Challenges in concluding RCEP

Why in news?

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Trade ministers of 16 countries met in Singapore recently to create the largest economic integration agreement under RCEP.

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What is the outcome of the meet?

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- India has made a case that it needs 20 years as a “grace period” to implement certain parts of the RCEP agreement, which is yet to be decided.
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- India also emphasised on the inclusion of services under goods in the economic agreement, which has been accepted.
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What importance does RCEP attach?

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- Countries in RCEP want tariffs eliminated for nearly 10 % of the traded products to gain enhanced market access in goods.
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- The reason behind this lies in the **export-oriented** nature of these countries and the prospect of a **huge market** in China and India.
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- Within that, India has become a particularly attractive market with its transparent external sector policies than China.
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- Also, with US turning towards trade protectionism, RCEP countries shift their attention towards sustaining their regional trade.
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- Thus, a “comprehensive, high quality” agreement in the form of economic liberalisation between countries is under negotiation.

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What are the challenges involved?

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- **Competition** - India has a massive trade deficit with China and hence lowering or eliminating import duties may flood the Indian markets with Chinese goods.
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- **Flexible Tariff** – WTO allows increase in actual applied tariffs on particular products as long as they remain its bound rates.
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- India’s applied tariffs were usually lower than the bounded tariffs for most products, hence it effects tariff hikes within WTO rules.
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- Such flexibilities are allowed in any of the free trade agreements (FTAs), like the RCEP.
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- **Concerns on the lines of FTA** – India concluded negotiations on three FTAs, with ASEAN, Japan and Korea a decade back.
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- However, India’s agriculture and manufacturing sectors are not in a position to compete against their counterparts from the FTA-partner countries.
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- As a result, India has faced an ever-increasing **trade imbalance**, with the deficit stood at just over $31 billion in 2017-18.
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- The situation is no different under RPEC as trade deficit with the RPCs was $104 billion out of India’s total trade deficit of $162 billion the same year.
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What should India do?

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- India must try to extract meaningful concessions for enhancing market access for its services sector.
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- It should also ensure the economic viability of small farmers and small-scale industries in the face of relentless import competition.
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- With possible conclusions on negotiations by next year, the RCEP would become the largest FTA opening market for over 3 billion people.
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Source: Business Line

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Quick Facts

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RCEP

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- The Regional Comprehensive Economic Partnership (RCEP) is a mega trade agreement among 16 countries aimed at liberalising norms for goods, services, investments, economic and technical cooperation, competition and intellectual property rights.
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- The 16-member bloc RCEP comprises 10 ASEAN nations and their six FTA partners - India, China, Japan, South Korea, Australia and New Zealand.
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