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Deadlock in RCEP Trade Negotiations

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Senior officials from India and China met in New Delhi to try and reach a common ground on market-opening commitments under Regional Comprehensive Economic Partnership (RCEP) negotiations.

Regional Comprehensive Economic Partnership (RCEP)

- RCEP is a **proposed regional economic integration agreement among the 10 ASEAN countries** and its six free-trade agreement partners—**Australia, New Zealand, Japan, China, South Korea and India**.
- **Once implemented, it would result in one of the largest free trade bloc** accounting for 45% of the world's population, and a combined GDP of about \$21.3 trillion and 40% of the world trade.

India's Concerns vis-a-vis China

- India is not comfortable with opening markets in goods being pushed especially by China. **India wants to offer much lower market access in goods to China compared to other members** such as the ASEAN, Japan and South Korea. However, **China is not willing to accept it**.
- **India wants clearly defined rules of origin** to ensure integrity and sanctity of tariff differentiation. This is **to prevent Chinese goods from flooding the country** through member countries that may have lower or no duty levels.
Chinese garments are already making their way into India through the duty-free route under the South Asia Free Trade Pact and the Duty-Free Quota-Free window from Bangladesh.
- **At least 13 countries** including Australia, Japan and New Zealand **oppose India's proposal for strict criteria to determine the source country of a product**, based on which they get tariff concessions in the 16-nation Regional Comprehensive Economic Partnership (RCEP) trade pact.
- India had a trade deficit with 11 RCEP members including China, South Korea and

Australia in 2018-19.

- India has so far offered to eliminate tariffs for 70-80 % of goods for China over an extended period of time and it is unwilling to give more concessions.

China runs a trade surplus of over \$60 billion with India and the domestic industry is reeling under heavy competition from Chinese goods.

- **India's aluminium and copper industries are worried about China's presence** in the grouping and anticipate widening of the trade deficit due to an **alarming spike in imports and a potential threat to the Make in India initiative.**
- **China** is also hinting at going in **for a free trade agreement between the ASEAN, China, Japan and South Korea (ASEAN+3)** if the RCEP talks take too long.

The South Asia Free Trade Pact

- The South Asia Free Trade Agreement (SAFTA) is an **agreement** among the seven South Asia countries that form the South Asian Association for Regional Cooperation (**SAARC**): **Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.**
- It came into effect on 1st January 2006, with the **aim of reducing tariffs for intra regional trade among the seven SAARC members.**