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Regional Comprehensive Economic Partnership (Rcep) Is A Large Trade Negotiation

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Abstract

Regional Comprehensive Economic Partnership (RCEP) is a large trade negotiation among 16countries of Asia Pacific which aims to cover goods, services, investments, economic andtechnical cooperation, competition and intellectual property rights among these nations. The16 RCEP countries include China, India, Japan, South Korea, Australia, New Zealand, and the10-member ASEAN which represent more than 3.5 billion people and about 40 percent ofglobal GDP. There are worriesthat RCEP agreement will lead to large-scale import of manufactured goods from developedmembers of RCEP. Alsolower tariff programs will to enter more manufactured products to reach domestic market it will affect the local manufactures. RCEP is a trade agreement where associating countries agree upon decreasing or completely excluding tariff and non-tariff barriers on imports and exports. India's trade deficit with the ASEAN bloc - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam and the five others in the RCEP pact - China, Japan, South Korea, Australia, and New Zealand is already massive, and only increasing every year. Trade deficit with the above countries which stood at $54 billion in 2013-14 had increased to $105 billion in 2018-19.

Keywords: RCEP, ASEAN, Regional trade agreement, Economic, negotiation, trade.

INTRODUCTION

India's negotiating position has emerged as a challenge to concluding the Regional Comprehensive Economic Partnership (RCEP), particularly due to its stance that it has witnessed limited benefits from the earlier trade agreements, as per a report. According to DBS Bank's report, India's restraintto enter into the agreement due to various reasons. For

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RCEP, adopted countries already show a trade deficit. Besides, previous FTAs have not materially improved India's trade math, and certain unfavorable provisions have turned to be sticking points.

While being a part of RCEP carries challenges, it will also open India and rest of the proposed members to numerous opportunities, the report noted. "The early phase of adjustment will be an uphill task as few import tariffs will have to be dismantled, leading to higher competition from imports and in turn hurting export competitiveness," it said. The Regional Comprehensive Economic Partnership (RCEP) negotiations are set to conclude by the end of the year, with the region keenly awaiting the finalization of the world's largest free trade agreement (FTA). Comprising almost half global population, around a third of world gross domestic product (GDP), and six of the world's 20 largest economies (that is, China, Japan, India, South Korea, Australia and Indonesia),RCEP would be a milestone achievement at a time when a trade war is threatening serious disruption to global commerce.

India's trade deficit with the ASEAN bloc - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam and the five others in the RCEP pact - China, Japan, South Korea, Australia, and New Zealand is already massive, and only increasing every year.

Trade deficit with the above countries which stood at $54 billion in 2013-14 had increased to $105 billion in 2018-19. While India currently sends 20 per cent of all its exports to the above countries, 35 per cent of all imports are from this bloc of countries. Strikingly, China, which is in the forefront pushing RCEP after breaking ties with the US, is the largest exporter into India. Of the country's $105 billion trade deficit, $53 billion is only with China. Electrical machinery, equipment, appliances, plastic articles, iron and steel, aluminum, ceramic products, man-made fibers and furniture are a few of the many goods that China dumps into India every year. Thus, manufacturers of the above products fear increased dumping from China post the RCEP deal. It is dreaded that India's commitment under the RCEP will be higher than what it is under the existing FTAs with ASEAN, Japan, South Korea and others

There is, however, doubt over whether India would go along with other negotiating members and agree to conclude the deal. India has had reservations about the RCEP right

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from the beginning. Domestic opinions in India, both among government departments and industry, are heavily weighed against the RCEP. As a result, India has been stubbornly resisting demands to concede greater market access at the RCEP negotiations.

India has set up a Group of Ministers headed by Commerce Minister Suresh Prabhu to finalise its position on the RCEP. This reflects India's efforts to reach a consensus among departments and with the domestic industry on the RCEP. However, with the Association of South East Asian Nations (ASEAN)-member states and the rest of RCEP members looking to wrap up the deal by November 2018, and the next RCEP ministerial meeting in Singapore at the end of August 2018 expected to provide the finishing touches, time is running out for India. It needs to decide and act fast.

India's reservations on the RCEP, in many respects, reflect its perceptions on trade issues and its outlook on free trade in general. The most influential opinions on trade in India continue to possess greatly alarmist impressions on trade and opening up. Joining FTAs is seen as tantamount to allowing the country and the economy to be swamped by imports that would obliterate domestic producers. Indeed, it is bizarre that while India has liberalised its foreign investment regime, displaying its eagerness to welcome foreign capital and businesses, it is allergic to the very same businesses exporting to India and is prompt in planting tariffs on the exports.

If the Foreign Trade Agreement come to existence India's import form ASEAN and other allied countries will increase. China which enjoys a huge trade surpluswith India will further improve its trade performance and increase the trade balance. India will get a most advantage trade benefits in the service sectors through more investments. Also, protection of sensitiveproduct categories with higher Rules of Origin support is necessary. India's experienceswith the existing FTAs is nor very promising. India need to take more measure before entering into the agreement ASEAN is to go ahead the agreementwithout India, an institutionalframework should be created for the success of RCEP.

Negotiations on Goods

Indias tariff reduction policies place an important role in the trade regime .This is because agricultural products and some other industrial products produced are protected by

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the Govt of India through many subsidy and tariff programs.With RCEP negotiations on the table, India need to reduce theses tariffs to a substantiallylow level. Specifically, it shall be abolishing duties on 92% of its products and keeping the duties to a lower rate of another 7%, covering a total of 99% of all its agricultural and industrial products; something that shall be harmful in every sense to the Indian ecosystem.

India is very careful and at the same time very anxious in tariff reduction. India's past experiences were in this field was not at all pleasant. Relatively modest RCEP nations have flooded the Indian markets with organic oils, fruits, and spices exploiting the provisions in India-ASEAN FTA. As a result, the trade deficit in palm oil stands at over INR 40 thousand crores and in rubber at INR 4.8 thousand crores. It affected our domestic market largelysome partners like Japan, Australia etc. who do not enjoy such privileges as of now, would also become eligible once trade barriers are relaxed.

India proposed a three-tier tariff reduction mechanism were countries categorised into three tiers based on the level of trade imbalance and existence of free trade agreement with the member country in order to protect our nation interest. The first tier proposed 80% trade liberalisation for ASEAN countries of which 65% would be implemented immediately and remaining 15% would come into effect in the course of 10 years. The second tier proposed 65% trade liberalisation for South Korea and Japan with which India already has free trade agreements (FTAs). In return, the two countries agreed to offer 80% trade elimination for Indian Goods. In the third tier, India has agreed to 42.5% trade tariff reduction to China, Australia and New Zealand. In return, these countries will offer India 42.5%, 80% and 65% tariff line reductions respectively.

The main aimof three tire approach was to save the interest of domestic manufacturs.If India were entered into a single tariff Indian market being flooded with cheap products of RCEP countries and will affect the nation's economic condition.

Negotiation on Services

Negotiation on services has also been an anxiety creating sector for India when it comes to liberalisation. ASEAN countries, along with Japan and Korea, are not very much enthused by the idea of a liberal visa regime within RCEP. For attracting more investment in

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business and service sectors India shows a greater flexibility in the tariff and trade policies but the proposal has not invited serious discussions on it.

In the recently conductedtradenegotiations in Vietnam “urged member countries to work towards liberalisation across all modes of services, including movement of professionals in Mode 4, in line with the RCEP Guiding Principles". India’s officials said that, “We have actually given a proposal for RCEP business card. So, we have proposed that for business people, like APEC (Asia-Pacific Economic Cooperation) member countries have APEC business cards, similarly we have asked for RCEP members.”

The reasoning behind pushing the liberalisation of services is honestly simple and straight forward. Among the top economies in RCEP, India is the only country with a constant positive services trade balance over the last half decade.

India faced much opposition from the RCEP countries. However, India too has taken a tough position in this regard. “Our stand is, we want a balanced outcome. Other countries want us to take our tariff liberalization up to 92% which we cannot do. There is still no agreement on modalities for tariff reduction and limited deviation (in tariff liberalization for some countries) that we have been advocating. We are under no pressure to quickly conclude the deal. We will negotiate what is important for us and on our terms. We are ready for give-and-take but cannot agree to a deal where we get nothing in services. There has been no substantive progress in services negotiations,” said a commerce ministry official.

Negotiation on Investments

Historically, FDI proposals in India have been dealt on a case-by-case basis by Foreign Investment Promotion Board (FIPB) and Department of Industrial Policy & Promotion (DIPP), both organizations under the Government of India. However, it has been claimed that part of the policymaking around some of these decisions had been held redemption by the investing companies. If seen on a bilateral treaty frontier itself, India liberalized its foreign investment policies to attract more investment as part of liberalisation. The only point of argument remains ease of doing business and within that investor protection and taxation agreements. As of now, RCEP negotiations have talked of much stronger provisions of investor protection than what currently prevails in India. In the current

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state of negotiations, India has compliedwith some of the provisions including the clause that gives the investors the right to sue host governments in international tribunals.

CONCLUSION

Undoing from the RCEP, as well as other FTAs, is not just economically damaging for India. It would be paying a high strategic cost for separation. It is evident to most that India's engagement with the world, while vigorous in foreign policy and diplomatic overtures, is not matched by its engagement in trade. In this respect, India's trade policy outlook seems to have remained stuck in the notion of disengagement characterizing its view of the world during the era of non-alignment, while its foreign policy has moved much ahead. The divergence between its foreign and trade policy outlooks are stark and can prove costly. Modern FTAs like the RCEP are not just trade deals, but also important strategic and geopolitical understandings.. Backing out of the deal at this stage would undo years of hard work put in by successive Indian governments and agencies in positioning India as a key strategic actor in the Asia-Pacific.

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