

Revival of RCEP Talks - India's Opportunity

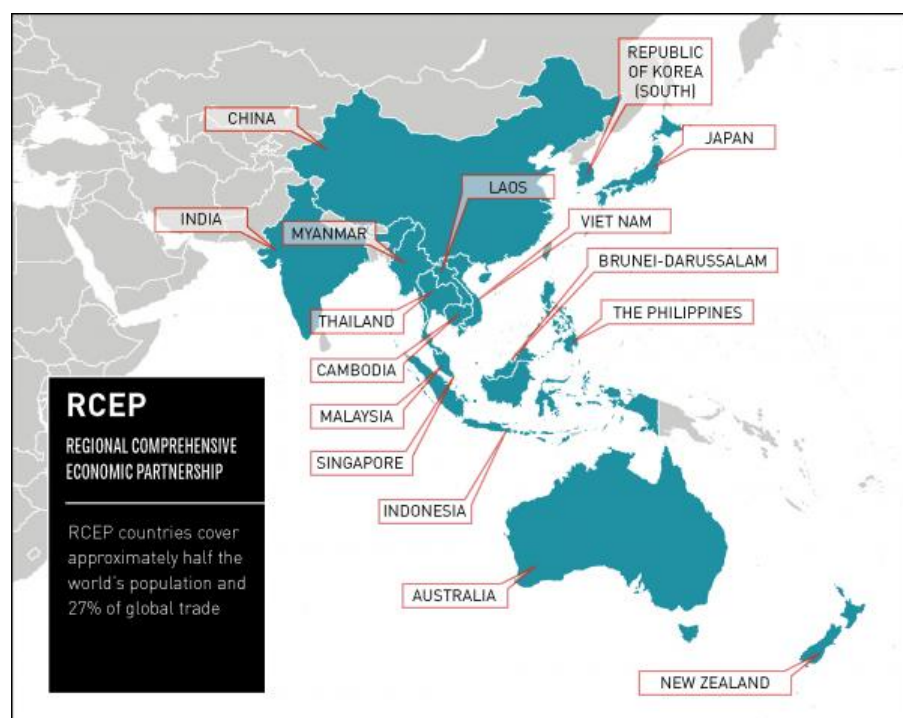
Revival of RCEP Talks - India's Opportunity

Why in news?

The RCEP (Regional Comprehensive Economic Partnership) countries have again sought to come to an agreement for India to join it.

What is the RCEP?

- RCEP is a trade deal that is currently under negotiation among 16 countries.
- These include -
 - i. 10 member countries of the Association of Southeast Asian Nations (ASEAN)
 - ii. 6 countries with which the ASEAN bloc has free trade agreements (FTA)
- [The FTA partners are India, Australia, China, South Korea, Japan and New Zealand.]
- Negotiations on the details of the RCEP have been on since 2013.



What is the impasse over?

- India was supposed to be part of the RCEP grouping.
- It has pulled out at the last moment when some of its demands were not met

by the negotiating partners.

- India has especially concerns with imports from China that may receive hidden subsidies.
- Certainly, the RCEP nations and India will have to try and meet halfway.
- This is the reality when it comes to market access demands and some safeguards against Chinese imports.
- On the former, at least, there appears to be some hope of a compromise.

What is the contention now?

- There are apparently divisions within the Indian government on how to proceed.
- The commerce ministry has been generally sceptical about trade agreements in recent years.
- Nevertheless, it is willing at least to examine the possibilities being opened up by the suggestions coming in from the RCEP nations.
- But the Ministry of External Affairs (MEA) is apparently firm against India coming to any agreement with them.
- Again, there are good reasons for the foreign ministry's concerns as well.
- Some would view India joining the RCEP as ceding ground to a Beijing-led trading order.
- The RCEP was, in this view, a counterweight to the US-led Trans-Pacific Partnership (TPP).
- Although the US dropped out of the TPP, India choosing to join the RCEP might still be seen as a signal.
- Given the state of relations with Beijing at the moment, the MEA might well feel that this is not the time to make any such concession.

What is the way forward?

- In the end, India's larger interests must be allowed to prevail when it comes to economic policy.
- In the wake of the weakness of the WTO and the spread of the Covid-19 pandemic, the global trading regime is faced with disruption.
- Given this, India must seek at all costs to find a way to embed itself in global supply chains.
- For this, the RCEP seems to be the only option at present conditions.
- There is a view that free-trade agreements signed over the last decade and more had not helped India.
- But that is not the fault of the agreement; it is the delay in bringing in competitiveness-enhancing reform that is to blame.
- The government has in any case made it clear that such reform is now on the agenda.

- Opening up to trade with the RCEP nations will introduce further pressure to increase competitiveness.
- This will also be a clear signal that the “self-reliance” agenda currently being discussed is more about increasing domestic productive capacity.
- In all, India cannot afford to miss the opportunity on manufacturing exports at this last moment offer that has been provided.
- The government should settle its internal differences and revisit the possibility of joining the RCEP.

Source: Business Standard

