India’s Trade Policy Dilemma: RCEP and the New FTA Strategy

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India’s recalibrated strategy toward free trade agreements (FTAs) has received considerable traction in the international trade policy space. Moreover, this has reignited the debate that India needs to reconsider its decision of not joining the Regional Comprehensive Economic Partnership (RCEP). A variety of factors such as domestic political economy, legal provisions of the RCEP agreement remained a matter of India’s concerns and shaping decision not to join the RCEP. The study explores scholarly literature and analyzes key imperatives such as integration in global value chains, consolidation of existing trade agreements and shaping global rulemaking for India to reconsider joining the RCEP agreement in the context of India’s new FTA strategy. The study findings demonstrate that India’s recalibrated strategy toward FTAs has significantly changed in terms of its geographical orientation, shift to bilateral trade deals, and geopolitical orientation. However, India is unlikely to consider joining the RCEP even under its new FTA strategy.

Keywords: RCEP, India, Global Value Chains, FTA, Rules of Origin, Strategy

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All the websites cited in this article were last visited on February 18, 2023.
I. INTRODUCTION

Fifteen participating members of the Regional Comprehensive Economic Partnership (RCEP) finalized the legal text-based negotiations and signed the landmark mega-regional trade agreement after twenty-eight rounds of intense negotiations over a span of seven years. The agreement includes the ten member countries of Association of Southeast Asian Nations (ASEAN) and six other trading partners (Australia, China, Japan, South Korea, and New Zealand). The RCEP is the world’s largest trading block, constituting approximately 45 percent of the world’s population and 26 percent of the global FDI flows. The agreement owes significant economic, strategic, and geopolitical clout due to the diverse range of members and their competing and complementary interests in the Asia-Pacific region. Despite actively participating in all rounds of the RCEP negotiations, India decided to opt out of the agreement at the last stage. India’s decision was a major setback to all participating countries. Most importantly, India’s decision to opt out was a major blow to its Asia regionalism, given its alignment with the Act East Policy.¹

Several studies have explained the key reasons for India’s decision to opt out from the RCEP,² including but not limited to domestic factors and legal provisions of the RCEP. Domestic lobbying groups, mainly from the manufacturing and agricultural sectors, influenced India’s refusal to join the RCEP. The key argument was that India has a trade deficit with certain trading partners of the RCEP, especially China. India’s trade deficit with China is continuously increasing even without a formal trade agreement, thereby becoming unsustainable.³ Trade liberalization under the RCEP will further increase its trade deficit and facilitate the entry of cheap Chinese goods into the domestic market, thereby potentially affecting the domestic manufacturing sector. One of the key arguments was based on India’s unfavorable experience with its existing FTA partners such as ASEAN, Japan, South Korea, and Malaysia.⁴ Low utilization rates and lack of manufacturing competitiveness are key reasons for limited gains from FTAs.⁵

The core area of negotiations such as tariff liberalization commitments, intellectual property, e-commerce, special and different treatment, rules of origin, and investor-state dispute settlement mechanism are relatively under-researched factors behind India’s main objections to the RCEP legal text of the agreement.⁶
They were subsequently affixed and interpreted in the realm of the Self-Reliant India Mission, which ostensibly emphasizes augmenting the competitiveness of the domestic manufacturing sector but is also considered as a shift towards an insular and protectionist economy.\textsuperscript{7}

After the decision to opt out of the RCEP, India moved for course correction by reviewing its Comprehensive Economic Partnership Agreements (CEPAs) with the ASEAN, the Republic of Korea (ROK), and Japan. The rationale for that was closely associated with the neo-mercantilist export heavy capital accumulation strategy as the Indian government was dissatisfied with the growing trade deficit with India’s CEPA partners. In response to the COVID-19 induced economic downturn, the government has introduced the “Self-Reliant India” strategy. The objective of the strategy is to promote domestically manufactured goods over imported goods as the economy recovers from economic recession and gradually shifts to robust export-led growth.\textsuperscript{8}

The Self-Reliant India initiative accentuates the importance of boosting domestic manufacturing capabilities to make India a global manufacturing hub. The strategy focuses on five pillars: a) Economy; b) Infrastructure; c) System; d) Vibrant Demography; and e) Demand. The GOI has introduced an economic package of USD 265 billion (INR 20 lakh) to undertake bold reforms to reduce the cost of production (land, labor, and liquidity) and address legal and regulatory impediments.\textsuperscript{9} Furthermore, the number of policy measures in the Union Budget 2021-2022 and 2020-21 relating to international trade policy reflects a remarkable transition in the India’s policy toward international trade.\textsuperscript{10} These policy developments broadly fall under the customs domain, which include rationalization of duties in sectors such as electronics, agricultural implements, and tools. Moreover, it includes the introduction of concessional import duty on selected products to facilitate the imports of intermediate goods for export manufacturing. Import duties have been increased on few sectors such as chemical, toys, and gem jewelry, and electrical products.

The Union Budget 2021-22 has streamlined import duties and taxes on imported products; however, measures pertaining to import regulation under free trade agreements (FTAs) still exist. All these measures demonstrate the changing contours of India’s trade policy from three decades of gradual trade liberalization. Importantly, the inward orientation of trade policies was first reflected in the
budget speech of 2018–19, which led to the introduction of a “calibrated departure from the underlying economic policy of reducing customs duty.” Clearly, a need arises to boost “domestic value addition” and “safeguard the domestic industry” by discouraging import of goods, imposing technical regulations and minimum quality standards to restrict the entry of spurious products and misuse of preferential tariffs benefits.

Accordingly, India embarked on its new FTA strategy under its early harvest trade program and signed a CEPA with the United Arab Emirates (UAE) and an Economic Cooperation and Trade Agreement (ECTA) with Australia in 2022. In fact, India has also restarted its trade negotiations with the United Kingdom, Europe, Canada, New Zealand, Israel, and Gulf Cooperation Council (GCC). Within the context of the above preliminary discussion, two important interrelated questions are posed as follows. First, what are key imperatives for India to reconsider joining the RCEP? Second, how does India’s new FTA strategy approach the RCEP? Following a short introductory outline, Part two analyzes key imperatives of the RCEP for India. Part three discusses the orientation of India’s renewed FTA strategy to understand the possible scope for rejoining the RCEP. Part four summarizes the key findings.

II. IMPERATIVES OF THE RCEP FOR INDIA

India has taken a strong policy stance of not joining the RCEP because of “outstanding issues and domestic concerns” with other member countries. India can reconsider joining the agreement when the Indian economy performs relatively well compared with those of developed countries. This is imperative in the view of looming economic recession in industrialized economies such as the US and Europe. The issue of joining the RCEP is still contextual in India, and the magnitude and significance of the debate on the issue have not yet abated. The International Monetary Fund (IMF) has projected a global growth of 3.6 percent and the growth of the Indian economy at 6.3 percent in 2023. Moreover, it has projected that developed countries such as the US and Europe are on the verge of economic recession. Furthermore, countries dependent on exports to the US and Europe need suitable domestic policy interventions along with financial support.
the export sector to minimize the potential effects of the global recession. Accordingly, the following question has been posed: What are key imperatives for India to reconsider its decision to join the RCEP under its new FTA strategy?

A. Tariff liberalization Commitments

Tariff liberalization under the RCEP could provide a broad estimate of the potential economic benefits that India can leverage by joining the RCEP. The legal text of the agreement demonstrates that the RCEP follows a complex tariff schedule. Member countries have agreed to eliminate import tariffs by 92 percent over the period of 20 years, with eliminated tariffs/quotas covering over 65 percent of goods traded. Figure 1 presents substantial variations in tariff concessions across the RCEP members. Tariff reduction of countries already levying low tariffs would be supposed to be less than those of countries applying higher import tariffs. For instance, in Australia and New Zealand, the percentage of products covered by tariff concessions is low because almost all their tariffs are already at zero (98.6%).

Furthermore, tariff reduction commitments by China, Japan, and the ROK are significant in terms of coverage due to their relatively high import tariffs as they currently impose. On average, the RCEP concessions by China and the ROK have approximately 20 percent of their HS 6-digit lines for an average import tariff reduction of almost 10 percent points. Japan’s tariff reduction commitments are notably smaller than those of China and the ROK in terms of coverage and magnitude. Table 1 showcases a comparative chart on tariff concessions before and after the RCEP.
Table 1: Tariff Concessions among the RCEP Members

<table>
<thead>
<tr>
<th></th>
<th>Pre RCEP</th>
<th>RCEP concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of lines with zero tariff</td>
<td>Percentage of lines with non-zero tariffs</td>
</tr>
<tr>
<td>ASEAN</td>
<td>91.1</td>
<td>8.9</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>98.6</td>
<td>1.4</td>
</tr>
<tr>
<td>China</td>
<td>71.6</td>
<td>28.4</td>
</tr>
<tr>
<td>Japan</td>
<td>79.5</td>
<td>20.5</td>
</tr>
<tr>
<td>South Korea</td>
<td>70.4</td>
<td>29.6</td>
</tr>
</tbody>
</table>

Source: Compiled by the author

Further, India has already eliminated import tariffs on 90 percent tariff lines with ASEAN, Japan, and South Korea and in a recently negotiated ECTA with Australia. This essentially means that India’s tariff structure with FTA partners aligns with the tariff structure of the RCEP agreement. However, the potential benefits of tariff liberalization at a regional grouping *vis-a-vis* bilateral trade agreement vary significantly. In the global value chains (GVCs), inputs traverse multiple times, escalating the costs of production at each crossing border. Therefore, the gains from tariff liberalization among FTA member countries become significant for GVCs than bilateral trading arrangements. In addition, the gains from tariff liberalization and the elimination of non-tariff barriers under the RCEP will augment the growth of value chain-led trade.

Goods produced in value chain-led trade are subject to different types of technical standards at different stages. These technical standards often act as a barrier in value chains and affect the seamless movement of goods across borders. Provisions concerning non-tariff barriers under the RCEP will ensure transparency and greater predictability of the movement of goods across multiple borders, thereby contributing to the growth of trade. The potential trade gains of value chain-led connections are especially significant in the RCEP region. A study by
the UNCTAD (2021) revealed that intra-RCEP trade constituted approximately 50 percent of the total trade of the RCEP members, reaching nearly USD 2.3 trillion or 13 percent of global trade in goods. China, Japan, South Korea, and a few ASEAN countries are key anchors to the rapid growth of intra-regional trade.

The implementation of the RCEP will further facilitate the integration of smaller economies in intra-regional trade. Therefore, India should reconsider joining the RCEP agreement as the cumulative gains of trade and investment are generally higher than those for an individual trade agreement. Moreover, this creates potential opportunities to integrate into regional value chains.

B. Deep Provisions and Value Chains

The RCEP brings some of the most dynamic economies, including developed and developing countries, in a trading bloc, thereby supporting GVC trade. It enables the inclusion of upstream and downstream economies other than direct trade partners, which will contribute to formulating uniform trade rules and principles. One of the main arguments against India’s joining the RCEP was that it has FTAs nearly with all RCEP member countries (ten ASEAN countries, Japan, and South Korea). This argument lacks substance owing to the depth and breadth of the RCEP vis-à-vis India’s individual FTAs with these countries.

The RCEP is a deep trade agreement as it contains trade issues that are WTO extra and WTO plus in nature. The goal of deep grade agreements integration beyond trade. These include digital trade, government procurement, investor dispute settlement, regulatory harmonization coherence, labor, environmental issues, gender issues, and so on. Horn defined deep provisions as those that appear in multilateral agreements but are much stronger than preferential trade agreements (PTAs). Examples of WTO plus provisions include trade-related investment measures, trade-related intellectual property rights, services, public procurement, and anti-dumping. Deep provisions in a trade agreement influence ways in which firms transact, invest, work, and ultimately develop. Orefice and Rocha observed a positive relation between deep provisions and the expansion of GVC-led trade. After considering other PTA determinants, they demonstrated that a 10 percent increase in the share of production network trade over total trade increases the depth of an agreement by approximately 6 percentage points.

Bruhn provided a slightly different perspective on deep trade agreements and
GVC integration. She contended that deep provisions in trade agreements are vital for the growth and development of the GVCs. Moreover, deep provisions entail many complex policy issues, containing an economic governance architecture that complements local institutions. Accordingly, their role in integration into international production networks cannot be overemphasized. Laget et. al argued that the depth of the legal framework of a trade agreement matters to increase bilateral trade and investment flows and integrate value chain networks. Deep trade agreements contribute to higher and deeper trade as well as investment linkages between FTA partners. Furthermore, firms participating in value chain-led trade prefer deep trade agreements for sourcing their intermediate inputs due to greater predictability and transparency.

Given that the RCEP contains deep provisions, its potential benefits can never be underestimated in terms of fostering trade and investment nexus and enabling GVC integration. India’s participation in GVCs in terms of backward and forward participation is sub-optimal. The OECD database also confirms the same (Figure 1).

**Figure 1: India’s Comparative GVC Participation**

![India’s Comparative GVC Participation Chart](chart.png)
Similarly, Mitra et. al documented that India trails behind most economies when ranked according to the backward participation ratio (BPR) and occupies a middle position when ranked according to the forward participation ratio (FPR). India witnessed the highest drop in GVC participation between 2010 and 2017.\textsuperscript{23} India’s foreign value-added content of exports was 10 percent in 1995 and reached to 22 percent in 2009. This value illustrates an increased global fragmentation of production and integration into GVCs. (Figure 2)

Palit analyzed India’s participation in the RCEP-led value chains and demonstrated that India’s participation in both backward and forward participation is the lowest among the RCEP countries (though it has some value chain linkages in some sectors such as textiles, electrical, and automotive).\textsuperscript{24} These findings were further corroborated by Kumar, who revealed that India’s forward and backward participation in the RCEP led to value chains reflecting upward trends.\textsuperscript{25} The most notable feature of India’s linkages with the RCEP value chains is that its forward participation is higher than its backward participation. Ray and Milgani argued that the low participation of the Indian manufacturing sector in GVCs is due to its greater emphasis on the domestic market and the absence of lead firms. India has horizontal and vertical policies in place to support the participation of Indian firms...
in GVC.\textsuperscript{26} However, GVC-specific policies are still inadequate, which are usually considered by lead firms to take their sourcing decisions.

Mitra et.al used a multi-regional input–output database to understand the key factors of GVC participation across agriculture, manufacturing, and service sectors.\textsuperscript{27} The authors concluded that India could enhance its GVC integration through reduction in tariffs, efficient customs clearance, quality infrastructure, robust trade and related institutions, investment in skill development, and liberal labor laws.\textsuperscript{28} This can only be achieved through domestic reforms. The trade agreement with deep provisions helps member countries to drive domestic reforms despite considering the potential chilling effects in some cases on domestic regulatory space. The low-level participation of India in GVCs and in the RCEP value chains makes a compelling case for India to join the RCEP agreement, which is centrifugal and centripetal to GVC-led trade. The RCEP will further intensify the established dense regional production network. Furthermore, the depth and breadth of the RCEP agreement will help Indian firms to penetrate RCEP-led value chains and encourage firms from the RCEP region to explore India for their assembling activities.

Moreover, Rebecca and others showcased that non-tariff provisions in deep trade agreements tend have significant impact on trade in services than trade in goods.\textsuperscript{29} This study is relatively significant in the context of India’s economy and its participation in the services negotiations at the WTO. India has progressed from the initial position of leading the group of countries opposing the liberalization of services in the Uruguay round trade negotiations to its current position wherein it has become one of the major players in trade in services. Accordingly, joining a deep trade agreement such as the RCEP might even boost India’s current contribution to GDP and total exports in terms of trade in services. In 2014, India ranked 6th in commercial services exports in the world and 9th in commercial services import. In addition, the data reveal that India’s trade balance in services has exponentially increased since 2014 (Figure 2). These factors are potential imperatives for India to join the RCEP.
Table 2: India’s Trade in Services with the World

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade Balance</th>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade Balance</th>
</tr>
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<tbody>
<tr>
<td>1991</td>
<td>4.9</td>
<td>5.9</td>
<td>-1.0</td>
<td>2003</td>
<td>23.9</td>
<td>24.9</td>
<td>-1.0</td>
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<tr>
<td>1992</td>
<td>4.9</td>
<td>6.7</td>
<td>-1.8</td>
<td>2004</td>
<td>38.3</td>
<td>35.6</td>
<td>2.7</td>
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<tr>
<td>1993</td>
<td>5.1</td>
<td>6.5</td>
<td>-1.4</td>
<td>2005</td>
<td>52.5</td>
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<tr>
<td>1994</td>
<td>6.0</td>
<td>8.2</td>
<td>-2.2</td>
<td>2006</td>
<td>69.7</td>
<td>58.7</td>
<td>11.0</td>
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<td>1995</td>
<td>6.7</td>
<td>10.3</td>
<td>-3.6</td>
<td>2007</td>
<td>86.9</td>
<td>70.8</td>
<td>16.1</td>
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<tr>
<td>1996</td>
<td>7.2</td>
<td>11.2</td>
<td>-4.0</td>
<td>2008</td>
<td>107.1</td>
<td>88.3</td>
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<td>124.7</td>
<td>14.2</td>
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<td>19.2</td>
<td>-2.5</td>
<td>2012</td>
<td>146.1</td>
<td>128.8</td>
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<td>20.1</td>
<td>-2.8</td>
<td>2013</td>
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<td>126.6</td>
<td>22.0</td>
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<tr>
<td>2002</td>
<td>19.5</td>
<td>21.0</td>
<td>-1.5</td>
<td>2014</td>
<td>156.8</td>
<td>127.5</td>
<td>29.3</td>
</tr>
</tbody>
</table>

C. Consolidation of Existing PTAs

The RCEP provides an opportunity for India to consolidate its multiple trade agreements signed bilaterally or regionally. Within the RCEP grouping, India has FTAs with 13 countries: ten ASEAN countries, South Korea, Japan, and Asia Pacific Trade Agreement. In addition, India has bilateral trade agreements with Thailand, Singapore, Malaysia and Indonesia. These trade agreements have contributed to the proliferation of overlapping trade provisions and generated the “spaghetti bowl effect.” The multiplication of trade provisions through different FTAs and PTAs contributes to more complexities and potential risks of policy-induced distortions. This issue deserves attention and needs more elaboration in the realm of India’s Rules of Origin (RoO) provisions in its trade agreements. India has embraced a general and conservative strategy toward RoO in the FTAs signed until now. Its approach toward RoO commitments vary considerably across trade agreements. It has used dual RoO criteria in its trade agreements. This includes “value addition” and “change in tariff classification/change in tariff subheading.” The value addition criteria in its trade agreements using locally
produced inputs have hovered around 35 to 40 percent of the final value of the product.

Likewise, there has been no single rule governing the change in tariff classification. India used a change in tariff classification at the 8-digit level (Change in Tariff Subheading) in its FTAs with ASEAN, Japan, Malaysia, and Korea and used for a change at the 6-digit level (Change in Tariff Heading) in the FTAs with Singapore and Thailand. This implies that India has insisted on the concurrent satisfaction of value addition and change in tariff classification. Furthermore, it has avoided adopting a uniform approach to RoO. Divergent value addition and classification-related requirement have far-reaching implications for firms operating in value chain-led trade. For instance, a firm exporting to different FTA partners will have to comply with different value addition and classification requirements to comply with RoO. This increases the cost of compliance for firms but compels them to set up different production lines, thereby escalating the cost of production. In this context, the RCEP provides an opportunity for India to assimilate its trade agreements under the RCEP, thereby enabling the participation of Indian firms in GVCs.\(^3^3\)

A mega trade pact like the RCEP facilitates a convergence of trade rules and principles across participating countries, so that it aids the movement of raw materials, intermediate inputs, and final products across multiple borders. The 15 RCEP countries agreed on a set of cumulative and common RoO that enable the member economies to be recognized as one economic entity and are consistent with the goal of deeper regional value chain integration. The harmonization and standardization under the RCEP will contribute to trade regionalization, a primary trend in GVC reconfiguration and relocation in Asia.\(^3^4\) In this context, India needs to reconsider joining the RCEP to become part of GVC realignment. It will contribute to India’s “Supply Chain Resilience Initiative” with the regional economies of Japan and Australia, providing a significant economic clout in the region and further consolidating the process of East Asian regional economic integration. Most importantly, India can certainly address the issue of overlapping trade agreements as well as speed up its efforts for regional integration with East Asian countries.
D. The RCEP-led Global Rulemaking

The rulemaking efforts at a regional level through the RCEP will have a strong bearing on multilateral trade rulemaking. These rules could serve as a template for making rules at the multilateral level. As an institutionalized body with a secretariat, staff and platform, the RCEP provides an opportunity to member countries to explore possible options to widen the RCEP agenda. This platform enables members to begin discussions on issues such as artificial intelligence, digital currency, and blockchains as they are so far not covered under the RCEP. These discussions will certainly attribute to the development of potential rules to facilitate trade within the RCEP member countries. Moreover, the institutional effects of the RCEP need to be undermined as new trade dynamics in the region, and a new set of issues find a place in expanding trade sphere. Given the WTO’s crisis, countries across Asia-Pacific prefer to engage through regional frameworks such as the RCEP to address trade impediments and enhanced market access. A mega-regional agreement such as the RCEP and its institutional legacy should contribute to developing trust, creating standards, and fixing gaps among others. India needs to recognize the benefits of the RCEP in influencing the rulemaking at the regional and multilateral levels.

III. India’s Changing FTA Strategy and the RCEP

After a decade of disenchantment with FTAs and opting out of the RCEP, India has begun a robust and active strategy for new FTAs, entering into one of the most “FTA-engaged” countries in the world. This strategy is aimed at transforming India’s image from a slow negotiator to a deal breaker in trade agreements. Furthermore, it signals that India’s manufacturing and services industry is confident and ready to compete internationally. Broadly, a combination of factors influences India’s newfound enthusiasm for FTAs. India is trying to safeguard its supply chains and diversify sources of imports given COVID-19-led global supply chain disruptions. This has flagged serious concerns and the need for diversifying its sources of critical products such as chemicals, bulk drugs, and edible oils. This has created the thrust for identifying alternative suppliers in the global market. Furthermore, the industrial policy initiatives of developed economies such as the
US, the UK, Europe, Australia, and Canada, who began to address their global supply chain concerns and adopt policies that reduce trade reliance on China, have further supported India’s interest in FTA.  

This extends new economic and trade opportunities for India to evolve as an alternative supplier of manufacturing products and capitalize on this development. This creates the need to develop strong economic, strategic, and trade relations with these developed economies through bilateral trade pacts. In addition, the remarkable export performance of India in 2021-22 has played a vital role in shaping India’s interest in free trade deals. India’s exports have increased from USD 290 billion in 2020-21 to USD 417 billion in 2021-2022, reflecting an increase of more than 40 percent on an annual basis. As part of its broader Self-Reliant India Initiative, India has set an ambitious export target of USD 1 trillion by 2030. In addition, India understands that it is not a member of the two mega-regional trading blocs—the RCEP and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This would close avenues for duty-free market access in these economically growing markets. However, India has free trade agreements with a few member countries of both these mega-regional trade agreements. In this regard, fundamental concerns exist regarding the erosion of market access due to the aggregate impact of mega-trade agreements and their ability to divert the geography of value chains, thereby displacing Indian firms from the existing production networks.

Table 1 demonstrates the list of countries with which India has negotiated FTAs or is negotiating under a new FTA strategy. India’s FTA architecture has shifted from East to West, Central Asia, and African region. This reflects that India is gradually moving away from its Act East Policy, which emphasizes fostering deep trade and investment linkages. The linchpin of this transition is India’s need to determine credible and reliable supply chain partners who help address its supply chain vulnerabilities. Furthermore, India is shifting its regional trade agreements to bilateral trade agreements as its economic size and geopolitical weight provides significant capabilities to reconcile competing domestic interests in bilateral negotiations. It facilitates necessary carve-outs for its most politically sensitive sectors. The selective features of bilateral agreements are politically advantageous as it enables opting out of suitable FTA partners and protecting the interest of local businesses through exemptions, thereby managing national and
India’s Trade Policy Dilemma

protectionist ire.

Table 3: India’s Recently Concluded FTAs and FTAs under Negotiation

<table>
<thead>
<tr>
<th>No</th>
<th>Title</th>
<th>Status</th>
<th>Geographical Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India-Australia ECTA</td>
<td>Signed</td>
<td>Pacific</td>
</tr>
<tr>
<td>2</td>
<td>India-United Arab Emirates Comprehensive Economic Partnership Agreement</td>
<td>Signed</td>
<td>Middle East</td>
</tr>
<tr>
<td>3</td>
<td>India-Canada Comprehensive Economic Partnership Agreement</td>
<td>Under-negotiations</td>
<td>West</td>
</tr>
<tr>
<td>4</td>
<td>India-UK Enhanced Trade Partnership</td>
<td>Under-negotiations</td>
<td>West</td>
</tr>
<tr>
<td>5</td>
<td>India-Eurasia FTA</td>
<td>Under-negotiations</td>
<td>Central Asia</td>
</tr>
<tr>
<td>6</td>
<td>India-EU Broad-Based Trade and Investment</td>
<td>Under-negotiations</td>
<td>West</td>
</tr>
<tr>
<td>7</td>
<td>India-Gulf Cooperation Council</td>
<td>Under-negotiations</td>
<td>Middle East</td>
</tr>
<tr>
<td>8</td>
<td>India South African Customs Union PTA</td>
<td>Under-negotiations</td>
<td>Africa</td>
</tr>
<tr>
<td>9</td>
<td>India New Zealand FTA</td>
<td>Under-negotiations</td>
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</tr>
</tbody>
</table>

Source: Compiled by the author.

Importantly, India’s renewed orientation toward FTA is changing from traditional issues of market access to much more comprehensive trade agreements. India’s FTAs with the UAE and Australia are a mix of traditional and modern elements. The India-UAE CEPA, which was concluded in less than three months, demonstrates the changing mindset of Indian policymakers as well as diplomatic outreach. Moreover, it reflects how India’s global policy orientation has changed post-pandemic outlook as it emphasizes concluding FTAs as a catalyst for higher economic growth and development.

The India-UAE CEPA is comprehensive and deep in nature. India reduces its import tariffs on 64.6 percent of tariff lines from the date of enforcement. UAE eliminates import tariffs on 97 percent of products, constituting 99 percent of
India’s exports to UAE. The India-UAE CEPA includes areas like government procurement, digital trade, and intellectual property rights. Similarly, the India-Australia ECTA is an interim agreement that proposes a significant reduction in import tariffs. Australia provides 100 percent market access to all Indian products over the next five years, covering almost 97 percent of India’s exports. India extends significant market access of 85 to 90 to Australian products in the Indian market. The India-Australia ECTA contains provisions relating to financial services, government procurement, dispute settlement, trade remedies, mutual recognition arrangement, visa relaxation for Indian students, and specific provisions for pharmaceutical sectors.

India’s changed orientation of FTA may be attributed to its evolving geo-economics and geopolitical developments. This is easily traceable in India’s recently concluded trade negotiations. India’s CEPA with the UAE and Australia have geostrategic and geopolitical aspects, considering the fact that both FTA partners are members of the two Quadrilateral Security Dialogue (QUAD) which is a strategic and security dialogue among countries that share common strategic and security concerns. The Western QUAD include Israel, India, the UAE, and the US. The Eastern QUAD comprises Australia, India, Japan, and the US. India’s inking of the FTAs with important geopolitical partners such as the UAE and Australia brings a transformative change in its “conservative protectionist image”, which has developed due to India’s last-minute decision to opt out of the RCEP. Furthermore, with these trade agreements, India signals its strategic partners that its foreign policy stance on the Russia-Ukraine War need not be recognized as if it is taking the side of a Russia-led alliance.

The India-UAE CEPA is part of a broader strategic realm associated with the Western QUAD. It lays the foundation for strong economic and strategic with the Western neighbors that cater India’s interests of getting into trade agreements without China’s presence. This agreement could act as a template for a comprehensive trade agreement with the Gulf Cooperation Council. This would also strengthen India’s economic, trade, and strategic relations with Gulf economies subsequently with West Asia, Africa, and even the CIS region.

The India-Australia ECTA is an interim trade agreement aimed at enhancing bilateral trade and investment ties. The agreement is an integral part of broader geostrategic milieu in which India and Australia want to curtail their economic and
trade dependence on China. Australia’s relations with China, its largest trading partner, are highly tensed due to “political meddling and sparring over the origins of COVID-19.” Relations were further deteriorated by Chinese ban on Australia’s exports such as barley, grain, beef, coal and among others. India’s looming trade deficit with China coupled with a military confrontation at the Himalayan border have forced India to re-evaluate its economic relations with China and explore new strategic trade partnership. This contributed to a significant convergence between Indian and Australian strategic imperatives that underlines the significance of a level playing relations with China. Both countries are working in direction to address their geostrategic challenges on the bilateral front. India, Australia, and Japan have launched a Supply Chain Resilience Initiative in 2021 to manage their supply chain risks by mapping out economic and trade complementarities. India has made an attempt to balance its geostrategic interest vis-à-vis trade interest by promoting bilateral trade with the UAE and Australia, thereby strengthening trade and investment ties. The ratification of the India-Australia CEPA by the Australian Parliament will further deepen economic engagement between the two economies. It will be finally nurturing new avenues of growth beyond traditional trade.

IV. Conclusion: Can India Rejoin RCEP under its New FTA Strategy?

The analysis in this study has highlighted the major objections of the Indian government for joining the mega deal of RCEP. In no way has the paper endeavored to question India’s stance for not joining the RCEP. The cited literature justifies India’s initial position with respect to the RCEP. However, the paper has attempted to deconstruct India’s current position in terms of its foreign trade policy orientation by venturing into an inquiry as to whether it is feasible for India to rejoin the RCEP at a point considering various factors and imperatives that may bring potential benefits for India under the RCEP arrangement. In this context, the authors have delved into understanding India’s current FTA strategy and how possibilities of engaging with the RCEP can be discovered under the same.

The article has tried to demonstrate the relevance of the various imperatives
discussed and deliberated upon in Part II of this paper in understanding and analyzing India’s position vis-à-vis RCEP. Although India broadly did not accept the RCEP deal owing to domestic concerns, the four major imperatives discussed highlighted how joining the RCEP may bring benefits to India in its domestic space. First, India’s tariff structure with most of its FTA partners aligns with the tariff structure of the RCEP. Moreover, gains from tariff liberalization and limitation of non-tariff barriers under the RCEP have the potential to augment value chain-led growth for India. Second, the deep provisions of the RCEP arrangement boost GVC-led trade growth for any country, including India. Further, it has been showcased how deep provisions of the RCEP further support the services trade sector of India. On similar lines, it has been demonstrated how engaging with the RCEP would result in a fruitful and comprehensive rule making at regional level and ease the exercise of consolidation of existing FTAs for India, thereby reducing the multiplicity of rules. Part III of this paper has highlighted how India’s renewed interest in its FTAs has marked a major shift in its external policy.

India’s newfound enthusiasm for FTAs is shaped by a combination of factors: initiatives to safeguard its supply chains and diversify sources of imports; industrial policy initiatives of developed economies such as the US, the UK, Europe, Australia, and Canada who are introducing policy interventions to address their supply chain concerns and adopting policies that lessen economic and trade dependence on China; the export performance of India in 2021-22; shift from approaching FTA’s in terms of traditional issues of market access to more comprehensive provisions; and India’s evolving geo-economics and geopolitical developments. An analysis of the new FTA strategy adopted by India indicates that India is on road to undertake capacity building of its manufacturing and services sector and emerge as an alternative supplier of goods in the global market, especially in developed economies such as the US, the UK, Europe, Australia, and Canada. This FTA strategy seems to be in line with India’s Self-Reliant Mission.

Under the Self-Reliance Program, the GOI continues to introduce import monitoring mechanism, quality standards, anti-dumping and safeguard measures, and rules for monitoring imports under FTAs. The well-established fact is that the GOI has used trade policy instruments to protect the domestic industry, and it has extensively relied on using non-tariff measures vis-a-vis import tariffs. More
specifically, it has introduced import monitoring mechanisms, quality control orders (omnibus technical regulations), and changes in provisions relating to RoO to restrict imports through FTA partners to regulate imports under the Self-Reliant India. The analysis of each measure demonstrates that India’s reliance on these measures is aimed at restricting imports.\[^{54}\] India’s efforts to monitor imports through an import monitoring mechanism is largely aimed at monitoring imports but restricting imports of specific product items under the self-reliant umbrella.

To this extent, India’s trade policy may seem trade restrictive under the Self-Reliant Mission. This also conforms with India’s current FTA strategy where India is endeavoring to become a potential supplier and not an equivalent importer. In the beginning section of this paper, the article had highlighted how India’s objection to joining RCEP is grounded on its situation of trade deficit with some partners of RCEP such as China. In this context, trade liberalization under RCEP will further increase its trade deficit and facilitate the entry of cheap Chinese goods into the domestic market. This would potentially affect the domestic manufacturing sector, which would not be in line with the goals of the self-reliance exercise of the Indian government.

In addition, under the Self-Reliance Initiative, India is focusing more on its export performance. Safeguarding supply chains and diversifying sources have been major factors behind India’s FTA drive. The article argues that this drive may not get a hospitable response under the RCEP arrangement. Hence, although the RCEP member countries have indicated that the door for India remains open in the Partnership, it is important to acknowledge that there is no assurance whether member countries would consider India’s entry in the RCEP with relaxed conditions and in line with its new trade policy orientation. Hence, it might become challenging for India to join the RCEP deal given the current policy.

Received: Dec. 20, 2022
Modified: Jan. 15, 2023
Accepted: Feb. 20, 2023
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