



RCEP & Sri Lanka's Dilemma

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Why in News

Various economists have speculated chances of Sri Lanka joining **Regional Cooperation Economic Partnership** (RCEP) and its impact on the island nation.

- Recently, the RCEP, a mega trade bloc comprising 15 countries, has come into existence.
- 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.

Key Points

- **Advantages to Sri Lanka on joining RCEP:**
 - **Trade expansion:**
 - Diversify its trade basket in the asia pacific region and beyond.
 - Many leaders in the past have argued that Sri Lanka needs to turn more eastward in its economic and trade diplomacy.
 - **Strategic location:**
 - Sri Lanka is located along one of the busiest shipping routes in the world.
 - Recently, the Prime Minister of Sri Lanka said that the country must develop the Hambantota and Colombo Ports together with the Airports to be at a centre in the international commercial processes.
 - In the current situation amid a **global pandemic, no country can stick to an isolationist policy.**

- **Challenges in joining:**

- **Unclear Trade policy:**

- The government's position on **Free Trade Agreements** (FTA) has not been consistent.

- For example, the proposed Economic and Technology Cooperation Agreement (ETCA) with India has not been finalised, while the country has expressed interest to revive Free Trade Agreement (FTA) negotiations with China.
 - The government is also re-examining the FTA signed with Singapore.

- **Increase in Competition:**

- RCEP would make it more difficult for Sri Lanka to compete with the **markets** of Vietnam, Cambodia, Laos, etc. in other countries unless a **bilateral agreement** is finalised.

- **Pandemic**, marked by the disruption to **global supply chains**, led to a critique of globalization making Sri Lanka suspicious of joining it.

- **Sri Lanka's Dilemma:**

- India will be a powerful economy in the world in the next decade. China together with several other Asian countries (part of RCEP) will be amongst the five most powerful economies in the world.
 - India and China are also two biggest sources of imports for the country.
 - Thus it would be tough for Sri Lanka to decide whether to join China led RCEP or side with India by not joining it.

- **Concerns for India:**

- Sri Lanka joining RCEP will increase the **influence of China** in India's neighbourhood.

- The government of Sri Lanka has a focus on China-backed 1.4 billion USD Colombo Port City as a hub for international business and investment.

- Reduce Sri Lanka's dependency on India.
 - Sri Lanka has a list of highly strategic ports located among busiest sea lanes of communication. India may get limited access to them.

Source:TH