



RCEP Comes into Existence

Why in News

Recently, the [Regional Comprehensive Economic Partnership \(RCEP\)](#) has come into existence on the sidelines of the 37th ASEAN Summit.

- It has laid down the **path for restarting discussion that had failed to admit India earlier** and said “new” developments would be taken into consideration if India re-applies.



Key Points

- **Regional Comprehensive Economic Partnership:**
 - It consists of 10 [Association of Southeast Asian Nations](#) (ASEAN) members, as well as South Korea, China, Japan, Australia and New Zealand.
 - It excludes the USA, which withdrew from the **Trans-Pacific Partnership** (TPP) in **2017**.
 - **Negotiations over the RCEP deal began in 2012. India was also part** of the negotiations but it **pulled out in 2019** over concerns that **lower tariffs could hurt local producers**.
 - Members of the RCEP make up nearly a **third of the world's population** and account for **29% of global gross domestic product** (GDP).
 - The **China-backed** group will emerge as the **largest free trade agreement** (FTA) in the world surpassing both the [US-Mexico-Canada Agreement](#) and the [European Union](#) (EU).
 - 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.

- 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.
- 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.
- However, 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.

▪ Significance for China:

- The beginning of RCEP is a major development that will **help China and trade in the Asia-Pacific region** in the **post-Covid-19 scenario**.
- It will give **China access to Japanese and South Korean markets** in a big way, as the three countries have not yet agreed on their FTA.
- While China already has a number of bilateral trade agreements, this is the first time it has signed up to **a regional multilateral trade pact**.

▪ India's Stand:

- While addressing the ASEAN Summit, India **highlighted the necessity for peace and stability in the region but maintained silence regarding RCEP** as it is **not very welcoming** of the China-backed grouping in the light of the **[ongoing military tension in eastern Ladakh](#) along the Line of Actual Control (LAC)**.
- In the meantime, India **held [Malabar Exercise](#) with Japan and the USA for the [Quadilateral Security Dialogue](#) (QUAD)** which was interpreted as an anti-China move.
 - However, these moves **did not influence Japanese and Australian plans** regarding RCEP.
- India **ended negotiation** on RCEP over terms that were **perceived to be against its interests**.
- One of the major concerns for India was **inadequate protection against surges in imports** as its industry had fears that signing RCEP would **allow cheaper products from China to flood the market** in India.
- The **extended power to China** could lead to **actions and incidents eroding trust in the maritime region** disrespecting the territorial integrity and sovereignty.
 - For example, the ongoing tensions at LAC and **[Chinese activities in Pakistan-occupied Kashmir](#)**.

▪ RCEP on India's Membership:

- India, as an original negotiating participant of the RCEP, has the **option of joining the agreement without having to wait 18 months** as stipulated for new members in the terms of the pact.
- RCEP signatory states plan to commence negotiations with India once it **submits a request of its intention to join the pact "in writing"**, and it may participate in meetings as an observer prior to its accession.

Way Forward

- The mega trade bloc is a landmark trade initiative which is expected to boost commerce among

the member-countries spread across the Asia-Pacific region.

- India needs to keep its interests on the table as the road to further expansion of its exports to RCEP member nations is very much still open, given that India already has trade and investment agreements with 12 of them.
- Utilising existing agreements better while proactively exploring new opportunities in other geographies will diversify both Indian markets as well as an export basket.

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