

RCEP agreement and its impact on Indian exports

A recent study released by UNCTAD on December 15, 2021 estimates the impact of the Regional Comprehensive Economic Partnership (RCEP) agreement on the exports of its member countries as the pact is set to come into force from January 1, 2022.

RCEP will be the largest trade agreement in the world, as the member countries together contribute 30% to the world GDP. Among other trade agreements, the contribution of member countries of USMCA (United States-Mexico-Canada agreement) to world GDP is 28%, while that of European Union is 17.9%, Africa's continental free trade area is 2.9% and South American trade bloc Mercosur is 2.4%.

RCEP is the trade agreement between the 10-member ASEAN bloc and another five countries. The 15 Member countries of the RCEP are: Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, the Republic of Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Viet Nam.

Under the RCEP agreement, member countries agreed to eliminate 90% of tariffs and it is expected to boost intra-regional exports by USD 42 billion, according to the study. As a result of such a wide tariff elimination, intra-RCEP exports would grow by USD 42 billion. A part of this intra-bloc growth (or USD 17 billion) in export would arise from trade creation effect, as lower tariff would prompt some member countries to import certain goods from other member countries rather than manufacturing them domestically. Another part of this growth (USD 25 billion) would arise from trade diversion, as RCEP member countries prefer to import at a lower tariff from countries within the bloc those goods that they were importing from non-RCEP countries at comparatively higher tariff.

The report states, "As the process of integration of RCEP members goes further, these diversion effects could be magnified, a factor that should not be underestimated by non-RCEP members,"

Gainers and Losers

The study estimates that Japan will be the largest beneficiary of the RCEP agreement as it would boost its annual exports by about USD 20 billion, which is 5.5% of its exports to RCEP members in 2019. Similarly, other member countries such as Australia, China, the Republic of Korea and New Zealand also stand to benefit in terms of increase in exports to the trade bloc. On the other hand, developing countries such as Cambodia, Indonesia, the Philippines and Viet Nam stand to lose in terms of export volume to RCEP, the study shows.

At the same time, the report argues that these countries could not have prevented this decline in exports by staying out of the RCEP agreement as trade diversion would have taken place, irrespective of whether they are in the bloc or outside the bloc.

Impact on India

The UNCTAD study does not estimate the impact of the RCEP trade agreement on India's exports as India is not a member of this bloc. However, it is important to understand the impact of this agreement on non-member countries, especially India for whom RCEP is a major export destination. RCEP member countries together account for 20% of India's total merchandise exports. Of this, India's exports to the 10-member ASEAN block is 10% of our overall exports and the other five RCEP member countries have a share of the remaining 10% in our outward shipments. Therefore, Indian exports may be negatively impacted if some of our import partners within the RCEP group prefer to source the same goods from within the bloc at a lower duty instead of sourcing from India.

Major goods exported by India to ASEAN are petroleum products, ships, boats, other floating structures, machineries, iron & steel, organic chemicals, aluminium products, meat, pharmaceutical etc. India's top exports to the other RCEP member countries are: Petroleum products, organic chemicals, iron & steel products, marine products, Machinery, pharmaceuticals, textile, gems & jewellery, aluminium products, article of plastics etc.

India exports annually more than USD 60 billion worth of goods to RCEP countries. It is expected that once the RCEP agreement comes into force, some of the member countries may prefer to source goods from within the bloc at a lower tariff rate rather than importing from India.

Notifications

PIB

Spices account for 41% of export earnings from all horticulture crops

<https://pib.gov.in/PressReleasePage.aspx?PRID=1784194>

Minister calls for nurturing entrepreneurship in Tier 1 and Tier 2 cities

<https://pib.gov.in/PressReleasePage.aspx?PRID=1784935>

Australia, India to expedite Comprehensive Economic Cooperation Agreement (CECA)

<https://pib.gov.in/PressReleasePage.aspx?PRID=1784528>

Minister inaugurates 14 Honey Farmer Producer Organizations (FPOs)

<https://pib.gov.in/PressReleasePage.aspx?PRID=1784623>



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SCOMET Updates 2021

[https://content.dgft.gov.in/Website/dgftprod/7c00d273-9231-48d4-ab2d-f532a3078e04/Notification%20No%2047%20dt%2020-12-2021%20\(English\)%20\(Noti%20an%20annex.pdf](https://content.dgft.gov.in/Website/dgftprod/7c00d273-9231-48d4-ab2d-f532a3078e04/Notification%20No%2047%20dt%2020-12-2021%20(English)%20(Noti%20an%20annex.pdf)

Amendment in import policy of items under Chapter 15

<https://content.dgft.gov.in/Website/dgftprod/a12b56bc-9b62-4b59-911f-3efcdeb8402/Notification%2046%20Eng.pdf>

Corrigendum to public notice to correct Serial Number of MEIS

<https://content.dgft.gov.in/Website/dgftprod/fc37a753-04fb-493f-a3e8-89c9f8ee6089/Corrigendum%20to%20PN%20english.pdf>

CBIC

13th tranche of preferential tariff on ASEAN-India Trade Agreement (AITIGA)

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-tarr2021/cs54-2021.pdf>

Exchange rate notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt103-2021.pdf>

Anti-dumping duty on imports of 'Hydrofluorocarbon Blends

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt103-2021.pdf>

RBI



Restriction on storage of actual card data

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12211&Mode=0>