



Mains Practice Question

Q. Analyse the factors and implications of India's recent exit from the Regional Comprehensive Economic Partnership (RCEP). (250 words)

03 Dec, 2019 GS Paper 2 International Relations

Approach

- Introduce the answer by mentioning about RCEP.
- Mention the reasons for India's exit from the recent 3rd RCEP meet.
- Analyze the impact of exit.
- Conclude the answer by giving an optimistic way forward.

Introduction

Regional Comprehensive Economic Partnership (RCEP) is a trade deal that is being negotiated since 2012, between the 10 **ASEAN** members with their **5 free trade pact partners namely Australia, China, Japan, South Korea, and New Zealand.**

Body

Reasons for India's Exit

- **Inadequate Protection against Import-surge:** India has apprehensions that the rising imports due to the signing of the Free Trade Agreement (FTA) would lead to flooding of Chinese products in the Indian market.
- **Trade Deficit:** Though trade has increased post-FTA with South Korea, ASEAN countries and Japan, imports have risen faster than exports from India.
 - According to a paper published by NITI Aayog, India has a bilateral trade deficit with most of the member countries of RCEP.
 - India already has a trade deficit of over \$50 billion with China, and the current deal will further lead to increasing of this deficit.
- **Lack of Market Access:** India has not received any credible assurance on its demand for more market access with respect to mobility of Indian labour, services and agricultural commodities, and its concerns over **non-tariff barriers.**
- **Protection of Domestic Industry:** India had expressed apprehensions on lowering and eliminating tariffs on several products like dairy, steel, etc.
 - For instance, the dairy industry was expected to face stiff competition from Australia and New Zealand.

Impact of RCEP Exit

- **Protection of Domestic Industry:** Refraining from RCEP will provide protection to the Indian domestic industry from cheap imports.

- India can still keep a check on China's dumping of goods in India. However, from needles to the turbine, Chinese goods are all over the Indian market.
- **Manufacturing:** India envisages becoming a manufacturing hub. However, staying out of the RCEP reduces opportunities for trading with these countries, which together account for roughly a third of global trade.
 - In the current economic scenario, manufacturing requires greater integration with global supply chains.
- **Geo-politics:** RCEP is a China-backed trade deal, signing it without India will further strengthen China's economic power.
 - It will affect India's neighbourhood as China already tries to influence the region through its deep pockets.

Conclusion

RCEP provides a chance for India to bring in **historic trade reforms in the economic sector**, which in itself will cement India's position as a major global economy and make Indian industry globally competitive.

India needs to work on reforms and frame policies to prepare the economy for facing global competition. This can be done by easing land acquisition, reforming labour laws and bridging infrastructure deficit.

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