POWER DYNAMICS IN THE ASIA-PACIFIC:A GAME THEORETIC FRAMEWORK FOR ANALYZING INDIA-CHINA INTERNATIONAL TRADE RIVALRY

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I. Introduction

The trade orientation and economic growth of the two Asian economic giants, namely China and India, have received the close attention of the researchers over the last two decades.[1] The two neighbors, characterized by a dynamic growth path, represent a vast market and accounts for a significant proportion of the world production.[2] It is recognized that the growth patterns of the two economies significantly influence global economic currents.[3] The literature on possible mutual cooperation between the two giants is, however, mixed. On one hand, it has been held that both the countries would be better off if they collaborate in several negotiating aspects of the multilateral

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[1] *See generally* Enrico Marelli & Marcello Signorelli, *China and India: Openness, Trade and Effects on Economic Growth*, 8 EUR. J. COMPAR. ECON. 129, 130 (2011).

[2] Swaran Singh, *China-India Bilateral Trade: Strong Fundamentals, Bright Future*, 62 CHINA PERSPECTIVES 1 (2005), *available at* https://journals.openedition.org/chinaperspectives/2853 (last visited Oct. 15, 2021).

[3] *See generally* T. N. Srinivasan, *China, India and the World Economy*, 41 ECON. & POL. WKLY. 3716 (2006).

forums, i.e., the World Trade Organization (WTO).[4] On the other hand, the growing outward orientation might make the two countries competitors, in turn overshadowing the potential welfare benefits arising from cooperation.[5]

Rich literature has emerged on the operational challenges related to the adverse balance of trade resulting from trade liberalization, particularly in the developing countries.[6] Recently, with increases in the number of industrial economies, an interesting dynamic in the trade balance pattern of countries has been witnessed.[7] The Sino-Indian bilateral trade relationship is no exception to this global trend. China and India have witnessed a growing volume of bilateral trade for the past four decades, but the gains from trade have been favorable towards China.[8] For instance, from 2001 to 2020, the trade deficit of India against China increased from – 0.90 USD billion to -39.79 USD billion respectively. [9] The growing bilateral trade deficit can be explained by the tough competition in the Chinese market from the ASEAN players and the specialization by the Chinese players in more value-added product segments vis-à-vis India.[10]

The Sino-India trade patterns may take yet another interesting turn in the post-COVID-19 pandemic period. With the recourse to export restrictions at times in response to the domestic supply-related

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[4] Julien Chaisse & Debashis Chakraborty, *Identifying Mutual Interest Areas at WTO: A Sino-Indian joint Perspective*, 41 CHINA REP. 267, 267-77 (2005).

[5] Betina Dimaranan, Elena Ianchovichina & Will Martin, *China, India, and the Future of the World Economy: Fierce Competition or Shared Growth?* (World Bank, Working Paper No. 4304).

[6] *See generally* Ashok Parikh, *Relationship Between Trade Liberalization, Growth, and Balance of Payments in Developing Countries: An Econometric Study*, 20 INT'L TRADE J. 429 (2006); *see also* IMF, *The Impact of Trade Liberalization on the Trade Balance in Developing Countries*, ECON. STUDY (June 2010)

[7] WORLD BANK, WORLD DEVELOPMENT REPORT 1987, 1-11 (1997).

[8] Singh, *supra* note 2, at 2.

[9] *Id.* at 3; PTI, *India's trade deficit widened with 25 major countries in 3 years*, ECON. TIMES (2019), *available at* https://economictimes.indiatimes.com/news/economy/foreign-trade/indias-trade-deficit-widened-with-25-major-countries-in-3-years/articleshow/70060617.cms (last visited Nov. 8, 2021).

[10] Amitendu Palit & Shounkie Nawani, *India-China Trade: Explaining the Imbalance*, (Institute of South Asian Studies, National University of Singapore, Working Paper No, 95, Oct. 2009).

challenges, the trade balances of a country might get affected adversely.[11] In the aftermath of the recent China-India border skirmishes on line of actual control (LAC)[12], Indian exports to China rose, while imports from the dragon declined. As a result, the trade imbalance faced by India vis-à-vis China witnessed a decline to reach a five-year low level.[13] An inclination has been noticed in India to restrict the flow of Chinese imports, likely geared to restrict dumping, apart from the political concerns.[14] The recent slump in India's imports from China stands at -10.8% year-on-year basis.[15] As yet, there is a dearth of evidence suggesting that India's import dependence on China has been replaced by

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[11] *Notification No. 1/2015-2020,* GOVERNMENT OF INDIA MINISTRY OF COMMERCE & INDUSTRY (2021), *available at* https://content.dgft.gov.in/ (last visited Nov. 8, 2021).

[12] Vijay Gokhale, *The Road from Galwan: The Future of India-China Relations*, CARNEGIE INDIA (Mar. 10, 2021), available at https://carnegieendowment.org/files/Gokhale_Galwan.pdf (last visited Nov. 8, 2021).

[13] David Fickling, *The Most Troubling China-India Conflict Is Economic,* BLOOMBERG QUINT (June 19, 2020), *available at* https://www.bloombergquint.com/opinion/india-and-china-need-to-rebuild-economic-ties-to-stave-off-war (last visited Nov. 8, 2021); Ananth Krishnan, *India's trade with China falls in 2020, deficit at five-year low*, HINDU (Jan. 16, 2021), *available at* https://www.thehindu.com/business/Economy/indias-trade-with-china-falls-in-2020-deficit-at-five-year-low/article33581648.ece (last visited Nov. 8, 2021); *see also* Alyssa Ayres, *The China-India Border Dispute: What to Know*, COUNCIL ON FOREIGN REL. (June 18, 2020), *available at* https://www.cfr.org/in-brief/china-india-border-dispute-what-know (last visited Nov. 8, 2021) ("[t]he blanket calls to boycott Chinese products have gained some mass appeal in India, but the government may take further steps, such as increasing scrutiny on inbound investment from China, similar to the Committee on Foreign Investment in the United States (CFIUS) review process."); *see also* Julien Chaisse, *Demystifying Public Security Exception and Limitations on Capital Movement-- Hard Law, Soft Law and Sovereign Investments in the EU Internal Market*, 37(2) UNIV. OF PA. J. INT'L L. 583 (2015).

[14] Rajeev Jayaswal, *Ban on China imports: Possible Spike in Dumping a Concern*, HINDUSTAN TIMES (Aug. 11, 2020), *available at* https://www.hindustantimes.com/india-news/ban-on-china-imports-possible-spike-in-dumping-a-concern/story-OgNY7mG4eF3l9kWwHruExN.html (last visited Nov. 8, 2021).

[15] *See* Krishnan, *supra* note 14 ("India's imports from China accounted for $66.7 billion, declining by 10.8% year-on-year and the lowest figure since 2016.").

other countries or by increased domestic production.[16] Conversely, in the pharmaceutical sector the dependence of the Indian formulation segment on Chinese Active Pharmaceutical Ingredient (API) exports have come to the forefront. Whether 2020 should be considered as an exceptional year or mark the turning point from the existing pattern of Sino-Indian trade needs to withstand the test of time.

The 2019-20 period witnessed yet other dynamics in the Sino-Indian trade relationship. While most of the Asian countries are partnering each other with at least one 'deep' regional trade agreement (RTA), China and India are connected only through the provisions of Asia-Pacific Trade Agreement (erstwhile Bangkok Agreement), notified to WTO under Enabling Clause in 1976, which has only a limited trade coverage.[17] From 2013, the two countries became part of the Regional Comprehensive Economic Partnership (RCEP) negotiations, which was expected to integrate the key players in Asia-Pacific (Australia, New Zealand) with East (China, Japan and South Korea), Southeast (ten Association of Southeast Asian Nations member countries, i.e., ASEAN) and South (India) Asian regions. RCEP has often been dubbed as the 'ASEAN+6' arrangement, given ASEAN's bilateral preferential trade relationship with all other six partners. The formation of the trade bloc, with ASEAN at the core, has been recognized as a triumph of ASEAN's 'middle-power diplomacy'.[18] Interestingly, the keen interest of China in

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[16] *Trade With China: 'India Still Engaged, But Looking at Domestic Manufacturing*, WIRE (Jan. 30, 2021), *available at* https://thewire.in/trade/sanjay-chadha-india-china-trade-relations-fta-import (last visited Nov. 8, 2021); Biswajit Dhar & K. S. Chalapati Rao, *India's Economic Dependence on China*, INDIA FORUM (Aug. 7, 2020), *available at* https://www.theindiaforum.in/article/india-s-dependence-china (last visited Nov. 8, 2021).

[17] Sohee Gwag, *Asia-Pacific Trade Agreement, presented at the APTA workshop in Mongolia*, U.N. ECON. & SOC. COMM'N FOR ASIA & PAC. (Oct. 12, 2020), *available at* https://www.unescap.org/sites/default/files/1_%281%29_APTA_Sohee%2B%2B.pdf (last visited Nov. 8, 2021).

[18] Peter A. Petri & Michael Plummer, *RCEP: A new trade agreement that will shape global economics and politics*, BROOKINGS (Nov 16, 2020), *available at* https://www.brookings.edu/blog/order-from-chaos/2020/11/16/rcep-a-new-trade-agreement-that-will-shape-global-economics-and-politics/ (last visited Nov. 8, 2021).

early implementation of the trade bloc was long recognized.[19] India actively participated in the negotiations for seven years, but in November 2019 withdrew from the process citing economic interests and national priorities.[20] It has not rejoined the negotiations in 2020 at the time of clinching the RCEP deal, despite the invitations from other partners. From the reactions of the Indian External Affairs Minister Mr. S. Jaishankar, it is apparent that non-fulfillment of core concerns forced the country to part ways with RCEP.[21]

It may be ascertained that the direct effect of India's missed participation in RCEP is a further delay in an effective Sino-Indian trade agreement. India already has operational RTAs with ASEAN (Indo-ASEAN FTA, in force since 2010), South Korea (India-South Korea Comprehensive Economic Cooperation Partnership Agreement, in force since 2010), and Japan (India-Japan Comprehensive Economic Cooperation Partnership Agreement, in force since 2011). The negotiations to enter into RTAs with Australia and New Zealand had been initiated from 2011 and 2010 respectively. In the recent period, the negotiations involving RTAs with Australia[22] and New Zealand[23] have gathered momentum. An important policy consideration is whether this proximity with the majority of the RCEP countries might facilitate India's

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[19] Shintaro Hamanaka, *Trans-Pacific Partnership versus Regional Comprehensive Economic Partnership: Control of Membership and Agenda Setting* (Asian Development Bank, Working Paper No. 146, 2015).

[20] Press Release, Government of India, *India exploring trade agreements with USA & EU; FTAs with Japan, Korea & ASEAN being reviewed; No trade agreements in a hurry says Piyush Goyal* (Nov. 5, 2019), *available at* https://pib.gov.in/newsite/PrintRelease.aspx?relid=194281 (last visited Nov. 8, 2021).

[21] Elizabeth Roche, *India pulled out of RCEP as concerns not addressed: S Jaishankar*, LIVE MINT (Nov. 18, 2020), *available at* https://www.livemint.com/news/india/india-pulled-out-of-rcep-as-concerns-not-addressed-s-jaishankar-11605716882360.html (last visited Nov. 8, 2021).

[22] *India, Australia agree to conclude free trade agreement by 2022-end*, BUS. STANDARD (Sept. 30, 2021), *available at* https://www.business-standard.com/article/economy-policy/india-australia-agree-to-conclude-free-trade-agreement-by-2022-end-121093001426_1.html (last visited Nov. 8, 2021).

[23] *New Zealand for bilateral trade pact with India if New Delhi does not join RCEP*, ECON. TIMES (Feb. 27, 2020), *available at* https://economictimes.indiatimes.com/news/economy/foreign-trade/new-zealand-for-bilateral-trade-pact-with-india-if-new-delhi-does-not-join-rcep/articleshow/74335299.cms?from=mdr! (last visited Nov. 8, 2021).

re-entry in the trade bloc in near future or the possible compliance hindrances may delay the process for a long time. The current analysis intends to explore this question in a game-theoretic framework. India's decision for severing ties with RCEP at the last stage has been explained by using a complete information static game and the possibility of rejoining in the future has been explored adopting a dynamic game-theoretic structure.

The article is arranged along the following lines. First, the RCEP negotiations and the Indian standpoints are briefly recounted. Second, the issues pertaining to the India-RCEP trade in general and the Sino-Indian trade in particular are noted. Third, the trade policy scenario for RCEP member countries is discussed. Fourth, the broad features of RCEP agreement that India might be concerned within the future are underlined. Fifth, based on the evidence emerging from legal context and past trade policy reflections, a game-theoretic model is proposed to explain India's possible participation in the RCEP forum in the future. Finally, based on the findings, certain policy conclusions are drawn.

II. RCEP: Past and the Present

Though classical trade theories (e.g., the Ricardian context) underline the efficiency gains resulting from free trade under the assumption of a neutral geopolitical environment and immobile capital, the complexities in the real world arising from dynamic geopolitical situation and presence of mobile technology impedes the process of specialization and comparative advantage benefits.[24] Rodrik (2016) mentions that free trade comes with a cost of eroded credibility of the government due to the increased competition faced by the domestic producers.[25] Therefore, the idea of free trade is beneficial only for those countries who are more focused externally than internally, i.e., emerge out as net exporters.

The economic spread of RCEP has often been underlined by its enormous coverage of approximately thirty percent of the global

[24] STEVE SURANOVIC, INTERNATIONAL TRADE: THEORY AND POLICY 62-65 (2010).
[25] *See* Dani Rodrik, *Premature deindustrialization*, 21 J. ECO. GROWTH 1, 1-33 (2016).

population and GDP, making it the largest RTA.[26] A mega bloc like RCEP, which includes economies with varied degrees of capital-intensity and labor-skill set, is expected to benefit the member countries by offering a barrier-free massive market for each other's products. The trade bloc only has one common set of rules of origin under which the commodities can qualify for tariff reduction with other members. This involves lesser procedural hazards and easy mobility of the goods.[27] With the increasing popularity of mega FTAs, it is seen that economically advanced countries of ASEAN have taken keen interest for participation in RCEP to gain deeper market access.[28]

However, the path traversed by RCEP while reaching the conclusion of negotiations has been a long and tumultuous one. A brief review of the RCEP negotiations from an Indian perspective would be important in understanding the country's subsequent pull-out from the bloc. As a number of 'deep' trade agreements involving the RCEP partners predates the bloc, right from the beginning the need for achieving free trade through complete elimination of tariffs was advocated. [29] So, it is interesting to note that shortly after joining the RCEP negotiations in 2013, India launched the 'Make-in-India' initiative in 2014, in order to consolidate the domestic industrial sector. It can be argued that launch of the initiative had been shaped by the rising manufacturing trade deficit

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[26] New Zealand Foreign Affairs and Trade, *Regional Comprehensive Economic Partnership*, *available at* https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/regional-comprehensive-economic-partnership-rcep/rcep-overview (last visited Nov. 7, 2021).

[27] James Pearson, *Explainer: What happens now the RCEP trade deal has been signed?*, REUTERS (Nov. 16, 2020), *available at* https://www.reuters.com/article/us-asean-summit-rcep-explainer-idCAKBN27W0WC (last visited Nov. 7, 2021); *Joint Leaders' Statement on the Regional Comprehensive Economic Partnership (RCEP)*, 4TH RCEP SUMMIT (Nov. 15, 2020) *available at* https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1832612.shtml (last visited Nov. 7, 2021).

[28] Chien-Huei Wu, *ASEAN at the Crossroads: Trap and Track between CPTPP and RCEP*, 23 J. INT'L ECON. L. 97 (2020).

[29] *See Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership*, ASEAN SECRETARIAT (n.d.), *available at* https://asean.org/wp-content/uploads/2012/05/RCEP-Guiding-Principles-public-copy.pdf (last visited Nov. 5, 2021).

with China and other East and Southeast Asian RTA partner countries on one hand[30], and poor manufacturing sector growth on the other.[31] As India did not have an explicit FTA with China, rise in both direct and indirect imports became a concern for Indian industries.[32] The need for policy intervention particularly emerged in the post-2011 period, when it was observed that a number of Chinese entrepreneurs have established production units in Vietnam, and eventually scaled up exports from there for utilizing the preferential tariff route under India-ASEAN FTA.[33] Therefore Indian negotiators kept a close watch on the RCEP tariff proposals and the potential import repercussions right from the beginning.

During the RCEP negotiations, China initially agreed with India and South Korea for implementing relatively modest coverage for tariff cuts at RCEP.[34] However, after launch of the 'Make in China 2025' scheme in 2015, the dragon adopted a more aggressive standpoint on the question of tariff cuts in the bloc.[35] Faced with calls for deep tariff cuts from partners, India decided to tread cautiously. The adverse tariff reform consequences were perceived both in the agricultural (e.g.,

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[30] *See* Sudip Chaudhuri, *Manufacturing Trade Deficit and Industrial Policy in India*, 48 ECON. & POL. WKLY. 41, 42-48 (2013).

[31] *See How Modi Can Deliver on the Promise of 'Make in India'*, KNOWLEDGE AT WHARTON (Oct. 21, 2014), *available at* https://knowledge.wharton.upenn.edu/article/how-modi-can-deliver-on-make-in-india/ (last visited Nov. 5, 2021).

[32] See Samridhi Bimal, *Heavy Reliance on High-Value Chinese Imports Indicates We Need an 'Atmanirbhar Bharat' Review*, WIRE (Aug. 1, 2021), *available at* https://thewire.in/trade/chinese-imports-atmanirbhar-bharat-trade (last visited Dec. 2, 2021).

[33] Sudip Chaudhuri, *Import Liberalisation and Premature Deindustrialisation in India*, 50 ECON. & POL. WKLY. 60, 64 (2015).

[34] *See* Dilasha Seth, *India to resist tariff cuts at RCEP meeting*, ECON. TIMES (Feb. 9, 2015), *available at* https://economictimes.indiatimes.com/news/economy/foreign-trade/india-to-resist-tariff-cuts-at-rcep-meeting/articleshow/46168592.cms (last visited Nov. 5, 2021).

[35] J. Wübbeke et al., *MADE IN CHINA 2025: The making of a high-tech superpower and consequences for industrial countries*, MERCATOR INST. FOR CHINA STUD. (2016), *available at* https://merics.org/sites/default/files/2020-04/Made%20in%20China%202025.pdf (last visited Nov. 5, 2021).

increased dairy imports from Australia and New Zealand)[36] and manufacturing (e.g., increased goods dumping in from China in presence of lower tariff) [37] sectors. Once it became evident that India may need to set duty-free tariffs on most of the RCEP imports, the country attempted to protect its domestic market through a three-tier reduction commitment proposal; by dint of which India intended to decrease tariffs on eighty percent of tariff lines with ASEAN; sixty-five percent of tariff lines with countries that already have an FTA with India, such as Japan and South Korea; and forty-two and a half percent of tariff lines with nations such as China, Australia, and New Zealand.[38]

The RCEP partners rejected this offer and forced India to re-submit a single tariff reform plan for all the members of the bloc.[39] The saving grace for India had been the promised flexibility in tariff reforms, "to protect its vulnerabilities with respect to certain members," which was likely to be used more frequently against China.[40] The continued urge on deep merchandise tariff cuts, coupled with slower progress on trade in services negotiations, an area where India enjoyed competitiveness and aggressive export interests, forced the country to re-think its RCEP future.[41]

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[36] Harish Damodaran, *Dairy industry opposes RCEP*, Indian express (July 25, 2019, 12:32 AM), *available at* https://indianexpress.com/article/india/dairy-industry-opposes-rcep-5849378/ (last visited Nov. 5, 2021).

[37] Kirtika Suneja, *India may cut duties on 80% of Chinese imports under RCEP*, ECON.TIMES (Sept. 28, 2019, 8:59 AM), *available at* https://economictimes.indiatimes.com/news/economy/foreign-trade/india-may-cut-duties-on-80-of-chinese-imports-under-rcep/articleshow/71344526.cms (last visited Nov. 5, 2021).

[38] Akarsh Bhutani, *India's reluctance in joining the RCEP — A boon or a bane in the long-run?*, OBSERVER RES. FOUND. (Feb. 10, 2021), *available at* https://www.orfonline.org/expert-speak/india-reluctance-joining-rcep-boon-bane-long-run/ (last visited Nov. 5, 2021).

[39] Amiti Sen, *Time for India to exit RCEP trade pact*, HINDU BUS. LINE (Mar. 9, 2018), *available at* https://www.thehindubusinessline.com/opinion/time-for-india-to-exit-rcep-trade-pact/article22134775.ece1 (last visited Nov. 5, 2021).

[40] *See generally Id.*

[41] *See generally* Amiti Sen, *India may say no to RCEP pact if its demands on services, goods are not met*, HINDU BUS. LINE (Aug. 3, 2019), *available at* https://www.thehindubusinessline.com/economy/india-may-say-no-to-rcep-pact-if-its-demands-on-services-goods-are-not-met/article28804967.ece (last visited Nov. 7, 2021).

Among the non-economic drivers, the recent border stand-off with China during 2020 significantly lowered the incentive for India to coordinate with the dragon within RCEP forum.[42] Moreover, faced with the economic downturn in the aftermath of the pandemic, India chose to move ahead carefully on newer commitments with low-cost economies through preferential trade agreements. Accordingly, the country pulled out from RCEP negotiations in November 2019, proposed a review of the existing RTA commitments and weighed the possibility of entering RTAs with the EU and US.[43] Subsequently the country introduced the 'Atmanirbhar Bharat Abhiyan' (Self-Reliant India) scheme to consolidate the domestic economy.[44] In November 2020, RCEP finally decided to move ahead without India, though provisions to facilitate its possible future entry were deliberately kept. India subsequently expressed preference to engage 'Eastern' partners through bilateral Free Trade Agreements (FTAs) instead of RCEP, which can be interpreted as a policy doctrine to avoid RTA engagements with China.[45] It also expressed desire to resume FTA negotiations with the EU and US.[46] In principle, the 'Act East Policy' launched in 2014 made way for a tacit 'Act West Strategy' from 2019 onwards.

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[42] Lin Minwang, *India-US trade slump shows decoupling with China impractical*, GLOB. TIMES (July 7, 2020, 11:43 PM), *available at* https://www.globaltimes.cn/content/1193813.shtml (last visited Nov. 7, 2021) ("India remains firm on its decision not to join the Regional Comprehensive Economic Partnership (RCEP) due to the recent border dispute with China, and the country has chosen to stay out of all free trade agreements involving China.").

[43] *Press Release from Piyush Goyal*, PRESS INFO. BUREAU, GOV'T OF INDIA (Nov. 5, 2019) *available at* https://pib.gov.in/newsite/PrintRelease.aspx?relid=194281 (last visited Nov. 7, 2021).

[44] *Press Release from Shri Narendra Modi*, PRESS INFO. BUREAU, GOV'T OF INDIA (May 12, 2020) *available at* https://pib.gov.in/PressReleseDetail.aspx?PRID=1623391 (last visited Nov 7, 2021).

[45] Rajeev Jayaswal & Rezaul H Laskar, *India favours bilateral free trade agreements over China-led RCEP*, HINDUSTAN TIMES (Nov. 17, 2020), *available at* https://www.hindustantimes.com/india-news/india-favours-bilateral-free-trade-agreements-over-china-led-rcep/story-fpBmI5hxfIxZLubDLqsznL.html (last visited Nov. 7, 2021).

[46] IANS, *India set to resume talks on free trade agreements with EU, US*, BUS. STANDARD (Nov. 21, 2020), *available at* https://www.business-standard.com/article/economy-policy/india-set-to-resume-talks-on-free-trade-agreements-with-eu-us-120112100594_1.html (last visited Nov. 7, 2021).

III. India's Trade with RCEP and China: Emerging Issues

China supports essential and high technology imports and encourages major firms and investors around the globe to build their plans.[47] In the fields of products and services exports, infrastructure building, outbound investment, and so on, China is also speeding up its connections with other nations, particularly its neighbors. The growing prominence of China in trade agreements has led to fast development and dramatic economic growth that have made it a global target. In view of the FTA, the Chinese Government considers that the new platform provides for greater opening to other countries and quicker internal reforms. This is a more effective strategy for global integration and reinforcement of economic cooperation with other economies. However, China is confronted with both obstacles and possibilities. On one end, China's future growth might be jeopardized if left out of key regional trade deals like the Trans-Pacific Partnership (TPP). On the other end, China may use regional trade talks possibilities to create the new international trade norms from the very beginning. Regional trade talks are also crucial for China because it must open up further to promote domestic economic reform.[48]

India's push for creating special economic and trade linkages with the East and Southeast Asia started three decades back, with the launch of the 'Look East Policy' in 1991. The policy marked a transition, underling the importance of the region in India's new economic architecture.[49] The policy orientation marked yet another change from 2004 onwards. First, the coverage of India's perception of the 'East' widened, with inclusion of the Asia-Pacific on one hand, and increasing association with the ASEAN on the other. Second, the government acted

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[47] *See* Alessandro Nicita & Carlos Razo, *China: The Rise of a Trade Titan*, U.N. CONF. ON TRADE & DEV. (Apr. 27, 2021), *available at* https:/unctad.org/news/china-rise-trade-titan (last visited Nov. 7, 2021).

[48] *See* He F & Yang P, *China's Role in Asia's Free Trade Agreements*, WILEY ONLINE LIBR. (Mar. 16, 2015), *available at* https://onlinelibrary.wiley.com/doi/full/10.1002/app5.66 (last visited Nov. 7, 2021).

[49] Thongkholal Haokip, *India's Look East Policy: Its Evolution and Approach*, 18(2) SAS 239, 239-57 (2011).

beyond rhetoric through enhanced economic exchange, security cooperation,[50] and investment in physical connectivity.[51] The National Common Minimum Programme adopted by the Government of India (2004) marked this change clearly by noting, "India actively sought to engage with regional economic groupings such as ASEAN, Mekong - Ganga Cooperation, BIMSTEC ...".[52] The pace of India's economic integration considerably deepened after 2010. One of the driving motives behind the Indian decision to go for the 'East'-centric RTAs from 2010 onwards has been to promote exports to the partner countries, i.e., ASEAN, Japan, South Korea in general and expand the participation in Asian International Production Networks (IPNs) in particular.[53] Given the economic complementarities, the collaboration was anticipated to be beneficial for all the participating economies.[54] The launch of RCEP negotiations in 2013 was a continuation of this objective. India's announcement of the 'Act East Policy' in 2014, which envisaged a larger role for the country in the 'East', had been considered to be a culmination of this decade-long ongoing process.[55]

In this backdrop, the turnaround of the Indian perspective on partnership with the 'East' requires an interpretation through an economic prism. It has been argued that India's decision to pull-out from the RCEP negotiations has been due to gradually worsening trade deficits.[56] The current analysis attempts to observe the trade balance scenario for RCEP member countries with ASEAN, China, India, and rest of RCEP respectively, with the help of Table 1. The data for this purpose

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[50] It deserves mention that the Indian Navy wrote its 'Bluewater Doctrine' in 2004, which considered the Indian Ocean as the country's backyard. Subsequently, the 'Quadrilateral' initiative took shape in 2007, through which India partnered with Australia, Japan, and the US. *See* Sandy Gordon, *India's rise as an Asia–Pacific power: Rhetoric and reality*, ASPI: STRATEGIC INSIGHTS 58 (May 2012). The relevance of the 'Quad' has increased significantly in the post-Covid world.

[51] Haokip, *supra* note 45, at 239.

[52] United Progressive Alliance of India, *Report to the People* (2004-06).

[53] *See* Rahul Sen & Sadhana Srivastava, *Asia's international production networks: Will India be the next assembly centre?* (ARTNeT, Working Paper No. 118, 2012).

[54] Mukul G. Asher & Rahul Sen, *India-East Asia Integration: A Win-Win for Asia*, 40(36) ECON. & POL. WKLY 3932, 3932-3940 (2005).

[55] Amitendu Palit, *India's Act East Policy and Implications for Southeast Asia*, 2016 SE. ASIAN AFF. 81, 82.

[56] *See* Biswajit Dhar, *India's Withdrawal from the Regional Comprehensive Economic Partnership*, 54 ECON. & POL. WKLY 59, 59-65 (2019).

is drawn from the Trade Map database.[57] For obtaining a temporal perspective, the last two decades are divided in four periods. The 2001-05 period represents when India primarily depended on multilateral routes (i.e., WTO-led reforms) for trade promotion.[58] During the 2006-10 period, India slowly started gravitating towards participating in the RTAs for export promotion. Over the 2011-15 period, the RTA enthusiasm was at its peak through execution of several 'East-centric' RTAs, followed by the launch of RCEP negotiations in 2013 and 'Act East Policy' in 2014. Conversely, the 2016-20 period showed the build-up of tensions during RCEP negotiations, eventually leading to the decision to pull out.

If India's trade surplus with RCEP partners during 2016-20 (i.e., the period when RCEP negotiations matured and eventually concluded) can be considered a proxy of competitiveness and the realized gains from trade, then a few interesting observations on the country's evolving negotiating perspective emerge from Table 1. First, several developed (South Korea, Singapore) as well as developing (Brunei, Malaysia) countries experienced trade surpluses with both ASEAN and RCEP members. The export competitive advantages of these countries can be explained by "technological sophistication (e.g., capital-intensive manufacturing products) and resource intensity (e.g., primary and energy products)."[59] In addition, South Korea and Singapore have long invested in labor-intensive part of the industrial value chains in ASEAN, enabling them to concentrate on the downstream value-added segments.[60] The realized economic gains motivated the RCEP partner countries to push India for undertaking deeper reform commitments. This partly explains

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[57] *Trade Map Database*, INT'L TRADE CTR. (n.d.), *available at* https://www.trademap.org/Index.aspx (last visited Nov. 3, 2021).

[58] *See* Julien Chaisse & Mitsuo Matsushita, *Maintaining the WTO' Supremacy in the International Trade Order – A Proposal to Refine and Revise the Role of the Trade Policy Review Mechanism*, 16 J. INT'L ECON. L. 9, 9-36 (2013).

[59] Biswajit Nag, et al., *India's Act East Policy: RCEP Negotiations and beyond* 10 (INDIAN INST. OF FOREIGN TRADE, Working Paper No. EC-21-01, 2021).

[60] Masahito Ambashi, *ASEAN as an FDI Attractor: Do Multinationals Look at ASEAN*, ECON. RES. INST. FOR ASEAN & E. ASIA, Policy Brief No. 2016-04 (Jan. 2017), *available at* https://www.eria.org/ERIA-PB-2016-04.pdf (last visited Dec. 3, 2021).

why these countries eventually agreed to conclude RCEP negotiations, even without India's participation.[61]

Second, China, Indonesia, and Thailand – three developing countries with strong manufacturing orientations – experienced trade surpluses against ASEAN but deficits with respect to RCEP. It is observed from the data that these three economies enjoy competitive advantages against ASEAN, but the same cannot be said about the RTA partners of ASEAN which are developed economies (e.g., Australia, New Zealand, South Korea). The differential performance can be explained by their specialization in relatively lower technology planes vis-à-vis the developed countries within RCEP, and the challenges associated with that type of specialization.[62] Nevertheless, the gains in the ASEAN market provided them a strong incentive to join the mega-bloc RCEP and engage India accordingly.[63]

Third, Australia witnessed a huge trade surplus against the RCEP, but deficit vis-à-vis ASEAN. This can be explained by the specialization pattern in Australia, where primary products, mineral fuels and agricultural commodities emerged as the major export categories.[64] India suffers from a huge trade deficit in bilateral trade with Australia, with growing import of energy products, a trend that is likely to continue in near future as well. The willingness of Australia to integrate India in the RCEP fold can be understood from this perspective.[65]

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[61] Sanjeev K. Ahuja, *Korea to sign RCEP pact with or without India*, ASIAN CMTY. NEWS (Feb. 2020), *available at* https://www.asiancommunitynews.com/exclusive-korea-to-sign-rcep-pact-with-or-without-india/ (last visited Nov. 7, 2021).

[62] Kiyoaki Aburaki, et al., *China's Competitiveness: Myths, Realities, and Lessons for the United States and Japan* (Jan. 29, 2013); *see* Bhaunupong Nidhiprabha, *The Rise and Fall of Thailand's Export-Oriented Industries,* 16 ASIAN ECON. PAPERS 128, 128-150 (2017); *see* Wim Naudé, *Why Indonesia Needs a More Innovative Industrial Policy*, 1 ASEAN J. OF ECON., MGMT. & ACCT. 48, 48-65 (2013).

[63] K. J. M. Varma, *China invites India back to RCEP, says it will work on resolving issues raised*, PRINT (Nov. 5, 2019, 5:29 PM), *available at* https://theprint.in/diplomacy/china-invites-india-back-to-rcep-says-it-will-work-on-resolving-issues-raised/316053/ (last visited Nov. 8, 2021).

[64] Jared Greenville, Andrew Duver & Mikayla Bruce, *Value Creating in Australia Through Agricultural Exports: Playing to Advantages*, 11 ABARES INSIGHTS 1, 2-3 (Dec. 15, 2020), *available at* https://apo.org.au/sites/default/files/resource-files/2020-12/apo-nid310348.pdf (last visited Jan. 18, 2022).

[65] *Australia urges India to join RCEP trade pact for stronger Asean*, BUS. STANDARD (Feb 26. 2020, 8:42 PM) *available at* https://www.business-

Fourth, several low-income (Cambodia, Lao PDR, Myanmar), middle-income (India, Philippines, Vietnam) and high-income (Japan, New Zealand) countries have experienced trade deficits against both ASEAN and RCEP. However, apart from India, all other countries have moved ahead with RCEP negotiations. In contrast to Indian experience, the negative trade balance did not deter the five ASEAN countries to join RCEP. The decision made by these countries can be explained by the deeper IPN participation within ASEAN, which set the ground for anticipated long-term trade and welfare gains within RCEP.[66] The Asian IPN integration drive can also explain Japan's urge to conclude RCEP negotiation, with or without India in the bloc. Given the rising labor cost at home, Japan has heavily invested across ASEAN manufacturing segments.[67] Therefore, seamless movement of goods from Australia to India under unified RCEP rules of origin (ROO) is very much in line with its long-term vision. In addition, Japan has emerged as a major investor to India over the last two decades, particularly after the launch of the 'Act East Policy'.[68] Hence, even after the Indian pull-out from RCEP, Japan was instrumental in keeping the door ajar for India in anticipation.[69]

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standard.com/article/pti-stories/australia-urges-india-to-join-rcep-trade-pact-for-stronger-asean-120022601400_1.html (last visited Nov. 8, 2021).

[66] Kornkarun Cheewatrakoolpong, Chayodom Sabhasri & Nath Bunditwattanawong, *Impact of the ASEAN Economic Community on ASEAN Production Networks*, ADBI (Tokyo: Asian Dev. Bank Inst., Working Paper No. 409, 2013), *available at* https://www.adb.org/sites/default/files/publication/156264/adbi-wp409.pdf (last visited Dec. 3, 2021).

[67] Koji Sako, *Japan's foreign direct investment trends in Asia*, MIZUHO ECON. OUTLOOK & ANALYSIS (Nov. 2, 2018), *available at* https://www.mizuho-ir.co.jp/publication/mhri/research/pdf/eo/MEA181218.pdf (last visited Nov. 8, 2021).

[68] Mridula Manjari Moitra Roy & Rupa Chanda, *The trends in FDI inflows from Japan to India*, INDIA JAPAN STUDY CTR. (Bengaluru: Indian Inst. of Mgmt., Working Paper No 001, 2019), *available at* https://www.iimb.ac.in/sites/default/files/inline-files/ijsc-fdi-report-2019.pdf (last visited Nov. 8, 2021).

[69] Dipanjan Roy Chaudhury, *Japan played a big role in RCEP keeping the door open for India*, ECON. TIMES, (Nov. 17, 2020, 7:52 AM) *available at* https://economictimes.indiatimes.com/news/economy/foreign-trade/japan-played-big-role-in-rcep-keeping-door-open-for-india/articleshow/79251487.cms (last visited Nov. 8, 2021).

Finally, as observed from the table, the trade balance for India deteriorated with respect to both ASEAN and RCEP over the last two decades. During 2016-2020, the country witnessed an average trade deficit with RCEP at USD 92.66 billion, followed by a deficit of USD 16.02 billion with ASEAN.[70] Probing the sharp trade deficit vis-à-vis the non-ASEAN RCEP partners, it is noted that India witnessed a trade surplus only with respect to New Zealand. However, even with respect to New Zealand, the threat perception over the dairy sector was strong.[71] India's trade deficit during 2016-2020 was highest against China, standing at USD -51.84 billion. Interestingly, barring Australia, China and New Zealand, India enjoyed an RTA relationship with all the other RCEP partners from 2010 onwards, while the trade agreement with Singapore dates back to 2005. The apparent anomaly and the rising trade deficit have been explained through argument according to which "India's free trade agreements are underutilized which is less than twenty-five percent. This is mostly due to a lack of information about FTAs, low margins of preference, delays and administrative expenses connected with rules of origin, and non-tariff measures."[72]

It has often been argued that the low utilization of the India-ASEAN rules of origin (ROOs) provisions is a function of existing trade hindrances. The continuation of the tariff and non-tariff barriers in the ASEAN market, even after the formation of the Indo-ASEAN FTA and the associated market access challenges, had been reiterated by India at times.[73] From an Indian perspective, the non-tariff measures (NTMs) on its exports in the ASEAN market are spread across categories, namely: SPS and TBT related issues, standard and technical

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[70] Author's own calculations based on Trade Map data, as reported in Table 1.

[71] Sanjeeb Mukherjee, *Explained: Why Indian dairy farmers oppose RCEP trade agreement*, BUS. STANDARD, *available at* https://www.business-standard.com/article/economy-policy/explained-why-indian-dairy-farmers-oppose-rcep-trade-agreement-119093001246_1.html (last visited Nov. 4, 2021).

[72] V. K. Saraswat, Prachi Priya & Aniruddha Ghosh, *A Note on Free Trade Agreements and their Costs*, NAT'L INST. FOR TRANSFORMING INDIA, *available at* https://www.niti.gov.in/writereaddata/files/document_publication/FTA-NITI-FINAL.pdf (last visited Nov. 4, 2021).

[73] H.A.C. Prasad, *Reviving and Accelerating India's Exports: Policy Issues and Suggestions*, (Dep't of Econ. Aff., Ministry of Fin., New Delhi, Working Paper No. I-2017-DEA, Jan. 2017).

regulations, procedural obstacles etc.[74] However, the institutional factors play an equally important role in explaining the poor performance of India in the ASEAN Market. A comparison of ASEAN-China and ASEAN-India FTA provisions reveals that while the former has strong provisions on Standards and conformance (TBT), corresponding features are omitted in the latter.[75]

The persistence of NTMs and relative unpreparedness of the Indian manufacturing sector in competing with the low-cost ASEAN and RCEP partners were identified during early days of the RCEP negotiations.[76] To reap the benefit of the massive FTA partner markets, India attempted to augment the level of competitiveness of the domestic manufacturers through the 'Make in India'(MII) Action Plan launched in 2014. The MII initiative aimed for a resurgent manufacturing sector by enhancing its contribution to twenty-five percent of GDP by 2020.[77] The government has introduced a series of supports for the selected manufacturing sectors with the help of fiscal and financial instruments as well as procurement

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[74] Prabir De, Durairaj Kumarasamy & Komal Biswal, *Non-Tariff Measures (NTMs): Evidence from ASEAN-India Trade*, NEW DELHI: RES. & INFO. SYS. FOR DEVELOPING COUNTRIES (2019).

[75] Debashis Chakraborty, Julien Chaisse & Xu Qian, *Is It Finally Time for India's Free Trade Agreements? The ASEAN "Present" and the RCEP "Future"*, 9 ASIAN L.J. INT'L L. 359-391 (2019) (discussing the standards and conformance between ASEAN-China and ASEAN-India).

[76] *Indian Manufacturing Industry: Technology, Status, and Prospects*, U.N INDUS. DEV. ORG. 5 (2009), *available at* https://www.unido.org/sites/default/files/2009-04/Indian_manufacturing_industry_technology_status_and_prospects_0.pdf (last visited Nov. 4, 2021); *Why is India not competitive in manufacturing cost? Analysis by Mahindra & Mahindra MD*, FIN. EXPRESS (June 26, 2020), *available at* https://www.financialexpress.com/industry/why-is-india-not-competitive-in-manufacturing-cost-analysis-by-mahindra-mahindra-md/2005467/ (last visited Nov. 4, 2021); Nilanjan Ghosh, *The RCEP talks and India's anxieties*, ORF ONLINE (July 18, 2020), *available at* https://www.orfonline.org/research/the-rcep-talks-and-indias-anxieties/ (last visited Dec. 3, 2021) ("it is a sad reflection on the Indian manufacturing that after almost three decades of economic reforms, Indian manufacturing is yet to mature to be competitive enough to face global competition in a level playing field.").

[77] *Strategy for New India @ 75*, NITI AAYOG (Nov. 2018), *available at* https://niti.gov.in/writereaddata/files/Strategy_for_New_India.pdf (last visited Nov. 4, 2021) (A glance through the World Development Indicators (World Bank) data reveals that the share of manufacturing value added (% of GDP) in India had been 15.06 and 13.64 percent in 2014 and 2019 respectively.).

policies.[78] However, the Make in India initiative has witnessed only modest success so far.[79]

The hard negotiating standpoint of India on the tariff question during 2013-2019 needs to be viewed in this wider context. To see the negotiations from a comparative perspective, the tariff profile of the RCEP members is presented in Table 2. The data for this purpose is drawn from the WITS database.[80] Apart from the trade-weighted average tariff, the average percentage of duty-free lines among the total number of traded lines (at HS 6-digit level) and average percentage of duty-free imports (of total imports) are also reported over 1991-00, 2001-10, 2011-19. While the first series shows the transition in aggregate trade barriers, the latter two indicate the effects on liberalization. In addition, for understanding the strategic policy space, the tariff rates on raw materials, intermediate inputs, consumer goods and capital goods are reported separately.

A couple of interesting observations emerge from the data reported in Table 2. First, the average tariff rates have come down for all countries across product categories, barring the exception of Singapore which embraced free trade long back. The continuous move towards reformed tariff regimes enabled the RCEP countries to enforce the deep tariff reform commitments under the bloc.

Second, the average tariff barriers in India had been relatively higher than RCEP partner countries across product categories, barring certain exceptions vis-à-vis Thailand and Vietnam. This existing tariff disparity and quest for meaningful market access forced RCEP to push India for deeper tariff cut commitments during negotiations. Conversely, India would have been forced to embrace a deeper tariff reform, given the higher base tariff rates. Moreover, India remained unhappy with the possible continuation of NTM provisions in the partner countries and the resulting loss in market access. The recent Indian push for a detailed

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[78] *Sectors*, MAKE IN INDIA, *available at* https://www.makeinindia.com/sectors (last visited Nov. 4, 2021).

[79] R Nagaraj, *Make in India: Why didn't the Lion Roar?*, INDIA F. (May 16, 2019), *available at* https://www.theindiaforum.in/article/make-india-why-didnt-lion-roar (last visited Nov. 4, 2021).

[80] *World Integrated Trade Solution Database*, WORLD BANK, *available at* https://wits.worldbank.org/ (last visited Nov. 4, 2021).

review of the ASEAN-India FTA provisions underlines this perspective.[81]

Third, generally all RCEP countries followed the practice of 'Tariff Escalation', i.e., setting the lowest tariff for raw materials, and incrementally higher tariff for intermediate products and consumer goods, in that order. The practice makes semi-finished products available to the local producers at lower price, while a higher tariff protection continues on the final products. The conscious adoption of a tariff escalation policy provides the domestic players a competitive edge, thereby making the effective rate of protection (ERP) higher than the corresponding nominal rate of protection (i.e., the actual tariff on the final products) in the sector. Ensuring ERP is an efficient instrument for protecting the domestic manufacturing sector, China being a case in point.[82] However in six countries, namely – Japan, South Korea, Laos, Myanmar, Philippines and Vietnam, it is observed that the average tariff on intermediate products is lower than tariff on raw materials. Nevertheless, as the tariff on raw materials is lower than the same on final products, the protection to the manufacturing segments through tariff escalation effect is observed there as well.[83]

Fourth, interestingly in the Indian case, the average duty on the intermediate products (10.22 percent) during 2011-19 period has been higher than the corresponding number on the final products (9.63 percent). This phenomenon in the trade literature is known as 'Inverted Duty Structure' (IDS). Under this framework, the producers of the intermediate goods receive relatively more protection than the final value-added segment. It is noted that under IDS, '..finished goods are taxed at lower rates than raw materials or intermediate products which discourage domestic value addition'.[84] Hence while the policy may

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[81] *India, ASEAN Agree to Review FTA Scope, Address Uneven Market Access*, THAI. BUS. (Feb. 23, 2021), *available at* https://www.thailand-business-news.com/india/82779-india-asean-agree-to-review-fta-scope-address-uneven-market-access.html (last visited Nov. 8, 2021).

[82] Bo Chen, Hong Ma & David S. Jacks, *Revisiting the Effective Rate of Protection in the Late Stages of Chinese Industrialisation*, 40(2) WORLD ECON. 424 (2017).

[83] Bui Trinh & K. Kobayashi, *Measuring the effective rate of protection in Vietnam's economy with emphasis on the manufacturing industry: An input-output approach*, 44 EUR. J. ECON. FIN., & ADMIN. SCI. (2012).

[84] H. A. C. Prasad, R. Sathish & Salam Shyamsunder Singh, *India's Merchandise Exports: Some Important Issues and Policy Suggestions*, Working Paper No. 3/2014-DEA (Dep't of Econ. Aff., Ministry of Fin, New Delhi, Aug. 2014).

protect the mid-segment players and upstream local SMEs, this effectively raises the input cost for the downstream producers of final goods, with consequent competitiveness implications for final exports. The presence[85] and possible adverse consequences[86] of the IDS in the Indian context has been widely discussed. It is argued that the continuation of IDS is against the spirit of 'Make-in-India' initiative[87], as this takes away the incentive for the leading global firms to set up final assembly units in the country.[88] These underlines one crucial dimension of the competitiveness-related challenges in India and explains the cautious approach adopted by Indian negotiators in the RCEP forum.

Finally, it is observed from the table that the percentage of duty-free tariff lines and value of duty-free imports in India are modest as compared to several RCEP partners. For instance, during 2011-19 only 8.65 percent of India's tariff lines in consumer goods (final products) were duty-free (zero tariff), while 7.18 percent of the value of imports entered the country through these product lines. The corresponding numbers for China were 21.97 percent and 21.59 percent respectively. This observation signifies India's relatively lower degree of trade openness, and in turn rationalizes RCEP's push for deeper tariff cuts in the country. It can be argued that given the trade and tariff profile, the sharp decline in the tariff rates in line with the deeper cuts as mandated by RCEP would have been in contrast with the MII strategy being followed by the country since 2014. This explains the reaction of the leading Indian players to the RCEP pull-out decision in November 2019.[89]

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[85] *FICCI Survey on Inverted Duty Structure in Indian Manufacturing Sector*, FED'N OF INDIAN CHAMBERS OF COM. & INDUS. (Oct. 2013), *available at* https://ficci.in/SEDocument/20272/REPORT-SURVEY-ON-INVERTED-DUTY-STRUCTURE-2013.pdf (last visited Nov. 8, 2021).

[86] Prasad et al., *supra* note 84.

[87] *Issue of Inverted Duty Structure*, AM. CHAMBER OF COM. IN INDIA (2015), *available at* http://amchamindia.com/wp-content/uploads/2015/04/Issue-of-Inverted-Duty-Structure.pdf (last visited Nov. 8, 2021).

[88] C. Veeramani & Anwesha Basu, *Fix Inverted Tariff Structures to boost industrial growth in India*, LIVE MINT (Jan. 27, 2021), *available at* https://www.livemint.com/budget/opinion/fix-inverted-tariff-structures-to-boost-industrial-growth-in-india-11611764193419.html (last visited Nov. 8, 2021).

[89] *Exporters, industry laud India's decision to pull out of RCEP*, HINDU (Nov. 5, 2019), *available at* https://www.thehindu.com/business/exporters-industry-laud-indias-decision-to-pull-out-of-rcep/article29891376.ece (last visited Nov. 8, 2021).

T1: Intra-RCEP Average Trade Balance Scenario

Reporter Country	Partner Country							
	With RCEP				With India			
	2001-05	2006-10	2011-15	2016-20	2001-05	2006-10	2011-15	2016-20
Australia	1.20	18.52	45.23	31.69	2.11	8.95	7.71	5.17
Brunei	3.42	7.47	7.20	3.09	0.30	1.32	0.42	0.41
Cambodia	-0.99	-2.12	-5.22	-10.21	-0.01	-0.04	-0.10	-0.08
China	-52.48	-100.01	-86.03	-42.82	-0.58	12.22	34.05	51.92
India	-6.88	-39.67	-74.45	-92.66	-	-	-	-
Indonesia	15.74	14.30	-2.36	-6.54	1.04	4.28	8.71	8.03
Japan	-11.36	-7.82	-59.96	-32.40	0.09	2.19	2.75	4.50
South Korea	-6.49	-4.82	50.43	52.31	1.27	3.18	6.05	8.77
Laos PDR	-	-0.01	-1.08	-0.34	-	-0.01	-0.01	0.09
Malaysia	4.10	15.03	20.61	13.12	1.69	3.71	4.89	2.49
Myanmar	-	0.42	-2.12	-4.25	-	0.80	0.84	-0.16
New Zealand	-2.07	-2.98	-0.29	-1.11	0.00	0.17	0.24	-0.04
Philippines	-4.92	-6.88	-7.16	-36.77	-0.26	-0.31	-0.56	-1.18
Singapore	8.70	30.13	60.02	45.08	1.59	4.06	1.88	4.36
Thailand	-6.16	-5.13	-9.06	-8.67	-0.15	1.07	2.26	2.25
Vietnam	-5.40	-20.76	-38.75	-48.52	-0.38	-1.12	-0.50	1.07

Reporter Country	Partner Country							
	With China				With ASEAN			
	2001-05	2006-10	2001-05	2006-10	2001-05	2006-10	2001-05	2006-10
Australia	-3.88	0.93	-3.88	0.93	-3.88	0.93	-3.88	0.93
Brunei	0.15	0.10	0.15	0.10	0.15	0.10	0.15	0.10
Cambodia	-0.26	-0.81	-0.26	-0.81	-0.26	-0.81	-0.26	-0.81

China	-	-	-	-	-	-	-	-
India	-1.60	-17.69	-1.60	-17.69	-1.60	-17.69	-1.60	-17.69
Indonesia	0.60	-1.60	0.60	-1.60	0.60	-1.60	0.60	-1.60
Japan	-23.14	-15.87	-23.14	-15.87	-23.14	-15.87	-23.14	-15.87
South Korea	13.58	26.41	13.58	26.41	13.58	26.41	13.58	26.41
Laos PDR	-	0.04	-	0.04	-	0.04	-	0.04
Malaysia	-1.44	-0.49	-1.44	-0.49	-1.44	-0.49	-1.44	-0.49
Myanmar	-	-0.70	-	-0.70	-	-0.70	-	-0.70
New Zealand	-0.92	-2.09	-0.92	-2.09	-0.92	-2.09	-0.92	-2.09
Philippines	0.14	0.57	0.14	0.57	0.14	0.57	0.14	0.57
Singapore	-1.29	-0.71	-1.29	-0.71	-1.29	-0.71	-1.29	-0.71
Thailand	-1.14	-2.34	-1.14	-2.34	-1.14	-2.34	-1.14	-2.34
Vietnam	-1.29	-9.61	-1.29	-9.61	-1.29	-9.61	-1.29	-9.61

T1: Intra-RCEP Average Trade Balance Scenario (USD Billions)

Source: Constructed by Authors from Trade Map data

Note: For Lao PDR and Vietnam, the last period's average has been computed for 2016-19 due to unavailability of 2020 data.

T2: Comparing Trade Policy Profile of RCEP Members[90]

Co.	Stage of Processing	Weighted Average Tariff	Percentage of Duty-Free Tariff Lines	Percentage of Duty-Free Imports

[90] *Trade Statistics by Country/Region*, WORLD INTEGRATED TRADE SOLUTION, *available at* https://wits.worldbank.org/countrystats.aspx?lang=en (last visited Nov. 8, 2021).

		1991-00	2001-10	2011-19	1991-00	2001-10	2011-19	1991-00	2001-10	2011-19
AU	Raw Materials	0.17	0.07	0.06	87.20	88.31	87.87	96.58	98.03	98.33
	Intermediate Goods	4.10	1.94	1.21	36.75	46.65	57.42	49.03	60.38	72.67
	Consumer Goods	8.44	4.67	1.97	23.06	35.26	43.39	17.79	37.22	56.56
	Capital Goods	4.54	2.25	1.25	34.77	49.35	55.87	37.91	53.84	68.91
BN	Raw Materials	0.02	0.01	0.00	98.94	97.54	99.39	99.70	99.79	99.96
	Intermediate Goods	0.60	0.19	0.04	90.84	90.16	96.40	95.66	97.78	99.38
	Consumer Goods	13.21	7.82	0.18	71.57	71.57	89.45	60.49	62.24	92.16
	Capital Goods	4.02	4.56	0.96	50.41	38.67	79.28	65.52	56.05	86.74
KH	Raw Materials	-	9.65	5.67	-	5.87	16.94	-	9.90	39.03
	Intermediate Goods	-	11.28	5.34	-	8.39	18.63	-	6.75	29.92
	Consumer Goods	-	14.58	10.32	-	10.66	14.21	-	11.95	18.62
	Capital Goods	-	13.17	11.28	-	3.92	12.47	-	6.79	12.32
CN	Raw Materials	18.42	5.14	1.12	9.80	26.82	41.43	21.28	68.07	86.40
	Intermediate Goods	21.43	6.98	3.46	0.60	6.52	20.38	0.52	10.08	36.60
	Consumer Goods	36.26	11.90	9.69	1.87	8.11	21.97	1.75	6.77	21.59
	Capital Goods	17.56	4.57	2.50	0.07	21.23	34.44	0.01	45.32	46.31
IN	Raw Materials	18.21	9.99	2.62	12.85	7.64	16.28	17.44	9.29	61.36
	Intermediate Goods	31.56	20.30	10.22	2.43	1.15	7.67	2.61	3.98	9.26
	Consumer Goods	22.28	20.35	9.63	1.43	2.22	8.65	31.30	3.20	7.18
	Capital Goods	24.71	12.43	4.86	3.23	10.47	18.02	7.18	20.39	36.64
ID	Raw Materials	3.82	1.19	1.02	24.35	37.25	46.53	29.58	71.76	77.94
	Intermediate Goods	8.33	4.19	2.34	13.55	25.10	39.19	27.66	39.09	64.85
	Consumer Goods	12.70	5.23	4.15	6.20	14.51	30.58	13.28	24.60	55.04
	Capital Goods	9.89	3.12	1.85	33.87	50.48	37.04	32.55	58.29	69.62

JP	Raw Materials	4.63	2.25	1.10	48.41	49.63	60.09	34.47	57.41	87.52
	Intermediate Goods	2.03	1.39	1.07	41.82	42.86	65.35	55.99	62.86	69.93
	Consumer Goods	3.79	3.19	2.36	34.18	35.30	85.38	52.33	58.29	70.12
	Capital Goods	0.02	0.00	0.00	99.03	99.10	99.16	99.35	99.87	99.87
KR	Raw Materials	18.14	17.26	10.61	2.08	9.80	37.13	0.35	11.83	32.41
	Intermediate Goods	7.00	5.22	4.19	1.26	10.78	41.91	3.29	25.54	44.69
	Consumer Goods	8.97	7.19	5.79	2.47	11.56	39.13	2.61	5.43	26.02
	Capital Goods	6.56	3.31	2.59	4.77	32.50	52.72	9.92	48.11	50.71
LA	Raw Materials	17.63	12.43	2.64	0.00	1.16	57.65	0.00	0.16	42.86
	Intermediate Goods	9.72	5.46	1.24	0.00	1.40	70.61	0.00	0.52	76.62
	Consumer Goods	15.53	13.93	2.19	0.00	0.68	60.38	0.00	0.19	66.82
	Capital Goods	16.27	9.87	1.24	0.00	0.08	57.56	0.00	0.14	86.62
MY	Raw Materials	2.02	1.25	1.37	72.07	88.30	86.53	69.25	61.27	60.94
	Intermediate Goods	6.46	6.32	4.60	47.19	65.96	71.26	47.06	64.69	66.31
	Consumer Goods	15.15	9.66	6.00	32.20	41.48	53.40	19.46	30.05	37.08
	Capital Goods	3.72	1.44	1.81	50.18	62.33	69.15	65.31	84.04	82.52
MM	Raw Materials	2.88	2.32	3.32	10.38	14.36	34.70	0.99	3.45	34.88
	Intermediate Goods	6.41	4.86	2.30	3.02	4.41	25.48	3.70	3.21	28.44
	Consumer Goods	3.95	2.94	5.69	2.12	3.15	17.53	0.10	0.34	15.32
	Capital Goods	2.02	1.89	1.66	4.05	5.45	20.26	1.10	3.15	27.20
NZ	Raw Materials	0.18	0.12	0.16	86.34	88.33	87.52	96.37	97.19	96.18
	Intermediate Goods	2.65	0.97	0.71	62.89	69.70	73.80	67.30	78.26	81.35
	Consumer Goods	7.65	4.01	2.50	36.73	43.66	51.63	28.46	39.64	48.86
	Capital Goods	4.14	1.83	1.21	45.29	53.70	58.64	50.46	58.41	65.76
PH	Raw Materials	9.69	4.58	3.63	1.27	10.25	37.16	0.64	1.21	62.93

	Intermediate Goods	11.75	3.95	1.41	0.22	9.11	37.22	1.64	13.23	62.74
	Consumer Goods	19.86	8.09	4.19	0.12	7.57	30.60	0.02	5.54	62.43
	Capital Goods	7.51	1.13	0.97	2.12	21.11	39.88	8.11	69.25	73.75
SG	Raw Materials	0.00	0.00	0.00	100.00	100.00	100.00	100.00	99.98	100.00
	Intermediate Goods	0.00	0.00	0.00	100.00	100.00	100.00	100.00	100.00	100.00
	Consumer Goods	0.00	0.00	0.00	99.35	99.70	99.76	93.88	99.89	94.62
	Capital Goods	0.00	0.00	0.00	100.00	100.00	100.00	100.00	100.00	100.00
Thailand	Raw Materials	21.35	1.26	0.78	6.62	18.98	40.76	24.30	81.44	92.39
	Intermediate Goods	23.39	4.44	3.52	2.31	14.77	36.52	3.02	25.67	61.07
	Consumer Goods	37.33	13.75	10.18	1.84	6.85	21.14	0.90	7.10	32.18
	Capital Goods	27.41	5.48	4.12	0.74	16.81	31.91	2.72	38.72	51.51
VN	Raw Materials	5.31	6.59	4.39	31.72	37.88	50.94	37.06	42.87	62.10
	Intermediate Goods	12.12	8.53	2.62	38.62	40.22	52.93	39.61	41.26	63.49
	Consumer Goods	33.47	16.35	6.44	35.72	11.89	28.51	2.19	3.17	29.58
	Capital Goods	10.66	7.09	1.25	60.59	44.44	53.79	53.43	49.50	72.59

Source: Constructed by Authors from WITS[91]

As 46.21 percent of India's aggregate trade deficit with RCEP partners can be explained by the country's deficits with China, India's trade relation with the Eastern neighbour deserves closer attention. China is the largest exporter by value (US$2.294 trillion) in the world (IMF data, 2018)[92] and India is among the top ten trading partners of China,

[91] *Id.* (For several countries, the data for all the years during 1991-00 and 2011-19 is not available from WITS. So, in these cases, the average tariff has been computed with the available years.).

[92] IMF Data, *Direction of Trade Statistics (DOTS): Exports of Goods, Top 5 Economies*, INT'L MONETARY FUND (2018), *available at* https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85&sId=1514498232936 (last visited Nov. 8, 2021); *see China, the only major economy to have registered positive growth in foreign trade in goods in*

accounting for 3.1% of China's exports.[93] Although Chinese export to India has witnessed a downward trend in 2020, in December 2020 China recorded a surge in exports by 10.9%.[94] This marked a sharp U-turn for the world's second-largest economy, increasing exports to 6.7% with ASEAN and the EU.[95] Despite the pandemic situation and the trade war with the US, the China's export growth there remained strong at 7.9%.[96]

The WTO plays an pivotal role in facilitating trade negotiations and promoting free trade..[97] Due to the tariff reforms undertaken during the WTO accession process, the tariff barriers imposed by China on

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2020, XINHUA NET (Jan. 14, 2021), *available at* http://www.xinhuanet.com/english/2021-01/14/c_139668237.htm (last visited Nov. 8, 2021) ("China was 'the world's only major economy to have registered positive growth in foreign trade in goods,' said Li Kuiwen, spokesperson of the GAC".).

[93] *China Exports by Country*, TRADING ECON. (2019), *available at* https://tradingeconomics.com/china/exports-by-country (last visited Nov. 8, 2021) ("India Accounts for 74.92 billion U.S dollars or 3.1% of Chinese Exports by value".).

[94] *China's foreign trade hits record high in 2020 with trend-bucking growth*, XINHUA NET (Jan. 14, 2021), *available at* http://www.xinhuanet.com/english/2021-01/14/c_139666793.htm#:~:text=In%20December%20alone%2C%20exports%20surged,Kuiwen%20told%20a%20news%20conference (last visited Oct. 15, 2021) ("In December alone, exports surged by 10.9 percent year on year in yuan terms"); The State Council PRC, *China's foreign trade defies virus odds, ends 2020 on record highs*, XINHUA (Jan. 14, 2021), *available at* http://english.www.gov.cn/news/topnews/202101/14/content_WS5fffef12c6d0f72576943d42.html (last visited Oct. 15, 2021).

[95] Econ. & Com. Off., Mission of China to ASEAN, *ASEAN became China's largest trading partner in 2020*, COM. NEWS, *available at* http://asean2.mofcom.gov.cn/article/chinanews/202101/20210103031104.shtml (last visited Nov. 8, 2021) ("The growth rate (6.7%) is among the highest of China's major trading partners. Since January 2020, cumulative trade between China and ASEAN has maintained positive year-on-year growth, making it unique among China's top five trading partners"); Krishnan, *supra* note 15 ("[e]xports to ASEAN countries, China's largest trading partner last year with $684 billion in annual trade, were up 6.7%, while exports to the EU, China's second-largest trading partner, were also up 6.7%, with trade reaching $649 billion.").

[96] Krishnan, *supra* note 15 ("[d]espite the trade war with the U.S. and the pandemic, two-way trade was up 8.3% to $586 billion, with Chinese exports up 7.9% to reach a record $451 billion").

[97] Julien Chaisse, *Deconstructing the WTO conformity obligation: A theory of compliance as a process*, 38(1) FORDHAM J. INT'L L. 57, 57-98 (2015).

imports coming from India had been modest.[98] However, owing to strategic interventions, the instrument to augment the export prospect and restrict imports from accessing the domestic market has moved away from tariffs to non-tariff measures (NTMs).[99] NTMs can take various forms, e.g., import barriers, quality control, testing, labelling and certification requirements, anti-dumping, countervailing measures and export subsidies. In contrast to a tariff, these instruments work indirectly in controlling the domestic market's flooding with foreign goods by increasing the cost of imports.[100] NTMs can take various forms, e.g., import barriers; quality control; testing, labelling and certification requirements, anti-dumping, countervailing measures, and export subsidies. In contrast to a tariff, these instruments work indirectly in controlling the domestic market's flooding with foreign goods by increasing the cost of imports.[101] The NTMs are generally more restrictive in high- and middle-income countries, as low-income countries may substitute the costly NTM administration process by the relatively simpler tariff regime.[102] China and India, being advanced

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[98] Julien Chaisse & Jamieson Kirkwood, *One Stone, Two Birds: Can China Leverage WTO Accession to Build the BRI?*, 55(2) J. WORLD TRADE 287, 287-308 (2021); *see also* PHD Research Bureau, *India – China Trade Relationship: The Trade Giants of Past, Present and Future,* PHD CHAMBER OF COM. & INDUS., 12 (Jan. 2018), *available at* https://www.phdcci.in/wp-content/uploads/2018/11/India-China-Trade-Relationship_The-Trade-Giants-of-Past-Present-and-Future.pdf (last visited Nov. 8, 2021) ("For instance, when the average tariff imposed by China on global imports of dairy products was 10.79%, it was as low as 2% for India's imports").

[99] World Trade Org., *B. An economic perspective on the use of non-tariff measures,* WORLD TRADE REP. 67 (2012), *available at* https://www.wto.org/english/res_e/booksp_e/anrep_e/wtr12-2b_e.pdf (last visited Oct. 15, 2021); Robert W. Staiger, *Non-tariff Measures and the WTO*, Staff Working Paper ERSD-2012-01 (2012), *available at* https://www.wto.org/english/res_e/reser_e/ersd201201_e.pdf (last visited Oct. 15, 2021); Ana Fernandes, Hiau Looi Kee & Caglar Ozden, *Free trade now: A case for tariff reductions and non-tariff measures simplifications to fight COVID-19 (coronavirus)*, WORLD BANK BLOGS (May 11, 2020), https://blogs.worldbank.org/developmenttalk/free-trade-now-case-tariff-reductions-and-non-tariff-measures-simplifications-fight (last visited Oct. 15, 2021).

[100] *Id.*

[101] *Id.*

[102] U.N. CONFERENCE ON TRADE & DEV., NON-TARIFF MEASURES TO TRADE: ECONOMIC AND POLICY ISSUES FOR DEVELOPING COUNTRIES (2013).

developing countries, are recurrent users of these provisions. China imposes relatively higher number of NTMs vis-à-vis other countries of the region, and '. . . most (59.47%) are technical measures relating to technical specifications, quality requirements, and the ensuring of consumer safety, which is in line with or directly adopted from the ISO, IEC, and other recognized international standards agencies'.[103] On the other hand, in India SPS measures (around 50.04% of the total NTMs), TBT (36.24%) and export-related measures (10.5%) are among the major NTMs used.[104]

The existing literature notes that for a significant number of HS six-digit level products, India's import dependence on China is quite high, often crossing eighty percent of total imports.[105] Table 3 shows the deepening reach of China in India's import basket for a few select commodities. For several hi-tech (e.g., organic chemical, iron and steel, machinery and equipment, electrical machineries, vehicles etc.), medium-tech (apparel, plastic) as well as labor-intensive (cotton, footwear) product groups, China has created a dominance in India's import basket over the years. Moreover, a seeming decline in China's presence in Indian market for certain categories, as evident from Table 3, can be misleading. For instance, in Electrical machinery (HS 85) the share of China in Indian imports have declined from 56.4 percent to 41.5 percent over 2016 to 2020. However, over the same period the share of Hong Kong in India's imports of this category has increased from 2.7 percent to 16.7 percent. India's rising import demand from China for both final and intermediate

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[103] Mingcong Li & Miaojie Yu, *Non-Tariff Measures in China*, *in* NON-TARIFF MEASURES IN AUSTRALIA, CHINA, INDIA, JAPAN, NEW ZEALAND AND THE REPUBLIC OF KOREA: PRELIMINARY FINDINGS 23-34 (United Nations Conference on Trade and Development, 2020).

[104] Rael Sarmeen, *Non-Tariff Measures in India*, *in* NON-TARIFF MEASURES IN AUSTRALIA, CHINA, INDIA, JAPAN, NEW ZEALAND AND THE REPUBLIC OF KOREA: PRELIMINARY FINDINGS 35-43 (United Nations Conference on Trade and Development, 2020).

[105] Santosh Pai, *Deciphering India's Dependency on Chinese Imports*, ICS Analysis No. 120 (New Delhi: Institute of Chinese Studies, October 2020).

products is shaped by falling tariff barriers in India[106] as well as predatory pricing[107] by Chinese players.

Table 3: Importance of China in Select Indian Sectoral Imports[108]

[106] Org. for Econ. Co-operation & Dev., *Challenges and opportunities of India's enhanced participation in the global economy*, OECD ECON. SURVEYS: INDIA (2019), *available at* https://www.oecd-ilibrary.org/sites/04b94da4-en/index.html?itemId=/content/component/04b94da4-en (last visited Nov. 8, 2021).

[107] Priya Chacko, *India's economic dependence on China and Indo-Pacific integration*, PERTH USASIA CTR. (2020), *available at* https://perthusasia.edu.au/getattachment/Our-Work/India's-economic-dependence-on-China-and-Indo-Paci/PU-162-V3-India-Econ-WEB-Fx.pdf.aspx?lang=en-AU (last visited Oct. 15, 2021).

[108] *See* PHD Research Bureau, *supra* note 92; *Data Sources for all countries and territories*, TRADE MAP (n.d.), *available at* https://www.trademap.org/stDataSources.aspx?nvpm=1%7c%7c%7c%7c%7c%7c%7c%7c%7c%7c%7c%7c%7c2%7c%7c%7c%7c%7c1 (last visited Nov. 8, 2021).

Products	China's Average Share in Indian Imports (%)			
	2001-05	2006-10	2011-15	2016-20
Footwear	24.34	53.02	63.30	56.04
Electrical Machinery and Equipment	15.80	37.90	47.52	48.04
Apparel, Knitted or crocheted	19.58	36.32	45.04	43.88
Organic Chemical	20.54	30.58	32.68	39.46
Articles of Iron and Steel	7.56	33.30	33.82	34.84
Machinery and Equipment	8.28	21.62	30.16	33.28
Apparel, Not knitted or crocheted	18.72	26.50	27.36	25.40
Vehicles and Accessories	2.54	15.00	21.76	25.00
Misc. Chemical Products	4.92	12.80	17.12	21.90
Aluminum	6.50	13.48	17.86	19.44
Instruments, Medical, Surgical, Experimental	4.38	9.34	16.16	17.72
Plastic	4.42	11.92	14.04	17.52
Paper and Paperboard	2.02	13.38	13.88	16.68
Iron and Steel	2.06	14.18	15.74	13.70
Cotton	12.58	29.54	27.08	11.76
Inorganic Chemical	7.42	12.56	13.48	11.65
Pharmaceuticals	2.90	4.32	7.92	7.32

Table 4 focuses on the presence of China in India's export basket for a few commodities. It is clearly observed that the articles for which China accounts for a predominant share in India's export basket are either primary products (e.g., Ores, Slag and Ash; Salt, Sulfur, Stones), agricultural and food products (Animal or vegetable fats and oils, Cotton, Marine Products) or low-tech (Articles made of feathers) commodities. For the industrial product groups like copper, unwrought copper alloys and produce (HS 7403), i.e., an intermediate product group, dominate the Indian export basket. In other words, China and India have specialized in the high-value and low-to-mid-value segments, respectively, in their

bilateral trade flows.[109] While there exists considerable scope for India to enhance exports to China in several hi-tech commodity groups, the existing NTM's in China significantly impede its market access.[110]

Table 4: Importance of China in Select Indian Sectoral Exports[111]

Products	China's Average Share in Indian Exports (%)			
	2001-05	2006-10	2011-15	2016-20
Ores, Slag, Ash	60.66	85.02	72.86	77.40
Articles made of feathers	49.42	51.48	57.38	66.90
Animal or vegetable fats and oils	7.08	21.10	32.98	37.08
Copper Products	5.48	26.48	62.44	37.06
Salt, Sulphur, Stones	14.60	21.64	32.56	31.58
Cotton	4.80	21.68	35.84	18.06
Organic Chemical	8.20	7.92	7.84	13.54
Plastic	16.48	10.06	9.72	10.84
Marine Products	7.30	8.32	4.32	10.60
Iron and Steel	15.54	7.24	4.08	7.66
Tanning or dyeing extracts	3.18	4.64	3.94	7.10
Coffee, Tea, Spices	0.14	0.34	1.12	7.00
Instruments, Medical, Surgical, Experimental	5.32	5.52	6.00	5.26
Electrical Machinery and Equip.	1.32	2.02	2.88	4.92
Mineral Fuels	0.58	0.48	1.82	4.16
Machinery and Equipment	2.08	3.50	3.68	3.90
Misc. Chemical Products	2.94	3.70	3.90	3.26

Source: Computed by authors from Trade Map data

[109] *See* Kangkang Li, *China and India Trade Competition and Complementary: Analysis of the "Belt and Road" Background*, 9(7) MOD. ECON., 1213-1227 (2018).

[110] *See* Murali Kallummal, Prerna Manral & Salahuddin Ayyub, *Hidden Market Access Barriers in China: India's Exports in Electrical Machinery* (Apr. 14, 2020), *available at* https://ssrn.com/abstract=3575344 (last visited Nov. 8, 2021).

[111] *Id.*

While India has raised concerns over several NTMs used by China over the last two decades, the question of dumping by Chinese firms has been cited most frequently. The dragon has been the primary target of anti-dumping litigation from most of its trading partners.[112] There exists a wealth of literature providing empirical evidence of anti-dumping protectionism leading to trade diversion.[113] China attracts the highest anti-dumping investigation initiations globally since its WTO accession, given the 'Non-Market Economy' (NME) clause noted in Section 15 of the Protocol of Accession and the Treatment of China in Anti-Dumping Proceedings.[114] Since 2002, India has evolved as a major user of the AD duties on China, particularly taking recourse to the NME provision.[115] In addition, the use of countervailing measures and export subsidies poses threats for future trade relations among countries as the investigation is no more restricted among the trading firms of different countries (as in the case of AD duties). The measures relating to export /domestic subsidies and countervailing duties (hereinafter SCM) lead to a confrontation between the governments of the trading economies.[116] Therefore, countervailing initiations are measured steps and are used only when the reporting country is certain to put a measure on the import.[117]

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[112] *See* Daniel Drache & Yin Jiyuan, *Anti-Dumping Wars: An Empirical and Comparative Analysis of Unfair Trading Suits by China, India, Canada, the United States and the European Union, 1995-2011* (Nov. 29, 2013), *available at* https://ssrn.com/abstract=2361491 (last visited Nov. 7, 2021); *see also* Partrick A. Messerlin, *China in the World Trade Organization: Antidumping and Safeguards*, 18(1) WORLD BANK ECO. REV. 106 (2014).

[113] *See* Thomas J. Prusa, *On the spread and impact of anti-dumping*, 34(3) CAN. J. ECON. 591 (2001); *see also* Park Soochan, *The trade depressing and trade diversion effects of anti-dumping actions: The case of China*, 20(3) CHINA ECO. REV. 542 (2009); *see also* Paul Brenton, *Anti-dumping policies in the EU and trade diversion*, 17(3) EUR. J. POL. ECO. 593 (2001).

[114] *See* Messerlin, *supra* note 112, at 106.

[115] *See* James J. Nedumpara & Archana Subramanian, *China's Long March to Market Economy Status: Study of the Expiry of Section 15 of the Protocol of Accession and the Treatment of China in Anti-Dumping Proceedings, Discussion Paper No. 2*, NEW DELHI CTR. TRADE & INV. L. 1 (2018).

[116] Alan O. Sykes, *Subsidies and Countervailing Measures in* 2 THE WORLD TRADE ORGANIZATION: LEGAL, ECONOMIC AND POLITICAL ANALYSIS 84-106 (Springer, 2005).

[117] It is evident from the data, which shows that China has used anti-dumping duty initiation 8.2 times more than countervailing initiations. Interestingly, India records

India has highlighted the concerns over subsidized Chinese products consistently, which has been reiterated after RCEP pull-out decision as well.[118] It has been argued that, although there would be a controlled use of tariff barriers within the RCEP, there are no explicit regulations on the use of NTMs.[119]

The current analysis intends to judge the state of AD and SCM activism within RCEP with the help of Tables 5 and 6 respectively. In particular, the analysis attempts to analyze whether an 'echo effect' of AD protectionism, a trend widely observed in the global canvas, is prevailing here.[120] The arrangement of the tables is explained briefly. For instance, in Table 5 the horizontal rows represent the exporting countries getting affected by AD interventions, while the vertical columns indicate the importers (i.e., imposers of the AD interventions). The cumulative AD initiations over 1995-2020 are reported in the table, while the AD measures are presented in the parenthesis. As observed from Table 5, India initiates a total of 257 AD investigations against imports from China over this period, while on 190 occasions final measures are imposed. The corresponding AD interventions by China on Indian exports are eleven and ten respectively. The table reveals that similar to the global trend, a major proportion of Indian AD activism is targeted towards China.[121] It is noted that around twenty-four percent of

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a lower ratio of use of anti-dumping duty and countervailing initiation, standing 2.7 times.

[118] *India begins anti-subsidy probe on Chinese export of certain yarn*, FIN. EXPRESS (July 21, 2020), *available at* https://www.financialexpress.com/industry/india-begins-anti-subsidy-probe-on-chinese-export-of-certain-yarn/2030218/ (last visited Nov. 7, 2021).

[119] Prema-chandra Athukorala, *Book Reviews*, 56 BULL. INDONESIAN ECO. STUD. 363 (2020) (reviewing LILI YAN ING, MARTIN RICHARDSON, & SHUJIRO URATA, EAST ASIAN INTEGRATION: GOODS, SERVICES AND INVESTMENT, XV-264 (2019)); *see also* Julien Chaisse & Debashis Chakraborty, *Deconstructing Services and Investment Negotiations – A Case Study of India at WTO GATS and Investment Fora*, 14 J. WORLD INV. & TRADE 44, 44-78 (2013).

[120] Marc L. Busch & Krzysztof J. Pelc, *Law, politics, and the true cost of protectionism: the choice of trade remedies or binding overhang*, 13 WORLD TRADE REV. 39 (2014); Ning Meng, Chris Milner & Huasheng Song, *Differences in the determinants and targeting of anti-dumping: China and India compared*, 48 APPLIED ECON. 4083 (2016).

[121] Hylke Vandenbussche & Christian Viegelahn, *The Trade Impact of Indian Antidumping Measures against China: Evidence from Monthly Data*, 48 FOREIGN TRADE REV. 1, 1-21 (2013).

the Indian AD investigations and 26.46 percent of final AD duties are targeted against imports from China. In aggregate, RCEP accounts for 55.74 and 57.52 percent of India's global AD initiations and final measures respectively. However, China alone explains 43.05 and 46 percent of India's AD initiations and final measures against the RCEP countries respectively. So, India's 'dumping dread' from RCEP primarily originate from China.

Table 5 indicates a strong regional AD 'echo' pattern only for South Korea-China bilateral trade. The literature suggests that India demonstrates a strong AD protection 'echo' effect with developed countries like the EU and US.[122] However, in RCEP, only a weaker 'echo' effect involving India can be observed with respect to China and Indonesia.[123] It is observed from the table that India takes recourse to AD actions against both developing (e.g., China, Indonesia, Malaysia, Thailand) and developed (e.g., Japan, Singapore) countries.[124] However, the frequency of India's AD interventions on China, South Korea and Thailand are considerably higher than the corresponding AD activism undertaken by these partner countries on imports from India.[125] India's urge to protect the local industries from low-cost suppliers is evident from the analysis.[126]

Table 6 reports the countervailing initiations by the selected countries in the boxes, while the final measures are noted in the corresponding parenthesis. The 'echo' effect on SCM is found to be relatively weak in the RCEP context in general, as the evidence on AD-related retaliation among the countries is absent. A similar conclusion emerges for India as well. The lower incidence of SCM interventions by RCEP importers can be explained by the practical constraints in gathering conclusive evidence on disbursement of more than five percent *ad valorem* subsidization in

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[122] Debashis Chakraborty & Julien Chaisse, *Tightrope Walk Between Faith and Skepticism: India's "Contingency Plan" for Free Trade*, 15 ASIAN J. WTO & INT'L. HEALTH L. & POL. 91 (2020).

[123] The echo effects can be clearly observed from the anti-dumping actions imposed by the importing nations on exporter countries from the- World Trade Organization Anti-Dumping database. *Anti-dumping,* WORLD TRADE ORG. (n.d.), *available at* https://www.wto.org/english/tratop_e/adp_e/adp_e.htm (last visited Nov. 8, 2021).

[124] *Id.*

[125] Aradhna Aggarwal, *Trade Effects of Anti-Dumping in India: Who Benefits?*, 25(1) INT'L TRADE J. 112, 120-1 (2011).

[126] *Id.*

the partner markets.[127] For instance, India has initiated nine investigations against China, but went for final measures only six times. However, the RCEP orientation in India's SCM activism is too strong. Of the twenty-eight SCM initiations made by India against the rest of the world, twenty-six are against the RCEP partners. Interestingly, all of the eleven final SCM measures by India are targeted against the RCEP countries. Table 6 further reveals that the Chinese shadow on Indian SCM canvas is quite strong. The SCM interventions on imports from China explains 34.62 and 54.55 percent of India's SCM initiations and final measures against the RCEP countries respectively. Conversely, the RCEP partners have not challenged the WTO-compatibility of India's export facilitating initiatives frequently, unlike the country's global experience in developed country quarters (e.g., in Canada, EU and US).[128]

Given the frequency of India's AD and SCM activisms in the RCEP context, it can be argued that the absence of a strong arrangement on use of contingency related NTMs within the bloc, in the presence of deep tariff cuts, would influence India's trade deficit more severely.[129] Comparing the AD and SCM interventions by India, an interesting observation emerges. The relatively lower conversion rate of the AD interventions against China is indicative of the fact that on many occasions India cannot conclusively prove occurrence of dumping from China or 'material injury' to the domestic players in the aftermath of importing the dumped consignment, or 'causal linkage' between the two.[130] On the other hand, the relatively lower incidence of SCM

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[127] *See* Chakraborty & Chaisse, *supra* note 122.

[128] Prabha Raghavan, *RCEP Agreement: Failure of dumping duties on China weighed on govt before pullback,* INDIAN EXPRESS (Nov. 8, 2019), *available at* https://indianexpress.com/article/business/economy/rcep-agreement-failure-of-dumping-duties-on-china-weighed-on-govt-before-pullback-6108942 (last visited Nov. 8, 2021). See also Chakraborty & Chaisse, *supra* note 122.

[130] Hugo Erken & Michael Every, *Why India is wise not to join RCEP*, ECON. REP. (Dec. 29, 2020), *available at* https://economics.rabobank.com/publications/2020/december/why-india-is-wise-not-to-join-rcep/ (last visited Nov. 8, 2021); Harivansh Chaturvedi & Anuj Sharma, *Why it is better to be in than out of RCEP*, HINDU BUS. LINE (Dec. 1, 2020), *available at* https://www.thehindubusinessline.com/opinion/why-it-is-better-to-be-in-than-out-of-rcep/article33223852.ece (last visited Nov. 8, 2021).

[130] Prabha Raghavan, *RCEP Agreement: Failure of dumping duties on China weighed on govt before pullback*, INDIAN EXPRESS (Nov. 8, 2019), *available at* https://indianexpress.com/article/business/economy/rcep-agreement-failure-of-

initiation, but higher conversion rate, underlines the difficulty in proving devolution of 'specific' subsidies to Chinese exporters on many occasions. The expectation of the continuation of dumping by the Chinese firms after adopting RCEP preferential duties and practical limitations of the SCM mechanism had been a major concern for India, which significantly influenced the pull-out decision in 2019.[131]

T5: RCEP Anti-Dumping Usage - Initiations and Final Measures

(01/01/95 - 31/12/20)[132]

dumping-duties-on-china-weighed-on-govt-before-pullback-6108942 (last visited Nov. 8, 2021).

[131] Subhayan Chakraborty, *India opts out of RCEP: Axe on Chinese imports, trade deal with US likely*, BUS. STANDARD (Nov. 6, 2019), *available at* https://www.business-standard.com/article/economy-policy/india-opts-out-of-rcep-axe-on-chinese-imports-trade-deal-with-us-likely-119110500040_1.html (last visited Nov. 8, 2021).

[132] *Technical Information on anti-dumping: Determination of dumping & Procedural requirements*, WORLD TRADE ORG., *available at*

Exp. Count.	Importer Country													
	Australia	**China**	**India**	**Indonesia**	**Japan**	**Korea, Republic of**	**Malaysia**	**New Zealand**	**Philippines**	**Singapore**	**Thailand**	**Viet Nam**	**Total**	**RCEP Total**
AU	-	2 (1)	5 (3)	4 (1)	1 (1)		2 (1)				1 (0)		**37 (17)**	15 (7)
KH													**1 (0)**	0 (0)
CN	64 (30)	-	257 (190)	32 (15)	6 (6)	34 (26)	16 (13)	12 (4)	3 (3)		28 (17)	10 (8)	**1478 (1069)**	462 (312)
IN	8 (1)	11 (10)	-	15 (9)		7 (5)	1 (0)				2 (1)	1 (0)	**252 (151)**	45 (26)
ID	27 (11)	6 (4)	47 (33)	-	1 (0)	9 (4)	16 (11)	8 (1)	2 (1)		6 (3)	3 (2)	**236 (145)**	125 (70)
JP	11 (8)	53 (43)	44 (32)	4 (2)		22 (18)	5 (2)		1 (0)		4 (2)		**234 (169)**	144 (107)
KR	40 (21)	42 (37)	80 (54)	19 (6)	4 (3)		18 (12)	9 (4)	2 (1)		15 (7)	3 (2)	**471 (301)**	232 (147)
LA													**1 (0)**	0 (0)
MY	23 (10)	9 (7)	45 (28)	13 (6)		7 (5)		6 (3)	2 (2)	0 (1)	2 (2)	4 (2)	**183 (102)**	113 (66)
NZ		1 (1)	2 (0)			1 (0)							**11 (4)**	4 (1)
PH	3 (3)		3 (1)	1 (1)			2 (1)	1 (0)					**19 (12)**	10 (6)
SG	8 (6)	9 (7)	33 (21)	5 (1)		4 (4)	2 (1)						**68 (43)**	61 (40)
TH	32 (16)	9 (9)	62 (39)	10 (6)		7 (4)	10 (6)	9 (5)	2 (0)			3 (1)	**250 (167)**	144 (86)
VN	11 (3)		19 (12)	4 (2)		2 (2)	9 (6)				6 (5)		**108 (69)**	51 (30)
Total	**369 (168)**	**292 (241)**	**1071 (718)**	**144 (65)**	**15 (14)**	**155 (102)**	**106 (64)**	**66 (25)**	**20 (13)**	**0 (2)**	**97 (60)**	**26 (16)**	**6300 (4071)**	
RCEP Total	227 (109)	142 (119)	597 (413)	107 (49)	12 (10)	93 (68)	81 (53)	45 (17)	12 (7)	0 (1)	65 (37)	25 (15)		

https://www.wto.org/english/tratop_e/adp_e/adp_info_e.htm (last visited Nov. 8, 2021).

Table 6: RCEP Countervailing Usage Matrix – Initiations and Final Measures (01/01/1995 - 30/06/2020)[133]

Exporter Country		**Importer Country**						
	Australia	**China**	**India**	**Japan**	**New Zealand**	**Viet Nam**	**Total**	**RCEP Total**
Australia	-	2 (1)					**4** **(2)**	2 (1)
China	21 (11)	-	9 (6)		3 (0)		**189** **(129)**	33 (17)
India	1 (1)	2 (1)	-				**93** **(56)**	3 (2)
Indonesia	1 (0)		3 (1)				**28** **(13)**	4 (1)
Korea, Republic of			1 (0)	1 (1)			**32** **(15)**	2 (1)
Malaysia	1 (1)		6 (1)				**17** **(5)**	7 (2)
Philippines							**2** **(2)**	0 (0)
Thailand			3 (1)		1 (0)	1 (0)	**22** **(4)**	5 (1)
Viet Nam	5 (0)		4 (2)				**23** **(9)**	9 (2)
Total	**38** **(16)**	**17** **(10)**	**28** **(11)**	**1** **(1)**	**9** **(4)**	**1** **(0)**	**604** **(344)**	
RCEP Total	29 (13)	4 (2)	26 (11)	1 (1)	4 (0)	1 (0)		

Source: WTO Subsidies and Countervailing Gateway

[133] *Subsidies and countervailing measures*, WORLD TRADE ORG., *available at* https://www.wto.org/english/tratop_e/scm_e/scm_e.htm (last visited Nov. 8, 2021).

IV. The RCEP Future: Options for Indian Re-Entry?

In the context of India's trade balance scenario vis-à-vis RCEP partners, it is important to understand the practical challenges India might experience in the bloc at the time of re-entry.[134] Despite India's exit from the pact, the RCEP maintains that India can act as an observer in the activities of economic cooperation conducted by the signatory States and may take part in RCEP meetings at all times before its membership under the terms and circumstances to be unanimously agreed upon by all fifteen nations. Further, in view of its participation in discussions from 2012 and of its strategic importance as regional partner in the creation of deeper and expanding regional value chains, the Joint Leaders Declaration on RCEP said that India's membership to this agreement would be welcomed at any time.[135] Besides the inconsistency in agreement according to India, not joining RCEP might prove challenging to India as it could influence regional trade institutional policies that would define the future of the regional trade, even though in the near term it implied acceptance of some costs. As a member of the RCEP, India would have been equal to regional and global value networks and would have been offered the chance of strengthening economic growth through a stable trade system.

The economies of East Asia have been active even amid the worldwide waves of nationalism and protectionism and still believe in trade through preferential routes and engaging in mega-regional accords.[136] Therefore, it might be challenging for India since it might lose capital and its consumers could eventually pay more than they should, particularly since the Covid-19 outbreak poses unprecedented

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[134] *Regional Comprehensive Economic Partnership Agreement*, ASEAN SECRETARIAT (n.d.), *available at* https://rcepsec.org/legal-text/ (last visited Nov. 8, 2021).

[135] *RCEP Signatories Ready for Negotiations Once India Gives Written Request to Join Pact*, ECON. TIMES (Nov. 15, 2020), *available at* https://economictimes.indiatimes.com/news/economy/foreign-trade/rcep-signatories-ready-for-negotiations-once-india-gives-written-request-to-join-pact/articleshow/79232482.cms?from=mdr (last visited Nov. 8, 2021).

[136] Akarsh Bhutani, *India's reluctance in joining the RCEP - A boon or a bane in the long-run?*, OBSERVER RES. FOUND. (Feb. 10, 2021), *available at* https://www.orfonline.org/expert-speak/india-reluctance-joining-rcep-boon-bane-long-run/ (last visited Nov. 8, 2021).

problems for global commerce, investment and supply chains.[137] The regional value chain among RCEP members is projected to be particularly close-knit, owing to the presence of strong manufacturing and supply linkages in the Northeastern and Southeast Asian nations. If India were to be included and trade and non-trades obstacles were further reduced, economic participation in the region would have been deeper – for the benefit of all members. Apart from the economic standpoint, the RCEP has political and geopolitical importance. India's goal to recruit international supply chains would also be affected, since Member States have a greater chance of establishing distinct value chains.

V. Re-Entry of India in RCEP? A Game-theoretic Analysis

As discussed in Section 2 earlier, given the rising trade deficits, both the extent of tariff reform and protection from NTMs[138] had been among the primary reasons behind the Indian decision to pull out from RCEP negotiations. This article therefore intends to contribute to the existing literature by analyzing the market access concerns behind the Indian decision on RCEP pull-out in a game-theoretic framework.

Use of game theory to understand international politics and trade is not new in literature and its application has widened over the past few

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[137] Hugo Erken & Michael Every, *Why India is wise not to join RCEP*, RABOBANK (Dec. 29, 2020), *available at* https://economics.rabobank.com/publications/2020/december/why-india-is-wise-not-to-join-rcep/#:~:text=A%20report%20by%20the%20Peterson,it%20were%20an%20RCEP%20participant (last visited Nov. 8, 2021).

[138] Hardeep Singh Puri, *India's Trade Policy Dilemma and the Role of Domestic Reform*, CARNEGIE INDIA (Feb. 16, 2017), *available at* https://carnegieindia.org/2017/02/16/india-s-trade-policy-dilemma-and-role-of-domestic-reform-pub-67946 (last visited Nov. 8, 2021); Deborah Elms & Kelly Phuong Tran, *RCEP Brings New Opportunities for Gradual Agricultural Reforms in India*, CTR. WTO STUDIES (Dec. 2014), *available at* https://www.researchgate.net/publication/270777767_RCEP_Brings_New_Opportunities_for_Gradual_Agricultural_Reforms_in_India (last visited Nov. 8, 2021); Devirupa Mitra & Anuj Srivas, *India Exits Asia's Mega Trade Pact, Decides Not to Join RCEP Agreement*, WIRE (Nov. 4, 2019), *available at* https://thewire.in/trade/india-decides-not-to-join-rcep-agreement-for-now (last visited Nov. 8, 2021).

decades.[139] Global trade is interdependent on the strategic actions taken by the trading nations and, hence, game theory fits well to analyze their optimal decision choices.[140] Game-theoretic framework helps in laying out the logic behind the decision outcome in a structured manner, which makes room for extensive use of this tool in understanding international legal architecture.[141] The current analysis is conducted in the following manner. First, we formalize a non-cooperative static game between India and other RCEP countries to explain why India did not join RCEP in the first place in 2020. Second, through a dynamic game-theoretic framework we explore what would be the possibilities of India joining RCEP in the near future.

As discussed in earlier sections, without explicit provisions for responding to the Indian concerns regarding coverage of tariff reforms and the use of NTMs, it will not be agreeable for a trade deficit economy like India to re-join RCEP. Since RCEP has not made any arrangements on limiting trade coverage and targets a modest benchmark for controlling NTMs, this can be a reason for not signing on for India.[142] To check whether refraining from joining RCEP was the optimal strategy for India, we first construct a simple static[143] game of complete information[144] with strategic interaction between India and the RCEP member countries. Though there had been rounds of negotiations for joining RCEP, we consider the situation in November of 2020, when India decided not to join RCEP.

In this game, the players, viz., India and other RCEP members have their own strategy profiles. India can either choose to *'enter'* the RCEP or *'not*

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[139] Duncan Snidal, *The Game Theory of International Politics*, 38 WORLD POL. 25, 25–57 (1985).

[140] Milton Mueller & Peter Lovelock, *The WTO and China's ban on foreign investment in telecommunication services: a game-theoretic analysis*, 24 TELECOMM. POL'Y 731, 733 (2000).

[141] Hojjat Khodaeyfam & Alireza Arashpour, *Legal Framework of WTO from the Perspective of Game Theory in International Law*, 35 INT'L L. REV. 277 (2018).

[142] Rajaram Panda, *A Step Too Far: Why India Opted Out of RCEP*, GLOB. ASIA (2019), *available at* https://www.globalasia.org/v14no4/feature/a-step-too-far-why-india-opted-out-of-rcep_rajaram-panda (last visited Nov. 8, 2021) ("India did not get any credible assurance on market access and non-tariff barriers").

[143] The game is considered static, as the decision taken by India or by the RCEP member countries are taken at one time point, (i.e., November 2020, in this case).

[144] A scenario can be described by a complete information game when the strategy profile of all the players and their corresponding payoffs are known to every participant of the game.

enter', therefore the strategy profile for India will be $S_I = \{enter, not\ enter\}$. RCEP member countries may strategize to *'change the policy,'* taking an approach to ensure room for accommodating India's concerns over tariff reforms and lowering of NTMs, which might be favorable for India to join, or maintain status quo by choosing *'not change policy'*. Therefore, the strategy profile for RCEP member countries would be $S_R = \{change\ policy, not\ change\ policy\}$. But changing the policy has geopolitical implications among the member countries and exercising a regulation on NTMs is not an easy task given the complexities associated with it. These strategy profiles of both the players, i.e., S_I and S_R is known to both India and RCEP member countries. Since we proceed with a complete information model, then the corresponding payoffs should be known as well.

To derive the payoffs corresponding to the strategy profile, we need to account for the associated net benefits of the strategy. For RCEP member countries, if they choose to 'change policy,' such that it is feasible to incorporate necessary regulations harmonizing standards, it would lead to loss of control on trade through the use of NTMs. Therefore, it is not entirely costless. Let that cost be $C_R(>0)$. Also, as RCEP may agree to some of India's suggestions on tariff reforms, this may adversely affect the trade balance of the existing member countries if India chooses to join, denoted by $-t_B^R < 0$. Therefore, the total loss incurred by RCEP member countries, if they choose to 'change policy' and India enters, would be $(C_R + t_B^R)$. However, by 'changing the policy', the member countries can ensure the possibility of India signing the agreement and enable other RCEP members to gain easier access to the large market of 1.4 billion consumers. The revenue for the member countries, and, correspondingly, domestic economic vibrancy, would then increase by $\Delta\pi_R > 0$. But this gain is guaranteed only if India chooses to enter the RCEP, otherwise $\Delta\pi_R$ will be forgone even after choosing 'change policy' by RCEP member countries.

Now let us consider the payoff consequences for India's strategic actions. India has certain compelling political reasons for joining the RCEP. Being a signatory would have allowed India to shape the agreement in the future as well as gain market power benefits, leading to a perceived gain of say, $M > 0$.[145] If India signs with flexibility in tariff provisions

[145] John Whalley, *Why Do Countries Seek Regional Trade Agreements?, in* THE REGIONALIZATION OF THE WORLD ECONOMY 63, 84-86 (Jeffrey A. Frankel ed., 1998).

and change in RCEP NTM regulations, the rising revenue from RCEP markets would help in creating jobs and sustaining economic growth ($\Delta\pi_I$), which is a crucial consideration of the Indian policymakers at present.[146] Also, this action would help in improving India's trade balance (t_B^I). In addition, given the vibrant production dynamics within ASEAN in general and RCEP in particular, India can enjoy greater access to different global varieties in the domestic market (v_1).[147] Therefore, the gains from choosing to 'enter' with favorable trade policies can be denoted by: $(M + \Delta\pi_I + v_1 + t_B^I)$. Conversely, the opening up of the economy may adversely affect the domestic Small and Medium Enterprises (hereinafter 'SMEs') units, who are presently on a poorer technological plane.[148] The shrinking of the SME sector and the resulting employment repercussions may reduce the domestic demand by $-\delta_1$ (< 0). Now, India's decision to *'not enter'* is associated with a cost, as staying out of the deal isolates India, creating a loss of credibility. This reputational rupture limits its ability to influence the emerging trade architecture in the future, which can be denoted by $-M$. For instance, the Indian reluctance to embrace the TRIPS-Plus provisions and deep tariff cut proposals in the RCEP, and the subsequent pull-out, would only harden the stance of the EU and the US during their respective RTA negotiations with India. But if India does not join the RCEP, it protects the local SMEs from the competition and retains an increased share of the domestic demand which would be proportionately more than δ_1 and denoted by $\alpha\ \delta_1$, where $\alpha > 1$. But if there is no change in the RCEP set of policies and India signs in despite this, there will be a proportionate loss in demand denoted by $-\beta\delta_1$, where $\beta > 1$. Also, the trade balance would be adversely affected by $-t_B^I < 0$.

As noted earlier, the payoffs under different strategy spaces are known to both the players, making it a complete information game. We can summarize the payoffs in a normal form (tabular form) simultaneous to the move game in Table 7.

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[146] Sunitha Raju, Bibek Ray Chaudhuri & Mridula Savitri Mishra, *Trade liberalization and employment effects in Indian manufacturing: An empirical assessment* 4-13 (P'SHIP FOR ECON. POL'Y, Working Paper No. 2016-19).

[147] Connie Bayudan-Dacuycuy & Joseph Anthony Lim, *Export Sophistication, Export-Led Growth and Product Space: Evidence from Selected Asian Economies*, 52(1) J. ASIAN & AFR. STUD. (2014).

[148] *See generally* Subhadip Mukherjee & Rupa Chanda, *Trade Liberalization and Indian Manufacturing MSMEs: Role of Firm Characteristics and Channel of Liberalization*, 31 EUR. J. DEV. RSCH. 984 (Feb. 15, 2019).

Table 7: 2x2 Payoff matrix for Complete Information Static Game between India and RCEP Member Countries

	RCEP Member Countries		
		Change Policy	Keep Policy
India	Enter	$(\Delta\pi_I + v_1 + M + t_B^I - \delta_1)$, $(\Delta\pi_R - C_R - t_B^R)$	$(v_1 + M - \beta\delta_1 - t_B^I)$, $(\Delta\pi_R + t_B^R)$
	Not Enter	$(\alpha\,\delta_1 - v_1 - \mathrm{M})$, $(-C_R - \Delta\pi_R)$	$(-M - v_1)$, $(-\Delta\pi_R)$

In the payoff matrix, the two expressions in the parentheses of each cell represents the payoff of India and RCEP member countries respectively. To derive the optimal strategy for both India and RCEP members we need to find out the Pure Strategy Nash Equilibrium, i.e., given the strategy for one player the best strategy for the other. We can use the method of iterated elimination of dominated strategy to find the Nash equilibrium. A strategy which is never chosen in the presence of the other strategy is called the dominated strategy. To ensure that 'enter' is a dominated strategy, the payoff from choosing 'not enter' should at least be greater than or equal to the payoffs for choosing 'enter'. This indicates that the strategy 'enter' would always provide lower payoff compared to the payoff from a 'not enter' decision and, hence, would never be played. However, in this present game in Table 7, the comparison of payoff from 'enter' and 'not enter' is not straight forward.

It is common knowledge that India did not join RCEP, and cited the domestic economic considerations as the driver behind this decision during 2019-20.[149] If the 'not enter' decision emerges as the dominant strategy for India, we need to show that: $(\Delta\pi_I + v_1 + M + t_B^I - \delta_1) \leq (\alpha\,\delta_1 - v_1 - \mathrm{M})$ and $(M + v_1 - \beta\delta_1 - t_B^I) \leq (-M - v_1)$. To satisfy the first condition, α should be sufficiently large such that $\alpha > \alpha^*$, where $\alpha^* = \frac{\Delta\pi_I + 2(v_1+M) + t_B^I - 1}{\delta_1}$. Similarly, for the second condition to hold we need $\beta \geq \beta^*$, where $\beta^* = \frac{2(v_1+M) - t_B^I}{\delta_1}$. Therefore, India will choose '*not to enter*' the RCEP as the dominant strategy if $\alpha \geq \alpha^*$, where $\alpha^* = \frac{\Delta\pi_I + 2(v_1+M) + t_B^I - 1}{\delta_1}$ and $\beta \geq \beta^*$, where $\beta^* = \frac{2(v_1+M) - t_B^I}{\delta_1}$. These conditions

[149] *See* Government of India, *supra* note 40.

are sufficient to ensure that the payoffs from 'entering' RCEP are always lesser than those for 'not entering' the trade bloc.

For the other RCEP members, the strategy of 'not changing policy' is unconditionally superior to changing it as $(\Delta\pi_R - C_R - t_B^R) < (\Delta\pi_R + t_B^R)$ and $(-C_R - \Delta\pi_R) < (-\Delta\pi_R)$, (since $C_R > 0$). Noteworthy is the fact that if the cost of changing the policy is reduced to zero ($C_R = 0$), even then the strategy of 'not changing policy' is weakly dominated, i.e., when India chooses to 'enter' then the payoff from ' not change policy' is higher, whereas, RCEP members are indifferent between the two strategies when India refuses to join. The RCEP decision in 2020 for not changing the policy on coverage of tariff reforms and NTM regulations to make it favorable for India to join needs to be viewed in this light. For RCEP, the 'change policy' remains the dominated strategy and will never be chosen. By definition, in a complete information game, India will always know that RCEP members will never opt for the 'change policy' strategy. Therefore, given this information, India will decide upon their strategy which will result in the higher payoff. We find that India will, therefore, choose to enter the RCEP only if $\beta < \beta^*$. Put differently, if the loss in domestic demand is due to signing in is high, it is optimal for India to not join the RCEP, as witnessed in the real-world outcome. We can state this lesson formally in Proposition 1.

Proposition 1:

At the equilibrium, India will choose not to enter the RCEP if the loss in domestic demand due to signing in RCEP is sufficiently high such that if $\beta \geq \beta^*$, *where* $\beta^* = \frac{2(v_1+\bar{M})-t_B^I}{\delta_1}$. *Precisely, the dominant strategy nash equilibrium is (not enter, not change policy) if* $\beta \geq \beta^*$.

The underlying logic behind India's RCEP pull-out decision during 2019-20 is evident from the game-theoretic analysis. The key consideration therefore is whether joining RCEP in the long run will be beneficial for the country. We can also observe that $\frac{\partial\beta^*}{\partial\delta_1} \leq 0$ and $\frac{\partial\beta^*}{\partial t_B^I} \leq 0$, indicating that the condition for not entering RCEP is more stringent when there is an exogenous increase in domestic demand and if the trade balance of India is favorable. In other words, independent of the decision of joining RCEP, if the trade balance of India can be improved or the domestic demand is maintained high then the likelihood of India's entry in RCEP would increase.[150] On the other hand, $\frac{\partial\beta^*}{\partial M} \geq 0$ and $\frac{\partial\beta^*}{\partial v_1} \geq 0$, which

[150] It has been observed that India's GDP growth rate during 2019-20 stood at 4.2 percent, as compared to the corresponding figure of 6.1 percent during 2018-19.

indicates that the condition for joining RCEP is more rigid if global varieties in the domestic market increases and India gains a market power, even when not in RCEP.[151] We can state this formally in Proposition 2.

Proposition 2:

An exogenous increase in δ_1 (domestic demand) and t_B^I (improvement in trade balance for India) and an exogenous decrease in M (market power) and v_1 (varieties in market) can make it favorable for India to join RCEP.

Now the second crucial question is whether India will join back RCEP in the near future. As noted earlier, India has launched the 'Make in India' initiative in 2014, followed by the 'Atmanirbhar Bharat Abhiyan' (Self-reliant India) in 2020, with the objective of domestic industrial consolidation and growth. However, most of the products that India expects to specialize in the short run belong to low and mid-tech segments, with potential competition from China.[152] The competition from China is likely to remain strong in the wake of the 'Made in China

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The falling growth rate and worsening trade balance collectively exerted a downward pressure on domestic demand, which shaped India's RCEP pull-out decision. Navdeep Yadav, *These Indian states have seen the worst economic impact due to the COVID-19 pandemic*, BUS. INSIDER INDIA (May 29, 2020), *available at* https://www.businessinsider.in/policy/economy/news/these-indian-states-have-seen-the-worst-economic-impact-due-to-the-covid-19-pandemic/articleshow/75999085.cms (last visited Nov. 8, 2021); *see Consumer spending at 4-decade low; India risks rising poverty, malnutrition*, WEEK (Nov. 15, 2019), *available at* https://www.theweek.in/news/biz-tech/2019/11/15/consumer-spending-4-decade-low-india-risks-rising-poverty-malnutrition.html (last visited Nov. 8, 2021).

[151] The number of RCEP product varieties that could have entered Indian market in the post-block period are already entering through ASEAN, facilitated by setting up of Chinese production units in ASEAN. India's intent is to block such imports. Deepshikha Sikarwar & Gulveen Aulakh, *India may step up scrutiny of imports from Chinese cos in Asean countries*, ECON. TIMES (June 29, 2020), *available at* https://economictimes.indiatimes.com/news/economy/foreign-trade/india-may-step-up-scrutiny-of-imports-from-chinese-cos-in-asean-countries/articleshow/76680552.cms (last visited Nov. 8, 2021).

[152] Rahul Anand, Kalpana Kochhar & Saurabh Mishra, *Make in India: Which Exports Can Drive the Next Wave of Growth?*, *in* WP/15/119 IMF, WORKING PAPER 27 (INT'L MONETARY FUND ed., May 2015).

2025' policy that the dragon launched in 2015, with a goal of enhancing long-term competitiveness in mid to hi-tech manufacturing segments. It is likely that the disbursement of subsidies would continue to play a crucial role in this strategy.[153]

India has been enjoying effective RTAs with all the RCEP members other than China, Australia, and New Zealand. Though RTA negotiations had been initiated with New Zealand since 2010, and a comprehensive strategic partnership has been initiated with Australia since June 2020, the strategic interaction between India and China plays a crucial role in India's long-term reconsideration of joining RCEP even after the policy changes are favorable.

In this backdrop, the current analysis intends to foresee the possible strategic choices for India on the RCEP question, given the Chinese orientation through a dynamic game. If RCEP accommodates India's concerns over tariff reforms and lowering of NTMs, then possibilities of dumping from China may be reduced; otherwise, China will continue with the WTO's incompatible policies. The following two cases can be considered:

CASE I: RCEP member countries reconsider India's concern over joining RCEP and changes the policy accordingly

Under this situation, India can consider entering the RCEP or staying out. Observing the actions taken by India, China can now decide whether to adopt WTO-compatible policies (WCP) or occasionally indulge in WTO incompatible policies (WNP). Therefore, we consider a two period dynamic game set-up where India makes the first move and decides whether to enter or not enter RCEP; India's action set being $A_I = \{enter, not\ enter\}$ and in the next period China decides upon its actions $A_C =$ $\{WTO\ compatable\ policy(WCP), WTO\ noncompatable\ policy\ (WNP)\}$. Figure 1 in the following provides the game in its extensive form (game tree).

The payoff of the players in the dynamic game are defined in the following manner. We observe that upon entry India enjoys rising

[153] James McBride & Andrew Chatzky, *Is 'Made in China 2025' a Threat to Global Trade?*, COUNCIL ON FOREIGN REL. (May 13, 2019), *available at* https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade (last visited Nov. 8, 2021).

revenues and employment effects from RCEP markets ($\Delta\pi_I$), access to more global varieties in the domestic market (v_1), higher market negotiation power (M) and improved trade balance (t_B^I) but suffers from the loss of domestic demand due to increased competition and negative effects of NTMs (δ_1). Conversely, China enjoys improved earnings and the associated advantages due to eased access to the Indian market ($\Delta\pi_C$). Also, if China continues to dump the products or use subsidies to provide local players a competitive edge, they will gain an additional amount of D.[154] However, as RCEP has accommodated for India's concern over tariff and NTM reforms, the gain of D comes with a cost of C_D. However, when China follows WTO compatible policies (i.e., no dumping or subsidization), the available varieties for India would be lower at $v_2 (< v_1)$ and the trade balance more favorable, denoted by γt_B^I, where $\gamma > 1$. It is observed from the payoffs that if the cost for not complying with WTO regulations and RCEP policy is not high, China will always get higher pay off by choosing WNP.

Figure 1: Extensive form representation of the dynamic game between India and China when RCEP members have adopted favorable policies of India to join.

On the other branch of the game tree, if India chooses to 'not enter' RCEP, China may still have the options of choosing between WCP and WNP. If India plays 'not enter' and China responds by opting for WNP, then Indian SMEs would be protected from competition and there would be a gain in domestic demand by $\alpha\ \delta_1$, where $\alpha > 1$. However, India will lose out on access to varieties ($-v_1$), the market power to negotiate ($-M$), and a portion of the increased domestic demand due to the adoption of WNP by China ($-\delta_1$). China, on the other hand, will not get the additional benefit ($-\Delta\pi_C$) which it could have gained if India entered into RCEP. By choosing WNP, China can still dump and gain (D) by

[154] The assumption is based on real world experience, as Indian Parliament recently noted that Chinese dumping in the solar panel sector alone has led to loss of 0.2 million jobs in the domestic market. *India lost 2 lakh jobs due to dumping of Chinese solar panels: Parliament Panel*, ECON. TIMES (July 27, 2018), *available at* https://energy.economictimes.indiatimes.com/news/renewable/india-lost-2-lakh-jobs-due-to-dumping-of-chinese-solar-panels-parliament-panel/65159015 (last visited Nov. 8, 2021).

paying no cost, as the revised trade reforms of RCEP are not applicable since India choose 'not enter'. If China plays WCP, then India will not lose the domestic market due to dumping and China's gain from such activities would be zero. The rest of the components in the payoff for both India and China are the same as in the previous static case.

Now, since this is a dynamic game of complete information, we can derive the best actions for India and China by solving for the Sub-game Perfect Nash Equilibrium (SPNE) using the method of backward induction. According to this method, we start solving the game from the last period. So, we first find out that is the best action for China when India opts to 'enter'. We find that $\Delta\pi_C - C_D + D > \Delta\pi_C$, when the cost of opting to use NTMs is low. With China being a global trade influencer, it is likely that the cost would be lower than the possible gain and, hence, China will choose WNP over WCP.[155] Similarly, when India decides not to enter RCEP, China's payoff from WNP is unambiguously higher than the corresponding WCP payoff. Therefore, we find that irrespective of actions chosen by India, it is best for China to play WNP. Now, knowing that China would choose WNP as the dominant strategy in its action set,[156] India will choose its optimal action in period 1. India will compare between $(\Delta\pi_I + v_1 + M + t_B^I - \delta_1)_I$ and $((\alpha - 1)\delta_1) - v_1 - M$. We find that if $\delta_1 \geq \delta_1^* = \frac{2(v_1+M)+\Delta\pi_I+t_B^I}{1+\alpha}$, then the optimal strategy for India is to 'not enter'. We can state this formally in Proposition 3.

Proposition 3:

If the domestic demand is sufficiently high such that $\delta_1 \geq \delta_1^* = \frac{2(v_1+M)+\Delta\pi_I+t_B^I}{1+\alpha}$*, then the Sub-game Perfect Nash Equilibrium will be (Not Enter, WNP) even when the RCEP members have accommodated the policies favorably for India.*

Case II: RCEP member countries do not consider India's concern over joining RCEP and change the policy accordingly.

Under this situation, the strategic interaction between India and China is more relevant and interesting. From Proposition 1 we have shown that the dominant strategy for RCEP member countries is to 'not change' the

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[155] *See generally* Romi Jain, *China's Compliance with the WTO: A Critical Examination*, 29 INDIAN J. ASIAN AFF. 57, 57-84 (2016).

[156] India's consistent use of contingency actions against Chinese exports, as observed from Table 5, is a case in point. *See* table 5, *supra*.

policy favorably for India. Thus, the outcome under this situation is closer to reality. The action set for both India and China are the same as before, but the corresponding payoffs are different. The game is described in the form of a game tree in Figure 2.

Figure 2: Extensive form representation of dynamic game between India and China when RCEP members have not adopted favorable policies for India to join.

The payoff of the players in this dynamic game are defined in the following manner. When India decides to 'enter' the RCEP and China chooses WNP, India gains in attaining global variety and market power to negotiate $(v_1 + M)$ but loses domestic market due to competition $(\beta\delta_1; \beta > 1)$. The use of WNP by China also adversely impacts the trade balance of India by γt_B^I, where $\gamma > 1$. Similarly, if China choose WCP, the gain for India remains the same $(v_1 + M)$ but the loss in trade balance is less as China does not adopt NTMs (e.g., dumping, subsidization). When India chooses to 'enter', it results in additional benefits and an improved trade balance for China $(\Delta\pi_C + t_B^C)$. In addition, China gains by D when WNP is chosen. Comparing the payoff of China in the last stage when India chooses to enter, we find that the dominant strategy for China is WNP. Therefore, we can fold back the game to observe that India will get $(v_1 + M - \gamma t_B^I - \beta\delta_1)$ when it chooses to 'enter'.

Now, if India does 'not enter' and China opts for WNP, India pays the cost of loss in variety in the market, power of future negotiation and increased competition leading to loss in domestic demand $(-v_1 - M - \delta_1)$. If China plays a fair game by going for WCP, then India does not face increased domestic competition due to use of NTMs by China. The rest of the components in the payoff are similar with the abovementioned scenario. For China, India's decision of not joining RCEP will lead to a loss in access to the Indian market $(-\Delta\pi_C)$. By choosing WNP, China gains an additional amount of D without any threat of paying penalty, as RCEP member countries have not opted for trade policies favorable to India. Even in this arm of the game, we find that it is a dominant strategy for China to choose WNP and, knowing this, India lands up with a payoff of $(-v_1 - M - \delta_1)$ when action 'not enter' is played. Therefore, to solve for the SPNE strategy for India, we need to compare the payoff $(v_1 +$

$M - \gamma t_B^l - \beta\delta_1$) with $(-v_1 - M - \delta_1)$. The finding can be formally stated in Proposition 4.

Proposition 4:

When RCEP member countries refuse to renegotiate with India with revised trade policies, the SPNE is (Not enter, WNP) if $\beta \geq \beta^{**} = \frac{2(v_1+M)-\gamma t_B^l+\delta_1}{\delta_1}$, *i.e., when loss in domestic demand is sufficiently high, India's optimal strategy is to 'not enter' RCEP.*

Interestingly, the statement for Proposition 1 and Proposition 4 are similar, identifying that the concern for joining RCEP is pinned down to the adverse effect on the domestic market due to fierce competition from the RCEP members, which includes China. However, we need to *compare* the conditions to anticipate whether, in the long term, the situation differs from today's outcome. Therefore, comparing β*and β**, we find that $\beta^{**} < \beta^{*}$ *if* $-\delta_1 > \delta_1{}^{**} = (1-\gamma)t_B^l$. The finding can be formally stated in Proposition 5.

Proposition 5

The condition for India not entering RCEP in the long run is less stringent if the loss in the domestic market is higher than the gains from improvement in trade balance.

VI. Indian Policy Path in Future

RCEP's economic expansion has often been highlighted by its extensive coverage of almost 30% of the world's population and GDP, making it the biggest RTA. The Member States are anticipated to benefit from such a mega-bloc, having constituents with varying degrees of capital-intensity and labor skill, by creating a barrier-free mass market for each other. The launch of RCEP negotiations in 2013 was a continuation of India's 'Look East Policy' for promoting East-Centric trade. However, India pulled out of the deal after being in negotiations for almost a decade, anticipating disruption for domestic industries and further deterioration in trade balance, particularly against China. Several

developed, as well as developing countries, joined RCEP as they experienced trade surpluses with either ASEAN or RCEP members or both (i.e., the anticipations for future benefits were backed by the current realized gains). Conversely, a number of low-income, middle-income, and high-income nations suffered from trade deficits with both ASEAN and the RCEP. However, all of them, with the exception of India, have pushed forward with RCEP talks despite the trade deficit. In light of the past experience, moreover, trade deficit was expected to worsen due to the perceived lack of a robust arrangement to tackle contingency related NTM's in the bloc in the aftermath of a substantial tariff reduction. India anticipated that dumping by the Chinese companies would continue even after implementing RCEP preferential tariffs, along with government support in the form of subsidies. With China adopting a relatively aggressive stance on tariff cuts after the launch of the 'Made in China 2025' scheme and, given the deepening geopolitical tensions with the dragon, India decided that it would prefer integration with Asian countries through bilateral FTAs rather than be a part of RCEP.

One of the crucial strategic trade policies China has followed thus far has been to ensure its market economy status through the RTA route.[157] This policy played a pivotal role in promoting the export engine of the dragon, as several WTO Members treated China as an NME in line with the allowed flexibility. It deserves mention that, while the NME status of China has lapsed on December 11, 2016, as per the agreed upon accession principles, both developed (e.g., EU, US) and developing (e.g., India) countries continue to treat China as an NME, citing absence of market forces in determining key prices therein. China has already challenged the EU[158] and US[159] procedure at the WTO and, in a retaliatory measure, declared the US energy and petrochemical sector as

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[157] *See* Yanlin Sun & John Whalley, *China's Anti-dumping Problems and Mitigation Through Regional Trade Agreements*, 70 CTR. FOR INT'L GOVERNANCE INITIATIVE PAPERS 1, 5-11 (2015).

[158] *See* Secretariat Dispute Settlement Summary, *European Union — Measures Related to Price Comparison Methodologies*, WTO Doc. DS516 (June 15, 2020), *available at* https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds516_e.htm (last visited Nov. 8, 2021).

[159] *See* Secretariat Dispute Settlement Summary, *United States — Measures Related to Price Comparison Methodologies*, WTO Doc. DS515 (Dec. 12, 2016), *available at* https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds515_e.htm (last visited Nov. 8, 2021).

an NME.[160] Now, India considers China as an NME even in the 2021 AD investigations.[161] Given the strong perception on continuing subsidization in China in the future, as well and non-availability of comparable market prices of several Chinese products, it is unlikely that the Indian authorities will yield to the Chinese pressure on withdrawing the NME treatment, which will surely intensify if India joins RCEP.

The current analysis evaluates India's RCEP pull-out decision and the possibilities of its re-entry in the bloc through a game-theoretic analysis. India's long-term decision to re-enter RCEP would crucially depend on the growth of domestic demand (and in turn, employment opportunities) and improvement in trade balance. Considering the strategic options of China, India, and RCEP, the following conclusion is reached: if RCEP takes account of India's concerns about tariff reform flexibility and lowering of the NTMs, threats from Chinese dumping may be limited. Otherwise, China will continue to implement WTO incompatible policies. In fact, adoption of the WTO-incompatible policies can be beneficial for China. It can be observed that taking recourse to WTO-incompatible instruments can emerge as a dominant strategy (i.e., a lucrative option) for China with the consequent ramifications for India. India's involvement and subsequent disentanglement in RCEP has been shaped by all of these considerations.

Despite the perceived inconsistency in the agreement, India's refusal to join RCEP may pose a challenge to its trade architecture, even if it means accepting certain costs in the short term. Upon joining RCEP, India will be able to access the regional and global value networks, with the opportunity to boost economic growth by being part of a vibrant trading system. Notably, even in the face of global waves of nationalism and protectionism, East Asian economies have remained committed to trade reforms by asserting their faith in preferential trade routes and

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[160] Zhiguo Yu & Sandeep Thomas Chandy, *The US is now a "Non-Market Economy" – Anti-Dumping Ruling by China*, INT'L ECON. L. & POL'Y BLOG (July 18, 2020), *available at* https://ielp.worldtradelaw.net/2020/07/the-us-is-now-a-non-market-economy-anti-dumping-ruling-by-china.html (last visited Nov. 8, 2021).

[161] Ministry of Commerce & Industry, *Initiation of anti-dumping investigation concerning imports of "Polyurethane Leather which includes any kind of textile coated one sided or both sided with Polyurethane" originating in or exported from China PR*, F.No. 6/55/2020 - DGTR, MINISTRY OF COM. & INDUS (Feb. 24, 2021), *available at* https://www.dgtr.gov.in/sites/default/files/initiation%20Notification%20-English%20%281%29.pdf (last visited Nov. 8, 2021).

participating in mega-regional agreements. The absence of India in the RCEP fold may disappoint the key investors to the country, such as Japan and South Korea, at least in the short run. Hence, India in the coming period might witness capital inflows below the anticipated level and its consumers could eventually pay more for importable goods than they should, particularly since the Covid-19 outbreak poses unprecedented problems for global commerce, investment, and supply chains.

It is important to realize that economic order is shifting in the current environment and nations are building multilateral arrangements that will define the destiny of Asian countries in the twenty-first century. Forging FTAs with trade partners may cause a transitory disruption effect across sectors posing a matter of grave concern for policymakers, but the opportunity to get integrated into a trading bloc could have paved the way for India to assume a larger role in the global context. However, integration with the West, particularly with the United States, is more beneficial to India's geopolitical interests, as most of the bilateral relationships between the two countries are primarily focusing on defense and security, rather than trade, where there is greater consensus among the two nations. Conversely, China, apart from being an economic issue, is much more of a defense and security concern to India. While the recent Doklam standoff affirmed that India can face a Chinese military threat with appropriate measures, it still does not have the economic and human capacity to face the economic challenges erected by the dragon. As a result, ensuring U.S. backing for India's economic development is just as vital as improving its defense capabilities.[162] Conversely, denying China access to the vast Indian market through preferential route sends a strong message. India's decision to push the RCEP joining decision to the distant corner of the table reflects this realpolitik as well.

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[162] Sanjaya Baru, *India and US: It's Still the Economy, stupid*, DECCAN CHRON. (Mar. 21, 2021), *available at* https://www.deccanchronicle.com/opinion/columnists/210321/sanjaya-baru-india-and-us-its-still-the-economy-stupid.html (last visited Nov. 8, 2021).