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Regional Comprehensive Economic Partnership (RCEP)
A Trade Agreement among Equals?

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Abstract: *The unequal partnership among the members of RCEP is one of the many criteria of Mega Regional Agreements, which can also be seen in the case of CPTPP. On one hand, the heterogeneous nature of member countries provides developed nations a deeper integration with emerging countries and thereby stimulates their growth. On the other hand, it leads to an increase in the difference of opinions and interests at the time of negotiations and sometimes to the withdrawal of countries before the finalisation of an agreement, like in the case of the United States (in TPP) and India (in RCEP). It has also been debated that RCEP pales in comparison to CPTPP as a Mega-Regional, which makes the countries, participating in both the agreements, vulnerable in more liberalised sectors. Moreover, different commitment levels among the regional countries may have adverse effects on the less developed nations in the grouping. This paper tries to highlight the dominance of some countries in RCEP and divergence in commitment levels of one, among RCEP members and two, RCEP and CPTPP, making the RCEP model unsustainable in the long run. To diversify their trade basket, RCEP members may seek India's participation in the agreement which would have economic and geo-strategic implications for the region.*

1. Introduction

A noticeable development in the world trading system happened due to the Mega Regional Trade Agreements (MRTAs) which constitute countries having clout over the global trade and investment, including provisions for trade and non-trade issues going beyond the WTO mechanism, for establishing a new and high standard for global trade. Among many other characteristics of Mega-Regionals, the economic diversity among the member nations has been observed consistently in the agreements, having both advantages and disadvantages for the regional grouping. On one hand, this diverse nature of the MRTAs helps provide stimulus to the developed countries through a deeper integration with the emerging countries and increase in value chain participation of developing countries. The same divergent nature raises difference of opinions and interests among the members. This leads to challenges in completing the negotiations or, in many cases, to a withdrawal of negotiating countries. For example, India and the United States opted out of Regional Comprehensive Economic Partnership (RCEP) in 2019 and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2017, respectively, because of growing gap between the expectations of affected members vis-à-vis rest of the groupings.

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Differentiating interests and economic levels do not only affect the ability of the countries to bargain in the negotiation rounds, which increase the possibility of lower market access from the trade agreement and expose them to other economic vulnerabilities like high dependence on a single regional member with high trade imbalances. This paper analyses the trade inequality among the RCEP member countries and the dominance of certain member nations in many provisions of the agreement. It encapsulates the variation in commitment levels of the RCEP member states in tariff and services liberalisation, which was denied to the Indian delegation negotiating the agreement.
The mismatched interest of original RCEP members led to India's withdrawal from the grouping. However, the paper argues that inclusion of India in RCEP will reduce the dependency of certain member countries on China, where the developing countries, especially Least Developed Countries (LDCs), may likely to gain market access in India with its large production and consumer base. The paper is divided into six sections where it discusses economic diversity in MRTAs in section 2, followed by a special focus on RCEP in section 3. Section 4 highlights the unequal partnership of RCEP member nations which became a reason for India's withdrawal from the agreement as discussed in section 5. Section 6 provides a way forward for RCEP members to reduce inequalities among the members by including India in the regional caucus.

2. Economic Diversity: A Major Characteristic of MRTAs

Developed countries, which are the original guardians of multilateral liberalisation[2], moved towards regionalism to enjoy the benefits of trade liberalisation. Such leaning towards regional or bilateral trade agreements was mainly due to two reasons—one, the developed countries had reached, or in some cases were about to reach, stagnation in their long term Gross Domestic Product (GDP) growth, and two, the Doha Round of World Trade Organisation (WTO) was being stalled and not much was achieved by the slow pace of negotiations. The situation was aggravated with the onset of the global financial crisis in 2008 which increased the long run economic growth of the developed nations. Parallelly, developing countries like China, India, and others, emerged as robust economies presenting high resilience to the financial crisis as compared to many developed nations. Thus, providing a stimulus to the developed nations to integrate with such emerging countries to improve their growth performance.

Other than the GDP growth, the average tariff rates of the developed countries also reached a very low rate by the WTO Doha Round. A comparison of average tariff rates between the developed and developing countries shows that most developed nations had reached tariff duties of less than 10 per cent in 1995, whereas developing countries like China, India, Egypt, and others recorded tariff rates of more than 30 per cent in the same period. For the entire period 1995-2010, both developed and developing countries demonstrated a tariff liberalisation[3]. However, the gap

[2] There is ample literature discussing developing countries low interest with inadequate expertise and political representation in GATT (Tussie and Lengyel 2002, Narlikar 2004, Collier 2006) and they have often termed as 'by standers' (Wilkinson and Scott 2008).

[3] Based on World Integrated Trade Solutions (WITS), MFN tariff rates of Canada were reduced from 9.6 per cent in 1995 to 3.9 per cent in 2010, Australia from 8.8 per cent to 2.8 per cent and similarly in countries like Norway, New Zealand, the United States. In the case of developing countries, India reduced its tariffs to 11.9 per cent from 38.7 per cent in 1995, China from 35.5 per cent to 9.6 per cent in 2010, Thailand from 23.1 per cent to 9.6 per cent, etc.

between average tariff rates of developed and developing nations persisted. The lower rate of tariff made it challenging for developed economies to benefit from bilateral and regional trade agreements based on liberalisation tariff duties only. With fewer options for tariff liberalisation, the developed nations were lured towards new avenues of liberalisation in areas of non-tariff barriers, standardisation of trade regulations and inclusion of e-commerce, competition policy government procurement, environmental standards, etc., for securing market access in other countries.

This higher GDP growth rate in developing and emerging countries incentivised the industrialised nations for deeper integration with the emerging countries through regional trade agreements (RTAs) in areas beyond WTO. Increasing trade and investment in the emerging countries led to a diffusion of power in the dominance of the world trading system. This made a strong case for the need for fundamental change in the multilateral forum (Ghibutiua 2015). With no resolution in the multilateral trade negotiations and lesser gains in market access through shallow RTAs, some developed nations focused on engaging in Mega-Regionals, which are more concentrated in WTO-Plus and WTO-Extra issues to integrate various standards and rules governing international commerce (Baldwin 2014, Csáki 2015). The rationale behind engaging in MRTAs is to form regulatory coherence among the member countries which could not have been reached with a stalled Doha Round at the multilateral forum.

The basic difference in the macroeconomic fundamentals—variation in GDP growth, different levels of trade liberalisation, skewed flows of investment among the developed and developing countries have been the essence of the formulation of MRTAs. It is through the MRTAs that developed nations aim to achieve higher growth by forging economic integration with emerging countries. A regional grouping among countries at different developmental levels endowed with a variety of resources, and having competitiveness in different fields, would increase economic engagement and stimulate growth among the member countries with reduced trade and non-trade barriers. Hence, a major characteristic of 21st century agreements is economic diversity within the region.

3. Diversity in RCEP

a. Genesis of RCEP

The 21st century world has been experiencing a new form of regionalism in the form of MRTAs, concentrating on deeper and broader integration in trade and related activities among the regional countries. One among the booming Mega-Regionals is the RCEP signed among 15 members, including ASEAN and its five existing bilateral Free Trade Agreements (FTAs) member partners—Australia, China, Japan, South Korea, and New Zealand, in 2020. The RCEP negotiations were launched in 2012 to reduce trade barriers and consolidate Rules of Origin (RoO) in the grouping for deeper integration and consistency in customs and trade practices (Wignaraja 2013, Hsu 2013) in areas like trade in goods and services, investment, small and medium enterprises, government procurement, etc., and thus promoting regional value chains with the long-term aim of ASEAN Economic Community (ASEAN Secretariat 2012, Fukunaga 2015).

The RCEP was majorly mooted because of two economic reasons: one, to take full advantage of the buoyant economic conditions in East Asia, which is economically the most vibrant region in the world, and two, to integrate various sub-regional and bilateral economic partnerships within the region. First, the clout of East Asia over the world economy is evident from the strength the member countries hold on their macroeconomic fundamentals. The region has shown tremendous GDP growth over the years, contributing a major share of global trade and investment, deeply integrated production networks, among other factors. Second, the East Asian region has been characterised as one with many trade and economic agreements in various permutations and combinations of the countries and sectors. This web of trade agreements is said to have a reverse impact on trade liberalisation due to the '*noodle bowl effect*' (Baldwin 2004, Baldwin 2011 and Athukorala 2016), which increases the cost of trading among the countries with different rules and regulations to comply in different FTAs.

Apart from the economic rationale behind RCEP, the literature also points out strategic issues which had an additional pressure on the formation of RCEP. Firstly, as discussed in the previous section, the deadlock in the Doha Round negotiations and the slow pace of the WTO decision-making process, refracted many countries to discuss and reach commitments in a smaller forum at a regional and bilateral level in the areas where the multilateral system has not yet reached any conclusion. Some others see the formation of RCEP as an alternative to the United States promoted Trans-Pacific Partnership (TPP), to its '*Pivot to Asia*' strategy (Dieter 2021). TPP was later formalised as CPTPP in 2018 with 11 members (without the United States). Though there have been many discussions in the literature comparing RCEP and TPP (or CPTPP) (Capling and Ravenhill 2011, Ji *et al.* 2018), there has been a consensus that CPTPP covers more chapters or areas of cooperation going beyond WTO provisions (Csáki 2015, Oba 2016), which have the propensity to establish new rules and regulations for the global trading system.

b. Economic Diversity in RCEP

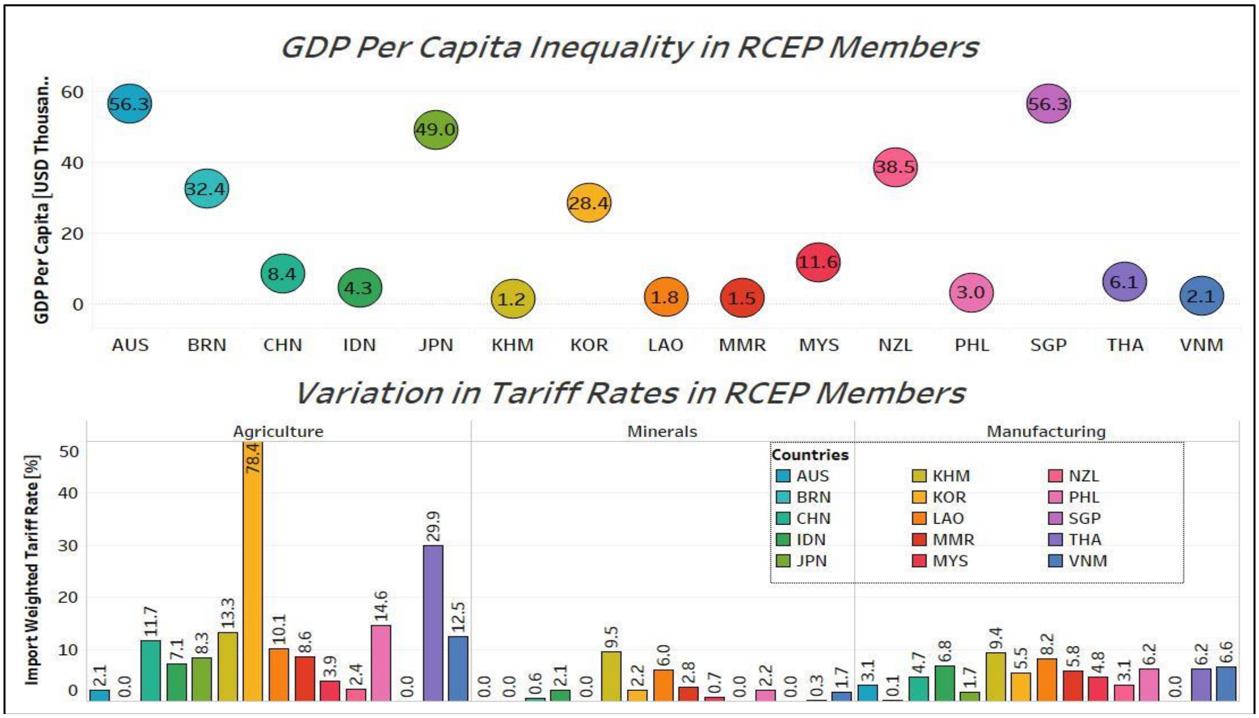
RCEP is the largest Asia-centric economic agreement with a strong foothold in the world economy and a contribution of 24.7 per cent of the world's GDP, while engaging 35.8 per cent of the global labour force and 29.4 per cent of the world's population in 2020. Further, the MRTA accounts for more than one-fourth of the global trade, constituting 27 per cent of the world's exports and more than 25 per cent of the world's imports, and more than half of the global Foreign Direct Investment (FDI) outflow in 2020[4]. Besides the quantitative footing in the world, the Mega-Regional focuses separately on areas such as e-commerce, competition policy, small and medium enterprises, government procurement, non-tariff measure, services, etc., in the agreement for deeper integration among the members through a reduction in administrative costs for trading and enforcing uniform rules of trading.

The grouping has a vast variety of countries that are at different levels of economic development. There are high-income countries[5], like Australia, Brunei, Japan, South Korea, New Zealand, and Singapore, accompanied by middle-income countries, like China, Indonesia, Malaysia, the Philippines, and Vietnam, and low-income countries, like Cambodia, Laos, and Myanmar. The high-income member countries and Malaysia recorded GDP per capita of more than USD 10,000 (i.e., average of world's GDP per capita in 2020), whereas other countries like

[4] Estimation based on data from World Development Indicators Database, World Bank, 2021
[5] Based on the United Nations Classification of High-income, Middle-income, and Low-income countries

Cambodia, Indonesia, Lao, Myanmar, the Philippines, and Vietnam had GDP per capita of less than USD 5,000 in 2020, as shown in Figure 1. In terms of remittances, RCEP accounted for 16.7 per cent of the world's remittance received in 2020. However, only three countries—China, the Philippines, and Vietnam—accounted for 66 per cent of total RCEP remittances received in the period.

Figure 1: Economic Diversity in RCEP Countries



Source: World Development Indicators, World Bank, 2021, and Tariff estimation based on WITS database

Additionally, there is no uniformity in the sectoral trade composition in the member countries because members such as China, Japan, Cambodia, Korea, Vietnam, etc., have exported more than 90 per cent of the total exports in the manufacturing sector, and other countries like Australia and Brunei have engaged in mineral exports and New Zealand in agriculture exports in their total goods trade to the world in 2020. Additionally, services trade in countries like Cambodia, Malaysia, Singapore, and Thailand, contributed more than 15 per cent of their GDP in 2020. In terms of tariff liberalisation, there is a variation in average import weighted tariff in different sectors in the member states, as presented in Figure 1. Though the variation is low in the manufacturing and mineral sector, diversified tariffs in agriculture are visible in the RCEP member countries. China, Cambodia, Korea, Lao, the Philippines, Thailand, and Vietnam, have recorded import weighted tariffs in agricultural goods in double digits in 2019.

The countries aim at gaining the maximum market access possible through the trade agreement and simultaneously protecting the domestic market from foreign competition. However, such a diverse set of nations raises both opportunities and concerns for the grouping. This heterogeneous set would be able to trade and integrate and have market access within the region for national requirements. The same non-homogenous nature of the grouping is said to be the reason for any delay in the conclusion of the agreement while prioritising different sectors according to the domestic needs. Urata (2013) highlights the difference in patterns of tariff reduction and definition of RoO in RCEP members and incapsulates that the creation of consolidated FTA would be difficult with large variation over differences in opinions. Additionally, prioritisation of different sectors in the negotiations has also led to disagreement among the countries which further resulted in the withdrawal of India from the grouping. The variation in member countries concerning their development and sectoral interest, (Zhu et al. 2015) and historical and territorial conflicts, (Li and Hu 2016) have been listed out as major challenges for RCEP which had raised problems in the past, while negotiations tend to affect the future cooperation in RCEP member nations.

4. Equal Market Access to Unequal Partnership?

a. Commitments in Varied Areas

With an aim at achieving a regional trade agreement which is an improvement over the existing ASEAN FTAs through easing conditions for doing business and achieving greater efficiency in production networks, the RCEP member countries started the negotiations mandating to cover many new areas including many *Singapore Issues* and *WTO-Extra Issues*, which were earlier not considered to be part of the ASEAN existing FTAs, and deeper liberalisation in the traditional areas of negotiations. The RCEP agreement has a total of 20 chapters dealing with five broad issues apart from the basic provisions of the agreement (RCEP Text 2020). These broad issues are classified as a) trade, b) non-trade measures (NTMs), c) services, d) Singapore Issues, and e) WTO-Extra issues. The trade issues are covered under chapters on trade in goods (chapter 2) and Rules of Origin (RoO) (chapter 3), whereas chapters such as sanitary and phytosanitary measures (chapter 5), standards, technical regulations, and conformity assessment procedures (chapter 6) and trade remedies (chapter 7) are categorised under NTM issues.

Areas related to services are covered under a chapter on services (chapter 8) and there are standalone chapters on temporary movement of natural persons (chapter 9) and e-commerce (chapter 12). The agreement also covers some of the Singapore Issues, such as customs procedure and trade facilitation (chapter 4), investment (chapter 10), competition policy (chapter 13), government procurement (chapter 16), and WTO-Extra issues, like intellectual property (chapter 11), small and medium enterprises (chapter 14), economic and technical cooperation (chapter 15), and dispute settlement (chapter 19)[6]. Such a diverse range of issues in a trade agreement provides the regional members with opportunities for market access through liberalisation of trade-related issues. Moreover, the diversity of the member nations is addressed in the agreement through provisions of Special and Differential Treatment (S&DT).

In trade in the goods commitment, RCEP provides S&DT to LDCs of the grouping through 38 tariff schedules which helps in providing a level playing field with the member nations. In addition, the liberalisation of tariffs is also made over a longer period, that is, a reduction of 92 per cent of tariff in 20 years (Kang *et al.* 2020). In the services sector as well, there have been varied commitments where some countries have used the positive list approach and others have used the

[6] The rest of the chapters are Initial Provisions (chapter 1), General Provisions (chapter 17), Institutional Provisions (chapter 18), and Final Provisions (chapter 20).

negative list approach for services liberalisation, based on the sectoral priorities of the member nations. Such an approach in regional agreements helps the member countries to start the liberalisation process in the areas where the domestic industries are competitive and eventually venture into the rest of the areas, which need a protectionist approach at the beginning, for greater integration among the member nations. However, RCEP has been accused of excluding most parts of the agriculture sector, especially fisheries to be liberalised under the agreement and the commitment levels in the services sector are also said to be incapacitated (Dieter 2021).

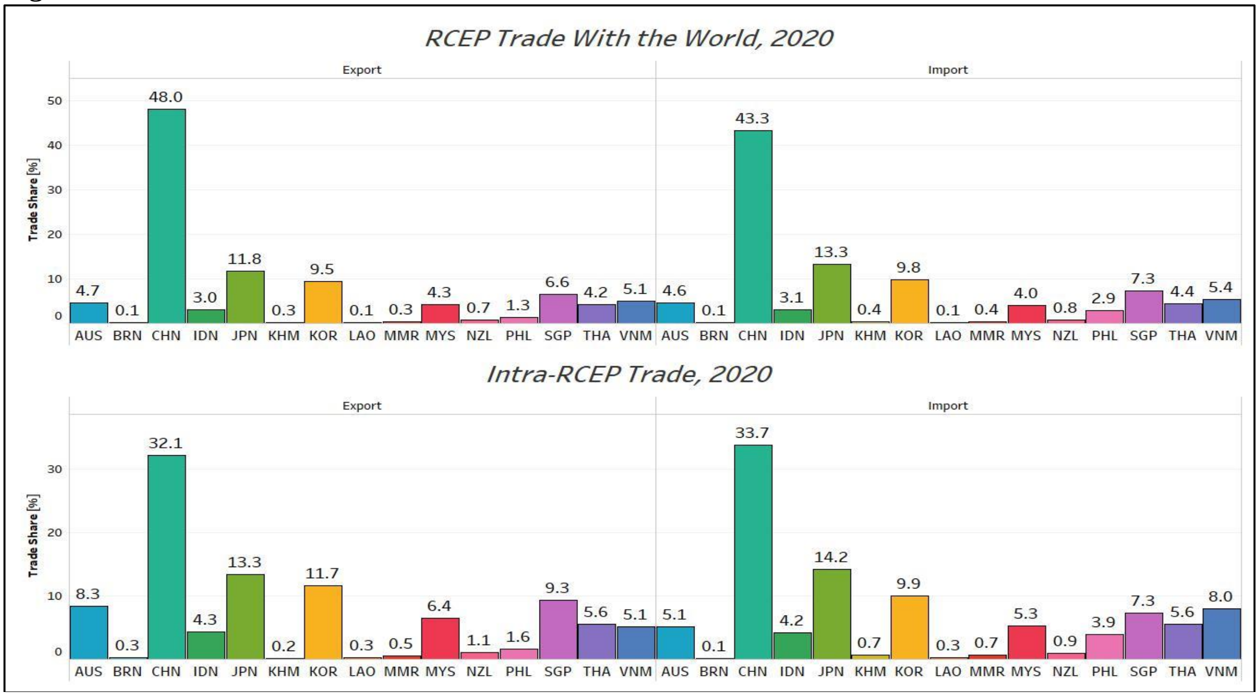
Additionally, there has always been a comparison between CPTPP (earlier TPP) and RCEP in terms of their effect on the world trading system, superiority, etc. It has been found in the literature that, qualitatively, CPTPP is dominant in the world economy (Wilson 2015). When compared to RCEP, it is observed that it covers a wider range of areas with 26 chapters in the agreement. CPTPP agreement has given special focus to areas like textile and apparel, technical barriers to trade, financial services and telecommunication with standalone chapters, as opposed to RCEP where these issues are clubbed in their respective major areas like standards, technical regulations and conformity, trade in goods and services (CPTPP Text 2018). Furthermore, CPTPP includes non-trade issues like development, environment, labour, transparency and anti-corruption, state-owned enterprises, which have not been dealt with in RCEP. It may be concluded that CPTPP focused on WTO-Plus to form a new world trade order with higher standards and rules of trading, whereas RCEP focused on the convergence of existing ASEAN-led FTAs and sticking to areas that are WTO consistent and not accommodating WTO-Plus issues (Oba 2016).

Apart from the issues covered in both the MRTAs, there is also a difference in their commitments to liberalise tariffs on goods (Xiao 2015, Wilson 2015). Once fully implemented, CPTPP would provide 99 per cent of tariff liberalisation, whereas RCEP countries have committed to reduced tariff by 92 per cent in 20 years. The literature provides a clear distinction between these two MRTAs and encapsulates that RCEP is of lower ambitions than CPTPP. Nevertheless, it is important to note too that 7 out of 15 RCEP member nations are also signatory to CPTPP, where countries have committed to liberalising at a greater level which puts them in a vulnerable position as their counterparts in RCEP have liberalised at a lower level and in a limited set of issues. Countries participating in both the Mega-Regionals would eventually face losses with unequal market access and stricter rules and standards, and hence, make the RCEP model unsustainable in the long run.

b. Inequality in Current Trade Status and Prospects

The issues/areas covered under the RCEP agreement do not imply that the member nations of the agreement would have equal potential in exporting goods within the region. Currently, the member states are trading at a non-equitable level with the world, where substantial share of the region’s merchandise exports to the world is with China (48 per cent) followed by Japan (11.8 per cent) and South Korea (9.5 per cent) in 2020, as shown in Figure 2. Similarly, in imports, these three countries import more than 66 per cent from the world. A recent review of economic linkages between RCEP member countries highlights that though the region is well-integrated with the global and regional value chains with developed and developing member states, the value chains are centred around a few countries like China, Japan, Singapore, and South Korea (Francois and Elsig 2021). Moreover, the successful consolidation of RoO depends on many factors like the timing of tariff phasing-out schedules, minimisation of customs procedures, etc. (Kang *et al.* 2020).

Figure 2: Dominance of East Asian Countries in RCEP



Source: Estimation based on Direction of Trade Statistics, IMF, 2021

The situation was not much different in 2019 when the world was not affected by the COVID-19 pandemic. CLM (Cambodia, Lao, Myanmar) countries and New Zealand and Brunei were the five countries which represented less than 1 per cent of regional exports and imports to the world in 2020. A similar trade pattern can be seen in intra-regional trade in RCEP, where more than 55 per cent of the goods are exported and imported by the East Asian countries within the region. On the other hand, CLM and Brunei account for less than a per cent share of the intra-regional exports and imports in 2020.

Using Viner's model of trade creation based on price competitiveness model[7], the regional members' export potential is estimated at USD 1.19 trillion based on the current import prices and export levels. However, analysing the distribution of export potential among the member countries it has been found that middle-income countries like Malaysia, Thailand, Indonesia, and the Philippines contribute more than 7 per cent of the region's export potential within the MRTA. On the other hand, Lao, New Zealand, and Cambodia are the few members which have less export potential in RCEP, contributing a cumulative share of 8.4 per cent. This means that these middle-income developing countries with their price competitiveness and without any tariff liberalisation have large export potential in RCEP, whereas least developed nations like Lao and Cambodia neither contribute much to merchandise trade nor have greater export potential in RCEP as

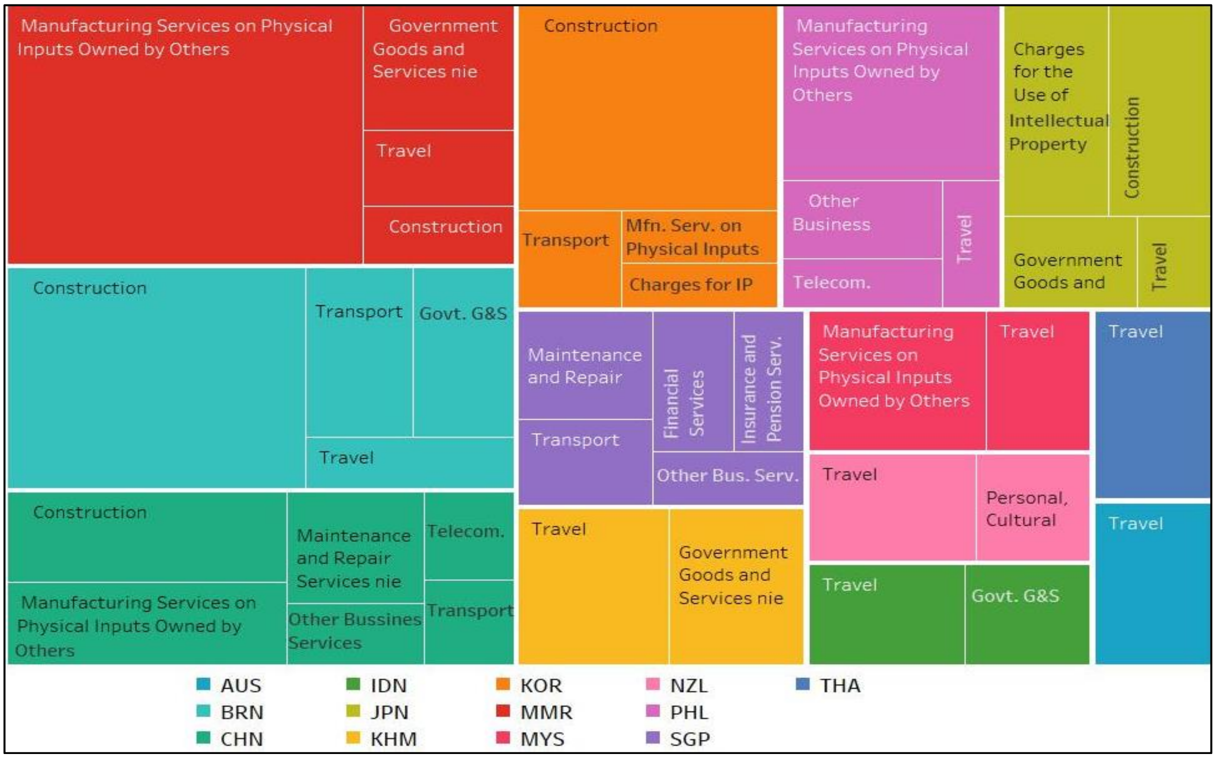
[7] For methodology see Mohanty (2003) and Mohanty *et al.* (2019)

compared to other member countries. Nevertheless, the export potential of all countries is subject to supply constraints which may be affected after the implementation of the RCEP agreement.

With the reduction in tariffs and non-tariff barriers in goods and services and new RoO in place, RCEP member countries aim at deepening their trade and investment integration by enhancing participation in global and regional value chains. This would lead to an increase in trade collaboration with the regional members. Though RCEP is a huge market, member countries of the agreement are bound to compete. For example, in services trade, out of the 12 service sectors classified under Balance of Payment Manual (BPM6), many RCEP member countries have revealed comparative advantage (RCA) index[8] more than one implying higher competitiveness in the global market. There are sectors like insurance and pension, and financial services, where Singapore alone is competitive among the RCEP regional members, implying that the other regional members can import such services from Singapore and would increase intra-regional trade in services.

However, many RCEP member nations have a comparative advantage in many services sectors, like in the case of China which has a comparative advantage in six services sectors; Japan and Singapore in five services sectors; Brunei, Myanmar, the Philippines, and South Korea in four services sectors, as shown in Figure 3. This leads to competition within the regional members in services sectors. In travel services, countries such as Australia, Brunei, Indonesia, Japan, Cambodia, Myanmar, Malaysia, New Zealand, and Thailand have a comparative advantage with RCA greater than one, implying competitive countries within the region and at the global forum.

Figure 3: Competitive Services Sector in the RCEP Member States



[8] Estimation based on Balassa (1965) using Balance of Payment Statistics database from IMF (2020)

Source: Estimation based on Balance of Payment Statistics, IMF, 2020
Note: Data for Vietnam and Lao PDR is not reported at the sectoral level.

A similar competition would be faced by Brunei, China, South Korea, and Singapore in transport services; Brunei, China, Indonesia, Japan, South Korea, Myanmar, and Malaysia in construction services; China and the Philippines in telecommunication, computers, and information services; New Zealand and Malaysia in personal, cultural, and recreational services, etc. However, RCEP members do not provide commitments for services liberalisation progressively, as the agreement has granted freedom to the member states to use a positive or a negative list approach while committing liberalisation in services sectors (RCEP Text 2020). Such an approach would not provide leverage to LDC members to compete with advantageous countries as they may protect their domestic players in any specific service.

Secondly, the tariff schedule in RCEP for different member countries also indicates the diversity in tariff liberalisation commitments. Many RCEP members have committed to phased-out tariff liberalisation schedules over 20 years. Nevertheless, there are instances where the countries have divergent levels of commitment (RCEP Text 2020, Kang *et al.* 2020). Many countries have increased the commitment schedule from 20 years like Japan and China (21 years), Indonesia and Malaysia (23 years), Brunei and Vietnam (25 years). Malaysia has also added Tariff Rate Quotas (TRQ) separately for ASEAN, Australia, New Zealand, Korea, China, and Japan (6 categories). Among the 15 member states, China, Indonesia, Korea, Vietnam, and the Philippines have separate tariff commitments for 6 categories of RCEP members over different periods, especially in the case of Korea and China where tariff liberalisation is scheduled over 35 years.
Apart from merchandise trade, the RCEP member countries have separate and specific commitment levels on the temporary movement of natural persons where different member countries have opted out of different rules and regulations for the said service mode. If these commitments were biased towards LDCs of the region, then it would have been given an indication of a level playing field with equitable liberalisation based on the level of economic development of the member. However, the liberalisation is regardless of the developmental status of the countries and thus, may lead to further inequitable trade among the member nations of RCEP. The dominance of East Asian countries in merchandise trade, global, and regional value chains bundled up with different tariff commitments in goods and services indicates the unequal approach to the unequal partnership in RCEP. This was one of the reasons, *inter alia*, for which India withdrew from RCEP just before the conclusion of the agreement in November 2019.

5. India's Withdrawal from RCEP

The RCEP agreement in its initial stages had 16 members negotiating the agreement, including India which opted out in 2019 in the same summit where other members agreed. According to India, the negotiations and the concluded agreement were diverging from the guiding principles and lacked transparency and equality. Higher tariff liberalisation in RCEP in the goods sector meant that India would have an inflow of huge imports of manufacturing goods from China, agriculture goods from Australia and New Zealand, and plantation and textiles from ASEAN countries. Apart from the pharmaceuticals sector, the entire goods sector would have been impinged by RCEP member countries through the agreement, which added fuel to the existing debate of relevance of FTAs in the face of increasing trade deficit in India. This led to growing clamour in the nation and hence provided much political pressure to withdraw from RCEP.

Apart from affecting the Indian domestic market, RCEP member nations refused a) to change the date of enforcement from 2014 to a nearer date of conclusion of the agreement, b) stricter RoO for avoiding trade deflection, c) stricter regulations for e-commerce rules, d) application of safeguard measures like special safeguard measures and snapback tools for restricting of import dumping to its domestic market, e) S&DT for India for liberalising over a larger period as compared to other member countries in certain sectors and f) higher services liberalisation in the grouping (Gaur 2020). India expected to compensate losses from tariff liberalisation in the goods sector through gains from services liberalisation in the agreement. However, it is observed that the services liberalisation in RCEP has not been fair for Indian exporters.

Ironically, in the initial negotiating round of RCEP, India was asked to alter its tariff proposition based on a three-tier approach, i.e., different tariff structure for a) ASEAN, b) Japan and Korea and c) Australia, China, and New Zealand with which it did not have any trade agreement, for deeper integration of member nations. However, looking at the final tariff structure of the RCEP agreement, as discussed in the previous section, many countries have different liberalisation schedules for ASEAN, China, Australia, New Zealand, Japan, and Korea. India also demanded S&DT through a longer tariff liberalisation schedule in the RCEP agreement, which was given to many developed nations in CPTPP, which was not agreed and resulted in India's withdrawal. Yet in the final agreement, many countries have liberalised their tariff structure at different times like Malaysia (23 years), Vietnam (25 years), China, and Korea (35 years for each other), etc.

Various member countries have been given the privilege of applying the negative list or the positive list approaches for services liberalisation[9]. Similarly, India could also have been given some provision for application of safeguard measures to protect its domestic economy in the initial stages of liberalisation. However, many provisions, listed above, from the Indian delegation in the RCEP negotiations were not accepted which consequently led to India backing out of the grouping. The RCEP members have provided India with a specific accession opportunity by waiving the 18 months accession period. Though many RCEP members approached India, an original negotiating member, to rejoin the grouping, it will not rejoin RCEP without a thorough discussion/negotiation on the provisions it has put forth before the grouping.

India holds a strong position in the Indo-Pacific region with its high trade concentration and clout over the macroeconomic variables. The economic strength of the nation could be verified through its resilience during the global financial crisis in 2008. When most of the countries, including developed nations, experienced a negative growth rate, India retained its growth of GDP. Though India would increase its trade linkages and participation in value chains with the RCEP member nations, its membership in RCEP would also be advantageous for RCEP members. With the second largest population in the world, India provides a huge market for RCEP member nations and increases the export potential of countries of the grouping (Gaur 2020). Additionally, India would also help the RCEP nations to diversify their trade basket from China, which holds a major share of trade in the region and in the individual member nations, which was a significant reason

[9] Australia, Brunei, Indonesia, Japan, Malaysia, Singapore, and South Korea have used the negative list approach. Cambodia, China, Lao, Myanmar, New Zealand, the Philippines, Thailand, and Vietnam have used the positive list approach for services liberalisation in RCEP.

for Japan to promote an agreement with six ASEAN FTA members as opposed to China's proposal.

6. Way Forward

COVID-19 has brought the world trading mechanism to a halt, which has cost the world a reduction in GDP, trade, investment, growth, and other macroeconomic fundamentals. National lockdowns and suspension of trade have disrupted global and regional value chains, especially which were dependent on the Chinese manufacturing sector. Countries like South Korea and Japan have experienced delays in car manufacturing due to the absence of parts from China in 2020, hence, disruption in production networks. Consequences of pandemic can also be seen as a change in global trade order with countries like Japan and the United States already shifting their manufacturing bases from China. Increasing protectionist behaviour and rising tension between India and China over territorial issues may also have an impact on the trade dynamics of the region. However, deeper economic integration with reconfiguration of supply chains is needed to uphold the huge differences among the regional countries in the areas of economic and strategic issues.

The one country which contributes much of the share of RCEP in trade is China, which itself is experiencing slow growth and there exists a very real possibility of China falling into the '*middle-income trap*' with high wages, low labour force participation, and ageing population[10], which would adversely affect trade at macro and sectoral levels. Consequently, China's '*Dual Circulation'* model under its New Economic Policy (2021-25) may also lead to a reduction in import dependence as it promotes domestic economic circulation over international economic circulation, which is said to complement the domestic demand (Huang 2020). This would also imply that the RCEP member nations may also find it challenging to attain market access in China as compared to India, which makes a positive case for RCEP member countries to include India in the agreement. India's inclusion would not only provide market space for the RCEP countries but would also provide them with a substitute for China, or at least an alternative to diversify their trade portfolio against Chinese dominance.

India's non-participation has resulted not only in a reduction in market access for RCEP member nations but also led to an asymmetric regional agreement in the East Asian region. India itself is engaging in many sub-regional alternatives to increase its integration in the regional markets. Alternatives have emerged such as the Supply Chain Resilience Initiative—a trilateral trade approach between Japan, India, and Australia, the emergence of sub-grouping under Indo-Pacific notion like India-Australia-France and a possibility of Indo-Pacific trade pact[11] may also have regional implications on trade, especially in RCEP. However, India's inclusion in RCEP would provide a balance to the agreement and would stimulate deeper trade among the unequal RCEP countries.

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[10] Huang et al. (2021) provides a detailed explanation of Chinese domestic and international challenges.

[11] Proposed by Deb (2020)

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