Regional Comprehensive Economic Partnership

What is the issue?

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There’s a rush to finalise RCEP this year which is pushing India into covering most tariff lines that destroy its economy.

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What is RCEP?

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- RCEP is being negotiated between **India and 15 other countries** including the 10-member Asean, Japan, South Korea, New Zealand, Australia and China.
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- India had very rightly maintained a cautious approach in its FTAs on goods, intellectual property rights, and many new issues such as investment, government procurement and competition policy.
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Why RCEP is becoming a disaster for India?

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- There was clearly huge pressure on India to conclude negotiations this year and to make major concessions in goods, services and investment at the ministerial of the RCEP in Hanoi.
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- It has the potential to overthrow India’s policies of rural development and industrialisation especially ‘Make in India’, and the promise of the Prime Minister to provide accessible healthcare and medicines to all.
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- Most important, it **threatens the policy flexibility and sovereignty** to pursue independent economic, social and environmental policies.
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- In goods trade, India has already agreed to give up the three-tier tariff reduction proposal that offered different coverage for Asean, Japan and South Korea, and a much lower level of tariff reduction coverage for New Zealand, Australia and China.
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- In agriculture and allied products, the plantation sector is already reeling from the impact of the India-Asean FTA even with relatively high protection of agriculture and a tariff-coverage of 73-80%.
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- If tariff cuts cover 92-80% of products, the impact will be huge.
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- On the other hand, **New Zealand's export-oriented dairy products will decimate India's growing dairy sector,** which is still largely small-scale.
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- If India has to cut duties on 92% of goods in RCEP, India will face threats from both Asean and China.
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What are the other possible threats to Indian economy?

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- E-commerce commitments, if any, will allow companies such as Alibaba from China to displace Indian manufacturing especially in the SME segment.
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- Further, India is being asked to eliminate export restrictions on minerals and raw material by Japan and South Korea, which may **threaten domestic raw material availability.**
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- India is openly pitching services as its offensive area of interest and may be willing to sacrifice goods tariffs for gains in services.
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- This can be the most dangerous of India's current trade policy stance.
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- India has demands for both Mode 3 (investment) and Mode 4 (movement of people) with a proposal for a RCEP business visa for professionals.
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- India's demand for Mode 4 is unlikely to be granted.
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- What India hopes to gain in Mode 3 for its outward FDI is not clear as it is not competitive in most services except for IT and ITES.
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- India is under heavy pressure to agree to the investor state dispute

settlement provision in RCEP without the safeguards provided in the Model BIT.
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- The investment chapter in RCEP is **also pitching for strong provisions on IPRs.**
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- Agreeing to data exclusivity, extending patent terms and unduly strong enforcement measures will weaken the entire generic medicine sector and take away several health safeguards in India's Patent Act, notably section 3(d).
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- This will make medicines inaccessible not only for Indian patients but for those in the entire developing world.
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- In addition, since India has rightly fought against 'TRIPS plus' provisions in its FTA negotiations with EU and European Free Trade Association, there is no rationale for it to change its stance in RCEP.
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Source: Business Line

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