

India's Withdrawal from the RCEP Negotiations: A Chinese Perspective

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ABSTRACT

India's participation in the RCEP negotiations has gone through a "tangled" process from "indecision" to "active advancement" to "announcement of withdrawal". This process has not only reflected the recent sharp change in India's stance and attitude towards RCEP under the Modi administration, but also reflected the fact that India has been hesitant about its RCEP policy for a long time. Generally speaking, India's interest in RCEP mainly attributes to the potential long-term economic, political and strategic benefits of joining RCEP, as well as the fact that RCEP meets the status and needs of India's socio-economic development better than other regional trade agreements, such as TPP. However, affected by factors such as relatively high short-term economic costs, disadvantages in relative returns in comparison with other RCEP members, domestic political pressure, strategic adjustment of the US in Asia-Pacific, shortcomings of the RCEP, as well as insufficient mutual trust among member countries, India has not been able to dispel doubts and be prepared to join RCEP physically and psychologically. As the RCEP issue becomes highly politicized domestically and the regional situation changes drastically under the "Trump shocks", the interest preferences of the Modi administration have undergone significant changes in the international-domestic dual game. This is the main reason for India's decision on withdrawing from the RCEP.

Keyword: Asia-Pacific regional economic cooperation; RCEP negotiation; India's "retreat"; Modi administration

INTRODUCTION

Formally launched in May 2013, negotiations on the Regional Comprehensive Economic Partnership (RCEP), a proposed free trade agreement between the ten member states of the Association of Southeast Asian Nations (ASEAN) and six of ASEAN's FTA partners—China, Japan, South Korea, Australia, New Zealand and India, have lasted for 7 years. This trade deal covers almost half of the world's population, and the countries involved contribute for 32.2% of the global GDP, 29.1% of the world trade and 32.5% of the global investment. If finalized, the RCEP would become the most promising regional FTA that covers the largest population in the world.¹ During the 9th RCEP Ministerial Meeting and meetings of the RCEP Trade Negotiating Committee held in Thailand in late September 2019, the 16 RCEP

member countries agreed on 80.4% of the text for the RCEP agreement and reiterated their commitment to conclude the negotiations by the end of 2019.² However, just as the world was expecting the RCEP negotiations to reach a successful conclusion, India, as one of the major participating countries in the RCEP negotiations, suddenly announced its "withdrawal" from the pact on November 4, 2019, leading to strong international responses.³

So why did India choose to join RCEP in the first place, but ultimately opt out of RCEP after seven years of engagement in the negotiations? What are the implications of India's RCEP withdrawal, and what is the future ahead of RCEP? Given India's

¹Promoting Partnerships and Strengthening Regional Cooperation—An Outlook on the ASEAN Summit and Related Leaders' Meetings on East Asian Cooperation, *The Chinese Central Government's Official Web Portal*, November 2, 2019, http://www.gov.cn/xinwen/2019/11/02/content_5447908.htm (Accessed: November 4, 2019).

²Still Backing the RCEP Talks—Modi: Corresponding Areas Should Also be Opened If India is to Open Its Market, *Lianhe Zaobao*, November 4, 2019, <https://beltandroad.zaobao.com/beltandroad/news/story20191104-1002370> (Accessed: November 4, 2019).

³India Decides Not to Join Mega RCEP Trade Deal as Key Concerns not Addressed, *The Times of India*, November 4, 2019, <http://timesofindia.com> (Accessed: November 4, 2019).

crucial influence on the progress and direction of the RCEP negotiations⁴, this paper attempts to analyze India's changing policy stance on RCEP, provide insights into India's motivations for joining and withdrawing from RCEP, and to explore the impacts of India's withdrawal and the prospects of RCEP on this basis, with a view to finding a breakthrough for RCEP negotiations and regional cooperation in the Asia-Pacific region.

A REVIEW OF INDIA'S PARTICIPATION IN THE RCEP NEGOTIATIONS

The concept of the Regional Comprehensive Economic Partnership (RCEP) was first formally introduced at the 18th ASEAN Economic Ministers Meeting in February 2011. During the 19th ASEAN Summit held in November 2011, ASEAN leaders adopted the ASEAN Framework for RCEP, emphasizing that ASEAN will build a regional comprehensive economic partnership guided by the principles of the ASEAN Charter, in order to maintain the centrality and proactive role of ASEAN as the primary driving force in its regional cooperation framework.⁵ In August 2012, the ASEAN Economic Ministers endorsed the Guiding Principles and Objectives for Negotiating the RCEP in Siem Reap, Cambodia. On 20 November 2012, during the ASEAN Summit held in Phnom Penh, Cambodia, the Joint Declaration on the Launch of Negotiations for the RCEP was issued by state leaders of the 16 RCEP member countries, including the ten ASEAN member states as well as China, Japan, South Korea, India, Australia, and New Zealand, agreeing to formally launch the RCEP negotiations in 2013.

Generally speaking, this paper holds that the process of India's participation in the RCEP negotiations since November 2012, when it formally announced to join the negotiations, can be divided into three main phases.

Start-Up Phase: India Was of Two Minds, Leading to Slow Progress in RCEP Negotiations (May 2013—February 2016)

During the first round of RCEP negotiations in May 2013, the member countries formally established three working groups on trade in goods, trade in services and investment respectively. However, in the next four rounds of negotiations, progress was very slow due to the major disagreements between India and the rest member states on

areas such as trade in goods and services as well as the negotiation approach. In August 2014, while the ministers in charge of RCEP negotiations from all the other 15 member countries were present at the 2nd RCEP Ministerial Meeting, Nirmala Sitharaman, the Indian Minister of Commerce and Industry in charge of RCEP negotiations, was absent from the meeting. Instead, Sumanta Chaudhuri, Joint Secretary of the Indian Ministry of Commerce, attended the meeting, which has raised great doubts and dissatisfaction from other member countries.⁶ More critically, the Indian representative suggested that the coverage of its tariff cuts should be no higher than 40%, which was far lower than the level of openness for trade in goods that other countries expected to achieve (over 90%), thus leading to a stalemate in the RCEP negotiations. At that time, Japan and some other countries even proposed that the other 15 member countries should reach an agreement first, and India could then take time to decide whether to join the agreement basing on specific circumstances.⁷

In December 2014, the RCEP negotiations finally came back to the track of "10+6" dialogue when the sixth round of negotiations was held in India, with the active coordination of ASEAN and other RCEP members. However, it was not until the tenth round of negotiations held in South Korea in October 2015 that substantive consultations on core areas such as trade in goods, trade in services and investment actually took place⁸, indicating that the original plan of ASEAN and other member countries to conclude the RCEP negotiations by 2015 has come to naught. In February 2016, the Trans-Pacific Partnership Agreement (TPP) was formally signed by 12 member countries, including the United States and Japan. Also in February, during the eleventh round of RCEP negotiations held in Brunei, the other 15 member countries once again jointly expressed their strong dissatisfaction with India's protectionist stance that it was only paying attention to its own labor

⁴Yugui Zhang, "India is the Key to RCEP Talks", *Yicai*, February 25, 2019, p.12.

⁵ASEAN Framework for Regional Comprehensive Economic Partnership, June 12, 2012, Bali, Indonesia.

⁶The Second Regional Comprehensive Economic Partnership (RCEP) Ministerial Meeting Joint Media Statement, August 27, 2014, Nay Pyi Taw, Myanmar.

⁷Junichi Sugawara, "A Yellow Signal for an Agreement at the End of 15 Years of RCEP Negotiations? Evaluation of the Second Ministerial Meeting", *Mizuho Insight*, September 1, 2014; Ping He, India's Policy Stance on RCEP: Problems and Solutions, *International Studies*, No. 4, 2016, p. 77.

⁸The Tenth Round of RCEP Negotiations Held in Busan, South Korea, *China FTA Network*, October 23, 2015, http://fta.mofcom.gov.cn/article/rcep/rcepnews /201510/28975_1.html (Accessed: November 9, 2019).

exports while being unwilling to open its domestic market to the outside world as well as India's defensive, obstructive and half-hearted behaviors. The 15 countries even issued an ultimatum to India that it should withdraw completely from RCEP negotiations if it was unwilling to make compromises.⁹

Acceleration Phase: India Gradually Began to Make Compromises, Contributing for Continuous Substantive Progress in RCEP Negotiations (April 2016—October 2019)

Faced with the conclusion of the TPP negotiations and at the urging of other RCEP member countries, India eventually chose to return to negotiating table after repeatedly weighing the pros and cons. At this phase, the Modi administration assigned some Indian think tanks, universities and related research institutions to carry out more in-depth and comprehensive studies on RCEP, and actively demonstrated the importance and necessity of India's accession to the RCEP to relevant departments, interest groups and the public in India with dissenting voices. In the meantime, India took a significantly more active role in RCEP negotiations and showed greater willingness to compromise than in the first phase.

In April 2016, positive progress was made in the twelfth round of RCEP negotiations as India began to make some important concessions on key issues such as market access. Since then, RCEP negotiations have accelerated significantly. Not only have RCEP member countries been undertaking negotiations much more frequently, but they have also started to engage in increasingly in-depth substantive negotiations on market access in the three core areas of goods, services and investment. Moreover, the RCEP members have gradually reached initial consensus on various issues such as rules of origin, intellectual property rights, economic and technical cooperation, e-commerce, SMEs, government procurement, and dispute settlement. On 14 November 2018, Prime Minister Modi attended the 2nd RCEP Summit and reaffirmed India's commitment to an early conclusion of a high-quality, comprehensive and balanced regional economic partnership agreement.¹⁰ The Joint Leaders' Statement issued

⁹Sahasini Haidar, Trading Bloc to India: Cut Tariffs or Exit FTA Talks, *The Hindu*, April 20, 2016, <https://www.thehindu.com/news/national/trading-bloc-to-india-cut-tariffs-or-exit-fta-talks/article8495314.ece> (Accessed: November 9, 2019).

¹⁰Kirtika Suneja, RCEP Countries Acknowledge 'Substantial Progress' in Final Stages of Talks as Agreement Pushed to Next Year, *Economic Times*, November 15,

after the summit expressed satisfaction with the substantial progress made by all members on market access for goods and services and so forth, as well as the intention to conclude RCEP negotiations by 2019.¹¹ Since September 2019, Piyush Goyal, Indian Minister of Commerce and Industry, has been attending the intensive RCEP ministerial meetings held in Bangkok with a positive attitude.¹² As of October 2019, all member countries have agreed on 80.4% of the text for the RCEP agreement.

Closing Phase: India Announced its RCEP Withdrawal, Bringing A New Setback to the Negotiations (November 2019—Present)

On November 4, the 3rd RCEP Summit was held in Bangkok, Thailand. A joint statement was issued that evening by leaders of the 16 countries, stating that the summit was attended by leaders of all the 16 RCEP member countries and that all the countries, except for India, have concluded text-based negotiations for all 20 chapters of the proposed deal, as well as negotiations on substantially all the market access issues, with the aim of formally signing the agreement by February 2020. For India, there were still a number of significant outstanding issues that remain unresolved. All the RCEP members will work together to tackle these issues, and India's eventual accession to the RCEP agreement will depend on these issues being effectively addressed.¹³ Also on November 4, the Times of India and some other Indian media, as well as Raveesh Kumar, spokesperson of the Indian Ministry of External Affairs, and Vijay Thakur Singh, Secretary (East) of the Ministry, came forward to point out that from the perspective of India, there were still major flaws in the RCEP safeguard measures, and the

2018, https://economictimes.indiatimes.com/news/economy/foreign-trade/rcep-countries-acknowledge-substantial-progress-in-final-stages-of-talks-as-agreement-pushed-to-next-year/articleshow/66633560.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst (Accessed April 29, 2020).

¹¹Joint Leaders' Statement on the Regional Comprehensive Economic Partnership (RCEP) Negotiations, November 14, 2018, Singapore.

¹²The 7th Regional Comprehensive Economic Partnership (RCEP) Ministerial Meeting Joint Media Statement, September 8, 2019, Bangkok, Thailand.

¹³Joint Leaders' Statement on the Regional Comprehensive Economic Partnership (RCEP), November 4, 2019, Bangkok, Thailand.

latest round of RCEP negotiations failed to reflect the guiding principles of the agreement and take into account some of India's "key concerns", thus India had decided not to join RCEP.¹⁴ Although the final review of the text has been taking place in all the 15 member countries after the summit and the conclusion of RCEP negotiations seemed to right be insight, at the end of November came the news that Japan may retreat from RCEP¹⁵, adding further uncertainties to the signing of the agreement.

As can be seen, generally speaking, India has gone down a twisted path as for its participation in RCEP negotiations, shifting from indecisiveness to active engagement, and eventually ending with a withdrawal from RCEP. On the one hand, this process reflects the dramatic changes in the Indian government's attitude and stance about RCEP recently. Firstly, since the formal launch of the negotiations, despite the relatively slow progress, the Modi administration has been always showing great interest in and placed high expectations on RCEP in public, and has repeatedly expressed in official statements its basic stance that India should take an active part in RCEP and push ahead with negotiations with cautiousness.¹⁶ However, at the last minute, the Modi administration not only formally announced its withdrawal from RCEP, but also openly expressed its grievances against RCEP and the other member countries. Secondly, in the face of the dissenting voices within India, the Modi administration has long been actively arguing "why India needs to be part of RCEP" and "how withdrawing from RCEP will lead to India being isolated". However, since November last year, the focus of

the Modi administration's argument has subtly shifted to "why withdrawing from RCEP is more in the national interest of India".¹⁷

On the other hand, this process also reflects the long-standing "indecisiveness" and "capriciousness" of India on the RCEP issue. Firstly, although India has kept a positive attitude towards joining RCEP as far as its official statements are concerned, during the actual negotiation process, it has been very prudent and vigilant about lowering the threshold for market access and less willing to make compromises in this respect, which has made India a major drag on RCEP negotiations since the very beginning. Secondly, crises of India's RCEP withdrawal have taken place for several times for reasons such as India's absence from RCEP ministerial meetings and its major disagreements with other members on the coverage of tariff cuts, which indicates that India has not been determined to join RCEP and thus signs of its withdrawal from RCEP negotiations can already be witnessed long ago.

MAIN REASONS FOR INDIA'S PARTICIPATION IN RCEP NEGOTIATIONS

This paper holds that the Modi administration's interest in RCEP has been mainly based on two factors. Firstly, the potential long-term economic, political and strategic benefits that RCEP can bring to India make RCEP rather attractive to India. Secondly, in comparison to other regional trade agreements (RTAs) such as the TPP, RCEP is more in line with the realities of India's development and its pursuit of interests. It can be said that the decision of India to join RCEP is both a matter of long-term strategic planning for the Modi administration and, to a certain extent, a matter of practical necessity.

Firstly, in the context of stalled WTO negotiations, the aftermath of the economic crisis and the onslaught of the TPP, RCEP has provided an important opportunity for India to cope with the negative effects of the economic crisis and the TPP and to boost its domestic economy. The 2008 global financial crisis, which hit the international trade and world economy hard, was also a major blow to the Indian domestic economy. However, as the long-standing differences between developing countries represented by India and the United States on market access for agriculture and non-agricultural products remain difficult to resolve,

¹⁴India Decides Not to Join Mega RCEP Trade Deal as Key Concerns not Addressed, *The Times of India*, November 4, 2019, <http://timesofindia.com> (Accessed: November 4, 2019); Mie Oba, The Implications of India's RCEP Withdrawal, *The Diplomat*, November 14, 2019, <https://thediplomat.com/2019/11/theimplications-of-indias-rcep-withdrawal/> (Accessed: November 15, 2019).

¹⁵Isabel Reynolds, Japan Won't Sign China-Backed Trade Deal if India Doesn't Join, *Bloomberg*, November 29, 2019, <https://www.bloomberg.com/news/articles/2019-11-29/japan-won-t-sign-china-backed-trade-deal-if-india-doesn-t-join> (Accessed: December 6, 2019).

¹⁶Piyush Goyal to Attend 9th RCEP Intersessional Ministerial Meeting in Thailand, Press Information Bureau, Ministry of Commerce and Industry, Government of India, October 10, 2019; Ping He, India's Policy Stance on RCEP: Problems and Solutions, *International Studies*, No. 4, 2016, pp. 75-88.

¹⁷Nandini Sarma, Free Trade after RCEP: What Next for India?, *ORF Issue Brief*, No. 353, April 2020, Observer Research Foundation.

the Doha round of world trade negotiations has suffered repeated setbacks and the progress has been very slow, making the disadvantages of the existing world trading system increasingly evident. All these realities have compelled India to give more consideration to relying on regional trade agreements to boost domestic confidence and breathe new life into its economic development. Also, in comparison to other high-level regional cooperation mechanisms such as the U.S.-led TPP, RCEP, as a relatively low-level cooperation mechanism, shows more respect for the diverse economic development levels of its member countries and attaches more emphasis on capacity building, which is more in line with the realities and demands of India's domestic economic development.¹⁸ Therefore, for India, joining RCEP will not only help make up for the shortcomings and deficiencies of the WTO and cope with the negative impact of the economic crisis and TPP on the Indian economy, but it will also help attract investment in India from countries within the bloc and beyond, which could bring significant long-term economic benefits to India. These potential economic gains are one of the main driving forces behind India's willingness to engage in RCEP negotiations.

Secondly, as the focus of world economic growth continues to shift towards the Asia-Pacific region, RCEP serves as an important bridge for India to develop the Asia-Pacific market and integrate into the East Asian production networks.¹⁹ Among the RCEP members, India has signed bilateral Comprehensive Economic Cooperation Agreements (CECA) with Singapore and Malaysia respectively in 2005 and 2011, FTA with ASEAN in 2010, and bilateral Comprehensive Economic Partnership Agreements (CEPA) with South Korea and Japan in 2010 and 2011 respectively. For India, joining RCEP will not only facilitate the integration of India's bilateral trade agreements with all these trading partners and strengthen its strategic partnership with

¹⁸Sanchita Basu Das, RCEP and TPP: Comparisons and Concerns, *ISEAS Perspective # 2*, 2013, Singapore; David Nellor, TPP and RCEP: the Hare and the Tortoise?, *Gateway House: Indian Council on Global Relations*, May 20, 2015, <https://www.gatewayhouse.in/tpp-and-rcep-the-hare-and-the-tortoise/> (Accessed: November 15, 2019).

¹⁹Kyle Robert Cote, Purna Chandra Jena, India's FTAs and RCEP Negotiations, Discussion Paper, CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), September 2015; Kristy Hsu, The RCEP: Integrating India into the Asian Economy, *Indian Foreign Affairs Journal*, Vol. 8, No. 1, 2013, pp. 41-51.

ASEAN, but will also provide Indian companies with easy access to markets such as China, Australia and New Zealand. Meanwhile, RCEP can help form a multilateral trade and investment facilitation mechanism between India and the core countries in the East Asian production network (China, Japan and South Korea), thereby providing an opportunity for India to integrate into the East Asian production network and become an important link in the regional value chain.²⁰

Thirdly, RCEP is expected to serve as an important platform for India to make use of its advantages in trade in services to promote the liberalization of intraregional trade in services. In comparison to other East Asian countries such as China, although India's manufacturing industry is slightly inferior, it has a strong competitive advantage in the service sector and has been a major contributor to trade surplus in services in recent years. According to the latest statistics from the Indian Ministry of Commerce and Industry and the World Bank, India's exports of services have accounted for over 40% of its total exports. In 2018, India's trade in services contributed to 12.106% of its GDP. From April to November 2019, India's exports of services amounted to \$142.02 billion, with a year-on-year increase of 7.47%, and the trade surplus in services amounted to \$52.78 billion.²¹ Therefore, India has been seeking to achieve liberalization of trade in services among member countries through RCEP and to exchange its tariff cuts in trade in goods for commitments made by other members in liberalizing trade in services. As Ajay Dua, former Secretary of the Indian Ministry of Commerce and Industry, pointed out in an interview, one important

²⁰Ram Upendra Das and Jay Dev Dubey, "Mechanics of Intra-Industry Trade and FTA: Implications for India in RCEP", Research and Information System for Developing Countries, *Discussion Paper*, No. 190, March 2014; Amitendu Palit, *The Trans Pacific Partnership, China and India: Economic and Political Implications*, Abingdon: Routledge, 2014; Amitendu Palit, RCEP: An Indian Perspective, in Sanchita Basu Das and Masahiro Kawai, eds., *Trade Regionalism in the Asia-Pacific: Development and Future Challenges*, Cambridge: Cambridge University Press, 2016, p.170.

²¹Trade in Services (% of GDP) 2018, The World Bank Data (Open Access), <https://data.worldbank.org/indicator/BG.GSR.NFSV.GD.ZS> (Accessed Dec-ember 6, 2019); India's Foreign Trade: November 2019, Press Release, Government of India, Ministry of Commerce and Industry, December 13, 2019, https://commerce.gov.in/writereaddata/UploadedFile/MOC_63711855689109796_5_Press_Release_Nov_2019.pdf (Accessed: November 6, 2019).

reason why India hopes to become a member of the RCEP is that India believes that trade in services, its competitive advantage over other members, can be fully respected and recognized in this agreement, and that services can move within the region as freely as goods.²²

Fourthly, RCEP has created new opportunities for India to deepen its domestic political and economic reforms. With dwindling reform dividends of the economic liberalization in the 1990s, the Modi administration had to readjust the industrial structure through a new round of political and economic reforms, so as to address structural economic problems such as high fiscal deficits and high inflation rates. Thus, after Modi came to power, he not only put forward the “Brand India” strategy consisting of 5 Ts (i.e. trade, talent, tourism, tradition and technology), but also proposed many other initiatives including “Make in India”, “Digital India”, “Skills India” and so forth. For the Modi administration, RCEP can not only serve as an important channel for putting the above reform initiatives into practice, but may also enable India to stimulate new reform dividends in a more open market with the dividends of its opening-up.²³

Fifthly, joining RCEP could lay the foundation for India to pursue its “Act East Policy” and achieve its objective of becoming a great power. Upon coming to power, the Modi administration soon adapted the “Look East Policy” proposed by former Prime Minister Narasimha Rao to a more proactive “Act East Policy”, which not only expressed its willingness to strengthen cooperation with ASEAN and other East Asian countries, but also sent a signal to the world that India wants to actively integrate into the Asia-Pacific region as a major power and take part in building the regional order. In recent years, with the rapid rise of China, ASEAN, the U.S., Japan, Australia and some other countries in the Asia-Pacific region are hoping to maintain a delicate balance among regional powers by “wooing” India, which happens to coincide with India's goal of becoming a great power and marching towards the geopolitical and economic centre of Asia. Therefore, to a large extent, joining RCEP can not only help increase India's influence in the Asia-Pacific region, but can also

enable India to make good use of the strategic opportunities presented by the rise of China, thereby laying the foundation for India to achieve its goal of becoming a great power.²⁴

Based on the above analysis, it can be seen that India's participation in RCEP negotiations is not only the result of a combination of economic and political factors as well as international and domestic factors, but is also a rather ideal strategic choice for India given its current development stage and the overall international situation. That being the case, then why has the Modi administration been continuously capricious in the negotiations and eventually decided to withdraw from RCEP? Was that due to changes in objective conditions, or adjustments in India's own strategic intentions and interest preferences? Was that a matter of technical consultation or the result of political factors?

MAIN REASONS FOR INDIA'S WITHDRAWAL FROM RCEP NEGOTIATIONS

As mentioned above, India's changing policy stance on RCEP has actually two dimensions: one is the long-standing capriciousness of India as for its policy stance on RCEP, and the other is the dramatic shift of India from hoping to join RCEP to the decision to withdraw from RCEP in recent days. This paper holds that under the influence of a series of factors such as the gap between short-term economic costs and relative gains, domestic political pressure, drawbacks of RCEP itself, and the lack of mutual trust between RCEP members, India has always been doubtful about RCEP and thus has not been materially and psychologically prepared to join RCEP, which is the root cause of India's changing policy stance on RCEP and its final decision to withdraw from RCEP. The U.S.-led TPP negotiations and its possible negative impact on the Indian economy had once increased the necessity and urgency for India to join RCEP, which was why India held a significantly more positive attitude towards RCEP negotiations after the conclusion of the TPP negotiations. However, with the RCEP issue being highly “politicized” in India as well as the dramatic changes in U.S.-China relations and Asia-Pacific regional landscape under the “Trump shock”, the

²²India's World: RCEP-Challenges and Way Forward, Rajya Sabha TV, September 9, 2019.

²³Bipul Chatterjee and Surendar Singh, Why RCEP Is Vital for India, *The Diplomat*, March 3, 2015, <https://thediplomat.com/2015/03/why-rcep-is-vital-for-india/> (Accessed: November 15, 2019).

²⁴Li Li, India's FTA Strategy and Its Implications for China, *Indian Ocean Economic and Political Review*, No. 2, 2014, pp. 94-105; Hongling Yang, Study on the Feasibility and Promotion Strategy of China-India Free Trade Area, *Journal of Hebei University*, No. 5, 2012, pp. 37-39.

Modi administration's preferences for RCEP have changed significantly, which is the main reason for India's ultimate decision to withdraw from RCEP.

Firstly, India's policy stance on RCEP has been largely influenced by the changing interest preferences of the Modi administration. India has long been inconsistent and capricious in the RCEP negotiations, which is a reflection of India's repeated trade-offs between short-term and long-term interests and between absolute and relative benefits, as well as the difficulty for India to dispel its doubts about RCEP. The decision to withdraw from RCEP essentially reflects India's changing interest preferences and the lack of confidence in its own economic strength and development prospects.

Given India's relatively inferior industrial structure and weak domestic manufacturing sector, it is bound to be a long-term process to achieve leapfrog development based on "opening-up to promote reform", push ahead with industrial restructuring, and penetrate the Asia-Pacific market. While the Modi administration is well aware of the wide-ranging long-term economic, political and strategic benefits that RCEP can bring to India, it is difficult for the Modi administration to make up its mind to join RCEP due to the cost to India in the short to medium term, the gap between India and other member countries in relative gains, and the difficulty of translating short-term losses into long-term gains.²⁵ On the one hand, since India has been one of the weakest links in the regional value chain among RCEP member countries, RCEP will actually bring far less benefits to India than other members like Japan and South Korea.²⁶ On the other hand, India has long-standing trade deficit with 11 RCEP member countries such as China, which has been continuously expanding in recent years. In particular, its trade deficit with China alone has accounted for more than half of India's total trade deficit with all the 11 countries. This fact has not only attracted great attention from India, but has also led to certain

²⁵Debashis Chakraborty, Julien Chaisse, Xu Qian, Is It Finally Time for India's Free Trade Agreements? The ASEAN "Present" and the RCEP "Future", *Asian Journal of International Law*, No. 9, 2019, pp. 359-391.

²⁶Amitendu Palit, Regional Supply Chains in Asia: Examining India's Presence and Possibilities in the RCEP, *Working Paper*, CWS/WP/200/20, Centre for WTO Studies, November 2014.

political impacts within the country.²⁷ Therefore, the Modi administration is concerned that after the conclusion of the RCEP agreement, the flooding of cheap products from China and other RCEP members into the Indian market will have a huge influence on related domestic industries such as manufacturing and agriculture, and is also concerned that even if other member countries agree to lower the threshold for market access, it is still difficult for Indian products to penetrate the Asia-Pacific market quickly in the short term while India's trade imbalance may even be further exacerbated.²⁸ If domestic resources cannot be fully mobilized to effectively translate short-term economic losses into long-term gains, opening the domestic market under the RCEP framework will do more harm than good for India. It was out of these apprehensions that during the RCEP negotiations, the Modi administration mandated various research institutions, such as the Indian Council for Research on International Economic Relations, the Center for Regional Trade, New Delhi and the Indian Institute of Management Bangalore (IIM-Bangalore), to conduct repeated studies on the pros and cons of India's accession to RCEP. Thus, it can be seen that India's changing policy stance on RCEP actually reflects the process of its rational calculations on different interests. And its decision to withdraw from RCEP actually means that in this complex process of interest calculation, the interest preferences and calculation results of the Modi administration have changed significantly.

Secondly, India's policy stance on RCEP has been influenced by the domestic political and economic environment. The shift of India from active engagement in RCEP negotiations to the announcement of its RCEP withdrawal is not essentially a matter of technical consultation, but rather a consequence of the high-politicization of

²⁷Vikas Dhoot, MPs Fret over Trade Deficit with ASEAN, *The Hindu*, August 26, 2017; Debashis Chakraborty, Julien Chaisse, Xu Qian, Is It Finally Time for India's Free Trade Agreements? The ASEAN "Present" and the RCEP "Future", p. 391; Mie Oba, The Implications of India's RCEP Withdrawal, *The Diplomat*, November 14, 2019, <https://thediplomat.com/2019/11/the-implications-of-indias-rcep-withdrawal/> (Accessed: November 15, 2019).

²⁸Sreeram Chaulia, Why India Walked Away from Asia's Mega Free Trade Deal, *CNA*, November 7, 2019, <https://www.channelnewsasia.com/news/commentary/why-india-left-rejected-rcep-trade-asean-china-modi-12071704> (Accessed: April 29, 2020).

RCEP issues in India, indicating the Modi administration's weaknesses in domestic governance and its inability to balance internal and external conflicts.²⁹

Since the launch of a series of economic reforms in 2016, India's GDP growth rate has continued to decline, with widening gap between the rich and poor and surging unemployment, which has put the Modi administration under great pressure of domestic political opinion in the RCEP negotiations. Meanwhile, with the "reverse incentives" from existing bilateral FTAs, the Indian industries have also formed great policy resistance to the Modi administration on issues such as market opening and reform of rules.³⁰ Foreign media reported that in protest against a new legislation passed by the Modi administration, the All India Federation of Trade Unions launched a nationwide strike in early 2019 with the participation of up to 200 million people³¹. Worse still, just after the Modi administration made key concessions on tariff cuts in the 28th round of RCEP negotiations on 30 September 2019, the Swadeshi Jagran Manch (SJM), a nationalist economic organization affiliated with the Rashtriya Swayamsevak Sangh (RSS), launched a 10-day nationwide protest against RCEP in October, which was the first time SJM had ever launched such a massive protest against the ruling party.³² Thus, it can be

²⁹Amitendu Palit, Domestic Politics Force India's Withdrawal from RCEP and Broader Trade Disengagement, *Asia Pacific Bulletin*, East-West Center, No. 494, November 26, 2019.

³⁰Nilanjan Ghosh, FTA-fetishism to Hurt Indian Industry in the Long Run, *Observer Research Foundation*, November 16, 2015; Bipul Chatterjee and Kyle Cote, Mega Regional Trade Agreements and the Indian Economy: An Analysis of Potential Challenges and Opportunities, *World Commerce Review*, September 2015, pp. 110-117.

³¹Juan Andrés Gallardo, General Strike in India: 200 Million Workers Oppose the Government's Labor Law, *Left Voice*, January 10, 2019, <https://www.leftvoice.org/general-strike-in-india-200-million-workers-oppose-the-government-s-labor-law> (Accessed December 6, 2019); Some 200 million workers on strike against India's Prime Minister Modi, *AsiaNews.it*, August 1, 2019, <http://www.asianews.it/news-en/Some-200-million-workers-on-strike-against-India's-Prime-Minister-Modi-45915.html> (Accessed December 6, 2019).

³²Gyan Varma, RSS Affiliate Swadeshi Jagran Manch Starts 10-Day Nationwide Protest Against RCEP, *Livemint*, October 10, 2019, <https://www.livemint.com/news/india/rss-affiliate-swadeshi-jagran-manch-starts-10-day-nationwide-protest-against-rcep-11570705535646.html> (Accessed: December 6, 2019).

seen that the dramatic shift in India's attitude towards RCEP is not essentially the result of its disagreement with other members at the level of technical consultations, nor is the Modi administration completely devoid of willingness to compromise with other member countries. This paper holds that the deterioration of the political, economic and social environment in India and the "politicization" of the RCEP issue by the Indian public are the most important factors leading to the dramatic shift in the Modi administration's policy stance on RCEP. Faced with such a domestic political environment, the Modi administration has not only found it rather difficult to view RCEP in a stable manner from the perspective of long-term and economic interests, but has also been more afraid to join RCEP rashly at a time of intensified internal conflicts, which may further undermine its voter base. From this perspective, India's decision to withdraw from the RCEP negotiations is also, to a large extent, a reflection of the limited governance capacity of the Modi administration in balancing the interests of all parties within the country and easing the pressure of domestic public opinion.

Thirdly, India's policy stance on RCEP has been largely influenced by the U.S. and the TPP negotiations. The Modi administration's changing policy stance on RCEP and its RCEP withdrawal actually reflects its trade-offs between TPP and RCEP as well as the regional-policy dilemma India faces under the "Trump shock".

In July 2013, two months after RCEP members formally launched the negotiations, U.S. Vice President Joe Biden formally extended an invitation to India to join the TPP during his visit to the country. In a period since then, the Obama administration also released signals expecting India to join the TPP for several times. Although both the U.S. and India were well aware that India did not yet have the objective conditions to join the TPP, to a large extent, the invitation from the U.S. as well as the comprehensive comparison and evaluation of TPP and RCEP by India directly influenced India's performance at the early stages of RCEP negotiations. Since then, it has become increasingly clear to the Indian political, academic and business communities that, given the current industrial structure and economic development level of India, joining RCEP is more in line with India's national interests and strategic objectives. If India were to join TPP prematurely and connect the Indian market directly with the markets of developed countries such as the U.S., its domestic market would suffer more severely than if it

were to accede to RCEP. But if India were not to join TPP, the trade and investment diversion caused by TPP would have a great negative impact on the Indian economy and may even make India the biggest victim among all the non-TPP countries.³³ Therefore, stimulated by the conclusion of the TPP negotiations and urged by other RCEP members, India had to make the choice to rely on RCEP to deal with the impact of TPP on the Indian economy.

However, after Donald Trump took office in 2017, the U.S. first announced its withdrawal from the TPP in a high-profile manner, hyping up the “Indo-Pacific strategy”, and then launched a trade war with China. As a result, a series of more rapid and subtle changes began to take place in the Asia-Pacific region. In such a context, India's policy stance on RCEP changed again. For one thing, the exit of the U.S. left TPP in name only, so the urgency and necessity for India to join RCEP in order to deal with the negative effects of TPP has diminished tremendously. For the other, with the escalating China-U.S. and China-India strategic competition and the introduction of the U.S. Indo-Pacific strategy, India's doubts about integrating into the Asia-Pacific region have increased significantly. On the one hand, India was more reluctant to “pick a side” between China and the U.S. prematurely, lest it should get involved in Sino-American rivalries or regional disputes too early. On the contrary, India preferred to be able to reap the benefits of the China-U.S. trade frictions and take this opportunity to gain more foreign capital inflows. On the other hand, India was also concerned that joining RCEP prematurely would give China more “opportunities” to take advantage of India, make India more inferior in the China-India competition, and even pose a risk to its economic or political security.³⁴

Fourthly, India's policy stance on RCEP has also been influenced by the structure and process of

the RCEP negotiations. The Modi administration's long-standing misgivings about and shifting stance on RCEP has actually also reflected some of the deep-rooted drawbacks of RCEP itself, as well as the lack of mutual trust between India and other RCEP members.

The RCEP negotiations are essentially a difficult process of integrating five “10+1” bilateral FTAs under ASEAN leadership. Due to the huge gap between different member countries in the level of economic development and national strength, the existing bilateral FTAs are already significantly different from each other in terms of trade thresholds and rules of origin. To integrate these bilateral FTAs is even more difficult than re-establishing a brand new FTA, and will inevitably lead to competition of national interests and bargaining between member countries.³⁵ Yet, the lack of internal cohesion and strong economic strength as well as the pursuit of “ASEAN centrality” has limited ASEAN's ability and willingness to coordinate different interests and forge consensus among regional powers. Thus, the RCEP negotiations have been laying more emphasis on the negotiation process rather than the actual progress.³⁶ At the technical consultation level, ASEAN has been lacking sufficient clarity on core issues such as which bilateral FTA to use as a reference and how to organically integrate the five widely disparate bilateral FTAs, which has to some extent exacerbated the contradictions between India and other members. In addition, from the perspective of the process and overall structure of the negotiation, out of concerns for national information security and other considerations, RCEP has always been rather cautious about opening up the telecommunications and information services sectors. In the end, RCEP still focuses more on liberalizing and facilitating trade in goods and on eliminating tariff barriers among member countries, which falls far short of India's goal of making use of its advantages

³³Badri Narayanan, Sachin Kumar Sharma, An Analysis of Trans-Pacific Atlantic Partnership (TPP): Implications for Indian Economy, Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi, India, 2014; Golam Ahmed Faruqui, Laila Arjuman Ara, Qamruzzaman ACMA, TTIP and TPP: Impact on Bangladesh and India Economy, *Pacific Business Review International*, No. 2, 2015, pp. 59-66. Jagannath P. Panda, Factoring the RCEP and the TPP: China, India and the Politics of Regional Integration, *Strategic Analysis*, Vol. 38, No. 1, 2014, pp. 49-67.

³⁴Kristy Hsu, The RCEP: Integrating India into the Asian Economy, *Indian Foreign Affairs Journal*, Vol. 8, No. 1, 2013, pp. 41-51.

³⁵Yoshifumi Fukunaga, Ikumo Isono, Taking ASEAN+1 FTAs towards the RCEP: A Mapping Study, ERIA Discussion Paper Series, January 2013; Jing Fan and Xin Cao, Progress and Obstacles of RCEP in the Context of Regional Economic Integration and China's Countermeasures to RCEP, *Review of Economic Research*, No. 65, 2017, pp. 72-76. Junsheng Liu and Minghui Shen, Why is the Conclusion of the RCEP Negotiations Repeatedly Delayed?, *Maritime China*, No. 3, 2018, pp. 22-25.

³⁶Yuzhu Wang, The RCEP Initiative and ASEAN's “Centrality”, *China International Studies*, No. 5, 2013, pp. 46-59.

in trade in services and boosting exports of services, and has therefore resulted in India's doubts and dissatisfaction with RCEP itself.³⁷ Therefore, India's shifting policy stance on RCEP has objectively reflected the difficulty of integrating existing bilateral FTAs and the lack of strong leadership from ASEAN, and India's RCEP withdrawal is an expression of India's dissatisfaction with the negotiation results not meeting its own expectations and the agreement structure not being conducive to India.

In the meantime, there has always been a certain lack of mutual trust between India and other RCEP members, such as China and ASEAN. There have been doubts among RCEP members as to whether India belongs to the "Asia-Pacific" community as well as great disagreements as to whether regional economic cooperation should shift its focus towards the "Indo-Pacific" or insist on "Asia-Pacific" as its core. In recent years, these doubts and disagreements tend to deepen further.³⁸ On the one hand, disagreements among member countries and their varying attitudes towards India have led to greater uncertainty in the direction of regional economic cooperation. On the other hand, since India is the only South Asian country among the RCEP members, such disagreements and questioning has in turn increased India's "sense of marginalization" and "sense of geographical isolation". To a large extent, this has both increased India's doubts about its positioning in Asia-Pacific regional cooperation and undermined its confidence and determination to integrate into the Asia-Pacific region through RCEP.

IMPACT OF INDIA'S WITHDRAWAL FROM RCEP

Firstly, for India, in the short term, withdrawal from RCEP may go some way towards protecting the inferior industries in India, stabilizing the basis of domestic governance for the Modi administration, and may even give a temporary boost to some of the protected industries. But in the long

run, this move will undermine the long-term competitiveness of the Indian economy. Withdrawing from RCEP not only means that India is likely to miss out on a great chance to integrate into the Asia-Pacific market and the East Asian production network and to obtain long-term development opportunities, but also means that the Modi administration would lose an important economic foundation and vehicle for realizing its "Act East Policy" and a series of domestic economic reform initiatives. Meanwhile, India's RCEP withdrawal has also to a large extent led to the deepening of the divide between India and other RCEP members, and has undermined India's international credibility. This has not only once again reminded other members that India is not an easy partner to work with, but has also showed the world the difficulty of opening the Indian market, which may have a negative impact on investors' expectations of India's political situation and economic potentials, causing greater long-term economic losses to India.

Secondly, for the other RCEP members, India's exit has a series of complex and profound implications. First, India's exit means a significant reduction in the mutual benefits and economic opportunities between RCEP members. By far, India has only signed bilateral FTAs with ASEAN, Japan and South Korea, while ASEAN has bilateral FTAs with 5 of the other 6 RCEP member countries, plus the ongoing FTA negotiations between China, Japan and South Korea. In this context, if India withdraws completely from RCEP, the trade creation and trade diversion effects that RCEP can produce on the other 15 member countries will be very limited. In other words, even if the other 15 member countries are successful in signing the agreement, RCEP may bring far less real benefits than expected to the economies in this region. Second, India's exit means that other RCEP members such as ASEAN and Japan have failed in their attempts to make use of RCEP to align with India and counterbalance China. ASEAN may be concerned that its "centrality" in regional economic cooperation will be replaced by a rapidly rising China, thus further strengthening its guard against China. Japan may also take more steps to hedge against China's regional influence, currying favor with the U.S. while creating opportunities for India's return to RCEP, and may even deliberately delay the signing or implementation of the RCEP agreement.³⁹ Third, India's exit means that the

³⁷B.P. Sarath Chandran, India in the Regional Comprehensive Economic Partnership (RCEP)—Need for Caution, Munich Personal RePEc Archive (MPRA) Paper, No. 84201, 10 February, 2018, UTC; Arpita Mukherjee, Avantika Kapoor, India and Trade Facilitation in Services (TFS) Agreement: Concerns and Way Forward, Indian Council for Research on International Economic Relations, ICRIER Working Paper No. 347, October 2017.

³⁸Fangfei Jiang, Asia-Pacific Economic Cooperation Under the Trump Shocks: Challenges and Responses, *Economic Forum*, No. 11, 2019, pp. 52-58.

³⁹ Matthias Peer, "Indiens Absage an den Freihandelspakt RCEP spielt China in die Hände", *Handelsblatt*,

wish of China to enhance mutual trust and deepen cooperation with India under the RCEP framework will also be put on hold. Although China has become India's biggest trading partner, no bilateral FTA has been signed between them. And India is also one of the countries against the Belt and Road Initiative proposed by China. Therefore, from the Chinese perspective, RCEP could have provided a basis and platform for China and India to deepen mutual trust and cooperation, as well as creating more development opportunities for each other. India's withdrawal from RCEP not only makes the prospect of a bilateral FTA between China and India more remote, but also makes it even more difficult for China to gain India's support for the Belt and Road Initiative.

Thirdly, for the Asia-Pacific region, India's withdrawal from the RCEP negotiations is undoubtedly a major setback in the process of Asia-Pacific regional economic cooperation. The seven-year-long RCEP negotiations have led to huge material and time costs for all the member countries. India's last-minute decision to withdraw from RCEP has not only undermined the resolve of other members to conclude the RCEP negotiations and their confidence to promote Asia-Pacific regional cooperation and safeguard the multilateral international trading system, but will also have a negative impact on the future economic growth and prosperity of the region. Furthermore, while it is rather difficult for India to sign the agreement in the short term, the possibility of India returning to the RCEP negotiations cannot be completely ruled out. This therefore means that other members may have to spend more on negotiating costs in the future in order to address India's concerns and may even delay the signing or implementation of the RCEP agreement. However, on the other hand, India's RCEP withdrawal can also serve to remind the countries in this region to strengthen their efforts to summarize and reflect on the experiences and lessons learned from Asia-Pacific regional cooperation, to calmly reflect on the correct direction of regional cooperation, to strive to solve a series of deep-rooted problems of the RCEP and its member countries, and to seek models and paths that can truly promote regional cooperation and achieve mutual benefits and win-win outcomes.

November 5, 2019, <https://www.handelsblatt.com/meinung/kommentare/kommentar-indiens-absage-an-den-frei-handelspakt-rcep-spielt-china-in-die-haende/25191822.html?ticket=ST-10795672-Sc4ednu6kBigt-bfq9Khe-ap3> (Accessed: Dec-ecmber 18, 2019).

Finally, for the world economy as a whole, in the context of the Trump administration's unilateralism and trade protectionism, which are continuously weakening the foundations of the existing multilateral trading system, India's exit and the manifestation of its trade protectionist tendencies may further undermine the expectations and confidence of enterprises and investors around the world, thus having a certain negative impact on world economic growth and the stability of the entire international economic order. However, even if India were to withdraw completely from RCEP, the region covered by RCEP would still be the largest free trade area in the world. Thus, RCEP is still able to contribute to some extent to boosting market confidence and world economic growth.

EVALUATION OF THE PROSPECTS OF RCEP

India's RCEP withdrawal announced by the Modi administration indicates three different prospects for RCEP and its members. The first prospect is India's complete withdrawal, with the rest 15 member countries formally signing the RCEP agreement in 2020. The second prospect is the return of India, where the 16 member countries will continue with the negotiations, make efforts to reach a consensus and then formally sign the agreement. The third prospect is that the other 15 member countries are to formally sign the agreement in 2020 as scheduled while India can consider whether to rejoin RCEP later, as appropriate. So which of the three prospects is most likely to happen? In the author's view, in order to make a basic judgment on the prospects of RCEP, two core issues need to be clarified first, namely whether India will withdraw from RCEP altogether and whether other members will sign the agreement in India's absence.

To begin with, this paper holds that India's exit does not mean a determination of the Modi administration to completely withdraw from RCEP, with a high possibility that India would return to RCEP negotiations again, so the first prospect is less likely to occur. On the one hand, as mentioned earlier, from a long-term point of view, joining RCEP is in line with India's national interests and strategic objectives. A complete exit not only means that India is likely to miss out on a great chance to integrate into the Asia-Pacific market and gain long-term development opportunities, but also means that the Modi administration would lose an important economic foundation and vehicle for realizing its "Act East Policy" and a series of reform initiatives, which is not what Modi wants to see. In this light,

RCEP will remain attractive to India in the long run. Also, given the “cost of silence” of India’s engagement in the negotiations over the past seven years, as well as India’s pursuit of greater strategic space and international influence in this region, India is still likely to reconsider joining RCEP when the time comes.

On the other hand, the other RCEP members do not want India to withdraw completely from RCEP, which is why the Joint Leaders’ Statement issued on 4 November 2019 has reserved a large space for India’s return. Firstly, India’s accession to RCEP will bring more mutual benefits and economic opportunities to other RCEP members, especially to those that have not signed bilateral FTAs with India. Secondly, in order to dilute China’s regional influence and keep the “centrality” of ASEAN in regional economic cooperation, ASEAN and Japan are likely to create opportunities for India’s return in the future. In addition, some allies of the U.S., such as Japan, South Korea and Australia, also hope to use RCEP to further woo India and strengthen the Asia-Pacific alliance network.

It is worth noting that China is also relatively open to India’s accession to RCEP. First, China still hopes that RCEP can provide a basis and platform for the two countries to enhance mutual trust, deepen bilateral cooperation and create development opportunities. Second, China also hopes to be able to gain India’s support for pushing ahead with the Belt and Road Initiative. Third, adjustments to the United States’ China policy and the release of its Indo-Pacific Strategy Report have had a great negative impact on China’s relations with other regional stakeholders and the stability of the Indo-Pacific regional security. In this context, India’s accession to RCEP and the strengthening of Sino-Indian cooperation will play a positive role in stabilizing the surrounding environment of China and promote regional cooperation in Asia-Pacific. Therefore, overall, there is relatively less internal resistance to India’s return to RCEP within the Asia-Pacific region.

Another important factor is that for India, within the regional cooperation framework, RCEP is a strategic option more in line with India’s current stage of development in comparison to high-standard RTAs such as TPP and CPTPP. Given India’s current industrial structure and level of economic development, if India were to join TPP prematurely or connect the Indian market directly with the markets of developed countries such as the EU and the U.S., the economic losses to India would be even greater than that

of joining RCEP. Thus, the absence of better alternative options may also be one of the motivations for India to opt for a return to RCEP in the future.

Furthermore, while India is expected to return to RCEP, the third prospect is a more economical and pragmatic option than the second prospect. For one thing, given the current domestic political dilemma facing the Modi administration and the structure of the Indian economy, it will be extremely difficult for India to re-engage in RCEP negotiations and reach a quick agreement with other members in the short term. In case that other member countries decide to reach a compromise with India first before signing the RCEP agreement, it will be rather difficult to conclude the RCEP negotiations in the short run. For another, as mentioned above, the seven-year-long RCEP negotiations have led to a great deal of material and time costs for all the member countries. And in the context of the Trump administration’s trade protectionism and the escalating China-U.S. strategic competition, the world economy and the multilateral international trading system as a whole have suffered, and there has also been a great negative impact on the economic growth and development of international trade in the Asia-Pacific region. Therefore, the other 15 members taking the lead in signing the RCEP agreement will not only buy India more time for coordination and preparation and save other members the cost of negotiations, but will also provide new impetus for boosting market confidence and promoting economic growth in all countries and provide a strong shot in the arm to safeguard the international trading system.

CONCLUSION

As one of the main ASEAN-led cooperation frameworks in the process of Asia-Pacific regional cooperation, RCEP and its negotiation process has reflected the practical difficulties and challenges of Asia-Pacific regional cooperation as well as the endeavors and struggles of India and other RCEP members between the ideal and the reality. Taking into account the differences between RCEP members in terms of economic development level, political system, history and culture, as well as the unbalanced costs and benefits, policy coordination problems⁴⁰ and free riding⁴¹ that may be involved

⁴⁰The policy coordination problem mentioned in this paper mainly refers to “getting all members to agree on a particular goal or outcome and to take cooperative actions”. For studies on coordination problems in

in the cooperation, both Asia-Pacific economic cooperation and RCEP negotiations are essentially a complex process of interactions between political and economic factors and the continuous coordination and reorganization of varying national interests.

Although the Modi administration asserted that India's decision not to join RCEP was primarily out of the intention to protect related domestic industries and was mainly a matter of technical consultations among members, based on the analysis in this paper, it appears that these factors, while not to be overlooked, are not the key to India's exit. On the contrary, the deteriorating domestic political environment and the escalating international competition faced by the Modi administration as well as the changes and adjustments of its interest preferences in this context are the underlying reasons for India's withdrawal from the RCEP negotiations.

The likelihood of India rejoining the RCEP in the future remains high, considering the attitudes of both India itself and other member countries. Even if India were to withdraw completely from RCEP, the region covered by RCEP would still be the world's largest free trade area. Yet, India's exit has reflected some deep-rooted problems with RCEP and its member countries, as well as the dilemma faced by member countries in the direction of regional economic cooperation, which may be the more important issues for us to reflect on and strive to solve in the long term. More importantly, India's long-standing ambivalence in the RCEP negotiations and its decision to withdraw from RCEP essentially has reflected the "social dilemma" in the Asia-Pacific regional cooperation process⁴², namely the dilemma of choosing between maximizing individual interests and maximizing group interests faced by RCEP member countries with common interests and long-term interactions in the Asia-Pacific, a network of intertwined and complex dynamic international relations⁴³. Therefore, the key to

getting out of the dilemma of Asia-Pacific regional cooperation and steadily pushing ahead with RCEP negotiations lies in how to transform countries that seek to maximize their own interests and may choose to betray their partners at any time into countries that are willing to cooperate with each other for the sake of mutual benefits and win-win outcomes, and are willing to give up or sacrifice some short-term individual interests for the long-term common good of other partners and groups.

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