



DAILY EDITORIAL ANALYSIS

TOPIC

**RECONSIDERING CPTPP,
INTEGRATING WITH ASEAN & EU**

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Context

- In an era marked by **rising protectionism and fractured global trade alliances**, India needs to reconsider **joining** the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (**CPTPP**) and deepen **its integration with ASEAN and the European Union (EU)** to safeguard its economic future.

Status of Global Trade

- Post-pandemic global trade has gained traction, with persistent inflation, tariff disputes, and conflicts such as **Russia-Ukraine and Israel-Iran** have disrupted trade flows.
- Multilateralism has given way to regionalism. Countries focusing on **inward-looking policies, re-shoring industries, and recalibrating trade alliances** in favor of economic security.

Why does CPTPP matter to India?

- CPTPP comprises **11 Pacific Rim countries** including **Japan, Vietnam, Canada and Australia**, representing **nearly 13% of global GDP**.
- India's entry into the CPTPP could offer:
 - ♦ **Market Diversification:** Reducing overdependence on select geographies like the **US and China**.
 - ♦ **Strategic Presence in the Indo-Pacific:** Enhancing India's footprint in a region where China already holds sway (**Reinforce its Act East Policy**).
 - ♦ **Supply Chain Integration:** Tapping into advanced manufacturing and digital trade networks.
- However, **India needs** to align with strict labor, environmental, and intellectual property standards—areas where domestic reforms may be politically sensitive.

India, ASEAN and EU

- ASEAN nations are deeply embedded in **global value chains**, particularly in electronics and manufacturing. Strengthening ties with ASEAN:
 - ♦ Improve connectivity and reduce trade deficits.
 - ♦ Support India's role in regional supply chains and digital trade.
- India and ASEAN have developed a **Comprehensive Strategic Partnership**, with cooperation spanning trade, connectivity, digital transformation, and maritime security.
- Economically, **India and ASEAN** are linked through the **ASEAN-India Free Trade Agreement (AIFTA)**, which came into effect in 2010.
 - ♦ It has significantly boosted trade, with bilateral merchandise trade reaching **over \$130 billion in 2024**.
- India-EU Free Trade Agreement (FTA):** **EU is India's second-largest trading partner**, and a formal FTA could open doors to *advanced manufacturing, green tech, digital services collaboration, and innovation*.

About CPTPP

- It was signed in 2018 in Santiago, Chile.
- Members:** Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.
- It builds on the original **Trans-Pacific Partnership (TPP)** but suspends certain provisions to reflect evolving priorities.
 - ♦ It covers a **market of over \$13.5 trillion in GDP**.
- Current Chair (2025):** By Australia (Theme: Delivering Sustainable Trade and Resilient Growth).
- Objectives:**
 - ♦ Boost trade and investment among member countries by eliminating tariffs and reducing non-tariff barriers.
 - ♦ Promote sustainable and inclusive trade, with commitments on labor rights, environmental protection, and support for small and medium-sized enterprises (SMEs).
 - ♦ Facilitate regional economic integration, especially in the Indo-Pacific, by creating a platform open to future members who meet its high standards

About ASEAN

- **Members:** Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, and Cambodia.
- **Primary Objective:** To promote political and economic cooperation and regional stability.

Other Significances of Multilateralism

- **Boosting Export Competitiveness:** India's exports have struggled with high logistics costs and limited value chain integration. Joining high-standard trade frameworks like CPTPP and finalizing the India-EU FTA could:
 - ♦ Enhance access to high-income markets.
 - ♦ Encourage domestic reforms in standards, labor, and IP rights.
- **MSME Imperative:** India's Micro, Small, and Medium Enterprises (MSMEs), which account for 40% of exports, stand to benefit the most from broader market access.

Concerns Ahead of India

- **Looking At India's Immediate Challenge:** India now faces the prospect of a **more fragmented trading system**. It needs:
 - ♦ **Secure bilateral gains with the US**, where possible.
 - ♦ **Accelerate engagements with trade-friendly partners** to hedge against US-induced volatility.
- **Recent FTAs:** India's traditional trade scepticism has gradually shifted toward a more open stance, reflected in recent **FTAs and partnerships with Australia, United Arab Emirates, and United Kingdom**.
- **Strategic Actions for India:** **Submit a formal application to the CPTPP**, aligning itself with markets like **Japan and Korea**, to attract foreign investment, reform domestic regulations to **meet global standards**, and make Indian exports **more competitive**.
- **Regulatory and Standards Alignment:** CPTPP and EU trade frameworks **demand high compliance** with labor rights, environmental safeguards, and intellectual property norms.
 - ♦ India's domestic regulations often fall short of these benchmarks, requiring substantial legal and institutional reforms.
- **Protection of Domestic Industries:** India's MSMEs, agriculture, and manufacturing sectors fear being **outcompeted by cheaper imports** if tariffs are slashed.
 - ♦ It was a **major reason for India's withdrawal from RCEP** and continues to shape its cautious approach to CPTPP.
- **Tariff and Non-Tariff Barriers:** India's relatively high tariffs and complex customs procedures could become sticking points in negotiations.
 - ♦ The EU, in particular, has pushed for greater market access in sectors like automobiles, wines, and dairy—areas where India remains sensitive.
- **Geopolitical Sensitivities:** India's strategic calculus—especially regarding China's influence in regional trade blocs—adds complexity.
 - ♦ Joining CPTPP, for instance, may require navigating overlapping interests with both Western allies and Indo-Pacific partners.

Way Forward

- **Calibrated Re-entry Strategy:** Reassess CPTPP with a phased-in negotiation framework focusing on services, IP, and digital trade safeguards.
- **Upgrade Domestic Standards:** Invest in logistics, testing, and quality infrastructure to meet EU and CPTPP norms.
 - ♦ MSME clusters need capacity-building schemes for international compliance.
- **Revive FTA Talks with EU & ASEAN:** Push for balanced FTA clauses with EU (e.g., digital sovereignty, green taxonomy flexibility).
 - ♦ Improve implementation of India-ASEAN FTA to resolve non-tariff barriers.

- **Leverage Strategic Partnerships:** Use forums like QUAD, IPEF, and BIMSTEC to align security, supply chains, and standards.
 - ♦ Coordinate trade strategy with geopolitical goals.

Source: BS

Mains Practice Question

[Q] In light of global trade shifts, do you think India should reconsider joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and deepen integration with ASEAN? Highlight the potential challenges.

