

# The Regional Comprehensive Economic Partnership (RCEP)

November 13, 2019

**Source:** *PIB & India Today*

Recently India has pulled out of RCEP pact. It was meant to be the biggest free trade agreement with 40 percent of global commerce and 35 percent GDP involving 16 countries, home to 3.6 billion people or half the population of the world.

## Why India opted out of the RCEP agreement?

- 1. Economic slowdown:** India's economy is passing through a difficult time. The rate of GDP growth has been slowing down for five consecutive quarters, that is, since January-March 2018. As the industry is reeling under pressure and the government is grappling to deal with the domestic economic situation, a massive free trade pact like RCEP would have exposed the Indian businesses and agriculture to unequal competition from countries that are lurking like giant sharks in the export arena.
- 2. Trade Deficit:** India has massive trade deficits with almost all economic powerhouses of the world. Of the 15 RCEP countries, India has serious trade deficits with at least 11. At present, India ships 20 percent of all its exports to the RCEP countries and receives 35 percent of all imports from them.
- 3. Farmers.** In agriculture, domestic players dealing in dairy products, spices – chiefly pepper and cardamom, rubber, and coconut would face dumping from the South Asian spice majors. Sri Lanka is already giving a tough time to Indian spice growers. Vietnam and Indonesia have very cheap rubber to export. Australia and New Zealand are waiting for free access to India for their dairy products. Indian businesses would be hit hard as RCEP

**does not offer enough protection to them.**

4. **Industries:** Manufacturing output grew at its slowest pace in two years in October. The services sector is also not doing well, of late. It has seen, in the NPMI=ECI survey, the first back-to-back monthly slowdown since July-September 2017 in October. China and ASEAN countries have a robust service sector, and free entry to these players may damage the lone saviour of the Indian economy in these times of crisis.
5. **Past experience:** The Niti Aayog, in 2017, had published a report that pointed out that free trade agreements have not worked well for India. It analyzed multiple free trade agreements that India signed in the past decade. Among those were FTA with Sri Lanka, Malaysia, Singapore, and South Korea. The Niti Aayog found that FTA utilization by India has been abysmally low between 5 and 25 percent.
6. **China's Dumping of goods: Finally, RCEP has come up as a Chinese gameplan to save its manufacturing industries from crumbling under their own weight. Several industrial players in India red-flagged the Chinese agenda of flooding the Indian market using the RCEP countries as a connecting network.**

## **About RCEP**

- RCEP is a proposed **regional economic integration agreement** among the **10 ASEAN countries** and its six free-trade agreement partners—**Australia, New Zealand, Japan, China, South Korea and India**(recently pulled out of it).
- These six members have FTAs with the ASEAN currently. If it materializes, the combined geopolitical resources would make it the most important economic grouping of the world.
- The idea of RCEP negotiations was discussed during the **East Asian Summit** in Phnom Penh (Cambodia) in November

2012.