REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

WHY IN NEWS?

The member countries agreed to achieve a set of key elements for significant outcomes by the end of this year

19th Round of the RCEP Trade Negotiating Committee meeting at the technical level was held at Hyderabad.

ABOUT RCEP

- It proposes to
  - eliminate most tariff and non-tariff barriers
  - liberalize investment norms
  - remove services trade restrictions.
- The 16 nations account for a total GDP (PPP basis) of about $50 trillion (40% of the global GDP), house close to 3.5 billion people (50% of world's population) and over 25% of world exports.
- It aims to facilitate SMEs engagement in global and regional supply chains as SMEs make up more than 90% business establishments across all participating RCEP countries.
- RCEP is a regional economic integration agreement between the 10-member ASEAN bloc (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and its six FTA partners — India, China, Japan, South Korea, Australia and New Zealand.

RCEP BENEFITS TO INDIA

Noodle Bowl situation: means multiplication of FTAs, increasing multilateral trade negotiations, etc., taken as an alternative path for globalization.

- India seeks to secure greater market access for services and ease in restrictions.
- It can open up new markets for India where it has a competitive edge such as ICT, IT-enabled services, healthcare, education services etc.
- India may emerge as an attractive investment destination for China. To offset the increasing labour costs, Chinese firms have been relocating labour-intensive manufacturing to Vietnam, Cambodia, Thailand and Indonesia
- It can provide impetus to India's Act East policy by effectively integrating trade in the east and south-east Asia.
- RCEP can help India's existing free trade agreements with the ASEAN as it can resolve challenges like "Noodle bowl" situation.

INDIA'S CONCERNS OVER RCEP

Impact on Domestic Manufacturers: Several members of RCEP want India to eliminate duties on about 90 per cent of traded goods. It may have an adverse impact on local manufacturing and job creation.

Public Procurement Segment: India is unwilling to cater to demands from some RCEP countries to open up the public procurement segment.

Impact on Make in India: The RCEP could have an adverse impact on 'Make In India' initiative to boost manufacturing and job creation.

China interest in a 'high level' of tariff liberalisation:

- Elimination of most duties across sectors, could lead to a surge in inflow of low-priced goods, mainly from China.
- China is the only RCEP country with which India neither has an FTA in the group, nor is in talks for one. Therefore, Indian industry sees RCEP as an indirect FTA with China.
- India has a goods trade deficit with China ballooning since 2003-04. China might use the RCEP to gain more market access in India, while India remains unwilling to import more.
- It plans to eliminate duties on as much as 92% of traded products. However, India's offer to do away with duties on only 80% of the lines with a longer phase-out period for Chinese imports (ie, about 20 years, as against 15 for other RCEP nations).

MFN

India's high MFN tariff: A highly ambitious level of tariff elimination without enough flexibility would affect India the most because in the RCEP group (except Myanmar, Cambodia and Lao PDR), India has the highest average 'Most Favoured Nation (MFN) tariff' level at 13.5%.

Intellectual Property Rights: Several members have been pushing provisions that go beyond TRIPS, with serious adverse consequences for access to generic medicines manufactured in India.

Agreeing to extending patent terms and data exclusivity will weaken India's generic medicine sector and jeopardize several health safeguards in India's Patent Act.