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Reassessment of Regional Trading Agreements for India

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Why in News

Recently, Singapore's Foreign Minister while addressing the **6th edition** of the **Raisina Dialogue** suggested India to reassess its stand on **Regional Trading Agreements (RTA)** such as **Regional Comprehensive Economic Partnership (RCEP)** and **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**.

The **Raisina Dialogue** is India's premier conference on geopolitics and geoeconomics. The conference is **hosted by the Observer Research Foundation in partnership with the Ministry of External Affairs**, Government of India.

Key Points

- **Regional Comprehensive Economic Partnership:**

15 Countries Sign World's Biggest Free Trade Deal

Key facts about the Regional Comprehensive Economic Partnership free trade deal

- **About:**



Countries
15

Population
2.2 billion

Combined GDP
\$26.2 trillion

Share of global trade
28%

Share of global economic output
30%

- **RCEP** is the **world's largest Free Trade Agreement (FTA)** and was signed by all 10 **Association of Southeast Asian Nations is a regional organization (ASEAN)** members and key partners including China, South Korea, Japan, Australia and New Zealand at the **4th RCEP leaders' summit in November 2020**.
- It could be some time before any country sees the benefits, because **six ASEAN nations and three other nations have to ratify it before it takes effect**.
 - Ratification will likely be tricky in national parliaments, owing to both anti-trade and anti-China sentiments among the countries.
 - Recently, **Singapore became the first RCEP participating country (RPC) to complete the official ratification process and deposit its ratification instrument**.

- **Significance:**

- **Eliminate Tariffs:**

- It is expected to **eliminate a range of tariffs** on imports within 20 years and also includes provisions on intellectual property, telecommunications, financial services, e-commerce and professional services.

- **Equality:**

- Under RCEP, parts from any **member nation would be treated equally**, which might give companies in RCEP countries an **incentive to look within the trade region for suppliers**.

- Businesses with global supply chains might face tariffs even within an FTA because their products contain components that are made elsewhere.

- **Increased Global Income:**

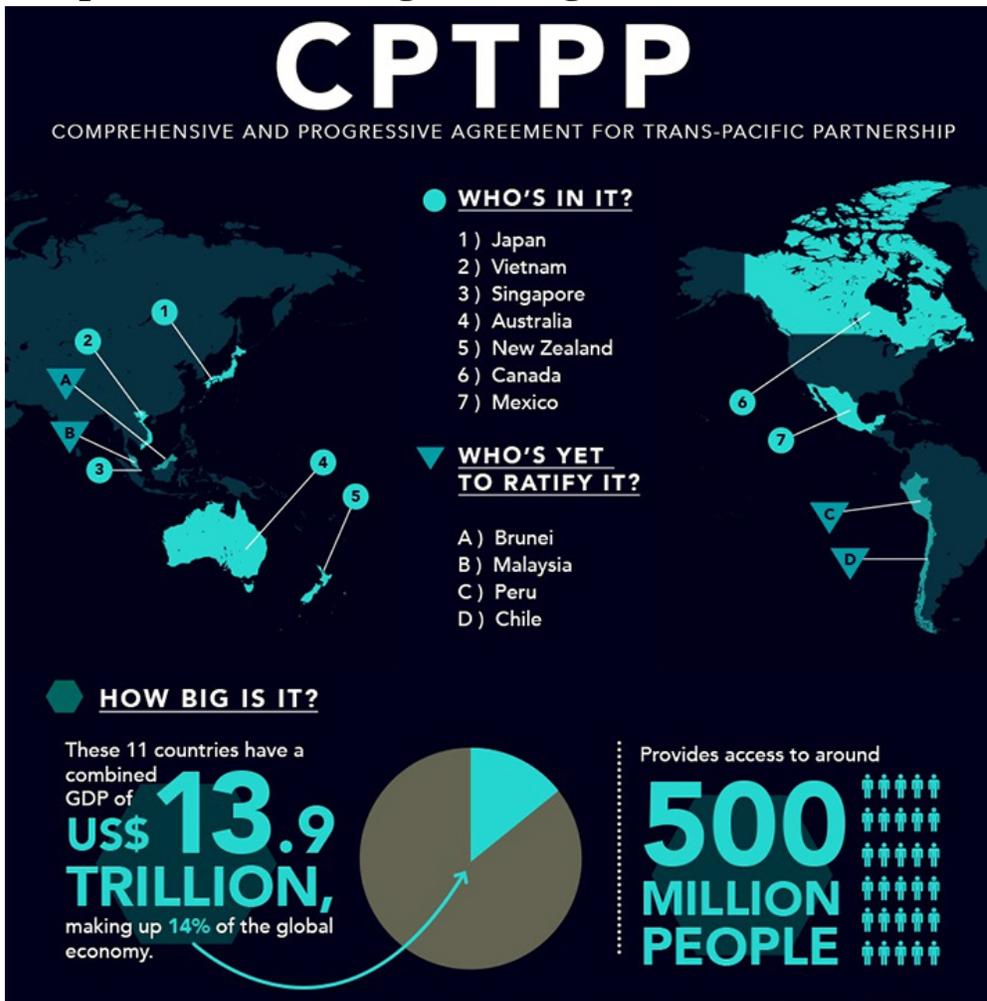
- The deal could **increase global national income by USD 186 billion annually by 2030** and add 0.2% to the economy of its member states.

- However, some analysts think the deal is likely to benefit China, Japan and South Korea more than other member states.

- **India's Stand:**

- India **withdrew** from the RCEP largely because of **concerns it would open it up to Chinese goods amid an already wide trade imbalance with China**, and the failure of the agreement to adequately open up to services.

- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership:**



- **About:**

- The **CPTPP** is a **Free Trade Agreement (FTA)** between **11 countries** around the **Pacific Rim** which are :
Canada, Mexico, Peru, Chile, New Zealand, Australia, Brunei, Singapore, Malaysia, Vietnam and Japan.
- After the US withdrew from negotiations of **Trans-Pacific Partnership (TPP)**, the remaining 11 participants scrambled to amend the text of the agreement, and the newly renamed **CPTPP was signed in March 2018**.
It came into **force in December 2018**.

- **Significance:**
 - **Removes Tariffs:**
The CPTPP removes 99% of tariffs on goods and services, just like the original TPP did.
 - **Broad Coverage:**
The CPTPP covers a broad range of goods and services. These include financial services, telecommunications, and food safety standards.
 - **Reduces Environmental Abuses:**
 - All **countries agreed to cut down on wildlife trafficking**. That helps elephants, rhinoceroses, and marine species the most.
 - It **prevents environmental abuses**, such as unsustainable logging and fishing. Countries that don't comply will face trade penalties.
- **India's Stand:**
India did not join CPTPP as **it seeks to place greater labor and environmental standards** on its other partners and **CPTPP draft includes narrowly detailed qualifications on standards for investment protection, provisions** to protect the host state's right to regulate, and the imposition of detailed transparency requirements.
- **Need for India to Reassess RCEP & CPTPP:**
 - **To Boost its Manufacturing Sector:**
The RCEP & CPTPP blocs represent a major portion of the world economy, which may present India the **possibility of being a manufacturing hub and export platform** for the Pacific region with access to duty-free, quota free trade.
 - **To Strengthen Individual Relations:**
India **already has steady trade relations** or is negotiating new agreements with various RCEP & CPTPP countries such as Canada, Mexico, and Chile.
 - **To be a Major Player in Regional Development:**
 - India has a **crucial role to play in helping the region** build an inclusive architecture at a time of increasing global instability.
 - Besides, rising US-China tensions are “deeply worrying” for the region with the **pandemic** resulting in “heightened tension”.
 - **To Provide Indian Companies Better Platforms:**
Such trade pacts will also **give Indian companies a platform to showcase their strengths** across even larger markets.

Way Forward

Acknowledging India's economic heft and value as a market, the RCEP & CPTPP members have **left the door open for India**. Given the global economic scenario in present times and the near future, **it would be in India's interest to dispassionately review its**

position on RCEP & CPTPP and carry out structural reforms that will help India to mitigate some of the repercussions arising from the RCEP & CPTPP.

Source:TH