



AMIC – INFOSERIES – 4
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The ASEAN – India FTA: Were the Fears Premature?

INTRODUCTION

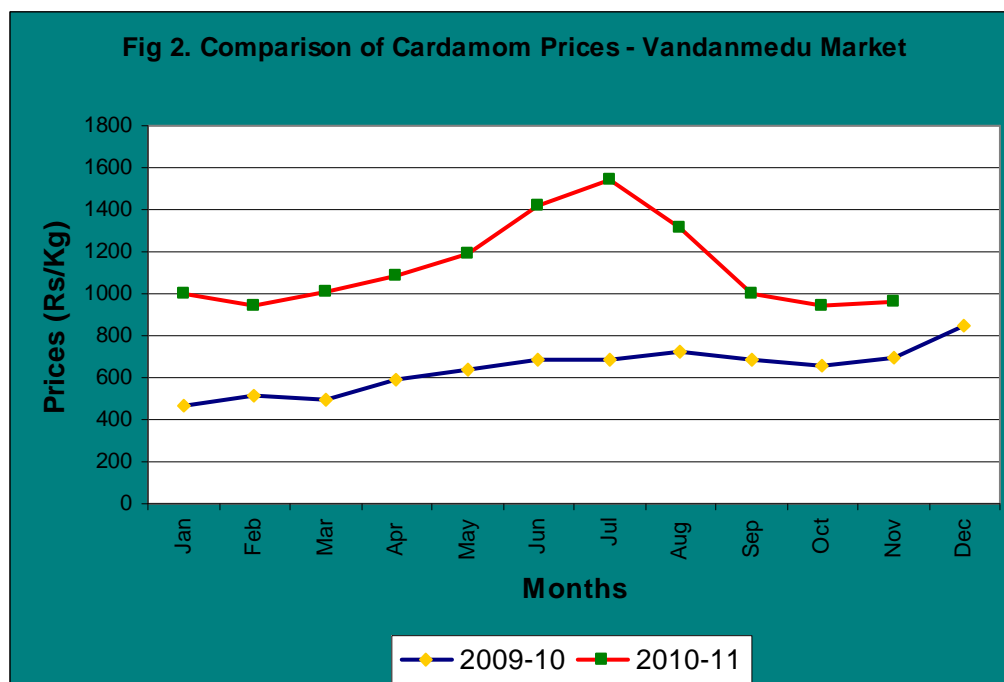
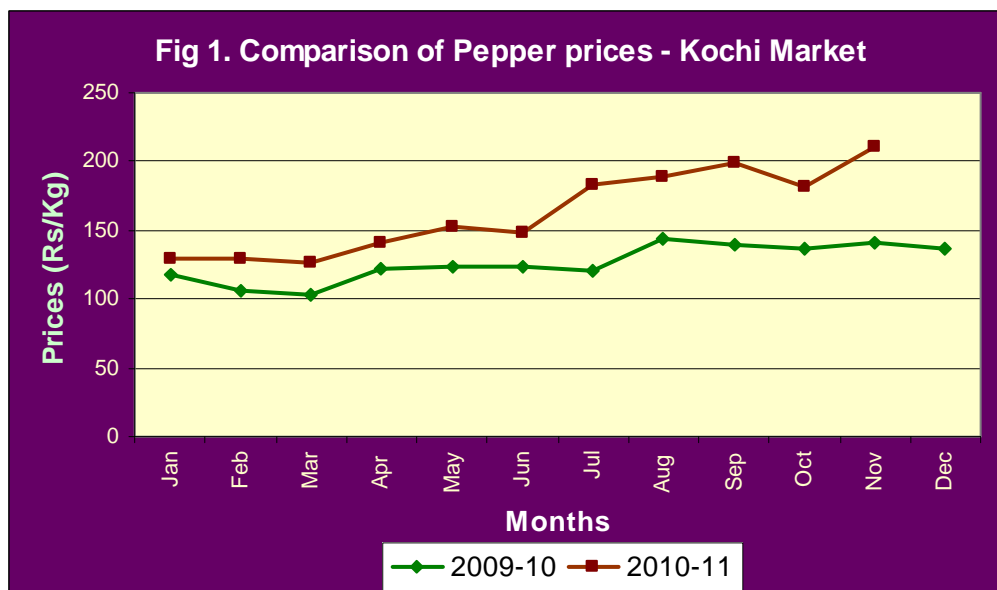
The Association of South East Asian Nations (ASEAN) came into existence in 1961 with the objective of fostering regional cooperation in South East Asia. Being the first regional trade organization in Asia, it had contributed immensely to peace, stability and trade cooperation (Sosaestro, 2003). India and ASEAN members remained natural partners in trade since they could boast of ties dating back to generations. The ASEAN –India FTA came into effect on January 2010. The signing of the Agreement comes six years after the Framework Agreement for an ASEAN-India Free Trade Agreement was signed. At one point, reports were in the air that India and certain ASEAN members were already prepared to leave the table as neither side wanted to concede.

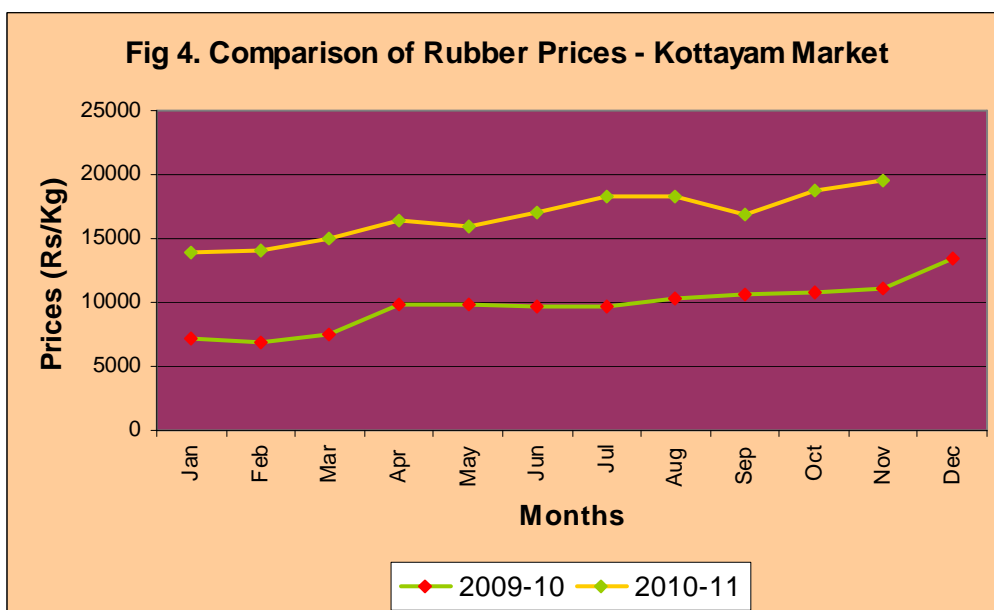
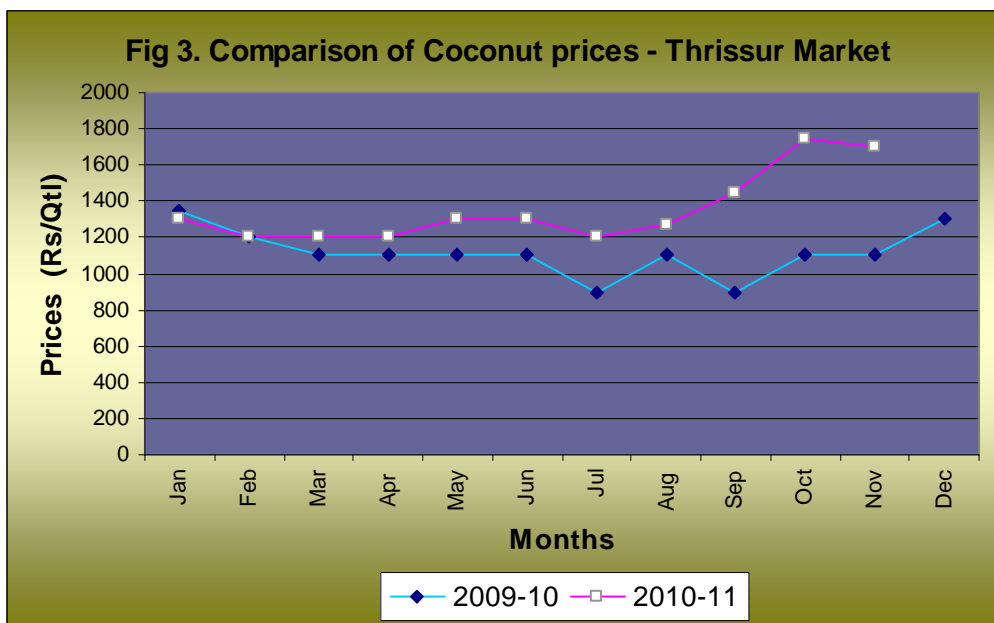
The ASEAN-India FTA is estimated to cover 90 percent of trade between ASEAN and India. This meant that tariffs on 90 percent of goods crossing ASEAN and India borders will be reduced gradually overtime. Because of this, it was easily misinterpreted that the FTA would provide instantaneous stroke of liberalization that may damage the producers and benefit the importers considerably. The Agreement provided for two Normal Track (NT) reduction schemes, one Sensitive Track (ST), and one Highly Sensitive Track (HST). Crude and refined palm oil, coffee, tea and pepper were included as special products with the AIFTA preferential rates to reach 40 per cent by 31-12-2019 for CPO, 50 per cent for coffee, tea and 51 per cent for pepper. The political controversy kicked up by this Agreement was fierce in Kerala, and it was widely believed that the domestic price of the traditionally exported commodities like pepper, cardamom, tea, coffee would be badly hit by the unprecedented trade liberalization. It is against this background that the Agricultural Market Intelligence Centre of the Kerala Agricultural University is attempting a preliminary assessment of this argument after a lapse of one year (Fig.1 to 4).

PRELIMINARY EVALUATION

A comparison of monthly modal prices for the last two years for the commodities which were expected to be hit most badly by political opinion was made. The monthly modal prices at the representative markets are collected and used for the comparisons. Accordingly,

pepper prices from Kochi market, cardamom prices from Vandanmettu market, coconut prices from Thrissur market and rubber prices from Kottayam market are collected and used. The comparison revealed that the fear regarding slump in the domestic price of plantation and spices sector was unfounded in the short run. Caution is required before generalizations are being made. It is admitted that one year is a very short time to assess the impact of a trade Agreement, considering the actual time it would take for eliminating the tariffs fully, it can be noticed that no immediate adverse effect has been witnessed by the domestic market of Kerala in the first year of the ASEAN-India FTA pact coming into force.





However, it is advised to reanalyze the impact after a longer price data are available.

Bibliography

Sosaestro, H. (2003). ASEAN: Regional Economic Cooperation and its Institutionalization. Working Paper No. 071, Centre for Strategic and International Studies, Jakarta.

NB: For more details, please visit: www.amickau.nic.in, www.kau.edu and www.kauhort.in
