RCEP and India

Why in News?

India has decided not to join the Regional Comprehensive Economic Partnership (RCEP) - at least for now.

What is the RCEP?

- It is a trade deal that is currently under negotiation among 16 countries.
- These countries include 10 member countries of the Association of Southeast Asian Nations (ASEAN) and 6 countries with which the ASEAN bloc has free trade agreements (FTA).
- The ASEAN countries have FTAs with India, Australia, China, South Korea, Japan and New Zealand.
- Negotiations on the details of the RCEP have been on since 2013.
- All the participants aim to finalise and sign the deal by November 2019.

What is happening now?

- The 15 other nations in this new trading bloc have come to a satisfactory conclusion of their negotiations.
- They will be moving forward to operationalize the pact without India.
- This isn’t the conclusion that anyone could have wished.
- It is now clear that the government has turned protectionist.
- The recent optimistic statements about the perceived gains from RCEP by senior officials and ministers have turned out to be belied.
- As there were clear benefits of open trade with such a large proportion of the world’s population and GDP, this is unfortunate.

Why the decision not to join RCEP is a risk?

- India risks being cut out of the rule-making process for the RCEP and give China further space in the regional trade and security architecture.
- There was some bitterness connected to how the issues played out.
- The state-controlled Chinese media in particular claiming that India had raised new concerns at the last minute, an allegation that was forcefully denied by Indian government sources.
- The Prime Minister himself insisted that India had participated in the negotiations in good faith.

- He said its eventual exclusion was determined by the Gandhian principle of ensuring that the poorest be benefited by every policy decision.
- But the greater trade openness would have benefited the poorest by raising their ability to buy goods produced at competitive prices.
- In the end, the issue was the protection of Indian industry and the fate of services trade, in which India believes it has a comparative advantage.
- India's concerns about rules of origin and the non-market nature of the economy of the People's Republic of China are entirely warranted.
- There should have been greater effort made by the other 15 countries to take these legitimate concerns on board.
- The final going statement by the 16 leaders was more conciliatory, noting India's outstanding issues.
- They said that India's join would depend upon how the other countries managed those issues going forward.
- But it is not clear under what circumstances that additional negotiation would take place, or if indeed all energy has gone out of the effort now.

What would be the impact of this decision?

- Many producers in India, particularly in vulnerable sectors like dairy, might draw a sigh of relief.
- But this, an overall welfare loss for India and one that will hurt the economy increasingly over time.
- It is unfortunate that a major reconfiguration of the trade architecture is taking place on India's doorstep and it is unable to join in.
- It reflects poorly on successive governments' inability to raise the competitiveness of Indian industry leading to fears about the consequences of joining the RCEP.
- Instead of seeing RCEP as an opportunity to conduct competitiveness - enhancing reform at home, the Indian political class has decided to turn inward.
- Future generations will rue this shift.

Source: Business Standard

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