Syllabus subtopic: Bilateral, regional and global groupings and agreements involving India and/or affecting India’s interests

News: In the recently held Regional Comprehensive Economic Partnership (RCEP) Summit in Thailand, India decided not to finalize the RCEP trade deal. India has expressed its concerns over lowering and elimination of tariffs on products from other countries, as it would negatively affect the domestic agricultural and industrial sector.

Prelims Focus: about RCEP.

Mains Focus: India’s concerns due to which it refused to sign

Why India refused to sign it?

1. Domestic industry and dairy farmers had strong reservations about the trade pact.
2. India’s trade deficit with the RCEP nations is $105 billion, of which China alone accounts for $54 billion.
3. The worry is also over Chinese manufactured goods and dairy products from New Zealand flooding Indian markets, hurting domestic interests.
4. The trade agreement was also seen as being detrimental to the government’s Make in India initiative. India was looking for specific rules of origin to ensure the trade pact wasn’t abused by non-partner countries and an auto-trigger mechanism to protect it from a surge in imports.
5. Ecommerce and trade remedies were among other key areas of concern that failed to find satisfactory redressal.
6. India was also worried about keeping 2014 as the base year for tariff reductions.

Why Confederation of Indian Industry (CII) called for signing of RCEP?

Trade within RCEP nations would increase. And India can leverage advantage in areas such as ICT, IT-enabled services, healthcare and education services.

It also provides an opportunity for India to tap large and vibrant economies and increase its exports. As the RCEP progresses and favourable tariffs and Rules of Origin (ROOs) kick in, India could become a major hub for coordinating regional value chains through itself.

India could serve not only as a major market for final markets but also as a base for third-country exports, primarily to West Asia, Africa and Europe.

Why farmers were opposed to this?

Trade tariffs: Farmers fear that the RCEP will permanently bring down import duties on most agricultural commodities to zero which will lead to countries looking to dump their agricultural produce in India which would lead to a drastic drop in prices.

This will aggravate the agrarian crisis even as the input prices in India are heavily taxed and
farmers are not given profitable prices, resulting in substantial losses and farmer debts.

The dairy sector and plantations sector are going to be hit very hard. It is because New Zealand and Australia being part of RCEP will invariably lead to the dumping of their dairy products into India.

The south east Asian countries have larger and cheaper production of plantation crops like rubber, coconut, palm oil as compared to India and opening up of the markets will lead to a large inflow of these products given their price competitiveness.

The IPR clauses are likely to seriously impinge on farmers’ seed freedoms. Seed companies will get more powers to protect their Intellectual Property Rights, and farmers would be criminalized when they save and exchange seeds.

India’s food sovereignty would be at stake. Opening up of the markets will lead to dependence on foreign imports. Any differences in the future might impact the food import supply.