



RCEP Waiting at India's Doorsteps

India has thus far refrained from joining RCEP. Most recently, it rejected an invitation to attend the meeting of RCEP trade bloc on February 3-4, 2020 at Bangkok. New Delhi has made it clear that a call on returning to the RCEP depends on an indication from other participating nations that they are willing to consider some of its key concerns. India has also indicated that a cost and benefit analysis (CBA) will be carried out to evaluate RCEP on its economic and trade merit.

Given India's firm stand, RCEP members, and China in particular, must genuinely review India's demands and make efforts to get it back in the RCEP fold. An India-less RCEP dominated by China, increasingly battling slowing economy and uncertain times, is much less attractive than one with India as a member.

The time is now right for India to positively consider joining RCEP. An impartial CBA is likely to reveal that it will benefit from RCEP. Indian industry can benefit from USD 125.6 billion market potential of RCEP, mainly in sectors like metals, textiles and marine products.

India should join RCEP after satisfactory negotiations on entry conditions and utilise it to strengthen the case for economic reforms that have hitherto been checkmated by domestic lobbies. Joining RCEP would decrease barriers to finished products as well as to the inputs needed by manufacturers.

India must also recognise that negotiating bilateral trade agreements may not be a priority for other countries as it is unlikely for any of them to be able to offer India a better deal bilaterally once they are bound into the multilateral RCEP agreement.

Taking forward the arguments in its previous volumes, the current Occasional News Wrap (ONW) discusses ongoing developments regarding RCEP including India's stance, efforts made by other countries to get India on board, likely benefits for India should it join RCEP, and the way forward.

The current ONW is categorised in three sections as follows:

1. Invitation from RCEP Countries
2. Advantages of Joining RCEP and Disadvantages from Staying Away
3. Way Forward for India

1. Invitation from RCEP Countries		
1.1	<p>Commentary: Why India walked away from Asia's mega free trade deal</p> <p><i>By Sreeram Chaulia</i></p> <p>November 7, 2019</p>	<p>There is a disjuncture between the unanimous domestic applause Modi received after he rejected RCEP and the foreign policy challenge of how India can lead Asia if it isolates itself from the primary institutional architecture for regional economic integration.</p> <p>By steering the RCEP, China will be able to shape its rules, standards and supply chains. Japan and other RCEP members had hoped to have India in the tent to balance out China's powerful hand.</p> <p>Still, the door to the RCEP is not completely shut to India</p>
1.2	<p>The RCEP: Impacting ASEAN's Supply Chains and Business Environment</p> <p><i>By Michael Malvenda</i></p> <p>ASEAN Briefing</p> <p>December 27, 2019</p>	<p>Southeast Asia has also one of the highest intra-industry trade — the trade of similar products belonging to the same industry— in the world, mainly attributed to its thriving electronic sector and its well-established supply chains. India's decision to not participate will be another factor affecting the possible Sino-centric nature of the RCEP, as the exit of 1.3 billion people could boost China's influence – a prospect other members do not want. India's absence will also diminish ASEAN's aspirations to expand into the Indo-Pacific region.</p>
1.3	<p>India has not closed doors on RCEP: Jaishankar</p> <p>Business Line</p> <p>January 15, 2020</p>	<p>India has not closed its doors on the Regional Comprehensive Economic Partnership (RCEP) and will carry out a cost benefit analysis to evaluate its merit, said External Affairs, Minister S Jaishankar.</p> <p>A number of RCEP member countries including Japan and Indonesia have given clear indications that efforts were on to make India join the mega trade deal which is likely to be signed in February.</p>
1.4	<p>Govt yet to take call on RCEP meeting invitation</p> <p><i>By Kirtika Suneja</i></p> <p>The Economic Times</p> <p>January 22, 2020</p>	<p>The ASEAN Secretariat has invited India to attend the meeting to sort out its issues related to the proposed free trade deal.</p> <p>"India has received the invitation for the meeting. No decision has been taken on the issue," said an official.</p>
1.5	<p>India will decide on RCEP if concerns are addressed: MEA</p> <p><i>By Anirban Bhaumik</i></p> <p>Deccan Herald</p> <p>January 23, 2020</p>	<p>New Delhi had decided to withdraw, primarily because it had anticipated a surge in imports from China to India after implementation of the RCEP and it had been concerned over lack of protection against such a surge. It had suggested that the RCEP agreement should provide for an "auto-trigger mechanism", which would ensure that the safeguard duties would be automatically imposed when imports from another country would reach a certain threshold. But as the 15 other RCEP negotiating countries had not been able to reach a consensus on New Delhi's proposal, it had announced its decision to stay out of the agreement.</p>

1.6	<p>Resisting RCEP from the ground up: Indian movements show the way</p> <p>GRAIN</p> <p>January 29, 2020</p>	<p>The dairy sector, especially farmers cooperatives like AMUL, had launched a fully fledged opposition to RCEP. They feared that giving duty-free market access to New Zealand and Australia’s powerful dairy companies would be disastrous for Indian dairy. Within the government, ministers echoed the concerns raised by dairy cooperatives.</p> <p>The state government of Kerala went so far as to pass a resolution in the state assembly against the RCEP deal. Kerala has already seen severe damage to its economy, especially the plantation sector, due to India’s FTAs with ASEAN and Sri Lanka.</p>
1.7	<p>Australia to intensify engagement, new envoy likely to be India-hand O’Farrell</p> <p><i>By Suhasini Haidar</i></p> <p>The Hindu</p> <p>January 29, 2020</p>	<p>“It remains our hope that India will seriously consider returning to the RCEP table,” Australian High Commissioner Harinder Sidhu told journalists during an interaction in Delhi. “We believe that it is in India’s interests and it would deepen the economic engagement and political relationships within RCEP countries including Australia. It would reduce the risk that India would be excluded from any RCEP related or further economic cooperation down the track.”</p>
1.8	<p>RCEP return hope ebbs as India skips meeting in Bali</p> <p><i>By Banikinkar Pattanayak</i></p> <p>Financial Express</p> <p>February 7, 2020</p>	<p>However, some of India’s demands, such as the one for tough rules of origin, could be too hard for countries like China to accede to. Upon India’s insistence on the 35% value addition clause in the RCEP agreement, other partners, mainly China, wanted to limit the list of tariff lines with such a level of value addition to just 100. “India rejected such a short list,” a source had earlier said.</p> <p>New Delhi feels without strict rules of origin, its different tariff concessions for different countries (the offers are least ambitious for Beijing) and safeguard/anti-dumping tools against any irrational spike in imports will be rendered meaningless. Even the Budget for 2020-21 last week reiterated India’s intention to tighten such rules.</p>
1.9	<p>Leaving the Regional Comprehensive Economic Partnership: India’s missed opportunity?</p> <p><i>By Manmeet Ajmani, Vishruta Choudhary And Devesh Roy</i></p> <p>International Food Policy Research Institute</p> <p>February 3, 2020</p>	<p>Any trade agreement, including RCEP, should not be looked as a zero-sum game, i.e., that an increase in imports automatically reduces domestic production. Examples from other cases can help understand the argument of market creation. Today India is globally the fourth largest automotive market. When the Indian automotive market opened in the early 1990s, global automakers had set up their base here.</p>
1.10	<p>South Korea to sign RCEP with or without India</p> <p>ETAuto</p> <p>February 13, 2020</p>	<p>While the Indian government have decided to stay out of RCEP, which could be the largest trade block of the world, the 15 nation group could offer a market worth \$125 billion to the domestic companies, across 24 identified product categories, as claimed by a World Trade Centre study.</p>

		Commenting on South Korea's stand, Han-Koo Yeo, Deputy Minister for Trade Negotiations, South Korea, said, "We want India to come back to RCEP. We plan to sign (the pact) in November 2020, and we want India also to join for signing the RCEP."
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2. Advantages of Joining RCEP and Disadvantages from Staying Away		
2.1	<p>Tariff liberalization in the RCEP trade agreement and impact on India's automobile industry: An applied general equilibrium analysis</p> <p><i>By Badri Narayanan G., Rahul Sen and Sadhana Srivastava</i></p> <p>United Nation ESCAP April 2019</p>	<p>An RCEP with full tariff liberalization increases India's exports of automobiles and auto-parts only to newer ASEAN members such as Viet Nam and Lao PDR, as well Australia and Philippines, whose ad-valorem tariffs are higher than India pre-RCEP. India is unable to expand its net auto-parts exports to all RCEP members, even with full tariff liberalization and improved productivity. The results therefore suggest to policymakers that compared to its RCEP members, India's export competitiveness in this sector is much lower, and current low levels of productivity will harm its domestic industry in face of increasing competition through RCEP or other RTAs.</p>
2.2	<p>RCEP15 Without India: Why Still Big Step Forward</p> <p><i>By Pradumna B. Rana and Xianbai Ji</i></p> <p>RSIS Commentary November 13, 2019</p>	<p>Our empirical analysis, an economic model assuming complete tariff removal, suggests that RCEP15 would generate a real GDP increase of approximately \$137 billion in the longer run for the bloc. This is about 80 percent of what would have occurred under RCEP with India (\$171 billion).</p> <p>At the national level, all RCEP15 countries will benefit with Cambodia, Laos, Vietnam, and Korea benefiting the most. India, which is outside the bloc would lose due to trade diversion as participating countries buy from each other rather than from India.</p>
2.3	<p>Regional Comprehensive Economic Partnership (RCEP): its importance and implications</p> <p>The Synthetic & Rayon Textiles Export Promotion Council</p>	<p>Joining the RCEP is important for India since it is not a part of the other two mega regional trade deals that are under negotiations—the trans-pacific partnership (TPP) and transatlantic trade and investment partnership (TTIP) which are led by the US. From RCEP India's interests lie especially on trade in textiles and pharma. It will also be helpful for India to remove technical barriers to trade like sanitary and phyto-sanitary measures of these products.</p>
2.4	<p>Framing an Indo-Pacific Narrative in India-South Korea Ties</p> <p><i>By Dr. Jagannath P. Panda</i></p> <p>Korea Economic Institute of America January 7, 2020</p>	<p>To view India as a potential economic partner is a strategic necessity for South Korea even though Korean companies are old guards in the Indian market. Seoul's foreign policy has excessively depended on two major economies—the United States and China. India, as one of the largest emerging economies, is now an alternate choice for South Korea.</p> <p>To view India as a potential economic partner is a strategic necessity for South Korea even though Korean companies</p>

		are old guards in the Indian market. Seoul’s foreign policy has excessively depended on two major economies—the United States and China
2.5	A View from India By <i>Jagannath Panda</i> The ASAN Forum January 7, 2020	Once considered the backbone of India-South Korea regional partnership, RCEP seems to have now emerged more as a strategic conundrum between the two countries, especially with India’s decision to not join the final negotiations of this regional free-trade mechanism. The entire premise of the India-South Korea regional partnership was based on the ASEAN framework of forging a regional free-trade environment that would be promoted both within and outside the purview of RCEP.
2.6	RCEP offers \$125 billion market for domestic companies The Economic Times January 17, 2020	“The domestic industry can benefit from USD 125.6 billion market potential, especially in sectors like metals, textiles and marine products, in 10 of these RCEP countries,” says the World Trade Center Mumbai, quoting the latest UN Comtrade data, which is the repository of international trade statistics.
2.7	Potential Implications of Regional Comprehensive Economic Partnership to India-South Korea Bilateral Trade Ties By <i>Surendar Singh</i> Korean Institute for International Economic Policy January 22, 2020	It explains that bilateral trade between India and South Korea has increased after the implementation of the CEPA and this has also contributed to an increase in India’s trade deficit. The nature of trade reveals that South Korean exports to India include highly technology-intensive products and are well diversified across product categories. Tariff liberalization commitments are comprehensive in the RCEP in comparison to the CEPA. The RCEP contains a chapter on Customs Procedures and Trade Facilitation (CPTF) that underpins the importance of creating global and regional supply chains through effective trade facilitation and customs procedures, in order to provide a greater predictability, consistency and transparency in international trade operations.
2.8	As India opts out of RCEP ice creams set to get dearer by 8% Food Processing Bazar January 24, 2020	With the industry seeing a shortage in milk supply by 10%-15% and India opting out of the Regional Comprehensive Economic Partnerships (RCEP) — a proposed free trade agreement in the Asia-Pacific region between the ten member states of the Association of Southeast Asian Nations and their five FTA partners — the availability of skimmed milk powder, a key ingredient in ice creams and dairy products, has dipped.
2.9	Make or Break Budget By <i>Sutapa Paul</i> Millennium Post January 31, 2020	Recent trader protests against Amazon, India's decision to not join the Regional Comprehensive Economic Partnership (RCEP) and confusing, unpredictable laws have forced foreign investors to withdraw from the country and don on a hawkish attitude. Social sector too demands greater spends and hopefully, the FM won't disappoint as in previous years, with larger budget allocations this time towards health and education.

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3.1	<p>Domestic Politics Force India's Withdrawal from RCEP and Broader Trade Disengagement <i>By Amitendu Palit</i> Asia Pacific Bulletin November 26, 2019</p>	<p>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.</p>
3.2	<p>Post RCEP walk out, Centre to focus more on bilateral trade agreements in 2020 <i>By Prabha Raghavan</i> Bilatral.org December 31, 2019</p>	<p>"We can see at least some road map or framework or way forward with the EU, but with the US, it is more complicated. It is more political and also depends on how far the other side is able to move on certain issues," said ICRIER's Rai.</p> <p>India is also keen on revising its existing trade agreements with most RCEP nations, even while it remains firm on staying out of the larger trading pact. "RCEP had become nothing but an India-China FTA, which nobody wants," said Goyal earlier this month.</p>
3.3	<p>India faces a year of tough trade negotiations <i>By Suhasini Haidar</i> Bilatral.org January 5, 2020</p>	<p>The CIM and MEA will focus on closing talks with U.S. Trade Representatives. In 2019, President Trump rescinded India's GSP special status for exporters, which has led to more bitterness over the issue. Mr. Modi and Mr. Trump discussed the trade issues on two occasions when they met in 2019, but negotiators have been unable to forge any kind of deal, despite visits by Mr. Goyal to the U.S.</p>
3.4	<p>India's withdrawal from RCEP a breather on many fronts <i>By Latha Jishnu</i> Bilatral.org January 6, 2020</p>	<p>One of the more serious concerns with RCEP was on the question of generic medicines, a concern related to both exports and domestic access, since its policy on intellectual property rights would have to be amended to meet the demands of RCEP members. India has always stood firm against raising Intellectual Property Rights (IPR) standards that went beyond the World Trade Organization rules.</p>
3.5	<p>RCEP Confirmed: The Formation of Asia Pacific's Largest Regional Trade Bloc <i>By Tanva Mahitivanichcha</i> Grant Thornton January 14, 2020</p>	<p>The trade dynamics between India and RCEP members are not in India's favour. Foreign Policy reports that India has the largest trade deficit among the 16 original RCEP countries – a deficit created by its current trade relationships with 11 of the other RCEP members. India's imports outweigh exports by 149.6 billion USD, accounting for more than 20% of the country's total trade value – an amount that is over 50% higher than its total exports. Much of this deficit comes from trade with China.</p>

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		Ascending to the RCEP would require India to immediately eliminate tariffs on over a quarter of its imports. As a result, India would see its deficit widen upon entry into the RCEP.
3.6	<p>Why being a part of the global value chain matters for India</p> <p><i>By Swaminathan A Aiyar</i></p> <p>The Economic Times</p> <p>January 15, 2020</p>	Ultimately, India backed out of RCEP because of opposition from several domestic lobbies fearing competition from Chinese manufactures and agricultural products from New Zealand and Australia. The right policy is to join RCEP after tough bargaining on entry conditions, and then use membership rules to strengthen the case for economic reforms that would otherwise be checkmated by domestic lobbies.
3.7	<p>ASEAN's RCEP and sustainability challenges and achievements</p> <p><i>By Kaewkamol Pitakdumrongkit</i></p> <p>East Asia Forum</p> <p>January 23, 2020</p>	India's absence from the agreement should not be seen as a failure because the door has been left ajar to join in future. Even without India, the agreement is set to be signed this year, making RCEP the world's biggest trading bloc by both population and economic weight. Still, the pact will be smaller than envisaged — it will create a combined market of 2.2 billion people (down from 3.6 billion) and will account for 29 per cent (down from 33 per cent) of the world's GDP
3.8	<p>RCEP review on cards</p> <p>The Telegraph</p> <p>January 23, 2020</p>	Author and policy analyst Sanjaya Baru, who was present at the summit, also said that RCEP can offer a scope for the country to be more competitive. "One way to see RCEP is as a threat and the other is to see as an opportunity. It is without doubt a challenge. But without opening to competition I do not see any other mechanism through which we can make Indian industry more prominent," he said.
3.9	<p>RCEP An Unbalanced Trade Agreement: Piyush Goyal</p> <p>BW Business World</p> <p>January 23, 2020</p>	"RCEP was an unbalanced trade agreement, which was not fulfilling the guiding principles on which the RCEP was started. Therefore, India chose not to participate in it," Goyal said in a session at the World Economic Forum (WEF) 2020 here. "India is not willing to engage with the RCEP unless we see a greater degree of transparency, open government, regulatory practices and greater market access for Indian goods and services on a reciprocal basis," he stated.
3.10	<p>India blames external forces for exports mess but problem is internal. Budget 2020 can help</p> <p><i>By Ritesh Kumar Singh</i></p> <p>The Print</p> <p>January 28, 2020</p>	The Modi government raised import duties on major industrial inputs such as ferrous and non-ferrous metals (steel and aluminium), parts and components for automobiles, camera, television and smartphones. To make matters worse, it has pulled out from the Regional Comprehensive Economic Partnership (RCEP) – whose 15 countries account for 20 per cent of India's merchandise exports, according to official data – and has been dragging its feet on a free trade deal with the European Union

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		(which accounts for another 17 per cent) that could provide new opportunities to push exports.
3.11	<p>India must rethink its opposition to joining regional free-trade deal</p> <p>South China Morning Post January 28, 2020</p>	<p>As the region’s countries have shown, integration into global value chains through trade is a guaranteed path to prosperity. Joining the RCEP would lower barriers not just to finished products, but the inputs needed by manufacturers, while being of particular benefit to the services industry. Importantly, it would also force India to compete. Protectionism has to be set aside; joining the RCEP is in India’s interest.</p>
3.12	<p>Seize the moment: Trump’s possible February visit is a chance to reset fraying trade ties and boost the economy</p> <p>The Times of India January 30, 2020</p>	<p>It is important to conclude a limited trade deal soon. It would represent a reversal of the regression in economic ties, and provide a concrete deliverable for Trump’s visit. The two countries, however, must not let matters rest there, but push forward to conclude a free trade agreement (FTA). This is doable as there are many complementary aspects between the two economies. India happens to run a trade surplus in both goods and services that should neutralise domestic lobbies calling for protectionism. After having chosen to stay out of RCEP, India’s economy needs this FTA. It would also have a positive spin-off on India’s most important strategic relationship.</p>
3.13	<p>The high cost of raising trade walls</p> <p><i>By Suhasini Haidar</i></p> <p>The Hindu February 8, 2020</p>	<p>The government’s problem with FTAs was a key theme in its decision to walk out of the RCEP negotiations (of 16 countries) in November 2019, where Prime Minister Narendra Modi and members of his cabinet cited the rise in trade deficits with FTA partners. The government says it will now review all those agreements, in particular TAs signed with the 10-nation ASEAN grouping (FTA), Japan (Comprehensive Economic Partnership Agreement, or CEPA) and South Korea (CEPA), and wants to “correct asymmetry” in negotiations with new partners.</p>