

RCEP : A 2.8 Trillion \$ opportunity for a 2.93 Trillion \$ economy

Dairy blog with 95th dairy pulse (Oct 1-15 2019)

Dear friends,

Last fortnight was dedicated to news related to India's stand-in RCEP negotiation. Almost everyone is talking about it. In last fortnight I had the opportunity to interact with media and industry fraternity at Pune, Bengaluru, and Ahmedabad. Apart from discussions on the topic of the various event, the common question was on how Indian dairy would get affected under RCEP negotiations. I scanned the internet for gaining more insights on net and found some interesting notes from Mr HariPriya Suresh of The News Minute.

While everyone is concerned about RCEP, I better thought that let us understand this whole gamut of RCEP before getting worried or commenting.

1. What is RCEP?

RCEP or Regional Comprehensive Economic Partnership is a proposed Free Trade Agreement (FTA) amongst 16 countries (10 from ASEAN- Malaysia, Indonesia, Singapore, Laos, Brunei, Cambodia, Vietnam, Philipines, Thailand and Mayanmar and six countries having trade agreements with these ASEAN countries namely India, Japan, Australia, New Zealand, Korea and China). This group of countries contributes to a quarter of global GDP, almost a third of global trade and slightly more than a quarter of foreign direct investment flow. This negotiations for the agreement started in 2013.

2. What is an FTA ?

A free trade agreement is an agreement that two or more countries reach with regard to import and export of goods with an intent to have a free and seamless flow of goods. It also means that there is no to low tariffs, quotas etc or market access conditions for import and export of goods.

3. What is the problem if India signs it ?

A few of the industries in India would get badly affected due to cheap imports from the member countries particularly from

- China in steel and automobiles,
- New Zealand and Australia in dairy products, and
- Bangladesh, Vietnam and China etc in textiles.

4. What kind of conditions is India proposing to avoid these problems?

India is pushing for the following conditions before signing the agreement

a. The base year for signing: RCEP negotiations began in 2013 and India increased its customs tariffs on many products from 2014 onwards. On average India increased tariffs from 13% to 17 % majorly in auto components, electronics, and textiles. India thus requires the base year for signing as 2019 and not 2013.

b. Auto trigger mechanism: India wishes to have an auto-trigger mechanism in case of an upsurge in imports once this agreement is signed. This would allow India to choose and remove the product from the list of imports at times of domestic crisis due to cheap imports.

c. Exemption from Ratchet obligations: A Ratchet mechanism means that the signing country with another country where it liberalizes (removes or reduces) tariffs, quotas etc on import and export of products, cannot go back on them and bring in measures which are more restrictive. India wants an exemption from this obligation.

d. Data Localisation: India wants all participating countries to have the right to protect data. 14 out of 16 countries have opposed such requests from India.

5. History of past FTA

As per Niti Ayog's report, India imports more than what it exports to the country with whom it has signed FTA. China ASEAN FTA signed in 2010 has resulted in huge turnaround of trade figures for six countries

namely Singapore, Thailand, Malaysia, Philippines,, Vietnam and Indonesia from a surplus of 53 B\$ to a deficit of 54 B\$ in 2016.

If we chose to remain out of this agreement then we are also turning our back to a 2.8 trillion \$ trade opportunity.

In the end without commenting on what India should do? I have two major questions ;

a. How long would we be able to isolate and protect our industries from world trade by opposing and laying protective conditions at such FTA related forums?

b. When would we be developing our policies for making our various sectors globally competitive intrinsically based on strong infrastructural support and a conducive economic environment (with sufficient risk capital) rather than by protecting them with short-sighted subsidies and not opening up?

Wishing you all a very happy and prosperous Diwali to you, your organization and your near and dear ones.

Hope you will like this edition of Dairy Pulse. Do share your views on whether India should sign RCEP or not ?

Happy e reading

with best regards

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