Reexamining India’s Withdrawal from RCEP: An Economic-Security Perspective

Chin-Ming Lin

2025

The Regional Comprehensive Economic Partnership (RCEP) stands as a landmark free trade agreement in the Asia-Pacific region, bringing together 15 countries in a significant economic alliance. Signed in November 2020, RCEP encompasses the 10 ASEAN member states along with China, Japan, South Korea, Australia, and New Zealand. This expansive trade bloc represents approximately 30% of the world's population and 30% of global GDP, making it the largest of its kind in history (Zhou, 2020).

RCEP aims to establish a modern, comprehensive, and mutually beneficial economic partnership that facilitates regional trade expansion and contributes to global economic growth. The agreement covers a wide range of areas, including trade in goods and services, investment, intellectual property, and e-commerce, among others (Jong *et al*., 2020).

India was initially part of the RCEP negotiations, which began in 2012. However, in November 2019, India made the decisive choice to withdraw from the agreement (Mishra, 2019). This decision came after years of negotiations and just as the deal was nearing completion, marking a significant shift in India's approach to regional economic integration.

This paper seeks to analyze India's withdrawal from RCEP through the lens of economic security. It will explore the complex interplay between domestic concerns and international factors that influenced India's decision. By examining these elements, we can gain insights into the challenges and considerations that shaped India's stance on RCEP.

The significance of this analysis extends beyond India's immediate economic interests. RCEP is poised to shape regional trade dynamics significantly, potentially redrawing the economic map of Asia (Petri and Plummer, 2020). For India, the decision to withdraw has far-reaching implications for its economic strategy and geopolitical positioning in the Indo-Pacific region.

Understanding India's rationale for exiting RCEP is crucial for comprehending the evolving landscape of Asian economic integration and the balance of power in the region. It also provides valuable insights into the challenges of reconciling domestic economic priorities with the demands of large-scale multilateral trade agreements in an increasingly interconnected global economy.

I. Overview of RCEP and India's Position

RCEP Structure and Objectives

The Regional Comprehensive Economic Partnership (RCEP) is a landmark free trade agreement comprising 15 member countries in the Asia-Pacific region. These members include the 10 ASEAN nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) along with five key partners: Australia, China, Japan, New Zealand, and South Korea (Zhou, 2020).

RCEP's primary objective is to establish a modern, comprehensive, and mutually beneficial economic partnership that facilitates regional trade expansion and contributes to global economic growth (Congressional Research Service, 2022). Key goals of the agreement include:

1. Tariff reduction: RCEP aims to eliminate approximately 90% of tariffs on goods traded between signatories within 20 years of implementation (Zhou, 2020; Deloitte, 2021).
2. Market access enhancement: The agreement seeks to open markets and reduce trade barriers, with over 65% of service sectors expected to be fully opened (Deloitte, 2021).
3. Trade facilitation: RCEP includes provisions for streamlining customs procedures and improving trade efficiency (Congressional Research Service, 2022).
4. Investment promotion: The agreement prohibits performance requirements on investors as conditions for market entry or expansion (Deloitte,

2021).

5. Intellectual property protection: RCEP incorporates measures to strengthen intellectual property rights across member countries (Congressional Research Service, 2022).
6. E-commerce development: The agreement includes provisions to foster digital trade and e-commerce growth in the region (Congressional Research Service, 2022).

RCEP's structure encompasses 20 chapters, covering various aspects such as trade in goods and services, investment, intellectual property, and economic cooperation. The agreement also includes specific provisions for small and medium enterprises (SMEs) and provisions for dispute settlement (Jong *et al.*, 2020).

By bringing together diverse economies, RCEP creates the world's largest trading bloc, accounting for about 30% of global GDP and population (Zhou, 2020). This comprehensive structure positions RCEP to significantly influence regional trade dynamics and economic integration in the Asia-Pacific region.

India's Role in Negotiations

India played a significant role in the RCEP negotiations from their inception in 2012 until its withdrawal in November 2019. As one of the largest economies in the region, India's participation was seen as crucial for the agreement's success and regional economic integration.

Throughout the negotiations, India actively engaged in 31 full negotiating rounds, multiple ministerial meetings, and three Leaders Summits (Ministry of Foreign Affairs & Trade, n.d.). India's primary concerns centered around protecting its domestic industries and addressing its trade imbalances with other RCEP members, particularly China.

Key demands put forward by India during the negotiations included (Panda, 2019):

1. Stringent rules of origin to prevent abuse by non-partner countries.
2. An auto-trigger mechanism to safeguard against import surges.

3. Specific protections for its domestic industry and agriculture sector.
4. Better access for its services exports, especially in IT and pharmaceuticals.
5. Different levels of tariff concessions for China to protect Indian manufacturers.
6. Exclusions or gradual liberalization for sensitive sectors.

India also sought to address its significant trade deficits with RCEP countries, which totaled over $105 billion, with China alone accounting for $53.5 billion. The country pushed for data localization and processing policies to protect its digital economy interests (Panda, 2019).

Despite years of negotiations, India ultimately decided to withdraw from RCEP in November 2019, citing unresolved issues and concerns about the potential negative impact on its domestic market and economic interests (Department of Commerce, 2023; Panda, 2019). However, RCEP members have left the door open for India's potential future accession, recognizing its importance to the regional economy (Ministry of Foreign Affairs & Trade, n.d.).

Economic Context

India's trade relations with RCEP countries have been characterized by significant imbalances and growing concerns over sectoral vulnerabilities. The economic context surrounding India's position on RCEP is marked by substantial trade deficits and challenges to domestic industries.

India's trade deficit with RCEP countries has been a major point of concern. In 2023, India's exports to RCEP nations amounted to US$ 75.6 billion, while imports reached US$ 246 billion, resulting in a trade deficit of US$ 170.6 billion. This imbalance has been particularly pronounced with China, which accounts for 61.9% of India's total trade deficit with RCEP economies (Singh, 2024).

The trade deficit with China has been especially problematic, exceeding US$ 85 billion in FY2024 (Nair, 2024). This imbalance has nearly doubled over the past five years, raising serious concerns about the potential impact of further trade liberalization under RCEP (Singh, 2024).

Sectoral vulnerabilities are another critical aspect of India's economic context. Key sectors such as manufacturing, agriculture, and small and medium enterprises (SMEs) face significant challenges from cheaper imports, particularly from China. The dairy and steel industries, for instance, were particularly concerned about the potential impact of tariff reductions from 35% to zero, which would expose them to intense competition from countries like Australia and New Zealand (Drishiti, 2024).

India's average applied tariff of 13.8% is higher than many RCEP countries, including China's 9.8%. This tariff structure has been a point of contention, with some arguing it's necessary to protect domestic industries, while others view it as a barrier to India's integration into global supply chains (Drishiti, 2024).

Despite having free trade agreements with 13 of the 15 RCEP members, India has seen its trade deficits with these countries steadily increase, suggesting that further tariff concessions under RCEP could potentially exacerbate existing economic vulnerabilities (Nair, 2024; Policy Circle Bureau, 2024).

II. Factors Behind India's Withdrawal

Economic Concerns

India's decision to withdraw from RCEP was largely driven by significant economic concerns:

1. Rising trade deficits with RCEP members, particularly China, were a major issue. As mentioned above, India's trade deficit with RCEP countries stood at $105 billion, with China alone accounting for $53.5 billion (Panda, 2019). This imbalance had nearly doubled over the previous five years, raising serious concerns about the potential impact of further trade liberalization under RCEP (Nahajan, 2024).
2. The vulnerability of domestic industries to competition from cheaper imports was another critical factor. Key sectors such as manufacturing, agriculture, and small and medium enterprises (SMEs) faced significant challenges from cheaper imports, particularly from China. The dairy and steel industries, for instance, were particularly concerned about the potential impact of tariff

reductions from 35% to zero, which would expose them to intense competition from countries like Australia and New Zealand (Nair, 2024).

3. India also perceived limited benefits for sectors where it has a comparative advantage, such as services exports. Despite arguments that RCEP could boost India's IT and pharmaceutical exports, the country felt that it did not receive credible assurances on market access and non-tariff barriers in these areas (Panda, 2019). This lack of reciprocity in services trade was seen as a significant drawback, potentially outweighing any gains from increased goods trade (Nair, 2024).

Geopolitical Considerations

Geopolitical considerations played a significant role in India's decision to withdraw from RCEP, particularly concerning its relationship with China.

Border tensions with China have been a persistent issue, influencing India's cautious approach to economic integration. The ongoing territorial disputes and military standoffs along the India-China border have created an atmosphere of mistrust, making India wary of deepening economic ties with China through RCEP (Mishra, 2019).

Moreover, India harbored serious concerns about China's potential dominance within RCEP and its impact on India's economic sovereignty. There were apprehensions that RCEP could become a vehicle for China's "market imperialistic" behavior, potentially allowing it to exert undue influence over regional trade dynamics. India feared that joining RCEP would lead to a scenario where three-quarters of future Chinese goods could enter India duty-free, exacerbating the already significant trade deficit (Mehta, 2024).

The Indian government also perceived RCEP as potentially undermining its "Make in India" initiative and compromising its ability to protect domestic industries (Mishra, 2019). With China already being the largest exporter to most RCEP countries, including India, there were concerns that RCEP would further cement China's economic dominance in the region (Kembara, 2022).

These geopolitical considerations, coupled with economic concerns, ultimately led India to prioritize its strategic autonomy and economic sovereignty over the potential benefits of RCEP membership.

Domestic Push Factors

Domestic push factors played a crucial role in India's decision to withdraw from RCEP:

Pressure from domestic interest groups was significant. Farmers' organizations, particularly the Bharatiya Kisan Sangh, joined other unions in protesting against the trade pact. The dairy industry and small businesses were also vocal in their opposition, fearing that tariff reductions would expose them to intense competition from cheaper imports (Jishnu, 2019). Manufacturers, especially in sectors like steel and chemicals, were concerned about the potential influx of Chinese goods if import duties were lowered (Young Voices, 2021).

Structural challenges in India's economy further complicated India's position. The country has been grappling with inadequate infrastructure and a slowdown in GDP growth. The International Monetary Fund revised India's growth estimate for 2019 down to 6.1% from 7%, highlighting economic concerns. India's goal of achieving a $5 trillion economy by 2024-25 requires sustaining a real GDP growth rate of 8%, which seemed challenging in the face of joining RCEP (Mehta, 2024).

These domestic factors, combined with the pressure from organizations affiliated with the ruling party, such as the Swadeshi Jagran Manch, which advocates for protecting domestic industry interests, significantly influenced the government's decision to withdraw from RCEP (Jishnu, 2019). The prevailing economic slowdown made policymakers cautious about exposing the economy to increased foreign competition through trade liberalization (Mehta, 2024).

Strategic Calculations

India's strategic calculations played a crucial role in its decision to withdraw from RCEP, reflecting a broader shift in its approach to international trade and economic partnerships.

The desire to reduce overdependence on China-centric supply chains became particularly pronounced in the post-COVID-19 era. The pandemic exposed vulnerabilities in global supply chains heavily reliant on China, prompting India to reassess its economic strategies. This shift aligns with a global trend of diversifying supply chains away from China, with India positioning itself as an alternative manufacturing hub. The Indian government has been actively promoting its "Make in India" initiative and offering incentives to attract foreign companies looking to relocate production from China (Mishra, 2021).

India has shown a clear preference for bilateral or alternative multilateral engagements over comprehensive trade blocs like RCEP. This approach allows India to negotiate terms more favorable to its domestic interests and strategic goals. By pursuing bilateral agreements, India can better address sector-specific concerns and secure more tailored concessions (Storey, 2022). This strategy also enables India to engage with countries on a case-by-case basis, considering both economic and geopolitical factors.

India's focus on bilateral deals and initiatives like the Resilient Supply Chain Initiative (RSCI) with Japan and Australia demonstrates its commitment to building strategic economic partnerships while maintaining greater control over its trade policies (Walter, 2023).

III. Theoretical Perspectives on India's Exit

Two-Level Game Framework

Robert Putnam's "two-level game" theory provides a valuable framework for analyzing India's decision to withdraw from RCEP, illuminating the complex interplay between domestic and international factors that shaped this outcome.

At the international level (Level I), India engaged in negotiations with other RCEP members, seeking to secure favorable terms that would benefit its economy and align with its strategic interests. These negotiations involved balancing demands for market access, tariff reductions, and safeguards against import surges (Tseng and Shiojiri, 2022).

Simultaneously, at the domestic level (Level II), the Indian government had to navigate the interests and pressures of various stakeholders. This included addressing concerns from farmers, manufacturers, and industry groups who feared the potential negative impacts of RCEP on their sectors. For instance, dairy farmers were particularly resistant to opening their market to foreign producers, while the textile industry feared competition from cheaper Chinese products (Tseng and Shiojiri, 2022).

The intertwining of these two levels created a complex decision-making environment for India. The government had to find a "win-set" – a set of agreements at the international level that would also be acceptable domestically. However, as negotiations progressed, it became increasingly clear that the potential RCEP agreement would not align with India's domestic constraints and priorities (Arshid Iqbal Dar, 2024).

The two-level game perspective highlights how India's negotiators were constrained by domestic pressures, limiting their ability to make concessions at the international level. Conversely, the inability to secure adequate safeguards and concessions in international negotiations made it difficult to gain domestic support for RCEP.

Ultimately, the misalignment between international negotiations and domestic priorities led India to conclude that withdrawal from RCEP was the most viable option, demonstrating the critical influence of two-level dynamics in shaping international economic policy decisions (Arshid Iqbal Dar, 2024).

Cost-Benefit Analysis

A cost-benefit analysis of India's potential participation in RCEP reveals a complex interplay of potential gains and risks that ultimately influenced the country's decision to withdraw from the agreement.

Potential Gains (Nair, 2024):

1. Market Access: Joining RCEP would have opened up markets across the 15-member trade bloc, potentially allowing Indian businesses greater access to large consumer bases.

2. Global Value Chain Integration: The World Bank argued that RCEP could help India integrate more deeply into global value chains, potentially boosting its manufacturing and services sectors.

3. Economic Growth: Some studies estimated that India could gain up to $60 billion in income by 2030 if it joined RCEP, stimulating trade and investment flows.

Risks and Economic Vulnerabilities (Singh, 2024; Business Standard, 2024a; Sundaram, 2022):

1. Trade Deficit Concerns: India's trade deficit with RCEP countries has been widening. From 2019 to 2023, India's exports to RCEP countries increased from $64.4 billion to $75.6 billion, while imports grew from $165 billion to $246 billion, resulting in a trade deficit increase from $101 billion to $170.6 billion.

2. Domestic Industry Impact: Liberalization of imports could limit the scope for domestic value addition capabilities, potentially undermining opportunities for developing a deep and vibrant domestic manufacturing sector.

3. MSME Vulnerability: Introducing tariff-free Chinese goods into India could overwhelm MSMEs (Micro, Small and Medium Enterprises), as their smaller-scale operations are unlikely to withstand competition from China's mass manufacturing.

4. Agricultural Sector Concerns: The threat of import competition in agriculture was a significant factor in India's decision.

The cost-benefit analysis suggests that while RCEP offered potential economic gains, the risks to domestic industries, particularly MSMEs and agriculture, along with concerns about widening trade deficits, outweighed the perceived benefits. This analysis played a crucial role in shaping India's decision to prioritize its long-term economic goals and strategic autonomy over the potential advantages of RCEP membership (Nair, 2024; Business Standard, 2024a).

Gravity Model Insights

Gravity model studies have provided valuable insights into the potential impacts of RCEP on India's trade patterns, offering a quantitative basis for understanding India's decision to withdraw from the agreement.

Research using gravity models has consistently shown that tariff elimination under RCEP would have disproportionately benefited imports over exports for India. A study using a gravity set-up and Poisson Pseudo Maximum Likelihood (PPML) estimator analyzed India's export and import data for nine sectors with 45 trading partners from 2001 to 2021. The results revealed that India's exports were relatively inelastic to tariff changes, while imports to India were highly elastic to tariff reductions (Gobinda Goswami *et al.*, 2023).

This asymmetry in trade elasticities suggests that under RCEP's tariff elimination scenario, India would have experienced a significant surge in imports without a corresponding increase in exports. The study found that tariff elimination would reduce India's exports in several key sectors, including vegetables, food, minerals, chemicals, plastics, and plastic goods (Gobinda Goswami *et al.*, 2023).

Furthermore, a simulation using the Software for Market Analysis and Restrictions on Trade (SMART) model demonstrated that a scenario where India introduces 100% tariff cuts for all RCEP members would result in a substantial increase in India's imports and a reduction in tariff revenue (Arti Garg, 2022). This finding aligns with India's concerns about widening trade deficits, particularly with China.

The gravity model analyses also highlighted the potential for trade diversion. Studies on ASEAN Free Trade Area (AFTA) effects, which can be extrapolated to RCEP, suggested that such agreements may cause trade to shift from countries outside the bloc to less efficient producers within the agreement (Arti Garg, 2022).

These gravity model insights provide empirical support for India's decision to withdraw from RCEP, indicating that the agreement's tariff structure would have likely exacerbated India's trade imbalances and posed challenges to its domestic industries.

IV. Implications for India

Economic Implications

India's decision to withdraw from RCEP has significant economic implications, particularly concerning market access and trade dynamics:

Loss of Preferential Access and Trade Diversion:
By opting out of RCEP, India has foregone preferential access to a market encompassing over three billion people and approximately 40% of global GDP. This decision could lead to trade diversion effects, where RCEP members gain preferential access to each other's markets, potentially diverting trade away from Indian products and services (Sundaram, 2022). Even if India is the most efficient exporter in certain sectors, the new regional trade agreement could redirect exports to less efficient producers within the RCEP bloc (Panda, 2019).

Impact on Global Value Chains and Export Competitiveness:
India's withdrawal may hinder its integration into regional and global value chains, where its participation has historically been low. The absence from RCEP could make it more challenging for India to attract foreign direct investment (FDI) and capitalize on production opportunities in sectors that China is vacating (Panda, 2019).

The decision could also affect India's export competitiveness. Without the "frictionless," duty-free access to RCEP markets, Indian exports may face higher barriers compared to those from member countries (Panda, 2019). This could particularly impact sectors where India has a comparative advantage, such as information technology services and pharmaceuticals (Sundaram, 2022).

Furthermore, Indian firms may lose competitiveness due to their inability to source cheaper and more diverse inputs at preferential tariff rates (Sundaram, 2022). This could have ripple effects across various industries, potentially impacting the overall export performance and economic growth.

While the withdrawal aims to protect domestic industries and address trade deficit concerns, it also presents challenges for India's long-term economic integration and competitiveness in the Asia-Pacific region.

Geopolitical Implications

India's withdrawal from RCEP has significant geopolitical implications, affecting its international standing and relationships with key regional partners:

Perception of Retreat from Multilateralism:
India's decision to exit RCEP has been widely perceived as a retreat from multilateralism. This perception could potentially impact India's credibility in future trade negotiations and its ability to shape regional economic architecture. Some analysts argue that this move contradicts India's stated goal of becoming a more significant player in global trade and its ambition to be seen as a counterweight to China in the region (Sundaram, 2022; Wilson, 2019; Panda, 2019; Oba, 2019).

Strain on Key Relationships:
The withdrawal has potentially strained India's relationships with key partners who supported its inclusion in RCEP:

1. **Japan**: As a strong advocate for India's participation in RCEP, Japan expressed disappointment at India's withdrawal (Oba, 2019; Akimoto, 2021). This decision could complicate the strategic partnership between India and Japan, which has been growing stronger in recent years.

2. **ASEAN Countries**: India's exit from RCEP may be seen as a setback to its 'Act East' policy, which aims to strengthen economic and strategic ties with Southeast Asian nations. ASEAN countries had viewed India's participation as crucial for balancing China's influence within the bloc (Panda, 2020; Mehta, 2024).

3. **Australia**: Another key supporter of India's inclusion in RCEP, Australia may now need to reassess its economic engagement strategy with India (Department of Foreign Affairs & Trade, 2024; Oo, 2024; Palit, 2022).

However, it's important to note that these countries have continued to engage with India through other forums and bilateral arrangements. For instance, India's participation in the Quad (with the US, Japan, and Australia) and its involvement in the Indo-Pacific Economic Framework (IPEF) demonstrate its ongoing commitment to regional cooperation, albeit through different channels.

The geopolitical implications of India's RCEP withdrawal underscore the complex balance India must strike between protecting its domestic interests and maintaining its regional influence and partnerships.

Strategic Opportunities Post-RCEP

India's withdrawal from RCEP has prompted the country to explore alternative trade frameworks and strengthen bilateral agreements to maintain its economic engagement in the region. This strategic shift has led to several new opportunities:

Exploration of Alternative Trade Frameworks:
India has actively participated in the Indo-Pacific Economic Framework for Prosperity (IPEF), a significant alternative to RCEP. The IPEF, which includes 14 partner countries, aims to strengthen economic engagement among participants (PIB Delhi, 2024a). India has joined three of the four IPEF pillars: Supply Chains, Clean Economy, and Fair Economy (Department of Commerce, 2024). This framework offers India opportunities in various areas:

1. **Supply Chain Resilience**: India signed the IPEF Supply Chain Agreement, which aims to enhance supply chain resilience in the region (Department of Commerce, 2024).
2. **Clean Economy Initiatives**: The IPEF Clean Economy Agreement facilitates investments, concessional financing, and joint collaborative projects, particularly benefiting MSMEs (PIB Delhi, 2024a).
3. **Digital Trade**: The IPEF encourages digital commerce and cross-border data flows, potentially benefiting Indian technology companies and e-commerce platforms (S&R Associates, 2024).

Focus on Strengthening Bilateral Agreements:
India has been actively pursuing bilateral trade agreements to diversify its trade partnerships:

1. **Recent Agreements**: India has signed significant bilateral agreements, including the India-UAE Comprehensive Economic Partnership Agreement

(CEPA) and the India-Australia Economic Cooperation and Trade Agreement (ECTA) (Das, 2024).

2. **Ongoing Negotiations**: India is currently negotiating several other FTAs, including with the UK, Canada, and the EU (Das, 2024).
3. **Sector-Specific Focus**: In bilateral discussions, such as the India-New Zealand Joint Trade Committee meeting, India has emphasized sector-specific cooperation, particularly in services trade (Rajiram & Ravi, 2024).

By pursuing these strategic opportunities, India aims to maintain its economic growth trajectory and strengthen its position in global trade, despite its withdrawal from RCEP. This approach allows India to engage in trade agreements that align more closely with its economic interests and domestic priorities.

V. Lessons Learned and Policy Recommendations

Addressing Domestic Challenges

India's withdrawal from RCEP has highlighted the need to address domestic challenges to enhance its global competitiveness. Two key areas require attention:

Structural Reforms in Manufacturing and Agriculture

To boost competitiveness in the manufacturing sector, India has implemented the Production Linked Incentive (PLI) Scheme across 14 key sectors. With a budget allocation of ₹1.97 lakh crore (US$ 26 billion), this scheme aims to enhance domestic production capacity, attract investments, and increase export competitiveness. The PLI Scheme has already shown positive results in sectors such as electronics, telecom, and pharmaceuticals (Negi, 2024).

In agriculture, reforms are needed to improve productivity and sustainability. The government has announced initiatives such as the release of 109 new high-yielding and climate-resilient crop varieties and plans to promote natural farming among 10 million farmers. However, there is a need for more substantial reforms, including addressing the long-standing demand for a legal Minimum Support Price (MSP) and strengthening Farmer Producer Organizations (FPOs) (Yadav, 2024).

Investment in Infrastructure Development

Recognizing the crucial role of infrastructure in supporting export growth, India has launched several initiatives:

1. The PM Gati Shakti National Master Plan, with a proposed investment of INR 100 trillion (US$ 1.2 trillion), integrates 16 ministries and various national schemes to create a unified framework for infrastructure development (Sharma, 2024).
2. Infrastructure investment is projected to increase from 5.3% of GDP in fiscal year 2024 to 6.5% by fiscal year 2029, representing a CAGR (compound annual growth rate) of 15.3% (Sharma, 2024).
3. The government is focusing on developing transport infrastructure, with plans for over 8,891 km of roads and 27,000 km of railway lines (Sharma, 2024).
4. In agriculture, the government has allocated Rs 1.52 lakh crore (US$ 18.26 billion) for agriculture and allied sectors in 2024-25, with a focus on developing infrastructure and enhancing crop practices (PIB Delhi, 2024b).

These investments in infrastructure are crucial for reducing logistics costs, improving connectivity, and ultimately enhancing India's export competitiveness. By addressing these domestic challenges through structural reforms and infrastructure development, India can strengthen its position in global trade and potentially reconsider its stance on regional trade agreements in the future.

Revisiting Trade Strategy

India's trade strategy requires a delicate balance between protecting domestic industries and pursuing greater market access for its exports. This approach involves two key aspects:

Balancing Protectionist Policies with Market Access

India's current trade policy stance features both liberalizing measures and rising protectionism. While protectionist measures aim to safeguard domestic industries, they can hinder export competitiveness. To achieve its ambitious US$1 trillion export target by 2030, India needs to (World Bank, 2024):

1. **Reduce trade barriers**: Lowering tariff and non-tariff barriers, relaxing restrictions on services trade, and making trade policies more predictable are essential for boosting export competitiveness.

2. **Enhance participation in Global Value Chains (GVCs)**: India's participation in GVCs has fallen in recent years. Increasing involvement in GVCs is crucial for diversifying exports and attracting foreign investment.

3. **Reevaluate Free Trade Agreements (FTAs)**: India should continue to pursue strategic FTAs while ensuring they align with domestic priorities and offer balanced benefits.

<u>Leveraging Strengths in Services Exports</u>

Services constitute more than 55% of India's GDP, and the country has significant potential in this sector. To capitalize on its strengths:

1. **Focus on champion sectors**: India has identified 12 champion services sectors with emphasis on realizing their potential for employment generation (Ravi, 2020).

2. **Diversify services exports**: While India is strong in IT and IT-enabled services, there's a need to expand into other areas to increase its 2.6% share in world services trade (Ravi, 2020).

3. **Prioritize skilled professional mobility**: In FTA negotiations, India should seek openings for movement of professionals, particularly in sectors like IT and healthcare (Cyrill, 2024).

4. **Target high-potential markets**: Recent FTAs, such as those with the UAE and Australia, demonstrate India's focus on strategic partnerships that can boost services exports (Khorana, 2023).

By revisiting its trade strategy to balance protectionism with market access and leveraging its strengths in services, India can enhance its global trade position and work towards achieving its export targets.

Engagement with Multilateral Platforms

India's potential re-engagement with RCEP presents both opportunities and challenges. Recent developments suggest a possible shift in India's stance towards multilateral trade platforms, particularly RCEP:

Reassessing RCEP Participation

1. **NITI Aayog Recommendation**: The CEO of NITI Aayog, B.V.R. Subrahmanyam, has advocated for India's inclusion in RCEP, citing potential benefits for micro, small, and medium enterprises (MSMEs) which contribute 40% of India's exports (Business Standard, 2024b; Foster, 2024).

2. **Economic Survey 2024**: The survey recommends India's integration into regional supply chain networks, aligning with the idea of rejoining RCEP (Drishiti, 2024).

3. **World Bank Recommendation**: The World Bank's India Development Update has urged India to reconsider its stance on RCEP, highlighting potential economic gains (Nair, 2024).

Addressing Domestic Concerns

To make RCEP participation viable, India needs to address key domestic concerns:

1. Trade Deficit Management: India must negotiate terms that help manage its trade deficit, particularly with China, which reached over $85 billion in FY2024 (Policy Circle Bureau, 2024).

2. Safeguards for Vulnerable Sectors: Protecting sensitive sectors like agriculture and manufacturing through targeted safeguards and phased tariff reductions.

3. Services and Investment Focus: Leverage India's strengths in services exports and seek improved market access and investment opportunities within RCEP countries (Foster, 2024).

Influencing RCEP's Evolution

Even without immediate membership, India can influence RCEP's evolution:

1. Observer Status: Seek observer status to stay informed and contribute to ongoing discussions.
2. Bilateral Engagements: Continue strengthening bilateral ties with RCEP members, potentially influencing the bloc's dynamics indirectly.
3. Alternative Frameworks: Engage in platforms like the Indo-Pacific Economic Framework (IPEF) to shape regional economic architecture (Nair, 2024).

By carefully balancing domestic interests with the benefits of multilateral engagement, India can potentially rejoin RCEP or influence its evolution while addressing its economic concerns. This approach allows India to maintain strategic autonomy while capitalizing on the opportunities presented by regional economic integration.

Conclusion

India's withdrawal from RCEP was driven by a complex interplay of economic, strategic, and domestic factors:

1. Trade Deficit Concerns: India faced significant trade imbalances with RCEP countries, particularly China. The trade deficit with RCEP nations increased from $101 billion in 2019 to $170.6 billion in 2023.
2. Domestic Industry Protection: There were fears that tariff reductions would expose vulnerable sectors, especially agriculture and MSMEs, to intense foreign competition.
3. Inadequate Safeguards: India felt that the agreement lacked sufficient protections against import surges and unfair trade practices.
4. Limited Benefits in Services: The country perceived inadequate gains in services exports, a sector where India has a comparative advantage.

5. Geopolitical Considerations: Concerns over China's dominance within RCEP and its potential impact on India's economic sovereignty played a role.

6. Domestic Pressure: Strong opposition from various interest groups, including farmers and manufacturers, influenced the decision.

7. Strategic Autonomy: India prioritized maintaining its policy space and ability to protect domestic economic interests over the potential benefits of RCEP membership.

India's withdrawal from RCEP has significant implications for its economic security and regional integration strategy:

1. Economic Positioning: The decision reflects India's prioritization of domestic economic interests over regional integration, potentially impacting its role in global value chains.

2. Trade Dynamics: India may face challenges in accessing preferential trade terms with RCEP members, potentially affecting its export competitiveness in the region.

3. Strategic Partnerships: The withdrawal has led to a recalibration of relationships with key partners like Japan and ASEAN countries, necessitating alternative engagement strategies.

4. Policy Autonomy: By opting out, India retains greater control over its trade policies and the ability to protect vulnerable sectors.

5. Regional Influence: India's absence from RCEP may affect its ability to shape regional economic architecture and counter China's influence.

6. Alternative Approaches: The decision has prompted India to focus on bilateral agreements and alternative frameworks like the Indo-Pacific Economic Framework (IPEF).

7. Future Negotiations: India's stance on RCEP may influence its approach to future multilateral trade negotiations, emphasizing the need for balanced

and inclusive agreements.

India's path forward in balancing economic security with global trade ambitions requires a nuanced and strategic approach:

1. Targeted Reforms: Focus on domestic structural reforms to enhance competitiveness, particularly in manufacturing and agriculture sectors.
2. Strategic Partnerships: Pursue bilateral and mini-lateral trade agreements that align with India's economic interests and offer balanced benefits.
3. Sectoral Focus: Leverage strengths in services exports through targeted negotiations and market access strategies.
4. Infrastructure Development: Continue investing in infrastructure to reduce logistics costs and improve export competitiveness.
5. Global Value Chain Integration: Develop policies to increase participation in global value chains, focusing on sectors where India has comparative advantages.
6. Flexible Engagement: Maintain flexibility in trade policies, allowing for potential re-engagement with RCEP or similar multilateral frameworks if terms align with India's interests.
7. Innovation and Technology: Emphasize digital trade and technological innovation to create new avenues for economic growth and global integration.
8. Balancing Act: Carefully weigh protectionist measures against the need for greater market access, ensuring policies support long-term economic growth and security.

By adopting this multifaceted approach, India can work towards achieving its global trade ambitions while safeguarding its economic security interests.

References

Akimoto, Daisuke. 2021. “The RCEP Conundrum: Japan Awaits India’s Return.”

The Diplomat, August 27.

Arshid Iqbal Dar. 2024. “Understanding India’s Exit from the RCEP: A ‘Two-Level Game’ Conundrum.” *Asian Survey*, 64(1), January-February, 1-26.

Arti Garg. 2022. “INDIA-ASEAN: Trade Relation Analysis and Its Exclusion from RCEP.” Institute of Economic Growth, University of Delhi. Retrieved from https://www.ies.gov.in/pdfs/Aarti-Garg-INDIA%E2%80%93ASEAN-Trade-Relation-Analysis-and.pdf.

Business Standard. 2024a. “RCEP benefits minimal for India due to China's opaque trade practices: GTRI.” November 17. Retrieved from https://www.business-standard.com/economy/news/rcep-benefits-minimal-for-india-due-to-china-s-opaque-trade-practices-gtri-124111700184_1.html.

_______. 2024b. “India Should Join China-backed Asian Trade Bloc, Says NITI Aayog CEO.” November 7. Retrieved from https://www.business-standard.com/economy/news/india-should-join-china-backed-asian-trade-bloc-says-niti-aayog-ceo-124110700591_1.html.

Congressional Research Service. 2022. “Regional Comprehensive Economic Partnership (RCEP).” In Focus, October 17.

Cyrill, Melissa. 2024. “India, UK FTA Negotiations: Key Updates.” India Briefing, March 9. Retrieved from https://www.india-briefing.com/news/india-uk-fta-25699.html/.

Das, Koushan. 2024. “List of Major Free Trade Agreements.” India Briefing. Retrieved from https://www.india-briefing.com/doing-business-guide/india/why-india/india-s-international-free-trade-and-tax-agreements.

Deloitte. 2021. “The Regional Comprehensive Economic (RCEP): 15 Asia-Pacific Nations Strike One of the World’s Largest Trade Deals.” Global Trade Advisory Newsflash, January 8. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/sg/Documents/tax/global-trade-advisory-newsflash-rcep-country-updates.pdf.

Department of Commerce. 2023. "Brief on Regional Comprehensive Economic Partnership (RCEP)." Ministry of Commerce and Industry, India. Retrieved from https://www.commerce.gov.in/international-trade-trade-agreements-indias-current-engagements-in-rtas/brief-on-regional-comprehensive-economic-partnership-rcep/.

_______. 2024. "Indo-Pacific Economic Framework for Prosperity (IPEF) Supply Chain Agreement Signed by the 14 IPEF Partners." Ministry of Commerce and Industry, India, November 8. Retrieved from https://www.commerce.gov.in/press-releases/indo-pacific-economic-framework-for-prosperity-ipef-supply-chain-agreement-signed-by-the-14-ipef-partners/.

Department of Foreign Affairs & Trade. 2024. "A New Roadmap for Australia's Economic Engagement with India." Discussion Paper. Retrieved from https://www.dfat.gov.au/sites/default/files/new-roadmap-australias-economic-engagement-india-discussion-paper.pdf.

Drishiti. 2024. "Reassessing India's Stance on RCEP." Drishiti: The Vision Foundation, India, November 8. Retrieved from https://www.drishtiias.com/daily-updates/daily-news-analysis/reassessing-india-s-stance-on-rcep.

Foster, Scott. 2024. "India Giving RCEP Free Trade Pact a Needful Second." Asia Times, November 11. Retrieved from https://asiatimes.com/2024/11/india-giving-rcep-free-trade-pact-a-needful-second-look/.

Gobinda Goswami, Gour, *et al*. 2023. "Why Did India Pull Out of Regional Comprehensive Economic Partnership (RCEP)? A Gravity Explanation of the Indian Puzzle." *Joint Journal of Novel Carbon Resource Sciences & Green Asia Strategy*, 10(3), September, 1140-55.

Jishnu, Latha. 2019. "India's Withdrawal from RCEP a Breather on Many." Down To Earth, December. Retrieved from https://www.downtoearth.org.in/agriculture/india-s-withdrawal-from-rcep-a-breather-on-many-fronts-68378.

Jong, Woo Kang, *et al*. 2020. "Regional Comprehensive Economic Partnership: Overview and Economic Impact." ADB Brief, December.

Kembara, Gilang. 2022. “Dispelling the Myth: RCEP’s True Nature and Its Potential Capability to Nurture Unity.” CSIS, Indonesia. Retrieved from https://www.csis.or.id/publication/dispelling-the-myth-rceps-true-nature-and-its-potential-capability-to-nurture-unity/.

Khorana, Sangeeta. 2023. “India: A New Active Free Trade.” ISPI, December 27. Retrieved from https://www.ispionline.it/en/publication/india-a-new-active-free-trade-supporter-155720.

Mehta, Simi. 2024. “The RCEP Minus India: Reasons and Implications.” SAIS Review of International Affairs. Retrieved from https://saisreview.sais.jhu.edu/the-rcep-minus-india-reasons-and-implications/.

Ministry of Foreign Affairs & Trade. n.d. “Regional Comprehensive Economic Partnership.” New Zealand Foreign Affairs & Trade. Retrieved from https://www.mfat.govt.nz/ru/trade/free-trade-agreements/free-trade-agreements-in-force/regional-comprehensive-economic-partnership-rcep/rcep-overview.

Mishra, Aakanksha. 2021. “Turning Crisis into Opportunity: The ‘Make in India’ Moment Is Here.” Trade Experettes. Retrieved from https://www.tradeexperettes.org/blog/articles/turning-crisis-into-opportunity-the-make-in-india-moment-is-here.

Mishra, Rahul. 2019. “Why India Pulled Out of the RCEP Free Trade Deal.” Deutsche Walle, June 11. Retrieved from https://www.dw.com/en/why-india-pulled-out-of-the-rcep-free-trade-deal/a-51137128.

Nahajan, Ashwani. 2024. “RCEP Not an Option, Still Harmful for India.” Fortune India, September 30. Retrieved from https://www.fortuneindia.com/opinion/rcep-not-an-option-still-harmful-for-india/118571.

Nair, Anil. 2024. “India’s RCEP Dilemma: Concerns Far Outweigh Potential Benefits.” Policy Circle, September 7. Retrieved from https://www.policycircle.org/economy/should-india-join-rcep/.

Negi, Utsav. 2024. “A Decade of Economic Transformation with ‘Make in India’.”

Invest India, September 30. Retrieved from https://www.investindia.gov.in/team-india-blogs/decade-economic-transformation-make-india.

Oba, Mie. 2019. “The Implications of India’s RCEP Withdrawal: Regional Trade Initiatives Just Got More Complicated.” *The Diplomat*, November 14.

Oo, Hnin New. 2024. “Research Note: The Burgeoning Australia-India Trade Relationship.” Ai Group. Retrieved from https://www.aigroup.com.au/resource-centre/research-economics/economics-intelligence/2024/the-burgeoning-australia-India-trade-relationship/.

Palit, Amitendu. 2022. “India-Australia Trade Agreement Doesn’t Signal India’s Return to RCEP.” East Asia Forum, May 28. Retrieved from https://eastasiaforum.org/2022/05/28/india-australia-trade-agreement-doesnt-signal-indias-return-to-rcep/.

Panda, Rajarama. 2019. “A Step Too Far: Why India Opted Out of RCEP.” Global Asia, 14(4), December.

_______. 2020. “Is the RCEP China’s Gain and India’s Loss?” *China Brief*, 20(22), December, 26-31

Petri, Peter A. and Michael Plummer. 2020. “RCEP: A New Trade Agreement That Will Shape Global Economics and Politics.” Brookings, November 16.

PIB Delhi. 2024a. “India Attends Indo-Pacific Economic Framework for Prosperity (IPEF) Ministerial Meeting in Singapore.” Ministry of Commerce & Industry, India, June 6. Retrieved from https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2023211.

_______. 2024b. “Key Reforms and Schemes Enhancing Agricultural Infrastructure.” Ministry of Agriculture & Farmers Welfare, India, August 23. Retrieved from https://pib.gov.in/PressNoteDetails.aspx?NoteId=152041&ModuleId=3&reg=3&lang=1.

Policy Circle Bureau. 2024. “RCEP or Restraint: India’s Trade Dilemma and the China Conundrum.” Policy Circle, November 11. Retrieved from https://www.policycircle.org/policy/should-india-join-china-led-rcep/.

Rajiram & Ravi. 2024. “India's Trade Opportunities Amidst Global Shifts.” May 12. Retrieved from https://vajiramandravi.com/upsc-daily-current-affairs/mains-articles/indias-trade-opportunities-amidst-global-shifts/.

Ravi, Dammu. 2020. “Evolution of India’s Trade Negotiations.” Yojana, October. Retrieved from http://yojana.gov.in/FOCUS-Evolution%20of..by%20Dammu%20Ravi.pdf.

S&R Associates. 2024. “The Indo-Pacific Economic Framework for Prosperity: Opportunities for Indian Companies.” Insights, June 26. Retrieved from https://www.snrlaw.in/the-indo-pacific-economic-framework-for-prosperity-opportunities-for-indian-companies/.

Sharma, Anisha. 2024. “Master Plan Is Advancing India’s Infrastructure Sector.” India Briefing, December 4. Retrieved from https://www.india-briefing.com/news/pm-gati-shakti-national-master-plan-achievements-2024-35336.html/.

Singh, Surendar. 2024. “Joining RCEP Is Tempting, But It Can Undermine India’s Trade Goals.” The Secretariat, December 5. Retrieved from https://thesecretariat.in/article/joining-rcep-is-tempting-but-it-can-undermine-india-s-trade-goals.

Storey, Henry. 2022. “India’s Return to Free Trade Deals – A Decade in the Making.” Hinrich Foundation, May 11. Retrieved from https://www.hinrichfoundation.com/research/article/ftas/india-return-to-free-trade-agreements-fta/.

Sundaram, Asha. 2022. “India’s RCEP Exit and Its Regional Future.” East Asia Forum, April 13. Retrieved from https://eastasiaforum.org/2022/04/13/indias-rcep-exit-and-its-regional-future/.

Tseng, Yu-Hsin and Kotaro Shiojiri. 2022. “India’s Withdrawal from RCEP: Two-Level Game Analysis and Policy Recommendations.” School of Advanced Internation Studies, Johns Hopkins University, December 15. Retrieved from https://www.wiit.org/files/Tseng%20Essay.pdf

Vajiram & Ravi. 2024. "India's Trade Opportunities Amidst Global Shifts." Vajiram & Ravi: Institute for IAS Examination, May 12. Retrieved from https://vajiramandravi.com/upsc-daily-current-affairs/mains-articles/indias-trade-opportunities-amidst-global-shifts/.

Walter, Neetika. 2023. "Don't Worry If China Isn't There, India Can Take Care of the Global Supply Chain." *Economic Times*, January 25.

Wilson, Jeffrey. 2019. "India's RCEP Exit a Setback, But Not a Disaster." Lowy Institute, November 6. Retrieved from https://www.lowyinstitute.org/the-interpreter/india-s-rcep-exit-setback-not-disaster.

World Bank. 2024. "India Development Update: India's Trade Opportunities in a Changing Global Context." World Bank, September.

Yadav, Anamika. 2024. "Budget 2024-25: Announcements for Agriculture Sector Are an Opportunity Missed." Down to Earth, July 24. Retrieved from https://www.downtoearth.org.in/agriculture/budget-2024-25-announcements-for-agriculture-sector-reek-of-a-missed-opportunity.

Young Voices. 2021. "India's Reluctance in Joining the RCEP – A Boon or a Bane in the Long-run?" Observer Research Foundation, February 10. Retrieved from https://www.orfonline.org/expert-speak/india-reluctance-joining-rcep-boon-bane-long-run.

Zhou, Laura. 2020. "What Is RECEP and What Does a Free-trade Deal Offer China?" *South China Morning Post*, November 12.