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RCEP and India: What Next?

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This article seeks to understand why India may have decided to withdraw from the Regional Comprehensive Economic Partnership (RCEP) as was announced at the third RCEP summit meeting held in Bangkok on 4 November 2019. It also examines briefly the possible implications of this decision, particularly in the present context of looming challenges on the international trade front. It explores possible options for India and what its priorities could be. Finally, in the event that there may be a re-consideration by India about joining RCEP, what could be some of the guiding elements?

Background

By the end of the first decade in 2000, ASEAN, with its membership of ten South East Asian countries, already had its FTAs[1] with all its six dialogue partners: Australia, China, India, Japan, Republic of Korea and New Zealand. The idea arose that these separate ASEAN+1 FTAs could be built upon further to broaden and deepen the engagement among the parties, and enhance their participation in the economic development of the region[2]. A more regional agreement covering the sixteen countries, with ASEAN centrality in the emerging regional architecture would be desirable. This was also a time when negotiations on the Trans Pacific Partnership (TPP) agreement between twelve countries of the Asia Pacific region were already underway, and preparatory moves for launching negotiations for the Tran Atlantic Trade and Investment Partnership (TTIP) between the United States and the European Union had also begun. In a sense, a move had begun in Asia and elsewhere towards

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forging mega regional free trade agreements.

The Agreement on Guiding Principles and Objectives[3] for RCEP was finalised among the sixteen economic ministers in August 2012. The negotiations were formally launched by the leaders during the 21st ASEAN Summit meetings in Pnom Penh in November 2012. The negotiations themselves began in May 2013, and were initially intended to be completed by 2015. However, they steadily got extended to seven years and, after 28 negotiating rounds, interspersed by nine inter-ministerial sessions and two summits, they came to a stage of finalisation at the third RCEP summit in early November 2019 in Bangkok. While India decided to opt out of the grouping, it was decided that the agreement among the other fifteen members will be signed in February 2020.

Why did India decide not to join?

At the Press briefing immediately after the summit, the Secretary (East) from the Ministry of External Affairs of India said that[4] India had significant core issues that remained unresolved. She also added without elaboration that India's decision not to join reflected both an assessment of the current global situation as well as of the fairness and balance of the terms of the agreement.

Prime Minister Narendra Modi was himself reported[5] to have stated at the summit meeting that the RCEP outcome did not reflect the basic spirit and outcome and the guiding principles initially agreed for negotiating the RCEP. India had put forward certain specific proposals about bringing more equity and balance for consideration, but these were not addressed satisfactorily. The guiding principles and objectives for negotiating RCEP did carry a commitment that the negotiations would ensure a comprehensive and balanced outcome and, *inter alia,* would contribute towards equitable economic development. The Prime Minister also mentioned that he was guided (in taking the decision) by the impact the outcome may have on the livelihood of all Indians, especially the vulnerable sections.

Soon after the RCEP summit, India's Minister for Commerce and Industry, Piyush Goyal, was also quoted (in his Ministry's Press Release[6]) as having said that, throughout the seven year long negotiations for RCEP, India consistently stood its ground to uphold its demands, particularly over controlling trade deficit, stronger protection against unfair imports, and better market opportunities for Indian goods and services. He affirmed that the opening of the Indian market must be matched by openings in areas where Indian businesses can benefit, and it would not become a dumping ground for goods from other countries. He had also talked about the need for safeguards with automatic triggers, for India.

Perhaps the most specific in terms of the reasons adduced for the withdrawal came from an article by the Indian Home Minister, Amit Shah, in which he said[7] that the Prime Minister had put forward the interests of farmers, SMEs and manufacturing industries, and vigorously asked for amendments vital to India's interest. He also referred to the five most prominent demands put forward by India as amendment in tariff differential, changes in base rate of customs duty, changes in the most favoured nation (MFN) rule, some exemptions to be built into ratchet obligations as part of the pact, and respecting India's federal character while determining investments.

The Minister for External Affairs, S. Jaishankar, also briefly weighed in on the subject[8] in a well attended public lecture, noting that India negotiated till the very end and then made a very clear eyed calculation of the gains and costs. He added "At that time, a no agreement was determined to be better than a bad agreement".

Other Factors Contributing to India's Refusal to Join

While this was not officially articulated, the recent economic slowdown in the country, a sombre mood prevailing about the economic outlook, and stagnation in India's exports for almost seven years could have been the other factors that inhibited the government from taking a bold decision to go ahead with the RCEP agreement at this juncture.

There was also stepped up opposition from several industry[9] segments/ bodies prior to the summit, questioning how RCEP would be different when commensurate gains had not been made from some of the existing FTAs. The presence of China in RCEP, a country with which India already had a huge trade deficit even in the absence of an FTA, was also highlighted here. There was also opposition from some farm segments, particularly the dairy industry,[10] which feared that RCEP may open up the sheltered Indian agriculture market to indiscriminate imports.

Several opposition political parties[11] also got into the fray, articulating reservations and threatening protests. This was notwithstanding the fact that no political party had raised any objection to RCEP in their manifestoes in the general elections held a few months earlier, or had raised objections initially when India joined RCEP negotiations several years ago.

Against this scenario, pro-RCEP persuasions remained largely muted, barring some media articles and a handful of industry interests.[12]

After the summit, and in the light of India's statement that its specific proposals were not finally accepted in the RCEP negotiations, questions arose as per some reports, about whether these proposals had been put forward only towards the end of negotiations, or whether they had been articulated all along. While only those privy to the negotiations that have been shrouded in secrecy may know the full answer, it can be said that most of the changes mentioned by the Home Minister had generally been of concern to India.

India's Five Prominent Demands

Amendment on tariff differential was mentioned as one of the specific proposals submitted by the Indian side in the negotiations as per the Home Minister. Right from the beginning, India had asked for a tariff differential in relation to China, Australia and New Zealand, countries with which it already did not have FTAs. This was also understood to have been agreed to at earlier stages in the negotiations. A tariff differential vis-à-vis certain countries would, to be meaningful, also mean a differential in respect of cumulation. It is not clear whether any differential was finally inscribed in the text at all, and what further amendment India may have proposed.

Granting MFN rights and including ratchet obligation in the services sector are some of the provisions that we come across in more recent FTAs. However, ratchet obligation has not so often been found in Asian FTAs. Agreeing to MFN commitment would imply, any concession granted to any third country by India in any subsequent FTA it signs, including let us say some of India's neighbours, will become liable to be automatically extended to all RCEP members. Committing to ratchet obligation means any autonomous liberalisation by India, after the RCEP agreement, will get locked in for RCEP members. It would be difficult for a country like India at its present stage of development to get straitjacketed with such obligations.[13] [14] It could, for example, have constrained experimental liberalisation that can be rolled back if found not suitable. However, a remedy for such commitments was available in the form of listing non-conforming measures and exceptions that could have been included by India in the text, as surely most other countries would also have done.

Another specific change suggested by India was in relation to changing the base year for tariff reduction to 2019 instead of 2014. The latter year had apparently been agreed to earlier in the negotiations. This was presumably on account of India having raised tariffs on several items in the previous three years. This is, however, not a normal demand in tariff negotiations in which the base year is decided upon quite often early in the negotiations, as a year close to the start of the negotiations. Most of India's own earlier FTAs have followed the practice[15] of having a year close to the start of negotiations as the base year.

The fifth demand referred to RCEP members respecting India's federal character in investments in the country. It is not clear how this may have translated into any textual change; but it can be surmised that this concern may have arisen from certain ongoing investor-state disputes in India involving commitments that may have been made at the level of state governments to an investor which they may not have been able to later fulfil. But more details about this proposed change may be needed, since even in the model draft on investment promotion and protection agreements, the covered investments include those which are approved by state governments.

Yet another change that India was keen on was in having a safeguard arrangement with an automatic trigger, at least for certain sensitive items. Such a mechanism would allow safeguard measures to be imposed after imports have surged to a trigger level (or prices may have reached a certain level, if it is a price trigger) even without an injury test. For India, this would certainly have been necessary not only for certain sensitive agriculture products but also for a few industrial items, including for those (such as steel, non ferrous metals, etc.) in which there are demonstrated surplus capacities in the region, particularly in China.

RCEP: a Tough Negotiation for India

There can be little doubt that RCEP was a challenging negotiation for India. Other RCEP members were already linked with each other through existing FTAs, barring a few exceptions, whereas India did not have FTAs with three of them. India also had deficits in merchandise trade with eleven[16] out of the fifteen countries, with the cumulative deficit accounting for over 50 percent of India's overall trade deficit.[17] Moreover, all of them, if ASEAN is also viewed collectively, are more export oriented than India, with a higher share

Table 1: RCEP Member's Share in World Goods Trade (as per WTO Trade Profile 2018)

	Share in world exports (in %)	**Share in world imports (in %)**
Ten ASEAN countries collectively	7.39	6.93
Australia	1.30	1.27
China	12.77	10.22
India	1.68	2.48
Japan	3.94	3.73
Republic of Korea	3.24	2.65
New Zealand	0.21	0.22
Total	30.53	27.50

in world exports than in world imports (Table1), except perhaps New Zealand, marginally.

In such negotiations involving several parties, a participant country tries to identify others with like minded interests to build a coalition to push forward its proposals. But this was difficult for India since barring Cambodia, Laos, and Myanmar - which would in any case have received a more concessional approach in view of their LDC status - all the remaining countries were more export oriented. Being members of Asia Pacific Economic Co-operation (APEC), they were more familiar with each other's policies and procedures. It may be recalled here that APEC members have more than two decades of experience in working together with action plans to enhance trade and investment facilitation. APEC also holds more than 200 technical and other meetings every year related to trade, investment, technology, and various other economic and related issues. These meetings have helped to encourage the adoption of best practices in a range of economic areas, something to which India has not had adequate exposure.

However, despite these handicaps, Indian negotiators appear to have negotiated hard. But whether they used the resources of Indian embassies in RCEP countries, and adopted diplomatic strategies to enable wider acceptance of their proposals is somewhat unclear. While trade negotiations are admittedly confidential in nature, the use of diplomatic missions, a key resource, is normal and other countries frequently take recourse to it. Indeed, several diplomatic missions of RCEP countries in India were seen pushing forward their own country's interests during the period the RCEP negotiations were underway.

Insufficient Flexibility by RCEP Countries towards India

From available information, it is far from clear to what extent other RCEP countries may have shown understanding to accommodate India's concerns, and how wide the differences were in the end between India's proposals and what the other RCEP countries were willing to agree to. The final RCEP summit statement only said the following:

> India has significant outstanding issues, which remained unresolved. All RCEP participating countries will work together to resolve these outstanding issues in a mutually satisfactory way. India's final decision will depend on the satisfactory resolution of these issues.[18]

It was clearly a diplomatically worded statement, with no definitive commitment made about specific outstanding issues or directions given regarding how to resolve them except for holding further discussions. After seven years of negotiations, this may have been difficult for India to accept.

However, even if one looks at it from the point of view of other RCEP countries, India could have brought significant additionality to RCEP. India accounted for 2.5 percent of world imports, and had significant potential for further expansion - more than most other RCEP countries. And India, having adverse trade deficits with eleven RCEP members, certainly deserved a more flexible treatment - at least in the initial period - to enable it to become more competitive and have a less uneven playing field.

Could the other RCEP countries have wrongly calculated that while India had several unaddressed concerns, it would still come around since, in the final analysis, it would recognise what *not* being part of RCEP may mean? The latter was, in fact, a question posed by a few participants from other RCEP countries in a think tank event that this writer had an opportunity to participate in.

Could there also have been an expectation that RCEP gave India an opportunity to be a part of the dynamic East Asia grouping, and India should not mind the price of some increased imports for joining such a regional group? Here, a media commentary by Tang Siew Mun, Head of ASEAN Studies in the Institute of South East Asian Studies, is instructive. He, *inter alia*, queried, "Does India have the resilience and political appetite to absorb domestic hits to advance the regional common good?"[19] He goes on to claim that India's withdrawal from RCEP is the death knell of Indo-Pacific. However, Tang Sieu Mun does not explain why India should be taking hits in trying to become a member of RCEP rather than all other RCEP members concluding a more win-

win deal for the common good. Any regional grouping can become sustainable - and this can be seen in the relative successes of EU and ASEAN themselves, if there is a willingness of all members, with their diverse interests and concerns, to come to a reasonable compromise, no matter how tortuous that compromise may be.

While India did have several outstanding concerns, most of them arose because of a possible surge in imports from China when the bilateral trade deficit was already so wide[20] even in the absence of an FTA. Additionally, India had been denied fair market access into China for several items due to non-tariff barriers that had been taken up bilaterally many times with them, but without success. The question is: did other RCEP members lean on China to some extent into being flexible? Or was India simply asked to deal with China bilaterally? While earlier news reports suggested that India did have some bilateral meetings with China, to what extent these were useful is not known. Nor is it known if RCEP did figure in the high level bilateral summit meeting in Mamallapuram and what, if anything, was the outcome.

Media Articles in India after RCEP Withdrawal

A spate of articles and editorial pieces appeared in the Indian press after the announcement of India's withdrawal from the RCEP. Some observed that India not joining the RCEP was a right decision. A few even felt India should industrialise first and become competitive, before considering signing up for more FTAs. Others termed it a mistake not to join, or described it as a loss of opportunity. Still others speculated that it was probably a tactical diplomatic move to secure a better deal. These still expect that an RCEP deal with India in it will happen.

In any event, what was welcome was the serious soul searching evident in most of these pieces, all of which seemed to suggest that India had arrived at a cross-road. Some termed the moment as a wakeup call for reflection. Was a return to protectionism the answer? Were there other options? There were also queries whether India would be able to get its act together, and move forward with reform without external pressures like the RCEP.

What Next? Looming Challenges

Irrespective of whether RCEP still happens or not for India, it is important to recognise the looming challenges ahead for India on the trade front. Most worrying is the current export stagnation beginning 2011-12 with India's total merchandise exports hovering around US$ 300 bn. The absence of significant new export capacities coming on the horizon is a concern. The need for boosting India's competitiveness cannot be over emphasised. Very rightly, the Economic Survey 2019 has underlined the following in the context of India becoming a US$ 5 trillion economy.

> To achieve the objective of becoming a USD 5 trillion economy by 2024-25, as laid down by the Prime Minister, India needs to sustain a real GDP growth rate of 8%. International experience, especially from high-growth East Asian economies, suggests that such growth can only be sustained by a "virtuous cycle" of savings, investment and exports, catalysed and supported by a favourable demographic phase. Investment, especially private investment, is the "key driver" that drives demand, creates capacity, increases labour productivity, introduces new technology, allows creative destruction, and generates jobs. Exports must form an integral part of the growth model because higher savings preclude domestic consumption as the driver of final demand.

The second challenge is the troubled situation facing the international trading system, the virtual demise of the Doha Round, and the near collapse of the dispute settlement system of the WTO that used to be celebrated earlier as its crowning jewel. In this context, if India has to look for increased market access to boost its exports, this can come only through signing up more FTAs at a time when their numbers have also risen globally. India still has only a limited portfolio of FTAs, and its last FTA was signed in 2011. Also, India has no FTA, beyond South Asia, to its west. However, newer FTAs globally are also generally getting more comprehensive, with several having obligations impinging on domestic policy. From this perspective, RCEP was expected to be less intrusive than recent FTAs like the Comprehensive and Progressive Trans Pacific Partnership (CPTPP) or the EU-Japan FTA, both of which came into force in 2019.

The third challenge is the Trump factor, and US President's readiness to use unilateralism for pursuing an "America First" approach. India itself has been a victim of this in the form of unjust steel and aluminium tariffs slapped on its exports on "security" grounds. This is almost unprecedented. Secondly, there was also the withdrawal of GSP concessions to India's exports that goes against the letter and spirit of the Enabling Clause that provides the legal basis for extending GSP. It may be mentioned here that protectionism, once unleashed, rarely goes away on its own. This is why it is worth pondering whether this genie is here to stay, irrespective what the next US Administration may be like, and whether such measures will ever see a roll-back.[21] Some countries are also trying to mitigate the potential impact of such actions by entering into more FTAs with third country partners. The conclusion of CPTPP without the USA is an example. The hurry that appeared evident during the end game of RCEP at a time when the US-China trade war is still in play is, perhaps, another illustration.

Possible Approaches to Address Looming Challenges

In another publication,[22] this writer has spelt out what could be among the eight priorities in external trade for the government that took office in May last year.

In the present context of post withdrawal from the RCEP what may be relevant to flag would be three among them. The first, in any case, is to put in place an action plan for doubling exports in the next five years, a point that also figures among the 75 points listed in the manifesto of the ruling Bharathiya Janata Party prior to the last general elections. Doubling exports within this time frame will not be easy; but it can be done if there is a well rounded action plan that involves scaling up existing export capacities, bringing value addition to several of India's exports that are currently being exported in primary form, steadying agricultural exports that show considerable promise but need more stable policies, and inviting foreign investments for the promotion of supply chains. It will also involve a great deal of co-ordination of existing government initiatives like the Sagar Mala programme, the Bharat Mala Pariyojana programme, Make in India, and Skill India initiatives. The several measures announced by the Finance Minister Nirmala Sitharaman[23] on 14 September 2019, including easing export credit and ensuring a smoothly operating and WTO compatible Remission of Duties, or Taxes on Export Product scheme (RoDTEP) also have to tie in here. The simplification of labour codes is welcome; but it needs to be seen how they will facilitate some of our labour intensive exports to scale up and become more competitive.

The second will be to devise an FTA strategy in the context of India's diminishing export access as FTAs worldwide steadily rise. It needs to be appreciated that every new FTA between any two or more countries worldwide, even if they do not include India, has the potential to negatively impact India's market access in those partners. An FTA strategy needs to examine which potential partners to target, and also to see if some of the FTAs under negotiations - such as the one with EU - can be brought to quick closure. The FTA dynamic is such that as a country concludes a major FTA, more suitors line up, not to be disadvantaged. Furthermore, the initiative announced by the Finance Minister for a greater utilisation of existing FTAs also deserves a mention here and, on this again, much can be done.[24] In fact, among existing FTAs, the India-Korea CEPA and the India-ASEAN FTA are already under review, and there are also calls[25] for a review of India-Japan FTA. These reviews can also be opportunities for ensuring better implementation of existing provisions, and introducing mutually beneficial changes.

Thirdly, it is important to improvise the mechanism for the regulation of imports based on a more strict system based on standards and regulations. This requires the strengthening of the necessary infrastructures available with Bureau of Indian Standards, including in the form of accredited laboratories and testing agencies. A phased programme is necessary to eventually cover all imports so that sub standard imports[26] do not enter the country. Regulating imports will also have to address the problem of under invoicing, and the false declaration of goods that have hurt the Indian industry.[27] SMEs have been particularly hit hard in this regard who, unlike their larger counterparts, are not organised enough even to be able to seek remedies in the form of anti-dumping or safeguard actions.

Could RCEP Have Helped India Face Looming Challenges?

It is difficult to answer this question unless one has a good idea of what was in the final text, and what were the changes sought by India in more detail. From a domestic perspective, however, it could have helped if the RCEP was seen as integral to India's planned economic reform and as facilitating India's action plan to double exports by providing increased market access. Of particular relevance would have been not only tariff concessions in markets like China (China's share of world imports was 10.75 percent in 2018[28]) but also certain assurances that non tariff barriers would not come in the way of larger Indian exports.

As an example, India's exports of pharma items worldwide were US$ 13.28 billion in 2018-19, but the bulk of it went to advanced markets like the US (39 percent) and EU (13 percent). Exports to RCEP countries like Korea (0.1 percent), Japan (0.4 percent), and China (0.4 percent) were paltry. If RCEP was promoting regional integration, then there should have been a way for Indian pharma exports to rise rapidly to these countries. This could have been done through side letters assuring fast track consideration for the evaluation and access for Indian generics already having approvals from USFDA or EMA, on the lines India has with Singapore under the India-Singapore Comprehensive Economic Co-operation agreement (CECA).

On the side of imports, if RCEP had provided a somewhat phased and extended approach in tariff reduction back loaded to a certain degree, then Industry would have had timeframes to reform and become more competitive. Similarly, a differentiated tariff reduction approach would have been needed, along with a differentiated cumulation provision, for countries with which India already did not have FTAs - or at the least with China with which India also had a very large trade deficit. An assuring safeguard mechanism, in case of a surge in imports, could have also helped. These could have helped in the government being able to persuade the domestic industry to look at RCEP as a welcome external pressure and not as undermining India's industry or agriculture. And, India may have also needed to agree to bring back duties increased in the last few years to earlier levels within a short time frame.

Creative handling could have also helped in dealing with certain sensitive items - like agriculture or dairying - where market access would have had to be limited through tariff rate quotas. But by suitably channelling and administering them, such imports could have been used as a factor for reform rather than being perceived as undermining these sectors. In the process, India could have also received some assured export access, even if limited, for some of its products with export capacities, such as rice.

Limited TRQs could have also been explored for certain industrial imports, such as steel or non ferrous metals, if that improved India's negotiating position. Their imports could have been restricted to a few product clusters for SMEs to get raw material at international prices for creating value added products for exports.

Finally, being part of RCEP would have helped India in being a greater attraction for those investments that are moving out of China and are looking for alternative venues. And, RCEP membership may have also helped to influence third countries to become India's FTA partners, or even to coax EU to be more flexible in the India-EU BTIA negotiations.

RCEP and Trade in Services

This essay has so far not addressed the issue of trade in services although it was very much part of the RCEP negotiations. Several RCEP countries are also fairly competitive in services trade, and have built up significant export capacities. But that said, they have been relatively conservative in liberalising these sectors, and were restrictive towards the movement of professionals (Mode 4), an area of particular interest to India.

Any agreement reached on Mode 4 will also have to be evaluated with care. India had a very good Mode 4 text in the CECA with Singapore; but this notwithstanding, Indian professionals having to go to Singapore for short term work have experienced difficulties. Tough immigration screening can undermine those commitments. Without some commitments on the provision of timely visas, even a good Mode-4 text has the risk of getting reduced in importance for trade purposes.

A general guideline - and this may apply to other FTA negotiations as well - may therefore be to seek a balance of concessions within services trade itself. An approach that seeks to gain certain possible Mode 4 concessions in an FTA as a compensation for potential losses on merchandise trade runs the risk of losses on both counts in actual implementation.

Possible Implications for India Out of RCEP

There are several points to ponder even as it may be argued that if we were not ready for RCEP economically now, particularly in the final form that the agreement text was presented at the Bangkok summit, it was better to step aside than let it become a burden on our development process.

Be that as it may, it will be difficult to argue that it is not a setback for our Act East Policy and even for the emerging concept of Indo-Pacific in which much may be expected from India. The Act East Policy rested on four pillars: (i) political; (ii) strategic and security; (iii) economic; and (iv) cultural and people to people ties. Of the four, the economic pillar has somehow remained weak. A stronger economic pillar could have also reinforced the other three pillars. Being part of RCEP could have helped in this process. Ways will now have to be found to mitigate the impact, including through bilateral efforts.

Also, India not being part of RCEP does not mean that India will get shielded from increased imports that can still be expected from the other RCEP countries whose export capacities and strength will get further reinforced after the coming into force of RCEP, on top of CPTPP in which seven of RCEP countries are also members.

Will India Reconsider joining RCEP?

The clearest indication on this subject came from an oped by the Home Minister, Amit Shah, who wrote "Considering India's growing stature, RCEP members can't afford to ignore it for long and come around to agree to GOI's terms".[29]

It is difficult to say if and when this will happen; and, if it happens what may be the terms that may be finally agreed upon.

As per this author, there could be five general guiding elements for India in considering any proposal for re-joining. These are :

a) India should not be expected to take some hits for the regional good; RCEP members should be ready to discuss and arrive at win-win solutions;

b) the RCEP text with its changes should be able to contribute significantly to India's efforts towards doubling exports in 5 years;

c) sufficient tariff differential and cumulation delay; and,

d) a properly designed safeguard system for agri items, for products with surplus capacities in the region, and other products;

e) balance in the services sector within itself.

In any case, RCEP or otherwise, India should proceed with its reform to double exports, implement a well crafted FTA strategy, set up an efficient and effective regulatory import mechanism and after quick restructuring, bring recently increased tariffs to earlier levels. Stepping aside from RCEP is a wakeup call. Business as usual is not an option.

Notes :

[1] The FTAs with India and Japan were, by then, confined to only merchandise trade; but these agreements got subsequently extended to services and investment.

[2] See, for example, the background about RCEP provided in the ASEAN website, at https://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership, accessed 12 January 2020

[3] May be seen at https://asean.org/wp-content/uploads/2012/05/RCEP-Guiding-Principles-public-copy.pdf, accessed 12 January 2020

[4] https://www.mea.gov.in/media-briefings.htm?dtl/32007/Transcript_of_Media_Briefing_by_Secretary_East_ during_PMs_visit_to_Thailand_ November_04_2019

[5] https://economictimes.indiatimes.com/news/economy/foreign-trade/india-decides-to-opt-out-of-rcep-says-key- concerns-not-addressed/articleshow/71896848.cms

[6] https://commerce.gov.in/PressRelease.aspx?Id=6732

[7] https://economictimes.indiatimes.com/news/economy/foreign-trade/view-by-saying-no-to-rcep-pm-modi-has- kept-india-first/articleshow/72028437.cms

[8] https://www.mea.gov.in/Speeches-Statements.htm?dtl/32038/F

[9] See, for example, https://www.thehindubusinessline.com/markets/commodities/steel-industry-fret-as-govt-inches-close-to-signing-rcep/article29575655.ece

[10] See, for example, https://www.hindustantimes.com/india-news/dairy-sector-warns-govt-of-adverse-effects-of-proposed-rcep-pact/story-O9mWYV0yBg6xP5S5weVFuK.html

[11] See, for example, https://www.deccanherald.com/national/congress-steps-up-anti-rcep-protests-772912.html

[12] https://www.theweek.in/news/biz-tech/2019/11/03/not-being-part-of-rcep-will-harm-indias-exports-and-investment-flow-cii.html

[13] Please refer here to Chapter 8 on 'Service rules in regional trade agreements: how diverse or creative are they compared to multilateral rules' by Pierre Latrille, in *Regional Trade Agreements and the Multilateral Trading System*, (ed.) Rohini Acharya, Cambridge University Press, 2016. The article also has devoted sections to MFN treatment and ratchet obligations. It notes that ratchet obligations are a structural feature of the NAFTA family of agreements, and non-existent in GATS and the other family of agreements, and if present, they are formulated in weak and in best endeavor terms. Apparently, MFN and ratchet obligations in RCEP have been imported from CPTPP by several common members to the two agreements; but in CPTPP too there are several notified non-conforming measures and exceptions by the parties.

[14] Both India's CEPAs with the Republic of Korea and with Japan have an MFN clause in the services chapter which only requires a party giving a more favorable treatment to a third party, and in future to consider giving a similar treatment to the CEPA partner, if requested. It further qualifies this by saying that giving such similar treatment should maintain the overall balance of commitments by each party under the CEPA

[15] The base years for tariff rates in the India-Korea CEPA, the India-Japan CEPA, the India-ASEAN FTA and India-Malaysia CECA were 2006, 2007, 2007 and 2008, respectively — close to the year of their commencement of negotiations.

[16] The four countries with which India had a surplus on merchandise trade account were Cambodia, Laos, Myanmar, and Philippines.

[17] In 2018–19, for example, India's trade deficit with other RCEP countries totaled US$ 105.2 bn, amounting to around 57 per cent of India's total merchandise trade deficit

[18] See https://asean.org/storage/2019/11/FINAL-RCEP-Joint-Leaders-Statement-for-3rd-RCEP-Summit.pdf

[19] "What India's withdrawal from RCEP means for ASEAN, India and the Indo-Pacific Concept" by Tang Siew Mun, Media Commentary, ISEAS, Singapore. See, https://www.iseas.edu.sg/medias/commentaries/item/10706- what-indias-withdrawal-from-rcep-means-for-asean-india-and-the-indopacific-concept-by-tang-siew-mun

[20] This writer, for example, had recommended in a CII study he had the opportunity to lead, on a possible approach to deal with China in the RCEP in view of the already large presence of that country in the Indian market, as well as a phased and extended approach in industrial tariff reduction that was also more back loaded. A gist of the outcome of the CII study could be seen in the following RIS policy brief on 'Emerging dynamics on RCEP' by this writer. See https://www.ris.org.in/sites/default/files/policy%20brief-85%20v%20s%20 sheshadri.pdf

[21] See, for example, an article on "Why trade wars are inevitable' by Michael Pettis, in *Foreign Policy*, Fall 2019, in which Pettis argues that Trump's trade wars are not just about him or China - But global imbalances that the next US Administration will still have to address.

[22] https://www.vifindia.org/sites/default/files/priority-issues-for-india-in-external-trade.pdf

[23] See, Press Release of PIB at https://pib.gov.in/newsite/PrintRelease.aspx?relid=193194

[24] See, for example, a recent brief on this topic by this author at https://www.delhipolicygroup.org/uploads_dpg/publication_file/optimising-fta-utilisation-1232.pdf

[25] See, for example, the news item "ComMin to review FTAs says Goyal", *The Indian Express*, 30th December 2019.

[26] A very comprehensive account of how such goods coming from China have affected Indian industry in a range of sectors may be found in the Parliamentary Standing Committee Report on "Impact of Chinese goods on Indian Industry",submitted July 2018.

[27] See, for example, "How Chinese goods are choking Indian industry and economy: The hard numbers", *Business Standard*, 28 July 2018, which is based on the Parliamentary Report cited above.

[28] See, WTO Trade Profiles 2019, at https://www.wto.org/english/res_e/booksp_e/trade_profiles19_e.pdf

[29] https://economictimes.indiatimes.com/news/economy/foreign-trade/view-by-saying-no-to-rcep-pm-modi-has-kept-india-first/articleshow/72028437.cms

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