

MOUNTING RESISTANCE

India reviews RCEP plan, forms GoM

Partners want India to further liberalise goods trade, but reluctant to ease services trade in New Delhi's interest

FE BUREAU
New Delhi, August 6

INDIA IS HAVING second thoughts on whether to join the 16-nation Regional Comprehensive Economic Partnership (RCEP) that includes China with which it has the largest merchandise trade deficit. Amid growing domestic resistance that pervades not only industry but also several key economic ministries, India has set up a panel of ministers, headed by commerce and industry minister Suresh Prabhu, to see if the mega trade deal is in the country's best interests.

Apart from Prabhu, the panel comprises interim finance minister Piyush Goyal, defence minister (former commerce minister) Nirmala Sitharaman and housing and urban affairs minister Hardeep Singh Puri, sources told FE. Puri has been chosen for his earlier experience in trade diplomacy as an IFS officer. The panel will hold its first meeting on August 10. "Not just industry, certain ministries are also opposing RCEP," said one of the sources.

The move comes amid pressure

from other potential RCEP members to show substantial progress in negotiations by the end of this year. India, however, feels while most RCEP members want New Delhi to commit more to further liberalise its goods trade, they are reluctant to offer anything substantial in return in services trade, especially on unrestricted movement of skilled professionals that is of immense interest to India. As such, domestic industries — from steel to pharmaceuticals — have been criticising our various existing trade agreements with Asean, Japan and South Korea on the grounds that India's trade deficit with these countries have only widened after these pacts came into force and there was little for domestic industry to benefit from.

Also, India had a record \$63-billion goods trade deficit with China in 2017-18. If, on top of this, a free trade agreement with China is effected through the RCEP (of which Beijing is a key member), cheap products will flood the market, they have argued. The steel ministry, for instance, argues that without any FTA, India has a trade deficit (in steel) of 2 million tonnes with China and "considering the trend, it's imperative that pursuant to signing of RCEP, the trade deficit will further widen".

INDIA'S OFFER (GOODS)

80% (+/-6%)

Tariff lines to be abolished for RCEP partners, depending on their level of development; for China, it could be 74%

92%

Tariff lines India is being pressured by RCEP partners to commit to scrap

TRADE IMBALANCE ALREADY HIGH

20%

Indian goods exports go to RCEP members

36%

Indian imports are from these nations

\$104 billion

India's goods trade deficit with RCEP partners (mainly China) in FY18

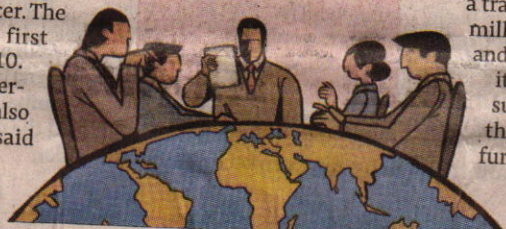


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