

# The Regional Comprehensive Economic Partnership

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## Regional Comprehensive Economic Partnership



R C E

Source: ASEAN

# The Latest Gamble in the Global Trade Game !

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AUSTRALIA

BRUNEI

CAMBODIA

CHINA

INDIA

INDONESIA

JAPAN

KOREA

LAOS

MALAYSIA

MYANMAR

NEWZEALAND

PHILIPPINES

SINGAPORE

THAILAND

VIETNAM

The RCEP or the Regional Comprehensive Economic Partnership is the latest of the Free Trade Agreements (FTAs) that India is negotiating as part of a 16 nation trade deal. The ASEAN or the Association of Southeast Nations comprising of 10 countries namely, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, all of with whom we already have a Indo-ASEAN FTA is part of RCEP as well. The other nations that are part of this treaty are the large industrial economies like China, Japan, South Korea, Australia and New Zealand. This treaty by demographics covers nearly half the worlds population and one-third the global economy.

Discussions that have been on for six years now, is in its final stages, and the treaty is expected to be ready for signing by the year end. Going by the experience of the earlier FTAs that India has signed with various nations, and also the extent to which the trade is sought to be liberalised by removing tariffs for imports, the RCEP is expected to have the worst impact for various manufacturing, agriculture, dairy and fisheries sectors in India. None of the earlier FTAs signed by India has benefitted us in terms of overall trade gains.

The trade deal and the drafts that go into discussions have never been made public and one of the strong criticism about most trade deals, especially the Free Trade Agreements or Regional Trade Agreements is the secrecy that shrouds it. RCEP negotiations are done under absolute secrecy and texts or parts of it that the external world gets are leaked documents.

FTAs in principle, as the name suggest demand full elimination of import tariffs for all products that are sought to be exported to party nations. And this may be brought to force immediately or over a period of time as is negotiated. But most nations have products and livelihoods related to it that needs to be protected from imports, that could bring down domestic prices, eliminate the markets and even destroy all prospects of future investment, production and growth of that sector. It is now learnt from leaked documents that the biggest of the benefitting nations, China has demanded duty reduction or elimination on 80% of the goods imported, which India seem to have agreed to. Similarly, Australia and New Zealand wanting 86% of goods with tariff reduction/elimination and the

rest of the nations - ASEAN countries, Japan and South Korea wanting 90% of products to be covered. Its also clear that over a stipulated time, the tariffs have to be fully eliminated. India already has comprehensive free-trade agreement with the ASEAN nations, as well as Japan and South Korea.

The last of the negotiations meetings just concluded in Bangkok on 11th and 12th October could not conclude the treaty as expected, due to India's strong position on some of the proposals, especially related to opening of market access. It is learnt that out of the 25 chapters in the text, 19 of them have been resolved and agreed upon and 6 remain in contention.

This situation itself does not auger well for India and its primary and secondary production sector. Only the service sector it is learnt would gain, though not significantly, if we were to go by experiences of all the earlier FTAs, including with ASEAN, Japan and Korea.

Various reports of Government agencies itself show that the Indo-ASEAN FTA was not beneficial for India, and that the trade deficit is increasing by the year. This means India's value of exports to these nations falls much below the value of imports from them. This is quite contrary to what was projected when the treaty was signed in August 2009. At a micro-level, for many products that saw imports surging from ASEAN nations, our own domestic products were affected by lowered prices, which eventually translates to producers being impacted. Kerala, for instance clearly saw the fall in rubber prices with cheap rubber being dumped into India from Vietnam and Indonesia, cheap mports of Cardamom and Black pepper from Sri Lanka and ASEAN countries or with coconut oil cakes coming-in from the Philippines and Indonesia. The opening of the markets to palm oil and the effect of the same on coconut farmers in Kerala and the groundnut farmers in Tamilnadu is also a case in point. All this has seriously hurt the farmers.

India's trade deficit with the ASEAN countries and others in the RCEP deal is at \$105 billion (Rs 7.46 lakh crore) as in 2018-19. Five years ago, in 2013-14 it stood at \$54 billion ( Rs 3.83 lakh crore). In just five years, the trade deficit doubled. This was also the period when the tariffs with ASEAN came down in a phased manner. Now, while India's export to ASE-

AN nations is 20% of India's total exports, the imports from ASEAN nations to India is 35% of all imports.

China which is a partner in the RCEP is the biggest pressure to open India's markets, but we are already a very large importer of products from China, with the biggest share of trade deficit. In Kerala, for instance, we know that products as minor as even rubber bands, toys, idols, and even coffins from China are common in the market. Out of the \$ 105 billion trade deficit that's already there with RCEP countries half of it, \$ 53 billion is due to China alone.

The negotiations it is learnt have reached a stage where India is asking for providing a safety valve to cover Chinese imports. The point of contention being on how many products. Even with 60-65 % of products proposed now, we will face a hurricane of destruction in India's industries, agriculture, dairy and other allied sectors. And the eerie matter is, we don't know which products and how much is the trade-offs. We also don't know what is it, meaning benefitting what sectors, that this trade-offs are being done for and whether we have the strength to even take advantage. Data from the last five years clearly gives us the answer – No.

The major sectors that have come out openly in protest are the dairy sector and the steel industry. The NDDB running the Amul Cooperative, India's pride in the dairy sector have categorically asked the Government not to go ahead with this treaty. More than 75,000 women dairy farmers from Gujarat have sent postcards to the Prime Minister urging him to exclude dairy products from the RCEP. They fear that cheap dairy products from Australia and New Zealand would destroy their livelihood. In the times of the agrarian crisis, in many regions in India, it was the milk production that kept the farming economy live at the local level.

For instance, in Wyanad in Kerala, which was hit with a crisis before 2005, and at least 2000 farmers had suicided, one of the saviours was the milk production that families adopted and the local procurement of the same started by the Milk cooperatives under the state-run Milma. This gradually turned into a revolution of sorts, with Kerala almost reaching self sufficiency in milk production, had it not been for the floods of 2018. Both Australia and New Zealand is eyeing the Indian market for dumping

their massive production of milk and other dairy products. This would lead to a crisis among the dairy farmers.

The Indian dairy sector is the highest producer of milk in the world and is growing at an annual average of 6.4% in the last four years compared to global growth rate of 1.7% according to the Minister for Fisheries, Animal Husbandry and Dairying, Giriraj Singh. There are at least 8 crore households engaged in milk production in India, most of them being in the landless, small or marginal farmers category. India is also not a major exporter of dairy products with its contribution to global exports at just 0.01% only.

Compare this with the Australian figures of just 5700 dairy farms employing just 43,000 people. And the fact that they have milk to export, but we have 8 crore households lives to protect. No wonder that even from within the Government, Giriraj Singh has demanded that dairy be kept out of RCEP.

The Swadeshi Jagram Manch, an influential wing of the Rashtriya Swayamsevak Sangh (RSS) has declared their outright objection to the RCEP. Most farmers federations have already raised their objections to Government going ahead with the negotiations. Many Parliamentarians have raised objections through letters to the Minister of Commerce, asking for discussions in the Parliament and in the States before signing the treaty. The Government of Kerala through its Minister for Agriculture V S Sunilkumar, has been in the last three years repeatedly writing to the Central Government asking for consultations and consent from States before going ahead with the treaty. And in the latest show of protest, the Chief Minister of Kerala Pinarayi Vijayan has also expressed the State's disapproval of going ahead with the treaty.

Both the Karnataka Government as well as the Farmers Commission from Punjab has asked the Centre to desist from going ahead with the treaty. Apart from repeated assurances from the Centre, there seems to be no indication that the Centre is planning to consult with the farmers groups or the States or even the parliament. Agriculture, as per the Constitution of India, is a state subject, and when farmers get pushed into a crisis, it is the state governments that are mainly left to contend with adverse repercussions. The Kerala Government is spending nearly Rs 500 crores to offset the price fall in rubber

due to the Indo-ASEAN treaty. Therefore, it is imperative that Central Government must open up consultations before signing the treaty.

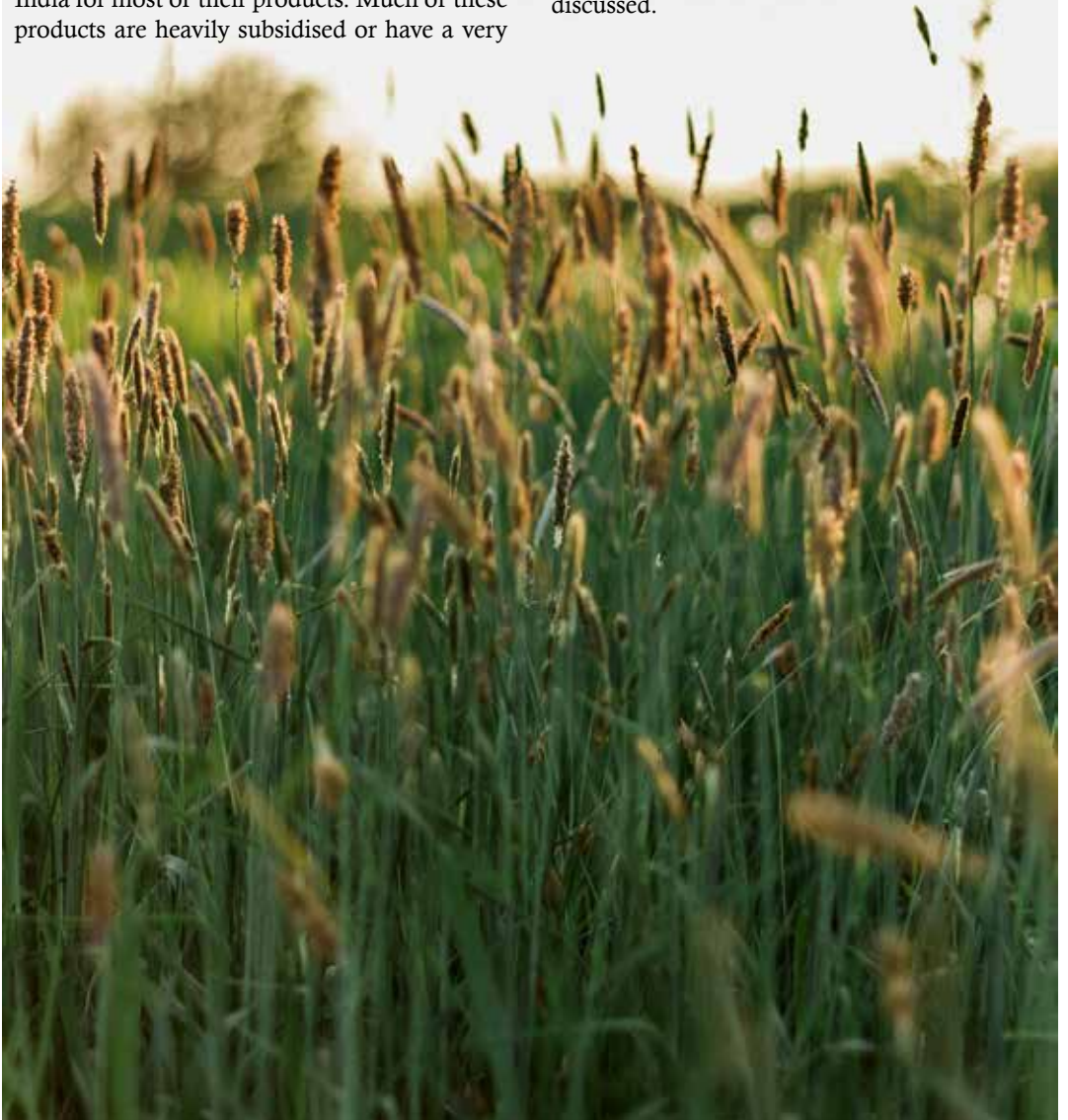
**Some of the serious concerns around the RCEP is**

- The RCEP will permanently bring down import duties on most agricultural commodities to zero, some immediately, some over a period of time.
- Many countries are looking to dump their agricultural produce in India - sectors like dairy, which support livelihoods of millions of our marginal farmers, especially women, are under grave threat. Similar is the case with plantation products. Nations want full market access in India for most of their products. Much of these products are heavily subsidised or have a very

different but cheaper production ecosystem in these countries, making them cheaper.

This will destroy the domestic farmers and industry.

- Seed companies will get more powers to protect their Intellectual Property Rights, and farmers would be criminalised when they save and exchange seeds, a right they now enjoy without any IPR controls over genetic material.
- Foreign corporations could bypass national courts and sue our governments for favouring our own farmers and workers at private arbitration tribunals via Investor-State Dispute Settlement (ISDS) mechanisms that are being discussed.



- There is unconfirmed apprehension that foreign investors would be able to purchase farmland and foreign corporations might also get support in government/public procurement of goods and services.

- The treaty could lead to a new exodus of supermarkets and hypermarkets thus impacting small retail traders even further.

- That the RCEP negotiations are done in complete secrecy makes matters worse. Neither the experts, nor civil groups working on these sectors have been able to see the text under negotiations. It is said that this has not been discussed even with the concerned departments and has been guarded in secrecy by the Commerce Ministry. As far as states like Kerala, being a cash crop driven agrarian economy, are concerned, the RCEP could seriously affect rubber, pepper, cardamom, coconut, milk and their allied products as well as industry. It could also affect fisheries and related industries. The other manufacturing industries that are under threat, at a national scale itself, is the electrical goods, plastic, iron and steel, aluminium industries. Industries related to mud, clay, man-made fibre, bamboo and wood could also face serious impacts.

It is in this context that industry based associations, farmers organisations, the dairy sector and the fisheries sector have appealed to the Government of India not to sign the RCEP treaty that is a threat to their livelihoods. India is reeling under an economic slowdown which has even hit some of our most vibrant sectors such as automobiles, FMCGs etc, not to forget that the agrarian and rural side has been in a state of crisis for atleast 2 decades. Added to this is the climate events that did not spare any part of the nation and threatens to repeat itself year after year.

It would be such a grave mistake then if the nation decides to sign the treaty. As a farmer tweeted out recently "Free Trade is never free, it cost our lives". There is no immediate demand of any justifiable nature to sign this treaty, except probably the pride of being seen to be playing into a global galaxy of diplomacy. We as a nation has done this before in earlier treaties, especially the Indo-ASEAN, and lost out miserably. This time, let better sense prevail, as the RCEP is much bigger, covers one-third of global economy, but much more sinister, as it could cost the lives and livelihood of more than half of India's population.



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