September 2015

India's FTAs and RCEP Negotiations

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Abstract

The global trading system has witnessed a proliferation of so-called mega regional trade agreements (RTAs) in recent years. Concurrently, India's free trade landscape has been shifting along similar lines of international trade dynamics, liberalising tariffs and adopting more comprehensive agreements. As a party to the Regional Comprehensive Economic Partnership (RCEP), India has the opportunity to develop its economy and gain greater access to markets through regional integration. India's experience in negotiating free trade agreements (FTAs), especially with Asian countries, can be a valuable indicator of possible implications in the RCEP talks.

This paper provides an overview of select issues and concerns as well as India's overall record with FTAs that can guide India in its negotiations on RCEP to conclude a beneficial agreement. For India to gain the most for its economic and development needs as well as regional interest, it will need all the resources available to engage with the trade agreement's large and diverse negotiating membership.

Introduction

With the accelerated development of so-called mega RTAs, both developed and emerging economies are building and investing in their regional trade networks. Issues being discussed have surpassed the traditional agreements on trade in goods and are challenging countries to agree on issues, such as trade in services, investment, intellectual property rights (IPRs), competition and government procurement. The RCEP is no exception. As other mega RTAs, particularly the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP) gain prominence, with the TPP expected to conclude by the end of 2015, this diverse group of 16 Asian and Pacific countries comprising the RCEP membership is crafting an agreement to deepen trade integration and delve into more comprehensive trade areas. The RCEP is modelled on FTAs of the lead-negotiating Association of Southeast Asian Nations (ASEAN) group with other RCEP members (i.e. ASEAN+1 FTAs).

India has FTAs with many of its RCEP partners, including two different trade agreements with ASEAN. This experience as well as India's record, both positive and negative, in negotiating comprehensive trade agreements with Japan, Malaysia, Singapore, and South Korea can be used as guidance for current trade talks. Although a number of India's FTAs are more recent and thus can be difficult to determine the benefits India may accrue in the manner anticipated, India's diplomatic relations with its partners and the modalities resulting from completed FTAs can provide helpful indicators for its participation in RCEP negotiations.

The RCEP touts an ambitious and comprehensive trade coverage that intends to go beyond existing ASEAN+1 FTAs. India's particular FTA experience in specific trade areas which connect with current RCEP negotiating points could provide critical insight into the potential implications for India's role in the negotiations. The first section of this paper will provide an overview of India's record with FTAs, including their coverage, utilisation, and overall economic benefit as well as concerns that arose from the agreements. Factors for India's gains from trade agreements will be demonstrated, in part, by comparing measurements of export similarities and competition in select Asian markets.

The second part will consider India's presented record on specific areas in existing FTAs as evidence to identify current and potential implications for India in the current RCEP negotiations. Although the RCEP group is deliberating on a multitude of issues, including e-commerce, intellectual property and foreign direct investment, the select areas focussed in this paper are based on India's previous FTA experience relevant for RCEP negotiations: tariff lines and reduction rates, services and free movement of professionals, linking talks on trade in goods and services and rules of origin (RoO). With the Indian government following a more focussed development path and eying greater market access in goods and services as well as attracting more investment, the importance of RCEP negotiations cannot be understated.

India and Free Trade Agreements

As of 2015, India has notified the WTO of 15 trade agreements and is currently negotiating another 11 agreements in various forms.[1] In 2013, India's trade in goods with its FTA partners was about 35 per cent of its total trade, while export share was about 33 per cent and import share was 37 per cent. This figure has not registered much change since 2005 (Table 1). While some comprehensive Indian FTAs, such as with Japan (2011), South Korea (2010), and Malaysia (2011), came into effect more recently and are difficult to determine overall gains, this trend nonetheless demonstrates a concern that India is not benefiting, at least in trade in goods, from its trade agreements.

Table 1: India's Trade Share with its Major Existing and Potential Trade Partners

Association/Market /Country	2005		2007		2009		2011		2013	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
FTAs (in Progress)	32%	34%	31%	32%	29%	33%	28%	32%	27%	31%
FTA Partners	32%	25%	32%	34%	30%	35%	32%	36%	33%	37%
RCEP	22%	24%	21%	30%	21%	31%	21%	29%	20%	28%
ASEAN	10%	8%	9%	10%	10%	9%	11%	9%	11%	9%
Developed Market	44%	35%	40%	34%	35%	33%	33%	30%	33%	26%
Developing Market	56%	36%	60%	66%	61%	67%	61%	70%	64%	73%
Japan	2.4%	2.6%	2.2%	2.7%	1.8%	2.5%	1.9%	2.4%	2.2%	2.3%
Korea	1.5%	3.1%	1.7%	2.5%	2.1%	3.1%	1.5%	2.7%	1.3%	2.7%
Singapore	5.4%	2.2%	4.4%	3.2%	3.9%	2.3%	5.2%	1.8%	4.2%	1.5%
Sri Lanka	1.9%	0.4%	1.8%	0.2%	1.0%	0.1%	1.5%	0.2%	1.4%	0.1%

Source: International Trade Centre, Trade Map database

To give an example of the factors, in part, of India's level of benefit or loss from FTAs with select trade partners, the Finger-Kreinin Index (FKI) and the Relative Export Competitive Pressure Index (RECPI) have been ran with respect to four key RCEP partner countries: Australia, China, Japan and South Korea; where Australia and China are competitors of India in South Korea and Japan's markets. India has Comprehensive Economic Partnership Agreements (CEPA) with Japan and South Korea and is negotiating an FTA with Australia.

The FKI measures how similar two sets of countries are in respect to their trade, particularly export similarities, and the RECPI has been used in this study to analyse the trends in competition with other RCEP members.[2] In the case of both India's export similarity and

[1] Department of Commerce, India, 2014, http://commerce.nic.in/trade/international_trade_rta.asp. Asia Development Bank, Free Trade Agreements by Country: India, http://aric.adb.org/fta-country. WTO Regional Trade Agreements Information System

[2] The FKI measures how similar two sets of countries are in respect to their trade. It explains how similar the import of a given product is from two different suppliers. It is used to measure overall similarity of export of two countries and, therefore, their degree of competitiveness/complementarity either with respect to a particular market or with respect to trade with the rest of the world. If FK=1 then export structures would be exactly similar and if FK=0 there would be no similarity. RECPI calculates the average degree of competition that country X faces in country Y's market from country Z. It takes into account both the structure and level of competing countries' trade. Country X will be interested in the value of country Z's export to country Y, and

trade competition with Australia and China in South Korea and Japan's markets, the indexes show an overall, yet gradual, increase since 2010 (Tables 2 and 3).

Regarding India's trade compared with Australia, the level of export similarity between India and Australia has slowly increased in South Korea's market. Similarly, India's competition with Australia in South Korea's market has been moderate but rising during 2010-2014. In Japan's market, the level of export similarity between India and Australia has been stable with slight fluctuation between 2010 and 2014, whereas India's competition was moderate and rising during 2010-2014.

Table 2: India's Trade Similarity and Competition with Australia

India's FKI with South Korea							**India's RECPI with South Korea**					
Competitor	2010	2011	2012	2013	2014		Competitor	2010	2011	2012	2013	2014
Australia	0.07	0.07	0.09	0.09	0.09		Australia	0.50	0.92	3.15	1.51	2.78
India's FKI with Japan							**India's RECPI with Japan**					
Competitor	2010	2011	2012	2013	2014		Competitor	2010	2011	2012	2013	2014
Australia	0.07	0.05	0.05	0.05	0.06		Australia	1.35	2.24	2.93	2.67	2.78

Source: CUTS calculation using data from UN Comtrade via WITS 6-Digit and TradeSift software

India's trade similarity as well as competition with China has shown an increasing trend in the both markets of Japan and South Korea (Table 3).[3]

Table 3: India's Trade Similarity and Competition with China

India's FKI with South Korea							**India's RECPI with South Korea**					
Competitor	2010	2011	2012	2013	2014		Competitor	2010	2011	2012	2013	2014
China	0.09	0.11	0.11	0.12	NA		China	0.08	0.49	0.27	0.43	NA
India's FKI with Japan's							**India's RECPI with Japan's**					
Competitor	2010	2011	2012	2013	2014		Competitor	2010	2011	2012	2013	2014
China	0.11	0.12	0.12	0.13	NA		China	0.15	0.24	0.29	0.30	0.60

Source: CUTS calculation using data from UN Comtrade via WITS 6-Digit and TradeSift software

The general increase in export similarity and competition with Australia and China in markets with which India has an FTA demonstrates that, in addition to a number of other

also to the extent to which country Z's export is in direct competition with country X's export. A low RECPI explains less competition between the competitors.

[3] Note: most data for India's trade compared with China in 2014 was not available

factors including India's lacklustre share in trade, despite having comprehensive trade agreements with Japan and South Korea, India may be expected to continue to face various degrees of trade challenges in the RCEP market.

Overall, India's coverage in existing FTAs on many trade issues has been found to be low (Table 4). India's tariff reduction and elimination with its FTA partners were negotiated at a gradual rate. Tariff elimination with the ASEAN group was 80 per cent of tariff lines. Singapore provided 100 per cent reduction while 93 per cent of India's imports from Singapore are under reduced tariffs through various schemes.[4] Both CEPAs with Japan and South Korea included tariff liberalisation or reduction plans for manufacturing and agriculture products under different categories of instalments with tariff reduction eventually leading to zero.[5]

A negative list approach was agreed upon in FTAs with ASEAN, Japan, and South Korea where an entire area of trade is open to tariff cuts and only a few products or sectors would be left out. The list included similar items amongst those specific FTAs: vegetables; dairy products; fruit/nuts; spices; cereals/grains; vegetable oils; fish/fisheries; processed agricultural products (sugar, juice, liquor); textile; automotive components; petroleum products; and organic chemicals.

A sector of particular interest to India, as well as other developing countries needing low-cost medicine, is the pharmaceutical sector. For this reason, India has included specific provisions regulating pharmaceutical products in its FTA, particularly provisions dealing with non-tariff barriers (NTBs). For instance, in the India-Japan CEPA, India negotiated exchange of information on regulatory measures to promote cooperation between parties and the equal treatment of applications by Indian exporters for registration of medicines.

Due to low Most Favoured Nation (MFN) tariff levels and India typically facilitating greater imports than exports, tariff preferences provided under its FTAs have not benefited India significantly. Indeed, India may experience trade deficits in the initial years following the RCEP coming into effect if domestic measures are not taken to address this issue.

Services have become a vital source for driving India's economic growth, contributing to almost 60 per cent of its national income. Between 2006 and 2013, India's share in global trade in services has increased from 2.28 per cent to 3.09 per cent. During the same period, India's export of services grew remarkably and in 2012 the WTO ranked the country 7th largest in trade in services.

India's main interests in services based on existing FTA records include supply of skilled and semi-skilled labour in sectors such as tourism, healthcare, tertiary education, transport,

[4] Margin of preference, phased duty reduction, phased duty elimination, and early harvest programme
[5] Free Trade Agreements: Frequently Asked Questions (2014). Department of Commerce, Government of India

communication, and in providing cross-border services in a range of other sectors, particularly in computer-related services and information technology (IT)-enabled services.

Nevertheless, India's FTAs have not contributed much to this growth and is mainly because of low coverage of services in such agreements, although India's agreement with Singapore has shown promise in the banking sector, telecommunications, and tourism services.

India has successfully negotiated opening the movement of natural persons in existing FTAs with Malaysia, Japan, Korea, and ASEAN, strength for India particularly in the IT sector, using Mutual Recognition Agreements (MRAs) in sectors like electrical products, telecommunications terminal equipment, and radio equipment. However, these provisions have not operationalised as well as expected. For instance, with both Japan and South Korea, the honouring of educational and professional qualifications has been lacking.

Moreover, with regard to both negotiations on trade in goods and trade in services, India lost some bargaining flexibility and influence for a stronger services pact when negotiating the India-ASEAN FTA, where discussions on trade in goods were held before services.

Preferential RoO, which determine the criteria needed for goods to receive tariff preference, has been successfully negotiated by India in its existing FTAs. They provide complimentary examples for a framework of agreeable RoO. They are generally based on two basic criteria that allow an item to receive tariff preference:

- goods must undergo a change in tariff heading (CTH); and
- the value added content by the originating party should not be less than a certain percentage of the Free on Board (FOB).

In fact, India's FTAs with ASEAN, Malaysia, Japan, and South Korea require a dual RoO criterion of both value-added content and CTH. A substantial manufacturing or processing criteria was also included in the FTA with ASEAN. Another common aspect of India's RoO, including Malaysia, Japan, and South Korea, is regional cumulation, where preference is given to a good from an FTA party that incorporates originating material from another party.

FTA partners such as Japan and Malaysia have incorporated product specific rules for so-called sensitive items that would require alternative RoO criteria. Singapore also requires 40 per cent value content. India, however, has been less ambitious in its FTA negotiations in this regard.

India has taken a conservative approach to RoO. Therefore, it is believed that RoO could be one of the factors for the low utilisation rate of its FTAs. India applies 35 per cent value addition criteria with many of its RTA partners except Chile and MERCOSUR on products produced with imported inputs. In the case of Chile, it applies 40 per cent value addition criteria for products produced using imported inputs, and 60 per cent (under cumulative origin rule unless otherwise provided for) value addition criteria for MERCOSUR.

Table 4: Subject Coverage in Selected Existing FTAs and Negotiating FTAs of India

FTAs/Coverage	Agriculture	Industrial Goods	Services	Investment	Government Procurement	Trade Facilitation	Competition, IPR and Other Issues	Remarks
Agreements in Effect								
India- Sri Lanka FTA	Moderate	Substantial	Not Covered	Not Covered	Not Covered	Substantial	Not Covered	A CEPA including services and investment is under negotiation
SAFTA	Moderate	Substantial	Not Covered	Not Covered	Not Covered	Substantial	Not Covered	The revised sensitive list of Phase-II of SAFTA- Afghanistan (850); Bangladesh (987 for least developed countries, 993 for developing countries); Bhutan (150); India (25 for LDCs, 695 for DCs); Maldives (152); Nepal (998 for LDCs, 1036 for DCs; Pakistan (936); Sri Lanka (845 for LDCs, 906 for DCs)
India-Thailand FTA - Early Harvest Scheme	Moderate	Not Covered	Not Covered	Not Covered	Not Covered	Substantial	Not Covered	Elimination of agricultural tariffs on a fast track basis for 82 items of export interest to India. Thus, out of 811 tariff lines in agriculture, only 82 tariff lines are considered under this Early Harvest Scheme
India-Singapore CECA	Low	Substantial	covered	Covered	Not Covered	Not covered	Covered	Tariffs on approximately 75 per cent of Singapore's domestic exports will be eliminated or substantially reduced within five years
India-ASEAN Trade in Goods	Low	Substantial	Not covered	Not covered	Not covered	Substantial	Not covered	Both parties have agreed to allow between 7 to 9 per cent of tariff lines or

FTAs/Coverage	Agriculture	Industrial Goods	Services	Investment	Government Procurement	Trade Facilitation	Competition, IPR and Other Issues	Remarks
Agreement								products to be excluded from tariff reduction commitments
India-South Korea CEPA	Low	Substantial	Substantial	Substantial	Not covered	Substantial	Covered	Tariffs will be reduced or eliminated on 93 per cent of Korea's tariff lines and 85 per cent of India's tariff lines
India-Japan CEPA	Low	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial	About 94 per cent of tariff lines will be eliminated within 10 years (about 97 per cent by Japan and about 90 per cent by India)
India-Malaysia CECA	Low	Substantial	Substantial	Substantial	Not covered	Substantial	Covered	Trade in goods package takes the tariff liberalisation agenda beyond the India-ASEAN FTA commitments.
India-ASEAN CECA	Moderate	Substantial	Substantial	Substantial	Substantial	Substantial	Covered	Main areas of differences revolved around sensitive agricultural products, mainly in the plantation sector
India-MERCOSUR PTA	Moderate	Substantial	Not Covered	Not Covered	Not Covered	Substantial	Not Covered	Agreed to provide tariff concessions ranging from 10 per cent to 100 per cent to each other on 450 and 452 tariff lines respectively
India-Chile PTA	Moderate	Substantial	Not Covered	Not Covered	Not Covered	Substantial	Not Covered	India offered fixed tariff preferences ranging from 10 per cent to 50 per cent on 178 tariff lines; Chile's offer is on 296 tariff lines with margin of preferences ranging from 10 per cent to

FTAs/Coverage	Agriculture	Industrial Goods	Services	Investment	Government Procurement	Trade Facilitation	Competition, IPR and Other Issues	Remarks
								100 per cent
Agreements Under Negotiation								
India-EU BTIA	Low	Substantial	Substantial	Substantial	Substantial	Substantial	IPR Covered	India and the EU have agreed to eliminate tariffs in over 90 per cent of all tradable goods during a 10-year period. EU's demand on wines and spirits, dairy products and automobiles remain unsolved
India-EFTA BTIA	Moderate	Substantial	Substantial	Substantial	Substantial	Substantial	Covered	Negotiation is expected to be concluded in 2013
India-SACU PTA	Moderate	Substantial	Not Covered	Not Covered	Not Covered	Substantial	Not Covered	SACU's applied simple average tariff on Indian imports are textiles and clothing (31.1 per cent), footwear (27.5 per cent), live animals and animal products (24.7 per cent), raw hides (23.8 per cent) and precious stones and metals (20 per cent).
India-Canada CEPA	Low	Substantial	Substantial	Substantial	Substantial	Substantial	Covered	More than 70 per cent of total Indian merchandise exports to Canada will be covered
India-Australia CECA	Moderate	Substantial	Substantial	Substantial	Substantial	Substantial	Covered	Expected to broaden the base of goods and services trade, harmonise NTBs and facilitate two-way investment

Source: CUTS analysis based data from Department of Commerce, Government of India: www.commerce.nic.in

India’s FTAs and Implications for RCEP Negotiations

The recent reviews of India’s FTAs suggest nominal benefits for India, particularly due to low utilisation rates.[6] Factors illustrated above from stagnant shares in trade and increasing competition in Asian markets also demonstrate India’s difficulty in benefiting from its FTAs. Although, recent rises in intermediate and capital goods exports may be attributable to India’s greater participation in value chains and the FTAs that help to promote them.

Certain disappointments may be partially due to the modalities agreed to in the FTAs. For instance, the India-ASEAN FTA created a single MFN status for the whole of ASEAN, rather than single country offers. That reduced India’s bargaining position to gain the most from trade with each country. Additionally, visas for Indian service professionals have not manifested as much as expected between Japan or South Korea. These examples, amongst others, can provide valuable insight into the potential implications of India’s experience with its existing FTAs on the RCEP negotiations.

The RCEP is a trade agreement among 16 countries in Asia-Pacific, specifically the 10 ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and Australia, China, India, Japan, South Korea, and New Zealand. These latter six countries also have existing FTAs with ASEAN. The RCEP is envisioned to make improvements on and go beyond the existing ASEAN+1 FTAs.

The trade group constitutes about a third of the world’s trade with a total population of 3 billion and a gross domestic product (GDP) of about US$20tn. Once established, it will be the largest trading bloc in the world in terms of population. The fundamentals of the negotiating agenda cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition policy and dispute settlement.

Importantly, the partnership also intends to facilitate engagement in global and regional supply chains. The RCEP can provide benefits like larger market access for Indian services and linkage effects of regional and global value chains, particularly in the services sector. Additionally, the framework of RCEP supports equitable economic development, which can be a basis for mutually beneficial agreements on various trade issues given the diverse levels of development and needs of the member countries.

India has indicated its interest in increasing trade in services, removing non-tariff barriers, such as technical barriers to trade and sanitary and phyto-sanitary measures, as well as trade in goods, such as pharmaceuticals and textiles and attracting investment inflow and outflows.[7]

A defining interest in the RCEP negotiations, not just for India but for many other parties, is the deepening integration of Asian economies and markets, creating a stronger regional

[6] The Asian Development Bank estimates India’s FTA utilisation rate between 5 per cent and 25 per cent.
[7] Mishra, Asit Ranjan, ‘RCEP pact: India set to host regional trade deal talks in Dec’, *Live Mint*, 10 June 2014, available at: http://www.livemint.com/Politics/J7A0wDvSqj4v3UYyGxI0II/RCEP-pact-India-set-to-host-regional-trade-deal-talks-in-De.html.

neighbourhood. As noted at the 26th ASEAN plenary session, ASEAN is strategising to strengthen economic cooperation.[8]

Indian trade agreements, such as those with ASEAN, Japan, and South Korea, have created the framework for a larger regional pact, including setting precedence in trade in services, investment, and RoO criteria. The knowledge India gained from concluding those agreements provides the country a level of diplomatic capacity to negotiate what is needed for its economic and development objectives as well as identify opportunities to find common ground with its regional trading partners to ensure a strong and lasting accord.

After embarking on negotiations in 2012-13, the group of 16 RCEP countries have met nine official times in addition to intra-ministerial meetings, most recently in August 2015 in Kuala Lumpur, moving towards an anticipated conclusion by the end of 2015. While a number of working groups have been assigned to specific trade issues, the most prominent modalities addressed in the rounds thus far have included tariff reduction rates, trade in goods and services, and specific product exclusions.

Due to the diverse membership of RCEP in terms of level of development and comparative advantages, India has indicated that it wants different tariff reduction rates for various RCEP parties. Based on India's previous FTA tariff reduction schemes detailed above, Indian negotiators are accustomed to requesting different reduction rates with countries of various development levels. Additionally, the data shown in Tables 2 and 3 above generally illustrate that if India were to treat different sets of member countries individually, the competition threat level would be moderate. However, if the majority or all member countries were provided the same reduction in tariff lines, the threat might be higher.

At the meeting in Kuala Lumpur, RCEP members agreed to an initial offer of tariff line reduction based on a three-tiered approach, separating those countries India has an FTA with as well as giving a different rate to ASEAN.[9] India would provide a higher level of duty free access of tariff lines at 80 per cent to ASEAN countries, with an initial reduction of 65 per cent and the remaining over a 10 year period. A reduction of 65 per cent will be given to those countries it has an FTA, meaning Japan and South Korea, and India will receive 80 per cent reduction. While the rest of the RCEP membership India does not currently have an FTA, including advanced economies of Australia and New Zealand as well as the emerging economy of China, will receive a reduction of 42.5 per cent of tariff lines from India. Australia will reciprocate with 80 per cent, New Zealand 65 per cent, and China will also offer 42.5 per cent tariff liberalisation to India.

[8] Wai, Albert, 'PM Lee outlines three priorities for ASEAN', *Today Online*, April 27, 2015, available at: http://www.todayonline.com/world/asia/pm-lee-outlines-three-priorities-asean

[9] Mishra, Asit Ranjan, 'RCEP seals modalities for tariff liberalization', *Live Mint*, 28 August 2015, available at: http://www.livemint.com/Politics/zEGcn4zd4F8R5tpCy5rMBK/RCEP-seals-modalities-for-tariff-liberalization.html. Basu, Nayanima, 'Govt readies 3-tier offer for RCEP', *Business Standard*, 29 July 2015, available at: http://www.business-standard.com/article/economy-policy/govt-readies-3-tier-offer-for-rcep-115072901317_1.html.

Importantly, China has thus far agreed to this approach, which is critical as there was particular concern of China dominating the RCEP region if all opened tariff lines were lowered to the same rate.

Notably, India already imports a substantial amount of steel from China. The Indian steel industry wants to keep the commodity out of the RCEP list of goods for tariff cuts. From India's previous challenges in its trade agreements with Japan and South Korea,[10] it will have to take this pressure into account if other parties also wish to include reducing duties on steel products.

Based on the FKI and RECPI indexes in Table 2 and 3 above, India will need a deep and focused review on which specific industries, products, and indeed services it should take an aggressive approach toward and which require product specific rules for support. When the trade similarity index is low and the RECPI index is high, as shown in the data above, it essentially demonstrates that competition is taking place in a limited number of product lines. Thus, in these cases India will need to identify those specific product lines facing greater competition to focus its review. This kind of review should be a means to increase India's share in trade in RCEP countries and assist in growing its comparative advantage in these markets.

All concerned actors, both domestic and regional, will require consensus-building for a strong trade agreement. Private industries are already facing difficulties comprehending and utilising existing FTAs, which could have implications for India's negotiation in RCEP – as yet another trade agreement for industries to comprehend. As the RCEP has yet to garner much domestic support at the moment, India can take a positive step to build such support with its wide constituency, from industry leaders, farmers, unions, and the general consumer population. This can ensure a positive response to the new open markets created through the trade deal.

The reduction of non-tariff barriers in RCEP could benefit from the experience of a key interest for India, namely pharmaceuticals. Including commitments of non-discriminatory treatment and easy exchange of information, as it did with Japan, can work in India's favour. Services sectors vital for India will benefit best with the elimination of NTBs, except for special treatment for least developed countries. The government's 'Make in India' initiative may also benefit from easier flow of investment into the country through these measures.[11]

India has requested a positive list approach, where parties identify only certain products or sectors targeted for tariff cuts. However, Japan and South Korea, similar to their bilateral trade agreements with India, want a negative list that instead opens all tariff product lines to duty cuts except for a select number of items.

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[10] The share of Japanese and South Korean steel imports into India has jumped from 24 per cent before their CEPA to 53 percent by 2013-14

[11] In addition to raising the investment cap in areas such as insurance, transfer of technology will also be vital for the 'Make in India' initiative

Its FTA experience with noteworthy advanced economies, including ASEAN members, Japan, and South Korea, shows an encouraging practice of including a negative list for goods. Thus, there is precedence from a large portion of the RCEP membership to compromise and agree to a negative list of goods and possibly services. This needs to be prepared taking many trade indicators into account, such as revealed comparative advantage and unit cost of exported goods. Accordingly, India should look to improve its comparative advantages for other lines of tariff reduction products at least at 6-digit HS level. A balance will be required by Indian negotiators between opening its markets and supporting select domestic industries that are in line with its economic and development objectives.

As noted above, while India has negotiated trade in services in many of its FTAs, its coverage and operationalisation has been low. Negotiators may take this as an indicator to more aggressively negotiate for greater access in trade in services, especially those sectors where India has a comparative advantage. For example, India can maximise its profile with RCEP partners in tourism services as well as business and social relations, including professional and educational exchanges. Linking India's high-quality services and IT sectors with manufacturing and commodity processing can also be beneficial in diversifying India's trade profile and integrating its economy into value chains.

India's experience should also make negotiators aware that MRAs must not only be included but enforced effectively. This will provide speedy visas to Indian professionals seeking to work in other RCEP countries. Where domestic pushback is involved, such as the case of Japan and India's medical degrees,[12] a compromise must be found while remaining focussed on the goal of greater regional integration. MRAs can be useful, however, strong monitoring and implementation will be required for India to benefit, as its experience with Japan and South Korea has demonstrated.

Another pressure on India involves both trade in goods and services. It stems from the RCEP negotiating parties agreeing on modalities for trade in goods before an agreement on services. With this sequence, India may lose the bargaining advantage to gain concessions on services, where India has considerable advantages. The experience of negotiating with ASEAN should provide emphasis for Indian negotiators to guide the RCEP talks based on a single-undertaking approach in order to gain the best possible position, particularly for its services sectors.

Importantly for India's interest in both playing a role in the RCEP negotiations and integrating further into regional and global value chains, a balance of facilitating trade through RoO and development-oriented product specific rules may be necessary. India is the only member to require dual RoO criteria in the group of ASEAN+1 FTAs, while the others provide an option of criteria.[13] The goal of greater market access, especially through value chains, may require India to compromise with the majority of existing RCEP membership's experience with RoO.

[12] Currently, a MRA in the pharmaceutical sector, including nurse and doctor degrees, is not concluded

[13] ASEAN FTAs with Australia, Japan, and South Korea provide an option for value content or CTH. ASEAN-China FTA has two options for different value content addition

However, on a case-by-case basis India should also offer product specific rules that will ensure its domestic producers can maintain their competitive advantage while taking into account liberalising trade criteria on materials that can actually support domestic industry and eventually tie into India's export of intermediate and finished goods. Certain considerations can be made for low-quality products from certain RCEP countries which India may want to impose specific product criteria. Such specific rules should prudently leverage support to India's manufacturing policy, such as 'Make in India', by facilitating quality material for domestic producers as well as provide space for industry to continue contributing to the economy in commodities where India holds an advantage.

India has successfully negotiated with ASEAN, Japan, and South Korea on RoO criteria in agriculture and processed goods, where it has proven advantages in value chains. Other areas where, based on its advantage in supply chains in the RCEP region, India can negotiate greater integration through RoO, as well as tariff cuts, include mining exports, metals, and refining capacity, food products, and finished textile and leather.[14] This demonstrates the potential for a similar agreement on RoO that can strengthen and streamline trade integration in the Asia-Pacific, especially for regional and global value chains; as is one of the stated goals in the RCEP framework.

There are also issues related to certification origins. India should pay attention to self-declaration of origin certificate. India has trade negotiation experience with certification of origin. However, self-declaration of origin is a relatively new trade facilitation issue for India and thus will require greater care. Regardless of the technical criteria set in RCEP, a key focus for India should be that the RoO warrants an efficient and less-costly certification process.

Conclusion and Recommendations

The RCEP, along with other mega RTAs – the TPP and TTIP, are expected to alter the framework and standards for trade relations among nations. It is vital for negotiating members, especially India with its ambitious development needs, to be prepared for eventualities during the negotiations of RTAs. India's experience with bilateral and comprehensive trade agreements can be a useful indicator for negotiators pushing to gain the greatest benefit while deepening regional integration and partnership. The experience in trade diplomacy will be crucial for India's active role as the RCEP negotiations progress.

India's existing record with FTAs has thus far not garnered the anticipated benefits. The flexibility allotted in RCEP may provide India with an opportunity to benefit more than it has in previous FTAs through focussed modalities between each of the 15 other negotiating countries. This would be based on their individual trade capacity and what India could gain.

[14] India has shown to take advantage in 'primary' agricultural products. Palit, Amitendu. 'Regional Value Chains in Asia: Examining India's Presence and Possibilities in RCEP', Centre for WTO Studies, Working Paper CWS/WP/200/20, November 2014, available at: http://wtocentre.iift.ac.in/workingpaper/Final%20version%20-%20RCEP%20India%20Value%20Chain.pdf

Despite previous shortfalls, India can continue to negotiate based on a balanced interest of greater market access with integrated value chains and providing space for its domestic industries to develop and compete. However, Indian negotiators as well as implementers must take into account past experiences and ensure that India retains the full benefits of what was agreed to in the trade deal, which includes complete implementation of modalities with support from capacity building and knowledge-sharing initiatives.

However, as India must take care of its continued development needs, specific products and sectors, such as steel, should be identified for lesser tariff reduction and product specific RoO while others items, such as pharmaceuticals, can be more liberally reduced. Support for specific sectors was successful in previous FTAs and should provide justification in RCEP negotiations.

The RCEP can be an opportunity to open dialogue on trade with domestic exporters and importers. If domestic partners are already included in the discussion on RCEP negotiations they may be more inclined to provide support to the same. Service associations, unions, and other stakeholders likely to be impacted by RCEP should be consulted, for example concerning MRAs for service providers and other professionals. This may also make it easier for all those involved to utilise the advantages built into the agreement; thus facilitating the economic growth India is seeking from regional trade integration.

An option to assist India with the outcome of RCEP is to include a robust review mechanism in the agreement as a mitigating tool. Reviews between all 16 members or bilateral appraisals on specific modalities can be conducted annually or biannually after signing of the agreement. Recently, India and South Korea have sought a review of their CEPA to upgrade the deal to include additional products, such as machinery and steel, and India and Malaysia are re-addressing RoO issues in trade in steel.[15] This practice of review could be formalised in the RCEP. Any tariff changes could be capped at MFN levels. Based on these reviews, measures can be taken to alter or strength implementation wherever necessary. Additionally, appointing a joint task force, as has been done for past FTAs, could be a helpful tool for India to prioritise and optimally employ its negotiating capital in the trade discussions and potentially during implementation.

Finally, the RCEP's guiding principles recognise the diverse circumstances of the negotiating parties. These principles provide flexibility for member's obligations. As mentioned above, India has many free trade agreements with various RCEP countries, negotiated with both developing and advanced economies, and is aware of their differing development levels that entail various advantages and considerations.

Concomitantly, many of the RCEP countries are party to other mega RTAs, such as TPP members Australia, Japan, Singapore, and New Zealand. There are concerns that the expected higher standards produced in the TPP may impact RCEP negotiations if these members also

[15] 'South Korea seeks expansion of free trade pact with India', *The Economic Times*, 23 April 2015. Mazumdar, Rakhi, 'India to resolve stainless steel import dispute with Malaysia', *The Economic Times*, 17 July 2015

push for TPP-level standards in RCEP. The RCEP can be an opportunity for India to play an active role in setting trade rules that will both be beneficial in the short-term with regard to market access and regional integration as well as to start upgrading its own trade standards to prepare for the eventuality of higher mega RTA-influenced standards placed at the regional and multilateral level.

Furthermore, in addition to the RCEP route, India has an opportunity through its current bilateral FTA talks with Australia and New Zealand to mediate any potential immediate pressure from TPP parties, especially in areas like non-tariff barriers, services, and investment.

In the case of Australia, India should negotiate positively on short-term skills development certificate programmes which it provides to the migrant unskilled workers. India's demographic weight may be an advantage for negotiators to bargain more in this regard. In addition, regulatory reforms and harmonisation are needed in Mode 3 categories of services where competitive as well as comparative advantages can be developed in the international market for India.

Still to be addressed in detail are other critical non-tariff based trade issues, including IPRs, e-commerce, trade remedies, and standards and regulations. These matters may require considerations for domestic reform. At present, Indian negotiators can use their acquired knowledge and experience from existing FTAs to negotiate attainable goals on trade in goods, services, and RoO that will be best for India's economic and development objectives along with greater regional integration.