

THREAT OR TREAT: ON RCEP TRADE DEAL

Relevant for: International Relations | Topic: RCEP and India

The [Regional Comprehensive Economic Partnership](#) (RCEP) was signed into existence on Sunday by 15 countries [led by China](#), Japan, South Korea, Australia, New Zealand and the 10-state ASEAN grouping, creating one of the world's largest trading blocs. Noticeable by its absence was India, which after seven years of protracted negotiations decided last November to exit the grouping. India had justified its decision as protecting its economy from burgeoning trade deficits with a majority of the 15 RCEP members and had cited the grouping's refusal to accede to its requests on safeguards as a deal breaker. Those reasons were on the face of it justifiable at the time and were welcomed by industry, trade and farmers' groups. However, 12 months down the road, [India's opting out](#) appears far more debatable in terms of its economic rationale. With global trade and the economy foundering on the shoals of the COVID-19 pandemic, especially as new infections in Europe and the U.S. prompt fresh restrictions there, the pre-eminence of the east Asian and Pacific countries including China, South Korea, Vietnam, Australia and New Zealand serving as a bulwark in containing the pandemic and re-energising economic activity can hardly be understated. Add to this the heightened tariff uncertainty generated by the deadlocked Brexit negotiations between Britain and the E.U., and it becomes evident that India may have missed a vital opportunity.

Given that the RCEP members now account for about 30% of the global GDP and a third of the world's population, the signatory states were emphatic that the timing of the accord presents a unique opportunity to support their economic recovery, inclusive development and job creation even as it helps strengthen regional supply chains. Interestingly, among the ASEAN signatories are several relatively far smaller economies including Vietnam and the Philippines, which not only continue to have their share of disputes with Beijing but also suffer significant trade imbalances with Asia's largest economy. That these and other larger nations in the grouping have chosen to bury their geopolitical differences with China in order to prioritise what they collectively see as a mutually beneficial trading compact that would benefit their economies over the longer term is the clearest testament to economic realism trumping nationalist politics. Also, the summary of the final agreement shows that the pact does cover and attempt to address issues that India had flagged including rules of origin, trade in services, movement of persons and, crucially, remedies and safeguards. Acknowledging India's economic heft and value as a market, the RCEP members have not only left the door open should New Delhi reconsider its stance but have also waived a key 18-month cooling period for interested applicants. It would be in India's interest to dispassionately review its position and embrace openness rather than protectionism.

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