

RCEP- Regional Comprehensive Economic Partnership

[UPSC Notes]

What is RCEP?

RCEP, or Regional Comprehensive Economic Partnership, is an economic consensus of ASEAN (Association of Southeast Asian Nations) countries along with six other countries. This agreement was signed to increase economic cooperation in the region with the support of all the members. India was a member of the RCEP until 2019 when it resigned due to unfavorable circumstances.

RCEP allows its member countries to enter into free trade agreements in order to improve regional cooperation in economic activities, trade services, technical collaborations, dispute resolution, and other related issues.

RCEP aims to lower tariffs, open up trade in services and promote investment to help emerging economies catch up with the rest of the world. It also touches on intellectual property, but will not cover environmental protection and labour rights.

RCEP Countries

The member states of RCEP can be identified as 10 ASEAN countries, which are:

- Brunei
- Laos
- Malaysia
- Cambodia
- Indonesia
- Myanmar
- Philippines
- Thailand
- Singapore
- Vietnam

It also includes 5 more countries other than ASEAN, namely:

- China
- South Korea
- Japan
- Australia
- New Zealand

Benefits of RCEP for India

India had been a member of RCEP, citing the various benefits, such as-

- India had a long-time vision with RCEP considering access to all the member nations' markets as India has been vastly concentrating on its Make in India initiative. Because a large portion of the world's population lives in South East Asia, the RCEP has the potential to provide a massive market for Indian products.
- RCEP can nurture India's relations with the southeast Asian countries that India has been trying to target with its Act East Policy.
- Relations established with the ASEAN countries and the other members of RCEP will not only be based on economic ties but also enhance cooperation in various other fields such as technology, energy, security, defence, agriculture, and cultural ties as well.
- India has also been visionary about its ambitious initiative, Micro, Small, and Enterprise (MSME) regarding the RCEP agreement. The RCEP accord would have been a great plus for this initiative as bigger markets would have been accessible for the small trades in India.

Relation between RCEP and Businesses

The relationship between RCEP and businesses can be driven out based on the following factors:

- The fact that the population of the RCEP member countries is around 3.4 billion, or roughly 40% of the world's population, explains how large a consumer market this region provides.
- The total GDP of the member countries of RCEP accounts for 49.5 trillion dollars and is expected to grow to over 100 trillion dollars by the end of 2050.
- The withdrawal of the USA from the Trans-Pacific Partnership (TPP) in 2017 has encouraged nations like China that do not agree with the economic policies of the USA to focus more on this agreement.
- RCEP holds the potential to boost the economic scenario for multiple fields of businesses, such as trade in goods and services; insurance; clean energy; food processing; education; agriculture; security; technology; manufacturing; etc.

Concerns of India with RCEP

The concerns that India had with RCEP have been mentioned below.

- India wanted the products to contain the original 'Country of Origin' tag so as to protect the market from the low quality and cheap Chinese products, which usually acquire the market due to their low cost.
- India had an issue with providing free access under the free trade agreement to countries like China and South Korea. India actually has a trade deficit with most

of the countries in RCEP and does not want to provide a trade monopoly to a few exporting giants.

- India, being a large supplier of manpower and a leading service provider, does not want an agreement to be signed regarding good trade only. The trade agreement for only goods but no services and investment business will not enhance but only damage the Indian economic policy.

Why did India withdraw from the RCEP?

The following are the three main reasons for India's withdrawal from RCEP. -

- The free trade agreement with the member countries might force them to dump cheap and low-quality products from countries like China, Thailand, South Korea, Japan, etc. This will result in the occupation of the Indian market by foreign products while the Indian products will be out of the market.
- It will increase the number of imports and exports simultaneously, resulting in a decrement in the forex reserves of India.
- India's concern about its country of origin has not been seriously entertained by the RCEP.