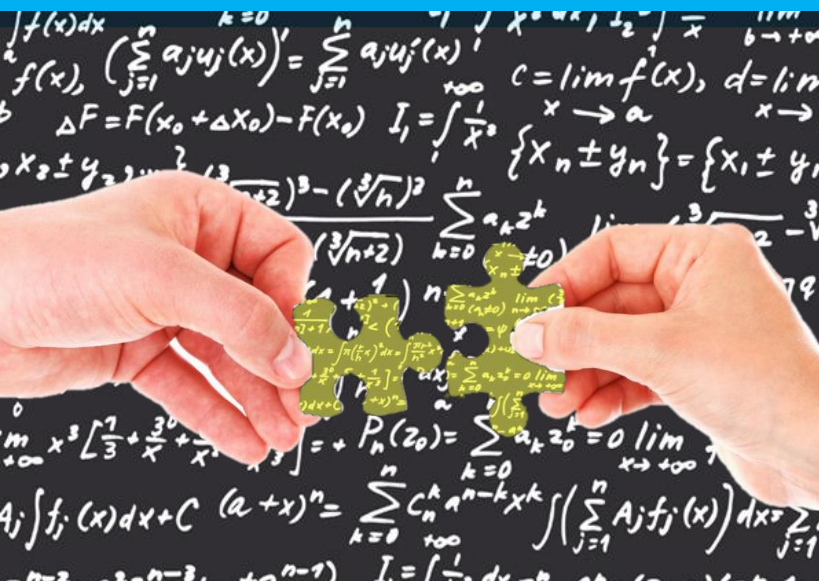




**Relative benefits/losses of India  
aligning with RCEP and BRICS  
countries under the conjecture of  
free trade area in goods**



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## **Abstract**

The present study works out the relative benefits/losses of India aligning with RCEP and BRICS member countries under the conjecture of free trade area in goods trade only. The study uses partial (SMART model) and general equilibrium (GTAP model) tools for this assessment. The main focus in the study is to compare the benefits/losses to Indian economy associated with both policy scenarios. The results reveal that it would be beneficial for India to align with other RCEP member countries under the policy of free trade area in goods trade. If India wants to join BRICS FTA in the near future then it must negotiate for the entry of its own specialized products into their markets and in reciprocity, it should allow the entry of their specialized products into the domestic market. The results are in favor to make free trade area between RCEP countries which is more beneficial for India in comparison to make BRICS FTA.

**Keywords:** RCEP, BRICS, SMART, GTAP

**JEL Classifications:** F13, F14, F15

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# 1. Introduction

The policy of regional trading agreements (RTAs) is considered as building block towards multilateral trade liberalization. Almost all countries in the world today are party to, or are in the process of negotiating, at least one RTA. Asia has also seen a large number of trading agreements since the year 2000. In Asia, India also has an active participation in various trading arrangements emerging all over the world. As per the Asian Development Bank (ADB) FTA database, India is a part of 13 such existing arrangements (signed and in effect agreements), and in process to join 15 more such arrangements in the near future<sup>1</sup>. In the whole world, the Asian region is in the limelight related to these types of policy arrangements. The emergence of mega trade deals including various members from Asian region is one of the main reasons behind this. Among the three main existing mega trade deals (TPP, TTIP, & RCEP), two (TPP and RCEP) are mainly concerned with the Asian region due to inclusion of many Asian powers in them as a member countries. The word mega has been attached to these trade deals because of the inclusion of many and important countries of the world. Also, these trade blocs individually cover significant portion of world GDP, trade and population.

The emergence of TPP in the Asia-Pacific region with its members from North and South America raised concerns for the non-member countries of Asian region. Among the non-members, India and China are the main economies in Asian region whose trade share within Asia is more than 50 percent. The exclusion of India and China from TPP emerged the serious concerns among the policy makers of both the countries because of expected diversion of their trade towards the member countries of TPP from North and South American region. Further, the emergence of TTIP between World's biggest economy (USA) and Largest trading bloc (EU) again raises the concerns among various producers in the developing countries. Ongoing discussions on these mega trade blocs termed RCEP a savior who will save the developing economies of Asia, particularly China and India, from the negative effects of other two mega blocs (TTIP and TPP).

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<sup>1</sup> For 14 such arrangements, negotiations have been launched and for one such arrangement (India-GCC FTA), negotiations have been finalized and signed by all the member countries. For more information, see <https://aric.adb.org/fta-country>.

In particular, India is also taking an active participation in the ongoing negotiations of RCEP and all member countries are expecting to conclude these negotiations by the end of this year. At the same time, India is also looking outside Asia-Pacific region and exploring the possibilities of feasible trade agreements with other countries. The list is very long, as it includes many bilateral, multilateral and plurilateral existing and proposed trade agreements. In this long list of trade agreements, talks are also going on between member countries of BRICS<sup>2</sup>, an association of five emerging and diverse economies, to make BRICS free trade zone. Those five countries are: Brazil, Russian Federation, India, China, and South Africa. The members of BRICS association meet every year in an annual summit since year 2009. Seven such summits have been held so far and the countries are planning to hold the next summit in India in this year. In these summits, many suggestions have come up to plan a free trade agreement between the member economies. If successful, then this FTA will also come under the category of mega trade blocs.<sup>3</sup> It is expected that this trade deal would also provide many benefits to Indian economy and contribute positively to fight against the negative effects of other mega trade deals of which India is not a member country.

Many recent studies have evaluated the impact of joining these mega trade blocs by India and found these policy options very advantageous. De Castro (2012) found that BRICS countries would show the positive result for the establishment of PTA when involved in bilateral trade between BRICS-EU using various trade indicators. Sharma and Kallummal (2012) also investigated the free trade agreement (FTA) using the GTAP model and found that the overall effect of BRICS FTA would be positive for India. Further, extending the FTA scenario, Sharma (2012) evaluated food and agricultural trade liberalization for BRICS countries with two growing nations of Republic of Korea and Mexico to see the economic and welfare impacts and found that Brazil and China are the main gainers with this liberalization.

Further, in the recent studies on assessment of RCEP, a proposed mega trade bloc, Li *et al.*

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