Palm oil, coal account for 60% of India's trade deficit with Asean

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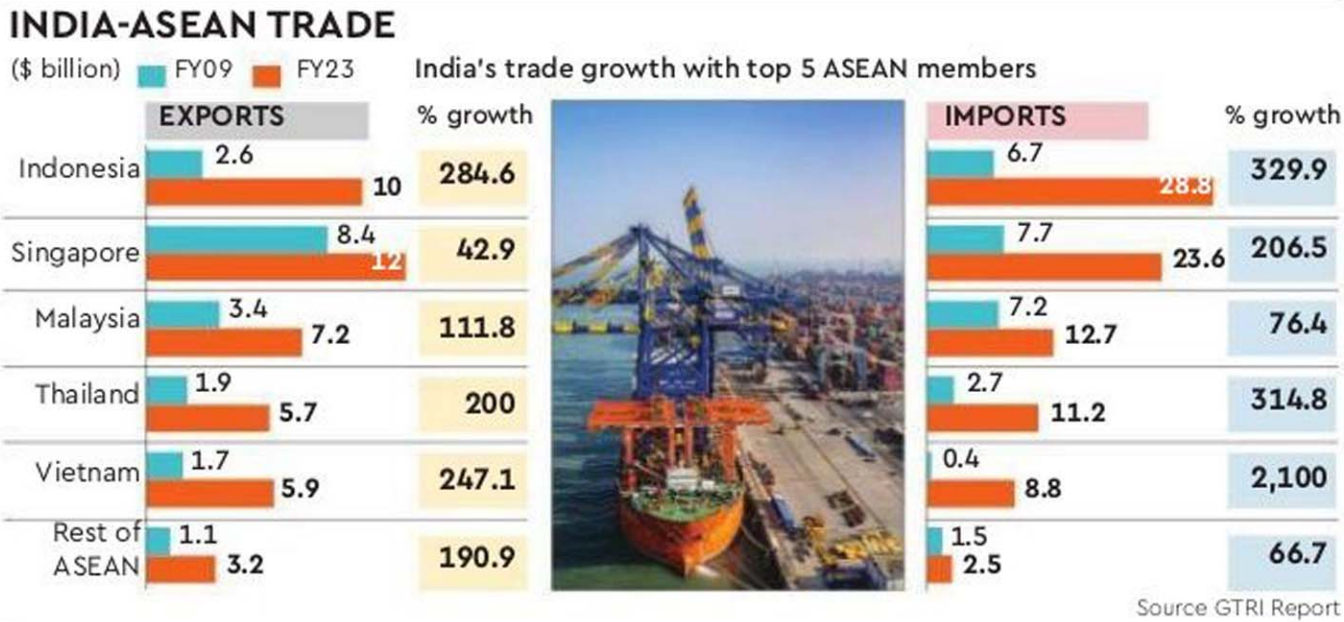

AS INDIA AND Asean formally embark on a review of their goods trade agreement, an analysis of merchandise traffic between the two shows that New Delhi has limited room to curb the rising trade deficit unless it undertakes a massive domestic investment programme to boost local production.

A big part of the deficit New Delhi is worried about is driven by industrial demand. Nearly 60% of the imports from Asean are of coal, palm oil and other raw materials.

The trade deficit between India and Asean was $43.6 billion last year with imports of palm oil ($11 billion) and steam coal ($14.2 billion) accounting for over $25 billion. In FY23, exports to Asean stood at $44 billion and imports $87.6 billion.

The Asean India Trade in Goods Agreement (AIGTA) entered into force on January 1, 2010, creating one of the world's largest free trade areas. The trade deficit with Asean widened from $ 4.98 billion in 2010-11, the first full year of operation of AITGA, to $43.57 billion in FY23.

"FTA review may not be helpful to cut such imports. Coal imports have increased 121% in the past one year alone and most coal is steam coal, available in abundance in India. India should focus on using local coal," according to the analysis by co-founder of Global Trade Research Initiative (GTRI) Ajay Srivastava.

Despite abundance of steam coal, delays in land acquisition, clearances and issues in evacuation from mining sites has been a long-term issue.

India imports 61% of its edible oil requirements and for years, efforts have been on decreasing this dependence on overseas sources. but demand increase always outstrips supply. The biggest source of these two goods in Asean is Indonesia. Of Asean's 10 members, Indonesia, Singapore, Malaysia, Thailand and Vietnam account for 92.7% of India's exports and 97.4% imports.

The analysis by GTRI also shows some round-tripping of coal, iron, steel, or fertilisers from Singapore, which has no base in the manufacturing of these products.

"Such imports must be out of the FTA, but need investigation why they are happening... Rules of Origins may be checked for use of value addition norms for electronics and gold. India has a separate FTA with Singapore... The two FTAs may be studied together," Srivastava said.