

# RCEP: 15 Asian Economies sign World largest China-backed deal

written by iasexam.com | 16/11/2020



Fifteen countries on Sunday signed a sprawling Asian trade deal seen as a huge coup for China in extending its influence.

The Regional Comprehensive Economic Partnership (RCEP) — which includes 10 Southeast Asian economies along with China, Japan, South Korea, New Zealand and Australia — is the world's largest trade pact in terms of GDP, analysts say. First proposed in 2012, the deal was finally sealed at the end of a Southeast Asian summit as leaders pushed to get their pandemic-hit economies back on track.

## **Key Highlights**

- The agreement to lower tariffs and open up the services trade within the bloc does not include the United States and is viewed as a Chinese-led alternative to a now-defunct Washington trade initiative.
- The RCEP “solidifies China’s broader regional geopolitical ambitions around the Belt and Road initiative”, said Alexander Capri, a trade expert at the National University of Singapore Business School, referring to Beijing’s signature investment project that envisions Chinese infrastructure and influence spanning the globe.
- But many of the signatories are battling severe coronavirus outbreaks and they are also hoping the RCEP will help mitigate the crippling economic cost of the illness.
- Indonesia recently tumbled into its first recession for two decades while the Philippine economy shrunk by 11.5 percent on-year in the latest quarter.

- India pulled out of the agreement last year over concerns about cheap Chinese goods entering the country and will be a notable absentee during Sunday's virtual signing.
- Even without India, the deal covers 2.1 billion people, with RCEP's members accounting for around 30 percent of global GDP.
- Crucially, it should help shrink costs and make life easier for companies by letting them export products anywhere within the bloc without meeting separate requirements for each country.
- The agreement touches on intellectual property, but environmental protections and labour rights are not part of the pact.
- The deal is also seen as a way for China to draft the rules of trade in the region, after years of US retreat under President Donald Trump which have seen Washington pull out of a trade pact of its own, the Trans-Pacific Partnership (TPP).
- Though US multinationals will be able to benefit from RCEP through subsidiaries within member countries, analysts said the deal may cause President-elect Joe Biden to rethink Washington's engagement in the region.

**SOURCE:** *The Hindu*