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Proposed RCEP will worsen trade deficit in plantation commodities, says UPASI

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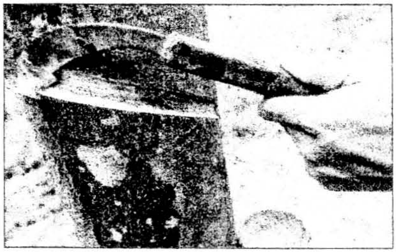
THE PROPOSED REGIONAL Comprehensive Economic Partnership (RCEP) will harm and worsen the trade deficit in the plantation commodities and make things miserable for the sector, which is already facing challenging times on account of low prices and high cost of production, says a study by the United Planters' Association of Southern India (UPASI), an apex body of planters.

Natural Rubber (NR), pepper, coffee and tea are likely to come under intense competition and imports into the country are likely to increase over time, the study said.

The trade partnership is expected to be the world's largest regional trading bloc, with nearly 45% of global population and combined gross domestic product of $21.3 trillion. RCEP includes the 10 members of the ASEAN grouping of Southeast Asian nations and six Asia-Pacific countries of China, India, Japan, South Korea, Australia and New Zealand.

UPASI reports that the plantation commodities like tea, coffee, natural rubber, cardamom, pepper were exposed to international competition from April 2001, when the quantitative restriction were lifted as per the commitments under WTO. The signing



of the ASEAN Agreement in 2009 opened up the Indian market further to the plantation producing countries like Indonesia, Vietnam, Malaysia, Thailand, among others.

Under the ASEAN Agreement, the import duties were gradually reduced since 2009 for tea, coffee and pepper, while natural rubber, cardamom and few tariff lines on coffee were kept under exclusion list. The current import tariff for ASEAN countries is 50% for tea and coffee (100% under WTO for other countries) and 51% for pepper (70% under WTO).

"During 2018-19, the trade deficit in the plantation commodities is ₹5,716.64 crore with RCEP countries, while we had overall trade surplus in the plantation commodities to the tune of ₹4,368 crore. As per the analysis done by UPASI, the plantation commodities will be losing significantly if the RCEP agreement materialises," UPASI secretary R Sanjith told *FE*.

Among the five plantation commodities, Natural Rubber (NR) and pepper have an overall trade deficit, irrespective of RCEP.

"In pepper, due to multiple bilateral (India-Sri Lanka) and multilateral trade agreements (SAARC, SAFTA & ASEAN), the trade deficit had increased over the years. Trade deficit with RCEP countries is ₹415.31 crore during 2018-19. Coffee, being an export dominated commodity and with more than 75% being exported, India has an overall trade surplus of ₹4,763.4 crore, but we have trade deficit with RCEP countries at ₹164.35 crore, suggesting Indian coffee sector will be a loser," Sanjith said.

"China, the partner country in the proposed RCEP, poses challenges and it being the largest tea producer and its ability to produce to the needs of the export market in quick time, is an immense threat to the Indian tea sector. Though China is the largest green tea producer in the world it also produces black CTC teas for the export market and with duty advantage and logistical advantage it may target Indian market. We hope that the plantation commodities will be kept under the exclusion list under the proposed RCEP," he added.