

INDIA'S TRADE LIBERALISATION INITIATIVES AND TRENDS IN BALANCE OF TRADE UNDER THE REGIONAL TRADE AGREEMENTS: THE CASE OF RUBBER AND RUBBER PRODUCTS

Joby Joseph and K. Tharian George

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

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India's rubber sector has been endowed with the unique feature of a well-developed natural rubber (NR) production and rubber products manufacturing segments since the 1940s. A remarkable degree of domestic market orientation of both the segments had been protected from external competition till the early 1990s. India's Regional Trade Agreements (RTAs) assume importance for the trade sensitivity arising from higher shares in the total value of external trade in rubber and rubber products (47.2 %) and in the negative balance of trade (278.6 %) during 2014-15. Among the total 23 trade agreements signed by India, tariff reduction/elimination commitments for rubber and rubber products are covered only under 11 agreements. This paper is concerned with (i) India's tariff policies on rubber and rubber products under the RTAs and (ii) the impact of the same on India's balance of trade in rubber and rubber products. Analysis of time series external trade data for the past 15 year period from 2000-01 to 2014-15 revealed that India provided ample protection to its NR production segment under various RTAs except Asia Pacific Trade Agreement (APTA) and less developed countries under the South Asian Free Trade Area (SAFTA). However, the total value of imports of NR under RTAs grew at the rate of 39.5 per cent and the negative balance of trade during 2014-15 was US \$ 785.35 million. At the aggregate level, India's exports and imports of rubber and rubber products under the RTAs grew at the rates of 16.8 per cent and 26.3 per cent, respectively during the period under review. The magnitude of the emerging trends is evident from a higher negative balance of trade with the RTAs (US \$ 1469 million) than with the world during 2014-15. The results of the study underlined the need for a comprehensive policy package for India's rubber sector rather than segmented ad-hoc measures from a long-term policy perspective.

Key words: Balance of trade, Inverted duty, Natural rubber, Regional trade agreements, Rubber and rubber products, Tariff elimination, Tariff reduction

INTRODUCTION

A highly developed, diversified and domestic market oriented Indian rubber sector has been unique among the major natural rubber (NR) producing countries.

India's rubber sector consisted of three broad segments, *viz.* raw materials, intermediate products and finished products. The raw material segment consists of NR, Synthetic rubber (SR) and Reclaimed rubber (RR) (*ie.*