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TODAY'S ANALYSIS

(11 November 2024)

TOPICS TO BE COVERED

- REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP
- INDIA & GUYANA: STRATEGIC, ECONOMIC & ENERGY TIES
- MCQs



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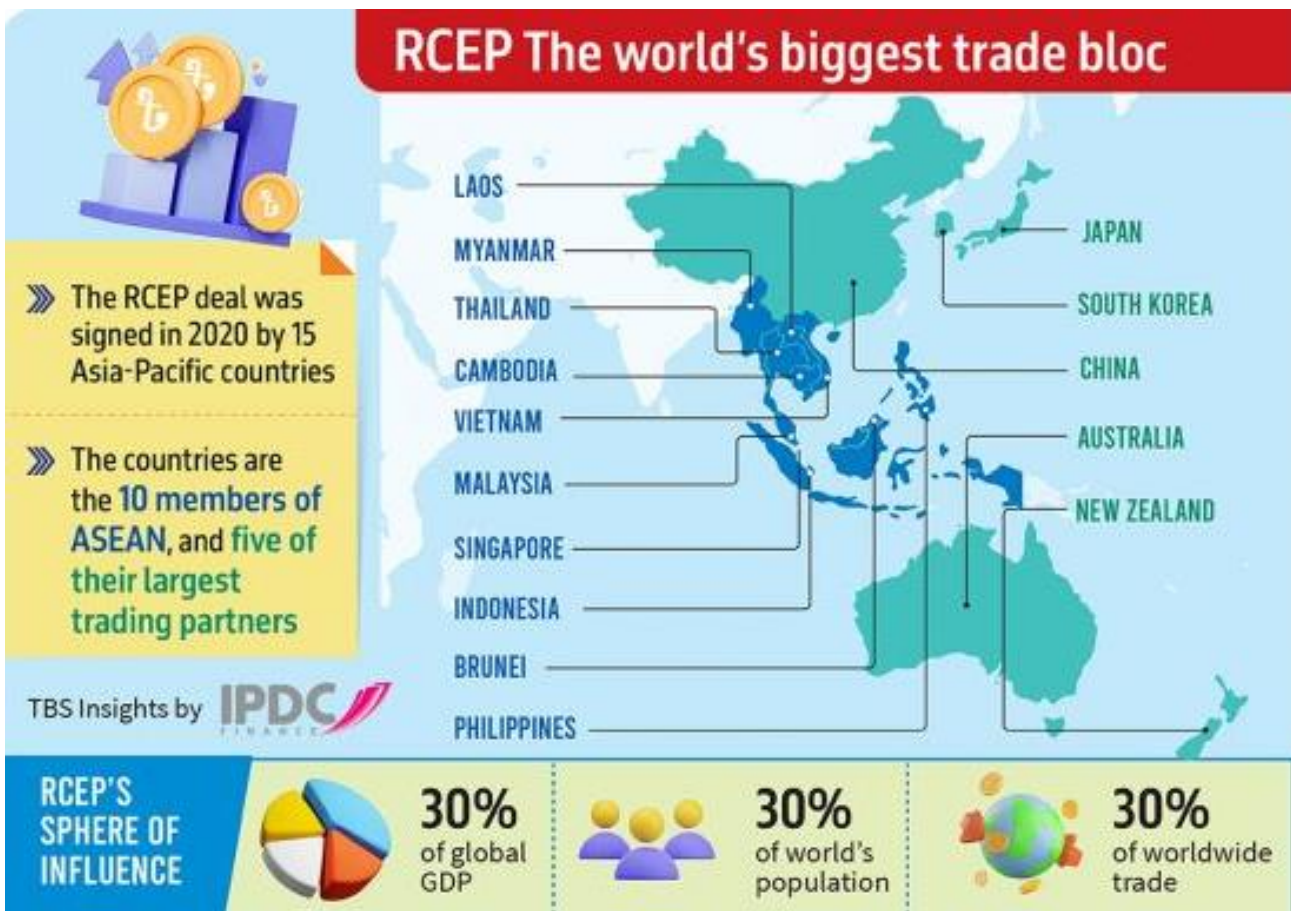
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REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP



Why in News?

The CEO of NITI Aayog, **B.V.R. Subrahmanyam**, recently proposed that India should reconsider its position and join the **Regional Comprehensive Economic Partnership (RCEP)**.

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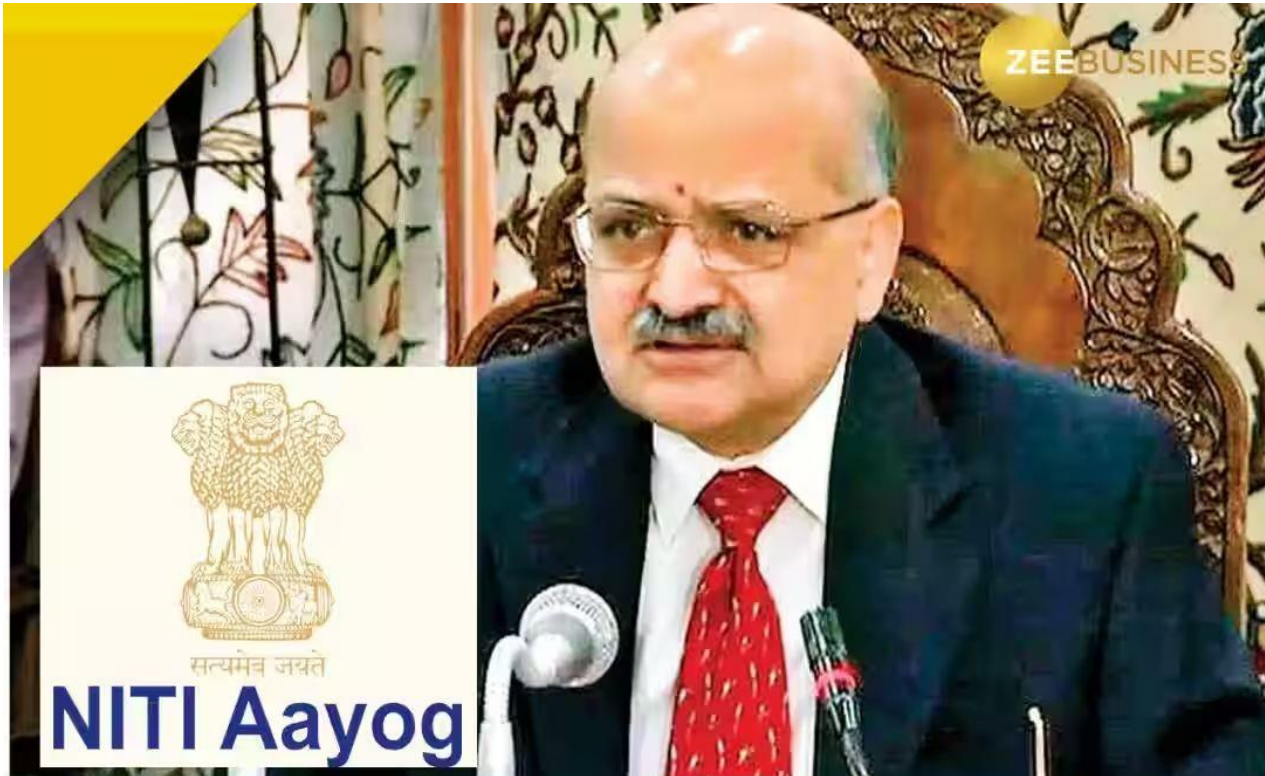
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- His remarks mark a **significant departure from the Indian government's stance since it opted out of the trade pact in 2019.**
- Subrahmanyam also highlighted India's missed opportunities in leveraging the **China-plus-one strategy**, which could have provided an alternative to China's dominance in global trade.
- His comments coincide with suggestions from the **World Bank** and an ongoing **Economic Survey** that advocate for greater integration of India into regional supply chains, including those involving China.

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ABOUT RCEP

RCEP is a **free trade agreement (FTA)** that brings together 16 countries:

- **10 ASEAN members: Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos, and Vietnam.**
- **5 FTA partners: China, Japan, South Korea, Australia, and New Zealand.**

RCEP aims to promote trade in **goods and services**, facilitate **investment**, enhance **intellectual property** rights, and regulate e-commerce, among other areas.

OBJECTIVES

To **create an integrated market with 16 countries**, simplifying trade and boosting economic cooperation across the Asia-Pacific region.

India's Position on RCEP: Historical Context

- India had initially engaged in **RCEP negotiations** for 6 years, but in **2019, it chose to back out of the agreement.**
- The decision was largely driven by concerns that joining the RCEP would disproportionately benefit **China**, further intensifying India's trade deficit with its neighbor, which already stood at **\$85 billion** at the time.

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- There were also apprehensions about the **free trade agreement with China** that would accompany RCEP, potentially leading to **unfair competition** for Indian industries.

WHY INDIA SHOULD JOIN RCEP? (MR. SUBRAMANYAM'S TAKE)

- **Missed Opportunities in the 'China-Plus-One' Strategy:** Subrahmanyam, who was formerly India's **Commerce Secretary**, said that countries like **Vietnam, Indonesia, Malaysia, Turkey, and Mexico** have capitalized on the **China-plus-one strategy**, benefiting more than India.
 - This **strategy involves shifting some production out of China to other countries**, thus diversifying the supply chain.
 - India, he argued, **has not leveraged this opportunity to the same extent.**
- **US Tariff Threats and India's Trade Barriers:** Subrahmanyam emphasized that India's **high tariffs** on industrial and agricultural goods have hindered its ability to engage meaningfully in **global trade**.
- With the potential return of **Donald Trump** as US president, **India may face greater pressure to reduce tariffs and increase market access to avoid additional tariffs** on its exports to the US.

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- **Integration with China's Supply Chains:** India's **Economic Survey 2024** suggests that India should reconsider joining RCEP to integrate more effectively with **China's supply chains**.
- India has **bilateral trade** worth **\$118 billion** with China, **but this trade is heavily skewed in China's favor**.
 - Subrahmanyam argued that by engaging with RCEP, **India could improve its position and mitigate the risks of being excluded from the evolving global supply chains**.

CONCERNS ABOUT CHINA'S DOMINANCE

- **Trade Deficits and China's Gains:** After RCEP's implementation, several countries have experienced growing **trade deficits** with China. For instance:
 - **ASEAN countries'** trade deficit with China increased from **\$81.7 billion** in 2020 to **\$135.6 billion** in 2023.
 - **Japan's** trade deficit with China also rose from **\$22.5 billion** in 2020 to **\$41.3 billion** in 2023.
 - **South Korea** might even face a trade deficit with China for the first time in 2024.

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- According to the **World Bank**, these trends suggest that the economic benefits of RCEP are **disproportionately skewed** in favor of China.
- This has validated India's concerns about **unfair competition** under the terms of RCEP.
- **China's Dominant Role:** India's fear of China's dominance in the trade bloc is compounded by an analysis from the **Global Trade Research Initiative (GTRI)**, which shows that after joining RCEP, **China has secured the lion's share of trade benefits.**

INDIA'S CURRENT TRADE AGREEMENTS

- **Bilateral and Multilateral Agreements:** India already has **bilateral FTAs** with several RCEP countries, except for **China**. Notably:
 - **Australia:** The **Economic Cooperation and Trade Agreement (ECTA)** is operational, and a **Comprehensive Economic Cooperation Agreement (CECA)** is in advanced stages.
 - **New Zealand:** Negotiations for an FTA are ongoing.
- **Future Prospects:** India is working on **free trade agreements** with the **EU, UK**, and other regions.

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- However, the need for **tariff reductions** and **market access** is critical to integrate into global value chains and capitalize on opportunities within larger trade blocs like RCEP.

SUBRAMANYAM'S ADVOCACY FOR CPTPP

- Alongside RCEP, Subrahmanyam also suggested that India should aim to join the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**, which includes **Japan, Vietnam, Australia, Canada, Mexico**, and several other countries.
- This agreement offers significant trade advantages and integration with the global economy, particularly for the **manufacturing sector**.
- **India has not been part of the CPTPP negotiations.**
- However, **its membership could provide a more balanced opportunity to engage with the Asia-Pacific** region without being unduly influenced by China, given the **US's withdrawal** from the pact in 2017.

GLOBAL & REGIONAL PERSPECTIVE

- **World Bank's Recommendation:** The **World Bank** has suggested that India reconsider its position on RCEP, citing potential benefits like increased **trade, investment, and GDP growth**.

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- **Despite India's trade deficit with China, RCEP could offer long-term economic integration** that might outweigh immediate concerns about unfair trade practices.
- **Government's Cautious Stance:** However, key government officials, including **Finance Minister Nirmala Sitharaman**, have highlighted the **sensitivities** surrounding traderelations with neighboring countries, especially China.
- There is a recognition of the need to balance **national interests** with the demands of global trade integration.

CONCLUSION

India's participation in RCEP is a **complex decision** that involves weighing the **economic benefits** of greater trade integration against the **risks of increased competition** from China.

While joining RCEP could potentially unlock **new markets** and **investment opportunities**, the **trade imbalances** with China remain a significant concern.

India's current strategy of negotiating **bilateral FTAs** with RCEP members and focusing on alternative trade agreements with countries like the **US** and **EU** seems to be a more cautious approach. However, the **World Bank's recommendation** and Subrahmanyam's call for greater regional integration indicate that India must eventually decide how to engage with **global trade networks** to maximize growth while managing its economic sensitivities.

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INDIA & GUYANA: STRATEGIC, ECONOMIC & ENERGY TIES

- **Context:** In recent years, **Guyana** has emerged as a key player in the global energy market, fueled by its **offshore oil discoveries**, which are reshaping the nation's economy.



- India, with its growing energy needs and expanding geopolitical interests, sees significant potential in deepening its partnership with Guyana, particularly in the areas of **energy, infrastructure, agriculture, education, and defence**.

ENERGY COOPERATION

- **Offshore Oil Discovery:** Guyana's **offshore oil boom** is transforming its economy, positioning the nation as a future global oil powerhouse.

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- India, one of the **largest oil consumers** in the world, has recognized the potential for collaboration with Guyana in the oil and gas sector.



- As **India's energy demands** continue to rise, Guyana's growing production capacities offer a **mutually beneficial partnership**.
- **Initial Trade and Infrastructure Challenges:** In 2021-22, **India's oil imports** from Guyana reached approximately **USD 149 million**. However, logistical challenges—such as the need for larger **crude carriers** and the underdeveloped infrastructure in Guyana—have impacted the volume of imports.
- Despite this, Dr. Telang remains optimistic, noting that **upcoming projects**, such as new **floating production storage and offloading (FPSO)** vessels, are expected to boost Guyana's oil production and facilitate more robust energy cooperation with India.

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- **Long-Term Engagement:** Indian companies are actively exploring new partnerships with Guyanese firms, focusing on **oil exploration, refining, and energy infrastructure development.**
- This collaboration reflects India's long-term commitment to strengthening its energy ties with Guyana.

EXPANDING ECONOMIC COOPERATION

- **Diverse Economic Interests:** While **energy** is a focal point, Guyana's broader economic transformation also offers significant opportunities for **Indian businesses** in sectors like **infrastructure, healthcare, education, and hospitality.** According to Telang, the **200% increase** in economic and commercial inquiries between the two nations highlights the rising interest in expanding trade and investment.
- **Bilateral Trade:** India's **bilateral trade** with Guyana reached **USD 106 million** in 2023-24, marking a **60% growth** from the previous year.
- Key Indian exports to Guyana include **machinery, pharmaceuticals, and vehicle parts,** while Guyana exports essential resources such as **bauxite ores and iron.**
- These growing trade relations lay a solid foundation for future collaborations in **infrastructure, education, and healthcare.**

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- **Opportunities in Healthcare & Education:** India's expertise in **infrastructure development, healthcare, and education** aligns well with Guyana's modernization goals.
- Indian companies are already engaged in projects that focus on **building healthcare infrastructure** and providing **medical services**.
- Additionally, **Indian educational institutions** are partnering with Guyana's **GOAL initiative** to offer online courses, with a particular focus on **technology, agriculture, and media studies**.

FOOD SECURITY COOPERATION

- **Food Security:** Guyana plays a pivotal role in **Caribbean food security** as part of the **CARICOM** (Caribbean Community).
- India has extended its support for **Guyana's agricultural sector**, including initiatives such as **millet cultivation**.
- During the **International Year of Millets**, **Prime Minister Modi** offered **millet seeds** to Guyana, resulting in a **bumper crop**.
- Dr. Telang highlighted this as a significant step toward **food security** for both nations.

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- **Agro-processing and Technology Transfer:** India's expertise in **agro-processing** and **technology transfer** is helping Guyana enhance its agricultural productivity.
- **Training programs, equipment supply,** and the **deployment of Indian experts** in agriculture are part of ongoing efforts to boost Guyana's agricultural capabilities.

RENEWABLE ENERGY

- **Renewable Energy:** Beyond oil, India and Guyana are collaborating on **renewable energy projects**. Guyana has begun integrating **solar energy, biofuels,** and other **renewable sources** into its energy mix.
- **India's Solar Home Energy (SHE) project** has already made a positive impact on Guyana's indigenous communities, and additional projects, including one at **Chedi Jagan International Airport,** are in the works to enhance the country's renewable energy capabilities.

DEFENCE COOPERATION

- **Defence Cooperation:** India and Guyana's **defence relations** have strengthened through the delivery of **two Dornier aircraft** to Guyana under a **Defence Line of Credit**.

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- This cooperation extends beyond military equipment to include **training and capacity building** for Guyanese personnel.
- Indian defense training programs are helping **CARICOM** member states enhance their capabilities, further solidifying the strategic partnership.
- **Cybersecurity:** India is also providing **cybersecurity training** for Guyanese and CARICOM officials, focusing on areas critical to both national and regional security.
- This collaboration is part of a broader effort to enhance the Caribbean region's resilience against emerging security threats.

EDUCATION & CAPACITY BUILDING

- **Educational Exchanges:** Education remains a key pillar of India's partnership with Guyana.
- Through the **ITEC Program** (Indian Technical and Economic Cooperation), India trains around **100 Guyanese professionals** annually in fields such as **technology, agriculture, and media**.
- These exchanges are crucial for **skill development** and **knowledge transfer**, promoting stronger bilateral ties.

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- **Scholarships and Online Education:** The **Indian Council for Cultural Relations (ICCR)** offers scholarships to Guyanese students, enabling them to study across various disciplines in India, including **medicine** and **paramedical fields**.
- Moreover, Indian universities like **IGNOU** and **Jain University** are collaborating with Guyana's **GOAL initiative** to provide **online education** in a range of fields.

SPACE SECTOR COLLABORATION

- **Space Sector Potential:** Although **there is currently no active space cooperation** between India and Guyana, **Dr. Telang** expressed interest in exploring **space collaborations**.
- India's expertise in **disaster management**, **weather forecasting**, and **early warning systems** could be beneficial to Guyana, especially in light of the country's vulnerability to natural disasters.
- **Technology Transfer:** India's **space capabilities**—particularly in **remote sensing** and **communication technologies**—could help Guyana and its **CARICOM** partners enhance their **disaster preparedness** and **environmental monitoring** efforts.

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MCQs

1. Consider the following statements and mark the correct one:

1. All the ASEAN countries are part of Regional Comprehensive Economic Partnership (RCEP)

2. RCEP came into force in 2022

(A) Only 1

(B) Only 2

(C) Both 1 & 2

(D) Neither 1 nor 2

Ans. (C)

2. Consider the following statements and mark **how many** of them is/are correct?

1. India initially joined RCEP but backed out due to dumping threats from China.

2. India, in order to uphold the interest of its domestic farmers, is not part of RCEP.

3. Joining RCEP could increase the trade deficit for India wrt ASEAN countries.

(A) Only 1 statement is correct

(B) Only 2 statements are correct

(C) All the statements are correct

(D) None of the statements are correct.

Ans. (B)

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3. Which of these countries is not part of RCEP?

- (A) Vietnam
- (B) New Zealand
- (C) Fiji
- (D) Japan

Ans. (C)

4. Which of the following countries share a boundary with Guyana?

1. Venezuela
2. Brazil
3. Suriname
4. Ecuador

- (A) Only 1 & 2
- (B) Only 1 & 3
- (C) Only 1 2 & 3
- (D) All of the above

Ans. (C)



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