GS-II: Joining RCEP should be seen as an extension of Look East policy.

Context

RCEP

- The Regional Comprehensive Economic Partnership (RCEP) aims to bring the 10 countries of ASEAN with Australia, New Zealand, South Korea, India, China and Japan to create the world’s largest trading block.
- If it comes into being, RCEP will constitute more than 40 per cent of the global population and almost half of world’s economy.
- It consists of three of the six largest economies of the world, especially, the two fastest growing large economies India and China.
- Out of the top 16 countries with the largest GDP, six belong to the proposed RCEP.

Act of Balancing with China

- There is a huge debate in India over joining RCEP. India’s allies in Southeast Asia, as well as Australia, want India to join it to balance China.
- On the other hand, many in India feel that RCEP will aggravate India’s burgeoning trade deficit with China.
- The Indian industry feels that China does not provide a level playing field for items that they could export, especially in fields like pharma, IT, films, indigenous medicines, wellness and yoga.
- Some of these are founded on opacity that surrounds the Chinese government’s decision making.

The Indian protectionism

- There is a tendency in Indian industry to seek protection, whenever any steps towards globalization are taken.
- The “Bombay Club” long used for protectionism, protested when liberalisation was introduced and tried to prevent imports for as long as they could.
- However, it is an acknowledged fact that globalisation did benefit the Indian economy, it brought in newer technology and made Indian industry far more competitive.
- RCEP does provide Indian industry a huge market to grow and expand, provided it transforms and the government frees it from bureaucratic controls that have been stifling growth.

Not to blame anyone

- When import access was given to Chinese goods, it did not eliminate Indian industry.
- Of course, some industries which are uneconomical, have not modernized and imbibed new technologies will fall by the way side.
- More significantly, opening up markets and reducing tariffs will benefit consumers.
- The automobile, telecom and even IT boom would not have been feasible without liberalisation.
- Similarly, the recent spurt in solar power generation is directly a result of the availability of cheap imported solar films.
Visible benefits for joining:

- India’s presence in this trading block could lead to a large number of multinationals shifting their production facilities from China to India.
- RCEP being effective would enable them to access Chinese markets, without being present there, to comply with US sanctions.
- This could also bring in huge investments from many companies in the West.
- With the Trans-Pacific Partnership having unraveled, it is quite feasible that a post-Trump US administration may join RCEP if it takes off.

A win-win situation

RCEP is one sure shot way of forcing China to provide a level playing field.

India has the largest arable land and one of the largest pool of scientists, engineers, technicians, so there is no reason for India to be concerned.

Way forward

India’s welcome to RCEP is one way of controlling China and keeping it in check.

In a big grouping like this, China is unlikely to have its way, nor is it going to antagonize everyone.

India’s absences from RCEP will virtually hand over this significant grouping to China, which is certainly not in India’s interest.

Thus RCEP is a huge opportunity which India should not miss.