

# RCEP and India: The way ahead

Regional Comprehensive Economic Partnership is undoubtedly a challenge but worth the effort with a resilient industry and reformative governance to help



RAJEEV KHER

India has taken the plunge and announced its willingness to remain within the Regional Comprehensive Economic Partnership (RCEP). The negotiations are expected to conclude by November 2019. Since a large part of the text remains to be concluded, the parties might agree on the broad contours of the agreement and continue to negotiate the nitty-gritty. It can be anticipated that the agreement will take effect only after a couple of years from the date of conclusion. This gives India some lead time to prepare for its implementation. Besides, as we understand from various discussions, much of India's commitment vis-à-vis China will be backloaded and will therefore give India even a longer preparatory time.

The industry in India has been wary of the new FTAs, particularly those where China is a partner. This stance is justified if India pursues a static economic policy framework. However, India is perceived to be in a reformative mode. Developments in the area of domestic resources, policy evolution, technology adoption, sectoral reforms and developments in competing economies do influence a national economy and its dynamism. Therefore,

the fear of Indian industry though appreciated, is not desirable. India's opening up in 1991 and joining the WTO in 1995, despite the worst apprehensions, helped in many ways improve its integration with the global economy, thanks to the resilience and entrepreneurship of its industry. India signed trade agreements with neighbours between 1998 and 2006. These were the hay days for global economy. The subsequent FTAs were initiated around this period but concluded post 2006. It was a coincidence that the subsequent set of agreements became effective during the days of recession which inter alia left its shadow on our FTA experience.

When India signed FTAs with four major trading economies — namely, ASEAN, Korea, Japan and Malaysia — it was perhaps presumed that signing alone would prove a manna for all. FTAs are only institutional mechanisms which offer preferential markets to the signatories but not without corresponding work to help their utilisation. The test of utilisation is not a mention on the customs documents alone but much deeper and wider action on the part of all stakeholders. FTAs, without a national strategy to utilise them, are a waste and can give only limited benefits.

In the present production paradigm, a country's capacity to position itself on as many value chains as possible determines its preparedness to utilise FTAs. Boarding a value chain is a comprehensive exercise which includes tariffs, trade facilitation, logistics, technical regulations, regulatory developments, infrastructure, investments and above all an understanding that imports are as much a part of the process as are exports. Unless product areas are selected and

trade friendly ecosystems for production are built around them, mere tariff-play will not help.

These two years must be used to build a conducive ecosystem to make Indian products more competitive and to develop a mindset for international trade. A laundry list of some tasks for our dynamic trade minister could be as follows:

- The government must take RCEP as a strategic opportunity.
- The leadership must apprise the multiple silos in the government that the decision belongs as much to them as it does to the commerce ministry. A Cabinet Committee on Trade chaired by the Prime Minister could steer the domestic action agenda.
- The industry must know that the bullet is real and they must bite it to remain relevant. An ambitious multi-layered, multi-agency and multi-sectoral programme for advocacy and awareness should be launched. A dedicated institutional mechanism must be incorporated. An appropriate narrative mainstreaming the strategic thought should be canvassed.
- The last few rounds in a negotiation are always critical when unwanted stuff can sneak in or wanted stuff can stay out. The negotiators must guard against such possibility. Negotiating for the nitty-gritty requires hard bargaining and a temptation to relax, assuming a fait accompli, is real.
- Even before the basic contours are agreed on, an effective committee system, a reconciliation mechanism and a limited emergency snap-back arrangement should be agreed on.
- The Wuhan spirit will be relived in Mamallapuram in October. Though there may be an important geo-political

agenda, RCEP should be at the top of that agenda. It is as much a strategic issue as many others. There should be a frank conversation leading to clear understanding between the leaders.

- Serious reforms in selected sectors must begin or speed up. We no more have the luxury of procrastination. In most cases, elements of such reforms are either in the pipeline or need to be dusted out and put on a time-bound track. Many recommendations of the high level advisory group appointed by the commerce ministry are awaiting acceptance and action.
- India's trade remedy apparatus has evolved over time, but requires an institutional review.
- A well-evolved standards and technical regulatory system is of utmost importance both for promoting exports and for regulating imports. Therefore, a targeted sector-owned programme must be launched and monitored.
- Despite two decades of FTA experience we have not been able to create a sound data management system for FTAs. Both the merchandise and services sectors require a preferential data management system immediately.
- The foreign trade policy in the making must build on its predecessor but prominently bring in the transformational role of technology and the paradigm of value chain manufacturing. A complete review of present market promotion, development and facilitation programmes is also necessary.

RCEP is undoubtedly a challenge but worth the effort with a resilient industry and reformative governance to help.

*The author is a former commerce secretary and distinguished fellow at RIS. Views are personal.*