India’s decision on opting out of the Regional Comprehensive Economic Partnership (RCEP) Agreement in the 3rd RCEP summit held in Bangkok, Thailand on 4th November has caught the attention of the globe. With a total population of about 3.5bn, and total GDP of more than US$21tn, the trading bloc accounts for more than 30 percent of the global trade. India decided not to join RCEP because the agreement did not address its concerns in a satisfactory manner. Some of its outstanding issues include but not limited to: inadequate protection against import surges; huge bilateral trade deficits; and exclusion of service agenda. Further, discouraging experience with Free Trade Agreements (FTAs) with RCEP nations in the past; and domestic capacity and competitiveness related constraints forced India to take a step back.

While opinions in favour of India’s protectionist policies have emerged, it is also being criticised with the prospect of hurting consumers and industry over the long run. Backing out from RCEP will cause significant geopolitical ramifications. Not joining RCEP will likely result in missing out on an opportunity of integrating with the regional and global value chains. Moreover, concerns regarding widening trade deficit appear overblown in light of evidence that growth in imports being a factor of growth in import of intermediate products, thereby aiding domestic industries in enhancing exports.

Theoretically, the US-China trade war has opened up export opportunities for India through trade diversion. Stepping back from RCEP will further isolate Indian businesses from the opportunity of being a part of the global value chain. However, arguments also exist that by not joining RCEP, India has refused to bail-out the already stressed Chinese economy.

China realises the significance of trade and investment liberalisation and waits for RCEP to come into force. Although, China poses a threat to India’s domestic market, some have anticipated that delay in signing the agreement is just another negotiating ploy by India to bargain favourable terms. The Association of Southeast Asian Nations (ASEAN) members are well aware of the imperatives driving India’s policies and countries like Singapore, Australia, and Japan in particular have expressed their hope by waiting for India to join RCEP in the near future.
RCEP nations still wait for India to change its decision till the signing of mega Asia Pacific trade pact in 2020. India has the room to re-join at a later stage provided majority of its concerns are addressed satisfactorily. Although, India has not discussed re-joining RCEP out loud, many within India and other countries have speculated that India and other RCEP members are expected to work on resolving its outstanding issues. For instance, Japan has indicated that it is keen to get India on board otherwise it may also not join.

The current News Wrap has reviewed various articles in print and electronic media and has complied important events and discussions of RCEP in India’s context. This has been categorised into three sections below: Arguments against India’s Opt Out, Views of Member Nations, are they willing to wait?, and India’s Concerns Related to RCEP.

### 1. Arguments Against India’s Opt Out

#### 1.1 Regional Comprehensive Economic Partnership (RCEP)

*FISME*

*September 6, 2018*

The Federation of Indian Micro and Small & Medium Enterprises (FISME) made a written and a couple of oral submissions before the CIM. The oral representation- made during consultative discussion held by the Commerce & Industry Minister, Piyush Goyal just before the last RCEP meeting where they discussed the possible measures to maximise benefits to India from RCEP.

The suggestions included front loading of raw materials such as Steel, Copper, Aluminium etc. to avoid reverse tariff escalation/inverted tariff on number of user industries chiefly MSMEs. Further, need of caution in trade negotiations that is, balance of trade between any two countries should not prove to be exploitative against the weaker country. Another suggestion was to incentivise large size trading houses to give a push to exports from MSMEs and developing a pro-active strategy to safeguard interests of MSMEs.

#### 1.2 Tariff liberalisation in the RCEP trade agreement and impact on India’s automobile industry: An applied general equilibrium analysis

*By Badri Narayanan et al*

*Econstor, ARTNeT*

*April 2019*

Preferential market access in RCEP members would be providing opportunity for Indian exporters to plug into trade in GVC goods within Asia, and globally. This can potentially reverse job losses that may result from cheaper foreign imports in competing industries.

#### 1.3 The RCEP as a trade opportunity rather than threat

*By Pradeep S. Mehta*

*Livemint*

*October 22, 2019*

India has not been able to fully exploit the potential of GVCs in the past, owing to our extremely cautious approach towards foreign goods and services, and our apparent inability to implement difficult domestic reforms. We have now been presented with an opportunity in the form of the RCEP, which includes the most dynamic economies of the Asia-Pacific region, to correct course and truly partake in the GVC
**1.4** Not being part of RCEP will harm India’s exports and investment flow: CII
*Business Today*
November 3, 2019

According to CII, not being part of the RCEP would also hinder India’s efforts to increase its integration into regional and global chains, as preferential and comprehensive agreements facilitate investments and foster the growth of value chains.

**1.5** India makes historic blunder in abandoning RCEP trade deal
*By James Crabtree*
*NIKKEI Asian Review*
November 5, 2019

The result will frustrate RCEP’s remaining members -- the ten nations of ASEAN, alongside Australia, Japan, New Zealand and, most significantly, China -- all of whom hoped India would join. But the real loser will be India itself. Modi’s government now sits outside both of the trading blocs that will define Asia's future: RCEP and the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Modi’s decision makes China the overwhelmingly dominant voice in a new deal, which, with India included, covered around a third of global gross domestic product. More to the point, it sends alarming signals about India’s commitment to both trade and domestic economic reform more broadly.

**1.6** Are concerns over Chinese imports misplaced?
*By Nikita Kwatra*
*Livemint*
November 6, 2019

Based on an analysis of comparing trade data from 26 industries with manufacturing output data, the authors claim that imports from China have had a favourable impact on industry output and production efficiency in India. They show that between 2007-08 and 2015-16, growth in imports from China was associated with growth in gross value added (GVA) and output in Indian industries.

**1.7** India should now get its trade negotiation act together
*By Vivan Sharan*
*Livemint*
November 6, 2019

By leaving the RCEP, India has lost some of the goodwill it requires to mobilize forces effectively at the WTO, especially among its regional Asian allies. India’s inability to champion development is a relatively recent phenomenon in global trade. For several decades, leading up to the Marrakesh Agreement that established the WTO, the country was at the helm of the Group of 77 developing nations. Today, it is scarcely able to engender a consensus even on softer issues like cross-border e-commerce, whereas dozens of developing countries have found common cause with related proposals of developed countries.

**1.8** Why India Shouldn’t View its Refusal to Join RCEP as a Victory
*By Pradeep S Mehta and Amol Kulkarni*
*The Wire*
November 6, 2019

India has opted for a status quo by refusing to join the RCEP. While the fears of cheap import surges hurting our dairy and agriculture sectors have been abated for the time being, the decision does nothing to enhance the competitiveness of our domestic industries or to make them ready for global competition.

**1.9** Explained: Why RCEP mattered for India
*The Indian Express*

Some trade experts had been of the view that ignoring the RCEP would be a big mistake by India. That’s because of the fragmented nature of global trade which is best captured in...
the phrase “Global Value Chain”. India’s integration with GVCs is among the lowest in G20 countries. Compared with the ASEAN group of countries, India’s GVC integration is not just far lower but it has also experienced a decline in both its backward (that is, import content of exports) and forward (domestic value added embodied in other country exports as a share of gross exports) GVC linkages.

1.10 Rejecting RCEP: India’s Great Geoeconomic Misstep
By Abhijnan Rej
The Diplomat
November 7, 2019
This stands to become especially grating for ASEAN, which sees India as doing too little, if ever. Compound this with India’s middling position on regional disputes, its crippled delivery capacity when it comes to completing committed projects (such as India-Myanmar-Thailand trilateral connectivity), and very public dissatisfaction with the existing ASEAN-India Free Trade Agreement and suddenly the prospects of Modi’s Act East Policy look bleak. Meanwhile, security partners like Australia and Japan will be left wondering about India’s long-term commitment for developing networked across-the-board relations in the region that could help modulate Chinese behavior.

1.11 Protectionism should worry India
By Nikita Kwatra
livemint
November 12, 2019
India’s last-minute withdrawal from signing the RCEP treaty has reignited the debate on the trade policy and protectionism in Asia’s third largest economy. How far RCEP would benefit or harm the country remains a matter of debate. But what is beyond debate is India’s rising protectionism, which can end up hurting both consumers and industry over the long run.

Data from the Global Trade Alert database shows that over the past three years, among the largest economies comprising the G-20 group, India is only second behind Donald Trump-led US in imposing restrictions on trade.

1.12 How India loses by not joining RCEP
By Paran Balakrishnan
Business Line
How far have we progressed in the last 20 years or so? Now that we’ve decided not to join RCEP it seems like the right time to ask that question. The answer is bluntly: not very far. To be sure the software industry has established itself as a global force and turned Bengaluru into a world-famous hi-tech city. Then there are the Indian pharmaceutical giants that are global players in drug stores from Moscow to Minneapolis even if they haven’t come up with any original disease-busting compounds. There are a handful of other industries but not enough.

1.13 India should shed its myopic approach to trade deficit and free-trade deals
By Pradeep S Mehta and Amol Kulkarni
South Asia Monitor
November 14, 2019
Fears of a large and widening trade deficit were core to India’s decision. Such fears, though not unfounded, are clearly exacerbated as a result of intellectual myopia. The inability to distinguish bad from good trade deficit is the root cause. The import of low cost or high-quality products is not necessarily bad for the economy as may enhance consumption, boost exports and enhance competitiveness.
| 1.14 | Why India needs to rethink its decision to opt out of RCEP  
*By Devashish Mitra*  
*The Economic Times*  
*November 15, 2019* | India already has bilateral trade agreements with Japan, Malaysia, Singapore, Thailand and South Korea, as well as an FTA with Asean. Thus, Malaysia, Singapore and Thailand have trade agreements with India individually as well as through Asean. Clearly, then nothing would have changed between India and 12 of the RCEP member countries after India’s inclusion in RCEP. |
| 1.15 | Domestic Politics Force India’s Withdrawal from RCEP and Broader Trade Disengagement  
*By Amitendu Palit*  
*East-West Center*  
*November 26, 2019* | Is there a possibility of India returning to RCEP? Theoretically, yes. India and other RCEP members are expected to work on resolving outstanding issues. These include India’s demands for revising the base year for slashing tariffs to 2019 from 2014 and installing an automatic safeguard mechanism for arresting sudden surge in imports. Accommodating these demands would mean introducing significant changes in the already agreed content of RCEP. It would also mean granting exceptional ‘special and differential’ flexibilities to India - a notion inconsistent with its large economic size and geo-strategic aspirations. |
| 1.16 | Arvind Panagariya: RCEP in our interest, no MNC will come if we sit outside  
*The Indian Express*  
*November 27, 2019* | Underlining that the Regional Comprehensive Economic Partnership (RCEP) was in India’s interest, former NITI Aayog vice chairman Arvind Panagariya has said that if RCEP is signed by other 15 countries and “we are sitting outside” no multinational will want to come here. |
| 1.17 | India should join RCEP and not obsess over trade gaps  
*By Pradeep S. Mehta*  
*Livemint*  
*November 27, 2019* | Our obsession with trade deficits is being reviewed at a bilateral/regional level without the realisation that a deficit with a country/region may be offset by a surplus with another. An uninformed backlash has prevented us from joining RCEP. A key reason for widening of India’s trade deficit has been higher commodity prices as against higher import volumes. |
| 1.18 | Out of RCEP: Need for Synergising the Domestic and the International  
*By Prerana Priyadarshi*  
*Institution of peace and conflict studies*  
*November 30, 2019* | India’s export story itself is not encouraging, and as economist Surjit Bhalla pointed out, “90 per cent of our bad export story is domestic challenges, 10 per cent external environment.” India’s export sector has always been fraught with problems of cost disadvantage due to logistics, labour, and inverted duties structure, and substandard quality of products. |
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<th>2. Views of Member Nations, are they Willing to Wait?</th>
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<td>2.1 Australia to join major Asia-Pacific trade deal RCEP but India holds out</td>
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<td>The Guardian</td>
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<td>2.2 India open to joining RCEP trade deal if all demands met, says Piyush Goyal</td>
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<td>By Asit Ranjan Mishra</td>
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<td>2.3 China, Asia Pacific countries on track for RCEP</td>
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<td>By Wang Cong</td>
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<td>2.4 RCEP: 15-1 EQUALS WHAT?</td>
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<td>Asian Trade Centre</td>
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<td>2.5 Will resolve India’s RCEP issues, hope it joins early, says China</td>
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<td>Indian Express</td>
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| 2.6 | What Brexit supporters can learn from India pulling out of the Regional Comprehensive Economic Partnership  
*By David Dodwell*  
*South China Morning Post*  
November 8, 2019 | Already, some participants are celebrating. They argue that India’s blocking habit has already delayed the deal too long and that India’s protectionist sentiments have unacceptably lowered RCEP’s liberalising ambition. There is still a strong need to embrace an economic force that can counterbalance China’s rising influence across the region but that has been managed effectively so far, and can be a battle for another day. |
|---|---|
| 2.7 | China’s in, but, without India, is ‘world’s largest trade pact’, the RCEP, still such a big deal?  
*By Bhavan Jaipragas*  
*This Week in Asia*  
November 9, 2019 | They also left the door open to India, saying they would continue to work with New Delhi to settle “outstanding issues” – despite Indian Prime Minister Narendra Modi telling a regional summit in Bangkok he could not agree to the deal because it would be ruinous for his country’s poor. Singapore-based trade analyst Deborah Elms, among the handful of experts who have tracked the deal’s progress since negotiations began in 2012, said it was “understandable” but “somewhat unfortunate” that the media’s focus was on India’s exit, rather than the agreement “in principle” of the 15 countries. |
| 2.8 | India must rethink its decision to opt out of RCEP  
*Bangkok Post*  
November 11, 2019 | Joining RCEP could be beneficial for India since it will provide her greater access to the regional market, more opportunities for Indian businesses to expand in the region, and also increase foreign investments.  
It will also allow consumers to choose from a larger "basket" of standardised goods and cost-effective goods in the market.  
This may lead to improvements in India’s trading environment, as more choices mean more competition -- which will ultimately force Indian exporters to increase their standards and quality to meet international best practices and trade norms. |
| 2.9 | Australia still hopes India will join RCEP  
*By Suhasini Haidar*  
*The Hindu*  
November 12, 2019 | “I don’t think this is the final definitive Indian answer to RCEP, the door has been very deliberately left wide open for India and I genuinely hope that at some point, sooner rather than later, India will decide to walk through the door,” Mr. Varghese told The Hindu on the sidelines of an event to release a draft report for India’s economic strategy for Australia, organised by the Confederation of Indian Industry (CII). |
| 2.10 | Get India back into the RCEP negotiations  
*The Japan Times*  
November 12, 2019 | However, India’s departure will accordingly reduce the scale of the pact, thereby diminishing its impact. The exit of India with its 1.3 billion population will likely boost the influence of China, which continues to build up its economic as well as military power in the region, within the RCEP group — a prospect that Japan or ASEAN members do not want. The fact that Japan has cultivated deeper relations with India in recent years — and that it has promoted multilateral free trade regimes by taking the initiative to revive the Trans-Pacific Partnership following the exit of the United States as well as concluding an economic |
| 2.11 | The Implications of India's RCEP Withdrawal  
*By Mie Oba*  
*The Diplomat*  
November 14, 2019 | In geopolitical terms, India’s withdrawal was a blow to Japan. For Japan, RCEP is an important step towards a free and open economic system, one that would pressure the United States to return to a trade framework, with an Indian presence checking Chinese influence. |
| 2.12 | RCEP remains distant dream; India’s return to this free trade agreement not imminent  
*By Banikinkar Pattanayak*  
*Bilaterals.org*  
November 18, 2019 | Senior government functionaries, including commerce and industry minister Piyush Goyal, have indicated post-Bangkok meet that India might reconsider its pullout from the RCEP agreement if its “concerns are adequately addressed”, but that will be a hard act to follow by potential partners. |
| 2.13 | Indonesia not worried by India not joining RCEP  
*Antaranews.com*  
November 20, 2019 | Indonesia will have no problem if India cancels its plan to join the RCEP. India does not play a big role in the global market although it has a huge population. |
| 2.14 | Exorbitant demands may cost India last chance to join global value chain  
*By Wang Jiamei*  
*Global Times*  
November 25, 2019 | It now seems that India’s decision to delay signing of the Regional Comprehensive Economic Partnership (RCEP) is nothing but another negotiating ploy. Considering imports from China, India will seek emergency import restrictions on more than 200 varieties of products. |
| 2.15 | RCEP to boost global trade  
*By Zhang Guoping*  
*China Daily*  
November 25, 2019 | China needs to remain open to welcoming India to join the RCEP whenever it is ready, deepen reform and opening-up to benefit countries entering the Chinese market, and mediate among different countries to ease trade frictions to contribute to the conclusion of RCEP negotiations, which can inject fresh impetus to global trade. |
| 2.16 | Japan won’t sign China-backed RCEP if India doesn’t join  
*Livemint*  
November 29, 2019 | Abe has sought to beef up ties with India across a range of fields to balance China’s regional dominance. Japanese and Indian foreign and defence ministers hold their first joint meeting in a so-called ‘two plus two’ format this weekend. Both countries are also part of four-way security talks with Australia and the U.S. called the Quad, a move that Beijing has complained could stoke a new Cold War.  
“It is meaningful from the economic, political and potentially the national security point of view,” Makihara said of the inclusion of the world’s largest democracy in the pact. “Japan will continue to try to persuade India to join.” |
<p>| 2.17 | Japanese Ministers Raise | According to the Japanese foreign ministry’s deputy press |</p>
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<td>The Wire</td>
<td>secretary, Kaifu Atsushi, the RCEP issue was “briefly touched upon” when Japanese foreign minister Motegi Toshimitsu and defence minister Kono Taro made a courtesy call on Indian Prime Minister Narendra Modi on Saturday. The two ministers were in town for the first Japan-India Foreign and Defence Ministerial ‘2+2’ meeting and the foreign ministers’ strategic dialogue.</td>
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<tr>
<td>India's Concerns Related to RCEP</td>
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| 3.1                            | India decides to not join RCEP agreement, Modi says deal does not address our concerns  
By Geeta Mohan  
India Today  
November 4, 2019  
  In his speech at the ongoing RCEP summit in Bangkok, PM Modi said, India stands for greater regional integration as well as for freer trade and adherence to a rule-based international order. India has been pro-actively, constructively and meaningfully engaged in the RCEP negotiations since inception. India has worked for the cherished objective of striking balance, in the spirit of give and take." |
| 3.2                            | What you need to know about RCEP and India's 'concerns'  
The Telegraph  
November 4, 2019  
  India’s food and agricultural sectors could have seen stiff competition from Australia and New Zealand in dairy products. Textiles would have seen competition from China and Vietnam. Farmer group representatives, citing an example, said that dairy cooperatives in India now earn about Rs 280 to Rs 300 a kilogram of milk powder. |
| 3.3                            | Soumya Kanti Ghosh says RCEP 'no pact for India', Ajit Ranade calls the move ‘defensive’  
By Pia Krishnankutty and Kairvy Grewal  
The Print  
November 5, 2019  
  Ghosh applauds India’s decision to not join RCEP and writes that it is a “good thing” that “India still has some unresolved issues and this has resulted in it holding back its decision to join the RCEP”. India has decided to “keep its self-interest at the forefront” with this move, he adds. |
| 3.4                            | India decides to opt out of RCEP, says key concerns not addressed  
The Economic Times  
November 5, 2019  
  India runs a large trade deficit with RCEP countries and was looking for specific protection for its industry and farmers from a surge in imports, especially from China. The decision comes amid rising opposition at home with leading political parties stepping up attacks on the RCEP. |

CUTS International
| 3.5 | Modi Prioritizes Farmers, “Make in India” As RCEP Progresses Into 2020 | Aside from manufacturing tariffs, there may also be concerns in India about the impact of tariff reductions on the agricultural sector. Panjiva’s data shows India is already a net importer of agricultural products from the RCEP. Total imports from RCEP were worth $11.0 billion in the 12 months to July 31, compared to exports of $8.1 billion. Furthermore imports rose 1.7% year over year in the past 12 months, while exports fell 18.2% over the same period.

Imports are dominated by palm oil, including shipments worth $1.02 billion by Adani Wilmar and $386 million by PT Sinar Mas from Malaysia and Indonesia. Moves by the Indian government to use tariffs to restrict palm oil imports may have been the last straw in the RCEP process. |
| 3.6 | China, Gandhi or RSS? The real reason India snubbed RCEP trade pact | Modi said neither “Gandhi’s Talisman” – the late independence leader’s exhortation that, when in doubt, decisions should be made with the interests of the weakest and poorest in mind – nor his own conscience allowed him to join the RCEP. |
| 3.7 | India first: Amit Shah explains why PM Modi said no to RCEP | New India reflects fresh self-confidence under the leadership of PM Modi, Shah opined in an article on The Economic Times. Shah explained that PM Modi had already summed up in his own words why joining the RCEP would have not been in India's benefit. PM Modi said, "Whenever I try and gauge India's interest in light of her joining RCEP, I do not get an answer in the affirmative; neither Gandhiji's policy of self-reliance nor my wisdom allows me to join RCEP." |
| 3.8 | India’s Withdrawal from the Regional Comprehensive Economic Partnership | India withdrew from the largest ever free trade agreement, the Regional Comprehensive Economic Partnership after a multitude of stakeholders, including farmers’ organisations, trade unions, and industry associations, spoke in one voice on the adverse implications of the agreement. |
| 3.9 | India’s measured move on RCEP an opportunity for Australia | One of the world’s fastest growing economies, India, which has set itself a target of becoming a US$5 trillion economy by 2024, decided to pull out of the RCEP. **Why is it difficult for India to join the RCEP?**

The reasons are manifold due to the nature of the RCEP deal and its huge scope such as trade deficit, risk to domestic produce due to cheap imports, unresolved concerns from India on intellectual property rights, manufacturing disabilities and so on. |
| 3.10 | RCEP: Redefining India’s trade in services agenda  
*By RV Anuradha*  
*Financial Express*  
*November 19, 2019* | There were several reasons why India has been disillusioned with the terms of the RCEP agreement, one of which is that the RCEP participating countries are not committing adequately to trade in services, especially in areas of India’s interests involving the movement of professionals.  
*Services exports* are a growing component of India’s GDP. The WTO ranked India as amongst the top ten countries for services trade in 2017. Focusing on this area, therefore, is a good strategy in trade negotiations. |
| 3.11 | RCEP offer was not as much as our aspirations:  
*Finance Minister Nirmala Sitharaman*  
*The Economic times*  
*November 23, 2019* | India took the call not to join RCEP despite spending considerable amount of time on the negotiating table, Sitharaman said addressing the 6th G Ramachandran Memorial Lecture here. "The offer was not as much as our aspirations in particular sectors," she added.  
The objective of launching RCEP negotiations was to achieve a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement among the ASEAN member-states and their FTA partners. |
| 3.12 | Rebalancing India’s trade and market access after RCEP move  
*By Pritish Kumar Sahu*  
*Moneycontrol*  
*November 27, 2019* | Government’s decision to withdraw can be summed up into two concerns - viz. ‘unsatisfactory address’ of India’s outstanding issues and concerns’ and ‘the adverse impact the deal would have on its industry and citizens’.

"On RCEP, what will happen in the future is speculative. It depends on whether our concerns are addressed or not. So, if your concerns are addressed then obviously somebody will take whatever call needs to be taken. If they are not, then obviously the current call will continue,” he said in the Rajya Sabha. |
| 3.13 | If India’s concerns addressed by RCEP, Govt may take call on what needs to done:  
*Jaishankar*  
*Moneycontrol*  
*November 29, 2019* | |

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