



# Reassessment of Regional Trading Agreements for India

## Why in News

Recently, Singapore's Foreign Minister while addressing the 6<sup>th</sup> 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:**

- **About: //**

## 15 Countries Sign World's Biggest Free Trade Deal

Key facts about the Regional Comprehensive Economic Partnership free trade deal



Countries	<b>15</b>
Population	<b>2.2 billion</b>
Combined GDP	<b>\$26.2 trillion</b>
Share of global trade	<b>28%</b>
Share of global economic output	<b>30%</b>

- **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 4<sup>th</sup> **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.

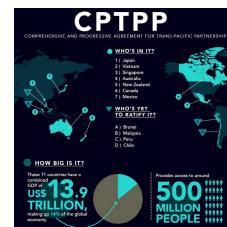
- **Increased Global Income:**

- 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**

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