

### 3. Regional Comprehensive Economic Partnership (RCEP)

**Prelims:** International Relations

**Mains:** GS-III- Bilateral, regional and Global Groupings and Agreements involving India and/or affecting India's interests

**Context:**

- ▶▶ India will host a two-day meeting of representatives from the Regional Comprehensive Economic Partnership (RCEP) countries this month to discuss ideas to strengthen the proposed pact between the 16 partner countries.

**Background:**

- ▶▶ Talks are ongoing to negotiate the China-initiated Regional Comprehensive Economic Partnership (RCEP).
- ▶▶ RCEP grouping resolved to conclude negotiations for a free trade agreement by the year end while recognizing that growing protectionism may impact negotiating positions.

**What is RCEP:**

- ▶▶ The proposed **Regional Comprehensive Economic Partnership** (RCEP) is gigantic in size and scope. It aims to create a free trade zone of 10 Asean nations and Australia, China, India, Japan, South Korea and New Zealand.
- ▶▶ This means a zero-customs duty zone in a geography that contributes 34% of global gross **Domestic Product** (GDP) and 40% of world trade.
- ▶▶ The region is also home to almost half of the world's population
- ▶▶ **RCEP**— Regional Comprehensive Economic Partnership (RCEP) is an ASEAN-centred proposal for a regional free trade area.
- ▶▶ 10 ASEAN states: (Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam) **CLIMBB-PSTV** +
- ▶▶ Six states with which ASEAN has existing FTAs (Australia, China, India, Japan, South Korea and New Zealand) **JACSIN**.

**Issue:**

- ▶▶ The RCEP is a proposed trade pact between the 10 countries of the Association of Southeast Asian Nations and their six FTA partners, including Australia, China, India, Japan, Korea, and New Zealand.

- ▶▶ It accounts for 25% of global gross domestic product, 30% of global trade, 26% of foreign direct investment flows, and 45% of the world's population.

### Concern:

- ▶▶ India has been seeking a more balanced outcome of the RCEP deal with a strong agreement on services trade, including a deal on easier movement of skilled manpower.
- ▶▶ However, most members are reluctant to accept India's proposal. With India's trade deficit with China and RCEP in 2018-19 standing at \$53.6 billion and \$105 billion, respectively, it is apprehensive that further liberalisation in tariffs to China could be detrimental to its domestic industries.

### Government Intervention:

- ▶▶ **National Logistics Policy** and a multi-modal transportation bill will be soon taken to the Cabinet for clearance to reduce logistics cost for domestic industry.
- ▶▶ Look East Policy
  - ❖ India's Act East Policy focusses on the extended neighbourhood in the Asia-Pacific region.
  - ❖ The policy which was originally conceived as an economic initiative, has gained political, strategic and cultural dimensions including establishment of institutional mechanisms for dialogue and cooperation.

### What is Indian demand in RECP.

- ▶▶ Under services, India wants greater market access for its professionals in the proposed agreement.
- ▶▶ However, lower level of ambitions in services and investments, a key area of interest for India, does not augur well for the agreement that seeks to be comprehensive in nature.

### Two Broad Interest groups in RCEP

1. **Export- Driven Trading Economy:** Many ASEAN countries argue that even minor processing should qualify a product for FTA benefits.
2. **Manufacturing Economy:** China or India argues that processing should be substantial else non-FTA country products will enter the domestic market.