

INDIA HAS SOUND REASONS TO STAY OUT OF RCEP PACT

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For what purposes was the RCEP bloc formed?

The Regional Comprehensive Economic Partnership (RCEP) is essentially a China-led initiative for a [regional trading bloc](#) that will comprise of one third of the world's population and 29% of the world's GDP. A regional trading bloc is essentially a co-operative union where a group of countries agree to protect its member nations from imports of other non-members. The purpose of this trading partnership is to give [preferential treatment for trade](#) between the member countries either through lower tariffs, preferential market access, customs union or free trade in specific sectors.

What are the benefits of such trade pacts?

There are several advantages of regional trade pacts which is why many countries have aggressively pushed for them in the past. Trading blocs lead to higher foreign direct investments for participating countries as supply chains get reoriented across the member nations. Access to foreign markets further results in the prospects of economies of scale for member countries, making domestic companies competitive. Overall, the lower tariffs result in a higher quantum of trade between countries which results in gains for all members. Therefore, these blocs are considered effective in accelerating global growth.

Are there any disadvantages associated with these blocs?

The inherent bias in favour of members in terms of lower tariffs causes regionalism. There have been cases where economies have levied tariffs to protect intra-regional trade. As bloc nations get interdependent with integration of trade, their supply chains get intertwined too. Joining such pacts requires a reduction in concessions to sectors to create a level playing ground.

Why did India refuse to sign the RCEP deal?

India believes its concerns weren't adequately addressed. India has been raising the issue of market access along with a protected list of goods and services to shield the domestic economy. With China as a major economy in RCEP, cheap imports may come into India if it removes duties on goods, since we have a sizeable trade deficit with China. The experience of opening up of 74% of Indian market to [ASEAN](#) while richer countries like Indonesia opening only 50% of their economy to India also makes it sceptical about such pacts.

Can India sign similar agreements in future?

The prospects of signing any such pact would depend on multiple factors. There indeed are many benefits of regional trade blocs, provided they are fair to all. All countries operating with the agreed-upon rules is also key. It has been observed that several countries, including China, have frequently used non-tariff barriers to prevent market access to foreign firms. India could be reluctant in signing agreements with countries that are known to circumvent the rules of agreed-upon frameworks.

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