Problems in RCEP

What is the issue?

India is losing ground in trade negotiation talks with the Regional Comprehensive Economic Partnership.

What is the problem?

- India's earlier proposed to a three-tier tariff structure –
    - 80% tariff-free lines with ASEAN, essentially maintaining the FTA status quo;
    - 65% free lines for Japan and Korea; and
    - 42% free lines for China, Australia and New Zealand.
- Now at best-case scenario, it can get 74% free tariff lines with China to be arrived at over the next 15-20 years.
- Meanwhile, India's insistence on lower services investment and visa barriers for its professionals is not making headway.
- The problem here is tariffs within its other members are already remarkably low.
- e.g Japan and China deeply integrated into the ASEAN economy and with each other in terms of trade, investment and global supply chains.

- India remains an outsider in this club, with the exception of China, with which it runs a huge trade deficit.
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- India accounts for just over 3% of ASEAN exports and below 2% of the latter's imports, whereas China accounts for over 11% of ASEAN exports and nearly 20% of its imports.
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- China has displaced Japan and the US as ASEAN'S principal trading partner.
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- The challenge is for India to break into this bloc at a time of growing protectionism in the West, without compromising its interests in agriculture, industry and intellectual property rights.
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What should be done?

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- India must be clear about dovetailing tariff openness with its 'Make in India' programme.
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- India can be flexible about opening up sectors such as legal services, entertainment and accountancy.
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- In the long run, it should increase its skill and technology levels to match RCEP countries by investing in R&D and quality education.
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- The key lies in driving growth through productivity and innovation, rather than low-cost labour alone.
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Source: Business Line

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