Regional Comprehensive Economic Partnership

What is RCEP?

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- It is a proposed **mega-regional Free Trade Agreement (FTA)** between 16 Asia-Pacific countries.
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- It includes the 10-member ASEAN countries plus China, Japan, India, South Korea, Australia and New Zealand.
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- The RCEP negotiations were launched at the Phnom Penh at a summit between the leaders of ASEAN and its six partners on November 2012.
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- The objective is to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among the ASEAN States and its FTA Partners.
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- RCEP will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues.
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What is the importance of RCEP?

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- The RCEP, when realized, will become the **largest trade bloc in terms of population** with nearly 3.5 billion people.
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- It will also have an estimated 40% of world's GDP and dominating 30% of global trade.
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- A unique importance is that it contains the three biggest economies of Asia viz. China, India and Japan.
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- Also, it has big future potential as it holds the two of the fastest growing largest economies – China and India.
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What are the challenges in front of RCEP?

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- Formation of the RCEP is not easy because of several economic and political hurdles.
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- There are huge economic dissimilarities between the trading members.
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- China is highly industrialized and is a trade powerhouse.
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- India has more development objectives while connecting with trade.
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- Other ASEAN economies have long history of running FTAs though they are small in size.
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- Similarly, there is **differences about the extent of trade liberalization.**
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- China want more commodities and higher tariff cuts.
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- India on the other hand, prefers some restrictions as the country's industrial sector is at the beginning state of development.
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- Overall, most of the partners have a notion that **China may dominate the RCEP** because of its huge size economy and well competitive industrial sector advantages.
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- Also, politically, **there is less synergy** between the RCEP members in the context of unresolved territorial disputes.
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Why RCEP Is Vital for India?

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- The RCEP presents a decisive platform which could influence its strategic and economic status in the Asia-Pacific region and **bring to fruition its "Act East Policy."**
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- There are three immediate benefits that its trade policymakers should note.
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- **Complementary -** The RCEP agreement would complement India's existing FTAs with the ASEAN and some of its member countries, as it would deals with Japan and South Korea.
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- It can address challenges emanating from implementation concerns vis-à-vis overlapping agreements, which is now obstructing effective utilization of these FTAs.
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- In this respect, the RCEP would help India streamline the rules and

regulations of doing trade, which will **reduce trade costs**.
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- It will also help achieve its goal of **greater economic integration** with countries East and South East of India through better access to a vast regional market ranging from Japan to Australia.
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- **Indian integration -** The RCEP is expected to harmonize trade-related rules, investment and competition regimes of India with those of other countries of the group.
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- Through domestic policy reforms on these areas, this harmonization would help Indian companies plug into regional and global value chains and would **unlock the true potential** of the Indian economy.
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- **Services -** In addition to facilitating foreign direct investment, the RCEP will create opportunities for Indian companies to access new markets.
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- This is because the structure of manufacturing in many of these countries is becoming more and more sophisticated, resulting in a **"servicification" of manufacturing.**
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- India is well placed to contribute to other countries in RCEP through its expertise in services.
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How RCEP could threaten India?

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- India's cautious approach in its FTA faces a major paradigm-shift given the current negotiations in RCEP.
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- It has the **potential to overthrow** India's policies of rural development and industrialisation especially 'Make in India', and the promise of the PM to provide accessible healthcare and medicines to all.
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- **Agriculture and allied products -** the plantation sector is already reeling from the impact of the India-Asean FTA.
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- So, if tariff cuts cover 92 or 80% of products, the impact will be huge.
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- **Dairy -** New Zealand's export-oriented dairy products will **decimate India's growing dairy sector,** which is still largely small-scale.

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- **Industry -** If India offers to reduce/eliminate import tariffs on a larger number of industrial products than already committed to Asean, Japan and South Korea, its industrial sector could be under stress.
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- Even without an FTA, India faces a total trade deficit of Rs 3.45 lakh crore in 2015-16 with China.
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- **E-commerce** commitments will allow companies such as Alibaba from China to displace Indian manufacturing especially in the SME segment.
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- **Minerals & Raw Material -** Further, India is being asked to eliminate export restrictions on minerals and raw material.
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- This may threaten domestic raw material availability for industrialisation and encourage over-mining.
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- **Dispute settlement -** India is under heavy pressure to agree to the investor state dispute settlement provision in RCEP without the safeguards provided in the Model BIT.
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- This framework will **increase India's liability** and severely limit its policy space to implement any policy reform that is seen as detrimental to investors' profits.
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- **Data exclusivity -** Agreeing to data exclusivity, extending patent terms and unduly strong enforcement measures will **weaken the entire generic medicine sector** and take away several health safeguards in India's Patent Act, notably section 3(d).
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