

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. \n

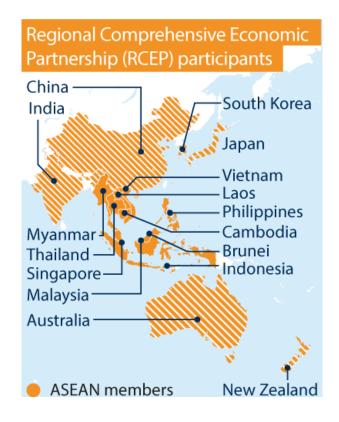
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- The RCEP negotiations were launched at the Phnom Penh at a summit between the leaders of ASEAN and its six partners on November 2012. \n
- The objective is to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership 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. \nphi
- 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. $\slash n$
- China is highly industrialized and is a trade powerhouse. \slash_n
- India has more development objectives while connecting with trade. \slashn
- Other ASEAN economies have long history of running FTAs though they are small in size.
- Similarly, there is differences about the extent of trade liberalization. \n
- China want more commodities and higher tariff cuts. $\space{\space{1.5}n}$
- India on the other hand, prefers some restrictions as the country's industrial sector is at the beginning state of development. \n
- 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.
- 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. $\ensuremath{\sc n}$
- **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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 $\ensuremath{\bullet}$ In this respect, the RCEP would help India streamline the rules and

regulations of doing trade, which will reduce trade costs. \n

- 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.
- 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.
- Services In addition to facilitating foreign direct investment, the RCEP will create opportunities for Indian companies to access new markets. \n
- 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. \n
- Agriculture and allied products the plantation sector is already reeling from the impact of the India-Asean FTA. \n
- So, if tariff cuts cover 92 or 80% of products, the impact will be huge. $\slash n$
- 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.
- 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. \n
- 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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