Challenges in concluding RCEP

Why in news?

\n\n

Trade ministers of 16 countries met in Singapore recently to create the largest economic integration agreement under RCEP.

\n\n

What is the outcome of the meet?

\n\n

\n
- India has made a case that it needs 20 years as a "grace period" to implement certain parts of the RCEP agreement, which is yet to be decided.
\n
- India also emphasised on the inclusion of services under goods in the economic agreement, which has been accepted.
\n

\n\n

What importance does RCEP attach?

\n\n

\n
- Countries in RCEP want tariffs eliminated for nearly 10 % of the traded products to gain enhanced market access in goods.
\n
- The reason behind this lies in the **export-oriented** nature of these countries and the prospect of a **huge market** in China and India.
\n
- Within that, India has become a particularly attractive market with its transparent external sector policies than China.
\n
- Also, with US turning towards trade protectionism, RCEP countries shift

their attention towards sustaining their regional trade.
\n

- Thus, a "comprehensive, high quality" agreement in the form of economic liberalisation between countries is under negotiation.
\n

\n\n

What are the challenges involved?

\n\n

\n
- **Competition** - India has a massive trade deficit with China and hence lowering or eliminating import duties may flood the Indian markets with Chinese goods.
\n

\n\n

\n
- **Flexible Tariff** – WTO allows increase in actual applied tariffs on particular products as long as they remain its bound rates.
\n
- India's applied tariffs were usually lower than the bounded tariffs for most products, hence it effects tariff hikes within WTO rules.
\n
- Such flexibilities are allowed in any of the free trade agreements (FTAs), like the RCEP.
\n
- **Concerns on the lines of FTA** – India concluded negotiations on three FTAs, with ASEAN, Japan and Korea a decade back.
\n
- However, India's agriculture and manufacturing sectors are not in a position to compete against their counterparts from the FTA-partner countries.
\n
- As a result, India has faced an ever-increasing **trade imbalance**, with the deficit stood at just over $31 billion in 2017-18.
\n
- The situation is no different under RPEC as trade deficit with the RPCs was $104 billion out of India's total trade deficit of $162 billion the same year.
\n

\n\n

What should India do?

\n\n

\n

- India must try to extract meaningful concessions for enhancing market access for its services sector.

  \n

- It should also ensure the economic viability of small farmers and small-scale industries in the face of relentless import competition.

  \n

\n\n

\n

- With possible conclusions on negotiations by next year, the RCEP would become the largest FTA opening market for over 3 billion people.

  \n

\n\n

Source: Business Line

\n\n

Quick Facts

\n\n

RCEP

\n\n

\n

- The Regional Comprehensive Economic Partnership (RCEP) is a mega trade agreement among 16 countries aimed at liberalising norms for goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

  \n

- The 16-member bloc RCEP comprises 10 ASEAN nations and their six FTA partners - India, China, Japan, South Korea, Australia and New Zealand.

  \n

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n

IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative