RCEP Trade Deal

Why in news?

The Regional Comprehensive Economic Partnership (RCEP) trade deal was signed.

What is RCEP?

- RCEP deal is the largest regional trading agreement to this day.
- The purpose of RCEP was to make it easier for products and services of each of these countries to be available across this region.
- Negotiations to chart out this deal had been on since 2013.
- It is signed by 15 countries led by China, Japan, South Korea, Australia, New Zealand and the 10-state ASEAN grouping.
- [ASEAN - Association of Southeast Asian Nations]
- India decided to exit the grouping in 2019.

Why did India exit the grouping?

- India had justified its decision as protecting its economy from burgeoning trade deficits with a majority of the 15 RCEP members.
- It wanted to safeguard the interests of industries like agriculture and dairy and to give an advantage to the country's services sector.
- The grouping's refusal to accede to India's requests on safeguards was a deal breaker.

How far is China's presence a factor?

- Escalating tensions with China are a major reason for India's decision.
- The various measures India has taken to reduce its exposure to China would have sat uncomfortably with its commitments under RCEP.
- Major issues that were unresolved during RCEP negotiations were related to the exposure that India would have to China.
- **Rules of origin** - It is the criteria used to determine the national source of a product.
- India felt that there could be a possible circumvention of rules of origin.
- In that case, some countries could dump their products by routing them through other countries that enjoyed lower tariffs.

- This may lead to surges in imports.
- India feared that there were inadequate protections against these surges.
- **MFN** - India also wanted RCEP to exclude most-favoured nation (MFN) obligations from the investment chapter.
- **Other issues** - India felt the deal would force it to extend benefits given to other countries for sensitive sectors like defence to all RCEP members.
- RCEP also lacked clear assurance over market access issues in countries such as China and non-tariff barriers on Indian companies.
- Also, the final agreement shows that the pact does address these issues.

What are India's options now?

- India is an original negotiating participant of RCEP.
- It has the option of joining the agreement without having to wait 18 months as stipulated for new members in the terms of the pact.
- Alternatively, India may be reviewing its existing bilateral FTAs with some of these RCEP members.
- It will also make newer agreements with other markets with potential for Indian exports.
- Over 20 negotiations, including with the US and the UK, are underway.

Source: The Hindu, Indian Express

