



# Stay with RCEP

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## **Highlights**

Negotiations on the Regional Comprehensive Economic Partnership, among 16 Asian and Pacific Ocean countries, have entered a decisive phase.

Most potential member-countries of the grouping, that comprises the 10 ASEAN members and their Free Trade Agreement partners, Australia, China, India, Japan, New Zealand and Republic of Korea, would like to see a “substantive agreement” on the trade deal by the end of this year.

## **Concerns of India**

1. India's concerns with RCEP negotiations thus far are manifold, but some have been addressed. The first is the greater access Chinese goods will have to the Indian market, a problem given India's massive trade deficit.
  - To circumvent this, given that India is the one country that doesn't have an FTA with China, the government has proposed a “differential market access” strategy for China, which others are inclined to accept.
  - After the Wuhan summit, India and China have made progress on addressing the trade deficit, with China increasing access for Indian goods such as pharma and agricultural products.
2. The second concern is about demands by other RCEP countries for lower customs duties on a number of products and greater access to the market than India has been willing to provide.
3. On the other hand, the more developed RCEP countries such as Australia and Singapore have been unwilling to accommodate India's demands to liberalize their services regime and allow freer mobility of Indian workers.
4. Naturally, none of this is made easier by the fact that some of the RCEP countries, including India, are headed for elections next year, a point where governments traditionally turn protectionist.

## **Way Forward and Conclusion**

- Despite these concerns, the government must take into account the deeper strategic pitfalls of either slowing down India's RCEP engagement or walking out of the talks at this stage consequentially would cut India out of the rules-making process for the RCEP and give China further space in the regional trade and security architecture.
- At a time when the U.S. has broken from the global concord on multilateral trade agreements, an Indian walkout would endanger the united message that RCEP countries,

which represent 40% of the global GDP, would wish to send out.

It would also be a sharp departure from India's "Act East" slogan and its extended outreach to ASEAN.

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