RCEP - II

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Why in news?

Regional Comprehensive Economic Partnership (RCEP), the largest free trade agreement (FTA) ever, was signed by 15 East Asian countries.

What is RCEP?

- The initiative to establish RCEP was taken by the member-states of the Association of Southeast Asian Nations (ASEAN) in 2011.
- This could strengthen the regional value chains.
- The "Guiding Principles and Objectives" is the de facto negotiating mandate for RCEP.

What are the objectives?

- **Goods** - The mandate spoke about progressively eliminating tariff and non-tariff barriers on substantially all trade in goods.
- It also spoke about achieving high level of tariff liberalization.
- **Services** - RCEP Participating Countries (RPCs) agreed to conclude a comprehensive agreement that would largely eliminate restrictions and/or discriminatory measures.
- Finally, RCEP negotiations on a framework for investment to cover the four pillars of promotion, protection, facilitation and liberalization.

What is the comparison with the TPP?

- Many say that RCEP is not likely to usher in comprehensive economic integration in East Asia, as like the Trans-Pacific Partnership (TPP).
- TPP would have been the world's most extensive FTA in terms of market opening had the Trump Administration decided not to abandon it.
- But there have been doubts whether the TPP was a highly discriminatory managed trade.
- TPP had several regulatory issues including the controversial labour and environmental standards and issues such as "anti-corruption".
- All these could raise regulatory barriers and severely impede trade flows.
- In contrast, RCEP includes traditional market access issues, following the

template provided by the World Trade Organization (WTO).
- It also includes issues that are being discussed by several WTO members as a part of their agenda to reform the multilateral trading system.
- The issues are electronic commerce and investment facilitation.

What are the problems?

- In case of trade in goods, RCEP members have taken big strides towards lowering their tariffs.
- But, the commitments made by the RCEP members for services trade liberalisation look shallow in terms of the coverage of the sectors.
- **Movement of natural persons**, an area in which India had had considerable interest, is considerably restricted.
- RCEP members have allowed relatively limited market access only to individuals in managerial positions or those having high levels of skills.
- India had expressed its reservations on template adopted during RCEP negotiations on the areas of investment and electronic commerce.
- The text on **investment rules** shows that it is a work-in-progress.
- It will be interesting to see whether the controversial investor-state-dispute-settlement (**ISDS**) mechanism is included.
- In case of **electronic commerce**, RCEP members have agreed not to prevent cross-border transfer of information by electronic means where such activity is for the conduct of the business of a covered person.
- However, a member can deny transfer of information if it is necessary to achieve a legitimate public policy objective.
- Members can adopt a legal framework which ensures the protection of personal information of the users of electronic commerce.

Can India re-engage with RCEP?

- Prior to the signing of the deal, RCEP has left the door open for India to join RCEP Agreement as an original signatory.
- India has been invited to participate in RCEP meetings as an observer and in economic cooperation activities undertaken by RCEP members.
- RCEP members may commence negotiations with India once India submits a request in writing of its intention to accede to the agreement.

Will India choose to re-engage?

- The answer seems to be unambiguously in the negative on two counts.
- **Concerns raised** - During the RCEP negotiations, India had raised a number of concerns, two of which, include,
    1. The levels of market access it was expected to provide, especially the

deep cuts in tariffs on imports from China, and
2. Provisions relating to the investment chapter.

- Since the border clashes, India has imposed a number of import restrictions on Chinese products.
- Both these measures would have been infructuous if India were a party to the RCEP.
- **Atmanirbhar Bharat Abhiyan,** India's initiative for its economic turnaround, is mainly focused on strengthening domestic value chains.
- But the RCEP, like any other FTA is solely focused on promoting regional value chains.

Source: The Hindu

