

ASEAN-INDIA FREE TRADE AGREEMENT AND INDIA'S BALANCE OF TRADE IN RUBBER AND RUBBER PRODUCTS: A PRELIMINARY ASSESSMENT

Joby Joseph and K. Tharian George

Rubber Research Institute of India, Kottayam - 686 009, Kerala, India

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This pioneering study was conceived to capture the early indicators of the outcomes of ASEAN-India Free Trade Agreement (AIFTA) in rubber and rubber products. The analysis was focused on balance of trade in raw materials, intermediate and finished product segments. In the pre-AIFTA phase, India had a positive trade balance with world, which was on account of its advantageous trade in finished products and intermediate products with countries other than members of ASEAN. In the post-AIFTA phase, though India's favourable balance of trade in finished products registered marked improvements with ASEAN (89.5%) and world (66.5%) the increasing imports of raw materials; especially NR, has nullified India's historically inherited advantages in the external trade in finished products. A detailed analysis of the three selected products *viz.*, (i) Technically specified natural rubber (TSNR), (ii) Thread of vulcanised rubber, not covered elsewhere and (iii) Radial tyres used in motor cars (including station wagons and racing cars) indicated negative balance of trade throughout the ten year period, except for radial tyres used in motor cars during the year 2005-06. The study highlighted the need for identifying the structural infirmities in various segments and to implement interlinked policy measures for raw material, intermediate and finished products segments.

Keywords: ASEAN-India FTA, Balance of trade, External trade, Regional trade agreements, Rubber and rubber products

INTRODUCTION

Perhaps, no other regional trade agreement (RTA) signed by India has evoked sharp responses from the stakeholders as that of the ASEAN-India Free Trade Agreement (AIFTA) at the time of implementation. From India's angle, the implementation of AIFTA had been unique for the products coverage and the number of countries involved compared to its engagement with other

RTAs. Although studies on the tariff policy and tariffs under the AIFTA were reported (Harilal, 2010; George and Joseph, 2014; Pal and Dasgupta, 2008, 2009; Ravenhill, 2010; WTO, 2011) no sector-specific analysis was made on the impacts since its implementation on 1st January, 2010. This paper is an attempt to capture the early indications on India's balance of trade with ASEAN in the case of rubber and rubber products covered under Chapter 40 of the Harmonized System (HS).