India’s Withdrawal from RCEP: Understanding India’s Independence Amid Trends in Global Economic Dependence

Pasek Acyuta Diwangkara Satyakusuma

Universitas Indonesia

ABSTRACT

The Indian government withdrew from the Regional Comprehensive Economic Partnership (RCEP), citing the need to protect domestic small businesses. However, critics from liberalist intellectuals argued that India’s justification of economic nationalism seemed weak and should not be adopted. This study then adopts a structuralist perspective to understand India’s withdrawal and challenges the liberal view that sees it as a missed opportunity. The research question is formulated: amid current criticism of liberal groups against the government’s protectionist justification, how does structuralism explain India’s withdrawal from RCEP to justify the withdrawal? This essay employs the Dependency Theory, which highlights how RCEP’s structure places India in a peripheral position and creates a dependency that threatens India. This article aims to defend the withdrawal of the Indian government and demonstrate the relevance of structuralism which is believed to be increasingly outdated in the theoretical debate between structuralism and liberalism in the Global Political Economy.

Keywords: *Dependency Theory; Free Trade; India; RCEP; Structuralism*

Pemerintah India menarik diri dari Regional Comprehensive Economic Partnership (RCEP) dengan alasan perlunya melindungi usaha kecil dalam negeri. Namun, justifikasi tersebut menuai kritik dari akademisi liberal yang berpendapat bahwa nasionalisme ekonomi India tampak lemah dan tidak layak diadopsi berdasarkan teori liberal. Kajian ini kemudian mengadopsi perspektif strukturalis untuk memahami penarikan diri India dan menantang pandangan liberal yang melihatnya sebagai peluang yang terlewatkan. Pertanyaan penelitian dirumuskan sebagai berikut: di tengah kritik kelompok liberal saat ini terhadap justifikasi proteksionis pemerintah, bagaimana strukturalisme menjelaskan penarikan India dari RCEP Untuk membenarkan penarikan? Artikel ini menggunakan Teori Ketergantungan, yang menyoroti bagaimana struktur RCEP menempatkan India pada posisi periferi dan menciptakan ketergantungan yang mengancam India. Artikel ini bertujuan untuk membela penarikan pemerintah India dan menunjukkan relevansi strukturalisme yang diyakini semakin usang dalam perdebatan teoretis antara strukturalisme dan liberalisme dalam Ekonomi Politik Global.

Kata-kata kunci: *India; Pasar Bebas; RCEP; Strukturalisme; Teori Dependensi*

Since being a part of the Regional Comprehensive Economic Partnership (RCEP), India has finally announced its withdrawal from the initiative after seven years of being involved in negotiations. This situation still happened despite the growing significance of multilateral cooperation and global institutions (Drysdale & Armstrong, 2021), Prime Minister Narendra Modi said that there was no reason that was rational enough for India, not in the wisdom of Gandhi Ji, nor Narendra Modi's conscience that RCEP would benefit all Indian people (Laskar, 2020). In line with Narendra Modi's statement, RCEP's refusal is also supported by India's domestic groups interested in protecting their domestic industry. Groups of farmers and industrial workers, for example, put up a collective fight against RCEP because it is perceived as a door for China to carry out dumping, which has the potential to destroy indigenous industries and rural economies. Moreover, there is a political consensus against RCEP not only within the opposition party Indian National Congress (INC), but also within the incumbent alliance partner National Democratic Alliance-II (NDA-II), led by the Bharatiya Janata Party (BJP) (Verma, 2020). These reasons are further strengthened by the infant industry argument—a political economy approach stating that industry is in its early stages and must be protected to develop before it can compete globally—which the government has commonly used to justify its non-participation in international markets (Grossman & Horn 1998).

This non-participation policy towards RCEP could be perceived as a lost opportunity for India to trade with the world's largest market. RCEP is an ASEAN initiative to consolidate ASEAN+1 FTAs. So far has been implemented with 6 ASEAN Free Trade Areas (FTAs) partner countries: Australia, China, India, Japan, South Korea, and New Zealand. The consolidation of ASEAN with the six trading partners has made RCEP a market for half the world's population, covering two-fifths of the global gross domestic product (GDP) with a figure of USD 21.3 trillion, and resulted in a shift in the center of gravity of the world economy from West to East (Deb 2021). Even though ASEAN claims RCEP as an ASEAN-led agreement, the slow negotiation process since 2012 has forced China to take an assertive stance and push for a settlement of negotiations as soon as possible (Rolland & Trubek, 2019). Jeffrey

D. Wilson (2017) also stated that the RCEP negotiation process could not be separated from China's leadership, which wanted to make RCEP an instrument to balance US economic leadership in the region. Other emerging economies in the region, such as India, have a significant potential to fill the hole in US influence in the area and profit from the export-led growth provided by RCEP due to the US's exit from the Trans-Pacific Partnership (TPP) in 2017.

However, the government's justification for justifying India's withdrawal from RCEP received strong criticism from Economic Liberalism academics. The debate regarding India's withdrawal from RCEP arose because the government used the proposition of Economic Nationalism, which was dominated by the infant industry argument, as a justification for the policies taken. The problem is that the infant industry argument does not seem to work for India, and its effectiveness has been debated for a long time (Grossman & Horn 1998; Sauré 2007). Liberal scholars argue that Indian companies, protected by protectionism, can sell practically whatever they produce in the domestic market without worrying about challenges from other competitors and thus have little incentive to increase their international competitiveness (Srinivasan & Tendulkar 2003). This condition is undoubtedly a highlight for liberals who believe that small industry will forever be small if it continues to be protected. For most Indian industries, the incentive to be competitive is absent as the government has always protected from foreign industrial rivals. If the Indian government wants to increase the number of exports, the industry must be faced with competition, and thus the quality standards will be adjusted to make it better. Even if a state in the multipolar trade structure is experiencing relative losses from its current commercial exchanges, adopting strong protectionist measures would reduce that state's relative power since they would cause even more significant relative losses (Kim 2018).

Although it cannot be denied that liberalism makes an essential contribution in detecting the potentials available to India if it joins free trade, such as RCEP, economists who advocate free trade are often reluctant to mention the other side of free trade (Erken & Every 2020). The fact is that international trade is a complex system characterized by market failures, in which the playing field for firms at the international level is affected by transaction costs, economies of scale, and government policies. As a result, the economic outcomes of trade are not always favorable for each country. Unlike other Asian countries, trade liberalization in India since the 1990s has generated few jobs. In addition, trading also produces a redistribution effect and creates winners and losers. An analysis of the impact of the ASEAN-India free trade agreement (AIFTA) concluded that free trade would create opportunities for Indian companies active in machinery, chemicals, and transport equipment, but at the same time, would result in losses for Indian SMEs in the food, agriculture, and the light manufacturing sector.

By focusing on this overlooked point, this paper rejects the optimistic liberal interpretations of free trade and deregulated markets such as RCEP. On the other hand, free trade is a catalyst for the disparity of power between capitalists and workers, the gap between rich and poor countries, exploitation, inequality, poverty, and dependency. The increase in the volume of foreign trade between developed and developing countries and the increase in investment in developed countries is not necessarily directly proportional to the increase in the standard of living of developing countries. On the other hand, developing countries are locked in a situation of underdevelopment, where they will be subject to and dependent on the global economy dominated by developed countries (Kingsbury et al. 2017). The capitalist system tends to reproduce itself so that those who start with more power and wealth can maintain that position by maintaining dependence on labor and people with low incomes.

As a form of rejection of liberal criticism regarding India's withdrawal from RCEP, an antithetical approach from liberals is needed, directly rejecting the practice of free trade. In this regard, structuralism is then presented as an alternative approach that can assist in writing this paper. For this reason, a research question can be formulated: amid current criticism of liberal groups against the government's protectionist justification, how does structuralism explain India's withdrawal from RCEP? This paper aims to rationalize India's withdrawal using Dependency Theory which is one of the theories in the structuralism approach. With Dependency Theory, the argumentation of this paper focuses on explaining the structures created by RCEP and how these structures form dependencies that threaten India's position. Apart from being aimed at justifying India's decision to withdraw, this article is also intended to demonstrate the relevance of structuralism, which is believed to be increasingly outdated, in the theoretical debate between structuralism and liberalism in the global political economy.

To explain the reasons for using structuralism more clearly, there are five works of literature with different approaches to be compared in this paper. First, the approach of Economic Nationalism. Gaur (2022), in his writings, uses the infant industry argument and argues that India's withdrawal is based on the need to buy time to fix domestic problems before opening itself further to free trade. Second, the Neoclassical Realism approach. Wicaksono (2021) explained India's withdrawal was due to structural changes in the Indo-Pacific region with the withdrawal of the United States from the Trans-Pacific Partnership (TP, exacerbated by pressure from community groups at the domestic level. The third approach Domestic Structures and Coalition-Building Process, from Naufal and Choiruzzad (2021), India's withdrawal from the RCEP negotiations was due to the characteristics of India's domestic policy network which is democratic corporatism, in which community groups such as the Rashtriya Swayamsevak Sangh (RSS), can push protectionist narratives to influence foreign policy by mobilizing support from the voices of small industry and agriculture players in pressing the Indian government not to get involved in the RCEP agreement. The fourth approach, Modinomics or populism. Putriani's writing (2021) argues that Modi's decision to resign from RCEP was made to maintain Modi's political credibility, especially from farmers and industrial workers who see RCEP as a domestic threat. The fifth approach is geopolitics. Wang, C. and Vinay Sharma (2021) write that the motivation for resignation is based on a dilemma between economic benefits and geopolitical risks that India takes into account in RCEP, where this dilemma arises for several reasons, including: (1) The composition of RCEP membership indicates that Chinese and Japanese influences are very dominant in the Region; (2) RCEP overlapped with the US-led Indo-Pacific Strategy, making the stability of RCEP's economic cooperation vulnerable; and (3) India-China geostrategic adjustments in South Asia, ASEAN, Sri Lanka, and Bangladesh have made RCEP cooperation overshadowed by geopolitical conflict, making it doubtful to be effective.

Although these five approaches can provide an overview of the reasons behind India's withdrawal from RCEP, there is still room for more in-depth enrichment of the literature on this issue, namely by using the structuralism approach. These writings do not analyze the structure created by RCEP and the consequences of the creation of this structure for India's trade balance. As shown in the discussion section, RCEP places India as a satellite (periphery) country in the regional structure formed as a result. Structuralism was adopted by many peripheral countries with the main principle of providing opportunities to establish a stable domestic economic system, and free from dependence on international markets dominated by capitalism (Frieden 2006). Structuralism is a contrast to liberalism which advocates the creation of free markets and argues that it is beneficial to integrate into the world production system. For structuralism, the increase in the volume of foreign trade between the core and satellite countries is not directly proportional to the increase in the standard of living of the satellite countries. Structuralism then describes market liberalization and global capitalist economic practices as a form of domination and exploitation that keeps developing countries locked in a situation of underdevelopment, where they will be made subject to and dependent on the global economy, which is dominated by developed countries (Kingsbury et al. 2017)

Compared to other approaches, structuralism can be more accurately used to see India's withdrawal from RCEP by emphasizing the analysis of economic factors. As quoted from Durlauf and Blume (2010), structuralism argues that political behavior is driven by economic motivation and political outcomes are determined by economic power. Emphasis on the economic aspect is significant because, based on previous literature reviews, the approach widely used to examine India's withdrawal phenomenon emphasizes an analysis of the political orientation of the actors involved. For example, as described above, neoclassical realism and geopolitical approaches only place economics as a subset of politics. In looking at the phenomenon of global political economy, the emphasis should not necessarily be focused on analyzing political results. One can also see how the economy can significantly influence the creation of political policies. In this paper, India's withdrawal will be seen as a political decision resulting from a potential deficit in India's trade balance by joining RCEP.

Structuralism as Framework of Analysis

Structuralists argue that the only way developing countries can grow is by relying on the role and actions of the state. As Di Palma (1991) states, developing countries should encourage industrialization by removing their dependence not only on trade with developed countries, but also on developing countries themselves. Structuralism focuses on the structural aspects that hinder the economic growth of developing countries, emphasizing that a country's economy must transform from subsistence agriculture to a modern manufacturing and service economy. The policy idea that later became the result of structuralist thinking was that significant government intervention was needed in the economy to encourage the industrial sector, and one of the most prominent policy recommendations in this regard was Import Substitution Industrialization (ISI). Developing countries must carry out this structural transformation to create an economy that is standing on its own feet. According to structuralists, economic independence can only be achieved if the state can end its dependence on other countries, especially on exports of primary goods (agricultural and mining products), and pursue inward-oriented development by protecting the domestic economy from the economies of developed countries. Trade with developed economies is minimized as much as possible through cooperation agreements that provide trade barriers and overvaluation of domestic exchange rates; In this way, domestic substitute production of previously imported industrial products is encouraged to develop.

Because of the emphasis on dependency, one of the most dominant theories in the structuralist approach is the Dependency Theory developed by Andre Gunder Frank. As a derivative of Marxism, Structuralism or Neo-Marxism adopts the main argument from Marxism that international change occurs due to the movement of social classes as the main actors. In the context of the international structure, these social classes are mapped conceptually on world countries in a hierarchical structure. As a result, world countries are classified into core/metro-polite countries and satellite countries (periphery/satellite), both of which are involved in exploitative relations. The capitalist class (core state) uses the power at its disposal to build and maintain a capitalist system that is used to exploit the working class (satellite state).

The structuralist perspective that highlights the relationship between the core and periphery states is dependency theory. Dependency theory argues that the structure of the global political economy essentially enslaves less developed countries by making them dependent on core capitalist countries. Andre Gunder Frank (1966), who focused on dependency in Latin America, is best known for his thesis on the development of underdevelopment or the development of developing countries. He argued that developing countries were never "underdeveloped" because people might perceive them as "underdeveloped". Conversely, once great civilizations became independent, developing regions of the world became underdeveloped due to colonization by the larger capitalist industrial nations. Several researchers, including Frank, have called for satellite countries to withdraw from the global political economy system currently dominated by the capitalist system to avoid this underdevelopment trap.

One of Frank's arguments is that the periphery countries, in a world dominated by the core countries, enjoy economic growth with tremendous benefits only when their ties to the core countries are at their lowest. This argument almost diametrically contradicts the generally accepted thesis that development in underdeveloped countries depends on the most significant degree of contact and diffusion from metropolitan developed countries. Frank, in his proof, shows that there are two types of isolation that the state can do to encourage growth. First is relative isolation. This type of isolation is carried out in crises, whether caused by war or economic depression in the core country. The period of the Napoleonic Wars, for example, allowed Latin American countries to become independent and begin growth. Growth can occur in a crisis because, in that period, the focus of the metropolitan country in exploiting its satellite countries is diverted to solving the crisis in the country. This situation led to a relaxation of trade and investment relations during this period, and the satellite countries could start industrialization and growth autonomously without intervention by the core countries.

The second type of isolation is geographic and economic isolation of the region. During the same period, the isolation was less integrated into the mercantilist and capitalist systems. One classic case of industrialization through non-participation as a satellite in the world capitalist system is the case of Japan after the Meiji Restoration. Japan, which was poor in resources, but capable of rapid industrialization at the end of the 20th century, could easily beat Russia, known for its rich resources and was in the same development process in the 1904 War. According to Frank, this could happen because Japan was not a satellite of Russia during the Tokugawa or Meiji period. Hence, development was not structurally restricted as with the satellite Soviet states.

According to Frank, this backwardness can be seen from three main components: (1) foreign capital; (2) local government in satellite countries; and (3) the bourgeoisie in satellite countries. Development in satellite countries only occurs among these three main components, without touching the development target's people. This argument means that apart from the economic dependence of satellite countries on the core countries, underdevelopment in satellite countries is caused by foreign capital only cooperating with officials, landlords, and traders. As a result, there is an economic imbalance between the rich and the poor in satellite countries. The trickle-down effect does not work in satellite countries because the circulation of capital capabilities only revolves among the elite, without touching the proletariat, who need economic changes in a more advanced direction.

This article attempts to understand India's decision to withdraw from the RCEP negotiations, which liberals see as a lost opportunity, using a structuralist approach. Using the dependency theory developed by Andre Gunder Frank, this article explains that India's withdrawal from RCEP results from the regional political economy structure created by RCEP. The structure of the global political economy essentially enslaves the less developed countries by making them dependent on the core countries of the created capitalist system. Several researchers, including Frank, have called for satellite nations to withdraw from the global political economy to avoid this underdevelopment trap.

This research will use a qualitative approach with data collection techniques and data analysis using literature studies. The data sources used are primary data in the form of research reports from government institutions or international organizations and secondary data from books, newspapers, scientific journals, and related internet sites. Like the qualitative research described by Bryman (2004), this article will generally contain three main characteristics: (1) it is inductive and tries to seek generalizations of theory; (2) it is interpretive; and (3) is constructive with the research object based on the construction of the social actors involved.

Liberal Criticism of India's Withdrawal

Before presenting structuralism views, it is essential to understand the context of liberal criticism of India's withdrawal from RCEP. The three main points of the liberal critique are as follows. First, the inconsistency of the Make in India program. The Make in India program is intended to make India a manufacturing center that integrates Indian industrial products into the global economy. Therefore, this program requires a policy approach that can create a conducive environment for investment, develop modern and efficient infrastructure, and open up new sectors for foreign capital (India Brand Equity Foundation 2021). With India leaving RCEP, India will lose the opportunity to invite investors as a basis for strengthening exports to the free trade zone (Deb 2021)

Second, India will lose its golden momentum to trade with a large population and GDP that can significantly contribute to its GDP. The justification of the ruling government and political parties by emphasizing the Gandhian principle that "the poorest should be a priority for government policymaking" should not be supported. Conversely, greater trade openness can benefit the poorest by increasing their ability to purchase manufactured products at competitively lower prices. Experts even estimate that by joining India in RCEP, India's GDP can be increased by 1.2% in 2030 (Jain 2021).

Third, there is a fear of the Indian industry to compete. With RCEP, India will be faced with competition from China, Japan, and Korea, which are significant players in the manufacturing industry. Responding to the threat of competition, the Indian government often imposes protectionist policies on its industries that are not competitive enough to export to the RCEP market, even with zero tariffs. The problem is that the vision of making India a global manufacturing hub depends on opening access to global and regional production networks. For this reason, liberals argue that there is a need for Free Trade Agreement (FTA) arrangements such as RCEP to encourage Indian industry to increase competitiveness. The infant industry logic that domestic industry should engage in such FTAs only when it is already competitive is wrong. Industry will never be competitive unless exposed to competition. Without RCEP, the Indian industry's chance to meet competition will again be missed and ultimately keep the Indian industry from increasing competitiveness (Abdullayevna et al. 2019).

Avoiding the Free Market

Unlike the liberal proposition, this essay does not necessarily advocate free trade. Quoting Erken and Every (2020), the potential implications of RCEP for India show an unequal dependence between India and other countries. Table 1. below shows the relative bilateral trade position of the RCEP members with each other, together with India, the European Union, and the United States as a comparison. Each column is read from top to bottom, where green represents trade surplus as a percentage of GDP and red represents deficit. For example, Australia had a trade surplus with China in 2019 of 3.7% of GDP, while Thailand had a deficit of -0.6%.

As seen in Table 1, most of the larger RCEP economies are net exporting countries, except the Philippines and New Zealand (see bottom row totals in Table 1). In addition, RCEP members do not have large trade deficits with each other, with a few exceptions (e.g., Australia with China, China with South Korea, and Vietnam with South Korea). These examples imply that most RCEP members export outside the RCEP area. Indeed, RCEP members show greener than red compared to the US. The same is true about the European Union, although to a lesser extent.

Table 1.
Trade Balance of RCEP Member Countries

↓ Trade balance of county with trading partner, % GDP

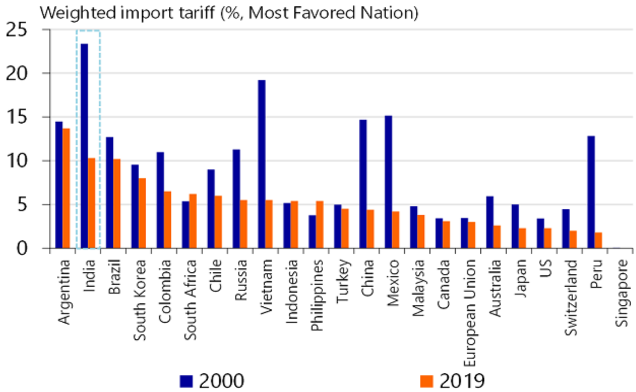
↓ Trading partner	Australia	China	Indonesia	Japan	Laos	Malaysia	New Zealand	Philippines	Singapore	South Korea	Thailand	Vietnam	India	EU	US
Australia		-0.4	-0.3	-0.3	-0.1	0.8	0.8	-0.2	2.0	-0.5	1.3	0.1	-0.3	0.2	0.1
China	7.7		-1.5	-0.1	0.9	0.1	-0.4	-1.6	13.1	4.8	-2.0	-8.3	-2.1	-1.0	-1.7
Indonesia	0.0	0.1		-0.1	-0.2	-0.3	0.0	-1.4	3.9	-0.1	0.4	-0.3	-0.4	0.0	-0.1
Japan	1.3	0.3	0.3		0.2	0.7	0.2	0.3	0.9	1.4	2.3	0.0	0.3	0.0	0.3
Laos	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Malaysia	-0.3	0.2	0.2	0.1	0.1		0.3	0.7	0.6	0.0	0.4	0.8	0.2	0.1	0.1
New Zealand	0.1	0.0	0.0	0.0	0.0	0.1		-0.1	0.1	0.0	0.2	0.0	0.0	0.0	0.0
Philippines	0.1	0.1	0.5	0.0	0.0	0.6	0.2		0.4	0.4	0.8	0.6	0.0	0.0	0.0
Singapore	0.1	-0.1	-0.5	0.1	-0.2	2.9	-0.1	-0.6		0.1	0.1	-0.7	0.0	0.1	0.8
South Korea	0.4	-0.7	-0.1	0.4	-0.4	-0.6	-0.1	-1.5	-0.2		-0.8	-9.1	-0.4	0.0	-0.1
Thailand	-0.6	0.0	-0.3	0.1	-4.7	0.4	-0.6	-1.2	2.0	0.1		-2.1	-0.1	0.0	-0.1
Vietnam	-0.1	0.2	0.0	0.1	1.5	0.5	0.0	0.3	2.6	1.6	1.3		0.1	0.2	0.2
India	0.4	0.4	0.9	0.1	0.4	1.0	0.0	0.3	1.3	0.6	0.6	0.3		0.0	0.1
EU	1.9	0.8	0.1	-0.2	0.5	0.8	-1.0	0.2	-2.0	-0.4	0.4	6.8	0.0		-0.8
US	1.1	2.1	0.9	1.2	-0.1	1.7	-0.1	0.5	-2.8	1.2	2.6	12.0	0.0	1.0	
Total	0.3	3.5	0.0	0.1	2.7	7.9	1.3	10.0	13.0	4.8	2.2	1.1	5.6	2.1	4.1

Source: Erken and Every (2020)

In short, RCEP is a net exporter trading bloc focusing more on external than internal markets. The only way to make RCEP successful is if one of its more prominent members becomes a significant net importer, siphoning goods and services from other members. However, this seems unrealistic, according to Erken and Every (2020). As long as China openly talks about 'dual circulation' to promote domestic production for its domestic market, RCEP will remain beholden to a political-economy model that generates more supply than demand among its members.

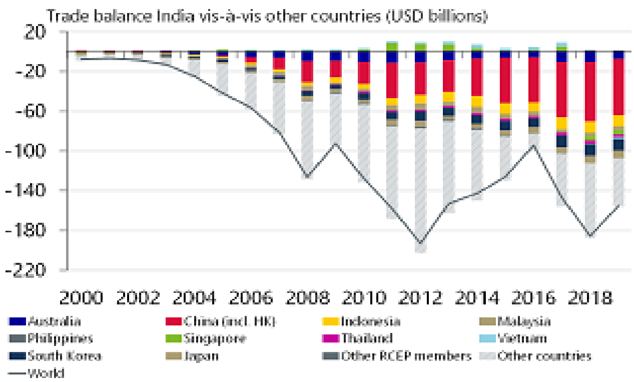
Suppose China cannot take on the role of being a buyer that 'sucks up' any RCEP members' offerings. In that case, it can be seen that the reason why the members agreed to leave the door open for India to stay on board and even included some chapters protecting India's interests in the final version of the RCEP agreement is for India to play that role. If India signs the RCEP agreement, its relatively high tariffs will decrease substantially (Figure 1) and allow other RCEP members to gain easier access to its massive market of 1.4 billion consumers (Erken & Every, 2020).

Figure 1.
Import Tariff Rates of World Countries



Source: Erken and Every (2020)

Figure 2.
Decrease in India's Trade Balance



Source: Erken and Every (2020)

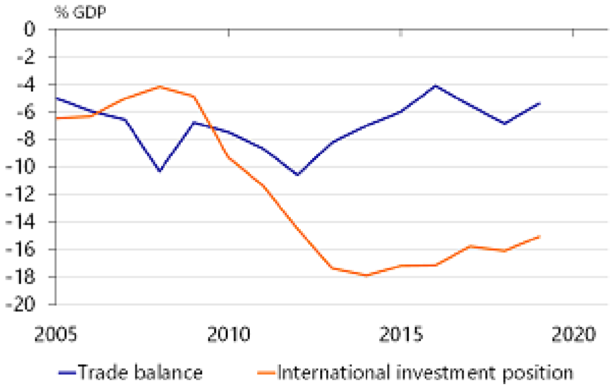
According to Erken and Every (2020), that is precisely why India is reluctant to join RCEP. Over the past five years, RCEP members have been responsible for almost 70% of India's trade deficit on average (Figure 2). This trade deficit has weakened India's external position (Figure 3), affected India's financial condition and creditworthiness, while also limited its options to adopt unconventional monetary policies.

Peripheral Position of India in RCEP

Using a structuralism approach, the findings of Erken and Every (2020) described in the previous section, will show that India in the regional economic structure only occupies a marginal position. This argument can be seen from the data in Table 1, where India's trade balance with other RCEP countries tends to be in deficit. India's trade balance deficit against other countries proves that there is non-reciprocal dependence. From the viewpoint of structuralism, such dependency has the potential to lead India into a situation of underdevelopment. As Andre Gunder Frank's argument in Dependency Theory highlights, developing countries have failed to develop not because of 'internal barriers to development' as modernization theorists have argued. Instead, the failure of the satellite states to develop is due to the core states systematically keeping them underdeveloped and in a state of dependence.

Because RCEP provides space for core countries to interact with satellite countries, based on the assumption of structuralism that countries in the regional structure will create exploitative relations, India as a satellite country will be the party that loses out. RCEP provides space for the practice of capitalism, such as the free market. Capitalists want to keep production costs as low as possible to extract more resources. The ability to keep costs low will depend on how desperate the workers are. The more desperate they are for work, the cheaper they will work. In other words, a specific unemployment rate does well for the owners of capital in keeping wages and costs low. Therefore, India, which has low competitiveness, will be forced to work at the lowest possible cost, causing the gains from free trade to be disproportionate between India and its partner countries in RCEP. Therefore, RCEP encouraging free trade cannot be seen as a way to alleviate poverty in developing countries like India. Instead, countries should focus on policies to ensure equal distribution of benefits (and not free trade) to improve their economic status.

Figure 3.
Weaknesses in India's External Position



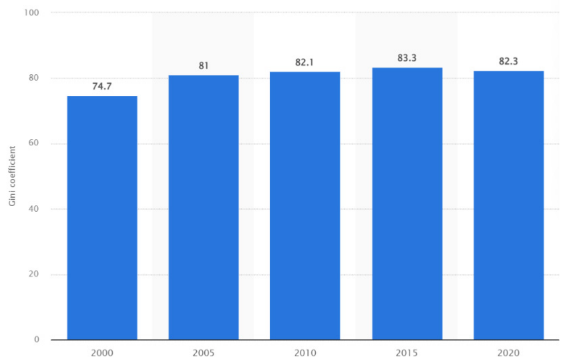
Source: Erken and Every (2020)

Isolation as an Option

As a satellite country, the Dependency Theory put forward by Frank proposes isolation as an option India can take to support the country's growth and development. This strategy is carried out by breaking the cycle of dependence so that developing countries isolate their economies and their relationships with regions with advanced economic powers. The strategy happened because by joining a satellite country in an economic structure that involves the core country, its development will be structurally limited to fulfill the economic interests of the core countries. Using an isolationist frame of mind towards a particular region's economy, India, which sees that RCEP is not yet strong enough after seven years of negotiations, will logically withdraw from the initiative. The potential for attachment between its member countries is not very strong, so mutual gains will be difficult to achieve.

Additionally, nuances of competition from member countries, including India-China relations, will make the system even more exploitative. As Monika Jain (2023) suggested, India should avoid the RCEP until it shows its trade competitiveness in certain goods and services. India should concentrate on a more proper economic structure where India could act as the core instead of the periphery. In addition, India's isolation from RCEP also occurred due to the encouragement of marginal groups. For structuralism, this is a logical consequence of free trade because the advantages of development that depend on the core state only benefit elite groups such as officials, landlords, and traders. The circulation of capital occurs only among the bourgeois groups, and the trickle-down effect does not occur as expected for the proletariat. Thus, RCEP can potentially widen the gap between rich and poor groups in India, which is already unequal. As shown in Figure 4 below, the Gini index in India reaches quite large numbers. At the end of 2020, India's wealth Gini coefficient stood at 82.3. It means there is a significant increase compared to 74.7 in 2000. The largest increase was recorded from 2000 to 2005, indicating a solid inequality trend. Seeing RCEP's potential to increase inequality even further, India's withdrawal is the right way to avoid further increasing inequality (Kanwal, 2022).

Figure 4.
India's Wealth Gini Coefficient from 2000 to 2020



Source: Kanwal (2022)

Conclusion

India's withdrawal from RCEP results from the regional economic structure, which places India in a peripheral position. Using the Dependency Theory, the free market initiated through RCEP is perceived as an international arrangement that can perpetuate

India's backwardness. Instead of obtaining benefits as desired by liberals, this paper borrows the perspective of structuralism and sees RCEP as a setback for India's development. RCEP, from a structuralist point of view, is problematic in at least two respects. First, India has become a 'cash cow' for RCEP's core countries which supply all their economic needs without giving positive feedback. Secondly, the benefits of RCEP can only be enjoyed by India's elite, widening the gap between India's rich and poor groups.

Acknowledgment

I want to extend my heartfelt appreciation to Prof. Fredy Buhama Lumban Tobing for his invaluable guidance and support throughout the development of this journal article. Prof. Tobing's expertise, profound knowledge, and insightful feedback have played a pivotal role in shaping the direction and enhancing the quality of this research.

About the Author

Pasek Acyuta Diwangkara Satyakusuma is a master student of University of Indonesia. He obtained his bachelor's degree from Universitas Airlangga in 2021. He can be contacted through email: pasek.acyuta@ui.ac.id.

REFERENCES

Book

Bryman, Alan. 2004. *Social Research Methods*. Oxford: Oxford University Press.

Di Palma, Giuseppe. 1991. *To Craft Democracies: An Essay on Democratic Transition*. Berkeley: University of California Press.

Durlauf, Steven N. and Lawrence E. Blume. 2010. *Economic Growth*. Palgrave Macmillan.

Frank, Andre G.,1966. *The Development of Underdevelopment*. New York.

Frieden, Jeffry A. 2006. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. New York: W.W. Norton & Company.

Kingsbury, Damien, et al. 2017. *International Development Issues and Challenges*. New York: Palgrave.

Srinivasan, Thirukodikaval Nilakanta and Suresh Tendulkar. 2003. *Reintegrating India With the World Economy*. Peterson Institute International Economics.

Journal Article

Abdullayevna, Qayimova Zumrad, Qodirov Aziz Anvarovich, & Narziyeva Dilafiruz Muxtorovna. 2019. "Theoretical Foundations of Enhancing", Journal of Management Value & Ethics, **9**(4):54-58.

Deb, Rajat. 2021. "Is RCEP a Panacea for India?", The Indian Economic Journal, **68**(4):659-666.

Drysdale, Peter & Shiro Armstrong. 2021. "RCEP: A Strategic Opportunity for Multilateralism", China Economic Journal, **14**(2):128-143.

Gaur, P., 2022. "India's Withdrawal from RCEP: Neutralising National Trade Concerns", *Journal of the Asia Pacific Economy,* ***27***(2):270-288.

Grossman, G. M., & Horn, H., 1998. "Infant-Industry Protection Reconsidered: The Case of Informational Barriers to Entry", *The Quarterly Journal of Economics,* **103**(4):767-787.

Jain, Monika. 2021. "Was India Right in Not Joining RCEP? A Cost-Benefit Analysis", India Quarterly, **77**(4):542-559.

______., 2023. "Neutralizing Concerns and Mapping the Trade Competitiveness and Potential of Indian Export with RCEP Countries", Vision: The Journal of Business Perspective.

Kim, Dong Jung. 2018. "Realists as Free Traders: The Struggle for

Power and the Case Against Protectionism", International Affairs*,* **94**(6): 1269-1286.

Naufal, Noudy & Shofwan Al-Banna Choiruzzad 2021. "Dinamika Domestik dalam Kebijakan Luar Negeri: Mundurnya India dari Regional Comprehensive Economic Partnership (RCEP)", Jurnal Hubungan Internasional, **XIV**(1):23-44.

Putriani, Ika Annisa & Yessi Olivia. 2021. "Motivasi India Mengundurkan Diri dari Regional Comprehensive Economic Partnership (RCEP) Tahun 2019", Jurnal Online Mahasiswa, **8**(1): 1-15.

Sauré, Philip. 2007. "Revisiting the Infant Industry Argument", Journal of Development Economics, **84**(1): 104-117.

Verma, Raj. 2020. "The Regional Comprehensive Economic Partnership and India: A Test Case of Narendra Modi's Statesmanship", Australian Journal of International Affairs*,* **74**(5):479-485.

Wang, Chao & Vinay Sharma. 2021. "India's RCEP Dilemma with China: Beyond Legal Texts", Pacific Focus, **36**(1):40-62.

Wicaksono, Abraham Hugo Pandu. 2021. "India's Withdrawal from Regional Comprehensive Economic Partnership", Nation State: Journal of International Studies*,* **4**(2): 231-246.

Newspaper Article

Laskar, Rezaul H., 2020. "RCEP trade deal a no-go, PM Modi says conscience doesn't allow", July 18.

Online Article

Erken, Hugo & Michael Every, 2020. "Why India is wise not to join RCEP" [online]. In https://www.rabobank.com/knowledge/d011308215-why-india-is-wise-not-to-join-rcep [accessed on June 30, 2023].

India Brand Equity Foundation, 2021. "Make in India" [online]. In https://www.ibef.org/economy/make-in-india [accessed on June 30, 2023].

Kanwal, S., 2022. "Wealth Gini coefficient of India from 2000 to 2020" [online]. In https://www.statista.com/statistics/1248515/india-wealth-gini-coefficient/#:~:text=At%20the%20end%20of%202021,compared%20to%2074.7%20in%202000 [accessed on June 30, 2023].

Wilson, Jeffrey D. 2017. "The Regional Comprehensive Economic Partnership: An Indo-Pacific approach to the regional trade architecture?" [Online] In https://researchportal.murdoch.edu.au/esploro/outputs/report/The-regional-comprehensive-economic-partnership/991005542441007891 [accessed on June 28, 2023].