7.77 (e)	0.83 (e)	-5.86 (e)	7.78 (e)	-2.10	-5.85	27.32	11.38 (e)	1.59 (e)	-0.75	2.19	-3.49	0.82	7.38	0.55
Trade Balance (% imports)	24.60(e)	-10.12 (e)	4.38 (e)	-17.48 (e)	12.17 (e)	-9.50	-19.63	17.96	19.50 (e)	1.82 (e)	-3.73	12.81	-15.57	5.25	20.50	2.09
Trade (% of GDP)	84.90	126.95	37.39		128.08	42.79	64.90	318.42	126.59	176.77	39.95	37.06	39.81	35.59	83.71	55.01

Source: UNCTAD & World Bank

3. Trade by ASEAN+6 Countries

Singapore is the dominant country in the ASEAN region with regard to international trade. Singapore is having an export of 346 billion US Dollars and imports worth 296 billion dollars with a trade surplus of 46 billion US dollars. Thailand, Malaysia, Vietnam and Indonesia are the other important ASEAN countries having larger trade share in the region. With regard to services also Singapore plays a dominant role.

Table 2, Merchandise trade and services by ASEAN and its FTA Partners, 2015 (Million US \$)

Countries	Merchandise			Services		
	Exports	Imports	Balance	Exports	Imports	Balance
Brunei	6,353	3,229	3,124	577 (e)	2,225 (e)	- 1,648 (e)
Cambodia	8,542	12,615	-4,073	3,943 (e)	1,907 (e)	2.36 (e)
Indonesia	150,366	142,695	7,672	21,891 (e)	30,384 (e)	-8,493 (e)
Laos	2,769	5,233	-2,464	810 (e)	566 (e)	244 (e)
Malaysia	199,158	176,011	23,147	34,844 (e)	40,044 (e)	-5,200 (e)
Myanmar	11,429	16,885	-5,456	4,212 (2014)	2,602 (2014)	1,609 (2014)
Philippines	58,827	70,153	-11,326	28,167	23,924	4,244
Singapore	346,638	296,745	49,893	139,611	143,469	-3,858
Thailand	214,352	202,654	11,698	60,543 (e)	50,779 (e)	9,864 (e)
Vietnam	162,107	166,103	-3,996	11,200 (e)	15,501 (e)	-4,300 (e)
Australia	190,271	196,150 (e)	-5,879	53941	56532	-2,590
China	2098,161	1587,431	510,730	208,488	453,014	-244,526
India	264,020	359,065	-95,045	161,845 (e)	133,710 (e)	28,135 (e)
Japan	644,933	606,927	38,006	173,821	184,710	28,135
Korea	495,426	406,192	89,234	92,828	110,436	-17,608
New Zealand	33,699	36,067	-2,368	14,886 (e)	11,967 (e)	2,919 (e)

Source: Extracted from WITS, World Bank

With regard to FTA partners of ASEAN, China enjoys a dominant position with a trade surplus of 510 billion US dollars. Japan, Korea and India are the other prominent countries with large trade performance. China's trade performance is very large and other countries share are much smaller in relative terms.

4. Top 5 Trade Partners of India ASEAN+6 Countries

The table gives the top five exports and import partners of ASEAN countries and its six FTA partners. With regard to Brunei, the top export and import partners are primarily from the Asian region with Japan is the major export destination where Malaysia is the largest import partner. For almost all countries, China is the largest import partner. For Indonesia, Myanmar, Singapore, Australia, Korea and New Zealand, China is the largest export and import partner. The table shows for most of the ASEAN plus countries the large proportion of trade happening among themselves.

Table 3, Top 5 Trade Partners of ASEAN Plus economies for the year 2016.

Brunei (2015)	Top 5 Export Partners	Japan	Rep. of Korea	India	Thailand	Other Asia
	Top 5 Import Partners	Malaysia	Singapore	China	US	Korea
Cambodia	Top 5 Export Partners	US	UK	Germany	Japan	Canada
	Top 5 Import Partners	China	Thailand	Vietnam	Other Asia	Singapore
Indonesia (2016)	Top 5 Export Partners	China	US	Japan	Singapore	India
	Top 5 Import Partners	China	Singapore	Japan	Thailand	US
Laos	Top 5 Export Partners	Thailand	China	Vietnam	India	Japan
	Top 5 Import Partners					
Malaysia	Top 5 Export Partners	Singapore	China	US	Japan	Thailand
	Top 5 Import Partners	China	Singapore	Japan	US	Thailand
Myanmar	Top 5 Export Partners	China	Thailand	India	Singapore	Japan
	Top 5 Import Partners	China	Singapore	Thailand	Japan	India
Philippines	Top 5 Export Partners	Japan	US	Hong Kong	China	Singapore
	Top 5 Import Partners	China	Japan	US	Thailand	Korea
Singapore	Top 5 Export Partners	China	Hong Kong	Malaysia	Indonesia	US
	Top 5 Import Partners	China	Malaysia	US	Other Asia	Japan

Thailand (2015)	Top 5 Export Partners	US	China	Japan	Hong Kong	Malaysia
	Top 5 Import Partners	China	Japan	US	Malaysia	UAE
Vietnam (2015)	Top 5 Export Partners	US	China	Japan	Korea	Hong Kong
	Top 5 Import Partners	China	Korea	Japan	Other Asia	Thailand
Australia	Top 5 Export Partners	China	Japan	Korea	US	India
	Top 5 Import Partners	China	US	Japan	Thailand	Germany
China	Top 5 Export Partners	US	Hong Kong	Japan	Korea	Germany
	Top 5 Import Partners	Korea	Japan	Other Asia	US	Unspecified
India	Top 5 Export Partners	US	UAE	Hong Kong	China	UK
	Top 5 Import Partners	China	US	UAE	Saudi	Switzerland
Japan	Top 5 Export Partners	US	China	Korea	Other Asia	Hong Kong
	Top 5 Import Partners	China	US	Australia	Korea	Other Asia
Korea	Top 5 Export Partners	China	US	Hong Kong	Vietnam	Japan
	Top 5 Import Partners	China	Japan	US	Germany	Other Asia
New Zealand	Top 5 Export Partners	China	Australia	US	Japan	Korea
	Top 5 Import Partners	China	Australia	US	Japan	Germany

Source: Extracted from WITS, World Bank

5. ASEAN Plus US Export Share

The table shows the intra-regional export share of ASEAN six countries. China, Japan and Korea are the largest trade partners of Australia. China is having larger export share with Japan. China, Japan, India and Singapore are the important export destination of Indonesia. India does not enjoy large export share with the ASEAN plus region. For Japan, China is the large export market followed by Korea. More than one-fourth of Korea's export is going to China only. For Malaysia, China and Singapore are the important trade partners followed by Japan. For New Zealand, Australia and China are important while Singapore is having larger export share with China and Malaysia. China and Japan are the important export destination for Thailand whereas China, Japan and Korea are important for Vietnam.

Table 4, Export Share of ASEAN Plus Countries for the year 2015

	Exporting Nations														
	AUS	BRU	CHN	INDO	IND	JPN	CAM	KOR	LAO	MYAN	MAL	NZ	SIN	THA	VIET
AUS	0.00	3.49	1.77	2.46	1.23	2.06	1.03	2.06	0.11	0.05	3.60	15.98	3.32	4.56	1.79
BRN	0.02	0.00	0.06	0.06	0.01	0.02	0.02	0.05	0.00	0.01	0.34	0.01	0.22	0.05	0.02
CHN	32.49	1.52	0.00	10.01	3.62	17.49	4.75	26.03	34.82	39.61	13.02	18.32	13.76	11.05	10.23
IDN	1.99	1.62	1.51	0.00	1.09	1.85	0.17	1.49	0.01	1.24	3.73	1.72	8.18	3.65	1.76
IND	4.23	9.06	2.56	7.80	0.00	1.30	0.12	2.28	1.11	8.31	4.06	1.35	3.06	2.47	1.52
JPN	15.88	36.35	5.97	11.98	1.71	0.00	6.69	4.86	1.66	3.99	9.46	6.29	4.39	9.37	8.70
KHM	0.02	0.00	0.17	0.29	0.05	0.05	0.00	0.12	0.58	0.00	0.12	0.02	0.28	2.31	1.48
KOR	7.08	15.63	4.46	5.10	1.37	7.04	1.61	0.00	0.21	2.40	3.23	3.32	4.18	1.91	5.50
LAO	0.01	0.00	0.05	0.01	0.02	0.02	0.06	0.03	0.00	0.00	0.01	0.00	0.02	1.98	0.32
MMR	0.06	0.00	0.42	0.41	0.33	0.17	0.02	0.13	0.01	0.00	0.39	0.06	0.71	1.95	0.23
MYS	1.82	4.62	1.93	5.07	1.85	1.92	1.57	1.47	0.20	1.52	0.00	1.99	10.89	4.75	2.21
NZL	3.33	5.23	0.22	0.29	0.12	0.34	0.07	0.24	0.02	0.01	0.51	0.00	0.50	0.62	0.20
PHL	0.62	0.39	1.17	2.61	0.49	1.52	0.20	1.58	0.08	0.10	1.69	1.36	1.85	2.80	1.24
SGP	2.71	3.50	2.28	8.40	2.95	3.18	0.69	2.85	0.19	5.50	13.91	1.71	0.00	4.07	2.01
THA	1.73	8.64	1.68	3.66	1.18	4.48	4.05	1.21	33.77	27.54	5.70	1.63	3.97	0.00	1.96
VNM	1.39	0.74	2.90	1.82	2.03	2.01	2.17	5.27	18.02	0.52	2.23	1.10	3.50	4.16	0.00
WLD	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Computed based on data extracted from WITS

6. ASEAN Plus Import Share

Australia's imports are coming mainly from China and Japan. Malaysia is the largest import partner of Brunei. China's largest import partner from the region are Korea and Japan. India imports substantially from China. Indonesia imports large share from China, Singapore Japan, Korea and Malaysia. One-fourth of the Japanese imports are coming from China. Imports from China are dominant in ASEAN countries and the FTA partners of ASEAN.

Table 5, Import Share of ASEAN Plus Economies for the year 2015

	Importing Nations														
	AUS	BRN	CHN	IDN	IND	JPN	KHM	KOR	LAO	MMR	MYS	NZL	SGP	THA	VNM
AUS	0.00	1.36	4.79	3.38	2.41	5.56	0.29	3.77	0.37	0.34	2.55	11.91	1.08	2.11	1.22
BRN	0.15	0.00	0.01	0.09	0.16	0.37	0.00	0.22	0.00	0.00	0.08	1.01	0.05	0.36	0.03
CHN	23.22	10.43	0.00	20.63	15.77	25.67	36.95	20.68	18.88	38.05	18.87	19.66	14.20	20.52	29.82
IDN	2.11	2.67	1.29	0.00	3.56	3.16	3.16	2.03	0.23	3.47	4.53	1.75	4.84	3.28	1.65
IND	1.80	1.13	0.87	1.92	0.00	0.78	1.07	0.97	0.38	2.80	2.21	1.15	1.94	1.31	1.60
JPN	7.42	7.41	9.30	9.30	2.47	0.00	3.98	10.51	1.91	9.08	7.82	6.57	6.27	15.61	8.55
KHM	0.06	0.00	0.04	0.01	0.01	0.15	0.00	0.05	0.01	0.00	0.09	0.03	0.05	0.32	0.57
KOR	5.47	9.06	11.36	5.91	3.35	4.29	4.33	0.00	1.28	2.44	4.52	3.70	6.14	3.52	16.64
LAO	0.00	0.00	0.10	0.00	0.04	0.02	0.19	0.01	0.00	0.00	0.00	0.01	0.00	0.73	0.35
MMR	0.02	0.01	0.35	0.11	0.26	0.14	0.03	0.12	0.00	0.00	0.10	0.01	0.04	1.78	0.03
MYS	3.71	21.13	3.47	5.98	2.45	3.44	1.76	1.97	0.32	3.13	0.00	3.35	11.14	5.95	2.52
NZL	2.87	0.15	0.43	0.45	0.14	0.38	0.04	0.28	0.04	0.10	0.44	0.00	0.24	0.30	0.23
PHL	0.28	0.26	1.23	0.48	0.13	1.42	0.09	0.74	0.02	0.12	0.95	0.26	1.53	1.18	0.54
SGP	3.49	14.00	1.80	12.64	1.89	1.26	4.74	1.82	0.21	21.65	11.98	3.47	0.00	3.60	3.64
THA	5.12	3.75	2.42	5.67	1.45	3.27	14.70	1.11	58.82	11.58	6.09	4.16	2.62	0.00	4.99
VNM	1.68	1.18	1.94	2.22	0.69	2.42	8.72	2.25	13.94	1.59	2.75	1.17	1.21	2.02	0.00
WLD	100.00	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Computed based on data extracted from WITS

7. India's trade with ASEAN Plus Countries

India's exports to ASEAN increased from U.S. \$ 10.41 billion in 2005-06 to U.S. \$ 25.20 billion in 2015-16 and imports over the same period quadrupled from U.S. \$ 10.81 billion in 2005-06 to U.S. \$ 39.84 billion. This reflects a compound annual growth rate (CAGR) of about 9.2 percent in exports to the ASEAN region and close to 14 percent per annum growth in imports during 2005-06 to 2015-16. Concomitantly, India's trade deficit with the ASEAN surged from US\$0.5 billion in 2005-06 to US\$14.6 billion. In terms of market share, the share of imports in India's total imports from ASEAN went up from 7.3 percent in 2005-06 to 10.5 percent in 2015-16, over the same period share of exports to ASEAN in India's total exports fell from 10.1 percent to 9.6 percent.

With regard to India's trade with individual countries of the region, India runs in to trade deficit with major countries of southeast Asia. With regard to ASEAN plus countries, India has a trade deficit of 88 billion dollars of which China alone accounts 52 billion dollars. India also has trade deficits with Australia (6.15 Bn. \$), Indonesia (11 Bn. \$) Korea (9.48 Bn. \$), Japan (5.10 Bn. \$), Malaysia (4.67 Bn. \$). India got trade surplus with Vietnam (2.68 Bn. \$) and a marginal trade surplus with Cambodia, Philippines and Singapore.

Table 6, India's Trade with ASEAN Plus Economies

Partner Name	Export Value (Million \$)	Import Value (Million \$)	Trade Balance (Millions \$)
ASEAN plus FTA partners	47710.76	135805.34	-88,094.58
Australia	3252.81	9411.87	-6,159.05
Brunei	30.39	607.78	-577.39
China	9576.58	61604.43	-52,027.85
Indonesia	2868.88	13902.02	-11,033.14
Japan	4529.72	9635.16	-5,105.44
Cambodia	145.35	42.99	102.36
Korea, Rep.	3609.63	13087.66	-9,478.02
Lao PDR	51.26	142.95	-91.69
Myanmar	859.97	1016.30	-156.33
Malaysia	4892.06	9559.92	-4,667.86
New Zealand	313.90	549.84	-235.94
Philippines	1304.35	518.19	786.16
Singapore	7805.08	7395.99	409.09
Thailand	3113.56	5650.14	-2,536.58
Vietnam	5357.21	2680.09	2,677.12
World	264,381.00	390,744.73	-126,363.73

Source: Data extracted from WITS

8. Impact of India ASEAN Plus FTA - SMART Simulation Analysis

The economic impact of proposed India-ASEAN plus Free Trade Agreement is analysed using World Integrated Trade Solutions (WITS) tool. WITS is a data extraction and tariff simulation software using databases maintained by UNSD COMTRADE, UNCTAD TRAINS, and WTO IDB/CTS. The SMART simulation model of the WITS allows users to estimate the partial equilibrium impact of tariff reductions for a single market at a time. WITS simulation is largely used to simulate the impact of preferential trade agreements. This simulation involves two aspects. First, a database has to be extracted to conduct simulation exercise. Secondly,

simulation parameters are defined to get the impact of a tariff cut arising out of a Free Trade Agreement (FTA).

The simulation exercise for the study used bilateral trade data between India and ASEAN plus countries for the year 2015. India is cutting tariff and the beneficiary Countries are ASEAN and its five FTA partners. Tariff cut is done across the board and all products are affected by that. Since the attempt is to understand the impact of FTA, the new tariff rate is kept at zero percent. There arise five results from the simulation exercise. They are total trade effect, export effect on partners, effect on average duty, welfare effect and tariff revenue effect.

When India initiates 100 percent tariff cut against ASEAN plus countries as part of the Free Trade Agreement, they gain access to the Indian market and the exports to India will increase substantially. Table-7 provides changes in the exports of 10-member ASEAN countries and five FTA partners of ASEAN due to 100 percent tariff reduction by India. The biggest trade gains are arising to countries against which the tariff cuts are effected by India. China gains most with an increase of 13.52 billion (22.49 percent), followed by Malaysia, a (4.74 billion \$), Korea (3.36 billion \$), Thailand (2.19 billion) and Japan (2.18 billion US\$). The countries which are losing most from India ASEAN plus FTA is Indonesia (2.77 billion), US (532 million), Germany (523 million), Italy (180 million). Interestingly, Indonesia which is an FTA partner is losing out a substantial trade to other members of the ASEAN plus group.

Table 7, Major Gainers from India ASEAN Plus FTA - SMART Simulation

Partner Name	Product Code	Exports Before in 1000 USD	Exports After in 1000 USD	Export Change in Revenue in 1000 USD	Percentage Change in Exports
China	Total	60,120,801	73,642,347	13,521,546	22.49
Malaysia	Total	9,493,390	14,228,497	4,735,107	49.88
Korea, Rep.	Total	12,878,505	16,233,598	3,355,093	26.05
Thailand	Total	5,417,513	7,608,380	2,190,867	40.44
Japan	Total	9,367,973	11,543,881	2,175,907	23.23
Vietnam	Total	2,536,126	3,882,464	1,346,338	53.09
Singapore	Total	7,380,912	8,577,367	1,196,456	16.21
Australia	Total	9,243,673	10,284,401	1,040,728	11.26
Philippines	Total	505,562.5	620,169.3	114,606.9	22.67
New Zealand	Total	544.125.6	626,297.8	82,172.12	15.10
Brunei	Total	607,783.4	608,538.4	755.072	0.12

Source: Calculated based on WITS SMART simulations

Table 8, Major Losers from India ASEAN Plus FTA - SMART Simulation

Partner Name	Product Code	Exports Before in 1000 USD	Exports After in 1000 USD	Export Change in Revenue in 1000 USD	Percentage Change in Exports
Indonesia	Total	13553819	10786291	-2,767,528	-20.42
United States	Total	19628746	19096118	-532,628	-2.71
Germany	Total	11332232	10808555	-523,677	-4.62
Italy	Total	3967955	3787745	-180,210	-4.54
Taiwan, China	Total	3523306	3352020	-171,286	-4.86
Switzerland	Total	21075113	20914464	-160650	-0.76
United Kingdom	Total	5311658	5155350	-156308	-2.94
United Arab Emirates	Total	20265670	20133665	-132005	-0.65
France	Total	3122004	3004414	-117591	-3.77
Saudi Arabia	Total	21348540	21253981	-94559.5	-0.44
Russian Federation	Total	4514333	4425048	-89285	-1.98

Source: Calculated based on WITS SMART simulations

The simulations show that India's imports will increase by 23.58 billion if the FTA is signed with ASEAN plus countries. Because of the elimination of tariffs with ASEAN plus countries, there will be a reduction in customs duty to the tune of 19.3 billion US dollars. Because of the reduction in tariff and the consequent reduction in prices, there will be a consumer surplus to the tune of 1.92 billion US \$.

Table 9, Trade, Revenue and Welfare effect of India-BIMSTEC FTA

Market View of India-ASEAN PLUS FTA					
Imports	Imports	Tariff	Tariff	Tariff	
Before (\$ '000)	Change In	Revenue (\$ '000)	New Revenue (\$ '000)	Change in Revenue (\$ '000)	Consumer Surplus (\$ '000)
377535382	23,581,967.25	40,965,439.83	21,623,485.41	-19,341,954.42	1,915,040.615
Revenue Impact of India-ASEAN PLUS FTA					
Revenue Effect (\$ '000)	Trade Total Effect (\$ '000)	Trade Value (\$ '000)	Old Weighted Rate (%)	New Weighted Rate (%)	
-12147512.13	23,581,967.25	377,535,382	10.85	5.39	
Welfare Impact from India-ASEAN PLUS FTA					
Trade Total Effect (\$ '000)	Welfare (\$ '000)	Old Weighted Rate (%)	New Weighted Rate (%)		
23,581,967.25	2,224,771.425	5.39	10.85		
Trade creation from India –ASEAN PLUS FTA					
Trade Total Effect (\$ '000)	Trade Diversion Effect (\$ '000)	Trade Creation Effect (\$ '000)	Price Effect	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
23,581,967.25	0.097	23,581,967.25	0	10.85	5.39

Source: Calculated based on WITS SMART simulations

The total trade effect of India ASEAN plus FTA is 23.58 billion US \$ of which the trade creation effect is 12.58 billion US\$ and the trade diversion effect is only 79 dollars the total welfare effect is to the tune of 2.22 billion US\$. This showed that the India ASEAN plus is a highly trade creation FTA with no trade diversion and substantial welfare improvement.

9. Conclusion

The simulation exercise showed that India's import from ASEAN plus countries will substantially increase if the FTA comes into existence. China which enjoys a huge trade surplus with India will further improve its trade performance and increase the trade balance. India's advantage will be primarily in the services sector and it is better to complete the comprehensive trade agreement which includes trade, services and investment. Also, protection of sensitive product categories with higher Rules of Origin (RoO) support is necessary. India's experiences with the existing FTAs is nor very encouraging. India should ensure its concerns addressed before signing the FTA. Already China is pressurising ASEAN is to go ahead the agreement without India. This kind of Chinese hegemony should be resisted and an institutional framework should be created for the success of RCEP.

References

1. A Blueprint for Growth ASEAN Economic Community 2015: Progress and Key Achievements http://www.asean.org/storage/images/2015/November/media-summary-ABIS/AEC%202015%20Progress%20and%20Key%20Achievements_04.11.2015.pdf
2. ASEAN Integration Report 2015, <http://www.asean.org/storage/images/2015/November/media-summary-ABIS/ASEAN%20Integration%20Report%202015.pdf>
3. ASEAN Community in Figures - Special Edition 2014: A Closer Look at Trade Performance and Dependency, and Investment http://www.asean.org/storage/images/resources/2014/Oct/ACIF%20Special%20Edition%202014_web.pdf
4. ASEAN International Merchandise Trade Statistics Yearbook 2014 http://www.asean.org/storage/images/2015/March1/asean_publication/Preview%20IMTS%2012-032015%202.pdf
5. ASEAN Investment Report 2015 Infrastructure Investment and Connectivity <http://www.asean.org/storage/images/2015/November/asean-investment-report/ASEAN%20Investment%20Report%202015.pdf>
6. David Scott, India's 'Extended Neighbourhood' Concept: Power Projection for a Rising Power, *India Review* 8, No. 2 (2009), accessed June 11, 2017, doi: 10.1080/14736480902901038. 5. For a broad overview of India's engagement with East and Southeast Asia, see Harsh V Pant, *Indian Foreign Policy: An Overview* (Manchester: Manchester University Press, 2016), pp. 137-148.
7. Das, Sanchita Basu The Future of Trade Diplomacy in East Asia, PERSPECTIVE, RESEARCHERS AT ISEAS – YUSOF ISHAK INSTITUTE ANALYSE CURRENT EVENTS, Singapore, 14 February 2017,
8. Deeparghya Mukherjee, "India-ASEAN economic linkages: Challenges and Way Forward," *Ideas for India*, 10 March 2016, accessed June 21, 2017, http://www.ideasforindia.in/article.aspx?article_id=1593.