Need for Speeding RCEP Negotiations

What is the issue?

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- India has raised several issues which are proving a stumbling block for RCEP negotiations to move ahead.
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- But in the backdrop of progress made in the reviving TPP, there is a need for urgency, as opportunities could be lost.
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What is “Regional Comprehensive Economic Partnership (RCEP)”?

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- **East Asia Summit (EAS) -** was established in 2005 with 16 countries.
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- Its primary objective of creating an “Asian Economic Community (AEC)”.
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- Its founding members were the 10 countries of the ASEAN block and - Japan, South Korea, China, India, Australia, and New Zealand.
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- EAS has since expanded with the joining of “Russia and USA” as members in 2011 and has also significantly broadened its working agenda.
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- **RCEP -** ASEAN has “Free Trade Agreements (FTA)” individually with other founding members of EAS, but there is no comprehensive deal.
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- Hence, for furthering the cause, RCEP was envisioned between the 16 founding members of the EAS.
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- In 2012, the ASEAN and its six FTA partners launched negotiations for establishing RCEP as a means to achieve deeper economic integration.
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- The RCEP was expected to be finalised, first in 2015 and then in 2017, but after 20 rounds, the negotiations are yet to be concluded.
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- **Reasons for Delay -** India's resistance to offer tariff concessions to the extent desired by other members is touted to be the main bottleneck.
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- India has also been conservative about the time schedule for progressive tariff relaxation and has been proposing differential tariffs for different countires.
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- Recently, India has shown willingness to drop some of its reservations in exchange for concessions in the form of certain services liberalisation.
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- But this will only further slowdown negotiations as even at the intra-ASEAN level, trade liberalisation in services is limited to traditional sectors.
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- Notably, only sectors like "transport, tourism and, to some extent, the financial services" are liberated across ASEAN.
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What are the external compulsions?

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- Trans Pacific Partnership (TPP), lost considerable significance after the US pull out in early 2017.
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- But recently, "Comprehensive and Progressive Agreement for TPP (CPTPP)" was successfully initiated (without USA), which has revived TPP negotiations.
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- CPTPP membership is a subset of the "Asia-Pacific Economic Cooperation (APEC)", of which India is not a member but some ASEAN members are.
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- Notably, India's application to join APEC is pending for long and future accession will also be hard as it requires the consensus of all members.
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- In this backdrop, India needs to speed up RCEP negotiations for its own good as ASEAN members might otherwise prioritise CPTPP over RCEP.
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What is the present state of ASEAN India trade?

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- An FTA agreement in 2010 formaliesed business ties, but trade has increased

from $45 billion to just about $71 in 8 years.
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- Notably, ASEAN's share in India's total trade has been a constant 10-11% and while Indian exports have only marginally increase.
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- Conversly, India's share in ASEAN's total trade is less than 3%.
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- Also, the composition of the trade showed little increase in manufactured goods, with Palm oil import and meat product export dominating.
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- Enhancing trade with Asean (increasing exports in particular), can happen only if India enhances its value chain integration with ASEAN.
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- As RCEP has immense potential to facilitate this integration process, the current stalemate needs to be resolved on a priority basis.
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What is the way forward?

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- If India continues to remain inflexible in the negotiation process, other countries may choose to bring in more difficult provisions in the RCEP.
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- Thrust for services liberalisation may open up demands for e-commerce and stricter intellectual property provisions, which will make India uncomfortable.
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- Also, considering that ASEAN countries have the option of joining both RCEP and CPTPP, there is the inherent risk of de-prioritising Indian concerns.
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- This beholds the risks of India losing opportunities for trade integration at both, the global and regional level.
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- To overcome these challenges, India policymakers must show more flexibility and Indian industry has to be willing to face competition.
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Source: Business Standard

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