

RCEP Negotiations and India

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Manifest Pedagogy

Economic groupings and India's place amongst global economic powers has been an area which is a focal point in both Mains and Prelims. UPSC focuses not only on the member states, it also pivots to the idea of cross comparisons such as India-RCEP and relations with Japan, effect of RCEP on India's engagement with other powers such as USA etc.

In News

RCEP Meeting in Singapore for early year end deliverables of trade negotiations

Placing it in syllabus

Paper 2: International Relations

Paper 3: Trade policy as part of LPG Reforms

Static Dimensions

1. What is RCEP?
2. Concept of G2 – USA and China
3. Free Trade Agreements
4. ASEAN, ASEAN+3, ASEAN+6
5. Relevance of WTO
6. TFA (Trade Facilitation Agreement), GATS, GATT, TRIMS, TRIPS and AoA (Agreement on Agriculture)

Current Dimensions

1. Advantages and Disadvantages for India
2. India's Economic Vision

3. Neo-Protectionism
4. Indian Diaspora
5. Naval supremacy and higher participation in global institutions like UN

Content

RCEP – Regional comprehensive Economic Partnership



RCEP is an ASEAN-centred proposal for a regional free trade area, which would initially include the ten ASEAN member states and those countries which have existing FTAs with ASEAN – Australia, China, India, Japan, Republic of Korea and New Zealand.

The 16 RCEP participating countries account for almost half of the world's population, over 30 per cent of global GDP and over a quarter of world exports.

The objective of launching RCEP negotiations is to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement that will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, electronic commerce, dispute settlement and other issues.

New Trends

What should India be doing?

An agenda of what will hold India in good stead for the next quarter century, regardless of how the world shapes up.

Reforms for India's engagement with the world at large

1. Champion the cause of globalization as movement of labour, goods, and services is critical for India's growth.
2. Retain flexibility in terms of alignment: be open to

larger partnerships and global projects, as well as unilateral action.

3. Partner with other middle powers, especially those concerned by G2 dominance.

How will this affect India?

With an economic boom behind it, the middle class is large, aspirational, and assertive. Concerns about inequality and India's position on the global stage are present, especially due to the side-lining of the G20. Since both the US and China want access to India and other developing markets, there is an opportunity for India to lead a market-sharing bloc of non-G2 States. Export-driven growth becomes a strong possibility. The US is unlikely to develop a closer strategic partnership with India, and China continues its strategy of containment. This means that India must aggressively advance its interests or risk being side-lined.

India should align politically with the US, and economically with China. G2 guarantees should be used to secure peace and trade in the neighbourhood. India should strategically liberalize some sectors of the economy, and be receptive to trade and FDI, using its market power to get the best possible deals. Strong macroeconomic fundamentals are a must. There should also be a push for domestic consumption and import substitution. India can also focus on building charter cities and creating SEZs to create employment.

Advantages for India

1. The strategy is also aligned to India's Act East Policy which builds on the Look East Policy for closer partnership with the Asian region.
2. Changing geopolitics and growing focus on the Asia-Pacific region influenced India's decision to join RCEP.
3. Standardization of product lines at par with developing countries without tight scrutiny of western regulations

4. Cultural synthesis of products such as market for handicrafts, Agricultural products etc.

Disadvantages

However, the biggest challenge India is facing in RCEP arises from its trade deficit with ten of the RCEP countries, particularly with China with whom India has a huge trade imbalance.

1. **Tariff levels-** It was to be expected that given the tariff levels in the important RCEP markets are already low, the negotiated tariff reductions from the Indian side will be relatively greater.
2. **Agricultural products-** The huge concessions being sought by Australia in agricultural products can be an extremely sensitive issue for India's farmers. Indian farmers need support from the government in view of their low productivity and low income levels.
3. **Services-** the discussions have not gained much traction and India seems to be not getting any meaningful market access.
4. **Investment-** application of Investor State Dispute Settlement (ISDS)

Recent developments (changes made for India)

India has a whopping \$104 billion trade deficit with the 16-member Regional Comprehensive Economic Partnership (RCEP) grouping, which is 64% of India's total trade deficit of 2017-18.

Negotiations have dragged on for almost five years, primarily because of India's reluctance to significantly open up its market, given the sensitivities around agriculture- and labour-intensive domestic industries.

India claimed "big success" as members conceded to its demand to liberalize their **services market and allow movement of**

skilled professionals (Mode 4).

24th RCEP Auckland Round from 17-24th October 2018

The Ministers acknowledged the good progress made in the negotiations so far with successful conclusion of 4 chapters, namely

1. Economic and Technical Cooperation
2. Small and Medium Enterprises
3. Customs Procedures and Trade Facilitation
4. Government Procurement

However, in the recent Singapore meet countries dragged their feet on reaching important milestones for the success of the agreement.

Test Yourself: Mould your thoughts

India has to be selective in opening its markets in age of new protectionism. In light of this statement analyse the impact of RCEP on India's economy? Do you think it is misguided given the large trade deficits India faces with participating members?