

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP

India should rethink its decision on the agreement

NEHGINPAO KIPGEN and SHIVANGI DIKSHIT

INDIA on November 4 decided not to join the Regional Comprehensive Economic Partnership (RCEP), a free trade deal involving the 10 countries of the Association of Southeast Asian Nations (ASEAN), Australia, China, South Korea, Japan, and New Zealand.

The agreement aims to reduce tariff rates to a considerable level and boost the exchange of goods and services within the member states. Had India decided to join the deal, RCEP would have the world's largest free trade area covering 45 percent of the world's population, and also account for 39 percent of global GDP, 30 percent of global trade, and 26 percent of global foreign direct investment flows.

Indian Prime Minister Narendra Modi, in his speech at the RCEP summit in Bangkok, said, "The present form of the RCEP Agreement does not fully reflect the basic spirit and the agreed guiding principles of the RCEP. It also does not address satisfactorily India's outstanding issues and concerns. In such a situation, it is not possible for India to join RCEP Agreement."

What has led India to finally abandon the deal it has negotiated since 2012? More importantly, India should rethink its decision on RCEP. Having India on board can be a win-win strategy for all RCEP countries, including India.

RCEP negotiations were launched at the Asean Summit in Cambodia in November 2012. In September 2015, India offered to eliminate tariffs on 42.5 percent of items from China, and more for Asean states.

India improved its offer by agreeing to eliminate tariffs for about 90 percent of items from Asean,

and over 74 percent of items from China. However, the government's offer saw a backlash in 2018 when key ministries and departments, including steel, textiles and heavy industry objected to the proposal.

India felt that there was inadequate protection against import surge, insufficient differential with China, lack of assurances on market access and non-tariff barriers, the unviability of getting most favoured nation status among member countries as the benefit would then lose its edge to nations beyond the bloc.

The Congress, India's main opposition party in the parliament, opposed the move, and even the pro-government organisation Rashtriya Swayamsevak Sangh-linked Swadeshi Jagran Manch had argued that a free trade agreement with China would be a death knell for India's manufacturing and production industries. Many are concerned that such agreement could potentially make India a dumping ground for cheap Chinese goods.

There is also a concern on the ratchet obligation which implies that member states cannot raise the tariffs once the agreement comes into force. As India fears an unexpected flow of imports, this obligation would prevent her from taking any action in the future to protect its national interests and could potentially cripple the domestic economy.

Moreover, the member states prefer taking 2014 as the base year for reducing tariffs, whereas India is pushing for 2019 to be taken as the base year as the import duties on goods have increased over the past six years.

The government of India's action can be described as a protectionist move taken to save its domestic economy. This strong decision



Asean leaders pose for a group photo during the 3rd Regional Comprehensive Economic Partnership (RCEP) Summit in Bangkok on November 4, 2019, on the sidelines of the 35th Association of Southeast Asian Nations Summit.

PHOTO: MANAN VATSAYANA/AFP

was taken by the government after concerns were raised by farmers and traders in India, who feared that an import of cheaper goods from outside would further hurt their businesses which are already going through an economic slowdown.

Also, some in India believe that RCEP is intended to balance out the losses from the ongoing US-China trade war. Therefore, the choice made by the government of India is seen as a powerful step to prioritise the interest of its citizens. India's trade deficit with the RCEP countries is USD 105 billion, of which China alone accounts for about USD 57 billion.

If India were to join RCEP, it would have been obligated to cut down the import duties by 90 percent for 15 years which can be unfavourable for the agriculture and

dairy sectors. Since these sectors are based on small-scale enterprises in rural India, the agreement would have impacted the growth of the weaker sections of the Indian society.

The government's move is also one way of appealing to the mass electorates. By listening to their voices, the government is intending to win the confidence of the traders, farmers and industrialists, and assure them that the government would address the interests of its people in all circumstances.

Joining RCEP could be beneficial for India since it will provide her greater access to the regional market, opportunities for its businesses to expand in the region, and also increase her foreign investments.

It will also give larger market access to the customers thereby providing them with a bigger basket

of cost-effective and standardised goods to choose from. The trading environment in India can improve as the agreement will likely increase competition for the Indian exporters which will motivate them to enhance their standard of production and to embrace the international trade norms.

RCEP can also promote regional stability as this agreement makes the economies of the member states even more dependent on each other and prevent them from taking steps that would hamper each other's economy.

The current government gives significance to its Act East Policy. The membership to RCEP would have added to India's Act East Policy and allow it to further integrate itself in the region. As part of RCEP, India will increase its hold in the Asean region and could have emerged as

a counterbalance to the Chinese presence in Southeast Asia. This will even allow India to frame future developments in the region.

Even though India has decided not to join the bloc for now, she has kept her doors open for further negotiations. Modi said in his speech that India supports greater regional integration as well as freer trade, but the current RCEP terms do not balance the spirit of give and take. Subsequently, the trade agreement which was meant to be signed this year has now been postponed to 2020.

Interestingly, China has urged for further negotiations to understand India's concerns. The Chinese state-run *Global Times* newspaper reported on November 6 that, "The countries involved in the Regional Comprehensive Economic Partnership shouldn't lose the chance to include India... For the participants in the negotiations, it is worth thinking about how to persuade India to reconsider the trade deal. To achieve its superpower dream, India should join RCEP."

India could have gained more global power by joining RCEP, but it first needs to assure that its goods are competitive in the regional and global markets. It also needs to assure that her export-oriented industries are stable. The government should now focus on the internal issues and make structural changes in its economy to protect domestic interests. This will allow the economy to mitigate the ramifications it might face with agreements like the RCEP, if and when implemented.

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We shouldn't expect philanthropists to fund activism

ANURAG BEHAR

SINCE philanthropists are unlikely to fund anything that destabilises their businesses, building independent institutions can be an effective approach to create lasting impact.

The vibrancy of a democracy, and the health of a society, is significantly influenced by civil society. It comprises an entire spectrum from community-based collectives and voluntary organisations to NGOs and non-profits of other sorts. Philanthropy plays a critical role in supporting that space, building it, keeping it alive, and growing it.

What is the role of civil society?

What is civil society's specific contribution? One part of it is keeping the market and state honest. It is a counterbalance to the market and the state, and it must act as one.

Civil society is the champion of the social and public good. On the other

or established, that gets taken up by the government in some sense or the other.

This is because civil society by its very nature is focused on the public good (or should be). It can be more flexible and can engage people in a way that the state cannot. It's not a lacuna on part of the government system; it's just the way the system is structured.

To keep the state and market balanced, civil society should—and it doesn't do enough of it right now—build institutions. This has to be supported by philanthropy. India doesn't have enough civil society driven institutions, but if it did, they would play a very important role in balancing the market and the state.

Philanthropy in India isn't playing an adequate enough role

There is certainly some philanthropy happening in India, we know that; people are giving money—some are giving a lot, and some are giving smaller amounts, but it's still a significant percentage of their

can be done with smaller amounts of money, in interesting ways like setting up a research chair at a university or funding a research programme. But all this presumes that someone actually and genuinely wants to give for such matters. Those who do, find ways of doing it.

Today, when people do give, they prefer to give money for tangible things like scholarships, grants for buildings, donations to hospitals, because they believe that they can see the direct benefit. It seems simple and clear. Funding institutions, on the other hand, takes more patience, understanding, and perspective. And not many philanthropists seem interested in going down that path.

India hasn't always been like this. We've had remarkable philanthropists in the first several decades of the 20th century—the Tatas, Birlas, Sarabhais, people like Jamnalal Bajaj, and other lesser known names—who built

This is because activist-driven work by its very nature destabilises the socio-political status-quo. And business money will not want to do that.

That is just the nature of the beast. There were perhaps unusual times, as during the Indian independence movement, when this general principle did not hold true—but those were exceptions.

Since business money will not fund activist-driven work, the alternative is for institutions to do this. When you help create an institution and you let go—because you have to let go—it becomes an important player in civil society, and over time, not in one generation but in the next generation and for generations to come, it truly becomes an independent voice and force that can question, or contribute to upending the status-quo.

Therefore, one of the most powerful routes to complement markets and state in any society is through building institutions.

The Tatas are a good example of this. Early on, they built many institutions. Today, Tata Institute of Fundamental Research (TIFR), Tata Institute of Social Sciences (TISS), Indian Institute of Science (IISc), and other smaller institutions are not bound by the commitments that any individual, or organisation that has business money, would otherwise be.

They will do whatever it takes to fund innovation, cutting edge research, and so on. This is our own live history that clearly demonstrates what institution building can help achieve versus the "project funding" approaches that are currently generally supported by philanthropists.

It's illogical and unfair to expect philanthropists to fund any sharp forms of activism. Why would they fund anything that destabilises their existing business and its social fabric? The question they need to ponder over is why aren't they funding and building institutions.

It will not happen in their generation, but there will come a time in 20-30 years when such institutions will be separated from any business interests and will become very important players in civil society. And that's what philanthropists today aren't doing enough.

Today, the philanthropists who are genuine givers—and there are many of them—are not able to explain clearly why they don't fund "activist-y" work. They get defensive. But the rationale is clear. They should do what is right for them, and for the source of the money (their business), which is what allows them to be philanthropic. Nonetheless they should also fund institutions that outlive them and support the range of roles that civil society must play.

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side, civil society also tries to work with the market and the state to make them more effective and useful to society. Both functions co-exist—not as a dichotomy but as a spectrum.

Philanthropy can play a specific role in this spectrum, by taking the kinds of risks that the state system finds hard to take because of operational reasons, and by helping develop civil society institutions.

For instance, the state is likely to find it difficult to recruit good, highly-capable people at the beginning of an initiative, or when something is at an experimental stage, because of its large systems, which have their internal logic. To help solve this, the state can collaborate with civil society.

If you look at many sectors—health, education, environment—we've seen that very often civil society leads in motivating people to take risks and/or championing the public good. Once proven, accepted

wealth. And all this is good.

But it is clearly not at the scale that the country needs, or comparable to that in some other countries or what the wealthy of India could be giving.

Consider an example from the USA: If you look at the strength of the American higher education system, not just as a teaching powerhouse but also as a place of intellectual ferment and knowledge creation, that keeps society on a certain path, it has been significantly funded by philanthropy.

We don't have anything like that in India. One can count on one's fingertips the significant universities or research institutions that have been funded by Indian philanthropy.

One big reason is that they just don't want to do it. It's not merely a question of needing large amounts of money to support higher education; it certainly

institutions, and helped build the nation with their social capital and a version of Gandhian trusteeship.

When you compare what they did to what today's wealthy are doing—from the perspective of the wealth that they have generated in the past 20-30 years—are they giving enough? And are they supporting development of institutions? If you take corporate social responsibility (CSR) out of the equation—because CSR is not philanthropy—the answer is probably no.

Business money is likely to be risk-averse

Business money of any sort—including money that has created wealth for individuals—is likely to be risk-averse. This is sensible, and the wealth owners cannot be faulted for this.

To put it simply, business money will find it hard to fund "activist-y" things.

ON THIS DAY IN HISTORY



Dutch navigator Abel Janszoon Tasman, who sailed from Batavia (Jakarta) to investigate the practicality of a sea passage eastward to Chile and to explore New Guinea, skirted the southern shores of Tasmania this day in 1642.

November 24, 1642
Dutch discovery of Tasmania

CROSSWORD BY THOMAS JOSEPH

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31 Cart puller	32 Librarian's order	34 Tedious	
35 Little devil	38 Tiled art	41 Sow's mate	42 Whole
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18 "Lonely Boy" singer	19 Religious observances	20 School near Windsor	21 Diminish
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YESTERDAY'S ANSWERS

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