



# Regional Comprehensive Economic Partnership Negotiations Fallout

The free trade agreement its text negotiations and India's refrain have reinforced some interesting facts

2019

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Real heroes have a very short life span in comparison to their endeavours, so they simply do it for the generations to come - Anonymous on being a hero

*"I represent a minority, I am a post graduate businessman \*"*

*- Primary Research Respondent*

\* In India there are approximately 1% post graduates and 2% businessmen within the working population

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## Abbreviations used in this article

ASEAN	Association of South East Asian Nations
WTO	World Trade Organization
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
GATT Article XXIV	Allowed countries to grant special treatment to one another by establishing a customs union or free-trade association
GATS Article V	Allowed Members from being a party to or entering into an agreement liberalizing trade in services between or among the parties to such an agreement
FTA	Free Trade Agreement
TNC	Transnational Corporation
LMI	Lower Middle Income (As defined by The World Bank)
UMI	Upper Middle Income (As defined by The World Bank)
HI	High Income (As defined by The World Bank)
BRM	Basic Resource Multiple (Index of available basic resources with a country includes resources like land and labour)
BCCL	Basic Country Constraint Level (Index of basic constraints, pressure and strain on a country includes variable like population density)
BoP	Balance of Payments
TBTs	Technical Barriers to Trade
MNP	Movement of Natural Persons
NTBs	Non-Tariff Barriers
TRIPS	Trade-Related Aspects of Intellectual Property Rights

## The world we face today

Being Indians first, we collectively face some deep rooted problems:

- ▶ Globally countries, economies and people groups are driven by self interests thereby competing for resources which intern are limited and even diminishing per capita. Over the years its consequences have resulted in competition as opposed to co-operation and unequal distribution of resources, be it at an individual or at country level<sup>20</sup>
- ▶ Domestically, due to myriad reasons we have only a handful of success stories on competing at the global level. We have yet to offer a large corporation spread across countries and continents (Transnational Corporation) as compared to the DHL, Nestle, BASF, Siemens, P&G, IBM, Samsung, LG etcetera of the world<sup>16</sup>
- ▶ Individually, majority of us have to focus on satisfying our immediate and lifetime needs, ambitions and wants thus do not have a global long term perspective<sup>16</sup>

## RCEP countries in comparison

RCEP envisaged between the ASEAN and its trading partners has not originated on similarity as the nature of countries involved is diverse.<sup>23</sup> Although ASEAN itself includes countries with diversity for example at an overall level ASEAN is a lower middle income economic bloc but also includes the one of the smallest country like Singapore which is a high income economy, Thailand (the second largest country) on the other hand is a upper middle income economy. Indonesia the appointed leader for ASEAN RCEP initiative<sup>20</sup> is similar to the overall ASEAN in terms of relative BRM size, Class and BCCL.

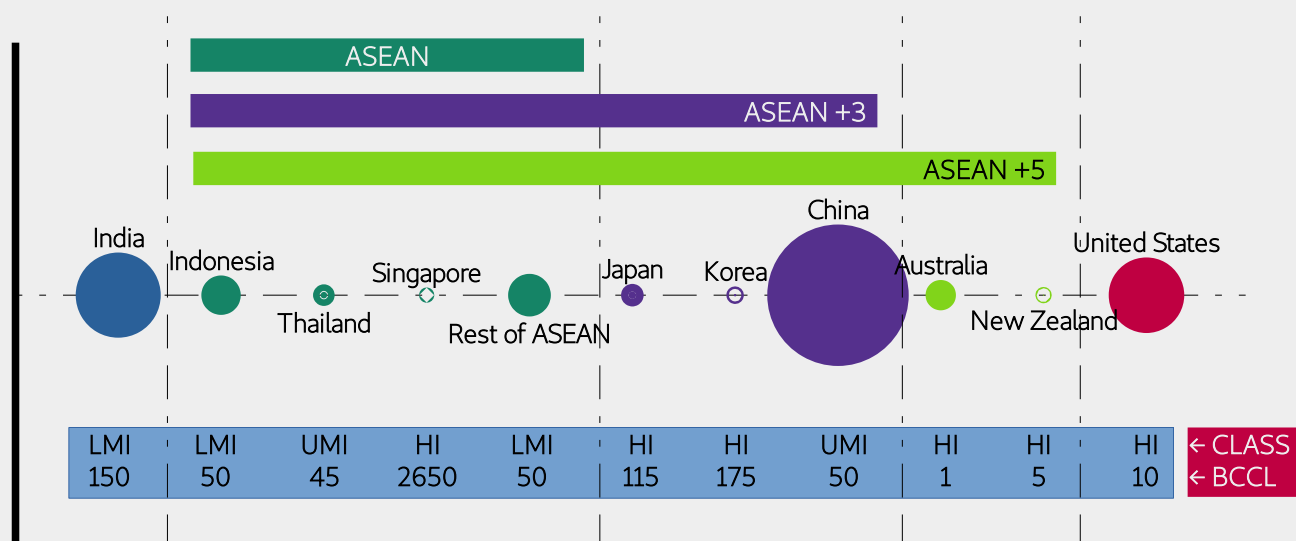


Figure 1: RCEP countries comparison

Sizes of circles indicate relative BRM of that country (New Zealand is the smallest) larger the difference in size between any two countries or country groups higher is the negotiating power| closer the BCCL figures of any two countries higher is the probability of understanding within the partnership | United States has been included only for comparison | India has been singled out at it has refrained from joining the RCEP

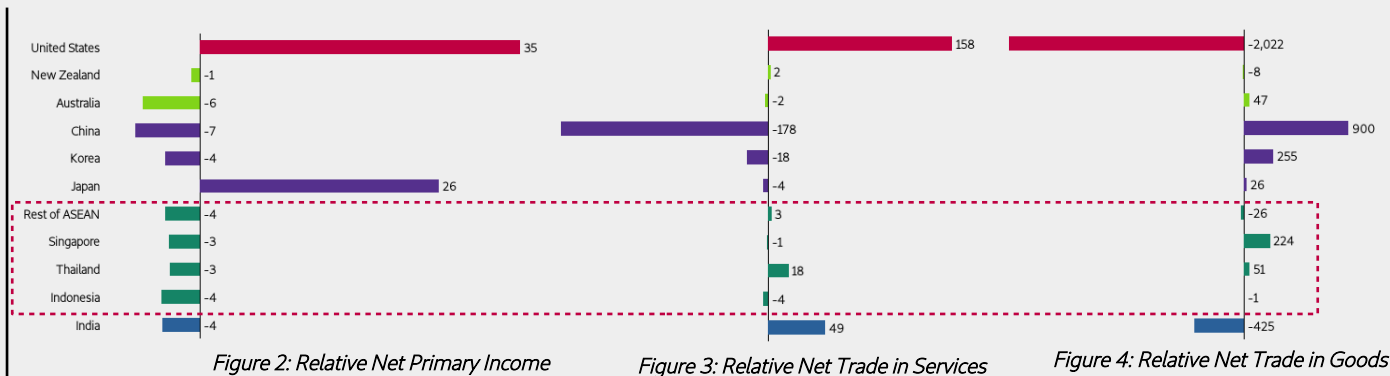
Within ASEAN +3, Japan and Korea can be compared to individual smaller countries within ASEAN in terms of relative BRM however with respect to both Class and BCCL they are different; presence of China within ASEAN +3 raises some of questions as it is far off from other countries in terms of BRM. Australia and New Zealand within the ASEAN +5 are similar only in relative size of BRM other wise they are also far off in terms of both Class and BCCL.

Therefore, presence of Japan and Korea as ASEAN +2 makes sense and is mutually beneficial for both ASEAN and the two trading partners.

Country	Class	Land area ('000 km <sup>2</sup> )	Population ('00000)	Exports [BoP, current US\$] ('00000000)	Imports [BoP, current US\$] ('00000000)
China	Upper middle income	9390	13930	28860	28340
United States	High income	9150	3270	35850	39590
Australia	High income	7690	250	3760	4040
India	Lower middle income	2970	13530	5580	6940
Indonesia	Lower middle income	1810	2680	2180	2560
Myanmar	Lower middle income	650	540	170	220
Thailand	Upper middle income	510	690	3450	3180
Japan	High income	360	1270	12270	10340
Malaysia	Upper middle income	330	320	2600	2470
Vietnam	Lower middle income	310	960	2600	2630
Philippines	Lower middle income	300	1070	1010	1360
New Zealand	High income	260	50	630	710
Lao PDR	Lower middle income	230	70	60	80
Cambodia	Lower middle income	180	160	190	230
Korea, Rep.	High income	100	520	7590	6740
Brunei Darussalam	High income	10	4	80	70
Singapore	High income	1	60	7470	6750

Table 1: RCEP countries comparison

All figures as of 2018 available from world bank database, figures have been rounded off to the nearest tens. All countries have been sorted on the bases of decreasing land area. Both exports and imports include primary income, trade in services & trade in goods



Net Primary Income, Net Trade in services & Net Trade in Goods as per definitions of the world bank. All base figures as of 2018 available from world bank database. All shown figures are relative to the smallest country, example New Zealand has smallest Net Primary Income, Singapore has smallest Net Trade in Services and Indonesia has smallest Net Trade in Goods in terms of absolute values

When we look at the way the different economies within ASEAN are working, Indonesia does not seem to be the right choice for leading the negotiations with the trade partners. So it should have confined its leadership role towards administration and non-services and non-goods trade. Clearly, Thailand should have led negotiations in services while Singapore should have led negotiations on Goods.<sup>20</sup>

Within ASEAN +5, it seems clear why there was a very low interest on trade in services. Since, four of the five countries have a negative net trade in services led by China (massively). It is also interesting to note that except

Japan (not even China) had a positive Net Primary Income. It is also reinforced that China, due to the trade war is stuck in its goods trading strategy.<sup>20,Error: Reference source not found,21,Error: Reference source not found,23</sup>

## Lack of strong ASEAN leadership during RCEP negotiations

RCEP stands for Regional Comprehensive Economic Partnership is a framework by ASEAN for developing a free trade agreement between the 10 countries<sup>1</sup> constituting ASEAN and its collective 6 free trade countries<sup>2</sup>. Thus both logically and ideally responsibility of either being or appointing the driver, leader, honest broker which would take the responsibility, accountability and ownership of the overall process was with ASEAN. This kind of an initiative required a strong party and in absence of such the outcomes would and have been biased towards politically powerful stakeholders.<sup>3</sup> It is also important<sup>4</sup> to note that the **objective of this FTA was and should have been to broaden and improve upon existing ASEAN+1 FTAs and not FTAs among FTA partners**.

## Missing ASEAN centrality during RCEP negotiations

In 2012 negotiations between the 16 participating countries were launched (read started). The stated objective of these negotiations was to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among the ASEAN Member States and ASEAN's FTA Partners. RCEP was to cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues. Negotiations for the RCEP was to recognize ASEAN Centrality (**read Chinese centrality**) in the emerging regional economic architecture and the interests of ASEAN's FTA Partners in supporting and contributing to economic integration, equitable economic development and strengthening economic cooperation among the participating countries. Some of the principals guidelines and aims included:

- The RCEP will be consistent with the WTO, including GATT Article XXIV<sup>5</sup> and GATS Article V<sup>6</sup>
- The aims of the negotiations were unequal for goods than for services<sup>7</sup>
- Cooperation activities were to include electronic commerce
- Reduce IP-related barriers<sup>8</sup>

During the negotiations and specifically through the joint leaders' statement<sup>9</sup> following key points were highlighted:

- RCEP will need to consolidate the ASEAN+1 FTAs and build new economic linkages between ASEAN's FTA Partners that do not have bilateral FTAs with each other<sup>10</sup>
- The text-based discussions are complemented by market access negotiations that aim to progressively eliminate tariffs over a reasonable period of time, and address non-tariff barriers<sup>28</sup>

1 The 10 ASEAN constituents (also known as members states) include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam

2 The 6 ASEAN's FTA countries (also known as Partner states) include Australia, China, Japan, New Zealand, South Korea and India. India, ASEAN's 6<sup>th</sup> FTA partner, opted out of the agreement in November 2019 as confirmed by the Joint Leaders' statement issued on 4<sup>th</sup> November 2019 from Bangkok, Thailand

3 Executive Summary, China-ASEAN Think tank seminar 22 June 2018 | Intercontinental Hotel, Kuala Lumpur titled "Experience, Challenges and Opportunities – How to Reach Agreement on RCEP"

4 India has FTAs with ASEAN thus its members, Australia, Japan, New Zealand, South Korea, therefore only excluding China

5 Allowed countries to grant special treatment to one another by establishing a customs union or free-trade association

6 Allowed Members from being a party to or entering into an agreement liberalizing trade in services between or among the parties to such an agreement

7 Aim for goods was to progressively eliminate tariff and non-tariff barriers on substantially all trade in goods in order to establish a free trade area among the parties. Whereas, Aim for services was to substantially eliminate restrictions and/or discriminatory measures with respect to trade in services between the RCEP participating countries

8 ASEAN is far behind countries like Japan & Korea in creating IP

9 RCEP: A vehicle for economic integration and inclusive development on 14 November 2017 in Manila, Philippines

10 India does not have an FTA with China while Japan does not have FTAs with South Korea and New Zealand

- It would affirm the rights of Participating Countries to regulate while maintaining a reasonable and non-discriminatory telecommunications environment<sup>11</sup>
- Discussions are ongoing regarding the structure and relationship between the commitments on MNP and the Trade in Services Chapter
- The economic and technical cooperation activities, including capacity building and technical assistance, will be specified in the Work Programme<sup>12</sup>

## Tilting bias towards Chinese interests during RCEP negotiations

On conclusion of text-based negotiations for all 20 chapters<sup>13</sup> following key points were highlighted:

- 15 RCEP Participating Countries had concluded text-based negotiations
- India had significant outstanding issues, which remain unresolved
  - India's concerns about cheap Chinese imports and integration of services trade into the agreement are not entirely unreasonable<sup>18</sup>
  - 13 of the 25 topics of discussion within the RCEP remained unfinished after the technical negotiations were over. These include the crucial trade in services, movement of professionals across borders, investments, dispute resolution and rules of origin<sup>25</sup>
  - New Delhi has consistently focused on services trade norms, such as those allowing the free movement of trained professionals across national boundaries<sup>25</sup>
  - RECP deal, which would call for a lowering of tariffs, would lead to a flood of goods from China while not assuring India of an equal access to the Chinese markets, thereby widening its large trade deficit<sup>25</sup>
  - India's forte, its trade in services, was less well enforced through regulations than the trade in goods<sup>25</sup>
  - India has a very big pharma industry, it has a big IT business. They are globally successfully .... (but) we have very little business in China<sup>25</sup>
  - Indian industry also had to suffer from the circumvention of rules of origin, across products<sup>30</sup>
  - Rules for services trade will not be different for each nation. On the other hand, the commitments by each nation to provide market access to other members through the reduction of import tariffs, will vary on case-to-case basis<sup>21</sup>
  - India was sceptical over "unfair" market access and "Chinese protectionist policies"<sup>26</sup>
  - India has been keen to also get a simultaneous list of items from China, goods on which it will allow easier imports. "But it has made no progress so far"<sup>28</sup>
  - India had agreed to reduce tariffs on 74 per cent of traded goods for China. While developed nations have demanded New Delhi open up at least 90 per cent of all items, China has refused to open up "commensurate to India's demands". Currently, it is broadly accepted the RCEP will lead to tariffs being eliminated on 28 per cent of the traded goods to begin with. This will be followed by 35 per cent of all products being eliminated in phases<sup>26</sup>
  - 70-odd issues that had held up the deal, around 50 were India's concerns. Prime among these is a proposed import cap for China and a mechanism to raise tariffs on Chinese imports if it crossed certain threshold. This has been furiously refused by Beijing.<sup>27</sup>

11 It is publicly known how the US is pushing towards banning Huawei and its 5G technology from global markets

12 Although it would have been in ASEAN's interest to finalise this aspect, the issue was postponed to be addressed later

13 Joint leaders' statement on the (RCEP) 4 November 2019, Bangkok, Thailand (3<sup>rd</sup> RCEP Summit)

## Understanding China and its actions

For Indians to understand Chinese actions over RCEP it is important that we look deeper into:

- The fact that China has adopted a different form of governance than we have
- Over the decades it has transformed itself immensely
- There have been varying debates, research, discussions and theories of whether there is a grand design behind every Chinese action and its transformation; furthermore, how successful is this grand design (if any) and lastly whether this grand design is sustainable

Without getting into the details, intricacies and history of it try to comprehend the following:

- The spat between China and the US is one that spans through decades and regimes, it is deep-rooted within the ideas of these respective nations<sup>20</sup>
- China has learned from opposing philosophies, its response and attitude towards India during recent RCEP is same as that of US's (in fact other nations having an opposing ideas, views and philosophies) was and is towards China<sup>21,21,22,22</sup>
- It may not be important to understand, predict and prepare for counterbalancing Chinese actions, strategies, intentions and designs at an individual level. However, for certain nations whose planning span across decades will have to be more focused towards self-reliance and self-dependence in terms of political, economic and physical sovereignty

The quote just summarizes this:<sup>14</sup>

**"The United States** *(read and China can too play this game)* **is broadly engaged in unilateralism and protectionism, and is damaging multilateralism and the multilateral trading system. It has already become the world's biggest destabilising factor,"** China's Foreign Ministry cited Wang as saying

**"There is no way out** *(read we did not find a way out)* **for the zero-sum games of the United States** *(read so we are also playing the same game).* **Only win-win cooperation** *(read we are being diplomatic and think all other countries are fools)* **between China and the United States is the right path** *(read the path we are not on)."* **| the game can either be a zero-sum game or a win-win game (non-zero sum game)**

14 [Source: Reuters](#), US world's biggest source of instability, engages in protectionism: China

## Trade Effect – The Chinese Example

Lets take China for this example as it is at the centrality of RCEP

Income Class	Years	[A] Cumulative Change in Reserves <sup>15</sup>	[B] Cumulative Change in Gold Reserves <sup>16</sup>	[C] Cumulative Change in External Debt <sup>17</sup>	[D] Cumulative Net Trade <sup>18</sup>
	1987 to 2018	30,810	720	19,390	31,290
Lower	1987 – 1999	1,470	-13	1,260	950
Lower Middle	2000 – 2010	27,090	440	5,860	15,320
Upper Middle	2011 – 2018	2,260	290	12,280	15,030

Table 2: Trade Effects in China through 1987 to 2018 - Cumulative figures

Income Class	Years	Average Yearly Change in Reserves <sup>19</sup>	Average Yearly Change in Gold Reserves <sup>20</sup>	Average Yearly Change in External Debt <sup>21</sup>	Average Yearly Net Trade <sup>22</sup>
	1987 to 2018	970	30	610	980
Lower	1987 – 1999	120	-1	100	80
Lower Middle	2000 – 2010	2470	40	540	1,400
Upper Middle	2011 – 2018	290	40	1,540	1,880

Table 3: Trade Effects in China through 1987 to 2018 - Yearly average figures

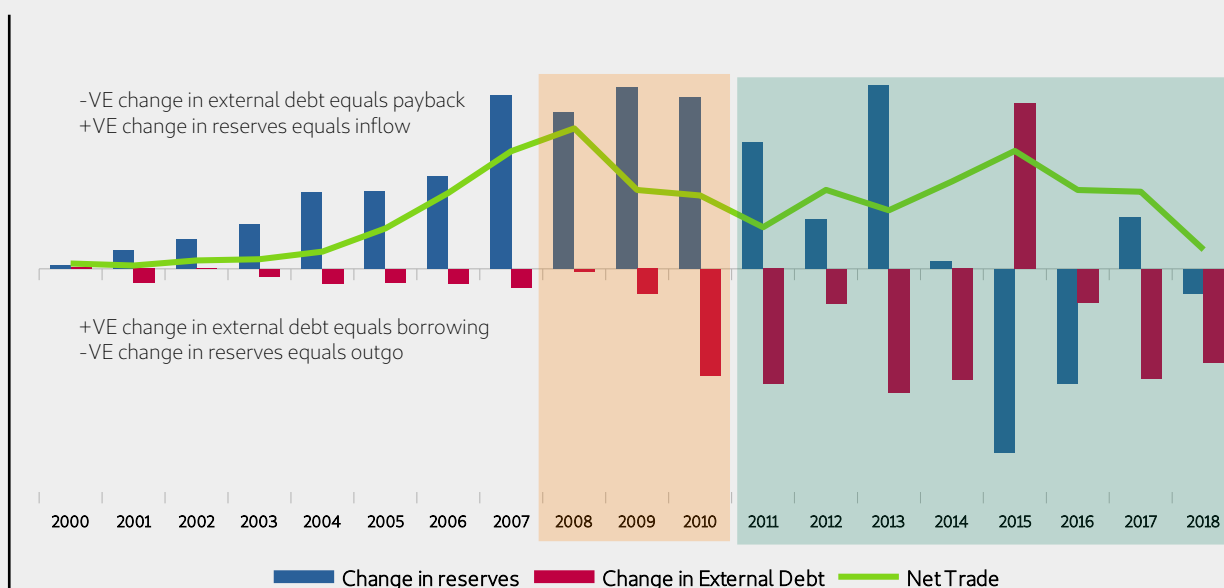


Figure 5: Trade Effects in China through 2000 to 2018 - Net change figures

15 Excluding Gold valued in-terms of current USD, World Bank Data, Values in Billion

16 Valued in-terms of current USD, World Bank Data Values in Billion

17 Valued in-terms of current USD, World Bank Data Values in Billion

18 Includes Net Primary Income, Net Trade in Goods & Net Trade in Services; Valued in-terms of current USD, World Bank Data Values in Billion

19 Excluding Gold valued in-terms of current USD, World Bank Data, Values in Billion

20 Valued in-terms of current USD, World Bank Data Values in Billion

21 Valued in-terms of current USD, World Bank Data Values in Billion

22 Includes Net Primary Income, Net Trade in Goods & Net Trade in Services; Valued in-terms of current USD, World Bank Data Values in Billion

Firstly, let's set aside the population control measures which China undertook, since that would have been a major contributor to for it to step towards a higher income level<sup>23</sup>. Secondly, it is important to remember that a universal currency with independent or distributed control is missing from our international trading system<sup>24</sup>. Thirdly, let us also set aside topics like inflation, interests etcetera.

If trade affects the prosperity of a nation's citizens so should net trade and thereby the trade deficit. But, the question is how and if how is it in a positive or a negative way<sup>29</sup>. For any country to run there has to be an economy where people buy different things for living, consumption and luxury. In order to buy things citizens need to sell something be it their time, effort, products or services. This internal or domestic buying or selling takes place via domestic currency. However, international trade does not happen in domestic currency (at-least majority of the countries do not). So, if a country wants to buy something(s) it has to have the(or a) foreign currency (this is one of the roles of foreign currency reserves). If, the country does not have an adequate foreign currency reserve for financing the buying of foreign products or services then what. A temporary loan in foreign currency is an educated guess. Thus, it is appropriate to conclude that the three values vis-a-vis "*net trade*", "*net reserves*" and "*net external debt*" are interlinked. So, if a country's net trade is not adequately financed by its reserves then it will continue to become indebted. But where will this end in case of default. Does recent example of Pakistan comes to mind? That indebtedness was to global institutions what about indebtedness to other country<sup>24</sup>?

With the example of China following points need to be highlighted:

- Cumulative figures; it is clear that China in last 35 years have been able to achieve a net positive trade which is equal to its reserves, more than 90% of which came between 2000 & 2010 i.e. when it was considered a Lower Middle Income country.
- China's gold reserves are less than 3% of its total reserves, and have been increasing at a steady yearly average for the past 20 years
- There have been three significant changes in China's situation from one of Lower Middle Income years and Upper Middle Income years vis-a-vis:
  - Its average yearly accumulation of foreign reserves has reduced to almost 10% from before
  - Its average yearly increase of debt has increased approximately 300% from before
  - Its average yearly increase of net trade has grown by approximately 35% from before

Now, let us look at the three variables: *net trade*", "*net reserves*" and "*net external debt*"

- From 2000 to 2007 there has been an exponential growth in net trade accompanied with approximate exponential growth in accumulation of reserves
- In 2008 there was a slight deceleration of net trade growth accompanied with slight decrease in reserve accumulation and a decrease in borrowings
- In 2009 there was a major deceleration in net trade growth while reserves were kept at original track, debt was also kept at original track.
- In 2010, there was no growth in net trade, reserves were also kept at almost same level, debt had to be increased exponentially

<sup>23</sup> Atlas method used by the world bank classifies countries based on income levels [per capita](#)

<sup>24</sup> According to Robert Gilpin in Global Political Economy: Understanding the International Economic Order (2001): "Somewhere between 40 and 60 percent of international financial transactions are denominated in dollars. For decades the dollar has also been the world's principal reserve currency; in 1996, the dollar accounted for approximately two-thirds of the world's foreign exchange reserves", as compared to about one-quarter held in euros.

## Technical non-tariff barriers as an alternative to tariff based barriers

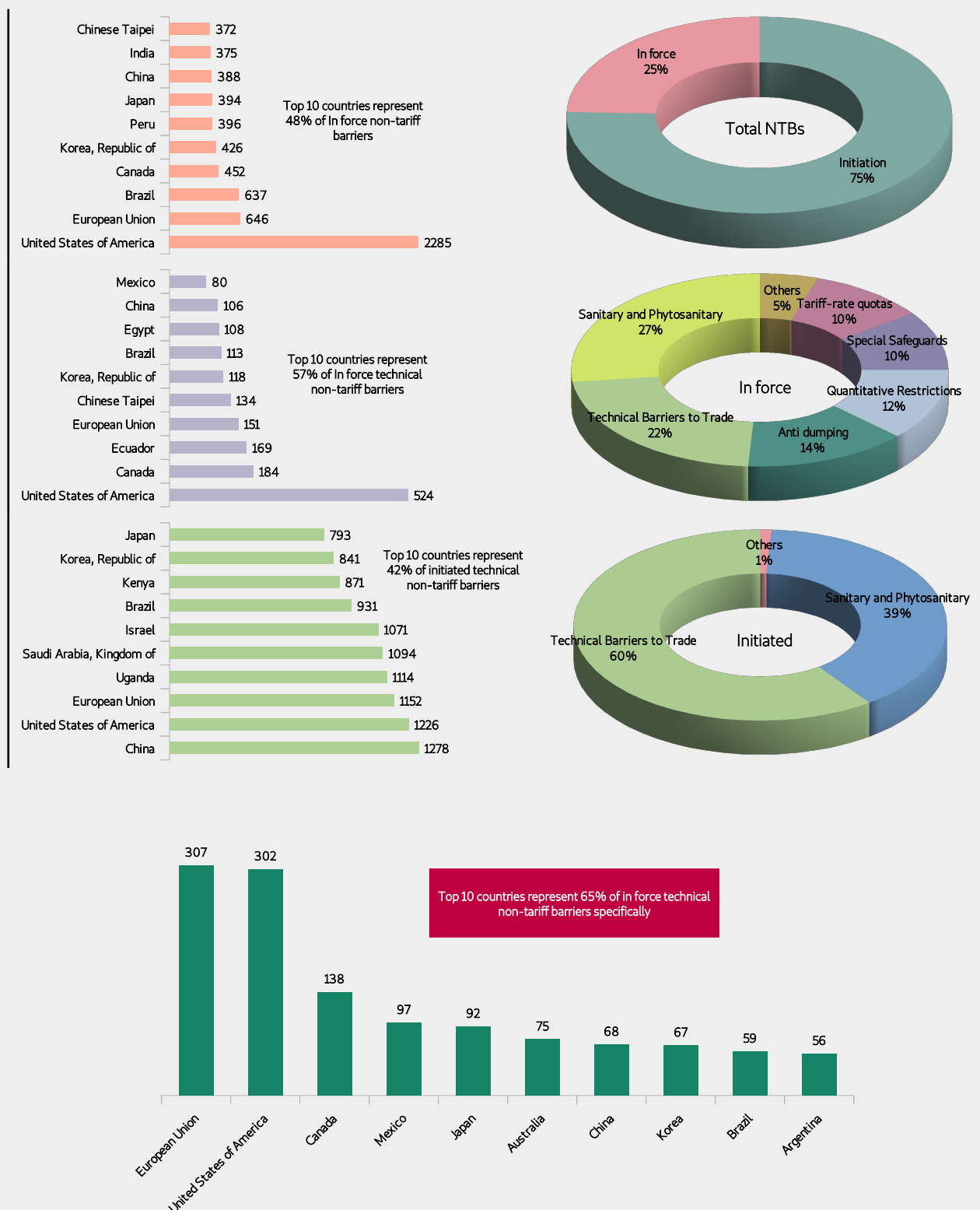


Figure 6: Top 10 countries against whom specific technical trade barriers are in force, Till October 2019

Imposition of tariff barriers is easy, transparent and a sign of laziness. Whereas imposing non-tariff barriers requires just the opposite. While easier said than done defending a country's economy, business ecosystems and citizens at large through non-tariff based technical barriers requires covert execution. It requires a lot of technical and commercial research, positive interaction with domestic industry and industry stakeholders, employing a lot of technological and scientific human resources, deploying certifying, testing and analytical infrastructure both domestically and globally all in all a lot of effort, time, planning and of course mullah!

From the Charts of last page:

148 countries have cumulatively enforced or have initiated approximately 55000 instances of non-tariff based trade barring measures against other member countries. Of these total number of measures, 25% are in force while 75% are in initiated status.

Top 10 economies that account for enforcing 48% of all instances of non-tariff barriers against other member economies include USA, EU, Brazil, Canada, Korea, Japan, China and India; India being at the 9<sup>th</sup> spot

Amongst the enforced non-tariff barriers second largest (22%) are of technical type.

Top 10 economies that account for enforcing 57% of all instances of technical non-tariff barriers against other member economies include USA, Canada, EU, China, Korea and Brazil; India is not present within the top 10

It is important to note that 60% of all initiated non-tariff barriers are of technical type. China has initiated more number of technical non-tariff barriers than USA and EU

Top 10 economies that account for initiating 42% of all instances of technical non-tariff barriers against other member economies include China, USA, EU, Israel, Brazil, Korea, Japan; India is not present within top 10

Top 10 economies against whom other member economies have enforced technical non-tariff barriers by specifically naming or targeting them includes EU, USA, Canada, Mexico, Japan, Australia, China, Korea, Brazil & Argentina; India is not present within top 10

It is clear from the above said facts that advanced economies are also the main enforcers and initiators of non-tariff barriers to trade thereby contributing towards distortion of free trade in the strictest sense. And, thus it is evident why these countries are also at the receiving end of the number of technical non-trade barriers against them.



With the magnifying glass you now have it is easy to decipher different perspectives and form your own conclusions

## Annex ❖ Problems plaguing India as highlighted by Media during RCEP negotiations

During the recent RCEP events media sources have highlighted these problems, they say this either explicitly or implicitly:

- ▶ Global view of the Indian economy is just of a consumption market driven by a large population and its demand, be it for products or for services<sup>25, 26, 27</sup>
- ▶ Majority of our producers and Industry is viewed as laggard, inefficient and uncompetitive<sup>28</sup>
- ▶ We have a deep-rooted suspicion of free trade and we are not part of the global value chain (production networks) as despite our size we account for less than 2% of global merchandise exports while India is not attractive for manufacturing<sup>29</sup>
- ▶ We fear the world rather than embracing it<sup>30</sup>
- ▶ We will need to develop an export industry if we ever want to grow beyond lower-middle-income status<sup>31</sup>
- ▶ How do we intend to provide jobs to hundreds of millions of deprived young people unless we produce goods for the world, and not just each other<sup>32</sup>
- ▶ We are not treated equally at the global stage, thus we do not enjoy equal access to certain markets<sup>33, 34, 35</sup>
- ▶ We have ever widening trade deficits, imports have grown faster than exports. Our industry also had to suffer from the circumvention of rules of origin, across products<sup>36</sup>
- ▶ While our priority is to follow international rules, laws and guidelines other countries may circumvent them<sup>37</sup>
- ▶ We are a large group of traders (not in the strictest of sense) and its our main instinct at most majority of us are value added traders<sup>38, 39</sup>

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## Annex ❁ External perspective through Bloomberg

In September 2019 Bloomberg (Represented by MihirSSharma) reported its opinion through Business Standard as India is dangerously close to being an also-ran on trade and growth; For it to have any hope of employing the millions of young people graduating its schools every year, India's turn to protectionism must be reversed<sup>40</sup>. In this opinionated article following points were highlighted:

- ▶ It asked, whether India choose globalisation and equated it to an export oriented growth, thus not mentioning import oriented effects
- ▶ It assigned the key reason for this failure to join the bloc as the laggard, inefficient and uncompetitive Indian producers and industry in general
- ▶ Bloomberg opinionated that what the Indian industry terms as a loss to itself is a gain for the consumers, thus it gives more weight to low cost products for consumers than to anything else; for the same it gives an example of palm oil imports from Indonesia and Malaysia
- ▶ Bloomberg also opinionated that India does not want China meaning its people to progress, in simple terms India is jealous of China and its progress
- ▶ It also states that there is no alternative to RCEP and more so without China. The reason it states is that since USA under the current president has killed the TPA, China has control over the future of Asian Trade
- ▶ It also tried to connect RCEP as a means to increasing employment and paints a picture that no hope is left for the youth of India
- ▶ Finally the author writes that it is an old thinking thus not relevant today when someone talks about import substitution, Industrial policy and protective tariffs and is thus hopeful that the current prime minister saves himself of international humiliation by signing the agreement and be part of the new era

The view that RCEP is the only one option left with India, not joining it is due protectionism rather than sound judgement and negotiations; is a view that is largely Chinese in origin. The harsh tone, timing and byline suggests an attempt to change the reader's own view.

In October 2019 Bloomberg (Represented by its Editors) reported through Business Standard that Struggling India needs more trade; RCEP may just be the right card to play. Modi has long sought to portray himself as both a reformer and a global statesman. A bold decision would not only shore up his reputation , it would point India in the direction of recovery<sup>41</sup>. In this edited article following points were highlighted:

- ▶ With all that is not working for India, politicians are absolutely wrong in saying that India cannot afford to lower its trade defences and that what is actually needed
- ▶ The objections raised by India against current form of RCEP reflect a deep-rooted suspicion of free trade and is a protectionist stance shared by the current regime. The same is a mistake
- ▶ The mistake is not joining a global value chain (production networks) ultimately resulting in stimulating demand

This time on, the article has a softer tone, the byline has changed from a particular author to the editors but it still reflects the Chinese view.

40 [Link to source](#)

41 [Link to source](#)

- ▶ It now also suggests that though there are few other plausible ways for India one being making a transition from an agriculture-based economy while ridiculing India that despite its size it accounts for less than 2% of global merchandise exports
- ▶ It paints a picture of how India can use cheap Chinese inputs for production and capitalize on factories shifting from China
- ▶ It hopes that lowering trade barriers would force India to compete but cautions that much is needed to make the country attractive for manufacturing

On 5<sup>th</sup> November 2019 Bloomberg (Represented by MihirSSharma) reported its opinion through Business Standard as By opting out of it, India shows that now it fears the world; PM Modi's decision not to join RCEP is an admission that even the prospect of joining a massive regional trade agreement isn't incentive enough for New Delhi to launch deep economic reforms<sup>42</sup>. In this opinionated article following points were highlighted:

- ▶ India has been raising walls against the rest of the world has turned its back on free trade
- ▶ India's concerns about cheap Chinese imports and integration of services trade into the agreement are not entirely unreasonable
- ▶ Many of China's domestic policies are trade-distorting
- ▶ The article opinions about how India fears the world rather than embracing it
- ▶ The article also describes the current regime's press release as comical and says that trade negotiators will be hard pressed to recognize the description
- ▶ The article has the opinion that for a country like India, freer trade, cheaper goods and more reliable prices do indeed improve the lives of the poorest
- ▶ It asserts that global value chains that will henceforth be dominated by RCEP
- ▶ It informs that India -- which will need to develop an export industry if it is ever to grow beyond lower-middle-income status
- ▶ The article reflects that The TPP still exists under a new name, without the U.S.; RCEP, without India. The "Indo-Pacific" as an economic geography is losing ever more meaning
- ▶ Finally Bloomberg leaves us with a question, How do its politicians intend to provide jobs to its hundreds of millions of deprived young people unless they produce goods for the world, and not just each other

Just after India's refrain from joining the RCEP, this opinion from the earlier author is now more compassionate towards India. It has some India views but largely terms the refrain as a big mistake

On 5<sup>th</sup> November 2019 Bloomberg (Represented by Iain Marlow and Shruti Srivastava) reported RCEP opt-out: Modi's Trumpian trade exit may be tactical retreat for India; Modi and his ministers are now selling his refusal to join RCEP as a victory for India's poor<sup>43</sup>. In this report following points were highlighted:

- ▶ The writers say that like U.S. President Donald Trump, who said he withdrew from the Trans Pacific Partnership trade deal to protect American workers, Modi and his ministers are now selling his refusal to join RCEP as a victory for India's poor

42 [Link to source](#)

43 [Link to source](#)

- ▶ Much structural reforms such as a long-awaited loosening of restrictive land and labor rules are needed in India
- ▶ Niranjan Sahoo is quoted as saying "If you look at the macro situation, he has to create a better climate for investment"
- ▶ It would've been extremely risky to open India's markets to cheap goods from China, as well as agricultural imports from Southeast Asia

The byline has now changed to two different authors with minimal India views but the article still does not give original credit to India

On 12<sup>th</sup> November 2019 Bloomberg (Represented by Jiyeun Lee, Miao Han and Carolyn Look) reported India to Vietnam, Asia's 'mini Chinas' struggle to benefit from trade war - Part of the problem is reproducing the kind of supply chains, marketing access and existing contacts that have been built up by small and medium-sized manufacturers in China's industrial cities. In this report following points were highlighted:

- ▶ China's intricate networks of factories, suppliers, logistics services and transportation infrastructure grew up in a different era, underpinned by money and technology from Japan, Taiwan and Hong Kong at a time of scant regard for the environment, workers' rights or the few government regulations that were enforced. It had a vast, cheap, literate workforce and gained almost unfettered access to global markets for three decades
- ▶ "No single economy has the wherewithal to step into China's shoes," wrote Chang Shu and Justin Jimenez in the report. "Many have a low-cost advantage. With the exception of India, all lack China's scale. And all face challenges on other aspects of competitiveness."
- ▶ The South Asian nation has made progress, rising 37 spots since 2017 in the World Bank's ranking for ease of doing business, but it still comes in at 63rd, trailing not only China, but also Rwanda and Kosovo
- ▶ But developing economies aren't the only ones in Asia gaining from the shift in trading patterns. US firms diverted about \$21 billion of imports away from China in the first half of 2019, according to the United Nations Conference on Trade and Development
- ▶ Taiwan was the biggest beneficiary, getting a \$4.2 billion boost in exports to the US during the period, mostly for office machinery and communication equipment. Mexico was second with a \$3.5 billion gain, followed by the European Union at \$2.7 billion just ahead of Vietnam at \$2.6 billion, the UNCTD reported

China has problems only due to the trade war and in case this continues no other country can take its place at least those competing on low costs, By the way this article appeared in competing business newspapers

## Annex ➊ Country perspectives

### China

"Above all, he (US President) believes that the US is powerful enough to win a fight with China and the rest of the world, a belief stemming that **China's transformation, hasn't changed as expected by democratic modernisation theorists**" ... "While **China is mostly open in trading goods**, automobiles, agriculture, and machinery, China's regulatory environment are not so open and friendly, with organisational facilitation in services much lower than those in manufacturing. More concerning is the fact that China's trade facilitation index rating is 1.41, much smaller than the best practice level of 1.83."<sup>44</sup>

**Japan encouraged RCEP to adopt TRIPS Plus rules.** However, Indonesia will not adopt TRIPS Plus. India even urged that the IPR rules need to be re-calibrated

### Indonesia

Australia-Japan-Korea intended to review rules regarding SOEs in certain transitional periods and create the possibility to eliminate SOE privileges and open competition space for certain functions requested by the State directly. In regards to this matter, ASEAN, China, and India strongly rejected Australia, Japan and Korea's requests, and make this position a final bid, take it or leave it.<sup>45</sup>

RCEP should be considered as an ASEAN-led, China-backed trade pact

**Since China is not part of the TPP, it is seen as actively advancing RCEP to limit US influence on the future of Asian trade.** This view is not entirely accurate because the main objective of RCEP is to harmonize the existing FTAs between ASEAN and all of its dialogue partners.

The US may join RCEP by securing a trade agreement with ASEAN as a first step

### Philippines

**The Philippines** finds itself in the thick of things as it assumes the ASEAN chairmanship for 2017. Hence, the conscious move to demonstrate the government's willingness to push for the conclusion of RCEP can be taken as a significant step **in its pursuit of an independent foreign policy, which greatly revolves around its 'strategic shift'** away from the US and **toward China**.<sup>46</sup>

"The appointment of Indonesia as the ASEAN coordinator and the TNC Chairman is **based on the notion that Indonesia in the initiator of RCEP** and has the posture that is needed as the largest economy in ASEAN. Participating in RCEP would place Indonesia in the **regional supply chain through foreign investment** in the productive sector **and supported by low-cost production sources**," said the Indonesian Minister of Trade, Enggartiasto Lukita, on the sidelines of the reading of the RCEP Joint Leaders' Statement concerning the Developments of the RCEP Negotiations today, Thursday (8/9) in Laos.

### Indonesia

According to the Trade Minister, the RCEP Negotiations is beneficial for Indonesia to gain better market access than those gained through the Free Trade Agreement (FTA) between ASEAN and its partner countries. It is also through these negotiations that what have yet to be gained by Indonesia from the ASEAN+1 FTA can be improved, for example, **market access for agricultural products to India** and China. The fifteen RCEP participating countries represent 56.2% of Indonesian exports worldwide and 70% of Indonesian imports. RCEP is also 48.21% of all Foreign Direct Investment/FDI into Indonesia.

44 Professor Dr Tu Xinquan, Dean, China Institute for WTO Studies, University of International Business and Economics, China during CHINA-ASEAN THINK TANKS SEMINAR 22 June 2018 | Intercontinental Hotel, Kuala Lumpur titled "Experience, Challenges and Opportunities – How to Reach Agreement on RCEP"

45 Negotiation Update: "How is the progress of RCEP and IEU CEPA negotiations?", September 2018, Indonesia for Global Justice (IGJ) Jl.Laboratorium No.7, Duren Tiga, South Jakarta

46 RCEP and the Future of Asian Free Trade Agreements: A Philippine Perspective by Jovito Jose P. Katigbak, January 2017, Center for International Relations and Strategic Studies of the Foreign Service Institute, Philippines

## Indonesia

RCEP was initiated by Indonesia during its ASEAN Chairmanship in 2011 to consolidate five ASEAN+1 agreements/ FTAs (ASEAN with Australia-New Zealand, China, India, Korea, and Japan).<sup>47</sup>

In Delhi to discuss ideas on moving forward on the deal, James Baxter on Thursday said the last ministerial meet in Bangkok had seen all negotiating trade ministers unanimously decided to complete the negotiations in full by November, seven years after talks started.

## Australia

Baxter also said rules for **services trade will not be different for each nation**. On the other hand, the commitments by each nation to provide market access to other members through the **reduction of import tariffs, will vary on case-to-case basis**, he said.<sup>48</sup>

## China

In the session, Song Hong drew **parallels for India with the way China moved into the global trade chain in the nineties of the last century**. He said India cannot develop expertise in end-to-end production but must enter the global value chain.<sup>49</sup>

"In India, local dairy demand is outpacing dairy supply and some analysts have estimated that by 2025 **India will represent 39% of the world's dairy consumption**. We believe that there is a role for New Zealand dairy exporters in India alongside domestic processors. Our diversified product offerings also allow us the ability to play a complementary role in helping to meet India's dairy demand like exporting proteins, advanced ingredients for sports & active and medical nutrition applications," said Kimberly Crewther, executive director, Dairy Companies Association of New Zealand (DCANZ).

## New Zealand

"New Zealand's milk production is highly constrained due to a number of factors, including our geographic size and commitment to farming within environmental limits. This means that New Zealand production is unlikely to grow significantly from current levels in the future," Crewther added.<sup>50</sup>

## Australia

Trade minister Birmingham said, "We have to make sure that progress is realised amongst the 15 nations who are there without India. These make it easier for Australian businesses to do **business through the region** and that is what **allows us to keep growing our exports**."

"There are real gains that Australia can get in terms of our services economy, financial services, areas of education, health sectors. We are very focused on how we can value-add to those existing agreement," Birmingham said.<sup>51</sup>

"There won't be any problem for the 15 nations to sign RCEP next year," Chinese Vice Foreign Minister Le Yucheng told reporters in Bangkok on Monday. "We are taking an open attitude -- whenever India is ready, it's welcome to get onboard."<sup>52</sup>

47 Press Release, RCEP: Strengthening Indonesia's Position in the Regional Supply Chain; Vientiane, 8 September 2016, Public Relations Bureau Ministry of Trade, Government of Indonesia

48 [https://www.business-standard.com/article/economy-policy/rcep-issues-can-be-solved-by-november-australia-trade-negotiator-119091201474\\_1.html](https://www.business-standard.com/article/economy-policy/rcep-issues-can-be-solved-by-november-australia-trade-negotiator-119091201474_1.html)

49 [https://www.business-standard.com/article/economy-policy/china-would-want-india-to-be-one-of-the-countries-to-sign-rcep-economist-119091401007\\_1.html](https://www.business-standard.com/article/economy-policy/china-would-want-india-to-be-one-of-the-countries-to-sign-rcep-economist-119091401007_1.html)

50 [https://www.business-standard.com/article/economy-policy/china-southeast-asian-states-push-for-rcep-pact-despite-india-s-doubts-119110400030\\_1.html](https://www.business-standard.com/article/economy-policy/china-southeast-asian-states-push-for-rcep-pact-despite-india-s-doubts-119110400030_1.html)

51 [https://www.business-standard.com/article/pti-stories/door-will-remain-wide-open-for-india-to-join-rcep-says-australian-pm-119110401032\\_1.html](https://www.business-standard.com/article/pti-stories/door-will-remain-wide-open-for-india-to-join-rcep-says-australian-pm-119110401032_1.html)

52 [https://www.business-standard.com/article/news-ani/india-must-liberalise-economy-further-to-benefit-from-trade-agreements-says-economist-surjit-bhalla-119110400786\\_1.html](https://www.business-standard.com/article/news-ani/india-must-liberalise-economy-further-to-benefit-from-trade-agreements-says-economist-surjit-bhalla-119110400786_1.html)

China said on Tuesday that it will follow the principle of "mutual understanding and accommodation" to resolve the outstanding issues raised by India for not joining the Beijing-backed mega Regional Comprehensive Economic Partnership (RCEP).

China also said it would welcome India joining the deal at an early date.<sup>53</sup>

Xi addressed an audience including French President Emmanuel Macron at the import exhibition, staged annually by China to show its willingness to free up its vast **domestic markets** in the **face of criticism** that they are **too cosseted** by Beijing.

With China and the US working to lock in a partial trade deal announced last month, Xi steered clear of their tariff war in his remarks.

China

It was a stark contrast to his keynote last year at the height of the trade confrontation, when **Xi took a swipe at the Trump administration**, decrying "protectionism", "isolationism" and "the law of the jungle", while not specifically naming the United States.<sup>54</sup>

China

The Chinese official said the deal would also greatly benefit Chinese firms, workers and consumers, as **it would remove tariffs and non-tariff barriers**, and bring down costs.<sup>55</sup>

**Australia and New Zealand** continue to push for India's inclusion in the proposed Regional Comprehensive Economic Partnership (RCEP) pact, weeks after New Delhi pulled out of it. The countries are **not interested in aligning more with** export powerhouse **China** even as **hopes of gaining access to India, the single-largest potential market, evaporate**, said diplomatic sources.

India figures significantly in **Australia's** global trade plans. Canberra also **hopes to position itself as a major supplier for India's farm needs, especially in the volatile pulses trade**.<sup>56</sup>

Because of the size of the Chinese economy, significant distress in China could spill over to the US and global markets through a retrenchment of risk appetite, US dollar appreciation, and declines in trade and commodity prices. A prolonged period of rapid credit expansion in China has rendered its nonfinancial corporate sector highly vulnerable to a sharp downturn in addition to poor asset quality and notable interconnections between banks and the large and weakly-regulated shadow banking sector," the Federal Reserve said, adding developments in domestic and international markets could pose a number of near-term risks to the financial system.<sup>57</sup>

A senior Singapore minister has expressed hope that outstanding issues with India can be overcome by other countries to get the large South Asian market into the Regional Comprehensive Economic Partnership (RCEP). Teo called for further strengthening of connectivity. One key area is infrastructure, which provides the sinews for development and growth -- power, water, sanitation, telecommunications, roads, railways, ports and airports, he

53 [https://www.business-standard.com/article/pti-stories/will-resolve-outstanding-issues-raised-by-india-for-not-joining-rcep-china-119110501073\\_1.html](https://www.business-standard.com/article/pti-stories/will-resolve-outstanding-issues-raised-by-india-for-not-joining-rcep-china-119110501073_1.html)

54 [https://www.business-standard.com/article/pti-stories/will-resolve-outstanding-issues-raised-by-india-for-not-joining-rcep-china-119110501073\\_1.html](https://www.business-standard.com/article/pti-stories/will-resolve-outstanding-issues-raised-by-india-for-not-joining-rcep-china-119110501073_1.html)

55 [https://www.business-standard.com/article/economy-policy/open-to-join-rcep-in-future-if-we-get-favourable-offers-govt-119110501695\\_1.html](https://www.business-standard.com/article/economy-policy/open-to-join-rcep-in-future-if-we-get-favourable-offers-govt-119110501695_1.html)

56 [https://www.business-standard.com/article/economy-policy/australia-new-zealand-continue-to-bat-for-india-s-entry-into-rcep-119111501780\\_1.html](https://www.business-standard.com/article/economy-policy/australia-new-zealand-continue-to-bat-for-india-s-entry-into-rcep-119111501780_1.html)

57 [https://www.business-standard.com/article/pti-stories/significant-distress-in-china-could-spill-over-to-us-and-global-markets-federal-reserve-119111600146\\_1.html](https://www.business-standard.com/article/pti-stories/significant-distress-in-china-could-spill-over-to-us-and-global-markets-federal-reserve-119111600146_1.html)

said. "Given the high cost of infrastructure projects, it is often not possible for South Asian governments to finance these projects on their own. Governments could access capital from the private sector and multilateral institutions to plug the gap."<sup>58</sup>

In the current trade war, however, **US complaints mainly focus on a second category of subsidies: those targeted at "emerging and foundational" technology.** Made in China 2025 is the most high-profile of Beijing's initiatives to help its national champions win market share in strategic industries.

But China's strategy resembles what Mariana Mazzucato, economist at University College London, calls the "entrepreneurial state." Her 2013 book chronicles how state investments were crucial in fostering industries that the US still leads, such as IT, biotech and fracking.

Renewing this approach in the US will require conservatives to set aside their aversion to government intervention. Liberals may need to accept lower social spending to pay for industrial policies that could be seen as "corporate welfare."

Whatever its flaws, the Green New Deal is also based on an acknowledgement that relying exclusively on free markets is insufficient to achieve important national objectives.<sup>59</sup>

**China's central bank** unexpectedly trimmed a key interbank lending rate on Monday, the first easing in the liquidity tool in more than four years and a signal to markets that policymakers are **ready to act to prop up slowing growth.** He noted that the central bank continues to take a cautious approach to easing. In a report released Saturday, the **PBOC said it would maintain prudent monetary policy to prevent inflation from spreading.** The PBOC has skipped reverse repo operations for 15 straight trading days before the resumption on Monday, when it injected 180 billion yuan (\$25.74 billion) into the interbank market.<sup>60</sup>

RCEP negotiation takes into account the different levels of development of participating countries. As such, negotiation will work at considering appropriate forms of flexibility. The goals of RCEP are far-reaching and multi-faceted. And, as we know, high aspirations equate to tall orders of work that needs to be done.<sup>61</sup>

"Invariably, nations are very wary of anything that might end up leaving vulnerable countries permanently indebted to another. So, I would be cautious about RCEP as it looks like a trade arm of China's Belt and Road Initiative,"<sup>62</sup>

**Vietnam** has become one of the top **destinations for suppliers looking to avoid US duties on Chinese products** amid the trade war, making the country vulnerable to goods fraudulently labeled as "Made in Vietnam,"

Vietnamese customs last month said it discovered and seized about \$4.3 billion of Chinese aluminum falsely labeled "Made in Vietnam" that was meant to be shipped overseas, mostly to the US<sup>63</sup>

58 [https://www.business-standard.com/article/pti-stories/overcome-outstanding-issues-to-get-india-into-rcep-says-singapore-minister-119111600674\\_1.html](https://www.business-standard.com/article/pti-stories/overcome-outstanding-issues-to-get-india-into-rcep-says-singapore-minister-119111600674_1.html)

59 [https://www.business-standard.com/article/international/china-s-industrial-policy-is-wise-refusal-by-us-to-adopt-them-is-foolish-119111700089\\_1.html](https://www.business-standard.com/article/international/china-s-industrial-policy-is-wise-refusal-by-us-to-adopt-them-is-foolish-119111700089_1.html)

60 [https://www.business-standard.com/article/international/china-cuts-key-liquidity-rate-for-first-time-since-2015-amid-economic-woes-119111800170\\_1.html](https://www.business-standard.com/article/international/china-cuts-key-liquidity-rate-for-first-time-since-2015-amid-economic-woes-119111800170_1.html)

61 Opening Remarks By Lim Hong Hin Deputy Secretary-General for ASEAN Economic Community; Conference on Understanding the Regional Comprehensive Economic Partnership 2 July 2013, Four Seasons Hotel, Jakarta, Indonesia

62 [https://www.business-standard.com/article/economy-policy/australian-ex-pm-tony-abbott-calls-for-bilateral-free-trade-pact-with-india-119112100078\\_1.html](https://www.business-standard.com/article/economy-policy/australian-ex-pm-tony-abbott-calls-for-bilateral-free-trade-pact-with-india-119112100078_1.html)

63 [https://www.business-standard.com/article/international/vietnam-cracks-down-on-exporters-using-them-to-bypass-higher-us-tariffs-119112100602\\_1.html](https://www.business-standard.com/article/international/vietnam-cracks-down-on-exporters-using-them-to-bypass-higher-us-tariffs-119112100602_1.html)

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The US has extended its support to India's opposition to China's ambitious One Belt One Road (OBOR) initiative, saying it shares New Delhi's concern over the multi billion-dollar project while questioning the economic rationale behind it.

We share India's concerns over projects that don't have any economic basis and that leads to country ceding sovereignty, Wells said.

Sri Lanka is not the only country that effectively ceded sovereignty over a key asset, she added.

Struggling with debts, Sri Lanka formally handed over the southern sea port of Hambantota to China in 2017 on a 99-year lease.

Interestingly, Hambantota is the home town of the Rajapaksas.

The OBOR was designed in part to be able to export excess labour, excess capital and excess production facilities, she said.

So China was trying to solve one of its own domestic problems. It solved its domestic problems sometime at the expense of the receiving country, Wells said.

There are over 95 state-owned enterprises, a part of this belt and road initiative and that have been engaged in infrastructure projects overseas, Wells said.<sup>64</sup>

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64 [https://www.business-standard.com/article/pti-stories/us-shares-india-s-concerns-on-china-s-one-belt-one-road-project-wells-119112200724\\_1.html](https://www.business-standard.com/article/pti-stories/us-shares-india-s-concerns-on-china-s-one-belt-one-road-project-wells-119112200724_1.html)

## Annex ❁ Current regime perspectives

Deep divisions have formed **within the government** as key ministries such as agriculture, steel and animal husbandry, etc. have opposed the plan, arguing it will lead to an influx of cheap Chinese imports.

Sources said 13 of the 25 topics of discussion within the RCEP remained unfinished after the technical negotiations were over. These include the crucial trade in services, movement of professionals across borders, investments, dispute resolution and rules of origin.

The government has also been under pressure to review existing FTAs with South Korea and Japan, which haven't been able to reduce India's trade deficit with these nations.

New Delhi has consistently focused on services trade norms, such as those allowing the free movement of trained professionals across national boundaries. This would allow Indian professionals — such as chartered accountants, teachers and nurses — to work in other RCEP nations without the need for bilateral mutual recognition agreements.<sup>65</sup>

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"The big concerns of India are of course, one, its relationship with China because we have an enormous trade deficit with China, Jaishankar said in response to a question on the ongoing negotiations for the RCEP.

At the session, also attended by his Singaporean counterpart Vivian Balakrishnan, Jaishankar said India fears that the RECP deal, which would call for a lowering of tariffs, would lead to a flood of goods from China while not assuring India of an equal access to the Chinese markets, thereby widening its large trade deficit.

India has registered trade deficit in 2018-19 with as many as 11 RCEP countries, including China, South Korea and Australia.

Jaishankar also raised concerns that **India's forte, its trade in services**, was less well enforced through regulations than the trade in goods.<sup>66</sup>

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"I run a massive trade deficit with China. It accounts for more than 50 per cent of my trade deficit," he said. Jaishankar said he was **not arguing that trade deficits are by definition bad or wrong**.

"It is whether the **trade deficits** are outcome of **market forces**, whether they reflect your **competitiveness** or whether the trade deficits are the outcome of **lack of fair market access**. Now, in the case of India for example, again we have a very big pharma industry, we have a big IT business. They are globally successfully .... (but) we have very little business in China," he noted.

Total India-China bilateral trade in 2017 was around \$84 billion, the bulk of the trade being Chinese exports to India.<sup>67</sup>

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The minister squarely blamed the earlier governments for not being able to negotiate better trade deals for India, which has led to a situation where the **industry has not been able to benefit from FTAs**. The Asean-India FTA did not have an automatic review mechanism built into it, Goyal said.<sup>68</sup>

65 [https://www.business-standard.com/article/economy-policy/piyush-goyal-to-attend-crucial-rcep-meet-in-bangkok-on-saturday-119090700040\\_1.html](https://www.business-standard.com/article/economy-policy/piyush-goyal-to-attend-crucial-rcep-meet-in-bangkok-on-saturday-119090700040_1.html)

66 [https://www.business-standard.com/article/pti-stories/rcep-jaishankar-says-india-concerned-over-enormous-trade-deficit-with-china-119090900913\\_1.html](https://www.business-standard.com/article/pti-stories/rcep-jaishankar-says-india-concerned-over-enormous-trade-deficit-with-china-119090900913_1.html)

67 <https://timesofindia.indiatimes.com/business/india-business/us-china-trade-war-may-not-be-such-a-bad-thing-jaishankar/articleshow/71072991.cms>

68 <https://timesofindia.indiatimes.com/business/india-business/us-china-trade-war-may-not-be-such-a-bad-thing-jaishankar/articleshow/71072991.cms>

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"National interest can't be hijacked by one or two industries... Maximum interests should be protected," Goyal said after a meeting with industry on trade remedies.

He stated that pharmaceutical and cotton textiles sectors have supported the proposed deal and that concerns of certain sectors related to China would be taken care of.

Besides this, he said India will align its anti-dumping rules with global best practices in the next 10 days to allow such duties to be used to their full extent.

"We have a lesser duty rule because of which we can't levy duties to their fullest extent. The EU and many other countries, however, do not follow this rule", he added.<sup>69</sup>

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Indian External Affairs Minister Subrahmanyam Jaishankar said India was skeptical over "unfair" market access and "Chinese protectionist policies."<sup>70</sup>

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Goyal also met representatives of the pharmaceutical and chemical industries on Thursday. Pharma players have been relatively favorable to the deal. A senior official said they have argued for greater access to Chinese markets. China imports about \$25 billion worth of medicines, of which India's share is currently only \$200 million.<sup>71</sup>

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Earlier, India had agreed to reduce tariffs on 74 per cent of traded goods for China. While developed nations have demanded New Delhi open up at least 90 per cent of all items, China has refused to open up "commensurate to India's demands", an official said.

Currently, it is broadly accepted the RCEP will lead to tariffs being eliminated on 28 per cent of the traded goods to begin with. This will be followed by 35 per cent of all products being eliminated in phases.<sup>72</sup>

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**When an economy opens up, it has to set its house in order to compete,** which brings the best out of it, he said.

Pointing out that India has a large consumption market due to its population, which other countries want to take advantage of, he alleged that the FTA under RCEP is a strategy by foreign countries to expand their market.<sup>73</sup>

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"India can't be isolated. You can't have a situation where you expect all the benefits of multilateralism but will not give any benefit to anyone," he said, at the launch of the report by High Level Advisory Group for Exports. Last week, Goyal spoke in favour of a bilateral trade agreement with the US.

"We can't have inefficient industry lobbying against import and free trade agreements on the pretext that it'll affect them. Indian consumers can't be made to keep paying disproportionately high value for inefficiencies in a particular sector?" the minister said at the event organized by the Confederation of Indian Industry.

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69 <https://knnindia.co.in/news/newsdetails/economy/india-will-protect-its-national-interest-while-signing-rcep-trade-agreement>

70 [https://www.business-standard.com/article/economy-policy/india-draws-up-red-lines-on-asia-free-trade-pact-before-key-meeting-119091300934\\_1.html](https://www.business-standard.com/article/economy-policy/india-draws-up-red-lines-on-asia-free-trade-pact-before-key-meeting-119091300934_1.html)

71 [https://www.business-standard.com/article/economy-policy/textile-exporters-manufacturers-tell-govt-to-be-cautious-with-rcep-talks-119092100972\\_1.html](https://www.business-standard.com/article/economy-policy/textile-exporters-manufacturers-tell-govt-to-be-cautious-with-rcep-talks-119092100972_1.html)

72 [https://www.business-standard.com/article/economy-policy/rcep-nations-target-final-10-day-window-to-close-talks-by-october-22-119101500048\\_1.html](https://www.business-standard.com/article/economy-policy/rcep-nations-target-final-10-day-window-to-close-talks-by-october-22-119101500048_1.html)

73 [https://www.business-standard.com/article/economy-policy/bargain-hard-but-go-for-rcep-deal-niti-aayog-s-arvind-panagariya-119102200020\\_1.html](https://www.business-standard.com/article/economy-policy/bargain-hard-but-go-for-rcep-deal-niti-aayog-s-arvind-panagariya-119102200020_1.html)

Goyal also argued a targeted campaign is bent on derailing talks. "Unfortunately a narrative has been sought to be made in our country particularly by a small microcosm of few people, as if an international engagement that is being discussed at this stage, is going to kill India, its industry and farmers, This is based on completely baseless and nonsensical thoughts, and a kind of fear psychosis is sought to be created," he said.<sup>74</sup>

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"We have to enter these trade agreements and that is part of opening up the economy to get trade benefits," said Bhalla who will soon take charge as the Executive Director for India on the board of International Monetary Fund (IMF).

"But at the same time, we need to be cognizant of our own interests. We should negotiate from a position of strength rather than that of weakness," he told ANI in an interview.<sup>75</sup>

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"Subabul farmers and those cultivating pulses are already facing a crisis due to bulk imports. Groundnut is the largest cultivated crop in the state after paddy. So there is a crisis in the oil seeds sector as well, due to edible oil imports. The Indian agriculture sector will face a severe crisis if the country allows imports of processed foods, pulses and other agriculture products from countries like China," Reddy said.<sup>76</sup>

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Goyal said that of the 70-odd issues that had held up the deal, around 50 were India's concerns. Prime among these is a proposed import cap for China and a mechanism to raise tariffs on Chinese imports if it crossed certain threshold.

This has been furiously refused by Beijing.<sup>77</sup>

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74 [https://www.business-standard.com/article/economy-policy/will-keep-seeking-newer-markets-via-trade-talks-including-rcep-goyal-119103001767\\_1.html](https://www.business-standard.com/article/economy-policy/will-keep-seeking-newer-markets-via-trade-talks-including-rcep-goyal-119103001767_1.html)

75 [https://www.business-standard.com/article/news-ani/india-must-liberalise-economy-further-to-benefit-from-trade-agreements-says-economist-surjit-bhalla-119110400786\\_1.html](https://www.business-standard.com/article/news-ani/india-must-liberalise-economy-further-to-benefit-from-trade-agreements-says-economist-surjit-bhalla-119110400786_1.html)

76 [https://www.business-standard.com/article/economy-policy/ap-hails-pm-modi-s-move-not-to-join-rcep-says-farmers-would-have-suffered-119110501080\\_1.html](https://www.business-standard.com/article/economy-policy/ap-hails-pm-modi-s-move-not-to-join-rcep-says-farmers-would-have-suffered-119110501080_1.html)

77 [https://www.business-standard.com/article/economy-policy/open-to-join-rcep-in-future-if-we-get-favourable-offers-govt-119110501695\\_1.html](https://www.business-standard.com/article/economy-policy/open-to-join-rcep-in-future-if-we-get-favourable-offers-govt-119110501695_1.html)

## Annex Expert perspectives

Harsha Vardhana Singh, former deputy director general at the World Trade Organization, said India has been keen to also get a simultaneous list of items from China, goods on which it will allow easier imports. "But it has made no progress so far", he said.<sup>78</sup>

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Sources said **China was forcefully pushing for inking the deal during the RCEP summit later in the day, which was seen as an attempt to counter-balance the impact of its lingering trade war with the US as well as to project the region's economic might to the West.**<sup>79</sup>

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China figured prominently in New Delhi's move on Monday to pull out of the pact after 7 years of back and forth negotiations. India said on Monday that a lack of assurance on safeguards to protect the domestic industry from dumping by China and no credible promise by Beijing to allow market access to Indian goods were reasons it was quitting the pact.

As a result, the government will double down on its efforts to curb imports from China, which were more than \$70 billion in 2018-19, senior officials in the know said. **"Presence of significant amounts of major non-tariff barriers that are publicly known and China's unwillingness to remove them were major hindrances towards a treaty,"** a trade expert said.

India had also feared that **rules of origin would continue to be flouted by Chinese producers, who ship high-value goods such as mobile phones and electronics through Vietnam and other Asean nations,** to dodge relatively higher tariffs.

The figure has strengthened calls for a more stringent review of existing FTAs with South Korea and Japan, which haven't been able to reduce India's trade deficit with these nations. On the other hand, the revenue department feared the tax loss may be as high as Rs 60,000 crore for the proposed RCEP.<sup>80</sup>

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Countries which have surplus capacity want tariff free access for their goods to our vast domestic market. We must link access to our domestic market to reciprocal access for our services and labour. We are surplus in labour and competitive in services. Countries preaching us to open our domestic market for their goods must reciprocate by opening their services and labour market for us. In services like technology, tourism, research & development, consulting, BPO / KPO we are pretty competitive.

**Middle East is a shining example** of how Indian knowledge and perspiration can create a miracle. The reciprocation between tariff free goods market, unrestricted labour and services market will ensure mutually beneficial outcome from FTAs.

We should link access to tariff free domestic goods market to foreign exchange (FX) neutral / marginal trade balance outcome. An FX neutral FTA will ensure that we don't run large trade deficits. Obviously FX neutrality should not come by routing of existing exports or buying of gold jewellery. It should come through genuine value add. For example, if country X wants to sell their goods in India, they should encourage their citizens to spend equal money on tourism in India or they should set up a unit in India to manufacture and export to balance their FX outflow.

78 [https://www.business-standard.com/article/economy-policy/china-would-want-india-to-be-one-of-the-countries-to-sign-rcep-economist-119091401007\\_1.html](https://www.business-standard.com/article/economy-policy/china-would-want-india-to-be-one-of-the-countries-to-sign-rcep-economist-119091401007_1.html)

79 [https://www.business-standard.com/article/pti-stories/rcep-leaders-to-issue-join-statement-on-proposed-trade-pact-spanning-16-countries-119110400228\\_1.html](https://www.business-standard.com/article/pti-stories/rcep-leaders-to-issue-join-statement-on-proposed-trade-pact-spanning-16-countries-119110400228_1.html)

80 [https://www.business-standard.com/article/economy-policy/india-opts-out-of-rcep-pm-modi-says-key-issues-remain-unresolved-119110401464\\_1.html](https://www.business-standard.com/article/economy-policy/india-opts-out-of-rcep-pm-modi-says-key-issues-remain-unresolved-119110401464_1.html)

While it looks impractical, Maruti Suzuki has done this in the automobile sector without being asked to do so. Auto sector today contributes more than 40 % of our manufacturing GDP. Our trade surplus in auto and auto components was about \$ 13 billion last year. In fact it is the only manufactured product where we have trade surplus of this scale. While India has benefited by presence of Maruti, Suzuki has also benefited with Maruti producing more cars than Suzuki and having higher market capitalisation than Suzuki. If we market the Maruti example appropriately, many companies will be willing to trade and invest in India despite seemingly tough conditions of supporting vulnerable sections of society.

It isn't going to be an easy negotiation but if we begin the journey some day we will reach the destination. Today on RCEP, 15 countries are neither ignoring us nor laughing at us. They may not be fighting against us but are certainly standing on the opposite side. I am sure if we negotiate on above points we will be able to create a win-win situation not only for a India but also for all for the other countries.<sup>81</sup>

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Countries that repay foreign investment must run current account surpluses, just as countries that run current account surpluses must be net exporters of capital. In other cases, a country that runs trade deficits for many years not driven by surging domestic investment necessarily sees anyway a rise in foreign capital inflows (trade deficits must always be funded by foreign investment). In this case, however, the liabilities generated by the inflows are not associated with an increase in domestic asset growth, and so foreign obligations rise at an unsustainable pace<sup>82</sup>

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The leaked services chapter in the Regional Comprehensive Economic Partnership (RCEP) from August 2015 reflects a standard approach. **Services are treated as commercial products** that are exchanged for money through markets. That very narrow view takes precedence over the social, employment, development and environmental aspects of services that governments would normally give priority, or at least treat as equally important, when making and implementing domestic policies and regulation for services.

The TiSA-4 have already made many commitments in their existing FTAs, including through negative lists. They will not need to take any significant new obligations to meet the numerical requirement of substantial sectoral coverage currently being used, but will largely repeat their schedules in the ASEAN+1 FTAs. The 'value-added' commitments to standstill, ratchet, MFN-forward and future liberalisation, discussed below, will also be much less significant for them, because they already have highly liberalised economies. Most of the new rules on services already reflect their current policies and regulatory settings. In other words, the TiSA-4 effectively get the services part of RCEP for free.<sup>83</sup>

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"It is unfair to put all the blame for slow progress on India, as some other RCEP members try to do, for dragging its feet on tariff cuts," said a Eurasia Group analysis led by Peter Mumford. "Other countries have not acquiesced to India's demands for significant liberalisation of services and movement of skilled labor," the note said.<sup>84</sup>

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81 How to craft an RCEP to India's advantage By MD of Kotak Mahindra Asset Management, [Link](#)

82 Trade Imbalances and the Global Financial Crisis, <http://assets.press.princeton.edu/chapters/s9936.pdf>

83 REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP) SERVICES CHAPTER: RISKS FOR DEVELOPING COUNTRIES' AND LDCS' POLICY SPACE AND REGULATORY SOVEREIGNTY by Professor Jane Kelsey, The University of Auckland, New Zealand, 4 August 2016

84 [https://www.business-standard.com/article/economy-policy/india-draws-up-red-lines-on-asia-free-trade-pact-before-key-meeting-119091300934\\_1.html](https://www.business-standard.com/article/economy-policy/india-draws-up-red-lines-on-asia-free-trade-pact-before-key-meeting-119091300934_1.html)

## Annex ❁ Industry perspectives

The Indian industry has raised concerns over the presence of China in the grouping with which India has a huge trade. Various sectors, including dairy, metals, electronics, chemicals, and textiles, have urged the government to not agree on duty cut in these segments.<sup>85</sup>

“After almost 10 years of implementation, imports have grown faster than exports. Indian industry also had to suffer from the **circumvention of rules of origin**, across products,” T V Narendran, CEO & managing director of Tata Steel, said.<sup>86</sup>

“If RCEP is signed, it is going to be suicidal for the domestic copper industry. ASEAN (Association of South East Asian Nations) has proven to be bad for India. The trade deficit has widened. If left unchecked, the share of copper producers is projected to go down to 50 per cent in the next two to three years,” said Sanjay Karn, general secretary, Indian Primary Copper Producers Association (IPCPA).

The country has a **nameplate capacity** of one million tonne (mt) in copper production. The output is tipped to more than double to 2.4 mt in five years with domestic companies pledging Rs 14,000 crore in investments. But these investments will be in jeopardy if the country joins the RCEP bloc in a hurry, without protecting the interests of the companies.

IPCPA, which had made a slew of demands to the Ministry of Commerce, was distraught when the Budget for 2019-20 was mute on recasting duties. Before the country commits to joining RCEP, the association has revisited some of its older demands.

“We have asked for zero duty on raw material imports since **95 per cent of copper concentrates is imported**. Besides this, we have demand copper cathodes and rods to be exempted from RCEP's purview. Also, we have suggested changes in Rules of Origin (RoO) criteria,” Karn said.

One of the key reasons for the underwhelming performance of manufacturing is the unabated growth in imports. Data from the Ministry of Commerce reveals that the country's imports in FY19 rose 10.2 per cent to \$513 billion.<sup>87</sup>

In a letter to PM Modi, CAIT said the government is finalizing the RCEP pact and is considering allowing import of dairy products from countries like New Zealand and Australia which are known for huge dairy exports.

Quoting a Niti Aayog report, CAIT said the demand for milk will be around 292 million tonne against the domestic production of 330 million tonne by 2033.

Thus, India will be surplus in milk products and the question of imports does not arise, said **Confederation of All India Traders (CAIT)** adding that India is already the world's largest producer of milk.<sup>88</sup>

India runs the risk of being cut off from the economies in Southeast Asia and beyond if it says no the proposed Regional Comprehensive Economic Partnership (RCEP) deal, industry body **Confederation of Indian Industry (CII)**, said.

85 [https://www.business-standard.com/article/pti-stories/rcep-jaishankar-says-india-concerned-over-enormous-trade-deficit-with-china-119090900913\\_1.html](https://www.business-standard.com/article/pti-stories/rcep-jaishankar-says-india-concerned-over-enormous-trade-deficit-with-china-119090900913_1.html)

86 <https://timesofindia.indiatimes.com/business/india-business/us-china-trade-war-may-not-be-such-a-bad-thing-jaishankar/articleshow/71072991.cms>

87 [https://www.business-standard.com/article/companies/metal-cos-fear-other-nations-will-gain-at-their-cost-once-india-enters-rcep-119092500996\\_1.html](https://www.business-standard.com/article/companies/metal-cos-fear-other-nations-will-gain-at-their-cost-once-india-enters-rcep-119092500996_1.html)

88 [https://www.business-standard.com/article/companies/metal-cos-fear-other-nations-will-gain-at-their-cost-once-india-enters-rcep-119092500996\\_1.html](https://www.business-standard.com/article/companies/metal-cos-fear-other-nations-will-gain-at-their-cost-once-india-enters-rcep-119092500996_1.html)

India has had mixed experience of deriving benefits from its past FTAs, as compared to the way some other countries like South Korea, **Chile, Mexico and now Vietnam** have utilised these for their economic benefit, CII said. "The missing link in the entire debate on FTAs in India is the importance of FDI. Unfortunately, in India we have always done the impact analysis of FTAs in terms of export and import and that too bilaterally but never realised how these countries used FTAs to successfully get integrated into the global value chains," the chamber stated.

"The general perception is that the importance of India is more as a consumer of final product markets. But as RCEP progresses and **favourable tariffs and Rules of Origin (ROOs) kick-in**, India should become a major hub for coordinating regional value chains through itself – both as a major market for final products and as a location for third-country exports, primarily to the West Asia, Africa and Europe" **Kirloskar** added.<sup>89</sup>

India's top dairy giants, from Amul and Hatsun Agro to Mother Dairy, have got into a defensive huddle, apprehensive that New Zealand's smaller milk makers may soon disrupt domestic prices by exporting their produce here.

Discussions on a free trade agreement (FTA) with milk-producing countries such as New Zealand and Australia under the proposed Regional Comprehensive Economic Partnership (RCEP) may open up India's sprawling dairy sector to foreign players from these countries.

India may be the largest producer of milk globally, but all of it is consumed by its huge population. "Around 40% of India's milk is consumed in villages. One third of the surplus comes to the organised sector and the rest goes to the unorganised sector," said **R S Sodhi, MD of Amul**.

In comparison, New Zealand, which is the world's seventh largest milk producer, exports 90% of its dairy because its population of 42 lakh people is too tiny to sustain demand. Indian cooperatives and private companies fear that even if one-fifth of New Zealand's dairy exports reaches Indian shores, domestic companies will be forced to reduce prices.

"New Zealand is selling milk powder at Rs 160 per kg. We are selling it at Rs 280 per kg. To make 1 kg of powder, we need 10.5 litres of milk. So, tomorrow, if they come to India with such low prices, why will other companies buy milk from us," said Sodhi.

Cooperatives and private dairy companies in India buy milk from small farmers at around Rs 31 per litre. With NZ's proposed entry into the sector, that amount could plummet by Rs 10, warned industry experts.

"Farmers will be devastated. Agriculture accounts for around 12% of India's GDP and a major portion of that is from milk. Milk provides liquidity to farmers for their day-to-day needs," said **R G Chandramogan, MD of India's largest private dairy, Hatsun Agro**.

Value of milk output for 2016-17 was Rs 6.14 lakh crore at current prices, which was higher than combined value of paddy and wheat and sugarcane, according to data from NDDB (Mother Dairy).

"Any decision to reduce the tariff barrier would encourage import of cheap milk powder in the country. Our country will be pushed into a state of import dependence, jeopardising our nutritional security as is the case in many Asian, particularly, South Asian and South East and Far East Asian countries," said **NDDB chairman Dilip Rath**.

While domestic dairy companies argued that India is self-sufficient in dairy, with milk production in the country having increased with a CAGR of more than 6.5% in the last five years, New Zealand dairy farmers have a different opinion.<sup>90</sup>

89 [https://www.business-standard.com/article/economy-policy/rcep-meet-despite-concerns-of-dumping-by-china-cii-bats-for-deal-119110300852\\_1.html](https://www.business-standard.com/article/economy-policy/rcep-meet-despite-concerns-of-dumping-by-china-cii-bats-for-deal-119110300852_1.html)

90 [https://www.business-standard.com/article/economy-policy/china-southeast-asian-states-push-for-rcep-pact-despite-india-s-doubts-119110400030\\_1.html](https://www.business-standard.com/article/economy-policy/china-southeast-asian-states-push-for-rcep-pact-despite-india-s-doubts-119110400030_1.html)

Industrialists welcomed the government's decision. The Confederation of Indian Industry (CII) had over the weekend said India needed to enter the bloc so as to not lose access to Southeast Asia. But, on Monday, it changed its opinion.<sup>91</sup>

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"China is the world's biggest manufacturing hub and they would have got the best opportunity to explore and dump the Indian Market with Made in China products at very low prices and substandard quality thereby creating disequilibrium in the Indian markets," read an official said.

"Even the Indian exporters would not be able to get the right value or buyers for their products as most Indian manufacturers would have been ignored citing low quality or high price by the RCEP nations. Overall the entire vision of Prime Minister's Make In India would have been rendered futile and ineffective had India signed the RCEP in its present form and letter," it said.<sup>92</sup>

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Dairy major Amul on Monday thanked Prime Minister Narendra Modi for "protecting 10 crore milk producer families" by opting out of Regional Comprehensive Economic Partnership (RCEP) free trade agreement.

"On behalf of 36 lakh milk producers of Gujarat, Amul has thanked the Prime Minister for his exemplary leadership in protecting 10 crore milk producer families of India. It has appreciated the vision and resolve of the Prime Minister for supporting the domestic milk producers against the flood of imports of dairy products from New Zealand and Australia under the proposed RCEP," said AMUL in a statement.

"It also highlighted the wrong case of need for imports built by the data fabricated by economists working in the Centre for Regional Trade and other lobbyists," the country's leading milk producer said.<sup>93</sup>

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**Prasad, who is co-chairman and managing director of Dr Reddy's Laboratories Limited**, said "it is true that the US-China trade war is going to give us a window of opportunity to expand our industry. Also China on its own is exiting the low value-added chemicals manufacturing, so we have no other alternative but to make those raw materials locally. Either way, the backward and forward integration by Indian pharma companies has become a need of the hour."<sup>94</sup>

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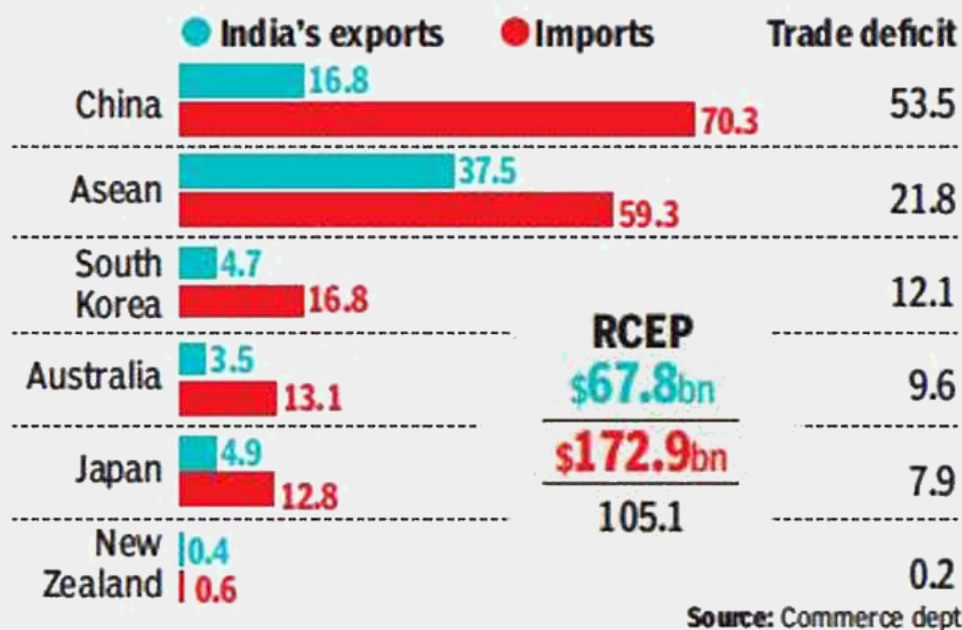
91 [https://www.business-standard.com/article/economy-policy/india-opts-out-of-rcep-pm-modi-says-key-issues-remain-unresolved-119110401464\\_1.html](https://www.business-standard.com/article/economy-policy/india-opts-out-of-rcep-pm-modi-says-key-issues-remain-unresolved-119110401464_1.html)

92 <https://www.aninews.in/news/national/general-news/cait-lauds-pm-modi-after-india-opts-out-of-china-backed-rcep20191104225136/>

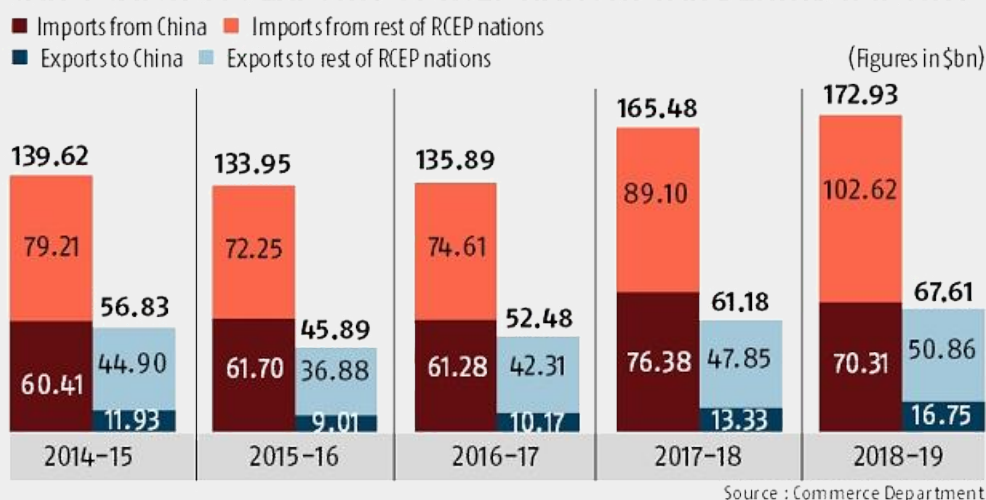
93 <https://www.aninews.in/news/national/general-news/amul-thanks-pm-modi-for-opting-out-of-rcep-agreement20191105032636/>

94 [https://www.business-standard.com/article/companies/pharma-industry-needs-to-develop-entire-value-chain-dr-reddy-s-g-v-prasad-119111800598\\_1.html](https://www.business-standard.com/article/companies/pharma-industry-needs-to-develop-entire-value-chain-dr-reddy-s-g-v-prasad-119111800598_1.html)

## Annex Summary data

Figure 7: India's trade with RCEP Countries in FY'18 (Figures in \$Bn) – [Link to source](#)

## CAN'T CATCH UP: EXPORTS TO RCEP NATIONS FAR BEHIND IMPORTS

Figure 8: India's trade with RCEP countries FY'14 to FY'18 (Figures in \$bn) – [Link to source](#)

In 2017, RCEP countries contained 47.6 per cent of global population, contributed 31.6 per cent of global GDP and 30.8 per cent of global trade.<sup>95</sup>

The ASEAN region along with India together comprises combined population of 1.85 billion people, which is one fourth of the global population and their combined GDP has been estimated at over \$3.8 trillion. Investment from

<sup>95</sup> [https://www.business-standard.com/article/economy-policy/rcep-meet-despite-concerns-of-dumping-by-china-cii-bats-for-deal-119110300852\\_1.html](https://www.business-standard.com/article/economy-policy/rcep-meet-despite-concerns-of-dumping-by-china-cii-bats-for-deal-119110300852_1.html)

ASEAN to Indian has been over USD 70 billion in the last 17 years accounting for more than 17 per cent of India's total FDI.<sup>96</sup>

Investment flows are also substantial both ways. The Foreign Direct Investment (FDI) inflows into India from ASEAN between April 2018 to March 2019 was about USD 16.41 billion which is approximately 36.98 % of total FDI flow into India. FDI inflows from India to ASEAN in 2018 amounted to USD 1.7 billion, placing India as ASEAN's sixth largest source of FDI, said Ministry of Commerce.<sup>97</sup>

India's bilateral trade with Asean jumped threefold from \$21 billion in 2005-06 to \$96.7 billion in 2018-19. Asean countries together have emerged as the largest trading partner of India in 2018-19 (followed by the US), with a share of 11.47 per cent in India's overall trade, while India was Asean's sixth largest trading partner in 2018.<sup>98</sup>

During pre-AIFTA, India's merchandise exports to ASEAN economies had increased from \$ 3 billion in 2001 to \$ 18 billion in 2009 with a CAGR of around 22%. While, during post-AIFTA, India's merchandise exports to ASEAN economies increased from \$ 23 billion in 2010 to \$ 36 billion in 2018 with a CAGR of around 5%, said the study.

During pre-AIFTA, India's merchandise imports from ASEAN economies have increased from \$ 4 billion in 2001 to \$ 24 billion in 2009 with a CAGR of around 22%. While, during post-AIFTA India's merchandise imports from ASEAN economies increased from \$ 30 billion in 2010 to \$ 57 billion in 2018 with a CAGR of around 8%, said the study.

During pre-AIFTA, India's total merchandise trade with ASEAN economies has increased from \$ 8 billion in 2001 to \$ 42 billion in 2009 with a CAGR of around 20%. While, during post-AIFTA, India's total merchandise trade with ASEAN economies has increased from \$ 53 billion in 2010 to \$ 93 billion in 2018 with a CAGR of around 7%, said the study.<sup>99</sup>

**Global debt is on course to end 2019 at a record high of more than \$255 trillion, has been driven by a \$7.5 trillion surge in the first half of 2019, Around 60% of this jump came from the United States and China.<sup>100</sup>**

Official statistics show that India's exports to Australia stood at \$3.5 billion in the last financial year, while imports were pegged at upwards of \$13 billion. The principal reason for the yawning trade deficit has been Australian coal and natural gas exports worth over \$9.6 billion. In 2017-18, the country had sent over \$924 million worth of chickpeas and pulses, and \$125.63 million worth of wheat. While these have dropped to only \$24 million after the government put in restrictions on imports.<sup>101</sup>

96 [https://www.business-standard.com/article/current-affairs/pm-modi-arrives-in-bangkok-on-three-day-visit-amid-focus-on-rcep-talks-119110200609\\_1.html](https://www.business-standard.com/article/current-affairs/pm-modi-arrives-in-bangkok-on-three-day-visit-amid-focus-on-rcep-talks-119110200609_1.html)

97 [https://www.business-standard.com/article/economy-policy/piyush-goyal-to-attend-crucial-rcep-meet-in-bangkok-on-saturday-119090700040\\_1.html](https://www.business-standard.com/article/economy-policy/piyush-goyal-to-attend-crucial-rcep-meet-in-bangkok-on-saturday-119090700040_1.html)

98 [https://www.business-standard.com/article/economy-policy/piyush-goyal-to-attend-crucial-rcep-meet-in-bangkok-on-saturday-119090700040\\_1.html](https://www.business-standard.com/article/economy-policy/piyush-goyal-to-attend-crucial-rcep-meet-in-bangkok-on-saturday-119090700040_1.html)

99 [https://www.business-standard.com/article/economy-policy/india-asean-bilateral-trade-may-double-by-2025-to-300-billion-study-119111200547\\_1.html](https://www.business-standard.com/article/economy-policy/india-asean-bilateral-trade-may-double-by-2025-to-300-billion-study-119111200547_1.html)

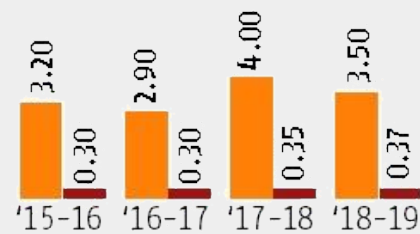
100 [https://www.business-standard.com/article/economy-policy/global-debt-to-top-record-255-trn-by-2019-end-no-signs-of-slowing-report-119111501552\\_1.html](https://www.business-standard.com/article/economy-policy/global-debt-to-top-record-255-trn-by-2019-end-no-signs-of-slowing-report-119111501552_1.html)

101 [https://www.business-standard.com/article/economy-policy/australia-new-zealand-continue-to-bat-for-india-s-entry-into-rcep-119111501780\\_1.html](https://www.business-standard.com/article/economy-policy/australia-new-zealand-continue-to-bat-for-india-s-entry-into-rcep-119111501780_1.html)

## INDIA'S BUSINESS DOWN UNDER

### Exports

Australia  
New Zealand  
(\$ billion)



### Imports



Figure 9: India's trade with Australia & New Zealand (Figures in \$bn) - [Link to source](#)

