

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT AND EXPORT POTENTIAL OF INDIA: THE CASE OF RUBBER AND RUBBER PRODUCTS

Joby Joseph and T. Siju

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

Received: 28 June 2019 Accepted: 30 July 2019

Joseph, J. and Siju, T. (2019). Regional comprehensive economic partnership agreement and export potential of India: The case of rubber and rubber products. *Rubber Science*, 32(2): 121-136.

Negotiations for entering into a larger trade agreement between Association of South East Asian Nations (ASEAN) and its six free trade agreement (FTA) partners viz. India, China, Japan, Australia, New Zealand and South Korea called Regional Comprehensive Economic Partnership (RCEP) agreement are in the final stages. The agreement is expected to have far reaching impact on the world rubber industry as it covers the major producers and exporters of raw rubber and rubber products in the world. The challenges of RCEP on Indian rubber industry are evident from the higher rate of growth in imports (20%) than exports (11%) of rubber and rubber products with these countries. The present study analyses the export performance of rubber and rubber products of India in the RCEP region. It was found that among the major export items of India, only new pneumatic tyres (HS 4011) and reclaimed rubbers (HS 4003) showed export potential in the region and the products classified under other articles of vulcanized rubber other than hard rubber (HS 4016) had comparative disadvantage in the RCEP market. Moreover, the benefits due to trade creation and trade diversion under the RCEP are limited for export of rubber and rubber products from India. Therefore, it is argued that the prospects of market access to major export items of India, such as products under HS 4011 and HS 4016 are largely dependent on creation of trade competitiveness rather than market access due to tariff liberalisation. The present study observed that further tariff liberalisation under the proposed RCEP agreement may widen the trade deficit of India in rubber and rubber products. This will have far reaching implications on the domestic rubber and rubber products manufacturing industry.

Key words: Association of South East Asian Nations (ASEAN), Balance of trade, Regional Comprehensive Economic Partnership (RCEP) agreement, Regional orientation, Revealed comparative advantage, Rubber products, Tariff liberalisation

INTRODUCTION

Raw rubber or rubber products are considered for either tariff reduction or tariff elimination in twelve trade agreements in which India is a signatory (Joseph and George 2016 a). The role of these trade agreements, especially ASEAN India Free

Trade Agreement (AIFTA), on the balance of trade of India with respect to rubber and rubber products were examined by Joseph and George in 2016 (Joseph and George, 2016; 2016a) and reported growing negative balance of trade owing to the increased import of raw rubber from the member countries. Among the trade agreements,