

Inputs on initial offer of goods under Regional Comprehensive Economic Partnership (RCEP)

Background:

1. Regional Comprehensive Economic Partnership (RCEP) is a proposed Free Trade Agreement (FTA) between sixteen countries namely the 10 countries of ASEAN (Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and their 6 FTA partners namely Australia, China, India, Japan, Korea and New Zealand.
2. The ASEAN Framework for RCEP was adopted by the ASEAN Leaders during the 19th ASEAN Summit in November, 2011 in Bali, Indonesia. This was the genesis of the RCEP negotiations which was reiterated in the 20th ASEAN summit held from 3-4 April, 2012 in Phnom Penh, Cambodia. The Guiding Principles and Objectives for negotiating the RCEP were adopted in the 1st ASEAN Economic Ministers (AEM) plus FTA partner's consultations held on 30 August, 2012 in Siem Reap, Cambodia. The Joint Declaration of Ministers for launch of RCEP negotiations was done on 20 November, 2012 in Phnom Penh, Cambodia during the 21st ASEAN Summit.
3. As per the "Guiding Principles and Objectives of RCEP", it is intended to be comprehensive and cover a large number of subjects like goods, services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and others. While special and differential treatment (S&DT) is one of the Guiding Principles, this would primarily be targeted at the Least Developed Countries (LDCs) in ASEAN namely Cambodia, Laos and Myanmar. One of the key principles also mentioned is that of making "significant improvements over the existing ASEAN + 1 FTAs" while recognising the "individual and diverse circumstances of the Participating countries".
4. RCEP is one of the three mega FTAs apart from TPP (Trans Pacific Partnership) and TTIP (Trans Atlantic Trade and Investment Partnership). The agreement on goods would enable Indian industry to leverage global value chains and make it part of international production networks. The TPP was finalized on 5 October, 2015 and signed on 4 February, 2016.

Issues covered:

5. Some of the subjects that have been discussed in the working groups are tariff modalities in goods, listing of services and investment, elements of the RCEP chapters and possible texts thereof, intellectual property, competition, economic and technical cooperation, legal and institutional issues, customs procedures and trade facilitation, rules of origin etc.

Goods:

6. On goods tariff modalities, the discussions are centered around the level of market opening by the 16 countries of RCEP. The Basic Concept for Initial Offers (or BCIO) proposed a 3 tiered approach in terms of the quantum of tariff lines and RCEP import value on which customs duties would be eliminated.

7. The 3 tiers in this approach would be one for ASEAN countries, the second for ASEAN FTA partners (AFPs) who have an FTA and the last tier is for the AFPs who do not have an existing FTA.

8. The process of negotiations is also different from the other free trade agreements (FTAs) signed by India. At the first stage, countries would submit their initial offers based on the thresholds decided. Subsequently, based on requests by other countries, there would be a process of building up on this initial offer.

9. At the 3rd RCEP Ministerial meeting on 24 August, 2015 in Kuala Lumpur, the Ministers finalized the thresholds on the 3 tiers. The tariffs or basic customs duty would need to be eliminated in the tariff lines being offered in the initial offer. The base tariff rates from which the tariffs would be eliminated would be the basic customs duty as of 1 January, 2014. The thresholds includes both % of tariff lines and % of total RCEP imports (i.e. average RCEP imports of India for the calendar years 2012 and 2013) on which customs duties or tariffs would be eliminated. These are:

- For the 1st tier with ASEAN countries, all countries will do a 80% threshold. This would include 65% at entry into force (EIF) and 15% over 10 years.
- For the 2nd tier between ASEAN FTA partners (AFP) with an existing FTA; all countries would do a 80% threshold while India would do a 65% threshold over a 10 year period. India would have to do this for Japan and Korea.
- For the 3rd tier between AFPs with no existing FTAs; India would do a 42.5% threshold with China reciprocating with a 42.5% threshold, New Zealand doing a 62.5% threshold and Australia doing a 80% threshold over a 10 year period.

10. India has submitted its 3 tiered initial offer on goods as per the agreed modalities. The 3 lists are given below. Category “A” under the list signifies that tariff elimination would be done at Entry Into Force (EIF). While Category “B” signifies tariff elimination would be done over a period of 10 years after entry into Force.

- [1st Tier Initial Offer](#)
- [2st Tier Initial Offer](#)
- [3st Tier Initial Offer](#)

11. In this context, we would seek inputs from stakeholders with the rationale on the sensitive lines to be kept out of the final offer. The inputs may be sent in the following format:-

HS code of India the HS8 digit	Description of product	Rationale for being kept out of the Final offer (Ex: figures of domestic production, capacity utilization, investment, employment, MSME etc.)	RCEP country for which this product is sensitive

12. Any input on the possible lines of export interest for India may be provided in the following format:-

RCEP Partner Country	HS Code of RCEP Partner Country	Description in RCEP Partner’s Schedule	Request to be made (Tariff elimination at EIF or over ‘X’ years etc.)	Rationale

These inputs may kindly be sent at the following email IDs:

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