

## Regional Comprehensive Economic Partnership

### What is RCEP?

\n\n

\n

- It is a proposed **mega-regional Free Trade Agreement (FTA)** between 16 Asia-Pacific countries.

\n

- It includes the 10-member ASEAN countries plus China, Japan, India, South Korea, Australia and New Zealand.

\n

\n\n

\n

- The RCEP negotiations were launched at the Phnom Penh at a summit between the leaders of ASEAN and its six partners on November 2012.

\n

- The objective is to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among the ASEAN States and its FTA Partners.

\n

- RCEP will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues.

\n

\n\n



\n\n

### What is the importance of RCEP?

\n\n

\n

- The RCEP, when realized, will become the **largest trade bloc in terms of population** with nearly 3.5 billion people.

\n

- It will also have an estimated 40% of world's GDP and dominating 30% of global trade.

\n

- A unique importance is that it contains the three biggest economies of Asia viz. China, India and Japan.

\n

- Also, it has big future potential as it holds the two of the fastest growing largest economies - China and India.

\n

\n\n

### What are the challenges in front of RCEP?

\n\n

\n

- Formation of the RCEP is not easy because of several economic and political hurdles.

\n

- There are huge economic dissimilarities between the trading members.  
\n
- China is highly industrialized and is a trade powerhouse.  
\n
- India has more development objectives while connecting with trade.  
\n
- Other ASEAN economies have long history of running FTAs though they are small in size.  
\n
- Similarly, there is **differences about the extent of trade liberalization.**  
\n
- China want more commodities and higher tariff cuts.  
\n
- India on the other hand, prefers some restrictions as the country's industrial sector is at the beginning state of development.  
\n
- Overall, most of the partners have a notion that **China may dominate the RCEP** because of its huge size economy and well competitive industrial sector advantages.  
\n
- Also, politically, **there is less synergy** between the RCEP members in the context of unresolved territorial disputes.  
\n

\n\n

## **Why RCEP Is Vital for India?**

\n\n

- The RCEP presents a decisive platform which could influence its strategic and economic status in the Asia-Pacific region and **bring to fruition its "Act East Policy."**  
\n
- There are three immediate benefits that its trade policymakers should note.  
\n
- **Complementary** - The RCEP agreement would complement India's existing FTAs with the ASEAN and some of its member countries, as it would deals with Japan and South Korea.  
\n
- It can address challenges emanating from implementation concerns vis-à-vis overlapping agreements, which is now obstructing effective utilization of these FTAs.  
\n
- In this respect, the RCEP would help India streamline the rules and

regulations of doing trade, which will **reduce trade costs**.

\n

- It will also help achieve its goal of **greater economic integration** with countries East and South East of India through better access to a vast regional market ranging from Japan to Australia.
- **Indian integration** - The RCEP is expected to harmonize trade-related rules, investment and competition regimes of India with those of other countries of the group.
- Through domestic policy reforms on these areas, this harmonization would help Indian companies plug into regional and global value chains and would **unlock the true potential** of the Indian economy.
- **Services** - In addition to facilitating foreign direct investment, the RCEP will create opportunities for Indian companies to access new markets.
- This is because the structure of manufacturing in many of these countries is becoming more and more sophisticated, resulting in a “**servicification**” of **manufacturing**.
- India is well placed to contribute to other countries in RCEP through its expertise in services.

\n

\n\n

### **How RCEP could threaten India?**

\n\n

\n

- India’s cautious approach in its FTA faces a major paradigm-shift given the current negotiations in RCEP.
- It has the **potential to overthrow** India’s policies of rural development and industrialisation especially ‘Make in India’, and the promise of the PM to provide accessible healthcare and medicines to all.
- **Agriculture and allied products** - the plantation sector is already reeling from the impact of the India-Asean FTA.
- So, if tariff cuts cover 92 or 80% of products, the impact will be huge.
- **Dairy** - New Zealand’s export-oriented dairy products will **decimate India’s growing dairy sector**, which is still largely small-scale.

\n

\n

- **Industry** - If India offers to reduce/eliminate import tariffs on a larger number of industrial products than already committed to Asean, Japan and South Korea, its industrial sector could be under stress.
- Even without an FTA, India faces a total trade deficit of Rs 3.45 lakh crore in 2015-16 with China.
- **E-commerce** commitments will allow companies such as Alibaba from China to displace Indian manufacturing especially in the SME segment.
- **Minerals & Raw Material** - Further, India is being asked to eliminate export restrictions on minerals and raw material.
- This may threaten domestic raw material availability for industrialisation and encourage over-mining.
- **Dispute settlement** - India is under heavy pressure to agree to the investor state dispute settlement provision in RCEP without the safeguards provided in the Model BIT.
- This framework will **increase India's liability** and severely limit its policy space to implement any policy reform that is seen as detrimental to investors' profits.
- **Data exclusivity** - Agreeing to data exclusivity, extending patent terms and unduly strong enforcement measures will **weaken the entire generic medicine sector** and take away several health safeguards in India's Patent Act, notably section 3(d).

\n

\n\n

\n