

General Studies-2; Topic– Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests

India and RCEP

1) Introduction

- The Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement (FTA) between 10 ASEAN countries and their six FTA partners—namely Australia, China, India, Japan, South Korea and New Zealand.
- Once concluded, this multilateral agreement will cater to half of world's GDP.
- The progress of the partnership is being closely monitored by most trade observers globally, especially when considering the US-China trade war.

2) Concerns for India

- India is wary of its market being flooded with the Chinese goods once the deal is approved.
- The partnership will have an impact on sectors such as steel, pharmaceuticals, e-commerce, food processing, agriculture, intellectual property, and food security.
- The presence of China creates apprehensions, especially when it enjoys manufacturing surplus and is already dumping its products across the world, including in India.
- Apart from China, India is also losing out to financial and technological hub of Singapore, agriculture and dairy majors Australia and New Zealand, plantations of South East Asian countries, and pharmaceutical trade with China and the US.
- With e-commerce as part of RCEP discussion, the Indian resistance at WTO of not letting the discussion on digital trade will weaken.
- Many of the RCEP countries are also resisting India's offer on export of services.
- The free movement of investments will benefit investors in the US, Singapore, Japan and China, but very few Indians will be taking advantage of this.
- Zero tariff on steel import would open flood gates of Chinese imports into India.
- The gulf between India and the other 15 countries in the RCEP remains deep, and it isn't clear how or if it can be bridged.

3) India's Arguments

- India's experience with the previously concluded FTAs hasn't been good.
- The exports from ASEAN into India have grown far quicker than Indian exports to the bloc.
- Indian companies want more market access for services.
- India has constantly resisted provisions on intellectual property rights.
- India doesn't want to commit to provisions over and above the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement under the WTO, as that could be detrimental for the domestic generic pharmaceutical industry.
- India has already opposed few proposals on patent extensions and restrictive rules on copyright exceptions.
- In the past, too, India has not been able to get a fair deal with respect to services trade, despite giving greater market access in goods trade.

4) Challenges for India

- The biggest challenge in RCEP negotiations is to seek markets for global majors in such a way that it doesn't promote shifting India's manufacturing base.

- The current account deficit (CAD) touched 2.8 per cent of GDP, and the agreement in the present state of negotiations would mean forgoing a substantial part of the revenues.
- This implies that the government needs to be confident on the GST revenue so that it can compensate for the loss.
- Indian IT services have not fared well in markets like Japan, Korea and China because of language issues and strong preference for in-house solutions.
- There has been little progress in moving up the value chain in IT services while countries like the Philippines are already serious competitors in the low end segment.

5) India - China Trade Deficit

- India has raised its concerns with China over the widening trade deficit.
- In fiscal year 2017/18, the trade deficit with China was \$63 billion.
- India has repeatedly complained to Beijing about the highly-skewed trade deficit and demanded that Indian firms be given greater access to Chinese markets.
- India also pitched for more market access to Indian IT companies, pharmaceuticals and agriculture products, including major commodities like sugar, rice, milk and milk products.
- As a large producer of these commodities, India can emerge as a most reliable source for China.
- China poses a great threat to not only existing industrial goods manufacturers, but also the country's small and medium entrepreneurs.

6) Why RCEP is not good for India in its present form?

- The government's agenda is to develop India into a manufacturing hub, to not only boost the economy, but also create jobs.
- But the present structure of RCEP puts agriculture, horticulture, dairy and food processing in a vulnerable situation, especially from imports from New Zealand and Australia.
- New Delhi is also worried that the RCEP will open backdoor negotiations and may lead to the country losing out on Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreements.
- This may result in giving way to global majors in agriculture seed and pharmaceutical manufacturing.

7) Why India shouldn't allow RCEP to fail?

- Unlike the CPTPP, the RCEP is a more traditional sort of trade deal.
- In RCEP there is tariff cuts on tradeable goods — rather than high standards for labor, environmental and intellectual-property protections.
- Our exports will become even less competitive staying out of RCEP since members will enjoy preferential access.
- Regional economic integration is a component of the Act East policy.
- India cannot sustain an expanding political and security role in the Indo-Pacific with a shrinking economic role.
- RCEP is important for India as we are excluded from the Asia-Pacific Economic Cooperation (APEC).
- Neither is India included in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- Opting out of RCEP may push India irretrievably on the margins of Asia.

8) Way Forward

- Bilateral talks between India and China are crucial for early conclusion of RCEP negotiations.

- Indian policymakers need to be mindful of domestic industry's concerns before getting into a deal with respect to the RCEP.
- We need to focus on improving the competitiveness of the Indian economy.
- India must play its due role to get its due place in the regional economic configurations.