The Future of RCEP

What is the issue?

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- The negotiations on “Regional Comprehensive Economic Partnership” (RCEP), is witnessing a stalemate mainly due to India’s concerns.
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- In a positive development, the Chinese commerce minister had visited his Indian counterpart recently to further the deal.
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What is the RCEP?

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- RCEP is a giant trade and economic agreement encompassing all the 10 ASEAN countries and 6 other countries in the Asia-Pacific neighbourhood.
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- The countries are China, Japan, South Korea, Australia, New Zealand, India and the ASEAN Block (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam).
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- Taken together, these countries account for over a quarter of world trade and holds immense potential for enhancing trade ties in the region.
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- While every country wants trade liberalisation for goods (tariff reduction), India has agreed to it on the condition that services trade is also liberalised.
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- Additionally, India had also proposed a differential tariffs reduction timelines for different members of the agreement, which wasn’t accepted.
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- Considering the prolonged stalemate, some countries party to the deal are even contemplating a possible agreement without Indian participation.
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- But China has now reached out to work a compromise with India regarding the deal and demonstrated its intent to rectify recent troughs in bilateral

ties.
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What is the basis for Indian demands?

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- At a time when India is promoting local manufacturing through ‘Make in India’ program, massive reduction in tariff lines as demanded is not desirable.
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- Animal husbandry sector could also take a hit as opening tariff lines would flood Indian markets with “Australia and New Zealand’s” dairy products.
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- Also, Indian economy is service oriented and there is much to gain on services liberalisation, while manufacturing liberalisation will benefit China the most.
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- Notably, US had also made similar demands for trade in services during the Uruguay round talks, stressing that all previous rounds focused on goods.
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- The US had managed to pull off with TRIPs in the Uruguay round and subsequently pushed for the creation of WTO to further its agenda.
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- While India couldn’t emulate the same success, it wasn’t wrong on its part to try and hence it can’t be perceived as an obstructionist approach.
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What is the way ahead?

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- While India has vouched a genuine case for itself, the lack of consensus demands India to move on to other positive aspects to save the deal.
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- Even without the core demands, the deal is worthwhile as enhancing trades in goods will nevertheless have a positive impact on consumers and the economy.
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- Competition will better quality and make things cheaper, and the inbuilt anti-dumping duties will anyway deter predatory trade practices.
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- Additionally, for increasing exports and ensuring the fructification of ‘Make in Indi’ initiative, India can’t afford to ignore global supply chains.
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- Within RECP - Australia is resource rich and Singapore is a financial hub, and Japan is a technological power and most other are low cost manufacturers.
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- Hence a comprehensive trade deal within a group this diverse (that also has a huge consumer base) could benefit all due to economics of scale.
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- Various Indian ministries are concerned about RCEP, the better approach would be to enhance sectoral competitiveness rather than sabotage the deal.
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Source: Business Standard

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