1. No Pact for India

Context:

- After seven years, the Regional Comprehensive Economic Partnership (RCEP) negotiations, started by leaders from the ASEAN countries and their free trade agreement (FTA) partners in November 2012, have concluded in Bangkok.
- The good thing is that India still has some unresolved issues, and this has resulted in it holding back its decision to join the RCEP.

What is RCEP?

- It is a trade agreement proposed between the **Ten Member States** of the Association of Southeast Asian Nations (ASEAN) (Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam) and the **six states with which ASEAN has existing FTAs** (Australia, China, India, Japan, South Korea and New Zealand).
- RCEP **aims to boost goods trade by eliminating most tariff and non-tariff barriers** — a move that is expected to provide the region's consumers greater choice of quality products at affordable rates.
- It also seeks to liberalise investment norms and do away with services trade restrictions.
- RCEP negotiations were **formally launched in November 2012** at the ASEAN Summit in Cambodia.

Why RCEP assumes significance?

- When inked, it would become the **world's biggest Free Trade Pact.**
- This is because the 16 nations account for a total GDP of about $50 trillion and house close to 3.5 billion people.
- With many mature economies struggling to regain ground lost because of the global financial crisis in 2008, emerging economies are in focus for growth opportunities.
- The **International Trade focus has clearly shifted from the West towards developing economies in Asia and other regions.**
- The developing markets' share of global trade has doubled from 16 per cent in 1991 to 32 per cent in 2011, an average increase of 0.8 percentage points a year.
- This significant increase in South-South trade is turning established trade patterns and practices on their head, and thus, the importance of India being a part of RCEP.

India's Concerns over RCEP:

- **India ran a merchandise trade deficit with 11 out of the 15 other members** of RCEP in 2018-19, totalling $107.28 billion. India's overall merchandise trade deficit was $184.00 billion in 2018-19.
- In 2018-19, **34 per cent of India's imports were from this region, while only 21 per cent of India's exports went to this Region.**
- China is the biggest trade partner amongst these countries and the major concerns that India had throughout the negotiations were with regard to China.
- China is a trade behemoth whose growth is built on the way it captured the world's manufacturing space. **There is a fear that the imports of cheaper electronic and engineering goods from China** could increase further post the signing of RCEP which in turn could have a negative impact on the manufacturing sector.
- Therefore, Indian negotiators have taken steps to ensure that domestic manufacturing is effectively protected from unfair competition.
- For example, **certain issues such as the move towards 2014 as the base year for tariff reduction**, an automatic trigger mechanism to curb sudden surges in imports and the decision on which products it doesn't want to offer the same tariff concessions to all countries, need to be sorted out.
- Another area of hard bargaining for India is our unfulfilled want for exemptions from the Ratchet obligations.
- As per the **Ratchet Mechanism,** if a country signs a trade agreement with another country where it relaxes tariffs and quotas on merchandise exports and imports, **it cannot go back on them and bring in measures that are more restrictive.**
- India wants a clear exemption from the Ratchet obligations, so that in the future, to protect the interests of exporters and importers, it can bring restrictive measures, if required.
- This apart, across the country, **many farmers and milk cooperatives have raised their concern on RCEP.** In India, several small and marginal farmers are dependent on milk for their daily expenses as income from crops is seasonal.
- If India signs the RCEP, without exemptions for dairy and its products, it would allow the dairy industry of Australia and New Zealand to unfairly target its huge market. It is notable that New Zealand exports 93.4 per cent of its milk powder, 94.5 per cent of its butter and 83.6 per cent of its cheese produce.

- The merchandise trade data shows that over the years, the merchandise trade deficit has widened with the ASEAN countries.

Way Forward:

- India's main requirement is that of a balanced **outlook which is a win-win for all. India is running a services trade surplus with the world.** Therefore, it is trying to push for a strong agreement on the services trade, including a deal on easier movement of skilled manpower.
- As per ILO data, around 58 per cent of India's workforce is medium-skilled and 16 per cent is high skilled, and to protect their interest is of paramount importance.
- All these factors need to be kept in mind before India enters the RCEP. **India commands around 1.7 per cent share of the world's total goods exports** ranking 20th as per the WTO 2018 data.
- For achieving a 5 per cent share in world exports, India must build its manufacturing capabilities, and the recent steps by the government are in that direction.