India's Withdrawal from Regional Comprehensive Economic Partnership (RCEP)

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Abstract

The Sino-US competition in the Indo-Pacific has become a central issue in international relations and how the competition of both countries affects state behavior. This article attempts to provide explanations of India's behavior in deciding to leave the Regional Comprehensive Economic Partnership (RCEP) agreement by using the neoclassical realism theory. Neoclassical realism believes that the actors' behavior is influenced by the constellation of international structures and domestic constellations. India's exit from RCEP was influenced by structural changes in the Indo-Pacific region, with the loss of China's balance of power marked by the withdrawal of the United States from the Trans-Pacific Partnership (TPP). Moreover, the condition has been exacerbated by the pressure received by Narendra Modi at the domestic level with the emergence of rejection of India's involvement in RCEP. It has influenced Narendra Modi's perception, who was active in the region with the two factors above, decided to resign from RCEP.

Keywords: RCEP, Neoclassical, Realism, India.

INTRODUCTION

US-China rivalry has become a central issue of international relations. It spreads from the international to the regional context. The same thing happened in the Indo-Pacific region, where China and the US compete for influence and interest in this region (Hu, 2020). In the context of...
economic competition, the involvement of the US is only for balancing China and as an implementation of the Pivot to Asia policy in 2011 under Barrack Obama (Hu, 2020). As economic benefits, joining in TPP (in the context of Indo-Pacific region rivalry) can increase US$ 130 billion or 0,5% of GDP in 2030 (James & Chatzky, 2019).

Meanwhile, China has an agenda to pursue its power and interest as a rising power. Based on Li (2020), the interest of China is well-aligned with Belt and Road program to connect with the other states in the regions. Politically, the involvement of China in RCEP would impact on security context (Li, 2020).

If we look at the US-China rivalry in the Indo-Pacific region, there are impacts on international constellations. First, China is strengthening its power through BRI and RCEP program, which attracted many countries in the region (Li, 2020).

Secondly, the competition would impact on US political-economy position. After RCEP’s establishment, Asian dependency on US products has projected would decrease by 0,16% (Terada, 2018). Moreover, the involvement of US strategic partners in RCEP, like Japan, South Korea, would complicate the US on getting the benefits from the US-China rivalry in the Indo-Pacific region.

Thirdly, US-China rivalry in Indo-Pacific affects state behavior. Under the Trump administration, the US-based political economy consideration has withdrawn from TPP, which is a contender of RCEP in the Indo-Pacific region (US Trade Representative, 2017)—following this situation. India was also withdrawing to RCEP in 2019 because of domestic and regional situations (The Wire, 2019).

Nowadays, India is one of the fastest economic growth. It can be seen from the growth percentage in 2018 that it has reached 7% (World Bank 2019). India can enhance its economy, particularly in several sectors such as agriculture, services, manufacturing, and industries. With US $ 1963,55 the total GDP in 2018, India can compete with China and USA in the economy (Sharma, 2019).

This position has forced India to be more active in the international arena. Since 2014, India has vision, namely New Delhi Consensus (Deo, 2021). This vision discussed how India should be more active in the global political arena. According to New Delhi Consensus, India demanded more global political and economic cooperation to strengthen its position in the international arena (Saran 2018).
The involvement of India in multilateral cooperation has been more active since 2004 under the Manmohan Singh government (Mukherjee & Malone, 2011). By cooperative multilateralism policy under Singh, India has significantly changed Indian foreign relations, especially superpowers such as the United States and Europe. It is marked by milestones of Indian foreign relation status in the 2000s since the emerging Indian economic status in the early 2000s as a BRICS member. Also, since 2009 has been actively involved in various multilateral cooperation, either security or economy.

India has elected as a non-permanent member of the Security Council of United Nations in the security cooperation in 2011. In economic cooperation, India also had more role as an initiator in establishing the South Asian Association for Regional Cooperation (SAARC) in 2007 in New Delhi (Zhengduo, 2014).

Along with the strengthening economic capacity and its status, India strives to play more active roles in economic cooperation. It was marked by establishing New Development Bank and Reserve in 2014 (New Development Bank, 2021).

Since 2015, under the leadership of Narendra Modi, He would put forward economic growth. Thus, India issued a foreign policy called act east policy (Kumar, 2015). With this policy, Modi is trying to strengthen further his cooperation with eastern countries, particularly countries in the Asia Pacific region. It can be seen from Modi's visits to several countries, such as Japan and China, which resulted in an investment agreement from the two countries amounting to US$165 billion (Pant & Taneja, 2019;12). In addition, under the Modi government, India continues to be encouraged to continue to play an active role in multilateral cooperation frameworks such as BRICS, G-20, G-77.

However, the interesting point in this article is the anomaly of the policy taken by Modi recently. He decided to withdraw from Regional Comprehensive Economic Cooperation while prioritizing economic cooperation to lift India's status in the region (The Print, 2019). The dilemma faced by Modi swayed his commitment and India's involvement in RCEP (The Indian Express 2019).

Briefly, RCEP is a mega trade deal among countries in the Indo-Pacific regions. It has been established with various intentions. First, to boost economic cooperation between the members. RCEP has been projected to be the most significant trading bloc with $26,1 billion as 30% global population and GDP compared to
EU, USMCA (Gosh 2021). Second, as
the biggest competitor of Trans-
Pacific Partnership, or on the other
terms as an arena of struggle for power
between the US and China (Wilson
2015; Solis 2017; Rosenbaum 2018).

This article seeks to explain the
causes of India's withdrawal from
RCEP as an anomaly in this research.
There are differences between the
leader's policy and reality that make the
changes of India in the case of RCEP
by raising the question Why India
Withdraw from RCEP?

Existing studies have mostly
sought to frame this topic as a
competing trade partnership between
TPP and RCEP. A study conducted by
Wilson (2015) compared RCEP and
TPP in the Indo-Pacific region. Wilson
argues, both trade deal has a different
level of institution. Wilson argues that
RCEP has more flexible than TPP in
terms of membership. He also argues
that the existence of RCEP could be a
threat to ASEAN centrality, which
there is the dominant power in this
partnership.

Moreover, both trade deals are an
arena for the struggle for power
between China and the USA regarding
economic power (Wilson, 2015). This
argument has been solidified by
Wilson and Solis (2017), which argued
that regionalism in the Asia-Pacific
region would be more fragmented by
the existence of two superpowers:
China and the USA. Moreover, there
was research by Ravenhill (2016) that
argued that political factors and
negotiating methods would affect the
sustainability of RCEP as a regional
trade agreement in the Asia-Pacific
region.

Also, some studies discuss India
in RCEP. Research by Jagannath
Panda published in 2014 argues that
the Indian motive in joining RCEP is
to actualize its foreign policy, namely
look east policy. It demands India to
be more active in cooperation since
2004 after India made it in 1991
(Panda 2014).

Lastly, research by Kaura (2018)
discussed the Indian position in the
Indo-Pacific region. He pointed out
that the means of the Indian
government under Narendra Modi,
India, has been trying to balance the
big powers existing in the Indo-Pacific
region.

Therefore, this article will offer a
perspective on viewing the impact of
the competition in this Indo Pacific
region as Indian withdrawal from
RCEP. This article will try to explain
by viewing both regions and domestic
factors that also change.

THEORITICAL FRAMEWORK
Neoclassical Realism
The neoclassical realism approach seeks to explain the factors that influence state behavior. There are two key points; (1) an anarchic international system; and (2) domestic factors (Taliaferro, Lobell, Ripsman, 2009). Subsequently, the domestic factors are understood as intervening variables to explain why state behavior differs from other countries. In order to answer the question, this article uses neoclassical realism logic for some reasons. Firstly, there is a gap in a normative term. For example, Indian behavior under Modi has been very opposite to the look east principle. Look east policy demands India to be a more active international arena. Instead, India has decided to withdraw from RCEP. Secondly, the inconsistency of Indian behavior. India is the only state that has decided to withdraw from RCEP. If we trace back to the relationship with other members with China has been close under Modi. Economically, RCEP is the potency to India to get political and economic leverage as an emerging economic state.

Based on the neoclassical realism perspective, this article can offer another insight. Particularly in viewing the factor affecting India in the decision to withdraw RCEP. This article also argues that neoclassical realism offers holistic factors, both international and domestic.

Four Categorizations of State Behavior on Facing Threats

Neoclassical realism logic is the root of a theory called under balancing. Randall Schweller first proposed this theory. In his article entitled Unanswered Threats, Schweller (2004) said that the actions of a state are not always about cooperation or protection in responding to a threat. Nevertheless, there is a condition in which the state also cannot respond to the threat.

Schweller (2004), as if in his writings, explains countries that cannot respond to a threat in the form of cooperation or seek protection from a threat source. In addition, what Schweller (2004) said can also be understood as a form of criticism of the neorealism paradigm, which in general only divides state behavior into two types, namely balancing and bandwagoning.

According to Schwelller (2004), there are several types of state behavior in responding to a threat. It divides into four typologies. The first is balancing, which means a state response to threats by strengthening military and economic capacities. The second, overbalancing is a form of state behavior that responds to threats excessively, which is characterized by increased costs to increase the capacity of a country that should not be
necessary. It happens because the state is wrong in perceiving a threat.

Third, a non-balancing state behavior in responding to threats. It means allowing other countries to cope with threats. Because a country avoids the enormous costs of responding to threats, a country usually takes this behavior when the country does not have sufficient capacity to respond to a threat.

Fourth, under balancing is a condition when the state does not respond to a threat by balancing or bandwagon. Countries that take this attitude are usually do not have sufficient capacity to respond to existing threats. However, it is not just a matter of the country's capacity. Schweller explained other factors, namely domestic conditions (Schweller, 2004, p. 166).

Schweller explains why the state then takes the action of under balancing. First, the rise of external threats or anarchic conditions resulted in new threats. It can be interpreted as a country that threatens a country (Schweller, 2004, pp. 164-166). According to Schweller (2004), the emergence of a threat is how it is then greatly influenced by how domestic elements such as leaders and other domestic actors perceive the threat.

The second thing that affects a country's balance is government vulnerability. It depends on how the government meets all the expectations of the people. In addition, this is also greatly influenced by the support obtained by the ruling government. For example, how high is public trust in the ruling government? In addition, how is the relationship between the ruling government and the opposition or political opponents?

The third is social fragmentations or conditions within a country experiencing chaos due to economic disparities, political differences, and protests against policies or actions taken by a country.

In this case, the author considers that India's attitude is balancing against anarchic regional conditions by deciding to leave the RCEP agreement. So, this article examines why India's behavior is called under balancing. As stated above, India's action can be considered under balancing because India left the RCEP agreement. India does not cooperate or protect in an anarchic international sphere.

Figure 1. Concept of Neoclassical Realism Paradigm
ANALYSIS AND DISCUSSION

Competition in the Indo-Pacific Region: TPP vs. RCEP

The Indo-Pacific region is a very conflictual area today. Geographically this area includes the Asia Pacific region and Indian waters. Historically, the Indo-Pacific concept first appeared in 2007, marked by a speech of Japanese Prime Minister Shinzo Abe. The Indo-Pacific became very important when in 2010, the United States Secretary of State Hillary Clinton said that the region was necessary for the world economy (Kaura, 2018).

There are two influential powers in the region, firstly the United States, which considered the area a place for the struggle for influence since 2011, marked by the pivot to the Indo-Pacific policy under Obama's administrations (Mc Daniel, 2012). It was taken to reduce China's influence in the region, which was getting tighter. There were two ways that the United States does: security and economics. Security cooperation is carried out by the United States, for example, security cooperation with several countries such as Vietnam and Japan by building several military bases in Pacific waters. In addition to security cooperation, the United States in the economic field is joining the Trans-Pacific Partnership (TPP). The United States joined the TPP in 2011. By joining the United States, it is hoped that the United States' economic growth will reach US$130 billion (James & Chatzky, 2019).

At the same time, China also continues to strengthen its influence in the Indo-Pacific region. What China does to strengthen its influence is by issuing a cooperation policy. However, China has more focused on economic cooperation both bilaterally and multilaterally. Bilateral cooperation includes the Belt-Road Initiative policy. In addition, multilateral cooperation has been initiated since 2011 through the ASEAN+3, ASEAN+6 cooperation, culminating in establishing the Regional
Comprehensive Economic Partnership (RCEP) in November 2012. The dynamics in this region became more chaotic and interesting when the United States has decided to withdraw from the TPP agreement in 2017 (BBC, 2019).

This condition gave China to take over this region to spread its influence in the Indo-Pacific regions. TPP stagnated soon after the US withdrew from the cooperation. On the other hand, the release of the United States is an advantage for China. The proof is that after the United States left the TPP, China immediately held a meeting with the Philippines, which is a close ally of the United States (Health, 2017). In addition to the Philippines, China also held intensive meetings with other countries such as Vietnam and Japan in mid-2018. These steps have been taken to build the RCEP cooperation, initiated since 2012, through the ASEAN+6 cooperation framework. The United States' exit from the TPP is also a signal that China can emerge as the dominant power in the indo-pacific region. In other words, there would be a very significant shift in influence in the previously bipolar region because there are the United States and China. The Indo-Pacific region can be in a unipolar condition that places China as the dominant power.

The competition of US-China has some significance to the Indo-Pacific region. Firstly, the US and China have transitioning power (Matheswaran, 2021). US withdrawal has shown no balance anymore between the US and China in this region. It is also supported by the involvement of strategic partners of the US like Japan, South Korea, Australia that would decrease their dependency on US products by 0,16% (Terada, 2018).

Based on Cheong and Thongzon (2013) shows that the existence of China and the US can dominate members of both agreements. It also burdens developing countries like Vietnam (Cheong & Thongzon, p. 161).

This dynamic condition is viewed as a dilemma by the Indian government to withdraw from RCEP (The Print 2019). The following part discuss India and domestic factors.

India's Position in RCEP

Since 2012 the Indo-Pacific region has been characterized by various forms of cooperation and the increasing conflict in the region. On the other hand, countries in the Pacific region are also actively cooperating to achieve their interests. In 2012 through China, India, ASEAN and Australia, New Zealand, Japan, and South Korea began to form the
Regional Comprehensive Economic Partnership (RCEP). RCEP is economic cooperation that includes 10 ASEAN member countries and 6 in Asia and the Pacific. Historically, the formation of the RCEP started on January 15, 2007, in Cebu, South Korea, by ASEAN+6 member countries at that time called the Comprehensive Economic Partnership for East Asia (CEPEA) (Cheong & Thongzon, 2013).

CEPEA was a development of the East Asia Vision Group (EAVG), economic cooperation between East Asian countries including China, Japan, and South Korea initiated in 2001. East Asian Free Trade Area (EAFTA) was initiated by China (Kawai & Wignaraja, 2008).

EAFTA itself began to develop during the CEPA meeting in 2006. An expansion of economic cooperation previously only involved ASEAN member countries and three countries in East Asia (China, Japan, South Korea) or ASEAN+3. Now, it increased to ASEAN+6 with Australia, New Zealand, and India. In 2011 the United States, at the APEC meeting, announced it would lead the TPP (Das, 2015). Even more surprising then is that the United States did not involve India and China in joining the TPP even though both countries accounted for 15% of global trade (Das, 2015).

India in RCEP is one of the most important actors. First, it is because of emotional closeness with China in establishing economic cooperation in the Indo-Pacific region. India, along with China, is the country not included in the TPP. As mentioned earlier, India was one of the countries not invited to join the RCEP. Thus, it can be said that India and China have the same vision, namely to balance the influence of the United States in the Pacific Region.

Second, according to Hsu, this RCEP can then provide opportunities for liberalization of the Indian economy and also the expansion of the Indian market to ASEAN countries and other RCEP member countries, the amount of which is estimated to reach $120 billion US dollars (Hsu, 2013; 48-49). India's third participation in RCEP is an implementation of India's foreign policy, namely the East Policy Act, which emphasizes the importance of India's participation in international cooperation, especially in the Indo-Pacific Region, which will undoubtedly affect India's power in the ASEAN.

However, Hsu later explained that India should then be wary because, although this RCEP provides excellent opportunities for India in the trade sector, India's trade relations with China tend to stagnate. It indicates that the goods exported from
India to China are smaller than the goods imported from China, which is US$ 19 billion compared to US$ 58 billion in 2011 (Hsu, 2013).

These statements show that India in RCEP can be interpreted in two forms, namely the opportunity if India can encourage its trade to RCEP member countries such as Australia and New Zealand. On the other hand, this RCEP could be a new threat to India when the influence in China in the region is getting stronger. It was further strengthened by the United States' departure from the Indo-Pacific Region, marked by the United States' release from the TPP.

**India's Withdrawal from RCEP**

In response to the competition in the Indo-Pacific region, India, under the government of Narendra Modi, issued the Act-East Policy. With this policy, India is more active in the region. It sees from how India was quite active, for example, in establishing bilateral relations with China. In addition, India has also been involved in the ASEAN+6 cooperation framework along with ASEAN member countries and Japan, China, New Zealand, Australia, and South Korea since 2012.

This Act east policy was issued as a development of a previous Indian policy called the Look East Policy, made in 1991 by Prime Minister Narashima Rao. This policy had become a guide for leaders in India. India must prioritize its role as a country with advantages in the economic and social fields in the Indo-Pacific region to continue to play an active role in maintaining stability in the region, especially in the economic field. It was proven in 1992 through Prime Minister Viharee Vajpayee that India began to open relations with ASEAN as a milestone in expanding cooperation in the Indo-Pacific region.

The Look East Policy concept continues to be developed by considering the area's coverage, such as the extended neighborhood policy. In 2003, ASEAN and India began to embrace Australia, New Zealand, Japan, and South Korea to embody the next stage of the look east policy. It can be seen in 2012, the concept of India's foreign policy was no longer just a Look East Policy but has slightly changed to an advanced stage of act east policy. It has reflected that India's cooperation partners have begun to expand, which was previously only an ASEAN member country, now increasing to four countries in the East Asia region and Australia. Apart from expanding relations with countries in the Pacific Region, Modi also did not forget to strengthen his relations with China as a fellow emerging economy country. It was marked by several
things, such as intensive meetings with China, such as visits and investments that China has given to India amounting to US$20 billion (Rajendam, 2014, pp. 4-5).

## Social Fragmentation Indian Society interest on Economy

Since 2014-2018, the Indian economy has experienced a slowdown in growth from 7.2% to 6.6% (PHD Research Bureau, 2018). In addition, the unemployment rate is on the rise. In the era of Narendra Modi’s government, in 2018, it showed an increase to 7%. One of Narendra Modi’s campaign promises is to increase job opportunities. In addition, India's tax revenue has decreased, which only reached 5% (Tharoor, 2019).

This condition has led to social fragmentation. It has been marked by the emergence of protest movements criticizing India's foreign policy, which is considered not pro-people. Marked by the emergence of a movement called the Swadesh Jargam March (SJM), which had protested against RCEP since early October 2019 or a month before the ASEAN Summit, which was held on November 4, 2019 (South China Morning Post, 2019). The issue raised by SJM is that RCEP is considered detrimental to the community and small businesses, especially business actors in the agricultural sector. With India's participation in RCEP, it is considered that it will open up more significant import opportunities, especially for agricultural products such as milk. Because by joining RCEP, India will enter into the flow of liberalization. It means that smallholders will lose out if India joins the RCEP agreement. Long before November 4, many people had negative voices about India's participation in RCEP, especially the Indian public's perception of China. More than 60% of Indians perceive China as a threat. It was followed by the increasingly aggressive China and the withdrawal of the United States from the Indo-Pacific regions.

## Opposition Interest in Indian Politics

At the legislative level, India's withdrawal from RCEP was influenced by the Indian National Congress Party (INC). According to an opposition figure named Rahul Gandhi, RCEP will bring losses, especially for farmers and ranchers (Business Today, 2019). RCEP also gives more space for foreign investors to enter and close the space for the local small and medium entrepreneurs. This statement was also strengthened by the fact that Narendra Modi's government could not fulfill its campaign promise, namely to boost the Indian economy. Gandhi also
stated that India experienced an economic crisis under Modi's government, with an increasing number of unemployed in India reaching 6.1% (Business Today, 2019). It is one of the reasons why the INC Party, which is the opposition, strongly rejects India's joining the RCEP.

India's Under Balancing: RCEP, From Opportunity to Threat

RCEP, which was initially an opportunity for India to increase their economy and influence in the region, has become a new problem for India.

The first problem was changing the regional structure controlled by two powers, the United States and China. It has followed by the framework of economic cooperation that they built. The withdrawal of the United States from the TPP marked that there was no longer a balance of influence in the Indo-Pacific region. China is emerging as the sole power in the region. It can be a threat for India regionally. It also exacerbated by the stagnation of competing for regional economic partnerships.

The second is the domestic pressure experienced by Narendra Modi as the leading actor in determining India's foreign policy. At the domestic level, there is a phenomenon of social fragmentation at the community level. It was marked by the emergence of a protest movement against India's foreign policy under Narendra Modi, which is considered unable to fulfill political promises to boost the domestic economy. The public understands India's participation as a new threat that can harm the Indian economy.

Moreover, to social fragmentation, domestic pressure also occurs due to conflicts at the level of the political elite. There is a significant difference in interests between Narendra Modi's BJP Party and the INC Party under Rahul Gandhi. The INC party has the same interests as an agricultural community group called Swadesh Jargan Manch, which has also held demonstrations since October 10, 2020 (The Economic Times 2019). According to both parties, the RCEP agreement will impact the domestic manufacturing and agricultural industries. Involvement in RCEP will cut 80% import tariff (The Economic Times 2020). It was feared that domestic Indian businesses would not compete with imported products. Events that occurred at the domestic level then changed Narendra Modi's decision. The climax occurred on November 4, Narendra Modi decided to withdraw from the RCEP agreement.

CONCLUSION

This article concludes that India's withdrawal from RCEP was caused by
two main factors: changes in the regional structure. The United States' release from the TPP caused a loss of balance in the Indo-Pacific region. It makes China emerge as the dominant force in the region under the RCEP cooperation framework. This lack of balance of power creates a lousy perception for India. China, which was considered a partner to counterbalance the power of the United States, immediately turned into a threat to India.

Second, this condition was caused by domestic pressure from the INC Party and the Swadish Jargan Manch group, who thought the RCEP agreement would kill the domestic manufacturing and agriculture industry. These two conditions create foreign policy inconsistencies. It seems How Narendra Modi, who consistently raised India’s profile in the Indo-Pacific, surprisingly, decided to leave RCEP on November 4, 2019.

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