Regional Comprehensive Economic Partnership (RCEP)

Why in news?

Indian Prime Minister participated in the 2nd RCEP Leaders Summit in Singapore.

What is RCEP?

- The Regional Comprehensive Economic Partnership (RCEP) is a proposed mega-regional Free Trade Agreement (FTA) between 16 Asia-Pacific countries.
- Regional Comprehensive Economic Partnership (RCEP) was established in order to broaden and deepen the engagement among parties and to enhance parties' participation in economic development of the region.
- It was established by the leaders of 16 participating countries on November 12, 2012 at Phnom Penh summit.
- The RCEP will include all the nations with which the ASEAN has trade deals — New Zealand, Australia, China, India, Japan and South Korea.
- The Association of Southeast Asian Nations (ASEAN) has free trade agreements with six partners namely People's Republic of China (ACFTA), Republic of Korea (AKFTA), Japan (AJCEP), India (AIFTA) as well as Australia and New Zealand (AANZFTA).
- The Partnership will account for nearly 45 % of the global population with a combined gross domestic product of $21.3 trillion.
- It will be the biggest trading bloc on the planet and brings together the biggest economies of the region for the first time.

What does India gain from joining the RCEP negotiation table?

- The RCEP negotiation includes: trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, e-commerce, small and medium enterprises (SMEs) and other issues.
- India has consistently focused on services trade norms, such as those allowing the free movement of trained professionals across national boundaries.
- This would effectively allow Indian professionals — such as chartered accountants, teachers and nurses — to practice in other RCEP nations

without the need for bilateral mutual recognition agreements.

- Since India has an abundance of trained labor that is interested in migrating while sending remittances back home, this is a prime focus area for the country.
- Indian firms have created more than 100,000 local jobs in RCEP countries, apart from cost savings and enhanced competitiveness, even with limited expatriate presence.

What are the challenges to India?

- There are two set of challenges to India in case of RCEP.
- The first is to extract meaningful concessions for enhancing market access in RCEP Participating Countries.
- The second is to do a trade deal which will provide the necessary instruments that will ensure the economic viability of farmers and industries.
- Especially small-scale producers and small farmers need protection in the face of relentless import competition.
- India needs a tariff regime that must be flexible enough to allow tariffs to be calibrated.
- Such flexibilities are provided by WTO's tariff regime, which has allowed the increase in actual applied tariffs on particular products.
- Such flexibilities are, however, not allowed in any of the free trade agreements (FTAs), like the RCEP.
- India needs to negotiate its stand especially in this case.

What are the issues on which the talks have got stuck?

- The talks have seen little movement since partner nations have been unwilling to concede on crucial issues under planning since 2012.
- The crucial issues of goods, services including easier movement of professionals and, investment are also the areas of negotiation.
- The main bone of contention is market access for foreign goods and reduction of import duties on them.
- This is the discussion area where India is gravely cautious since manufacturing powerhouse China is part of the arrangement.
- India fears the RCEP pact will allow China to push its products at lower prices and finally capture the market.
- At present, India's import barriers remain high to Chinese products.
- The $63 billion trade deficit with China remains a burning political issue for the government and security concerns have also arisen over Chinese conglomerates dictating market trends in sectors such as telecommunication.
- On the other hand, richer nations like Australia and New Zealand have

remained adamant on issues such as seeking more leeway in selling specific products such as dairy and fruits in India.
- India has also moved slowly on investment norms, especially dispute settlement guidelines.

What is the stand of India Inc on these issues?

- India Inc has been divided over the prospect of India joining.
- It is seen as yet another trade pact with nations that are competing with the country in the export space.
- The deal might give access to the huge Chinese consumer market,.
- However the existing trade agreements with Malaysia, Japan, Singapore and South Korea are grossly unfavorable to India.
- The trade pacts have only led to the widening of the trade deficit with these nations.
- Several ministries such as those of steel, agriculture, mines and information technology had opposed the negotiation talks earlier.

Where do the negotiations stand at the moment?

- The mega trade bloc has been under planning since 2012 and so far, 24 rounds of talks have concluded, apart from seven minister-level meets.
- The proposed pact is to have 21 chapters across goods, services and investment.
- Five Chapters have been concluded.
- These 5 chapters include the crucial ones such as those on economic and technical cooperation, small and medium enterprises, customs procedures and trade facilitation and government procurement.

What are the chances of a deal being signed in 2019?

- At the latest summit, Indian Prime Minister stressed on India’s latest position and requested for more time to decide on tariff rates.
- As India facing the national elections in 2019, time is needed to discuss tariff rates within the domestic industries.
- Trans Pacific Partnership went forward despite the United States boycotting it in the end.
- Despite complaining over the India’s slow progress, the RCEP nations can’t cut out India.
- The reason being India presents the biggest trade potential and largest market growth for these nations.
- As of now sealing the RCEP deal may happen in 2019.

Source: The Hindu, Business Standard, Business Line

