THE HINDU BUSINESS LINE, AUGUST 14, 2017

India under pressure to ease protection of industry, agriculture at RCEP talks

Other members keen to conclude pact by next year

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New Delhi, August 13

India will be under a lot of pressure to raise its offer on eliminating tariffs on goods at the trade ministers' meeting of Regional Comprehensive Economic Partnership (RCEP) countries in the Philippines next month, after senior officials of the 16-member grouping failed to reach a compromise on the issue at the last round in Hyderabad.

"In Hyderabad, all members put unrelenting pressure on India to increase its commitment in goods. With Singapore, which already has zero tariffs on almost all items, heading the negotiating group on goods, members were just not ready to hear about India's sensitivities. "A team from the PMO took stock of the situation prior to the Hyderabad meet, but more difficult decisions need to be taken before the trade ministers' meeting," a government official told *BusinessLine*.

What makes the situation more tense for India is the fact that the RCEP, which includes the 10-member Asean, China, India, South Korea, Japan, Australia and New Zealand, is serious about concluding the pact sometime in 2018 and, therefore, wants offers to be concluded this year.

"It is clear that the time of dilly-dallying is over. A final decision on how much market opening India can cope with has to be taken and effectively communicated. It is now mostly a political call," the official said.

Rooting for zero tariffs

RCEP members are talking about huge numbers when it comes to tariff elimination and reduction. While most members are rooting for zero tariffs on 92 per cent of the items, some proposals further suggest that tariffs should not be higher than 5 per cent on another 6-7 per cent of tariff lines.

"It is just not possible to take such ambitious commitments as both Indian industry and agriculture is not prepared for it," the official said.

New Delhi, so far, indicated to other RCEP members that it might agree to eliminate tariffs on about 80 per cent of the items, provided it is allowed to protect a larger number of items from China, Australia and New Zealand (by using deviations), with which it does not have bilateral free-trade pacts. With China, India would also like a longer period, much more than 10 years, to implement the cuts.

Indian industry, led by industry body CII, played a key role in Hyderabad in communicating to RCEP members that it was not ready to deal with zero tariffs on most products yet, as many sectors were still developing and not ready for duty-free competition.