

India to oppose zero-tariffs in RCEP trade pact

Likely to float proposal on moderation of tariffs instead of elimination in Jakarta

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To protect India Inc against unrestricted inflow of goods from China and other members of the proposed Regional Comprehensive Economic Partnership (RCEP), New Delhi is planning to suggest moderation of import tariffs on goods instead of total elimination of duties in the ongoing negotiations.

A submission against tariff elimination is likely to be made by India in the forthcoming inter-sessional meeting in Jakarta this month, according to an industry official privy to deliberations in the government on the matter.

"Following meetings with the

industry on sensitive areas, there is an increased feeling within the Commerce Ministry that the country is not ready to deal with zero tariffs in most areas.

While there is no running away from lower tariffs once a country gets into a free trade pact, zero tariffs can be disastrous," a Commerce Ministry official said.

Alternative approach

The official told *BusinessLine* that New Delhi was planning to make a submission on an alternative approach to tariff cuts in goods in Jakarta as it was uncomfortable with the pressure being exerted by other members, especially China, to agree on tariff



elimination on a wide range of products. "But we are to yet take a call on the 'peak level' of tariff that we would want to propose," the official said.

The peak tariff rate would indicate the floor below which import duties would not be reduced and could be subject to negotia-

tions if other members agree to India's proposals. India's proposal could see stiff opposition from other members including the 10-member ASEAN which is pushing for a duty-free trade bloc. Other members of the 16-member RCEP include Japan, South Korea, Australia and New Zealand.

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The meeting in Jakarta scheduled on July 18-19 is crucial as attempts will be made to arrive at the final numbers for duty cuts and sectoral liberalisation so that the RCEP meeting of Trade Ministers next month could work towards concluding the pact.

New approach

India's decision to take a re-look at the RCEP negotiations and move away from tariff elimination is in sync with a new ap-

proach to free trade pacts that the Commerce Ministry had started exploring a few months ago. Faced with several complaints from the industry on the negative fall-outs of free trade pacts signed so far with partners such as Japan, South Korea and the ASEAN (where it has agreed to gradual tariff elimination on most products), the Commerce Ministry came up with a model for future trade pacts where duties would not fall below five per cent.

Although RCEP has already been under negotiations for long and India had not initially planned to oppose the zero-tariff formula, the growing pressure in the negotiations from all members, including China, to offer zero tariffs on most products being traded with the region, is forcing it to change its stance.