Why India is crucial to RCEP trade pact

While New Delhi is a major stumbling block with its demands, it provides strategic balance

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and Blake Berger

Asian leaders have issued a stark warning about rising protectionism at their latest summit, promising "to exert all efforts to resolve outstanding issues" to delay the critical Regional Comprehensive Economic Partnership (RCEP) trade agreement.

It is not clear that India, the biggest stumbling block, is ready to join the table but to persuade it to sign the deal itself, say the writers, noting that with India in the deal, Asia has the chance to place itself at the heart of a new, balanced, regional trading order. Indeed, it is estimated that keeping India inside the RCEP is a decision that is as important for India as it is for China, which will only increase in the next decade. With India out, the RCEP is a chance to place itself at the heart of the region.

India is a major player in the global economy and its exclusion would mean a significant reduction in the trade potential of the region. It is estimated that India's exclusion would reduce the trade potential of the RCEP by about 15-20%.

Trade deals are notoriously complex but India's problems are easy to understand. Its US$2.5 trillion (S$3.3 trillion) economy is at an earlier stage of development than its richer RCEP partners. It suffers from unpredictable climate and weak manufacturing sector, which balances it with a strong in services and its ability to outsource.

India is much more reluctant to agree to any reductions in its tariffs, but is keen on services liberalisation, particularly in those that allow it to compete with its RCEP partners. India's high skills in the high-tech sector and access to particular projects or sectors. Whatever the outcome, the RCEP's negotiations must be imaginative. The long-term economic and geopolitical value of having India inside the RCEP will greatly outweigh the short-term cost of the concessions that can make a deal possible.

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Steel mill at a district in Mumbai. RCEP negotiations meeting in Singapore this week would be seen to think new concessions, not just to keep India at the table but to persuade it to sign the deal itself, say the writers, noting that with India in the deal, Asia has the chance to place itself at the heart of a new, balanced, regional trading order.