



India and RCEP: The Way Forward

Trade is the engine of sustained economic growth. For trade to happen, competitiveness is important. Open economies have performed better than the closed ones to promote trade. India's inability to integrate its manufactures with global production networks has led to loss of opportunities including the inability to attract investments during the US-China trade war. On the other hand, low competitiveness and trade imbalance with China have also prevented India from joining RCEP.

However, it appears that RCEP member nations including China have displayed their willingness to resolve India's concerns. Chinese scholars have also suggested that India should consider the 2+1 format for dialogue with its neighbours wherein both China and India with south Asian countries could build trust; undertake joint projects and joint ventures.

After walking out of RCEP negotiation, India appears to be particularly eager to move ahead with trade negotiations with the U.S., European Union and Australia, while also looking to upgrade its existing FTAs with ASEAN and South Korea. Post Brexit, India is also pushing a trade deal with the UK and seeking greater market access for textile and some farm goods in European markets. However, this is going to be a tough ask, as these countries would demand concessions on sensitive sectors like agriculture and may not be willing to concede to India's demand for market access for its service sector. Indian government is also unwilling to engage in "non-trade" issues such as labour and environmental standards which are a must for European Union. It will also not consider significant dilution of the intellectual property rights regime.

In addition to continuing negotiations with developed countries, given that its doors are still open, India must join RCEP. Joining RCEP will be important for India to integrate with global supply chains, improve competitiveness and enhance exports, including deflect trade diversion which could happen due to India not being a member of RCEP. Furthermore, through a whole of government approach involving different ministries and states, India needs to undertake sustainable structural reforms. Without such reforms, it will be difficult to achieve the target of becoming a US\$5 trillion economy by 2025.

Taking forward the discussion in first volume of the Occasional News Wrap (ONW) on RCEP: [‘Why India Should Reconsider Joining RCEP?’](#), this second volume covers developments post India’s refusal to join RCEP. It discusses reactions of different member nations to India’s stand and possible way forward for India. Gains to India from joining RCEP have also been covered in this issue.

The current ONW is categorised in two sections as follows:

1. Member nations’ reactions
2. Balancing RCEP fall-out

1. Member nations reactions		
1.1	<p>China says RCEP economies committed to work with India to resolve lingering trade deal issues</p> <p><i>By Keegan Elmer and Orange Wang</i></p> <p>South China Morning Post</p> <p>November 6, 2019</p>	<p>India pulled out of the deal at the last minute amid concerns its economy could be flooded with cheap Chinese goods and farmers could be hurt by agricultural imports from Australia and New Zealand.</p> <p>“We must, together with India, work hard to solve these problems. And India must decide on the basis of this resolution whether to enter into the agreement,” said Wang Shouwen.</p> <p>Wang did not elaborate on India’s points of contention, but said they were not just with China. He added the current member states would settle the “very few remaining questions” around market access before the end of the year.</p>
1.2	<p>View: A ten-step guide to reach \$5 trillion GDP goal</p> <p><i>By Gurcharan Das</i></p> <p>The Economic Times</p> <p>December 3, 2019</p>	<p>India should have joined RCEP. The deal on offer was a reasonably good one and many of our fears had been allayed. Our farmers had been given protection from imports of agricultural products and milk (say from New Zealand). A quarter of Chinese products had been excluded, and for the rest a long period of tariffs liberalisation was allowed from 5 to 25 years. The deal offered a unique safeguard from a sudden surge of imports from China to India for 60 of the most sensitive products.</p>
1.3	<p>‘With or without India’: 15 member countries decide to sign RCEP on 13 March</p> <p><i>By Nayanima Basu</i></p> <p>The Print</p> <p>December 9, 2019</p>	<p>“RCEP countries have decided to pen down the agreement on 13 March 2020 without India. The world’s largest trade bloc will emerge in the absence of India. India may join later once ready or continue with its regional and bilateral agreements with ASEAN and other RCEP members,” said a diplomatic source representing one of the member countries.</p>
1.4	<p>Japanese Trade Minister to discuss RCEP pact with Goyal</p> <p>Business Line</p> <p>December 9, 2019</p>	<p>India’s decision to quit the group was not taken well by members such as New Zealand and Japan which officially said they wanted to sign an RCEP pact of which all 16 countries, including India, were members.</p>

		<p>Japan is expected to propose measures that will increase the competitiveness of Indian industries with the help of information technology. It could give subsidies to Japanese IT firms to carry out research if they entered into joint ventures with Indian companies. The country could also offer help in making the farming and fishing sectors more efficient.</p>
1.5	<p>India and Japan both have an interest in checking China, but they come from different places</p> <p><i>By Manoj Joshi</i></p> <p>Observer Research Foundation</p> <p>December 9, 2019</p>	<p>Indian commentators have made much of the statement of a junior Japanese minister that Tokyo wanted more negotiations in RCEP for including India, before signing on to it. He didn't quite say, as some Indian reports claimed, that Japan won't sign the RCEP minus India. When it comes to Japan, many of our analysts are into wishful thinking.</p> <p>There is no doubt that Japan and India are developing good and even close political relations. This is driven by their wariness of China. That is why Japan would rather have India in the trade agreement, than outside. After Beijing's "lawfare" in declaring an ADIZ over islands it disputes with Japan, Tokyo wants to uphold the larger concept of freedom of navigation and overflight in the Indo-Pacific region and New Delhi has gone along with this.</p>
1.6	<p>India and RCEP: India's Recalcitrance and The Way Ahead</p> <p><i>By Urmi Tat</i></p> <p>Centre for Air Power Studies (CAPS)</p> <p>December 11, 2019</p>	<p>RCEP could also bring a large measure of stability to an unpredictable world market. When coupled with domestic reforms, joining global value chains such as RCEP could boost growth, create better jobs and reduce poverty. Jobs linked to global value chains have the potential to earn one-third more than jobs focused on the domestic market.</p> <p>Not signing this trade deal, gives China an avenue to extend its soft power in a region where India is trying to make inroads. Thus, it may have adverse implications for its Look East policy, vis a vis China. The stance taken by India runs contrary to the Prime Minister's plans to ramp up its engagement with ASEAN countries through the Act East policy and its desire to promote maritime cooperation in the Indo-Pacific region.</p>
1.7	<p>Report of the High-Level Advisory Group established by the Govt of India</p> <p>December 12, 2019</p>	<p>A study by the National Council for Applied Economic Research (NCAER), provides the following insights:</p> <ol style="list-style-type: none"> 1. In a bilateral US-China trade war, while both the US and China stand to lose in terms of GDP, exports and imports, India stands to gain if it does not face higher tariffs as a result of the trade war. India's losses increase further when India responds by increasing its tariffs on imports from the US and China. 2. A hypothetical RCEP-like free trade area, when the US and China are not fighting a bilateral tariff war, turns out to be beneficial for all member countries, particularly for India. 3. India gains even more from joining the RCEP-like free trade area when the US and China are indulging in bilateral trade war.

1.8	<p>India shouldn't be afraid of joining RCEP <i>By Khanindra Ch Das</i> East Aisa Forum December 13, 2019</p>	<p>RCEP provides opportunity for India to improve its international competitiveness and become a stronger regional and global manufacturing nation. The creation of this economic bloc would be a win-win deal that would spur the integration of India with these countries economically and beyond. India, and other member countries negotiating the deal, need to come to terms to make the comprehensive economic partnership a reality.</p>
1.9	<p>Japan will take the lead in getting all countries, including India, to sign RCEP agreement: Top official <i>By Amiti Sen</i> Business Line December 13, 2019</p>	<p>India has already identified a number of problems related to the RCEP framework. It believes that the 'rules of origin' (ROO) are very relaxed and would allow Chinese goods, which may be behind higher tariff walls for a longer period compared to goods from ASEAN, to circumvent the duties and flow into India from the shores of the ASEAN nations. As India may have to bring down duties on about 90 per cent of goods traded with the ASEAN to zero per cent, some of it right at the beginning, a lot of Chinese goods could come in duty free. India has also demanded that the base rate of duty (for calculating tariff cuts) should be 2019 instead of 2014, as agreed earlier and an adequate Auto Trigger Safeguard Mechanism to prevent import surges.</p> <p>Japan said while in negotiations it was not possible that 100 per cent of requests get satisfied, his impression was that there was willingness among other countries to talk with India.</p>
1.10	<p>Five 'T's of China-India ties <i>By Dr. Pankaj Jha</i> Vivekananda International Foundation December 16, 2019</p>	<p>The thesis that is proposed from the Chinese side is that the relationship is dependent on five variables, better known as the five 'T's. These included trade imbalance, trust, third party, terrorism and territorial disputes. With regard to trade the Chinese scholars' perception is that India is not willing to open markets for Chinese products and therefore trying to protect their domestic producers. There is increasing perception that with Japanese minister also alluding to the fact that Japan will only join when India joins RCEP shows the camaraderie that exists between the two countries to hamper Chinese trade interests.</p>
1.11	<p>India Can Be Part Of RCEP If Its Issues Are Addressed <i>By Harsh Pati Singhania</i> Business World December 16, 2019</p>	<p>India quite rightly has kept the door open to join at a later date, provided unresolved issues are duly addressed. It must be emphasised that Indian industry is not afraid of a lower tariff regime. However it faces an uneven playing field due to higher cost of capital, logistics costs, inflexibility of labour, longer time taken for land acquisition and environmental clearances, higher compliance costs etc. While improving India's competitiveness remains a top priority, engaging with our trading partners to lower trade costs owing to NTMs is also important. It is also important for industry to improve its standards, as on an average only 10% of imported products follow BIS regulations, whereas the compliance is 70% in Europe. For India this needs to be increased to at least 40%. In</p>

		fact international standards must be used wherever possible instead of importing countries' own discretion.
1.12	<p>RI wants to resolve issues in RCEP negotiations</p> <p><i>By Eisy A. Eloksari</i></p> <p>Bilaterals.org</p> <p>December 18, 2019</p>	<p>Iman Pambagyo, the director general of international trade negotiations at the Trade Ministry, said in Jakarta on Monday that, during the third RCEP Summit, held in Bangkok last month, the South Asian country's position in the regional agreement was still ambivalent. "We will try to resolve the Indian issues in the first quarter of next year, possibly by February," Iman said during a discussion on the RCEP road map.</p> <p>He added that each RCEP member country would also try to resolve market access issues, especially between countries that had no prior free-trade agreement, as well as legal scrubbing until June 2020.</p>
1.13	<p>India, Free Trade, and Tariffs: Examining India's Decision to Leave the RCEP</p> <p><i>By Murali Kallummal and Smitha Francis</i></p> <p>EPW Engage</p> <p>December 24, 2019</p>	<p>India's trade with other Asian and especially East Asian countries has been steadily increasing, however, India's share of imports has been higher than its share of exports, which necessitate a trade agreement to allow these countries to bypass India's tariffs and access its agricultural produce. Furthermore, the WTO is sometimes seen as a hindrance in the speedy establishment of trade agreements.</p>
1.14	<p>International trade to get RCEP boost</p> <p><i>By Jing Shuiyu and Zhong Nan</i></p> <p>China Daily</p> <p>December 31, 2019</p>	<p>Participating countries are expected to sign the Regional Comprehensive Economic Partnership, a mega trade bloc, in November next year, a senior Chinese official said on Monday.</p> <p>Related countries are expected to complete legal reviews by June next year, Zhang Shaogang, director-general of department of international economic and trade affairs, said at the Ministry of Commerce's year-end meeting. Zhang said all parties of the RCEP understand the concerns of India, and the door was always open to the Asian country for consultations. "China is willing to resume talks with India at any time and at any place, in an effort to reach a mutually satisfactory agreement," he said.</p>
1.15	<p>What RCEP Means for the Indo-Pacific</p> <p><i>By Blake Berger</i></p> <p>The Diplomat</p> <p>January 01, 2020</p>	<p>As a key element of both the ASEAN Outlook for the Indo-Pacific (AOIP) and the ASEAN Economic Community (AEC), RCEP's signing represents a significant step in reaffirming ASEAN centrality in regional architecture and affairs, bolstering inclusivity, and realizing the ASEAN Community Vision 2025.</p> <p>While the conclusion of RCEP's negotiations is a substantial achievement on several fronts, ASEAN cannot be apathetic to wider trends and rest on its laurels. All too often, ASEAN has been the "businessman who over sells and under delivers." It is critical that ASEAN members muster the political will to ensure implementation and proper follow-through, while continuing to work toward bringing India back into the agreement.</p>

1.16	<p>FISME asks govt to review export supporting bodies' role</p> <p>Knowledge and News Network</p> <p>January 2, 2020</p>	<p>On Free Trade Agreements (FTAs), FISME said that staying out of later (sic), for example RCEP, is not a wise decision for India.</p> <p>“Staying out of emerging large FTAs-e.g. Regional Comprehensive Economic Partnership (RCEP), is not a wise decision. India’s integration with World trade is deep now and we need to leverage FTAs to benefit from participation in GVCs. If we don’t leverage them right, we shall end up importing almost everything and that too at higher cost.”</p>
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2. India balancing RCEP Fall-Out

2.1	<p>Goodbye, RCEP</p> <p><i>By Akshay Mathur and Purvaja Modak</i></p> <p>Gateway House</p> <p>November 7, 2019</p>	<p>A key priority for India now is accelerating domestic reform in sync with an evolving global trading system. The discourse in the global mainstream media focuses on the trade in goods – an outdated era, particularly as the global economy is now dominated by services, an area where India is advantaged. The emerging rules on services, standards, investments, intellectual property, e-commerce and investor-state dispute settlements, is where India should be vigilant and an active participant, particularly as India prepares for its 2022 Presidency of the G20.</p>
2.2	<p>RCEP fallout: Raw deal</p> <p><i>By Subir Ghosh</i></p> <p>Fibre2fation.com</p> <p>December 2019</p>	<p>In its submission to the Parliamentary Standing Committee on Commerce looking at India’s engagement with FTAs, think-tank CUTS International had pointed out, “The government should revisit these trade agreements through cost-benefit analyses including sustainability impact assessment of FTAs being negotiated or to be negotiated and regulatory impact assessment of existing FTAs. While negotiating new agreements, particularly deeper FTAs with developed countries, India needs to set its targets clearly and take steps for improving its domestic preparedness, particularly those of regulatory bodies.</p>
2.3	<p>RCEP did not adequately address India’s concerns, will review trade deal with ASEAN: Govt in Rajya Sabha</p> <p>Bilaterals.org</p> <p>December 10, 2019</p>	<p>The RCEP did not “adequately” address India’s concerns over issues like non-tariff barriers to trade and opaqueness in subsidy regime in some countries, which forced it to back out from the trade deal, the government informed Rajya Sabha on Tuesday. Besides, the government is also going to review the free trade agreement between India and ASEAN countries , correct the asymmetry in the existing agreements and maximise its export potential and engage with other countries as “equal partner and on the principle of reciprocity”. “We are working with our existing FTA partners like South Korea and Japan to address our concerns,” said Piyush Goyal in his statement on trade agreements with RCEP countries.</p>
2.4	<p>After dropping out of RCEP, India eyes trade deals with ASEAN countries</p>	<p>New Delhi is working to strengthen trade deals with the ASEAN group, as well as South Korea and Japan, Commerce Minister Piyush Goyal, told lawmakers in Parliament on Tuesday. “The government priority is also to correct the asymmetry in the</p>

	<p><i>By Bibhudatta Pradhan</i> Business Standard December 11, 2019</p>	<p>existing agreements and maximize its export potential to benefit domestic industry and farmers,”</p>
2.5	<p>Govt decides to go slow on FTAs to avoid RCEP-like impasse <i>By Kirtika Suneja</i> The Economic Times December 17, 2019</p>	<p>The minister also said walking out of RCEP does not mean that India does not want to be a part of the global value chain. “But are the global value chains only in China...global value chains are across the world,” he said, and stressed “lets first prepare our industry” and empower those who want to be part of the global chain.</p> <p>He said industry should focus on becoming part of value chain with Europe, the US, ASEAN nations, Japan and Korea, among others. Goyal said that Indian business and industry have been put to disadvantage over the years and instead of addressing some of the real issues that industries face, more and more distress was caused to them.</p>
2.6	<p>European Union’s wines, cars may get cheaper <i>By Sidhartha</i> The Times of India December 30, 2019</p>	<p>India has made a pitch after it decided to stay away from RCEP. After Brexit, India also proposes to push for a trade deal with the UK as it seeks greater market access for textile and farm products in European Markets. The government is also unwilling to engage in ‘non-trade’ issues such as labour and environmental standards or go for a significant dilution of the intellectual property rights regime. These areas have proved to be a major sticking point in the past as EC is keen to negotiate to seek flexibility for its companies.</p>
2.7	<p>RCEP is history but India must still set its export house in order <i>By Biswajit Dhar</i> Moneycontrol December 27, 2019</p>	<p>In the past few days, there have been hopeful signs for the global economy heading into 2020 as the US-China trade tensions seem to be ebbing. However, even if trade flows bounce back as they are expected to, it does not seem plausible that India can benefit much, given infirmities of the domestic players. In 2020, therefore, the government must listen to the concerns of domestic enterprises and why they insisted a pullout from the RCEP, so that effective policies can be put in place to remedy their weaknesses.</p>
2.8	<p>India needs a bottom-up growth model <i>By Arun Maira</i> The Hindu December 30, 2019</p>	<p>Policy decisions invariably require compromises between competing interests. Here, Mahatma Gandhi’s talisman provides a good test. The government should think of the needs of the poorest citizens first. Reduced duties on imports benefit citizens as consumers. However, a citizen’s more fundamental need is for a good job and source of income to buy the imported goods. India urgently requires an employment and income strategy to guide its industry and trade policies.</p>
2.9	<p>Post RCEP walk out, Centre to focus more on bilateral trade agreements in 2020 <i>By Prabha Raghavan</i></p>	<p>“I think some progress could be made on EU in the coming year. This also depends on how issues like the EU’s push for concessions in agriculture and India’s demand for market access for its services sector are resolved,” said Durgesh Rai, fellow, ICRIER. “Whether the two can close a deal in the</p>

	<p>The Indian Express December 31, 2020</p>	<p>coming year is difficult to say. But, one thing is for certain — our willingness to move forward with EU has definitely increased,” he said.</p>
2.10	<p>India, Australia talks to focus on Indo-Pacific, Quad, and Maritime Security <i>By Huma Siddiqui</i> Financial Express January 1, 2020</p>	<p>For India, Australia is a key partner in its Indo-Pacific strategy and for Australia the Indo-Pacific is of strategic importance. This will be on the agenda for talks between the two sides as well as dialogue on Quad which involves countries including India, Japan, US and Australia.</p> <p>Australia is targeting India as one of the top export destination as well as looking at India as a strategic partnership. “Since India has pulled out from the Regional Comprehensive Economic Partnership Agreement (RCEP) recently, most likely the CECA talks between India and Australia will be back on track,” explained a senior officer.</p>
2.11	<p>Some SE Asian nations dither on joining India-based solar alliance <i>By Utpal Bhaskar</i> livemint January 6, 2020</p>	<p>The India-headquartered International Solar Alliance’s (ISA’s) drive to co-opt countries from South-East Asia is facing problems with some countries holding back because of New Delhi’s decision to not join the Regional Comprehensive Economic Partnership (RCEP) trade deal, said two people aware of the development.</p> <p>Vietnam, Malaysia, Singapore, Philippines, Thailand, Brunei, Indonesia, and Laos are yet to become a signatory of the ISA, the first treaty-based international government organization headquartered in India. Myanmar has signed and ratified the agreement, while Cambodia is yet to ratify it and has the status of observer.</p> <p>This comes against the backdrop of China’s attempts to co-opt countries into its ambitious One Belt One Road initiative, a programme to invest billions of dollars in infrastructure projects, including railways, ports and power grids, across Asia, Africa and Europe.</p>