

Occasional News Wrap on RCEP – #4/November, 2020



India not a Member in RCEP: Blessing or Curse?

On Sunday, the 15th of November, 2020, 15 countries of Asia and the Pacific signed into effect the world's biggest trading bloc. The Regional Comprehensive Economic Partnership (RCEP) for Asia and the Pacific is a free trade agreement signed between the 10-member Association of Southeast Asian Nations (ASEAN) and Australia, China, Japan, New Zealand and South Korea. The Agreement's signing was held at a virtual ASEAN meeting hosted by Vietnam and their FTA partners, excluding India.

The Joining of the RCEP has always remained a controversial topic in India since November 2011. Some in industry, academia, and political circles have been critical of India's membership of the RCEP as it has been perceived as a grouping driven by Beijing to meet its expanding economic goals in this region. At the same time, supporters of India's membership have sighted possible benefits of combining with the markets in the east by becoming a part of the value chains prevalent in this region.

It is argued that India can't afford to turn its back on trade. Domestic demand is not large enough to power India's growth. The Indian market may be huge, but, as Arvind Subramanian, former chief economic adviser to the Government of India, puts it in a recently co-authored op-ed, "foreign demand will always be bigger than domestic demand," which means India needs to resist "the misleading allure of the domestic market."

It is to be noted that whether we like it or not, the global trading order has been disrupted by the Covid-19 pandemic and US-China tensions. New supply chains are being explored; new connections are being made; trading infrastructure that will last for decades is being built. If India misses out on attracting some of that infrastructure, it could be locked out of many years of growth.

For example, Australia, India and Japan are planning to widen the ambit of their proposed supply-chain partnership to include more like-minded countries in the Indo-Pacific region, which is being perceived as a diversification away from China's dominance in world trade.

The RCEP Agreement is expected to eliminate most tariffs on traded goods, strengthen supply-chain linkages in the region, and include standardised rules for member countries' investments. It also has provisions on areas such as e-commerce, competition laws and intellectual property rights.

Here, it is important to note that in a free trade agreement inherent preference in favour of its members causes regionalism. There have been cases where economies have levied tariffs to protect intra-regional trade. As nations get inter-dependent with the integration of trade, their supply chains get intertwined too. Joining such pacts requires a reduction in concessions to sectors to create a level playing ground.

Therefore, in continuation to the previous volumes of CUTS Occasional News Wraps on this subject, this ONW covers developments regarding RCEP before and after the signing of the agreement, including arguments made against it by various unions of the member countries and also how it is an opportunity for them to recover from the damages caused by the Covid-19 pandemic.

This ONW is categorised into three sections, which are as follows:

1. Arguments against RCEP
2. Favourable aspects of RCEP
3. Member country's stand

1. Arguments against RCEP		
1.1	<p>Women's movement across Asia and the Pacific demand #NoRCEP</p> <p>Asia Pacific Forum on Women, Law and Development</p> <p>November 12, 2020</p>	<p>Indigenous women as the traditional keeper of their community's local knowledge, seed, biodiversity, and food sovereignty will lose their control as RCEP will put these knowledge and biodiversity into the hands of corporations under the guise of intellectual property.</p>
1.2	<p>RCEP Will Impact The Future of Developing Countries</p> <p><i>By Chiang Mai</i></p> <p>Indonesia for Global Justice</p> <p>November 12, 2020</p>	<p>Developing countries in ASEAN must conduct social and human rights impact analysis on RCEP before their governments sign or ratify this mega free trade agreement. RCEP's liberalisation rules will restrict government policy spaces to counter social, economic and climate crises exacerbated by COVID-19. Developing countries in ASEAN must conduct social and human rights impact analysis on RCEP before their governments sign or ratify this mega free trade agreement.</p>
1.3	<p>Fears world's biggest trade deal could spark conflicts, hurt farmers</p>	<p>Open market access in RCEP that drastically cuts tariffs of agriculture products will have terrible consequences for small-scale producers in developing countries. It is particularly</p>

	<p><i>By Rina Chandran</i> Thomson Reuters Foundation November 13, 2020</p>	<p>detrimental for women in subsistence and small-scale farming.</p>
1.4	<p>What is RCEP and why are Trade Unions in the Asia-Pacific Region concerned about It? <i>By People Dispatch</i> News Click November 16, 2020</p>	<p>The final agreement would significantly limit governments' control over capital outflows, with very few exceptions. The disputes resolution mechanisms for signatories of the deal allows for signatories of the deal or even multinational corporates to seek a supranational tribunal to sue governments on policy changes. While the agreement makes no mention of labor protections or environmental regulations, it opens up scope for wholesale liberalization of national economies.</p>
1.5	<p>What is RCEP and why are Trade Unions in the Asia-Pacific Region concerned about It? <i>By People Dispatch</i> News Click November 16, 2020</p>	<p>The final agreement would significantly limit governments' control over capital outflows, with very few exceptions. The disputes resolution mechanisms for signatories of the deal allows for signatories of the deal or even multinational corporates to seek a supranational tribunal to sue governments on policy changes. While the agreement makes no mention of labor protections or environmental regulations, it opens up scope for wholesale liberalization of national economies.</p>
1.6	<p>No agreements that are FTAs by stealth with China, to focus on EU, US: India on RCEP <i>By Kirtika Suneja</i> The Economic Times November 17, 2020</p>	<p>New Delhi had raised concerns at a threat of Circumvention of Rules of Origin by China wherein cheap goods from China would come into India via other RCEP members. It had also sought a change in base rate of customs duty from 2014 to 2019 to reflect latest realities and safeguard domestic manufacturing of electronics and mobile phones.</p>
1.7	<p>India has sound reasons to stay out of RCEP pact <i>By Karan Bhasin</i> IIVEMint November 17, 2020</p>	<p>The prospects of signing any such pact would depend on multiple factors. There indeed are many benefits of regional trade blocs, provided they are fair to all. All countries operating with the agreed-upon rules is also key. It has been observed that several countries, including China, have frequently used non-tariff barriers to prevent market access to foreign firms. India could be reluctant in signing agreements with countries that are known to circumvent the rules of agreed-upon frameworks.</p>
1.8	<p>A day after RCEP, Jaishankar slams trade pacts, globalisation <i>By Suhasini Haidar</i> The Hindu November 17, 2020</p>	<p>External Affairs Minister S. Jaishankar's comments indicate that India is not considering at present, an offer from RCEP countries to rejoin the group at a later stage. In a separate statement, which Japan reportedly drafted, all RCEP countries committed to restarting talks with India, if and when it decides to reapply in writing. Economists warn that staying out of RCEP could mean India misses a chance to set the rules in the important grouping at the beginning.</p>

1.9	<p>Modi rightly didn't join RCEP a year ago. SE Asian states are unlikely to benefit much</p> <p><i>By Rajesh Rajagopalan</i></p> <p>The Print</p> <p>November 19, 2020</p>	<p>Unfortunately, those who have opposed the RCEP have also looked at this from the perspective of economic and trade policy. Indeed, even External Affairs Minister S. Jaishankar pointed to the negative domestic economic consequences of trade, arguing that "In the name of openness, we have allowed subsidized products and unfair production advantages from abroad to prevail." The problem is that the difficulties with the RCEP are not primarily its economic consequences, but rather the political ones.</p>
1.10	<p>Analysis India has rightly shunned RCEP for now</p> <p><i>By Zia Haq</i></p> <p>Hindustan Times</p> <p>November 20, 2020</p>	<p>The objective of the RCEP is to create a mammoth regional-trading bloc. It comprises one-third of the world's population and some 29% of the world's gross domestic product (GDP). Yet, without India, Asia's third-largest economy, there will be limited gains to be had from the RCEP, some analysts say. One of the most in-depth studies of RCEP by Renuka Mahadevan of the University of Queensland and Anda Nugroho of Indonesia's finance ministry found that an RCEP minus India will add just 0.08% to China's estimated 2030 GDP. That's because India on average has higher tariffs than other RCEP countries and, therefore, has the largest scope to reduce them.</p>
1.11	<p>India will likely go for bilateral trade pacts for now — not mega deals like RCEP</p> <p><i>By Saheli Roy Choudhury</i></p> <p>CNBC</p> <p>November 25, 2020</p>	<p>Analysts have said that India worried about a potential surge of cheap imports as trade barriers were dismantled under the agreement, which could adversely affect several industries — including autos and agriculture — where local firms are not globally competitive. That would likely occur in a challenging economic environment where growth has drastically slowed down, in part due to the coronavirus pandemic, and millions of people are struggling to find work.</p>
1.12	<p>RCEP Without India Paves Way For USA-India Free Trade Agreement – Analysis</p> <p><i>By Subrata Majumder</i></p> <p>Eurasia review News & Analysis</p> <p>November 30, 2020</p>	<p>Basket of exports to USA is another important parameter which edge out the other nations with whom India has FTAS. USA is the biggest importer of ready made garments, marine products, diamonds, which generate big employment in the country. Both World Bank and Peterson Institutes studies have predicted significant gains for both USA and India, if a free trade agreement is concluded. In addition, the USA is the biggest importer of India IT services.</p>

2. Favourable aspects of RCEP

2.1	<p>RCEP nations to sign Asian trade megadeal, with clause for India</p> <p><i>By Takako Gukato</i></p> <p>Nikkei Asia</p> <p>November 12, 2020</p>	<p>Though other countries will not be permitted to join RCEP for a certain period of time after it takes effect, this provision will not apply to India. Members plan to draw up a separate document letting New Delhi participate at any time should it choose to do so.</p> <p>RCEP will cut tariffs and establish rules in about 20 areas, including cross-border data flows. The agreement will do less to remove tariffs on farm and fishery products than the Trans-</p>
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2.2	RCEP: Asia-Pacific countries form world's largest trading bloc BBC News November 15, 2020	For starters, leaders hope that the pact will help to spur recovery from the coronavirus pandemic. "Under the current global circumstances , the fact the RCEP has been signed after eight years of negotiations brings a ray of light and hope amid the clouds," said Chinese Premier Li Keqiang. Longer-term, Mr Li described the agreement as "a victory of multilateralism and free trade".
2.3	Explainer: What happens now the RCEP trade deal has been signed? <i>By James Pearson</i> Reuters November 16, 2020	RCEP provides some flexibility for less-developed members to implement the practical and legislative changes it requires. Cambodia and Laos, for example, have three to five years to upgrade customs procedures. Specifically which areas are open to tariff reductions under RCEP is complex and changes from country to country. Some states have listed what RCEP includes; others have listed what it does not. For countries which already have free trade agreements with each other, an added benefit of RCEP is that it creates a common set of rules of origin, which will facilitate easier movement of goods between the 15 members.
2.4	RCEP - a wakeup call to rethink the failed hyperglobalisation model <i>By Professor Jane Kelsey</i> Scoop World November 16, 2020	"It's time for New Zealand to revisit the failed hyperglobalisation model of the past four decades, especially after Covid-19 has exposed our vulnerability to deeply integrated supply chains we can't control and 'services exports' that depend on international travel."
2.5	View: This is no time for India to turn away from trade <i>By Mihir Sharma</i> The Economic Times November 16, 2020	In spite of its pro-globalisation, business-friendly rhetoric, the current Indian government has turned sharply protectionist in the past few years, reminiscent of the closed, faux-socialist 1970s when imports were strictly controlled and growth slowed to a crawl. Recent Union budgets have seen the government raise import tariffs across the board, something that hasn't been done since the country began opening up to the world in 1991.
2.6	State puts RCEP pact on fast track <i>By Phusadee Arunmas</i> Bangkok Post November 17, 2020	Seeing the pact as a vital tool for economic recovery and growth, Mr Jurin's ministry expects free trade among RCEP members to start by the middle of next year, following almost eight years of talks. Mr Jurin said the pact may impact some businesses, but they ought to receive assistance to cope with any adjustments.
2.7	End Of The Spaghetti Bowl: RCEP Does Not Create An Asia-Pacific Trade Bloc <i>By Heribert Dieter</i>	More importantly, RCEP does not restrict the participating economies in their future trade policymaking. Unlike the European Union, which is a customs union that results in a unified trade policy of all European countries , RCEP continues to permit the participating economies to conduct their own

	<p>Asia Global November 19, 2020</p>	<p>trade strategy. Australia, for example, can conclude a free-trade agreement with the European Union if it wishes to do so. If RCEP constituted a customs union, the picture would be different. But in today's political climate, it is hard to envisage that countries such as Australia or Japan would enter a customs union with the People's Republic of China. RCEP is as close to Beijing as negotiators were willing to get.</p>
2.8	<p>Explained: What are the economic implications of India opting out of RCEP? <i>By Prabha Raghavan</i> The Indian Express November 19, 2020</p>	<p>On Sunday (November 15), 15 countries solidified their participation in the Regional Comprehensive Economic Partnership (RCEP). Even as India opted to stay out after walking out of discussions last year, the new trading bloc has made it clear that the door will remain open for India to return to the negotiating table.</p> <p>What is RCEP? Why did India walk out? What can the decision cost India? What are India's options now?</p>
2.9	<p>Trade deals: The right Regional Comprehensive Economic Partnership strategy for India <i>By TS Vishwanath</i> Financial Express November 30, 2020</p>	<p>A quick analysis by APJ-SLG Law Offices (ASL) of the RCEP agreement shows that India's total exports to the RCEP countries were \$64 billion in 2019, of which the top 25 products constituted \$31 billion, which is nearly 50% of India's total exports to these countries. Importantly, not all these products receive tariff benefits under the existing trade agreements that India has with many of these countries.</p>
2.10	<p>India risks hurting its exports to RCEP countries for very reason it quit the trade bloc <i>By Shruti Srivastava</i> The Print November 26, 2020</p>	<p>On the other hand, for India, the withdrawal will result in a loss of 1.2% of the nation's projected GDP in 2030, according to a paper by Peterson Institute For International Economics.</p> <p>This has exporters worried about expansion plans which may take a hit due to lack of competitive access to a huge market.</p> <p>"Many sectors would want to shift to nations in the bloc to get access to the market and common rules of origin is a big advantage," said Sharad Kumar Saraf, president of the Federation of Indian Export Organisation, India's largest exporters' group.</p>

3. Member country's stand

3.1	<p>Japan to keep tariffs on sensitive farm product imports in RCEP deal The Mainichi November 10, 2020</p>	<p>It will be Japan's first signing of a free trade framework that includes China, its biggest trading partner, and South Korea. Japan will abolish tariffs on 56 percent of farm products imported from China, 49 percent of those from South Korea and 61 percent of items from the Association of Southeast Asian Nations, Australia and New Zealand, it said.</p> <p>China will gradually eliminate the 40 percent tariff it imposes on Japanese sake in the 21st year after the deal takes effect, while South Korea will cut its 15 percent tariff on the rice wine in stages until its abolition in the 15th year, the draft showed.</p>
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3.2	<p>China and 14 other nations ready to sign RCEP, world's largest trade deal, before change of leadership in US</p> <p><i>By Catherine Wong</i></p> <p>US-China Relations</p> <p>November 11, 2020</p>	<p>An expert who advises the Chinese government on trade said there was a renewed urgency for China to sign the trade deal before the next US administration came into office.</p> <p>“RCEP is about China's long-term strategic interest and its relations with neighbouring countries. The Democratic Party [administration] under Joe Biden is likely to rejoin the CPTPP. If the US goes back to CPTPP and the RCEP negotiations are not handled well, that would provide incentive for a lot of countries to shift to CPTPP,”</p>
3.3	<p>World's largest free trade agreement signed in coup for China</p> <p><i>By Alice Philipson and Martin Abbugao</i></p> <p>The Jakarta Post</p> <p>November 15, 2020</p>	<p>The agreement touches on intellectual property, but environmental protections and labor rights are not part of the pact. The deal is also seen as a way for China to draft the rules of trade in the region, after years of US retreat under President Donald Trump which have seen Washington pull out of a trade pact of its own, the Trans-Pacific Partnership (TPP).</p>
3.4	<p>China-Japan-SK FTA to speed up with RCEP push</p> <p>Global Times</p> <p>November 18, 2020</p>	<p>With the successful signing of the RCEP, Japan may pay more attention to the development of the Chinese market, and be more willing to promote economic and technological cooperation with China. For Japan, this is a pragmatic choice. With such a huge market, China also has room for further strengthening and expanding cooperation with Japan.</p> <p>The RCEP has already received quite positive response in Japan. Tariffs will likely be eliminated on 86 percent of industrial goods exported from Japan to China as a part of the RCEP, benefiting Japanese exporters such as auto parts supplier, the Nikkei Asia reported.</p>
3.5	<p>Welcome to the Might-Is-Right Global Trade Era</p> <p><i>By David Fickling</i></p> <p>The Washington Post</p> <p>November 18, 2020</p>	<p>India's decision to pull out last year probably made it easier for the remaining countries to come to agreement. Possibly as a result, the wording on sticky issues like investment, services and agriculture looks stronger than anticipated, according to an analysis by Deborah Elms, executive director of the Singapore-based Asian Trade Centre.</p> <p>Even so, the bloc will fall short of the sort of comprehensive agreement seen in the European Economic Area or even the reformed Trans-Pacific Partnership, known as the CPTPP, which now binds key RCEP members including Australia, Japan and Vietnam after the U.S. dropped out.</p>
3.6	<p>New Asian trade bloc could help boost post-pandemic investment – UNCTAD</p> <p>Trade Development News</p> <p>November 25, 2020</p>	<p>Intra-regional investment, at about 30% of total FDI in the RCEP, has significant room for further growth. It is relatively low compared to other major economic partnerships. A key challenge, the report says, will be for the RCEP to follow through on economic integration efforts at a time of geopolitical and trade tensions</p>