

#### **4. India Accepts RCEP Tips on Investments**

**Prelims: International Relations, India- Multilateral Ties**

**Mains: GS-II- Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.**

##### **Why in News?**

- ▶▶ Regional Comprehensive Economic Partnership (RCEP) negotiations going on in Vietnam will strengthen investor rights against the rights of Indians, claimed Forum of Trade Justice (FTJ), a pan-India people's network.
- ▶▶ 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**.

##### **What is impact of deal according to Forum of Trade Justice:**

- ▶▶ If India agrees to adverse provisions in the investment chapter, it will be disastrous for the country.
- ▶▶ The RCEP will affect access to medicines and seeds by raising the standards of intellectual property rights.
- ▶▶ The ongoing deal has witnessed strong opposition from various sectors in the country including automobiles, steel, copper, textile, dairy and many others. They fear that cheap imports from other countries will ruin their businesses.

### Indian Stance:

- ▶▶ India has proposed auto trigger and snapback as a safeguard measure, which has not been agreed upon yet. Even if the negotiating countries agree to it, it will not protect India from actual import surges.

### Small Farmer, Fisherman Stance:

- ▶▶ Farmers, fishermen and the dairy sector, which supports the livelihoods of millions of small dairy farmers, have repeatedly asked the government to protect them from the flood of imports from ASEAN members, New Zealand and Australia.

### Other deal with US:

- ▶▶ India is negotiating a trade deal with the US.
- ▶▶ The main focus of this deal is **stronger intellectual property (IP)** along with **reducing tariffs in the automobile and agriculture sector.**
- ▶▶ If India agrees to US's demand, it will **reduce the competition from Indian generic manufacturers of medicines.**
- ▶▶ The US has, for long, been demanding for IP provisions that go beyond World Trade Organization rules such as patent term extensions, data exclusivity and amendment of the patentability criteria that India adopted to prevent patenting of new forms and new uses of known medicines. It will create monopolies in the crucial area of pharmaceuticals.

### Current Status:

- ▶▶ While India has not yet signed the Regional Comprehensive Economic Partnership agreement, it has accepted suggestions of other countries regarding rules on investments.
- ▶▶ India has so far agreed to several provisions that bring it in line with the investment rules applicable in most comparable countries, including banning host countries from mandating that the investing companies transfer technology and training to their domestic partners, and removing the cap on the quantum of royalties domestic companies can pay their foreign partners.

### Major Hindrance:

- ▶▶ The investment chapter of the RCEP deal has been agreed upon, and India has agreed to the removal of technology transfer requirements, and also the removal of any caps on royalty payments.
- ▶▶ These restrictions have been seen as major hindrances to investing in India, and other RCEP countries have argued strongly for their removal.

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- ▶▶ This means there will be no cap on the royalties that a company like, say, Maruti, [can] pay a foreign partner.
  - ▶▶ While there is apprehension in industry that removing the cap on royalty payments would lead to increased outflow in foreign exchange and deplete the ability of domestic firms to pay dividends to shareholders, there is also the view that removal of these restrictions will result in increased investments in India.

