

1. RCEP: Opportunity, Fears in Regional Trade Deal

Prelims: International Relations

Mains: GS-II- Bilateral, Regional and Global Groupings and Agreements Involving India and/or affecting India's interests

Why in News?

- ▶▶ Commerce Minister Piyush Goyal is in Bangkok for the **eighth Regional Comprehensive Economic Partnership (RCEP) ministerial meeting**, which will continue until October 12.
- ▶▶ The meeting, which is likely to be the last one at this level, is expected to work out the unresolved issues in the negotiations on the mega trade deal that is to be concluded later this year.

About RCEP:

- ▶▶ The Regional Comprehensive Economic Partnership (RCEP) is a trade deal that is currently under negotiation among 16 countries – the **10 member countries of the Association of Southeast Asian Nations (ASEAN)**, and the **six countries with which the ASEAN bloc has free trade agreements (FTA)**.
- ▶▶ The **ASEAN**, which **includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam**, has **FTAs with India, Australia, China, South Korea, Japan and New Zealand**.
- ▶▶ Negotiations on the details of the RCEP have been on since 2013, and all participating countries aim to finalise and sign the deal by November.

What Does the RCEP Propose?

- ▶▶ The purpose of RCEP is to create an **“integrated market” spanning all 16 countries**, making it easier for products and services of each of these countries to be available across this region.
- ▶▶ ASEAN says the deal will provide “a framework aimed at lowering trade barriers and securing improved market access for goods and services for businesses in the region”.
- ▶▶ The negotiations are focussed on areas like trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, e-commerce, and small and medium enterprises.

Why is the RCEP important?

- ▶▶ It is billed as the “largest” regional trading agreement ever — these countries account for almost half of the world’s population, contribute over a quarter of world exports, and make up around 30% of global Gross Domestic Product (the value of all goods and services produced in a year).

How have the talks progressed?

- ▶▶ Of the 25 chapters in the deal, 21 have been finalised. Chapters on investment, e-commerce, rules of origin, and trade remedies are yet to be settled, and ministerial guidance is being sought at the ongoing meeting in Bangkok.

How does India stand to gain?

- ▶▶ Sections of Indian industry feel that being part of RCEP would allow the country to tap into a huge market, if the domestic industry becomes competitive. Pharmaceuticals and cotton yarn are confident of gains, and the services industry too, may have new opportunities.

Concerns:

- ▶▶ Several industries feel India needs to be mindful of the amount of access it gives to its market. There is fear that some domestic sectors may be hit by cheaper alternatives from other RCEP countries. Apprehensions have been expressed that cheaper Chinese products would “flood” India.
- ▶▶ Critics are also not confident that India would be able to take advantage of the deal, given its poor track record of extracting benefits from the FTAs with these countries. India’s trade gap with these countries may widen if it signs the RCEP deal, they say.
- ▶▶ Industries like dairy and steel have demanded protection. The textile industry, which has already raised concerns about growing competition from neighbouring countries with cheaper and more efficient processes, fears the deal would impact it negatively.
- ▶▶ There are some differences within industries. The bigger players in steel, for example, are apprehensive of the potential impact on their businesses; however, makers of finished goods have argued that limiting steel supply to domestic producers through higher import duties will put them at a disadvantage.